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Eurocastle Releases Fourth Quarter and Year End 2019 Financial Results

Guernsey, 6 March 2020 – Eurocastle Investment Limited (Euronext Amsterdam: ECT) today has released its annual report for the year ended 31 December 2019.

- ◆ **Adjusted Net Asset Value (“NAV”)** of €15.4 million¹, or €8.32 per share² up €0.18 per share vs. €8.14 per share at announcement of realisation plan.
- ◆ **IFRS NAV** of €34.4 million, or €18.57 per share².
- ◆ **Normalised FFO**³ of €104.9 million, or €2.55 per share, for the full year, of which €68.3 million, or €2.14 per share², relates to the fourth quarter of 2019, following the realisation of doValue and Italian NPLs & Other Loans.

	FY 2019		FY 2018		Q4 2019		Q3 2019	
	€million	€per share ²						
Adjusted NAV ¹	15.4	8.32	393.0	8.70	15.4	8.32	327.5	8.97
Normalised FFO ³	104.9	2.55	32.0	0.63	68.3	2.14	25.7	0.60
Distributions ⁴	13.3	0.30	38.4	0.78	-	-	-	-

2019 BUSINESS HIGHLIGHTS

Realisation Plan

On 18 November 2019 the Board of Directors (“Board”) announced a realisation plan (the “Realisation Plan”) to realise the majority of the Company’s assets in order to accelerate the return of value to the Company’s shareholders.

At an Extraordinary General Meeting on 2 December 2019, the Company’s shareholders approved a transaction to dispose of its Italian loan portfolio for a gross purchase price of €140.2 million to funds managed by an affiliate of FIG LLC, the Company’s Manager. At the same time, shareholders also approved a tender offer (the “Tender Offer”) whereby the Company would buy back Eurocastle shares in exchange for a combination of its shares in doValue and the distributable cash proceeds from the NPL sale. On 20 December 2019, the Company repurchased 34.6 million Eurocastle shares (95% of the shares outstanding at the time) from tendering shareholders via an off-market share buyback in exchange for its 15.04 million shares in doValue and €109.2 million in cash. Approximately 0.4353 doValue shares and €3.16 in cash were exchanged for each Eurocastle share, representing a value per ordinary share of €8.14 at the time of announcement of the realisation plan. As at 31 December 2019, the Company no longer holds any interest in doValue.

Italian NPLs & Other Loans Realisation

On 16 December 2019, the Company completed the sale of its portfolio of Italian Loans (the “NPL Portfolio”) for a gross purchase price (after customary adjustments for collections) of €140.2 million to funds managed by an affiliate of its Manager (the “NPL Purchaser”). The purchase price represented a 5% discount to the Q3 2019 NAV of the NPL Portfolio excluding certain residual interests which the Company was required to retain due to legal obligations and which the NPL Purchaser has committed to acquire at the same 5% discount when such obligations no longer apply. In addition, the NPL Purchaser assumed an obligation to fund the €18.1 million deferred purchase price which was due to be paid by the Company in relation to its investment in the FINO portfolio. The cash proceeds received by the Company on completion of the sale of the NPL Portfolio was €122.1 million. As a result of this transaction, the Company retained a residual interest in three Italian NPL & Other Loan pools.

¹ In light of the Realisation Plan, the Adjusted NAV as at 31 December 2019 reflects additional reserves for future costs and potential liabilities, which have not been accounted for under the IFRS NAV.

² Per share calculations for Eurocastle throughout this document are based on the weighted average or outstanding voting shares and therefore exclude shares held in treasury. As at 31 December 2019, 1.9 million ordinary shares were in issue, all treasury shares were cancelled in the year. Amounts per share are therefore calculated on the following basis: Q4 2019 Net Asset Value per share (“NAV per share”) on 1.9 million shares, FY 2019 NFFO on 41.1 million weighted average voting shares, Q4 2019 NFFO on 31.9 million weighted average voting shares, Q3 2019 NAV per share based on 36.5 million voting shares and Q3 2019 NFFO per share – based on 42.5 million weighted average voting shares, Q4 2018 NAV on 45.2 million voting shares, FY 2018 NFFO based on 50.1 million weighted average voting shares.

³ Normalised FFO (“NFFO”) is a non-IFRS measure used to explain the financial performance of the Company, as outlined on page 5 of the 2019 Annual Report.

⁴ As a result of the Realisation Plan, the Company’s distribution policy, including the regular dividend, did not apply from Q3 2019.

Investment Activity In The Year

During the year, the Company funded a further €46.6 million in the FINO portfolio and received €98.0 million from its investments.

- In February 2019, the Company funded €46.6 million of the €64.7 million deferred purchase price related to its interest in the FINO portfolio. The remaining €18.1 million commitment was assumed by the NPL Purchaser.
- In 2019, the Company received €1.3 million from its investment in doValue, of which €1.7 million related to the net proceeds from the placement of 5 million doValue shares in August 2019 at a price of €10.45 per doValue share.
- The Company received a further €36.7 million from its investments with €24.2 million generated from its Italian NPLs and Other Loans portfolio and €12.4 million generated from its Real Estate Fund Investments.

Capital Activity

During 2019, the Company repurchased 96% of its voting shares for a total of €353.6 million through;

- The share tender following adoption of the Realisation Plan of €281.2 million of shares at €8.14 per share
- Two additional share tenders repurchasing €70 million of shares at an average price of €8.30 per share and
- €2.3 million of shares at an average price of €7.22 per share through the Company's open market buyback programme. The last buyback programme ended on 13 November 2019 and the Board has chosen not to extend the programme.

SUBSEQUENT EVENTS TO 31 DECEMBER 2019

- Mr. Hammad Khan, who joined the board of the Company on 15 February 2019 as a representative of an affiliate of EJV Capital LLC, tendered his resignation, effective 5 March 2019.

NORMALISED FFO

Normalised FFO (“NFFO”) is a non-IFRS financial measure that, with respect to all of the Company’s Italian Investments other than doValue, recognises i) income on an expected yield basis updated periodically, allowing Eurocastle to report the run rate earnings from these investments in line with their expected annualised returns and ii) any additional gains or losses not previously recognised through NFFO at the point investments are realised. Cash flow receipts are therefore allocated by the Company between income and capital in accordance with this expected yield methodology. With respect to doValue, following the IPO, the Company recognised NFFO based on its share of doValue’s reported annual net income excluding non-recurring items after tax together with any gains or losses arising from the sale of its shares. The income cash flow profile of each of the Company’s investments may not exactly equal the NFFO recognised by the Company each period but will do so over the life of each investment.

As a result of the Realisation Plan, the Company will no longer report NFFO.

Normalised FFO for the Year Ended 31 December 2019	Average Net	Annualised	FY 2019
	Invested Capital¹	Yield	
	<i>€ Thousands</i>		<i>€ Thousands</i>
doValue	74,401	181%	134,879
Italian NPLs & Other Loans	117,282	11%	13,170
Real Estate Fund Investments	27,209	(25)%	(6,905)
Italian Investments NFFO before expenses	218,892	65%	141,144
Legacy portfolios			350
Manager base & incentive fees			(32,237)
Other operating expenses			(4,400)
Normalised FFO			104,857
<i>€ per share</i>			2.55

Normalised FFO for the Fourth Quarter 2019	Average Net	Annualised	Q4 2019
	Invested Capital¹	Yield	
	<i>€ Thousands</i>		<i>€ Thousands</i>
doValue	60,903	625%	95,197
Italian NPLs & Other Loans	120,697	(8)%	(2,287)
Real Estate Fund Investments	19,212	(60)%	(2,897)
Italian Investments NFFO before expenses	200,812	179%	90,013
Legacy portfolios			89
Manager base & incentive fees			(20,026)
Other operating expenses			(1,806)
Normalised FFO			68,270
<i>€ per share</i>			2.14

Income Statement for the Full Year and Fourth Quarter 2019	FY 2019	Q4 2019
	<i>€ Thousands</i>	<i>€ Thousands</i>
<u>Portfolio Returns</u>		
doValue	47,879	19,188
Italian NPLs & Other Loans	3,033	(8,253)
Real Estate Funds	(424)	(1,349)
Fair value movement on Italian investments	50,488	9,586
Fair value movements on residual Legacy entities	764	503
Other income – Gains on foreign currency translation	1	4
Total gain	51,253	10,093
<u>Operating Expenses</u>		
Interest expense	121	19
Manager base and incentive fees	32,237	20,026
Remaining operating expenses	3,115	626
Other Operating expenses	35,352	20,652
Total expenses	35,473	20,671
Net profit / (loss) for the period	15,780	(10,578)
<i>€ per share</i>	<i>0.38</i>	<i>(0.33)</i>

¹ Time weighted average of invested capital (net of any capital returned) over the relevant period.

Balance Sheet and Adjusted NAV Reconciliation as at 31 December 2019	Italian Investments € Thousands	Corporate € Thousands	Total € Thousands
Assets			
Cash and cash equivalents	-	41,681	41,681
Other assets	-	98	98
Investments:			
Italian NPLs & Other Loans	1,246	-	1,246
Real Estate Funds	14,261	-	14,261
Total assets	15,507	41,779	57,286
Liabilities			
Trade and other payables	-	2,743	2,743
Manager base and incentive fees	-	20,155	20,155
Total liabilities	-	22,898	22,898
IFRS NAV	15,507	18,881	34,388
Additional Reserves ¹	(340)	(18,640)	(18,980)
Adjusted NAV	15,167	241	15,408
Adjusted NAV (€per share) ²	8.19	0.13	8.32

PDMR UPDATE

The Company would like to make a correction to its announcement released on 24 December 2019 with respect to PDMR dealing. Following final settlement of the tender offer in December 2019, Mr. Randal A. Nardone disposed of 845,483 shares instead of the reported 845,450 shares. All other details contained in the announcement remain unchanged.

NOTICE:

This announcement contains inside information for the purposes of the Market Abuse Regulation 596/2014.

This announcement may contain forward-looking statements, including ‘forward-looking statements’ within the meaning of the United States Private Securities Litigation Reform Act of 1995. Words such as ‘will’, ‘aim’, ‘expects’, ‘anticipates’, ‘intends’, ‘looks’, ‘believes’, ‘vision’, or the negative of these terms and other similar expressions of future performance or results, and their negatives, are intended to identify such forward-looking statements. These forward-looking statements are based upon current expectations and assumptions regarding anticipated developments and other factors affecting Eurocastle Investment Limited (the “**Company**”). They are not historical facts, nor are they guarantees of future performance.

Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. These forward-looking statements speak only as of the date of this announcement. Except as required by any applicable law or regulation, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

¹ In light of the Realisation Plan, the Adjusted NAV as at 31 December 2019 reflects the additional reserves for future costs and potential liabilities of €18.7 million and asset specific reserves of €0.3 million, which have not been accounted for under the IFRS NAV.

² Amounts per share calculated on 1.9 million outstanding ordinary shares.

ADDITIONAL INFORMATION

For investment portfolio information, please refer to the Company's most recent Financial Report, which is available on the Company's website (www.eurocastleinv.com).

ABOUT EUROCASTLE

Eurocastle Investment Limited ("Eurocastle" or the "Company") is a publicly traded closed-ended investment company, focused on Italian performing and non-performing loans, Italian loan servicing platforms and other real estate related assets in Italy. On 18 November 2019, the Company announced a plan to realise the majority of its assets with the aim of accelerating the return of value to shareholders. The Company will not currently seek material new investments from the proceeds of the realisation but, will continue to support its existing investments to the extent required in order to optimise returns and distribute cash to shareholders when available (the "Realisation Plan"). For more information regarding Eurocastle Investment Limited and to be added to our email distribution list, please visit www.eurocastleinv.com.

FORWARD LOOKING STATEMENTS

This release contains statements that constitute forward-looking statements. Such forward-looking statements may relate to, among other things, future commitments to sell real estate and achievement of disposal targets, availability of investment and divestment opportunities, timing or certainty of completion of acquisitions and disposals, the operating performance of our investments and financing needs. Forward-looking statements are generally identifiable by use of forward-looking terminology such as "may", "will", "should", "potential", "intend", "expect", "endeavor", "seek", "anticipate", "estimate", "overestimate", "underestimate", "believe", "could", "project", "predict", "project", "continue", "plan", "forecast" or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. The Company's ability to predict results or the actual effect of future plans or strategies is limited. Although the Company believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, its actual results and performance may differ materially from those set forth in the forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that may cause the Company's actual results in future periods to differ materially from forecasted results or stated expectations including the risks regarding Eurocastle's ability to declare dividends or achieve its targets regarding asset disposals or asset performance.