Reconstruction Capital II Ltd

(“RC2” or the “Fund”)

Quarterly Report

December 31st, 2009

neweuropecapital

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Statistics

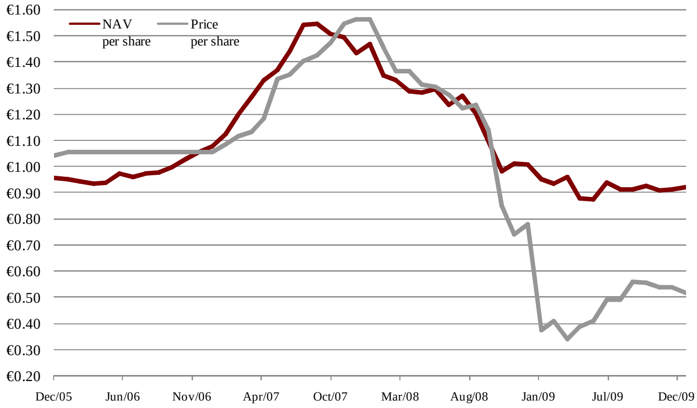
NAV per share (€)	0.9241
Share price (€)	0.5200
Total NAV (€ m)	92.4
Mk Cap (€ m)	52.0
# of shares (m)	100.0
Return since inception	-3.39%
12-month CAGR	-8.38%
Annualized Return*	-0.86%
Annualized Volatility*	13.71%
Best month	6.93%
Worst month	-10.52%
# of months up	27
# of months down	21

** since inception*

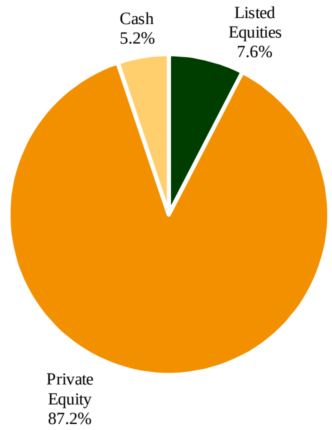
RC2 NAV returns

	2006	2007	2008	2009
Jan	-0.61%	4.70%	-8.27%	-5.65%
Feb	-0.73%	6.17%	-1.48%	-1.51%
Mar	-0.87%	5.90%	-3.03%	2.39%
Apr	0.44%	5.05%	-0.26%	-8.40%
May	3.73%	3.08%	0.93%	-0.26%
Jun	-1.25%	5.19%	-4.75%	3.08%
Jul	1.23%	6.93%	2.85%	1.08%
Aug	0.61%	0.22%	-5.55%	0.23%
Sep	2.18%	-2.50%	-8.34%	1.20%
Oct	2.74%	-0.69%	-10.52%	-1.79%
Nov	2.80%	-4.09%	3.03%	0.46%
Dec	1.70%	2.46%	-0.60%	1.08%
YTD	12.47%	36.74%	-31.43%	-8.38%

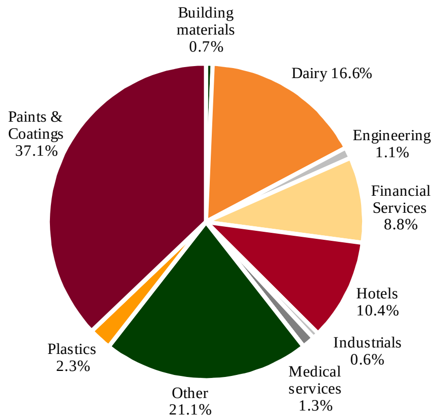
Share price / NAV per share (€)



Portfolio Structure by Asset Class

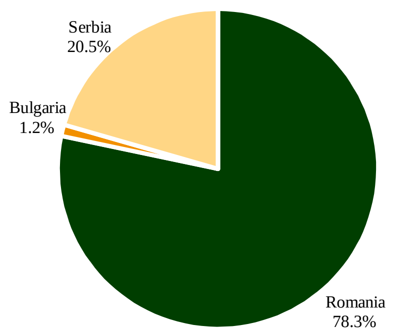


Equity Portfolio Structure by Sector



Note: EPH investment included under Other

Portfolio Structure by Geography



Note: EPH investment included under Serbia

Message from the Investment Manager and Advisers

Dear Shareholders

As at 31st December, RC2's NAV per share was €0.9241, almost flat over the quarter, whilst RC2's share price lost -6.7%, closing at €0.52.

At Policolor, the Fund's largest investment, in spite of a 30% year-on-year fall in sales during the year, the EBITDA level increased 2.4 times to €8.8m, as a result of a successful restructuring programme which resulted in the EBITDA margin increasing from 2.6% to 11.6%.

At EPH, both sales and EBITDA came in slightly below budget over the first nine months. Whilst the Group's Copper Processing business performed well, lower grain trading volumes and low-water levels and depressed freight rates on the Danube were the main reasons for a lower than expected nine-month result. Furthermore, much of the cashflow of the group continues to be absorbed by the loss-making River Shipping business.

At Albalact, nine month sales and EBITDA were both up year-on-year by 8% and 60%, respectively, while the overall market remained flat in 2009. In November 2009, the company completed the implementation of a €2.5m modernization programme at a cheese factory it acquired in 2008.

At Mamaia Resort Hotels, the Fund's investment on the Black Sea coast of Romania, revenues were slightly up in RON-terms, but the hotel continued to suffer from a deterioration in its food and beverage margin and low off-season revenues, which resulted in a loss of €0.1m for the year. Mamaia Resort Hotels is concentrating on obtaining financing for a conference centre which is being developed at the hotel to boost off-season revenues.

At Top Factoring, 2009 revenues increased by 32% year-on-year, with the company's bottom line moving from a net loss of €693k in 2008 to a small profit of €91k. This was mainly due to an increase in Top Factoring's agency business, operational improvements, and a significant improvement in the performance of the debt purchase side of the business.

At a macro level, the three main countries where RC2 operates have experienced improvements in their agency ratings, with Fitch revising Romania's rating from "Negative" to "Stable"; Moody's increasing Bulgaria's outlook from "Stable" to "Positive"; and Standard & Poor upgrading Serbia's outlook from "Negative to "Stable". In general, the upgrades were prompted by a better than expected economic performance over 2009, and the ability of the three governments to pass tough 2010 budgets through their respective parliaments.

At the end of December, the Fund, which has no gearing, had cash balances of approximately €4.8m, compared to €3.9m on 30th September.

Yours truly,

New Europe Capital

Policolor Group

Background

The Policolor Group (the "Group") is the largest producer of coatings (architectural, automotive and industrial) in Romania and Bulgaria, as well as a producer of insulation materials, resins and specialty chemicals. The Group comprises Policolor SA, an unlisted Romanian company, and Orgachim AD, its 64%-owned Bulgarian subsidiary which is quoted on the Bulgarian Stock Exchange. RC2 has shareholdings in both companies: 40% in Policolor and 2.4% in Orgachim.

Financial results

(EUR '000)	2008A*	2009A	2010B
Income statement (according to IFRS)			
Sales revenues	**100,632**	**70,314**	**82,064**
Other operating revenues	2,002	5,658	-
Total operating revenues	**102,634**	**75,972**	**82,064**
Total Operating Expenses	(105,678)	(71,871)	(73,644)
Operating profit	**(3,044)**	**4,101**	**8,420**
Operating margin	*-3.0%*	*5.4%*	*10.3%*
EBITDA	**2,619**	**8,805**	**12,578**
EBITDA margin	*2.6%*	*11.6%*	*15.3%*
Financial Profit/(Loss)	(1,773)	(972)	(1,272)
Restructuring costs	-	(2,177)	(330)
Profit before tax	**(4,818)**	**953**	**6,818**
Income tax	443	(194)	(1,091)
Profit after tax	**(4,375)**	**759**	**5,727**
Minority interest	646	645	(1,317)
Profit for the year	**(3,729)**	**1,404**	**4,410**
Avg exchange rate (RON/EUR)	*3.683*	*4.237*	*4.200*

**audited*

Operations

In spite of a 30% decline in sales during 2009 due to a sharp fall in the construction industries in Romania and Bulgaria, Policolor managed to increase its EBITDA margin from 2.6% to 11.6%, resulting in the Group's overall EBITDA level increasing by 240% from €2.6m to €8.8m.

The increase in the EBITDA margin was mainly the result of a highly effective restructuring process, including the reduction of staff levels, the reduction in working capital levels, the reorganization of production by specialising certain plants for certain product ranges, the closure of certain foreign subsidiaries, and the sale of certain non-core assets.

During 2009, the Group reduced its headcount by 35% from 1,399 to 850, thereby increasing productivity per employee from €73,362 to €89,379.

In 2009 all production of architectural coatings was consolidated into a single production site, the insulation systems division was moved into newly-created subsidiaries in Romania and Bulgaria, and the Group's in-house transportation activities were moved to a newly-created Bulgarian subsidiary which targets at least 50% of revenues from third-party clients.

In October, Policolor sold its non-core dry plasters facility to Italian building materials group Mapei for €3.6m, and during 2009 realized a further €1m by selling other non-core assets.

Prospects

For 2010 the Group is budgeting a 17% increase in sales to €82m, mainly due to the launch of new products, and a 43% increase in the EBITDA level from €8.8m to €12.6m. The objective for the Group is to achieve an EBITDA margin of at least 18% for its core coatings unit (excluding resins and chemicals) in 2010.

Policolor is preparing the further sale of non-core assets, including surplus real estate in Bucharest. Policolor's Bucharest site comprises 14 ha of land on the eastern periphery of Bucharest (of which approximately 6 ha are used for current production activities), which were valued by Colliers in February 2009 at €32.4m. Policolor's Bucharest real estate has gained value from the opening of a new underground station at the factory gate in November 2008, and a new retail park (with the "Metro" group as an anchor tenant) is being developed on a plot adjacent to Policolor's which is due to open later on in 2010.

East Point Holdings Ltd

Background

East Point Holdings Ltd ("EPH" or the "Group") is a Cyprus-based holding company with significant business interests across South East Europe in which RC2 acquired a 21.3% shareholding in 2008. The bulk of the Group's operations are in Serbia and Romania, but it is also active in other countries, including Hungary and Austria, and has a network of sales, procurement and representative offices in New York, Moscow, Frankfurt, Beijing and Sofia. EPH operates along the following main business lines: Agribusiness (Cereals Trading and Storage), Milling, Bakeries, Copper Processing, Cable Production, River Shipping, Real Estate and Other.

Overview

Under RC2's investment agreement with EPH, the Group was due to reorganize itself into sub-holding companies (SHC's) by December 2009, thereby permitting RC2 to exchange its shareholding in EPH into shareholdings in each of the sub-holding companies. Because EPH was not able to complete the reorganization by the required deadline, RC2 is actively engaged in negotiations with the other shareholders to find an alternative structure which will preserve the value of its investment. The Group has only released its consolidated results for the first nine months of 2009. Most of its business lines have performed well, in spite of tough operating conditions. However, the River Shipping side of the business has seriously underperformed in spite of active restructuring measures, due to a particularly poor operating environment on the Danube. This has adversely affected the Group's overall performance. Consequently, EPH is actively trying to bring a strategic partner into this side of the business.

Financial Results

During the first nine months of 2009, EPH's business performed slightly below the budget, which was revised when a new CFO joined the Group in May 2009. Sales came in at €316m, 8% lower than budgeted mainly because of lower turnover in the Agribusiness and River Shipping businesses. The EBITDA - albeit 6% below budget - was €19.1m, reflecting an EBITDA margin improvement over the previous year. However, primarily due to a fall in the local currencies of EPH's main countries of operations – in particular Serbia where the Dinar lost 4.7% since the beginning of 2009 – the Group suffered a €4.4m forex charge which resulted in an overall loss of €2.8m for the period.

(EUR m)	2007A*	2008A	3Q09**
Income statement (according to IFRS)			
Sales	380.2	462.1	316.0
COGS	(341.3)	(398.6)	(257.5)
Gross Profit	38.9	63.5	58.5
EBITDA	**24.9**	**17.5**	**19.1**
EBITDA margin	*6.5%*	*3.8%*	*6.0%*
EBIT	**21.1**	**2.6**	**11.9**
EBIT margin	*5.5%*	*0.6%*	*3.8%*
Net interest income (expense)	(13.0)	(14.5)	(9.9)
FX gain (loss)	(0.6)	(6.4)	(4.4)
Share of profit (loss) of associates	(0.3)	0.2	(0.4)
Income/(loss) before taxes	**7.2**	**(18.1)**	**(2.8)**
Income tax (expenses)/benefit	(0.9)	(0.5)	(0.8)
Net income/(loss)	**6.4**	**(18.6)**	**(3.6)**
Minority interest	(0.6)	0.3	0.8
Net income after minority interest	**5.8**	**(18.2)**	**(2.8)**

*Note: 2007 & 2008 audited accounts; *restated from USD to EUR at yearly average exchange rate; **unadited management accounts; excludes Novkabel*

The Group's budget for 2010 forecasts sales of €443m and EBITDA of €30.2m. However, this does not include the Bakeries and Cable Production business lines, as new CEOs were recently appointed to run these businesses.

Agribusiness

Because of weaker grain exports after the 2009 summer harvest, turnover in the Agribusiness division came in at €121.4m (8% below budget), resulting in an EBITDA of €6.2m (-10% vs. budget), for the first nine months. By way of example, EPH's flagship silo in Constanta port handled 0.8m tons in the first half of the year and only 0.3m tons over the second half, resulting in an annual throughput of 1.1m tons in 2009, slightly up on the previous year (+6%). For 2010 the budget forecasts sales of €175.8m and EBITDA of €9.8m based on an increased throughput of 1.3m tons. EPH intends to double its handling capacity in Constanta port and is planning to bring a strategic partner into this side of the business which will help finance the construction of a new silo and strengthen EPH's ability to market SE European grains on the world markets.

Milling

The total production at EPH's four Serbia-based mills (of which one is integrated with a pasta factory) reached 105.5k tons in 2009, a decline of 12.9% versus last year's production. Excluding the Mitsides Point JV, sales over the first nine months stood at €7.7m and the EBITDA reached €1.5m.

Bakeries

Over the first nine months lower volumes, a general decline in bread prices and adverse FX effects lead to sales of €18.9m and EBITDA of €2.4m, 25% lower than the same period in 2008. During the fourth quarter, a term sheet was signed with the European Bank for Reconstruction and Development to finance the construction of a new bakery production facility at the outskirts of Belgrade and a new CEO, previously the deputy general manager at one of the largest bakery groups in central and eastern Europe, was hired to help plan the expansion of the business and the move to a new centralized plant.

Copper Processing

EPH's copper mill VBS experienced strong demand, resulting in annual production reaching 36,000 tons in 2009 (up 5.9% year-on-year), its highest output since privatization. Although sales for the first nine months of this business line were 5% below budget at €125.3m, the EBITDA level reached €9.0m, 14% above budget. This positive evolution was also the result of a successful sales strategy in the Russian Federation, which accounted for 8.5% of production volumes and 23.4% of sales, up from practically zero the previous year. A new management information system should be implemented in 2010 to further improve pricing and profitability. For 2010, management forecasts a 5% increase in output generating sales of €187m and EBITDA of €12.6m.

River Shipping

Despite several restructuring and cost saving measures by the new management team, EPH's highly indebted River Shipping business continued to suffer from severely depressed freight rates, low grain export volumes and low loading levels due to low water levels throughout August – November 2009. Reflecting the difficulties of this division, EPH aborted the privatization of JRB, the Serbian Danube shipping fleet, in January 2010. EPH is currently in discussions with the River Shipping Business's bankers in order to put its future on a more stable footing. EPH is also in advanced negotiations to bring in a strategic partner to this side of the business which should deliver new funding as well as a major increase in cargo volumes. For 2010, management expects sales of €61.9m and EBITDA of €6.5m, up from sales of €44.5m and zero EBITDA in 2009. The improvement foreseen for 2010 is based on an expected general pick-up in demand, the introduction of new businesses such as a container line and the set-up of two additional bunkering stations, and further gains in operational efficiencies.

Real Estate

Currently part of its operating businesses, the Group owns a significant real estate portfolio, primarily in Belgrade, Novi Sad and Bucharest which is expected to be freed up for commercial and residential development purposes, once the real estate sector has recovered.

Other

EPH's wholly-owned subsidiary Bioenergy, a wooden pellets producer based in eastern Serbia, managed to increase its average monthly production from 664 tons in the first half of 2009 to 1,866 tons in the second half, generating an EBITDA of €238k over the first nine months.

Albalact

Background

Albalact SA ("Albalact") is a Romanian dairy producer quoted on the RASDAQ section of the Bucharest Stock Exchange in which RC2 has acquired a 25.4% stake under its Private Equity Programme. A local entrepreneur and his family own approximately 48%, with the remaining 26.6% representing the free float. Albalact's market price slightly increased by 1% over the quarter and as of 31 December 2009 RC2's shareholding in Albalact had a market value of €14.5m, compared to €14.4m at the end of the previous quarter. In December 2009 a former partner of Albalact's largest shareholder (the Ciurtin family) made public a claim over 50% of the family's shares based on a JV agreement dated May 1999. The issue is now being litigated, with the Ciurtin family having petitioned a Romanian court to acknowledge the termination of the JV agreement.

Financial results

(EUR '000)	2007A*	2008A*	9M08**	9M09**
Income Statement				
Sales Revenues	**46,339**	**51,741**	**36,841**	**39,706**
Other operating revenues	2,550	2,496	2,814	1,434
Total Operating Revenues	**48,888**	**54,236**	**39,655**	**41,140**
Total Operating Expenses	(45,916)	(52,163)	(38,906)	(39,663)
Operating Profit	**2,972**	**2,074**	**748**	**1,478**
Operating margin	*6.1%*	*3.8%*	*1.9%*	*3.6%*
EBITDA	**4,858**	**4,856**	**2,826**	**4,534**
EBITDA margin	*9.9%*	*9.0%*	*7.1%*	*11.0%*
Financial Profit/(Loss)	(1,657)	(1,860)	(406)	(906)
Profit before Tax	**1,315**	**214**	**342**	**572**
Income Tax	(241)	(52)	(66)	(165)
Profit after Tax	**1,074**	**162**	**276**	**407**
Net margin	*2.2%*	*0.3%*	*0.7%*	*1.0%*
Avg exchange rate (RON/EUR)	*3.337*	*3.683*	*3.640*	*4.228*

*Note: * IFRS (audited), ** RAS (unaudited)*

Albalact has not yet released its full year 2009 results. An analysis of its nine month results was included in the September quarterly report.

Operations

Following the acquisition of a 77% shareholding in regional cheese-maker Raraul in October 2008, Albalact has continued to consolidate its position in this company by subscribing to a capital increase and making a buy-out offer to the minority shareholders.

As a result, Albalact now owns 93.6% of Raraul's share capital. In 2009, Albalact put in place a €2.5m investment programme at Raraul which was completed in November 2009 and which enables the plant to process up to 100,000 litres per day and produce a wide range of cheeses, some of which have already introduced at a number of key accounts. The Romanian cheese market, which accounts for over half of the value of the Romanian dairy market, is highly fragmented, representing an important growth opportunity for Albalact going forward.

In June 2009, Albalact completed a comprehensive modernisation of its farm resulting in a twofold increase in its capacity. It can now house 1,000 milk cows. Currently, the farm has 570 milk cows and delivers 5% of the Company's daily raw milk intake.

Market and Competition

According to a press statement by the Romanian milk processors association ("APRIL") the Romanian dairy market was flat in value terms at €1.1bn in 2009, but recorded an increase in volume terms. After a 20% year-on-year fall in the first half of the year, sales volumes recovered in the second half, helped by significant price reductions of 10 to 30%. Albalact is the leading player in the milk and butter categories.

Mamaia Resort Hotels

Mamaia Resort Hotels SRL (the "Company") is the owner and operator of the Golden Tulip Mamaia Hotel (the "Hotel"), which is located at Romania's premium Mamaia seaside resort next to Constanta. In March 2008, RC2 acquired 63% of the Company, with the remaining 37% being owned by a Romanian entrepreneur.

Financial results

(EUR '000)	2007A*	2008A*	2009**	2010B
Income Statement				
Sales Revenues	**1,140**	**1,643**	**1,628**	**2,380**
Other operating revenues	120	144	63	0
Total Operating Revenues	**1,260**	**1,787**	**1,691**	**2,380**
Total Operating Expenses	(1,320)	(2,113)	(1,986)	(2,188)
Operating Profit	**(60)**	**(326)**	**(295)**	**192**
Operating margin	*neg.*	*neg.*	*neg.*	*8.1%*
EBITDA	**144**	**(109)**	**(145)**	**391**
EBITDA margin	*11.4%*	*neg.*	*neg.*	*16.4%*
Financial Profit/(Loss)	(593)	(155)	(49)	(126)
Profit before Tax	**(653)**	**(481)**	**(194)**	**265**
Income Tax	0	0	-	(42)
Profit after Tax	**(653)**	**(481)**	**(194)**	**223**
Net margin	*neg.*	*neg.*	neg.	9%
Avg exchange rate (RON/EUR)	*3.337*	*3.683*	*4.237*	*4.200*

*Note: * IFRS (audited), ** RAS (unaudited)*

In 2009, the Company's turnover increased by 14% year-on-year in RON-terms but was stable at €1.6m in EUR-terms. Although the hotel enjoyed a slightly higher occupancy rate over the May-September season than in 2008, pricing pressures affected the food and beverage department and the off-season occupancy rate fell, resulting in a slight fall in its EBITDA level.

Operations

The Hotel's occupancy rate over the extended summer season (May-September) of 52% was slightly better than the 49% recorded in 2008. The occupancy over the off-season months (October-April) stood at 3%. Overall, in 2009 the occupancy rate stood at 23% in 2009, below the 30% recorded in 2008.

Accommodation revenues amounted to €1.2m in 2009, 12% lower year-on-year in EUR-terms, while the food & beverage department generated revenues of €0.4m, similar to 2008 although volumes were substantially higher.

Prospects

In late December, the Hotel started construction works on a new conference centre which should be finalized in early April 2010. The conference centre will have a capacity to seat over 400 persons in 6 separate halls spread over approximately 1,200 sqm. The budget for building and fitting out the conference centre is approximately €1m. Although the works are currently being financed by shareholder funds, the hotel is in discussions with two banks to attract external funding for the project. The aim of the management is to use the conference centre as a tool to increase the occupancy rate in the off-season months. The Hotel has already received indicative bookings for conference events that should generate €0.5m in revenues (including accommodation and F&B) in 2010.

Overall, the 2010 budget targets an increase in the annual occupancy rate from 23% to 27%, mainly as a result of the boost to the off-season occupancy rate generated by the conference centre, which is expected to result in revenues from the accommodation and food & beverage department increasing by 43% and 25% year-on-year, respectively.

Top Factoring

Top Factoring ("Top Factoring" or the "Company") is a receivables collection company in which RC2 owns a 93% shareholding. The remaining 7% is owned by the Company's CEO. The debt acquisition part of the business is now being carried out by an SPV owned by RC2 (Glasro Holdings Ltd) which is sub-contracting the debt collection process to Top Factoring.

Financial results

(EUR '000)	2007A*	2008A*	2009A**	2010B
Income Statement				
Total Operating Revenues	**694**	**1,205**	**1,587**	**2,650**
Debt portfolios	547	993	1,064	1,650
Agency contracts	146	212	523	1,000
B2C	146	139	370	664
B2B	-	73	153	336
Amortization of debt portfolios	(399)	(774)	(388)	(474)
Total Operating Expenses	**(913)**	**(1,883)**	**(1,490)**	**(1,997)**
Operating Profit	**(220)**	**(678)**	**97**	**653**
EBITDA	**(213)**	**(641)**	**132**	**693**
EBITDA margin	*neg.*	*neg.*	*8.3%*	*26.1%*
Financial Profit/(Loss)	110	(15)	(5)	(7)
Profit before Tax	**(109)**	**(693)**	**92**	**646**
Income Tax	-	-	(0.4)	(50)
Profit after Tax	**(109)**	**(693)**	**91**	**596**
Net margin	*neg.*	*neg.*	*5.8%*	*22.5%*
Avg exchange rate (RON/EUR)	*3.337*	*3.683*	*4.237*	*4.200*

*Note: * IFRS (audited), ** IFRS (unaudited, combined accounts)*

The results presented above are the combined accounts of Top Factoring and Glasro Holdings Limited, the SPV set up by RC2 to undertake the debt purchase side of Top Factoring's business (together the "Top Factoring Group").

The Top Factoring Group moved into profit in 2009, helped by a definite improvement in its operating efficiency as well as by the credit crunch, which has reduced competition for the purchase of receivable packages, resulting in a significant reduction in the cost of debt packages.

In 2009, the Top Factoring Group was active in purchasing portfolios of receivables, having acquired two new portfolios from Vodafone consisting of 65,000 cases with a combined nominal value of €14m. The debt purchase activity has turned out to be highly profitable, due to a fall of up to 50% in the cost of such debt purchases because of reduced competition from financial buyers. The first 2009 Vodafone portfolio was acquired in July and the second in December.

The agency business grew almost 1.5 times year-on-year, from €212k to €523k. Top Factoring managed to acquire five new clients on the B2C side, while the B2B department set up in September 2008 managed to generate a turnover of €153k in 2009.

The implementation of new software at its call-centre in August 2008 and continuous upgrading of its reporting and controlling systems helped trigger an improvement in the operating result, from a loss of €678k in 2008 to a small profit of €97k in 2009.

Prospects

Top Factoring plans to develop a field collection network over the first nine months of 2010, comprising 71 collectors covering the entire country. This instrument will mainly help the debt purchase side of the business and complement the collection activity performed in the call centre. Field collection is estimated to generate revenues of €0.8m in 2010, while total costs (set-up and operational) are estimated at €0.3m.

The 2010 budget is based on the conservative assumption that Top Factoring will not win any new mandate clients or acquire any new debt portfolios. The projected growth in revenues is expected to be generated by higher volumes of B2C cases from existing clients, strong growth in B2B revenues, and collections from the receivable portfolios already acquired in 2009 and earlier years. However, due to the early stages of the field collection project, it is not yet incorporated in the Group's 2010 budget.

Romar

RC2 owns 40% in the Romar Group ("Romar") and the company's founder (the "Founder") owns the balance of 60%. In late 2008, RC2 and the Founder put the company up for sale by means of an organised sale process but were unable to sell the business. RC2 is currently analysing all its options for this investment.

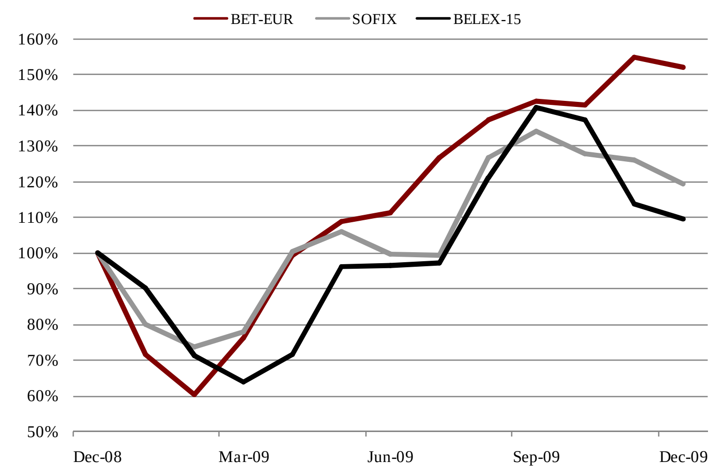
(EUR '000)	2007A*	2008A**	2009A**
Combined Income Statement			
Total Operating Revenues	**7,789**	**7,597**	**6,231**
Total Operating Expenses	(7,431)	(7,828)	(6,489)
Operating Profit	**358**	**(231)**	**(258)**
Operating margin	*4.6%*	*neg.*	*neg.*
EBITDA	**733**	**93**	**107**
EBITDA margin	*9.4%*	*neg.*	*1.7%*
Financial Profit/(Loss)	(93)	(79)	(228)
Earnings before Tax	**265**	**(310)**	**(486)**
Income Tax	(77)	-	-
Earnings after Tax	**187**	**(310)**	**(486)**
Net margin	*2.4%*	*neg.*	*neg.*
Avg exchange rate (RON/EUR)	*3.337*	*3.683*	*4.237*

*Note: * IFRS (unaudited), **RAS (unaudited)*

The 2009 results, which are preliminary, indicate sales of €6.2m, down 18% year-on-year, while the EBITDA remained flat at €0.1m. Revenues generated by Occupational Health Services ("OHS") accounted for almost 60% of the combined turnover of Romar, while "walk-in" clients generated 24% of revenues. In 2009, Romar posted a loss of €0.5m, compared to a loss of €0.3m in 2008.

Capital Market Developments

BET-EUR, SOFIX and BELEX-15: 1 year performance



Commentary

Over the fourth quarter, the Romanian market's euro index (BET-EUR) was up 6.8%, whilst the Bulgarian SOFIX and the Serbian BELEX-15 indices fell by 11.0% and 22.1%, respectively. By comparison, the MSCI Emerging Market index was up 10.6%, the MSCI Emerging Market Eastern Europe index was up 11.7%, and the FTSE100 and S&P indices increased by 8.6% and 7.8%, respectively.

Over the year, the BET index, the SOFIX index and the BELEX-15 index increased by 52.0%, 19.3% and 9.7%, respectively, all in EUR-terms. By comparison, the MSCI Emerging Market index and the MSCI Emerging Market Eastern Europe index increased by 69.9% and 74.6%, respectively, whilst the FTSE100 and S&P indices increased by 31.7% and 20.2%, respectively.

Macroeconomic Overview

Overview

	RO	as of:	BG	as of:	SRB	as of:
GDP Growth (y-o-y)	-7.2%	FY09	-5.1%	FY09	-2.8%	FY09
Inflation (y-o-y)	4.7%	FY09	0.6%	FY09	6.6%	FY09
Ind. prod. growth (y-o-y)	11.6%	Dec-09	-10.8%	Dec-09	-12.1%	Dec-09
Trade deficit (EUR bn)	9.7	FY09	4.1	FY09	4.3	11M09
y-o-y change	*-58.6%*		*-52.5%*		*-42.7%*	
FDI (EUR bn)	4.9	FY09	2.8	FY09	1.1	11M09
y-o-y change	*-48.4%*		*-56.6%*		*-41.7%*	
Total external debt/GDP	66.4%	Dec-09	110.4%	Nov-09	69.4%	Nov-09
Reserves to short-term debt	195.9%	Dec-09	101.3%	Nov-09	469.5%	Nov-09
Loans-to-deposits	119.2%	Dec-09	113.9%	Dec-09	117.0%	Nov-09

Commentary

Romania

In the fourth quarter, Romanian GDP fell by 6.6% year-on-year, resulting in an overall economic contraction of 7.2% in 2009. Modest economic growth of 1.3% in 2010 is predicted by both the IMF and the EBRD. The industrial sector showed signs of improvement towards the end of the year, with industrial production increasing by 11.6% year-on-year in December 2009.

The December 2009 Romanian presidential elections were won by the incumbent Traian Basescu in an extremely tight race. Basescu, who is backed by the Liberal Democrats, won a new five year mandate. A new Government, built around the Liberal Democrat Party, the Hungarian Party and other minorities and independents, has already been formed.

In 2009, Romania recorded a budget deficit equal to 7.3% of GDP, meeting the target imposed by the IMF. With budgetary receipts depressed due to the recession and low taxation levels, improvements in the absorption of EU funds and a reduction of the public sector are considered essential to ease the fiscal deficit. The absorption rate of

EU funds over 2007-2009 has been very modest: out of €5.6bn allocated to Romania, only €0.6bn were actually drawn.

The newly-formed government's first priority has been to pass the 2010 budget through parliament, which was a condition precedent for the IMF to release the remaining tranches of its loan. This was achieved in mid-January. The 2010 budget provides for a fiscal deficit of 5.9% of GDP, to be achieved primarily by public sector job cuts and a freeze on pensions and public sector wages. The budget is based on an economic growth projection of 1.3% in 2010, and an allocation of only 4% of GDP to investments.

The IMF intends to release both the third (€1.5bn) and the fourth (€0.9bn) tranches of its support package for Romania by end-February, with the funds being used in equal proportions to cover the fiscal and balance of payments deficits. So far, Romania has received the first two tranches of its IMF loan, amounting to €6.9bn, just over half the total amount committed by the IMF (€12.9bn). The entire financial package from international institutions approved in March 2009 amounts to €19.5bn.

Romania's CPI was up 4.7% year-on-year in December 2009, down from 6.3% at the end of 2008 but outside the 3.5% plus/minus 1% band targeted by the National Bank of Romania. The inflation rate is likely to stay close to 4% in 2010, as domestic demand remains low. In January 2010, the inflation rate was 5.2%, driven mainly by a one-off 14% increase in the price of cigarettes.

Romania's 2009 current account deficit of €5.1bn was 68.7% lower than in 2008, coming in at 4.3% of estimated 2009 GDP, less than the 5.5% predicted by the IMF. FDI flows, which stood at €4.9bn (-48.4% year-on-year) covered 96.9% of the current account deficit. In 2009, the trade deficit fell by 58.6% year-on-year to €9.7bn, with exports (-13.9%) holding up much better than imports (-32.3%).

The Romanian leu lost 5% against the euro in 2009 but started 2010 on an appreciating trend, having gained 2.6% year-to-date on the back of positive sentiment from foreign investors and relatively high real interest rates.

Romania's total external debt position stood at €78.7bn at the end of 2009, or 66.4% of estimated 2009 GDP. The public debt amounted to €32.7bn at the end of October (or 27% of GDP), a 26% YTD increase. The National Bank of Romania's foreign reserves (excluding gold) were €28.3bn at the end of December 2009. The short-term external debt was €14.4bn in 2009, resulting in a good reserves-to-short-term-debt ratio of 196%. The Romanian Ministry of Finance aims to launch a Eurobond issue of between €0.5-1.5bn with a maturity of 5 to 10 years in the first quarter of 2010.

With banks shrinking their lending activity and both households and companies facing liquidity issues, total domestic non-governmental credit (which excludes loans to financial institutions) dropped from €49.7bn at the end of 2008 to €47.3bn at the end of 2009. Of this, 40% was RON-denominated and the balance of 60% was in foreign currencies. As expected, with a rising unemployment rate (7.8% in December 2009, compared to 4.4% the same month of 2008) and increasing corporate defaults, bad loans have increased in the banking system: overdue loans (€1.9bn) amounted to 3.9% of total loans, a 2.8 times increase since the beginning of 2009, but a 2.4% month-on-month decrease. The Romanian banking system's total loans-to-deposits ratio was around 119% at the end of 2009.

In February 2009, the National Bank of Romania lowered its key interest rate from 7.5% to 7%, the second consecutive decrease since the beginning of the year.

In January 2010, Fitch Ratings revised Romania's outlook from 'Negative' to 'Stable', reflecting improvements in the country's macro situation: a narrowing of the 2009 current account deficit, a relaxation of political tensions, the swift adoption of the 2010 budget, and the normalisation of relations with the IMF.

Bulgaria

The Bulgarian economy fell by 6.2% year-on-year in 4Q09, resulting in an overall economic decline of 5.1% over 2009. Industrial production also continued to fall, registering a 10.8% year-on-year decrease in December 2009.

Bulgaria's CPI rate was up 0.6% year-on-year in December. However, the country's disinflationary outlook is likely to be maintained, primarily due to still weak demand.

Shrinking private consumption and falling corporate investments led to a 2009 current account deficit of €2.9bn, or 8.6% of GDP, compared to €8.7bn in 2008, or 25.4% of GDP. FDI inflows amounted to €2.8bn over the year, covering 97.7% of the deficit. The trade deficit, which came in at €4.1bn in 2009, fell by 52.5% year-on-year.

The fiscal deficit came in at €0.3bn, or 0.8% of GDP, at the end of 2009, compared to a surplus of 3% in 2008. The 2010 budget approved by the Bulgarian Parliament in December 2009 targets a balanced fiscal position, although a deficit of 2-3% is more likely according to statements by the governor of the central bank. The objective is for expenditure on pensions and public wages to remain flat, while an increase in excise duties should boost revenues. Since the Government is committed to keep the currency board regime in place, one task of vital importance is keeping the budget deficit under control. Despite optimistic projections that predict economic growth in Bulgaria, rising unemployment and sluggish lending should put pressure on domestic demand, threatening the Government's objective of having a balanced budget: in December 2009, the unemployment rate was 9.13%, up from 6.3% at the end of 2008.

Out of a total external debt position of €37bn (110.4% of GDP) at the end of November 2009, only 11.2% was attributable to the public sector. Whilst the government finances are relatively in order, the highly leveraged private sector (99% of GDP at the end of November) remains one of the main weaknesses of Bulgaria. The Bulgarian Government has expressed its intention to launch a €1.5bn Eurobond later this year, but any funds which are raised would be used to refinance the existing debt. The reserves-to-short-term-debt ratio was 101.3% at the end of November.

Limited capital inflows (which were a growth driver in the past) coupled with weak domestic demand have put pressure on the quality of banking assets. Overdue loans amounted to 6.4% of all loans to non-financial institutions at the end of 2009, up from 2.5% a year ago. The Bulgarian banking system had a total loans-to-deposit ratio of around 114% at the end of December. While the deposit base has increased from €21.4bn to €22.1bn during 2009, loans increased from €24.6bn to €25.2bn over the year.

In January 2010, Moody's increased the outlook on Bulgaria from 'Stable' to 'Positive'. This restores the positive outlook that Bulgaria enjoyed prior to the financial crisis in September 2008.

Serbia

According to the National Bank of Serbia (NBS), real GDP contracted by 2.8% year-on-year in 2009, implying a contraction of just 1% in the fourth quarter, following a fall of 2.3% in the third quarter, and 4% and 4.2% in the second and first quarters, respectively. This is due to an improvement in manufacturing output, which although falling 7.6% year-on-year, experienced a 41.3% expansion in the basic metals and chemicals sectors in October due to higher output at US Steel's Serbian plant. The Economist Intelligence Unit is now forecasting GDP growth of 1% in 2010, with the recovery expected to strengthen in 2011.

CPI of 6.6% in 2009 came in at the lower end of its 6-10% target range. The main trigger was the global increase in oil prices. Inflation is expected to continue to slow down in 2010 and 2011.

In March 2009, the Serbian government negotiated a non-precautionary stand-by agreement with the IMF, securing a €3bn loan to support its balance of payments deficit. However, despite a re-negotiation of the agreement with the IMF in November, the foreign exchange market has shown increased volatility accompanied by a gradual depreciation of the dinar in November and December, implying an average depreciation of about 6% in 2009.

In December, the 2010 state budget was adopted, which targets a narrowing of the budget deficit from 4.5% of GDP in 2009 to 4% in 2010, and a further fall to 2.4% in 2012. The objective is for this to occur through reduced expenditures (from 43.1% of GDP in 2009 to 40.7% in 2012), primarily by freezing public sector wages and downsizing the public administration, as well as by reforming the pension, education and healthcare systems. The current account deficit reached €1.6bn in November, a 71.3% year-on-year decrease. The main driver was a 28.9% year-on-year decline in imports, while exports declined by a more modest 20.9%.

In late December, the National Bank of Serbia (NBS) lowered its key interest rate by an additional 50 bps, from 10% to 9.5%, representing the ninth interest rate cut in 2009, and resulting in a cumulative decrease of 825 bps, from 17.75% in early 2009. Weak demand, the IMF stand-by agreement and reduced inflationary pressures are cited as the reasons for latest rate cut.

On 19 December, the visa regime for Serbian citizens travelling to the Schengen area was lifted. Moreover, following a positive report on the country's cooperation with the International Criminal Tribunal for the former Yugoslavia in The Hague, the EU has agreed to unblock the freeze on its interim trade agreement with Serbia, enabling the country to increase its exports and improve its industrial production.

Standard & Poor has upgraded Serbia's outlook from "Negative" to "Stable". This was triggered by an easing of external pressures and the expectation of budgetary consolidation over the medium term.

Important Information