

## **Reconstruction Capital II Limited**

8 October 2008

### **RC2 acquires 21.3% shareholding in East Point Holdings Limited**

Reconstruction Capital II Limited (“RC2”) is pleased to announce that it has acquired a 21.3% shareholding in East Point Holdings Limited (“EPH” or the “Group”).

Founded in 1990, EPH is a Cyprus-based holding company with significant business interests across South East Europe, primarily Serbia and Romania. Based on the draft unaudited consolidated accounts, in 2007 the Group recorded sales of \$520.3m and an operating profit of \$28.5m. EPH operates along the following five main business lines:

- **Agribusiness:** the Group is a specialist trader in agricultural products across South East Europe, and has built up a network of agricultural storage facilities and mills along or near the Danube, including a flagship silo in the port of Constanta.
- **Copper Processing:** EPH owns a controlling stake in VB Sevojno AD, Serbia’s biggest copper processor.
- **Bakeries:** EPH owns the largest bakery products group in Serbia, including two bakeries in Belgrade (Beogradska Pekarska Industrija AD and Klas AD), which together have a market share of approximately 25% in the capital alone.
- **River Shipping:** In 2007, EPH acquired DDSG-Cargo (now renamed Erste Donau-Dampfschiffahrts-Gesellschaft m.b.H.), an Austrian river shipping company which dates back to 1829 with 265 vessels operating along the Danube.
- **Real Estate:** The Group owns a number of properties in various countries and plans to redevelop some of its operating industrial assets as residential and commercial projects.

As part of the transaction, RC2 has acquired a 21.33% shareholding in EPH for a total consideration of EUR 30m, of which EUR 25.3m is being invested directly into the Group, and the balance of EUR 4.7 represents cash-out to the founders. Under the investment agreement, all parties have agreed to work towards the separation of the Group into different entities reflecting the business lines outlined above, following which EPH will remain the majority shareholder of these entities whilst RC2 shall own direct equity stakes in such newly-created sub-holding companies.

Ion Florescu, a director of RC2, commented: “We are pleased to enter into a partnership with EPH. Under the leadership of Zoran Drakulic, EPH has demonstrated a clear track record of turnaround management after acquiring distressed assets, and is present in a number of interesting basic sectors in South East Europe which we believe will continue to grow. EPH is in the midst of restructuring some recent acquisitions, including VB Sevojno and Erste DDSG, with great turnaround potential. Finally, EPH has already identified a number of new investment opportunities, especially in Serbia, focussing on its industry expertise in copper processing, bakeries, and river shipping.”

Zoran Drakulic, president of EPH commented: “It is a pleasure to welcome RC2 as our new shareholder in the Group. We have already identified a number of investment opportunities which RC2’s investment will help fund and we believe RC2’s entry into EPH will help attract other investments into our operating businesses from financial investors, to be followed by the reorganisation of the Group into separate sub-holding companies.”

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