

12 January 2018

Reconstruction Capital II Limited

Proposed acquisition of indirect shareholding in Policolor S.A., change to Investment Objective and Policy, termination of Annual Buyback Programme, and Continuation of the Life of the Company

Reconstruction Capital II Ltd (“RC2” or the “Company”), a closed-end investment company incorporated in the Cayman Islands admitted to trading on the AIM market of the London Stock Exchange, today announces that it has signed conditional agreements for the purchase of a shareholding in two Romanian-focussed investment funds whose main underlying asset is a 60% shareholding in Policolor S.A. (“Policolor”), a Romanian producer of paints and coatings, resins and chemicals with a substantial real estate portfolio in which RC2 already owns the balance of 40%.

Further investment in Policolor

The Company has entered into agreements to acquire 22 per cent. of the issued share capital of Reconstruction Capital plc (“RC”) for EUR 1.6 million and 10 per cent. of the issued share capital of The Romanian Investment Fund Limited (“RIF”) for EUR 1.7 million, both acquisitions being subject to RC2 shareholder approval (the “Acquisition”).

The main objective of the Acquisition, which will give RC2 a further 15.36 per cent. indirect shareholding in Policolor in addition to the already held direct interest of 40%, is to provide RC2 with greater control over the exit process from this asset. Consistent with the current policy, Policolor will continue not to be consolidated into the accounts of the Company. For the year ended 31 December 2016, RC had a loss of US\$ 701,348 and RIF had a loss of US\$ 970,622. The total cost of the Acquisition is EUR 3.35 million, and the shares are being acquired at an overall discount of 35 per cent. to their net asset values. The total net asset values of RC and RIF as at 30 November 2017 were US\$ 15.1 million and US\$ 27.4 million, respectively. The consideration is being satisfied from the Company’s existing cash balances.

RIF’s 60% shareholding in Policolor represents over 97% of its total assets and RC’s only substantial asset is a 69.2% shareholding in RIF.

Proposal to revise the existing Investing Objective and Policy

RC2 also intends to propose to its shareholders that RC2’s investment objective and policy be amended so that new investments will be permitted, but only in assets based in Romania, and with a primary focus on real estate assets.

If the proposed change to the investment policy is approved by shareholders, the Board intends to distribute any net income received from such investments to Shareholders, whilst re-investing any realised capital, including capital gains, in further investments.

Furthermore, if Shareholders approve the proposed change to the Company’s investment policy, the Board will end the Company’s annual buyback programme pursuant to which any annual realised profits are to be returned to Shareholders by way of tender offers to repurchase Shares at NAV.

Proposal to continue the life of the Company

Conditional on the proposed change to the Company's investment policy, the Board intends to propose to Shareholders that the life of the Company be extended so that the Company's next continuation vote be held in 2023.

RC2 will shortly be issuing a Circular providing further details on the proposed Acquisition, the proposed change to the investment objective and policy, the proposed termination of the annual buyback programme and the proposed continuation of the life of the Company. The Circular will contain a notice of an Annual General Meeting.

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The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.