

Reconstruction Capital II Limited (the “Company”)
Interim Unaudited Financial Statements
for the six months ended 30 June 2020

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 2020.

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

On 30 June 2020, Reconstruction Capital II Limited (“RC2”) had a total unaudited net asset value (“NAV”) of €19.5m or €0.1428 per share, which represents a 1.52% fall since the beginning of the year.

As at 30 June 2020, RC2 had cash and cash equivalents of approximately €10,000 while its subsidiary, RC2 (Cyprus) Ltd, had cash and cash equivalents of €68,000. Additionally, RC2 (Cyprus) Ltd had loan receivables from Telecredit and Mamaia Resort Hotels of € 1.5m. As at 30 June 2020, RC2 had sundry liabilities of €137,000.

Operational highlights

The Romanian and Bulgarian governments took timely measures to contain the spread of COVID-19 when the numbers of cases and fatalities were still relatively low compared to Western Europe. Although these measures, which were stricter in Romania, seemed to have suppressed the pandemic, once the restrictions in both countries were gradually lifted in mid-May, the number of cases has been rising to worrying levels with Romania and Bulgaria posting two of the highest rates of new cases in South-East Europe. At the end of July, Romania and Bulgaria were reporting 100 and 70 COVID-19 active cases per 100,000 inhabitants, respectively, compared to 22 and 19 active cases at the end of May.

The Policolor Group’s January-June 2020 sales results were up 3.4% year-on-year at € 31.2m, albeit 13.9% below budget. Sales of coatings were badly affected by the COVID-19 pandemic and related lockdown restrictions during April, but sales of both coatings and resins have since recovered, making up some of the lost ground. Over the first half of 2020, the Policolor Group generated a recurring EBITDA (excluding revenues and expenses allocated to the real estate division) of € 2m, in line with the budget, helped by production efficiencies and operating cost savings.

Both Mamaia and Telecredit’s operations have been badly affected by the COVID-19 pandemic, and both management teams have prepared revised budgets to reflect the estimated impact of the pandemic on their respective businesses this year.

Following the finalization of the second phase of the renovation works on its public areas, and due to the Romanian authorities re-allowing open air restaurants to operate, the Mamaia hotel re-opened at the beginning of June. However, it is still not allowed to use its indoor restaurants, and is forced to restrict its food and beverage service to its outdoor terrace, where social distancing rules limit the number of customers. Management’s revised 2020 budget for the Hotel envisages total revenues of € 2.0m instead of an originally planned € 3.2m, and a net loss of € -0.24m instead of an original estimated net profit of € 0.18m. In April, RC2 provided a € 0.3m loan to the Hotel to help finalize its planned renovation works. The loan was fully drawn by the end of May.

Telecredit deployed € 3.7m in financing products to small and medium sized enterprises in the first semester, generating an Operating Loss before Depreciation of € 0.2m due to increased provisions expenses, reflecting the difficulties small and medium-sized companies are currently facing due to the pandemic. The revised 2020 budget prepared by management anticipates a net loss of € 0.39m compared to an original estimated net profit of € 0.06m, due to lower financing volumes generating lower interest revenues (€ 0.8m as opposed to an initial € 1m) and significantly higher provisions on SME lending (€ 0.2m as opposed to an initial € 0.1m). The company reimbursed € 0.3m of the € 1.5m loan RC2 provided to Telecredit in the second half of 2019.

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ADVISER'S REPORT
For the six months ended 30 June 2020

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As at 30 June 2020, RC2 had cash and cash equivalents of approximately €10,000 while its subsidiary, RC2 (Cyprus) Ltd, had cash and cash equivalents of €68,000. Additionally, RC2 (Cyprus) Ltd had loan receivables from Telecredit and Mamaia Resort Hotels of € 1.5m. As at 30 June 2020, RC2 had sundry liabilities of €137,000.

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STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

| Investment Income | 30 June 2020 EUR Unaudited | 30 June 2019 EUR Unaudited | 30 December 2019 EUR Audited |
|--|---|---|---|
| Fair value loss on financial assets at fair value through profit or loss | (2,113,199) | (2,162,241) | (14,482,512) |
| Interest Income | 2,131,097 | 2,151,033 | 4,319,475 |
| | 17,898 | (11,208) | (10,163,037) |
| Expenses | | | |
| Operating expenses | (315,688) | (443,456) | (845,572) |
| Financial income | - | 255 | 255 |
| Total expenses | (315,688) | (443,201) | (845,317) |
| Loss for the period/year | (297,790) | (454,409) | (11,008,354) |
| Other comprehensive income | - | - | - |
| Total comprehensive loss for the period/year attributable to owners | (297,790) | (454,409) | (11,008,354) |
| Earnings Per Share attributable to the owners of the Company | | | |
| Basic and diluted earnings per share | (0.0022) | (0.0033) | (0.0806) |

STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

| | 30 June 2020 EUR Unaudited | 30 June 2019 EUR Unaudited | 31 December 2019 EUR Audited |
|---|---|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Financial assets at fair value through profit or loss | 19,509,494 | 30,293,424 | 19,651,596 |
| Total non-current assets | 19,509,494 | 30,293,424 | 19,651,596 |
| Current assets | | | |
| Trade and other receivables | 13,585 | 14,299 | 16,673 |
| Cash and cash equivalents | 10,200 | 100,964 | 65,887 |
| Total current assets | 23,785 | 115,263 | 82,560 |
| TOTAL ASSETS | 19,533,279 | 30,408,687 | 19,734,156 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 134,275 | 109,949 | 37,362 |
| TOTAL LIABILITIES | 134,275 | 109,949 | 37,362 |
| NET ASSETS | 19,399,004 | 30,298,738 | 19,696,794 |
| EQUITY ATTRIBUTABLE TO OWNERS | | | |
| Share capital | 1,358,569 | 1,362,569 | 1,358,569 |
| Share premium | 109,206,779 | 109,250,778 | 109,206,779 |
| Accumulated deficit | (91,166,344) | (80,314,609) | (90,868,554) |
| TOTAL EQUITY | 19,399,004 | 30,298,738 | 19,696,794 |
| Net Asset Value per share | | | |
| Basic and diluted net asset value per share | 0.1428 | 0.2224 | 0.1450 |

STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2020

| | Share capital EUR | Share premium EUR | Retained (deficit)/ earnings EUR | Total EUR |
|--|----------------------|-------------------------|---|-------------------|
| Balance at 1 January 2019 | 1,403,324 | 109,862,098 | (79,860,200) | 31,405,222 |
| Loss for the period | - | - | (454,409) | (454,409) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive loss for the period | - | - | (454,409) | (454,409) |
| Repurchase and cancellation of own shares | (40,755) | (611,320) | - | (652,075) |
| Transactions with owners | (40,755) | (611,320) | - | (652,075) |
| Balance at 30 June 2019 | 1,362,569 | 109,250,778 | (80,314,609) | 30,298,738 |
| Loss for the period | - | - | (10,553,945) | (10,553,945) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive loss for the period | - | - | (10,553,945) | (10,553,945) |
| Repurchase and cancellation of own shares | (4,000) | (44,000) | - | (48,000) |
| Transactions with owners | (4,000) | (44,000) | - | (48,000) |
| Balance at 31 December 2019 | 1,358,569 | 109,206,779 | (90,868,554) | 19,696,794 |
| Loss for the period | - | - | (297,790) | (297,790) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive loss for the period | - | - | (297,790) | (297,790) |
| Repurchase and cancellation of own shares | - | - | - | - |
| Transactions with owners | - | - | - | - |
| Balance at 30 June 2020 | 1,358,569 | 109,206,779 | (91,166,344) | 19,399,004 |

CASH FLOW STATEMENT
For the six months ended 30 June 2020

| | 30 June 2020 EUR Unaudited | 30 June 2019 EUR Unaudited | 31 December 2019 EUR Audited |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Loss before taxation | (297,790) | (454,409) | (11,008,354) |
| <i>Adjustments for:</i> | | | |
| Fair value loss on financial assets at fair value through profit or loss | 2,113,199 | 2,162,241 | 14,482,512 |
| Interest income | (2,131,097) | (2,151,033) | (4,319,475) |
| Net gain on foreign exchange | - | (255) | (255) |
| Net cash outflow before changes in working capital | (315,688) | (443,456) | (845,572) |
| Decrease in trade and other receivables | 3,088 | 6,712 | 4,338 |
| Increase/(decrease) in trade and other payables | 96,913 | 14,348 | (58,233) |
| Purchase of financial assets | - | (133,602) | (133,603) |
| Disposals and repayments of financial assets | 160,000 | 310,000 | 800,000 |
| Net cash used in operating activities | (55,687) | (245,998) | (233,070) |
| Cash flows from financing activities | | | |
| Payments to purchase own shares | - | (1,000,657) | (1,048,662) |
| Redemptions of B shares | - | (132,941) | (132,941) |
| Net cash flow used in financing activities | - | (1,133,598) | (1,181,603) |
| Net decrease in cash and cash equivalents before currency adjustment | (55,687) | (1,379,596) | (1,414,673) |
| Effects of exchange rate differences on cash and cash equivalents | - | 255 | 255 |
| Net decrease in cash and cash equivalents after currency adjustment | (55,687) | (1,379,341) | (1,414,418) |
| Cash and cash equivalents at the beginning of the period/year | 65,887 | 1,480,305 | 1,480,305 |
| Cash and cash equivalents at the end of the period/year | 10,200 | 100,964 | 65,887 |