**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document or about what action to take, you are recommended immediately to seek your own professional advice from your stockbroker, solicitor, accountant or other appropriately qualified independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are taking advice in the United Kingdom or, if you are taking advice in another jurisdiction, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your Shares in Reconstruction Capital II Limited you should pass this Circular with the accompanying Form of Proxy for the Annual General Meeting as soon as possible, to the purchaser or transferee or to the person through whom the sale or transfer was effected for transmission to the purchaser or transferee. This Circular does not comprise a prospectus for the purpose of the Prospectus Rules and has not been submitted to the Financial Conduct Authority.

**Reconstruction Capital II Limited**

*(an exempted company incorporated in the Cayman Islands with registration number HL156549)*

# Continuation of the Life of the Company

# and

**Notice of Annual General Meeting**

Notice of the Annual General Meeting of the Company to be held at 10.00 a.m. at the offices of Sanne Trust Company Limited at 13 Castle Street, St Helier, Jersey JE4 5UT on 22 December 2016 is set out at the end of this document.

To be valid, Forms of Proxy for use at the meeting must be completed and returned in accordance with the notes to the Notice of Meeting and the Form of Proxy itself.

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ACTION TO BE TAKEN

# SHAREHOLDERS WILL FIND ENCLOSED A FORM OF PROXY - PLEASE COMPLETE AND RETURN THE FORM OF PROXY TO INDICATE HOW YOU WISH TO VOTE ON THE PROPOSAL

There is one proposal for Shareholders to consider and vote on:

1. **Resolution:** that the Company continue as presently constituted.

# The Board recommends that Shareholders vote FOR the Resolution.

Whether or not you intend to be present at the Annual General Meeting, you are requested to complete and return the Form of Proxy in accordance with the instructions printed on it to the Company’s Registrars, Sanne Trust Company Limited at the address shown below, so as to arrive no later than 10.00 a.m. on 21 December 2016. Completion and return of the Form of Proxy will not affect your right to attend in person and vote at the Annual General Meeting should you so wish.

Sanne Trust Company Limited 13 Castle Street,

St Helier, Jersey, JE4 5UT

# Attn: Jon Fitzmaurice

If Shareholders have any queries regarding the completion of the Form of Proxy, please contact Jon Fitzmaurice of Sanne Trust Company Limited, by telephone on +44 (0)1534 710274 or by e-mail at jon.fitzmaurice@sannegroup.com. Please note that Sanne Trust Company Limited can only give procedural advice and is not authorised to provide investment advice.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Date of Posting of Circular 30 November 2016

Record date for voting at Annual General Meeting, 6:00 p.m. on 21December 2016

Latest time for receipt of Forms of Proxy 10.00 a.m. on 21 December 2016

Annual General Meeting 10.00 a.m. on 22 December 2016

2016 Announcement of Results of Annual General Meeting 22 December 2016

If any of the above times and/or dates change, the revised times and/or dates will be notified to Shareholders by announcement through a Regulatory Information Service.

DEFINITIONS

In this Circular, unless the context otherwise requires, the following expressions bear the following meanings:

Admission Document the document issued by the Company on 19 December 2005 relating to the admission of the Company’s Shares to trading on AIM

Adviser New Europe Capital SRL

Annual General Meeting the annual general meeting of the Company to be held at the offices of Sanne Trust Company Limited at 13 Castle Street, St Helier, Jersey JE4 5UT on 22 December 2016

Articles the Articles of Association of the Company as amended from time to time

Circular this document dated 30 November 2016, addressed to the Shareholders

Company Reconstruction Capital II Limited

Directors or Board the directors of the Company from time to time

GDP gross domestic product

NAV the net asset value of the Company and per Share as the case may be determined in accordance with the Articles

Resolution the Resolution to be put to the Annual General Meeting as detailed on page 11 of this Circular and in the notice of the Annual General Meeting

Shareholders holders of Shares

Shares ordinary shares of €0.01 each in the capital of the Company

Directors:

Dirk Van den Broeck, C*hairman*

Markus Winkler

Mihai Radoi

PART I - LETTER FROM THE CHAIRMAN

Reconstruction Capital II Limited

Clifton House 75 Fort Street

PO Box 1350

Grand Cayman

KY1-1108

Cayman Islands

30 November 2016

Dear Shareholder

# Continuation of the Life of the Company

**Introduction**

The purpose of this Circular is to set out your Board’s proposals for the continuation of the life of the Company.

The Company was incorporated in 2005 to invest in private and listed equity securities and fixed income securities primarily in Romania and Bulgaria. The Articles provided that, at the 2012 annual general meeting and at a general meeting of the Company in each second subsequent year, a resolution would be proposed for the Company to continue as presently constituted. Should the resolution not be passed, the Directors would be required to formulate proposals to be put to Shareholders to reorganise, unitise or reconstruct the Company or for the Company to be wound up. At the annual general meetings of both 2012 and 2014 a resolution was adopted for the Company to continue as presently constituted.

The Directors believe that the Company should continue for at least a further two years as the Company has already begun to realise its investments in portfolio companies, and consider that it would be in the best interests of shareholders that this process continues.

Accordingly, subject to Shareholder approval, it is proposed that the life of the Company be continued for a further two years (the “Proposal”).

# Background to and Reasons for the Proposal

The Company’s primary strategy since inception has been to invest in, and subsequently dispose of, significant or controlling stakes in companies in South East Europe where the Company’s Adviser believes it can add value to companies by implementing operational and/or financial restructuring over a three to five year horizon prior to achieving an exit.

Whilst most of the Company’s investments were made prior to 2009, the prolonged financial crisis which started that year resulted in a strong general change of sentiment towards South East Europe, delaying the divestment process. However, the majority of the Company’s investments are now concentrated in Romania, and after a number of difficult years during which the Romanian government implemented reforms to adapt to the new international financial and economic situation, the Romanian economy has shown signs of recovery, and is forecast to achieve GDP growth of 5.2% this year, which represents the strongest growth in the EU.

Against this background, the sentiment of strategic investors towards Romania has started to change, and in the first nine months of 2016 foreign direct investment (FDI) reached €3.1 billion compared to €2.5 billion in the same period in 2015. The Company, with the help of its Adviser, has already taken advantage of this improved climate, by exiting Albalact S.A., one of its main investments, for a total consideration of €19.5 million in September 2016. This represents a premium of just under 60% over the valuation of this investment in RC2’s books the month prior to the announcement of the agreement to sell this investment, and a premium of approximately 100% over the valuation of this investment the month prior to the 2014 shareholder vote on the continuation of the life of the Company.

Against this background, the Board believes that continuing realisations of investments over the coming two years is in the best interests of shareholders, in particular as, due to the highly illiquid nature of the Company’s investments and the possible complexity of exits, the Board believes that the Company’s investments cannot be liquidated or disposed of quickly without risking a significant destruction of value. The Board believes that some exits will require a trade sale, while others may require a reorganisation and break up and subsequent disposal of separate divisions or assets. Also the Company’s investments are at different stages of preparedness for realisation: (i) some investments are already in a good position to be sold by way of a trade sale and are currently being marketed to trade buyers; and (ii) other investments still require their operational and financial restructuring programmes to be completed by the Adviser before being offered for sale.

Therefore, in order for the Company to realise the best value from the Company’s investments, the Board anticipates that the overall exit process will last at least a further two years.

# Continuation of the Life of the Company

In order to allow for the orderly realisation of the Company's investments, the Directors propose that the Company continue for at least a further two years. If the realisation programme has not been completed by 2018, when the next continuation vote falls due, the Directors will review the then current position of the Company and appropriate proposals will be put to Shareholders at that time.

The Board aims to realise the portfolio in an efficient manner to ensure that a balance between value and speed is achieved. Due to the illiquid nature of private equity investments, it is very difficult to provide any certainty on the timeframe for realisations. However, the Board is aware that Shareholders expect some guidance on the expected timeframe for the return of capital. With this in mind, the Board, assisted by the Adviser, has undertaken an exercise to estimate a realisation timetable. Although Shareholders should place only limited reliance on this information, it is the Board's current estimate that the overall timeframe for realisation will be at least three years. As the portfolio realisation will be an on-going process, the Board intends to provide Shareholders with regular updates on the exit process in the Company's annual reports and through the quarterly reports prepared by the Adviser.

# Return of Proceeds to Shareholders

# Following the receipt of proceeds from the Company’s sale of its shareholding in Albalact S.A., the Board has been examining various options for the return of the majority of the proceeds to Shareholders. The Company will retain sufficient funds for working capital purposes, and, if needed, some funds to provide limited support to investee companies to help them grow prior to their realization. Proposals to return proceeds to Shareholders are expected to be made in the first quarter of 2017.

# Benefits of the Proposal

The Board believes that the Proposal offers the following significant potential benefits to Shareholders:

* continuing the life of the Company and continuing a managed realisation of assets, rather than winding up the Company and seeking immediate sale of the portfolio, should enable the Company to maximize the realization value of its remaining investments; and
* since the Company's Shares will remain traded on AIM throughout the realisation process, Shareholders and prospective investors will, subject to market conditions, continue to be able to buy and sell the Company's Shares if they choose to do so.

# Risk factors

Your attention is drawn to the information set out in Part II of this document.

# Annual General Meeting

Page 11 of this Circular contains a notice of the Annual General Meeting of the Company to be held at 10.00am on Thursday 22 December 2016 when the following resolution will be proposed:

1. That, in accordance with Article 138.2 of the Articles, the Company continues as presently constituted for a further two years until the annual general meeting to be convened in 2018.

In accordance with the Articles, the vote on Resolution 1 will be taken on a poll and will be deemed not to have been passed if the votes against the Resolution constitute a majority against the Resolution and represent at least 25 per cent. of the total number of votes capable of being cast on that Resolution.

# Action to be taken by Shareholders

Shareholders will find enclosed with this Circular a Form of Proxy to enable you to vote at the Annual General Meeting. Whether or not you intend to be present at the General Meeting, you are requested to complete and return the Form of Proxy in accordance with the instructions printed on it to the Company’s Registrars, Sanne Trust Company Limited, so as to arrive no later than 10.00am on 21 December 2016. Completion and return of the form of proxy will not affect your right to attend in person and vote at the Annual General Meeting should you so wish.

# Irrevocable Undertakings

# The Company has received irrevocable undertakings from Shareholders who hold, in aggregate, 87,390,547 Shares at the date of this document, representing 59.20 per cent of the current issued ordinary share capital of the Company, that they will vote in favour of the Resolution.

# Recommendation

Your Board considers that the Proposal is in the best interest of the Company and its Shareholders as a whole and unanimously recommends Shareholders to vote in favour of the resolution to be proposed at the Annual General Meeting, as your Directors intend to do in respect of their own beneficial holdings which, in aggregate, amount to 5,886,151 Shares representing approximately 3.99 per cent of the issued share capital of the Company.

Yours sincerely

Dirk van den Broeck

Chairman

PART II – RISK FACTORS

# In considering the Proposal set out in this document, Shareholders should have regard to and carefully consider the Risk Factors described below in addition to the other information set out in this document. The following are those Risk Factors which the Board considers to be material as at the date of this document (based on the assumption that the Proposal is approved and implemented). If any of the adverse events described below actually occur, the Company's business, financial condition, results or prospects could be materially and adversely affected. Additional risks and uncertainties which were not known to the Board at the date of this document or that the Board considers at the date of this document to be immaterial based on the assumption that the Resolutions are approved and implemented may also materially and adversely affect the Company's business, financial condition, results or prospects.

**RISKS RELATING TO THE PROPOSAL**

*Realisations*

If the Resolution is implemented, this may possibly lead to speculation as to the prospects of the Company and the assets in which it is invested. This in turn may have an adverse effect on the realisable value of the Company's assets, in particular (but not only) in the short and potentially medium term. The exact timing, form and value of payments to Shareholders is uncertain and will depend, amongst other things, on the speed and price at which each asset of the Company is realised. The sale of some assets may only be possible at prices substantially less than the values used to calculate the NAV.

*Liquidity of the Company's investments*

The Company's investments comprise mainly private equity investments. Some investments may take a substantial length of time to realise. There can be no guarantee that the Company will be able to realise its investments and distribute the net proceeds to the Shareholders within a specific period of time.

*Achievement of Company’s investment objective*

There is no guarantee that the Company's investment objective and policy will provide the returns or realise the capital sought by Shareholders. There can be no guarantee that the Company will achieve its investment objective.

*Concentration*

As investments are sold, it is likely that the portfolio will become less diverse and more concentrated in fewer sectors. The Board will review the investment portfolio with the Adviser on a regular basis throughout the realisation process.

*Other factors*

Events such as economic recession or general fluctuations in stock markets and interest rates may affect the valuation of investee companies and their ability to access adequate financial resources, as well as affecting the Company's own share price and discount to NAV.

*Forward looking statements*

This document may contain statements that constitute forward-looking statements that include but are not limited to statements regarding the expected proceeds generated from the divestment of private equity assets owned by the Company. Undue reliance should not be placed on forward-looking statements. Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated by the Company and described in the forward-looking statements. These risks and uncertainties include but are not limited to delays in receipt of payments and unforeseen changes to general economic and business conditions. Forward-looking statements are based on the estimates and opinions of the Company's Board at the time the statements are made, having taken advice from the Adviser. The Company assumes no obligation to update forward-looking statements should circumstances or the Board estimates or opinions change, except as required by law.

# In addition to the risks outlined in this Part II, Shareholders will continue to be subject to the risks as outlined in the Admission Document.

**The foregoing factors are not exhaustive and do not purport to be a complete explanation of all risks and significant considerations relating to the Proposal. Accordingly, additional risks and uncertainties not presently known to the Board may also have an adverse effect on the Company and/or the Company’s business, financial condition, results and prospects.**

RECONSTRUCTION CAPITAL II LIMITED

# Notice of Annual General Meeting

Notice is hereby given that an Annual General Meeting of the Company will be held at the offices of Sanne Trust Company Limited at 13 Castle Street, St Helier, Jersey JE4 5UT at 10.00am on Thursday 22 December 2016 for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an annual resolution in accordance with Note 1:

RESOLUTION

1. That, in accordance with Article 138.2 of the articles of association of the Company, the Company continues as presently constituted for a further two years until the annual general meeting to be convened in 2018.

By order of the Board

Secretary

30 November 2016

# NOTES:

1. The vote on Resolution 1 will be taken on a poll and will be deemed not to have been passed if the votes against the Resolution constitute a majority against the Resolution and represent at least 25 per cent. of the total number of votes capable of being cast on that Resolution.
2. A member entitled to attend and vote at the above mentioned Annual General Meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote in his/her place. A proxy need not be a member of the Company. Completion and return of a proxy form will not prevent a member from attending and voting at the meeting in person.
3. A form of proxy is enclosed with this Notice. To be valid, the form of proxy (together, if appropriate, with the power of attorney or other written authority under which it is signed or an office copy or a certified copy of such power or authority) must be received at the office of the Company’s Registrars, Sanne Trust Company Limited, not later than 24 hours before the time appointed for holding the meeting. The form of proxy and other documents may also be submitted to Sanne Trust Company by email (addressed to [jon.fitzmaurice@sannegroup.com](mailto:jon.fitzmaurice@sannegroup.com)) or telefax (number +44 (0) 1534 769770), provided the email or telefax confirms that the original documents have been sent to Sanne Group’s offices in Jersey
4. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders on the Register of Members at 6.00 p.m. on Wednesday 21 December 2016 shall be entitled to attend and vote at the Annual General Meeting in respect of the number of Shares registered in their name at that time. Changes to the entries in the register of members of the Company after 6.00 p.m. on Wednesday 21 December 2016 will be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.
5. As at 29 November 2016 (being the last business day prior to the date of this notice) the Company’s issued share capital consisted of 147,622,267 ordinary shares each carrying one vote per share. Accordingly, the total number of voting rights in the Company as at 29 November 2016 was 147,622,267.