**20 August 2015**

Reconstruction Capital II Limited (the "Company")

Interim Unaudited Consolidated Financial Statements

for the six months ended 30 June 2015

Reconstruction Capital II Ltd (“RC2”, the “Company” or the “Group”), a close-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 2015.

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

**Financial highlights**

* The net asset value as at 30 June 2015 was EUR 0.3868 per share on an undiluted basis (EUR 0.3775 per share as at 31 December 2014). The corresponding net asset value per share on a fully diluted basis is EUR 0.2898 (EUR 0.2812 per share as at 30 December 2014).
* The directors do not recommend the payment of a dividend.

**Operational highlights**

**Private Equity Programme**

RC2 did not make any new investments under its Private Equity Programme, save for the acquisition of a 7.7% shareholding in Glasro Holdings Limited, the sister company of Top Factoring SRL, from the minority shareholder. The Company continued to pursue a number of exits, both from its investee companies as well as from certain assets held by them. The investments held under the Private Equity Programme had a fair value of EUR 44.8m at the end of June, up 1.7% since the 2014 year-end audit report, primarily due to the effect of an increase in the Albalact SA share price.

**Trading Programme**

As at 30 June 2015, RC2’s listed equities held under the Trading Programme had a total market value of EUR 0.35m, up 2.3% over the first half of the year, due to higher market prices of these investments on the local stock exchange, partly offset by a partial disposal of one investment. All the investments held under the Trading Programme were in Romanian equities.

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# ADVISER’S REPORT

On 30 June 2015, Reconstruction Capital II Limited (“RC2” or the “Fund”) had a total unaudited net asset value (“NAV”) of EUR 38.7m or EUR 0.3868 per share on an undiluted basis, a 2.5% increase compared to the audited NAV at the end of December 2014. The fully diluted NAV per share increased by 3.0% from EUR 0.2812 to EUR 0.2898 in the corresponding period.

The increase in the NAV is primarily a result of an increase in the share price of Albalact SA as well as the receipt of dividends from Top Factoring Group of EUR 1.7m.

At the end of June 2015, RC2 had cash and cash equivalents of approximately EUR 1.1m, borrowings of EUR 8.5m, and another EUR 0.6m of accrued liabilities to its service providers.

**Private Equity Programme**

The equity investments held under the Private Equity Programme had a fair value of EUR 44.8m at 30 June 2015, an increase of 1.7% over the semester. This was due to a combination of an increase in the market value of the holding in Albalact SA (EUR 0.9m) and the valuation of Glasro Holdings Limited (EUR 0.3m) offset by a write down of the investment in Klas Doo (EUR 0.5m).

The increase in the valuation of Glasro Holdings Limited, sister company of Top Factoring SRL, resulted from the acquisition of the minority stake of 7.7% in Glasro Holdings Limited for EUR 0.54m in June 2015.

Pursuant to marketing efforts by the local management team and appointed real estate agents, the investment in Klas Doo was written down by 19.6% to EUR 2.1m following a reappraisal of the expected sale proceeds of its former main site in central Belgrade, which is expected to be sold as real estate.

**Trading Programme**

As at 30 June 2014, RC2’s listed equities held under the Trading Programme had a total market value of EUR 0.35m, a 2.3% increase over the first half of 2015 due to higher prices on the local stock exchange offset by a partial disposal of one of its holdings held under this programme. All the investments held under the Trading Programme were in Romanian equities.

New Europe Capital SRL

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE SIX MONTHS ENDED 30 JUNE 2015**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  |  | **EUR** | **EUR** | **EUR** |
|  |  | **Unaudited** | **Unaudited** | **Audited** |
|  |  |  |  |  |
| **Investment income** |  |  |  |  |
| Gain on investments at fair value |  |  |  |  |
| through profit and loss |  | 235,864 | 1,950,240 | 4,747,123 |
| Interest income |  | 49,348 | 54,324 | 104,949 |
| Dividend income |  | 1,700,000 | 1,527,107 | 1,527,111 |
| Other income |  | - | 35,986 | 140,883 |
| **Total investment income** |  | **1,985,212** | **3,567,657** | **6,520,066** |
|  |  |  |  |  |
| **Expenses** |  |  |  |  |
| Operating expenses |  | (560,946) | (603,632) | (1,405,276) |
| **Total operating expenses** |  | **(560,946)** | **(603,632)** | **(1,405,276)** |
|  |  |  |  |  |
| **Operating profit** |  | **1,424,266** | **2,964,025** | **5,114,790** |
|  |  |  |  |  |
| Financial expenses |  | (488,132) | (441,697) | (889,739) |
|  |  |  |  |  |
| **Profit before taxation** |  | **936,134** | **2,522,328** | **4,225,051** |
| Withholding tax expense |  | - | (404) | - |
| Income tax expense |  | **-** | **-** | (14,713) |
| **Profit for the period/year** |  | **936,134** | **2,521,924** | **4,210,338** |
|  |  |  |  |  |
| **Other comprehensive income** |  |  |  |  |
| **Amounts that may be reclassified to profit or loss**  Exchange differences on translating foreign operations |  | 28,283 | 13,102 | 19,129 |
| **Total comprehensive income for the period/year** |  | **964,417** | **2,535,026** | **4,229,467** |
|  |  |  |  |  |
| **Net income for the period/year attributable to:** |  |  |  |  |
| - Equity holders of the parent |  | 936,134 | 2,551,095 | 4,241,776 |
| - Non-controlling interest |  | - | (29,171) | (31,438) |
|  |  | **936,134** | **2,521,924** | **4,210,338** |
|  |  |  |  |  |
| **Total comprehensive income attributable to:** |  |  |  |  |
| - Equity holders of the parent |  | **938,256** | 2,551,018 | 4,243,209 |
| - Non-controlling interest |  | **26,161** | (15,992) | (13,742) |
| **Total comprehensive income for the period/year** |  | **964,417** | **2,535,026** | **4,229,467** |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE SIX MONTHS ENDED 30 JUNE 2015** *(Continued)*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  |  | **EUR** | **EUR** | **EUR** |
|  |  | **Unaudited** | **Unaudited** | **Audited** |
|  |  |  |  |  |
| **Earnings Per Share attributable to the equity shareholders of the Company** |  |  |  |  |
|  |  |  |  |  |
| Basic undiluted earnings per share |  | 0.0094 | 0.0255 | 0.0424 |
| Fully diluted earnings per share |  | 0.0086 | 0.0255 | 0.0261 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 30 JUNE 2015**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  |  | **EUR** | **EUR** | **EUR** |
|  |  | **Unaudited** | **Unaudited** | **Audited** |
| **Assets** |  |  |  |  |
| **Non-current assets** |  |  |  |  |
| Property, plant and equipment |  | 11,509 | 10,215 | 10,518 |
| Financial assets at fair value through profit or loss |  | 44,833,347 | 41,281,075 | 44,085,288 |
| Loans receivable |  | 1,459,113 | - | 1,409,796 |
| **Total non-current assets** |  | **46,303,969** | **41,291,290** | **45,505,602** |
|  |  |  |  |  |
| **Current assets** |  |  |  |  |
| Financial assets at fair value through profit or loss |  | 350,013 | 347,525 | 342,696 |
| Trade and other receivables |  | 299,418 | 414,027 | 276,274 |
| Loans receivable |  | - | 1,359,834 | - |
| Cash and cash equivalents |  | 1,097,293 | 534,824 | 768,606 |
| **Total current assets** |  | **1,746,724** | **2,656,210** | **1,387,576** |
|  |  |  |  |  |
| **Total assets** |  | **48,050,693** | **43,947,500** | **46,893,178** |
|  |  |  |  |  |
| **Liabilities** |  |  |  |  |
| **Current liabilities** |  |  |  |  |
| Trade and other payables |  | 569,710 | 2,280,790 | 847,194 |
| Loans and borrowings |  | 45,331 | 5,870,917 | 44,190 |
| Corporation tax payable |  | 2,418 | 4,469 | 2,211 |
| **Total current liabilities** |  | **617,459** | **8,156,176** | **893,595** |
|  |  |  |  |  |
| **Non-current liabilities** |  |  |  |  |
| Loans and borrowings |  | **-** | 43,031 | - |
| Convertible loan notes |  | 8,446,199 | - | 7,976,965 |
| **Total non-current liabilities** |  | **8,446,199** | **43,031** | **7,976,965** |
|  |  |  |  |  |
| **Total liabilities** |  | **9,063,658** | **8,199,207** | **8,870,560** |
|  |  |  |  |  |
| **Total net assets** |  | **38,987,035** | **35,748,293** | **38,022,618** |
|  |  |  |  |  |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2014** *(Continued)*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  |  | **EUR** | **EUR** | **EUR** |
|  |  | **Unaudited** | **Unaudited** | **Audited** |
| **Capital and reserves attributable to equity holders** | |  |  |  |
| Share capital |  | 1,000,000 | 1,000,000 | 1,000,000 |
| Share premium reserve |  | 121,900,310 | 121,900,310 | 121,900,310 |
| Retained deficit |  | (84,822,361) | (87,449,176) | (85,758,495) |
| Equity component of convertible loan notes |  | 629,445 | - | 629,445 |
| Foreign exchange reserve |  | (24,123) | (27,755) | (26,245) |
| **Total equity and reserves** |  | **38,683,271** | **35,423,379** | **37,745,015** |
|  |  |  |  |  |
| Non-controlling interests |  | 303,764 | 324,914 | 277,603 |
| **Total equity** |  | **38,987,035** | **35,748,293** | **38,022,618** |
|  |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  |  | **EUR** | **EUR** | **EUR** |
|  |  | **Unaudited** | **Unaudited** | **Audited** |
| **Net Asset Value per share** |  |  |  |  |
|  |  |  |  |  |
| Basic undiluted net asset value per share |  | 0.3868 | 0.3542 | 0.3775 |
| Fully diluted net asset value per share |  | 0.2898 | 0.3542 | 0.2812 |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE SIX MONTHS ENDED 30 JUNE 2015**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Share Capital | Share Premium | Foreign Exchange Reserve | Retained (Deficit)/ Earnings | Equity Component of Loan Notes | **Subtotal** | Non-Controlling Interest | **Total** |
|  | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** |
| **Balance at 1 January 2014** | **1,000,000** | **121,900,310** | **(27,678)** | **(90,000,271)** | - | **32,872,361** | **388,209** | **33,260,570** |
| Profit/(loss) for the period | - | - | - | 2,551,095 | - | **2,551,095** | (29,171) | **2,521,924** |
| Other comprehensive (loss)/income | - | - | (77) | - | - | **(77)** | 13,179 | **13,102** |
| Total comprehensive (loss)/income for the period | - | - | (77) | 2,551,095 | - | **2,551,018** | (15,992) | **2,535,026** |
| Dividends paid to non-controlling interests | - | - | - | - | - | **-** | (47,303) | **(47,303)** |
| **Balance at 30 June 2014** | **1,000,000** | **121,900,310** | **(27,755)** | **(87,449,176)** | - | **35,423,379** | **324,914** | **35,748,293** |
| Profit/(loss) for the period | - | - | - | 1,690,681 | - | **1,690,681** | (31,438) | **1,659,243** |
| Other comprehensive income | - | - | 1,510 | - | - | **1,510** | 4,517 | **6,027** |
| Total comprehensive income/(loss) for the period |  |  | 1,510 | 1,690,681 | - | **1,692,191** | (26,921) | **1,665,270** |
| Issuance of convertible loan notes (equity portion) | - | - | - | - | 629,445 | **629,445** | - | **629,445** |
| Dividends paid to minorities | - | - | - | - | - | **-** | (49,561) | **(49,561)** |
| Contributions by the owners recognised directly in equity | - | - | - | - | 629,445 | **629,445** | (49,561) | **579,884** |
| **Balance at 31 December 2014** | **1,000,000** | **121,900,310** | **(26,245)** | **(85,758,495)** | **629,445** | **37,745,015** | **277,603** | **38,022,618** |
| Profit for the period | - | - | - | 936,134 | - | **936,134** | - | **936,134** |
| Other comprehensive income | - | - | 2,122 | - | - | **2,122** | 26,161 | **28,283** |
| Total comprehensive (loss)/income for the period | - | - | 2,122 | 936,134 | - | 938,256 | 26,161 | **964,417** |
| **Balance at 30 June 2015** | **1,000,000** | **121,900,310** | **(24,123)** | **(84,822,361)** | **629,445** | **38,683,271** | **303,764** | **38,987,035** |

*Share premium is stated net of share issue costs and is not distributable by way of dividend.*

**CONSOLIDATED CASH FLOW STATEMENT**

**FOR THE SIX MONTHS ENDED 30 JUNE 2015**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **30 Jun 2015** | **30 Jun 2014** | **31 Dec 2014** |
|  |  | **EUR** | **EUR** | **EUR** |
|  |  | **Unaudited** | **Unaudited** | **Audited** |
|  |  |  |  |  |
| **Cash flows from operating activities** |  |  |  |  |
| Net profit/(loss) before tax |  | 936,134 | 2,522,328 | 4,225,051 |
| *Adjustments for:* |  |  |  |  |
| Depreciation and amortisation |  | - | 1,932 | 2,588 |
| Gain on financial assets at FVTPL |  | (235,864) | (1,950,240) | (4,747,123) |
| Interest income |  | (49,348) | (54,535) | (104,949) |
| Interest expense |  | 488,132 | 441,697 | 889,739 |
| Dividend income |  | (1,700,000) | (1,527,107) | (1,527,111) |
| **Net cash outflow before changes in working capital** | | **(560,946)** | **(565,925)** | **(1,261,805)** |
|  |  |  |  |  |
| (Increase)/decrease in trade and other receivables | | (833) | (33,273) | 68,870 |
| (Decrease) in trade and other payables |  | (305,878) | (2,463,675) | (3,990,128) |
| Purchase of financial assets |  | (535,000) | - | - |
| Sale of financial assets |  | 16,204 | - | - |
| Interest income received |  | 44 | 208 | 387 |
| Dividends received |  | 1,700,000 | 1,523,077 | 1,526,708 |
| **Cash generated from/(used in) operating activities** | | **313,591** | **(1,539,588)** | **(3,655,968)** |
|  |  |  |  |  |
| Income tax paid |  | - | - | (14,666) |
|  |  |  |  |  |
| **Net cash generated from/(used in) operating activities** | | **313,591** | **(1,539,588)** | **(3,670,634)** |
|  |  |  |  |  |
| **Cash flows from investing activities** |  |  |  |  |
| Purchase of property, plant and equipment |  | - | (1,440) | (2,059) |
| Proceeds of loans granted to unconsolidated subsidiaries |  | - | - | 594,943 |
| Proceeds from loans granted to unconsolidated subsidiaries |  | - | 598,719 | - |
| **Net cash flow generated from investing activities** | | **-** | **597,279** | **592,884** |
|  |  |  |  |  |
| **Cash flows from financing activities** |  |  |  |  |
| Repayments of loans granted by related parties |  | - | (3,550,000) | (4,256,045) |
| Dividends paid to non-controlling interests |  | - | (47,303) | (96,864) |
| Proceeds from loans granted by related parties |  | - | 5,750,000 | - |
| Proceeds from the issuance of convertible loan notes | | - | - | 8,449,999 |
| Interest paid on loans |  | - | (1,032,284) | (622,255) |
| **Net cash generated from financing activities** | | **-** | **1,120,413** | **3,474,835** |
|  |  |  |  |  |
| **Increase in cash and cash equivalents** | | **313,591** | **178,104** | **397,085** |
|  |  |  |  |  |
| Cash and cash equivalents at beginning of the period/year | | 768,606 | 350,142 | 350,142 |
| Effect of changes in foreign exchange rates |  | 15,096 | 6,578 | 21,379 |
| **Cash and cash equivalents at end of the period/year** | | **1,097,293** | 534,824 | 768,606 |