

**8 November 2022**

## **Reconstruction Capital II Limited**

### **Judgment in litigation against Romar**

Reconstruction Capital II Limited (the "Company") announces that, pursuant to previously disclosed litigation initiated by the Company, the District Court of Nicosia has awarded to the Company € 4m in damages plus statutory interest thereon and legal costs against Romar Holding Limited ("RHL"), Else Holding Limited ("EHL") and Mr Erghin Hagicalil (together the "Defendants").

Over 2007-2008, the Company injected € 4m into RHL, a Cyprus-registered special-purpose vehicle which owns four Romanian companies operating in the medical services field (of which one is in insolvency), thereby acquiring 40% of its share capital. The remaining 60% is owned by Mr Erghin Hagicalil, a Romanian citizen, through EHL, another Cyprus-registered entity. In 2012, the Company wrote down its investment in RHL to zero.

The judgment was made jointly and severally against the Defendants, and it is the maximum compensation that the Company could have expected out of the litigation, representing the full original cost of its investment. Upon obtaining the awarded compensation the Company will be required to transfer its shares in RHL back to EHL.

Although the judgment has been appealed by the Defendants, such appeal does not suspend its enforcement by the Company in Cyprus. On the other hand, based on European Council Regulation (EC) No. 44/2001 on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters, any enforcement against the Defendants' assets in Romania may be suspended until the completion of the appeals process in Cyprus.

Based on publicly available information, of the five operating companies initially owned by RHL in Romania, (i) the first has gone bankrupt, (ii) the second is insolvent, (iii) the third had € 614,144 of revenues, a net profit of € 118,086, and € 515,103 of negative equity in 2021, (iv) the fourth had revenues of € 154,100, a net profit of € 31,683 and € 130,796 of shareholder funds in 2021, and (v) the fifth last reported in 2019 no revenues, no profit and negative equity of € 122,830\*.

Considering the financial standing of RHL and its operating subsidiaries, there is no certainty as to the amount, if any, that can be collected under the judgment.

*\*All euro-denominated amounts mentioned in this paragraph have been obtained by converting the RON-denominated amounts using the average RON/EUR exchange rate for the P&L elements and the period end RON/EUR exchange rate for the balance sheet elements.*

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