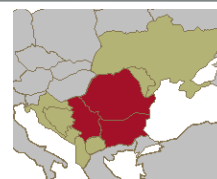


Description

Reconstruction Capital II ("RC2") is a closed-ended, absolute return driven investment fund, incorporated in the Cayman Islands. The fund invests in Private Equity & Listed Securities in South-East Europe. RC2 was admitted to the AIM market of the London Stock Exchange in December 2005 raising €24m initially, with two follow-on offerings in May-06 and Dec-07 raising a further €40m and €71m net of expenses respectively. New Europe Capital Ltd (London) is the investment manager to RC2. New Europe Capital SRL (Bucharest) and New Europe Capital DOO (Belgrade) are the investment advisers to RC2.



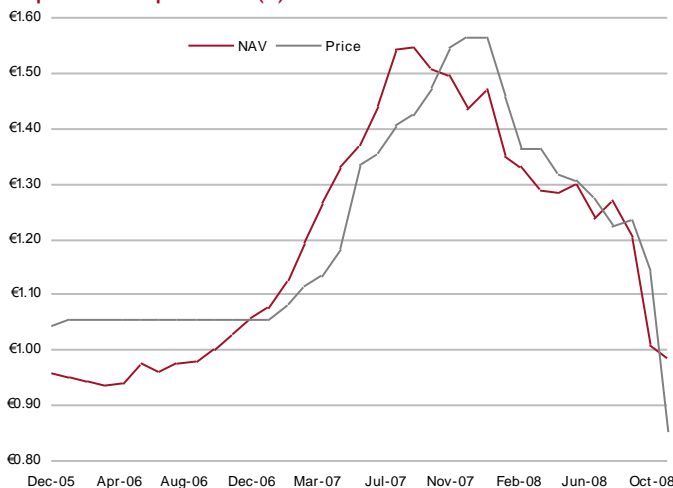
Statistics

NAV per share (€)	0.9849
Share price (€)	0.8500
Total NAV (€ m)	111.0
Mk Cap (€ m)	95.8
# of shares (m)	112.7
Return since inception	2.97%
12-month CAGR	-34.21%
Annualized Return*	1.04%
Annualized Volatility*	14.75%
Best month	6.93%
Worst month	-10.52%
# of months up	19
# of months down	15

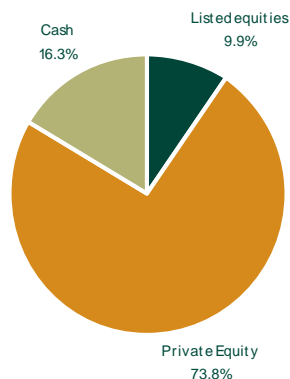
RC2 NAV returns

	2006	2007	2008
Jan	-0.61%	4.70%	-8.27%
Feb	-0.73%	6.17%	-1.48%
Mar	-0.87%	5.90%	-3.03%
Apr	0.44%	5.05%	-0.26%
May	3.73%	3.08%	0.93%
Jun	-1.25%	5.19%	-4.75%
Jul	1.23%	6.93%	2.85%
Aug	0.61%	0.22%	-5.55%
Sep	2.18%	-2.50%	-8.34%
Oct	2.74%	-0.69%	-10.52%
Nov	2.80%	-4.09%	-
Dec	1.70%	2.46%	-
YTD	12.47%	36.74%	-33.05%

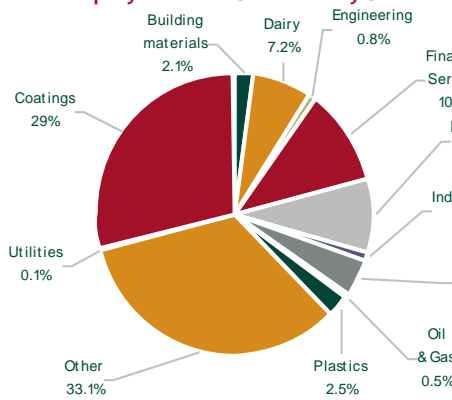
Share price / NAV per share (€)



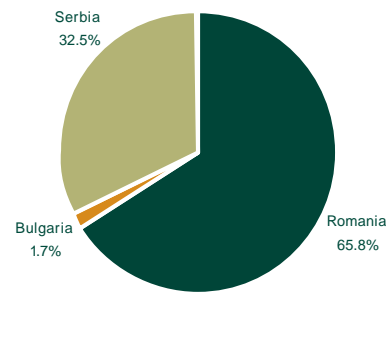
Portfolio Structure by Asset Class



Equity Portfolio Structure by Sector



Portfolio Structure by Geography



Note: EPH investment included under Other

Note: EPH investment included under Serbia

Investment Update

- On October 8th, RC2 completed its most recent investment by acquiring a 21.33% shareholding in East Point Holdings Limited ("EPH") for a total consideration of EUR 30m. EPH is a Cyprus-based holding company with business interests in Serbia and Romania and subsidiaries in other countries, including Hungary and Austria (for the purpose of RC2 reporting, EPH is classified as Serbian, due to the location of the majority of its assets and activities). EPH's main business lines are agribusiness (cereals trading, storage and milling), bakeries, river shipping, copper processing and real estate. In 2007 EPH recorded sales of \$520.3m and an operating profit of \$28.6m
- Policolor and Orgachim both reported their 3rd quarter results. Over the first nine months of the year, Policolor's sales increased from €37.3m to €44.9m, a 20.4% increase over the same period last year, whilst Orgachim's sales increased by 16.3% to €56.7m. However, Policolor's EBITDA fell by 10% to €3.4m and Orgachim's fell by 15.3% to €5.3m, mainly as a result of decelerating sales growth and weak demand in the company's chemicals division.

Investment Update (cont'd)

- Achille Bardelli started as the new CEO of the Policolor group on 15th October, and is currently drawing up a restructuring plan, which will involve significant reductions in personnel, the externalization of various support functions, and the streamlining of production across the Romanian and Bulgarian plants.
- On 6 October, the mandatory tender offer launched by RC2 and the Romanian Investment Fund was completed. This is the first step in the squeeze-out and delisting process of Policolor, which should end at the beginning of 2009.

Commentary

- October was another month of sharp falls across international stock markets. 48% of RC2's investments, including the listed Private Equity positions, are booked to market. Consequently RC2's NAV is sensitive to market movements. In October, the BET lost 31.2%, the SOFIX 26.7% and the BELEX-15 40.1% (all in EUR terms). Over the month, RC2's NAV was down 10.5%.

Investment Manager

New Europe Capital Ltd
33 Marloes Road
London W8 6LG
T +44 20 7244 0088
london@neweuropecapital.com

Investment Adviser Romania & Bulgaria

New Europe Capital SRL
Str. Tudor Arghezi nr.21, et.6
Bucuresti - Sector 2
Tel +40 21 316 7680
bucharest@neweuropecapital.com

Investment Adviser Serbia

New Europe Capital DOO
11 Svetozara Markovica
11000 Belgrade
Tel +381 11 324 0058
belgrade@neweuropecapital.com