

22 August 2014

Reconstruction Capital II Limited (the "Company")

**Interim Unaudited Consolidated Financial Statements
for the six months ended 30 June 2014**

Reconstruction Capital II Ltd ("RC2, the "Company" or the "Group"), a closed-end investment company incorporated in the Cayman Islands admitted to trading on the AIM market of the London Stock Exchange, today announces its results for the for the six months ended 30 June 2014.

Copies of the Company's interim financial statements will today be posted to shareholders. The annual report is also available to view on the Company's website <http://www.reconstructioncapital2.com/>.

Financial highlights

- The net asset value as at 30 June 2014 was EUR 0.3542 per share (EUR 0.3287 per share as at 31 December 2013);
- As at 30 June 2014 the Company's market capitalisation was approximately EUR 12.5m, with a closing price of EUR 0.125 per share;
- The Directors do not recommend the payment of a dividend.

Operational highlights

The Private Equity Programme

RC2 did not make any new investments under its Private Equity Programme, and continued to pursue a number of exits, both from the Fund's investee companies as well as from certain assets held by them. The investments held under the Private Equity Programme had a fair value of EUR 41.3m at the end of June, up 8.7% since the 2013 year-end audit report, primarily due to the effect of the increase in the Albalact SA share price.

The Trading Programme

As at 30 June 2014, RC2's listed equities held under the Trading Programme had a total market value of EUR 0.3m, down 6% over the semester, due to lower prices of these investments on the local stock exchange. All the investments held under the Trading Programme were in Romanian equities.

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INVESTMENT MANAGER'S AND INVESTMENT ADVISOR'S REPORT

On 30 June 2014, Reconstruction Capital II Limited ("RC2" or the Fund) had a total unaudited net asset value ("NAV") of EUR 35.4m or EUR 0.3542 per share, a 7.8% increase compared to the audited NAV at the end of December 2013. The increase in the NAV is mainly the result of a 40% increase in the Albalact SA share price over the first semester, as well as the receipt of EUR 1.5m of dividends from the Top Factoring Group.

In May, RC2 exchanged half its shareholder loan to Klas (the bakery division of East Point Holdings Ltd) amounting to EUR 1.3m for a 41% direct shareholding in the company. Consequently, RC2's direct shareholding in Klas has increased from 11% to 52%.

RC2 did not make any new investments under its Private Equity Programme, and continued to pursue a number of exits, both from the Fund's investee companies as well as from certain assets held by them. The investments held under the Private Equity Programme had a fair value of EUR 41.3m at the end of June, up 8.7% since the 2013 year-end audit report, primarily due to the effect of the increase in the Albalact SA share price.

As at 30 June 2014, RC2's listed equities held under the Trading Programme had a total market value of EUR 0.3m, down 6% over the semester, due to lower prices of these investments on the local stock exchange. All the investments held under the Trading Programme were in Romanian equities.

Over the first half of the year, RC2 received EUR 1.5m in dividends from the Top Factoring Group, as well as EUR 0.6m from Mamaia Resort Hotels SRL pursuant to a loan made by RC2 which has now been repaid following a refinancing. RC2 also secured a bridge loan of EUR 6.75m from Ion Florescu, a Director of the Fund, of which EUR 5.75m was drawn at the end of June. The proceeds were used to repay accrued liabilities, including prior shareholder and director loans, as well as to provide working capital to the Fund.

At the end of June 2014, RC2 had cash and cash equivalents of approximately EUR 0.5m, borrowings of EUR 5.9m, and another EUR 2.3m of accrued liabilities to its service providers, including investment management and advisory fees.

RC2 has announced that it is planning to launch a EUR 9m convertible bond to refinance the bridge loan and provide working capital to the Fund.

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

	30-Jun-14	30-Jun-13	31-Dec-13
	EUR	EUR	EUR
	Unaudited	Unaudited	Audited
Investment gain/(loss)			
Gain/(loss) on investments at fair value through profit or loss	1,950,240	237,252	(4,139,530)
Interest income	54,324	216,387	449,689
Dividend income	1,527,107	1,416,918	1,786,545
Other income	35,986	55,792	111,693
Total investment gain/(loss)	3,567,657	1,926,349	(1,791,603)
Expenses			
Impairment on loan receivables	-	(428,921)	(1,915,317)
Operating expenses	(603,632)	(966,770)	(1,724,249)
Total operating expenses	(603,632)	(1,395,691)	(3,639,566)
Operating gain/(loss)	2,964,025	530,658	(5,431,169)
Financial expenses	(441,697)	(506,786)	(994,901)
Profit/(loss) before taxation	2,522,328	23,872	(6,426,070)
Withholding tax expense	(404)	-	-
Income tax expense	-	(8,715)	(10,353)
Net profit/(loss) for the period	2,521,924	15,157	(6,436,423)
Other comprehensive income/(loss)			
Exchange differences on translating foreign operations	13,102	(7,253)	3,835
Total comprehensive income/(loss) for the period	2,535,026	7,904	(6,432,588)
Net profit/(loss) for the period attributable to:			
- Equity holders of the parent	2,551,095	(12,074)	(6,459,070)
- Non-controlling interest	(29,171)	27,231	22,647
	2,521,924	15,157	(6,436,423)
Total comprehensive income/(loss) attributable to:			
- Equity holders of the parent	2,551,018	(12,618)	(6,458,782)
- Non-controlling interest	(15,992)	20,522	26,194
Total comprehensive income/(loss) for the period	2,535,026	7,904	(6,432,588)
Earnings Per Share attributable to the equity shareholders of the Company			
Basic and diluted earnings per share	0.0255	(0.0001)	(0.0646)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2014

	30-Jun-14	30-Jun-13	31-Dec-13
	EUR	EUR	EUR
	Unaudited	Unaudited	Audited
<u>Assets</u>			
Non-current assets			
Property, plant and equipment	10,215	11,618	10,305
Financial assets at fair value through profit or loss	41,281,075	42,377,362	37,983,957
Loans receivable	-	576,702	-
Total non-current assets	41,291,290	42,965,682	37,994,262
Current assets			
Financial assets at fair value through profit or loss	347,525	382,994	369,656
Trade and other receivables	414,027	683,887	365,859
Loans receivable	1,359,834	3,893,376	3,215,156
Cash and cash equivalents	534,824	150,389	350,142
Total current assets	2,656,210	5,110,646	4,300,813
Total assets	43,947,500	48,076,328	42,295,075
<u>Liabilities</u>			
Current liabilities			
Trade and other payables	(2,280,790)	(4,203,198)	(4,726,550)
Loans and borrowings	(5,870,917)	(4,126,344)	(4,306,163)
Corporation tax payable	(4,469)	(4,993)	(1,792)
Total current liabilities	(8,156,176)	(8,334,535)	(9,034,505)
Non-current liabilities			
Loans and borrowings	(43,031)	(40,731)	-
Total non-current liabilities	(43,031)	(40,731)	-
Total liabilities	(8,199,207)	(8,375,266)	(9,034,505)
Total net assets	35,748,293	39,701,062	33,260,570
<u>Capital and reserves attributable to equity holders</u>			
Share capital	1,000,000	1,000,000	1,000,000
Share premium reserve	121,900,310	121,900,310	121,900,310
Retained deficit	(87,449,176)	(83,553,275)	(90,000,271)
Foreign exchange reserve	(27,755)	(28,510)	(27,678)
Total equity and reserves	35,423,379	39,318,525	32,872,361
Non-controlling interests	324,914	382,537	388,209
Total equity	35,748,293	39,701,062	33,260,570

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Share capital EUR	Share premium EUR	Foreign exchange reserve EUR	Retained (deficit)/ earnings EUR	Sub-total EUR	Non- controlling interest EUR	Total EUR
Balance at 1 January 2013	1,000,000	121,900,310	(27,966)	(83,541,201)	39,331,143	362,015	39,693,158
(Loss)/profit for the period	-	-	-	(12,074)	(12,074)	27,231	15,157
Other comprehensive (loss)/income	-	-	(544)	-	(544)	(6,709)	(7,253)
Total comprehensive (loss)/income for the period	-	-	(544)	(12,074)	(12,618)	20,522	7,904
Dividends paid to non-controlling interests	-	-	-	-	-	-	-
Balance at 30 June 2013	1,000,000	121,900,310	(28,510)	(83,553,275)	39,318,525	382,537	39,701,062
Loss for the period	-	-	-	(6,446,996)	(6,446,996)	(4,584)	(6,451,580)
Other comprehensive income	-	-	832	-	832	10,256	11,088
Total comprehensive income/(loss) for the period	-	-	832	(6,446,996)	(6,446,164)	5,672	(6,440,492)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-
Balance at 31 December 2013	1,000,000	121,900,310	(27,678)	(90,000,271)	32,872,361	388,209	33,260,570
Profit/(loss) for the period	-	-	-	2,551,095	2,551,095	(29,171)	2,521,924
Other comprehensive (loss)/income	-	-	(77)	-	(77)	13,179	13,102
Total comprehensive (loss)/income for the period	-	-	(77)	2,551,095	2,551,018	(15,992)	2,535,026
Dividends paid to non-controlling interests	-	-	-	-	-	(47,303)	(47,303)
Balance at 30 June 2014	1,000,000	121,900,310	(27,755)	(87,449,176)	35,423,379	324,914	35,748,293

Share premium is stated net of share issue costs and is not distributable by way of dividend.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2014

	30-Jun-14	30-Jun-13	31-Dec-13
	EUR	EUR	EUR
	Unaudited	Unaudited	Audited
Cash flows from operating activities			
Net profit/(loss) before tax	2,522,328	23,872	(6,426,070)
<i>Adjustments for:</i>			
Depreciation and amortisation	1,932	1,608	3,315
(Gain)/loss on financial assets at fair value through profit or loss	(1,950,240)	(237,252)	4,066,936
Impairment/revaluation of fixed assets	-	428,921	1,915,318
Interest income	(54,535)	(216,387)	(449,689)
Interest expense	441,697	365,967	994,901
Dividend income	(1,527,107)	(1,416,918)	(1,786,545)
Net cash outflow before changes in working capital	(565,925)	(1,050,189)	(1,681,835)
Increase in trade and other receivables	(33,273)	(401,559)	(93,984)
(Decrease)/increase in trade and other payables	(2,463,675)	448,721	694,304
Sale of financial assets	-	5,772	40,498
Interest income received	208	-	-
Dividends received	1,523,077	1,412,366	1,792,446
Cash (used in)/generated by operating activities	(1,539,588)	415,111	751,429
Income tax paid	-	(48,373)	(53,212)
Net cash generated by operating activities	(1,539,588)	366,738	698,217
Cash flows from investing activities			
Purchase of property, plant and equipment	(1,440)	(485)	(500)
Receipts of loans granted from subsidiaries	-	-	40,000
Payments of loans granted to subsidiaries	-	(756,000)	(756,000)
Proceeds from loans granted to subsidiaries	598,719	-	-
Net cash flow generated by/(used in) investing activities	597,279	(756,485)	(716,500)
Cash flows from financing activities			
Dividends paid to non-controlling interests	(47,303)	-	-
Proceeds from loans granted by related parties	5,750,000	40,000	-
Repayments of loans granted by related parties	(3,550,000)	(781,341)	(993,402)
Interest paid on loans	(1,032,284)	-	-
Net cash flow used in financing activities	1,120,413	(741,341)	(993,402)
Increase/(decrease) in cash and cash equivalents	178,104	(1,131,088)	(1,011,685)
Cash at the beginning of the period/year	350,142	1,318,380	1,318,380
Foreign exchange gain	6,578	(36,903)	43,447
Cash at end of period/year	534,824	150,389	350,142