

4<sup>th</sup> September 2013

**Reconstruction Capital II Limited (the "Company")**

**Interim Unaudited Consolidated Financial Statements  
for the six months ended 30 June 2013**

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 2013.

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 2013 was EUR 0.3932 per share (EUR 0.3933 per share as at 31 December 2012);
- As at 30 June 2013 the Company's market capitalisation was approximately EUR 32m, with a closing price of EUR 0.32 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 its efforts to exit from its existing private equity investments. Unfortunately, the progress on exits was slow due to the low level of interest in the region from strategic investors. The investments held under the Private Equity Programme had a fair value of EUR 42.4m at the end of June, up 0.8% since the 2012 year-end audit report.

**The Trading Programme**

RC2 marginally reduced its position in listed equities under the Trading Programme. Efforts to sell down more shares were unsuccessful, due to the low liquidity of the listed equities owned by RC2. At the end of June, RC2's listed equities held under the Trading Programme had a total market value of EUR 0.4m. All the investments in the Trading Programme were in Romanian equities.

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## INVESTMENT MANAGER AND INVESTMENT ADVISORS' REPORT

On 30 June 2013, Reconstruction Capital II Limited ("RC2") had a total unaudited net asset value ("NAV") of EUR 39.3m or EUR 0.3932 per share, virtually flat compared to the audited NAV at the beginning of the year.

The comparative figures as at 30 June 2012 were restated due to the early adoption of IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint arrangements", IFRS 12 "Disclosure of Interests in Other Entities" and amendments to IFRS 10, IFRS 12 and IAS 27 on consolidation for investment entities, which exempt investment companies from the need to consolidate their investments. The Company took advantage of this exemption in order to give a clearer view of the fair value of the various investments held by the Company. Previously, the investments in Top Factoring Srl (and its sister company Glasro Holdings Ltd) and Mamaia Resort Hotels Srl had been consolidated.

RC2 did not make any new investments under its Private Equity Programme, and continued its efforts to exit from its existing private equity investments. Unfortunately, the progress on exits was slow due to the low level of interest in the region from strategic investors. The investments held under the Private Equity Programme had a fair value of EUR 42.4m at the end of June, up 0.8% since the 2012 year-end audit report.

RC2 marginally reduced its position in listed equities under the Trading Programme. Efforts to sell down more shares were unsuccessful, due to the low liquidity of the listed equities owned by RC2. At the end of June 2013, RC2's listed equities held under the Trading Programme had a total market value of EUR 0.4m. All the investments in the Trading Programme were in Romanian equities.

Over the first half of the year, RC2 received EUR 1.4m in dividends from its investee companies, of which EUR 1.1m from the Top Factoring group and the balance of EUR 0.3m from Albalact SA. The proceeds were used to repay EUR 0.8m of loans from related parties, and for RC2's working capital needs. At the end of June 2013, RC2 had EUR 0.2m of cash, dividends receivable of EUR 0.4m, borrowings of EUR 4.2m, and another EUR 4.2m of accrued liabilities to its service providers, including investment management and advisory fees.

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## **INVESTMENT POLICY**

### **Private Equity Programme**

Under the Private Equity Programme, the Company takes significant or controlling stakes in companies operating primarily in Romania, Serbia, Bulgaria and neighbouring countries (the “Target Region”). The Company invests in investee companies where it believes its Investment Advisers can add value by implementing operational and/or financial restructuring over a 3 to 5 year horizon. The Company only makes an investment under the Private Equity Programme if its Investment Advisers believe there is a clear exit strategy available, such as trade sale, break up and subsequent disposal of different divisions or assets, or a flotation on a stock exchange.

### **Trading Programme**

Under the Trading Programme, the Company aims to generate short and medium term returns by investing such portion of its assets as determined by the Directors from time to time in listed equities and fixed income securities, including convertible and other mezzanine instruments, issued by entities in the Target Region. The Investment Manager is responsible for identifying and executing investments and divestments under the Trading Programme. The Trading Programme differs from the Private Equity Programme in the key respect that the Company will typically not take significant or controlling stakes in investee companies and will typically hold investments for shorter periods of time than investments made under the Private Equity Programme.

### **Value Creation**

Under its Private Equity Programme, the Investment Advisers are involved at board level in the investee company to seek to implement operational and financial changes to enhance returns. As part of the Company’s pre-acquisition due diligence, the Investment Advisers seek to identify specific actions that they believe will create value in the target investee company post acquisition and, where appropriate, seek to work with third party professionals to develop, in combination with the proposed management team of the target, a value creation plan with clear and identifiable short and medium term targets. These plans are likely to address different parts of the business and are tailored to reflect the specific challenges of the relevant target company. Both the Investment Advisers and the Investment Manager believe that the investment strategies under the Private Equity and Trading Programme can achieve returns which are different than the returns of the relevant market indices.

### **Investing Restrictions and Cross-Holdings**

The Directors, the Investment Advisers and the Investment Manager will seek to ensure that the portfolio of investments is sufficiently diversified to spread the risks of those investments. The Investment Strategy does not restrict the Company from investing in other closed-ended funds operating in the Target Region. In line with the Company’s investment policy, the Board does not normally authorise any investment in a single investee company that is greater than 20 per cent of the Company’s net asset value at the time of effecting the investment and in no circumstances will it approve an investment in a single investee company that is greater than 25 per cent of the Company’s net asset value at the time of effecting the investment.

### **Change of investment objective and policy of the Company**

Following the annual general meeting of the Company on 14 December 2012, the investment objective and policy of the Company was amended such that no new investments will be made, further investments into existing portfolio companies will be permitted in certain circumstances pending their realisation and, following each realisation, all proceeds will be returned to Shareholders after paying outstanding liabilities and setting aside a sufficient amount for working capital purposes.

### **Gearing**

The Company may borrow up to a maximum level of 30 per cent of its gross assets (as defined in its articles).

### **Distribution Policy**

The Company’s investment objective is focused principally on the provision of capital growth. For further details of the Company’s distribution policy, please refer to the Admission Document on the Company’s website.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

	<b>30-Jun-13</b>	<b>30-Jun-12</b>	<b>31-Dec-12</b>
	<b>EUR</b>	<b>As Restated</b>	<b>EUR</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
<b>Investment gain / (loss)</b>			
Gain / (loss) on investments at fair value through profit or loss	237,252	(2,327,609)	(49,389,415)
Interest income	216,387	152,055	329,387
Dividend income	1,416,918	1,278	1,282
Other income	55,792	101,269	197,958
<b>Total investment gain / (loss)</b>	<b>1,926,349</b>	<b>(2,073,007)</b>	<b>(48,860,788)</b>
<b>Expenses</b>			
Impairment of loans receivable	(428,921)	-	(943,143)
Operating expenses	(966,770)	(1,467,538)	(2,764,984)
<b>Total operating expenses</b>	<b>(1,395,691)</b>	<b>(1,467,538)</b>	<b>(3,708,127)</b>
<b>Operating gain / (loss)</b>	<b>530,658</b>	<b>(3,540,545)</b>	<b>(52,568,915)</b>
Financial expenses	(506,786)	(198,254)	(612,149)
<b>Profit / (loss) before taxation</b>	<b>23,872</b>	<b>(3,738,799)</b>	<b>(53,181,064)</b>
Income tax expense	(8,715)	(28,105)	(71,733)
<b>Net profit / (loss) for the period</b>	<b>15,157</b>	<b>(3,766,904)</b>	<b>(53,252,797)</b>
<b>Other comprehensive (loss) / income</b>			
Exchange differences on translating foreign operations	(7,253)	14,358	10,458
<b>Total comprehensive income / (loss) for the period</b>	<b>7,904</b>	<b>(3,752,546)</b>	<b>(53,242,339)</b>
<b>Net profit / (loss) for the period attributable to:</b>			
- Equity holders of the parent	(12,074)	(3,840,617)	(53,392,784)
- Non-controlling interest	27,231	73,713	139,987
	<b>15,157</b>	<b>(3,766,904)</b>	<b>(53,252,797)</b>
<b>Total comprehensive income / (loss) attributable to:</b>			
- Equity holders of the parent	(12,618)	(3,839,525)	(53,392,000)
- Non-controlling interest	20,522	86,979	149,661
<b>Total comprehensive income / (loss) for the period</b>	<b>7,904</b>	<b>(3,752,546)</b>	<b>(53,242,339)</b>
<b>Earnings Per Share attributable to the equity shareholders of the Company</b>			
Basic and diluted earnings per share	(0.0001)	(0.0384)	(0.5339)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2013**

	<b>30-Jun-13</b>	<b>30-Jun-12</b>	<b>31-Dec-12</b>
	<b>EUR</b>	<b>As Restated EUR</b>	<b>EUR</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
<b><u>Assets</u></b>			
<b>Non-current assets</b>			
Property, plant and equipment	11,618	14,206	13,458
Financial assets at fair value through profit or loss	42,377,362	89,103,386	42,041,100
Loans receivable	576,702	571,192	560,501
<b>Total non-current assets</b>	<b>42,965,682</b>	<b>89,688,784</b>	<b>42,615,059</b>
<b>Current assets</b>			
Financial assets at fair value through profit or loss	382,994	500,360	456,773
Trade and other receivables	683,887	195,561	277,777
Loans receivable	3,893,376	4,387,832	3,366,167
Cash and cash equivalents	150,389	880,950	1,318,380
<b>Total current assets</b>	<b>5,110,646</b>	<b>5,964,703</b>	<b>5,419,097</b>
<b>Total assets</b>	<b>48,076,328</b>	<b>95,653,487</b>	<b>48,034,156</b>
<b><u>Liabilities</u></b>			
<b>Current liabilities</b>			
Trade and other payables	(4,203,198)	(2,616,564)	(3,754,477)
Loans and borrowings	(4,126,344)	(832,715)	(1,541,870)
Corporation tax payable	(4,993)	(76,282)	(44,651)
<b>Total current liabilities</b>	<b>(8,334,535)</b>	<b>(3,525,561)</b>	<b>(5,340,998)</b>
<b>Non-current liabilities</b>			
Loans and borrowings	(40,731)	(2,872,979)	(3,000,000)
<b>Total non-current liabilities</b>	<b>(40,731)</b>	<b>(2,872,979)</b>	<b>(3,000,000)</b>
<b>Total liabilities</b>	<b>(8,375,266)</b>	<b>(6,398,540)</b>	<b>(8,340,998)</b>
<b>Total net assets</b>	<b>39,701,062</b>	<b>89,254,947</b>	<b>39,693,158</b>
<b><u>Capital and reserves attributable to equity holders</u></b>			
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	(83,553,275)	(33,989,034)	(83,541,201)
Foreign exchange reserve	(28,510)	(27,658)	(27,966)
<b>Total equity and reserves</b>	<b>39,318,525</b>	<b>88,883,618</b>	<b>39,331,143</b>
Non-Controlling Interests	382,537	371,329	362,015
<b>Total equity</b>	<b>39,701,062</b>	<b>89,254,947</b>	<b>39,693,158</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS OF 30 JUNE 2013

	Share Capital EUR	Share Premium EUR	Foreign exchange reserve EUR	Retained (Deficit)/ Earnings EUR	Sub-total EUR	Non- controlling Interest EUR	Total EUR
<b>Balance at 1 January 2012 – as previously reported</b>	<b>1,000,000</b>	<b>121,900,310</b>	<b>(1,642,979)</b>	<b>(40,174,182)</b>	<b>81,083,149</b>	<b>2,985,364</b>	<b>84,068,513</b>
Prior year adjustment - (Note 2)	-	-	1,614,229	10,025,765	<b>11,639,994</b>	(2,625,218)	<b>9,014,776</b>
<b>Balance at 1 January 2012 – as restated</b>	<b>1,000,000</b>	<b>121,900,310</b>	<b>(28,750)</b>	<b>(30,148,417)</b>	<b>92,723,143</b>	<b>360,146</b>	<b>93,083,289</b>
(Loss) / Profit for the period	-	-	-	(3,840,617)	<b>(3,840,617)</b>	73,713	<b>(3,766,904)</b>
Other comprehensive income / (loss)	-	-	1,092	-	<b>1,092</b>	13,266	<b>14,358</b>
Total comprehensive income / (loss) for the period	-	-	1,092	(3,840,617)	<b>(3,839,525)</b>	86,979	<b>(3,752,546)</b>
Dividends paid to non-controlling interests	-	-	-	-	-	(75,796)	<b>(75,796)</b>
<b>Balance at 30 June 2012 – as restated</b>	<b>1,000,000</b>	<b>121,900,310</b>	<b>(27,658)</b>	<b>(33,989,034)</b>	<b>88,883,618</b>	<b>371,329</b>	<b>89,254,947</b>
(Loss) / Profit for the period	-	-	-	(49,552,167)	<b>(49,552,167)</b>	66,274	<b>(49,485,893)</b>
Other comprehensive (loss) / income	-	-	(308)	-	<b>(308)</b>	(3,592)	<b>(3,900)</b>
Total comprehensive (loss) / income for the year	-	-	(308)	(49,552,167)	<b>(49,552,475)</b>	62,682	<b>(49,489,793)</b>
Dividends paid to non-controlling interests	-	-	-	-	-	(71,996)	<b>(71,996)</b>
<b>Balance at 31 December 2012</b>	<b>1,000,000</b>	<b>121,900,310</b>	<b>(27,966)</b>	<b>(83,541,201)</b>	<b>39,331,143</b>	<b>362,015</b>	<b>39,693,158</b>
(Loss) / Profit for the period	-	-	-	(12,074)	<b>(12,074)</b>	27,231	<b>15,157</b>
Other comprehensive (loss) / income	-	-	(544)	-	<b>(544)</b>	(6,709)	<b>(7,253)</b>
Total comprehensive (loss) / income for the period	-	-	(544)	(12,074)	<b>(12,618)</b>	20,522	<b>7,904</b>
Dividends paid to non-controlling interests	-	-	-	-	-	-	-
<b>Balance at 30 June 2013</b>	<b>1,000,000</b>	<b>121,900,310</b>	<b>(28,510)</b>	<b>(83,553,275)</b>	<b>39,318,525</b>	<b>382,537</b>	<b>39,701,062</b>

*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 2013**

	<b>30-Jun-13</b>	<b>30-Jun-12</b>	<b>31-Dec-12</b>
	<b>EUR</b>	<b>As Restated EUR</b>	<b>EUR</b>
	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
<b>Cash flows from operating activities</b>			
Net profit / (loss) before tax	23,872	(3,738,799)	(53,181,064)
<i>Adjustments for:</i>			
Depreciation and amortisation	1,608	2,545	3,243
(Gain)/ loss on financial assets at fair value through profit or loss	(237,252)	2,327,609	49,389,415
Impairment / revaluation of fixed assets	428,921	-	943,143
Interest income	(216,387)	(152,055)	(329,387)
Interest expense	365,967	128,189	430,520
Dividend income	(1,416,918)	(1,278)	(1,282)
<b>Net cash outflow before changes in working capital</b>	<b>(1,050,189)</b>	<b>(1,433,789)</b>	<b>(2,745,412)</b>
(Increase) / decrease in trade and other receivables	(401,559)	(8,049)	(90,265)
Increase/ (decrease) in trade and other payables	448,721	938,192	2,076,105
Sale of financial assets	5,772	1,354,887	1,365,234
Interest income received	-	-	12,118
Dividends received	1,412,366	1,278	1,282
<b>Cash generated by operating activities</b>	<b>415,111</b>	<b>852,519</b>	<b>619,062</b>
Income tax paid	(48,373)	(4,790)	(80,049)
<b>Net cash generated by operating activities</b>	<b>366,738</b>	<b>847,729</b>	<b>539,013</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(485)	(8,684)	(8,631)
Payments of loans granted to subsidiaries	(756,000)	(2,268,000)	(2,268,000)
Proceeds from loans granted to subsidiaries	-	2,294,706	550,186
<b>Net Cash flow used in investing activities</b>	<b>(756,485)</b>	<b>18,022</b>	<b>(1,726,445)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to non-controlling interests	-	(75,796)	(147,792)
Proceeds from loans granted by related parties	40,000	-	3,000,000
Repayments of loans granted by related parties	(781,341)	(200,000)	(400,000)
Interest paid on loans	-	(11,222)	(244,953)
<b>Net Cash flow used in financing activities</b>	<b>(741,341)</b>	<b>(287,018)</b>	<b>2,207,255</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(1,131,088)</b>	<b>578,733</b>	<b>1,019,823</b>
<b>Cash at beginning of period/ year</b>	<b>1,318,380</b>	<b>296,040</b>	<b>296,040</b>
Foreign exchange gain	(36,903)	6,177	2,517
<b>Cash at end of period/ year</b>	<b>150,389</b>	<b>880,950</b>	<b>1,318,380</b>