**2 August 2016**

Reconstruction Capital II Limited (the "Company")

Interim Unaudited Consolidated Financial Statements

for the six months ended 30 June 2016

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 2016.

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 2016 was EUR 0.4212 per share on an undiluted basis (EUR 0.3736 per share as at 31 December 2015). The corresponding net asset value per share on a fully diluted basis was EUR 0.3118 (EUR 0.2847 per share as at 31 December 2015).
* 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. 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 46.5m at the end of June, up 4.5% since the 2015 year-end audit report, primarily due to the effect of an increase in the Albalact SA share price.

**Trading Programme**

As at 30 June 2016, RC2’s listed equities held under the Trading Programme had a total market value of EUR 0.21m, a 22.4% decrease over the first half of the year, due to the disposal of one of the holdings and a partial disposal of another. All the investments held under the Trading Programme were in Romanian equities.

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# ADVISER’S REPORT

As at 30 June 2016, Reconstruction Capital II Limited ("RC2" or the "Fund") had a total unaudited net asset value ("NAV") of EUR38.7m, or EUR0.4212 per share on an undiluted basis which represents a 12.7% increase compared to the audited NAV per share at the end of December 2015. The fully diluted NAV per share increased by 9.5% from EUR0.2847 to EUR0.3118 in the corresponding period.

The increase in NAV is primarily due to the growth in the share price of Albalact, which was driven by the announcement of RC2 and the Ciurtin family’s agreement to sell their shares in the company to Lactalis, a world-leading French dairy company, subject to a number of conditions precedent, the last of which were fulfilled in July 2016.

As at 30 June 2016, RC2 had cash and cash equivalents of approximately EUR1.1m, borrowings of EUR9.5m, and EUR0.2m of accrued liabilities to its service providers.

# Private Equity Programme

The investments held under the Private Equity Programme had a fair value of EUR46.5m as at 30 June 2016, an increase of 4.5% over the period. This was due to a combination of an increase in the market value of the holding in Albalact SA (EUR4.1m), offset by a write down of the investments in Glasro Holdings Limited (EUR2.0m) and Top Factoring SRL (EUR0.1m) to reflect the payment of dividends during the period.

# Trading Programme

As at 30 June 2016, RC2's listed equities held under the Trading Programme had a total market value of EUR0.21m, a 22.4% decrease over the first half of 2016, due to the disposal of one of its holdings and a partial disposal of another. 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 2016**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **30 June****2016** | **30 June****2015** | **31 December****2015** |
|  | **EUR** | **EUR** | **EUR** |
|  | **Unaudited** | **Unaudited** | **Audited** |
| **Investment income** |  |  |  |  |
| Gain/(loss) on revaluation of investments |  |  |  |  |
| at fair value through profit or loss |  | 2,042,263 | 235,864 | (148,934) |
| Gain on disposal of investments |  | 16,737 | - | 176,627 |
| Interest income |  | - | 49,348 | 99,583 |
| Dividend income |  | 2,101,970 | 1,700,000 | 2,404,456 |
| Other income |  | 12,103 | - | 29,232 |
| **Total investment income** |  | **4,173,073** | **1,985,212** | **2,560,964** |
| **Expenses** |  |  |  |  |
| Impairment on loan receivables |  | - | - | (892,639) |
| Operating expenses |  | (588,931) | (560,946) | (1,058,837) |
| **Total expenses** |  | **(588,931)** | **(560,946)** | **(1,951,476)** |
| **Operating profit** |  | **3,584,142** | **1,424,266** | **609,488** |
| Financial expenses |  | (525,698) | (488,132) | (977,294) |
| **Profit/(loss) before taxation** |  | **3,058,444** | **936,134** | **(367,806)** |
| Income tax expense |  | (79) | - | (697) |
| **Profit/(loss) from continuing operations** |  | **3,058,365** | **936,134** | **(368,503)** |
| Loss from discontinued operations |  | - | - | (43,104) |
| **Profit/(loss) for the period/year** |  | **3,058,365** | **936,134** | **(411,607)** |
| **Other comprehensive income** |  |  |  |
| **Amounts that may be reclassified to profit or loss** |  |  |
| Exchange differences on translating |  |  |  |
| foreign operations | - | 28,283 | - |
| **Total comprehensive income/(loss) for the period/year** | **3,058,365** | **964,417** | **(411,607)** |
| **Profit/(loss) for the period/year attributable to:** |  |  |  |
| - Equity holders of the parent | 3,058,365 | 936,134 | (371,941) |
| - Non-controlling interest | - | - | (39,666) |
|  | **3,058,365** | **936,134** | **(411,607)** |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)**

**For the six months ended 30 June 2016**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 June****2016** | **30 June****2015** | **31 December****2015** |
|  | **EUR** | **EUR** | **EUR** |
|  | **Unaudited** | **Unaudited** | **Audited** |
| **Total comprehensive income/(loss) attributable to:**- Equity holders of the parent | **3,058,365** | **938,256** | **(371,941)** |
| - from continuing operations | 3,058,365 | 938,256 | (368,503) |
| - from discontinued operations | - | - | (3,438) |
| - Non-controlling interest | **-** | **26,161** | **(39,666)** |
| - from continuing operations | - | 26,161 | - |
| - from discontinued operations | - | - | (39,666) |
|  | **3,058,365** | **964,417** | **(411,607)** |
| **Total comprehensive income/(loss) from:**- Continuing operations | 3,058,365 | 964,417 | (368,503) |
| - Discontinued operations | - | - | (43,104) |
|  | **3,058,365** | **964,417** | **(411,607)** |

**Total Earnings Per Share attributable to the equity shareholders of the Company**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Basic undiluted earnings per share |  | 0.0314 | 0.0094 | (0.0037) |
| Fully diluted earnings per share |  | 0.0224 | 0.0086 | 0.0036 |
| **Continuing operations Earnings Per Share attributable to the equity shareholders of the Company** |  |  |  |  |
| Basic undiluted earnings per share |  | 0.0314 | 0.0094 | (0.0037) |
| Fully diluted earnings per share |  | 0.0224 | 0.0086 | 0.0036 |
| **Discontinued operations Earnings Per Share attributable to the equity shareholders of the Company** |  |  |  |  |
| Basic undiluted earnings per share |  | - | - | (0.00003) |
| Fully diluted earnings per share |  | - | - | (0.00002) |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**As at 30 June 2016**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **30 June****2016** | **30 June****2015** | **31 December****2015** |
|  | **EUR****Unaudited** | **EUR****Unaudited** | **EUR****Audited** |
| **ASSETS** |  |  |  |  |
| **Non-current assets**Property, plant and equipment |  | - | 11,509 | - |
| Financial assets at fair value through profit or loss |  | 46,459,213 | 44,833,347 | 44,455,046 |
| Loans receivable |  | 616,709 | 1,459,113 | 616,709 |
| **Total non-current assets** |  | **47,075,922** | **46,303,969** | **45,071,755** |
| **Current assets** |  |  |  |  |
| Financial assets at fair value through profit or loss |  | 208,502 | 350,013 | 268,591 |
| Trade and other receivables |  | 30,815 | 299,418 | 37,462 |
| Cash and cash equivalents |  | 1,077,611 | 1,097,293 | 1,083,954 |
| **Total current assets** |  | **1,316,928** | **1,746,724** | **1,390,007** |
| **TOTAL ASSETS** |  | **48,392,850** | **48,050,693** | **46,461,762** |
| **LIABILITIES** |  |  |  |  |
| **Current liabilities**Trade and other payables |  | 210,467 | 569,710 | 123,725 |
| Loans and borrowings |  | - | 45,331 | 46,490 |
| Corporation tax payable |  | - | 2,418 | - |
| **Total current liabilities** |  | **210,467** | **617,459** | **170,215** |
| **Non-current liabilities**Convertible loan notes |  | 9,459,742 | 8,446,199 | 8,934,201 |
| **Total non-current liabilities** |  | **9,459,742** | **8,446,199** | **8,934,201** |
| **TOTAL LIABILITIES** |  | **9,670,209** | **9,063,658** | **9,104,416** |
| **NET ASSETS** |  | **38,722,641** | **38,987,035** | **37,357,346** |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

**As at 30 June 2016**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **30 June****2016** | **30 June****2015** | **31 December****2015** |
|  | **EUR** | **EUR** | **EUR** |
|  | **Unaudited** | **Unaudited** | **Audited** |
| **CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS** |  |  |  |  |
| Share capital |  | 919,378 | 1,000,000 | 1,000,000 |
| Share premium |  | 111,742,914 | 121,900,310 | 121,900,310 |
| Retained deficit |  | (74,569,096) | (84,822,361) | (86,172,409) |
| Equity component of convertible loan notes |  | 629,445 | 629,445 | 629,445 |
| Foreign exchange reserve |  | - | (24,123) | - |
|  |  | **38,722,641** | **38,683,271** | **37,357,346** |
| Non-controlling interests |  | - | 303,764 | - |
| **TOTAL EQUITY** |  | **38,722,641** | **38,987,035** | **37,357,346** |

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 June****2016** | **30 June****2015** | **31 December****2015** |
| **EUR** | **EUR** | **EUR** |
| **Unaudited** | **Unaudited** | **Audited** |
| **Net Asset Value per share** |  |  |  |  |
| Basic undiluted net asset value per share |  | 0.4212 | 0.3868 | 0.3736 |
| Fully diluted net asset value per share |  | 0.3118 | 0.2898 | 0.2847 |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**For the six months ended 30 June 2016**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Foreign exchange |  | Retained (deficit)/ |  | Equity component of |  |  |  | Non- controlling |  |
|  | Share capital |  | Share premium |  | reserve |  | earnings |  | loan notes |  | **Subtotal** |  | interest |  | **Total** |
|  | EUR |  | EUR |  | EUR |  | EUR |  | EUR |  | **EUR** |  | EUR |  | **EUR** |
| **Balance at 1 January 2015** | 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 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** |
| Loss for the period | - |  | - |  | - |  | (1,308,075) |  | - |  | **(1,308,075)** |  | (39,666) |  | **(1,347,741)** |
| Other comprehensive loss | - |  | - |  | (2,122) |  | - |  | - |  | **(2,122)** |  | (26,161) |  | **(28,283)** |
| Total comprehensive loss for the period | **-** |  | **-** |  | **(2,122)** |  | **(1,308,075)** |  | **-** |  | **(1,310,197)** |  | **(65,827)** |  | **(1,376,024)** |
| Discontinued operations - share of non- |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| controlling interest | - |  | - |  | 26,245 |  | (41,973) |  | - |  | **(15,728)** |  | (237,937) |  | **(253,665)** |
| Transactions with owners | - |  | - |  | 26,245 |  | (41,973) |  | - |  | **(15,728)** |  | (237,937) |  | **(253,665)** |
| **Balance at 31 December 2015** | **1,000,000** |  | **121,900,310** |  | **-** |  | **(86,172,409)** |  | **629,445** |  | **37,357,346** |  | **-** |  | **37,357,346** |
| Profit for the period | - |  | - |  | - |  | 3,058,365 |  | - |  | **3,058,365** |  | - |  | **3,058,365** |
| Other comprehensive income | - |  | - |  | - |  | - |  | - |  | **-** |  | - |  | **-** |
| Total comprehensive income for the period | **-** |  | **-** |  | **-** |  | **3,058,365** |  | **-** |  | **3,058,365** |  | **-** |  | **3,058,365** |
| Repurchase and cancellation of own shares | (80,622) |  | (10,157,396) |  | - |  | 8,544,948 |  | - |  | **(1,693,070)** |  | - |  | **(1,693,070)** |
| Transactions with owners | (80,622) |  | (10,157,396) |  | - |  | 8,544,948 |  | - |  | **(1,693,070)** |  | - |  | **(1,693,070)** |
| **Balance at 30 June 2016** | **919,378** |  | **111,742,914** |  | **-** |  | **(74,569,096)** |  | **629,445** |  | **38,722,641** |  | **-** |  | **38,722,641** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

**For the six months ended 30 June 2016**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **30 June****2016** | **30 June****2015** | **31 December****2015** |
| **EUR** | **EUR** | **EUR** |
| **Unaudited** | **Unaudited** | **Audited** |
| **Cash flows from operating activities** |  |  |  |
| Profit/(loss) for the period/year | 3,058,365 | 936,134 | (411,607) |
| *Adjustments for:* |  |  |  |
| (Gain)/loss on revaluation of investments at fair value |  |  |  |
| through profit or loss | (2,042,263) | (235,864) | 148,934 |
| (Gain)/loss on disposal of investments | (16,737) | - | (176,627) |
| Loss for the period/year from discontinued operations | - | - | 43,104 |
| Impairment on loans receivable | - | - | 892,639 |
| Interest income | - | (49,348) | (99,583) |
| Financial expenses | 525,698 | 488,132 | 977,294 |
| Dividend income | (2,101,891) | (1,700,000) | (2,403,759) |
| Net loss on foreign exchange | 60 | - | 5,200 |
| **Net cash outflow before changes in working capital** | **(576,768)** | **(560,946)** | **(1,024,405)** |
| Decrease/(increase) in trade and other receivables | 7,365 | (833) | 2,043 |
| Increase/(decrease) in trade and other payables | 86,742 | (305,878) | (391,140) |
| Purchase of financial assets | - | (535,000) | (535,000) |
| Sale of financial assets | 114,922 | 16,204 | 267,040 |
| Interest income received | - | 44 | 45 |
| Dividends received | 2,101,173 | 1,700,000 | 2,403,759 |
| Net cash flows from continuing activities | 1,733,434 | 313,591 | 722,342 |
| Net cash flows from discontinued activities | - | - | 20,296 |
| **Net cash generated from operating activities** | **1,733,434** | **313,591** | **742,638** |
| **Cash flows from financing activities** |  |  |  |
| Repayment of loan granted by related party | (40,000) | - | - |
| Interest paid | (6,647) | - | (237,274) |
| Payments to purchase own shares | (1,693,070) | - | - |
| **Net cash flow used by financing activities** | **(1,739,717)** | **-** | **(237,274)** |
| **Net (decrease)/increase in cash and cash equivalents** |  |  |  |
| **before currency adjustment** | **(6,283)** | **313,591** | **505,364** |
| Effects of exchange rate differences on cash and cash |  |  |  |
| equivalents | (60) | 15,096 | (67,877) |
| **Net (decrease)/increase in cash and cash equivalents** |  |  |  |
| **after currency adjustment** | **(6,343)** | **328,687** | **437,487** |
| Cash and cash equivalents at the beginning of the |  |  |  |
| period/year | 1,083,954 | 768,606 | 768,606 |
| Cash and cash equivalents included in discontinued |  |  |  |
| operations | - | - | (122,139) |
| **Cash and cash equivalents at the end of the** |  |  |  |
| **period/year** | **1,077,611** | **1,097,293** | **1,083,954** |