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Eurocastle Releases Fourth Quarter and Year End 2023 Financial Results

Guernsey, 14 March 2024 – Eurocastle Investment Limited (Euronext Amsterdam: ECT) today has released its annual report for the year ended 31 December 2023.

- ◆ **Adjusted Net Asset Value (“NAV”)** of €11.10 million¹, or €11.12 per share² vs. €11.14 per share in Q3 2023 and €10.33 per share as at YE 2022, with the increase in 2023 largely due to the release of €0.9 million of reserves linked to the legacy German tax matter following a partial reimbursement received in July as a result of an appeal made by the Company.
- ◆ **IFRS NAV** of €21.74 million, or €21.77 per share vs €21.89 per share as at Q3 2023 and €22.45 per share as at YE 2022.

The tables below summarise the NAV by segment:

	YE 2023 NAV		Q3 2023 NAV		YE 2022 NAV	
	€'m	€ p.s.	€'m	€ p.s.	€'m	€ p.s.
New Investment Strategy - Greece	0.10	0.10	-	-	-	-
Legacy Italian Real Estate Funds	0.08	0.08	0.08	0.08	0.63	0.63
Net Corporate Cash ³	17.83	17.86	18.05	18.08	17.08	17.15
Legacy German Tax Asset	3.73	3.73	3.73	3.73	4.64	4.67
IFRS NAV	21.74	21.77	21.86	21.89	22.35	22.45
Additional Reserves ⁴	(10.64)	(10.65)	(10.74)	(10.75)	(12.07)	(12.12)
Adjusted NAV	11.10	11.12	11.12	11.14	10.28	10.33
<i>Ordinary shares outstanding</i>	998,555		998,555		995,555	

As at 31 December 2023, the Company’s assets mainly comprise:

1. €17.8 million, or €17.86 per share, of net corporate cash, the majority of which is available to fund investments under the New Investment Strategy.
2. A tax asset of €3.7 million, or €3.73 per share, representing amounts paid in relation to additional tax assessed against a legacy German property subsidiary. The Company is currently appealing the assessment through the German fiscal court and expects the matter will eventually be resolved in the Company’s favour.
3. A deposit of €0.1 million, or €0.10 per share, paid in connection with the Company’s first investment under the New Investment Strategy.
4. Residual interests in two legacy Italian Real Estate Fund Investments with an NAV of €0.08 million, or €0.08 per share, where the underlying properties have been fully sold, with both funds now in liquidation.

¹ In light of the Realisation Plan announced in November 2019, the Adjusted NAV as at 31 December 2023 reflects additional reserves for future costs and potential liabilities, which have not been accounted for under the IFRS NAV (“Additional Reserves”). No commitments for these future costs and potential liabilities existed as at 31 December 2023.

² Per share calculations for Eurocastle as at 31 December, 2023 are based on 998,555 shares in issue. YE 2022 NAV per share based on 995,555 shares; Q3 2023 NAV per share based on 998,555 shares.

³ Reflects corporate cash and treasury investments net of accrued liabilities and other assets (excluding the deposit made in connection with the Company’s New Investment Strategy). Treasury investments mainly comprise short term Italian Government Bonds.

⁴ Reserves that were put in place when the Company realised the majority of its investment assets in 2019 in order for the Company to continue in operation and fund its future costs and potential liabilities. These reserves are not accounted for under IFRS.

2023 BUSINESS HIGHLIGHTS

FY 2023 Overview

During 2023, the Company made significant progress on monetising its remaining assets as part of its Realisation Plan, with 79% of its YE 2022 NAV relating to investments realised in the period. As at 31 December 2023, the Company had realised 109% of the NAV of the investments reported at the time of the announcement of the Realisation Plan in November 2019.

In particular, Eurocastle's remaining legacy Italian investment interests, being the residual net assets of two RE Fund Investments, have a NAV of €0.1 million, or less than 1% of the Company's total Adjusted NAV.

In addition, in November the Company agreed to acquire its first asset under its New Investment Strategy, a retail complex in Athens with an expected investment for Eurocastle of €5 million. In order to support its new investment programme, Eurocastle is establishing an investment structure through which it expects to invest the majority of its current Net Corporate Cash alongside selected external co-investors who the Company is targeting to bring onboard during Q2. In addition to generating attractive risk adjusted returns on its share of any investments made, Eurocastle also anticipates receiving market standard management and incentive fees from external investors.

Highlights

- **New Investment Strategy** –The first asset to be acquired under the New Investment Strategy is being purchased from one of the largest Greek banks out of a distressed situation. Eurocastle's strategy is to lease-up the last 20% of the building which is currently vacant and then seek an exit in the open market. Eurocastle is acquiring the asset alongside a local partner who is anticipated to take a 20% interest in the asset. The total expected investment is approximately €6.3 million, of which Eurocastle's share is approximately €5.0 million with a closing targeted in Q2 2024, subject to certain conditions precedent. As part of the terms of the agreement, Eurocastle deposited €100,000 of the purchase price which would be reimbursed should certain of those closing conditions not be met. In parallel with executing this first investment, the Company has been underwriting a number of additional opportunities.
- **Legacy Italian Real Estate Funds** – In April, Eurocastle received €0.5 million, or €0.50 per share, mainly representing its share of the proceeds from the sale of the last remaining apartment units. The remaining NAV for these investments of €0.1 million, or €0.08 per share, reflects cash currently reserved in the funds that is expected to be released once the fund manager resolves certain potential liabilities and liquidates each fund.
- **Additional Reserves** - The Company reduced these reserves from €12.1 million to €10.7 million, or €10.65 per share, during the year, with a reduction of €0.5 million reflecting reserves being utilised in line with anticipated costs and a release of €0.9 million of the reserves linked to the legacy German tax matter. As at 31 December 2023, of the total Additional Reserves of €10.7 million, €5.5 million related to the legacy German tax matter with the balance of approximately €5.2 million in place to allow for future costs and potential liabilities while the Company pursues in parallel the New Investment Strategy.
- As previously announced, in July Eurocastle received a partial reimbursement of €1.1 million of the €4.8 million of additional tax paid by Eurocastle relating to the legacy German tax matter. This followed an appeal made by the Company against additional tax assessed for the period 2008 to 2012 and represents a full reversal of the additional tax for 2008 as well as part of the amount for 2009. The Company is now pursuing the reimbursement of the remaining amount paid through the German fiscal court. The current remaining financial impact (excluding associated costs of €0.2 million) is estimated to be €1.5 million and relates to the years 2013 to 2015 which remain subject to ongoing tax audits.

Income Statement for the Fourth Quarter 2023, Full Year 2023 and Full Year 2022

	Q4 2023	FY 2023	FY 2022
	<i>€ Thousands</i>	<i>€ Thousands</i>	<i>€ Thousands</i>
<u>Portfolio Returns</u>			
Legacy Italian NPLs & Other Loans realised gain	-	2	116
Legacy Italian Real Estate Funds unrealised fair value movement	(1)	(50)	282
Fair value movement on Investments	(1)	(48)	398
Fair value movements on residual Legacy entities	-	-	9
Other Income	-	2	-
Interest income	142	519	68
Loss on foreign currency translation	-	(2)	(7)
Total income	141	471	468
<u>Operating Expenses</u>			
Interest expense	-	-	12
Manager base and incentive fees	21	94	92
Remaining operating expenses	238	1,012	1,247
Other operating expenses	259	1,106	1,339
Total expenses	259	1,106	1,351
Net (loss) for the period	(118)	(635)	(883)
€ per share	(0.12)	(0.64)	(0.58)

Balance Sheet and Adjusted NAV Reconciliation as at 31 December 2023	New Strategy Investments Greece	Legacy Italian Investments	Corporate	Total	
				2023	2022
				<i>€ Thousands</i>	<i>€ Thousands</i>
Assets					
Other assets	100	-	110	210	109
Legacy German tax asset	-	-	3,727	3,727	4,645
Investments - Legacy Italian Real Estate Funds	-	82	-	82	628
Cash, cash equivalents and treasury investments					
Cash and cash equivalents	-	-	13,951	13,951	17,721
Treasury Investments	-	-	4,236	4,236	-
Total assets	100	82	22,024	22,206	23,103
Liabilities					
Trade and other payables		-	425	425	736
Manager base and incentive fees		-	41	41	17
Total liabilities		-	466	466	753
IFRS Net Asset Value	100	82	21,558	21,740	22,350
Liquidation cash reserve	-	-	(5,185)	(5,185)	(5,537)
Legacy German tax cash reserve	-	-	(1,728)	(1,728)	(1,888)
Legacy German tax asset	-	-	(4,727)	(4,727)	(4,645)
Adjusted NAV	100	82	10,918	11,100	10,280
Adjusted NAV (€ per Share)	0.10	0.08	10.94	11.12	10.33

NOTICE:

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

ADDITIONAL INFORMATION

For investment portfolio information, please refer to the Company's most recent Financial Report, which will be 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. On 8 July 2022, the Company announced the relaunch of its investment activity and is currently in the early stages of pursuing its new strategy by initially focusing on opportunistic real estate in Greece with a plan to expand across Southern Europe. 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.