

10 August 2017

**Reconstruction Capital II Limited (the "Company")
Interim Unaudited Financial Statements
for the six months ended 30 June 2017**

Reconstruction Capital II Limited ("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 six months ended 30 June 2017.

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

Financial highlights

The net asset value ("NAV") as at 30 June 2017 was EUR37.5m or EUR0.2563 per share, which represents a 30.2% fall since the beginning of the year. This is due to the repayment of EUR17.0m to shareholders by means of the compulsory redemption of newly-created B Class shares. In the absence of the capital return, the NAV per share would have been EUR0.3723 per share, reflecting a EUR1.8m uplift from the sale of Top Factoring Group.

Operational highlights

Private Equity Programme

In the first half of 2017, RC2 sold its 93% shareholding in Top Factoring SRL, and Glasro Holdings Limited ("Glasro"), RC2's wholly-owned subsidiary, disposed of the whole of its non-performing loan book, for a total consideration of approximately EUR13.1m. In April, Glasro used EUR2.7m of the exit proceeds to make an investment in Telecredit S.A., a Romanian non-banking financial institution that provides consumer loans to individuals. In May, Glasro also distributed dividends of EUR3.5m to RC2.

In May, Policolor signed an agreement for the sale of its main Bucharest site (where its current Romanian production plant is located) to a Romanian real estate development company for a total consideration of EUR22m, of which EUR11.4m was received by the end of June, when Policolor delivered approximately half the site to the buyer, leaving a total of EUR0.7m as advance payments for the second half, which is due to be sold in 2019, when the balance of EUR9.9m should be cashed.

Operationally, the Policolor Group had a decent first half of the year, both in terms of sales and operating profitability, with operating revenues up 9.4% year-on-year from EUR30.0m to EUR32.9m, whilst EBITDA of EUR1.8m was better than the EUR1.0m recorded over the same period of the previous year.

The investments held under the Private Equity Programme had a fair value of EUR32.7m as at 30 June 2017, reflecting a 9.28% decrease over the semester mainly due to the sale of the holding in Top Factoring SRL.

Trading Programme

RC2 sold down part of its listed equities portfolio held under the Trading Programme during the first half of the year, generating cash proceeds of EUR0.1m. As at 30 June 2017, the portfolio was valued at EUR0.1m. The investments held under the Trading Programme are entirely in Romanian equities.

For further information, please contact:

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ADVISER'S REPORT
For the six months ended 30 June 2017

On 30 June 2017, Reconstruction Capital II Limited ("RC2") had a total unaudited net asset value ("NAV") of EUR37.5m or EUR0.2563 per share, which represents a 30.2% fall since the beginning of the year. This is due to the repayment of EUR17.0m to shareholders by means of the compulsory redemption of newly-created B Class shares. In the absence of the capital return, the NAV per share would have been EUR0.3723 per share, reflecting a EUR1.8m uplift from the sale of Top Factoring Group.

Over the first half of 2017, RC2 acquired 1.1m of its own shares, bringing its total shares in issue to 146.5m.

As at 30 June 2017, RC2 had cash and cash equivalents of approximately EUR3.1m. RC2 Cyprus, a wholly owned subsidiary of the Company, had cash and cash equivalents of EUR2.4m. The Company had sundry liabilities of EUR0.3m.

Private Equity Programme

In the first half of 2017, RC2 sold its 93% shareholding in Top Factoring SRL, and Glasro Holdings Limited ("Glasro"), RC2's wholly-owned subsidiary, disposed of the whole of its non-performing loan book, for a total consideration of approximately EUR13.1m. In April, Glasro used EUR2.7m of the exit proceeds to make an investment in Telecredit S.A., a Romanian non-banking financial institution that provides consumer loans to individuals. In May, Glasro also distributed dividends of EUR3.5m to RC2.

In May, Policolor signed an agreement for the sale of its main Bucharest site (where its current Romanian production plant is located) to a Romanian real estate development company for a total consideration of EUR22m, of which EUR11.4m was received by the end of June, when Policolor delivered approximately half the site to the buyer, leaving a total of EUR0.7m as advance payments for the second half, which is due to be sold in 2019, when the balance of EUR9.9m should be cashed.

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New Europe Capital SRL

STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	30 June 2017 EUR Unaudited	30 June 2016 EUR Unaudited	31 December 2016 EUR Audited
Revenue			
Movement in revaluation of financial assets at fair value through profit or loss	(4,011,373)	(825,499)	4,699,325
Interest income	2,146,080	2,958,759	5,854,313
Dividend income	3,500,000	2,000,000	2,000,000
Other income	-	12,103	11,347
	1,634,707	4,145,363	12,564,985
Expenses			
Operating expenses	(1,096,874)	(561,241)	(1,230,810)
Financial expenses	(200)	(525,757)	(775,195)
	(1,097,074)	(1,086,998)	(2,006,005)
Profit for the period/year	537,633	3,058,365	10,558,980
Other comprehensive income	-	-	-
Total comprehensive income for the period/year	537,633	3,058,365	10,558,980
 Earnings Per Share attributable to the owners of the Company			
Basic undiluted earnings per share	0.0037	0.0314	0.0971
Fully diluted earnings per share	0.0037	0.0224	0.0971

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	30 June 2017 EUR Unaudited	30 June 2016 EUR Unaudited	31 December 2016 EUR Audited
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	34,804,972	47,989,887	36,300,265
Total non-current assets	34,804,972	47,989,887	36,300,265
Current assets			
Trade and other receivables	50,564	30,097	17,791
Cash and cash equivalents	3,028,792	352,527	18,004,241
Total current assets	3,079,356	382,624	18,022,032
TOTAL ASSETS	37,884,328	48,372,511	54,322,297
LIABILITIES			
Current liabilities			
Trade and other payables	335,779	190,128	138,006
Non-current liabilities			
Convertible loan notes	-	9,459,742	-
Total non-current liabilities	-	9,459,742	-
TOTAL LIABILITIES	335,779	9,649,870	138,006
NET ASSETS	37,548,549	38,722,641	54,184,291
EQUITY ATTRIBUTABLE TO OWNERS			
Share capital	1,465,223	919,378	1,476,223
Share premium	110,829,614	119,958,354	127,991,989
Equity component of convertible loan notes	-	629,445	-
Retained deficit	(74,746,288)	(82,784,536)	(75,283,921)
TOTAL EQUITY	37,548,549	38,722,641	54,184,291

STATEMENT OF FINANCIAL POSITION (continued)**As at 30 June 2017**

	30 June 2017 EUR Unaudited	30 June 2016 EUR Unaudited	31 December 2016 EUR Audited
Net Asset Value per share			
Basic undiluted net asset value per share	0.2563	0.4212	0.3670
Fully diluted net asset value per share	0.2563	0.3118	0.3670

STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2017

	Share capital EUR	Share premium EUR	Retained (deficit)/ earnings EUR	Equity component of loan notes EUR	Total EUR
Balance at 1 January 2016	1,000,000	121,570,802	(85,842,901)	629,445	37,357,346
Profit for the period	-	-	3,058,365	-	3,058,365
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	3,058,365	-	3,058,365
Repurchase and cancellation of own shares	(80,622)	(1,612,448)	-	-	(1,693,070)
Transactions with owners	(80,622)	(1,612,448)	-	-	(1,693,070)
Balance at 30 June 2016	919,378	119,958,354	(82,784,536)	629,445	38,722,641
Profit for the period	-	-	7,500,615	-	7,500,615
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	7,500,615	-	7,500,615
Conversion of loan notes	626,145	9,711,114	-	(629,445)	9,707,814
Repurchase and cancellation of own shares	(69,300)	(1,677,479)	-	-	(1,746,779)
Transactions with owners	556,845	8,033,635	-	(629,445)	7,961,035
Balance at 31 December 2016	1,476,223	127,991,989	(75,283,921)	-	54,184,291
Profit for the period	-	-	537,633	-	537,633
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	537,633	-	537,633
Issue of B shares	16,997,375	(16,997,375)	-	-	-
Redemption of B shares	(16,997,375)	-	-	-	(16,997,375)
Repurchase and cancellation of own shares	(11,000)	(165,000)	-	-	(176,000)
Transactions with owners	(11,000)	(17,162,375)	-	-	(17,173,375)
Balance at 30 June 2017	1,465,223	110,829,614	(74,746,288)	-	37,548,549

CASH FLOW STATEMENT
For the six months ended 30 June 2017

	30 June 2017 EUR Unaudited	30 June 2016 EUR Unaudited	31 December 2016 EUR Audited
Cash flows from operating activities			
Profit/(loss) before taxation	537,633	3,058,365	10,558,980
<i>Adjustments for:</i>			
Fair value loss/(gain) on financial assets at fair value through profit or loss	4,011,373	825,499	(4,699,325)
Interest income	(2,146,080)	(2,958,759)	(5,854,313)
Financial expenses	-	525,698	775,152
Dividend income	(3,500,000)	(2,000,000)	(2,000,000)
Net loss on foreign exchange	200	59	43
Net cash outflow before changes in working capital	(1,096,874)	(549,138)	(1,219,463)
(Increase)/decrease in trade and other receivables	(32,773)	7,365	19,671
Increase in trade and other payables	43,377	67,067	14,945
Purchase of financial assets	(370,000)	(2,710)	(2,710)
Disposals and repayments of financial assets	-	300,000	20,410,000
Dividends received	3,500,000	2,000,000	2,000,000
Net cash generated by operating activities	2,043,730	1,822,584	21,222,443
Cash flows from financing activities			
Payments to purchase own shares	(176,000)	(1,693,070)	(3,439,849)
Redemptions of B shares	(16,842,979)	-	-
Loans received from subsidiaries	-	-	200,000
Repayment of loans from subsidiaries	-	(40,000)	(240,000)
Interest paid	-	(6,647)	(8,029)
Net cash flow generated from financing activities	(17,018,979)	(1,739,717)	(3,487,878)
Net increase in cash and cash equivalents before currency adjustment	(14,975,249)	82,867	17,734,565
Effects of exchange rate differences on cash and cash equivalents	(200)	(59)	(43)
Net increase in cash and cash equivalents after currency adjustment	(14,975,449)	82,808	17,734,522
Cash and cash equivalents at the beginning of the period/year	18,004,241	269,719	269,719
Cash and cash equivalents at the end of the period/year	3,028,792	352,527	18,004,241