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Eurocastle Releases Fourth Quarter and Year End 2021 Financial Results

Guernsey, 29 April 2022 – Eurocastle Investment Limited (Euronext Amsterdam: ECT) today has released its annual report for the year ended 31 December 2021.

- ◆ **Adjusted Net Asset Value (“NAV”)** of €18.2 million¹, or €9.79 per share², up €0.03 per share vs. €9.76 per share at Q3 2021 (up €1.33 per share vs. €8.46 per share at YE 2020, after payment of 2020 distribution of €0.54 per share in Q1 2021) due to:

1. Valuation movements:
 - €0.03 per share, or 1%, increase in Q4 2021 (€1.11 per share increase for the FY 2021) on the real estate fund investments.
 - €0.03 per share, or 4%, increase in Q4 2021 (€0.32 per share increase for the FY 2021) on the remaining three NPL and other loan interests.
2. Reserve and legacy movements of €(0.03) per share in Q4 2021 (€0.10 per share decrease for the FY 2021).

- ◆ **IFRS NAV** of €32.9 million, or €17.73 per share

The tables below summarise the Adjusted NAV by segment:

	YE 2021 NAV		Q3 2021 NAV		YE 2020 NAV	
	€ million	€ per share	€ million	€ per share	€ million	€ per share
Real Estate Funds ³	2.8	1.49	5.4	2.91	7.4	4.01
Italian NPLs & Other Loans	1.3	0.72	1.3	0.70	1.2	0.67
Net Corporate Cash ^{3,4}	14.1	7.57	11.4	6.15	8.0	4.32
Adjusted NAV	18.2	9.79	18.1	9.76	16.7	9.00
2020 Capital Distribution (paid in Q1 2021)	-	-	-	-	(1.0)	(0.54)
Adjusted NAV after 2020 Capital Distribution	18.2	9.79	18.1	9.76	15.7	8.46

As at 31 December 2021, the Company’s remaining assets comprise:

1. Interests in two fully developed, luxury residential real estate redevelopment funds in Rome where the apartments in Real Estate Fund Investment II (“REFI II”) are now **all sold** or under contract to be sold and **4%** of the units in Real Estate Fund Investment V (“REFI V”) remain to be sold.
2. Residual minority interests in two predominantly secured NPL pools where the underlying assets are under contract to be sold once the underlying portfolio level financing of each is repaid.
3. Net corporate cash of €14.1 million³, comprising corporate cash net of liabilities and additional reserves.

¹ In light of the Realisation Plan announced in November 2019, the Adjusted NAV as at 31 December 2021 reflects additional reserves for future costs and potential liabilities, which have not been accounted for under the IFRS NAV. No commitments for these future costs and potential liabilities existed as at 31 December 2021.

² Per share calculations for Eurocastle throughout this document are based on 1.9 million shares.

³ In early January 2022, the Company received €1.0 million of cash from RE Fund II. This amount has been reallocated from Real Estate Funds to Net Corporate Cash.

⁴ Reflects corporate cash net of liabilities and additional reserves.

2021 BUSINESS HIGHLIGHTS

FY 2021 Overview

During the year the Company continued to make significant progress on realising its remaining assets as part of its Realisation Plan with 72% of its YE 2020 NAV relating to investments realised in the period. In particular, sales of residential units across both of its real estate redevelopment funds have proved resilient despite the ongoing challenges from COVID-19. This positive activity in the RE Funds, where results were achieved above and ahead of what was anticipated, after being adjusted in 2020 for the projected impact of COVID-19, has been the primary driver for a 31% valuation increase in the period on all investments.

In addition, Eurocastle received its last material distribution from its publicly listed fund investment and sold all underlying assets in one of the three remaining loan pools the Company has an interest in. The Company is now left with two RE Fund Investments and two NPL pools with an NAV of €5.1 million, or 28% of the Company's NAV. In Q1 2022, the Company received a further €2.0 million from its RE Fund investments. Taking into account these distributions, Eurocastle's remaining NAV for all of its investments would be €3.1 million, or 17% of the Company's Adjusted NAV, which is expected to be realised within the next 18 months.

The board is currently in intensive discussions with the Manager to analyse potential investment opportunities and expects to announce the conclusion of the strategic review in conjunction with the release of the Company's interim management statement for the first quarter of 2022 on 1 June 2022.

Investment Realisations & Highlights

- During 2021, the Company realised €6.3 million from its investments, of which €5.8 million came from its Real Estate Funds (~78% of their YE 2020 NAV) and €0.5 million from its minority NPL and Other Loan holdings (~41% of their YE 2020 NAV).
- **RE Redevelopment Funds - REFI II & REFI V:**
- In REFI II, all units have been sold and the fund is now in liquidation. In REFI V, assuming all units currently under contract successfully close, only 4% of units will remain to be sold.
- Eurocastle received €5.3 million during the year comprising (i) €0.8 million from REFI II (~32% of its YE 2020 NAV) and (ii) €4.6 million from REFI V (~96% of its YE 2020 NAV). A further €2.0 million was distributed from the investments in Q1 2022; €1.0 million from REFI II in January 2022 and €1.0 million from REFI V in March 2022.
- **REFI I:** Following the sale of all the assets in Real Estate Fund Investment I in 2019, in Q1 2021 the Company received its last expected material distribution of €0.4 million, or 143% of its YE 2020 NAV.
- **Italian NPLs & Other Loans:** During the year the pools generated and distributed €0.5 million, or ~41% of their YE 2020 NAV. The Company also disposed of all of the underlying assets of one of these 3 pools which generated ~€0.4 million to the Company (~31% of its YE 2020 NAV).
- **Additional Reserves:** The Company reduced these reserves from €16.2 million to €14.8 million during the year. The reduction of €1.4 million reflects €1.6 million of reserves being utilised, in line with anticipated costs, and an increase of €0.2 million in the existing reserves in 2021.

SUBSEQUENT EVENTS TO 31 DECEMBER 2021

The Company is exposed to a potential tax risk of up to €7.2 million associated with the disposal of a legacy property subsidiary in prior years. In February 2022, the Company received revised tax assessments related to this risk covering the period 2008 - 2012 determining a liability of €4.6 million, or €2.50 per share. In respect of the same legacy property subsidiary, the years 2013 - 2015 remain subject to ongoing tax audits, the timings of which are uncertain. The Company estimates that the remaining financial impact for all these audits, including interest accruals, is between €1.8 million - €2.5 million. The Company intends to appeal the current and any future assessments through the German tax system and, having taken independent advice, considers it probable that the matter will finally be determined in the Company's favour. In light of this, the Company will recognise a tax asset of €4.6m following payment of this amount in March 2022. The Company has been advised that, based on average court timings for both the German fiscal and federal court systems, this matter can be expected to be resolved in approximately four years, but notes that it can take considerably longer and, in rare cases, up to ten years in total. The total potential liability arising from this matter had already been fully reflected in the Adjusted NAV since implementation of the Realisation Plan (see page 5 of the 2021 Annual Report) and remains the case at 31 December 2021.

In early January 2022, the Company received a distribution of €1.0 million from Real Estate Fund Investment II. This represents 70% of its Q4 2021 NAV, leaving a residual value of ~€0.4 million for this investment and is already reflected in the Company's Q4 2021 Adjusted NAV.

In March 2022, the Company received a distribution of €1.0 million from Real Estate Fund Investment V. This represents 42% of its Q4 2021 NAV and leaves a residual value of ~€1.4 million for this investment.

Income Statement for the Full Year and Fourth Quarter 2021

	FY 2021 € Thousands	Q4 2021 € Thousands
Portfolio Returns		
Italian NPLs & Other Loans	602	58
Real Estate Funds	2,061	49
Fair value movement on Italian investments	2,663	107
Fair value movements on residual Legacy entities	275	247
Loss on foreign currency translation	(5)	(3)
Total gain	2,933	351
Operating Expenses		
Interest expense	7	7
Manager base and incentive fees	175	33
Remaining operating expenses	1,687	462
Other Operating expenses	1,862	495
Total expenses	1,869	502
Net profit / (loss) for the period	1,064	(151)
€ per share	0.57	(0.08)

Balance Sheet and Adjusted NAV Reconciliation as at 31 December 2021	Italian Investments € Thousands	Corporate € Thousands	Total € Thousands
Assets			
Cash and cash equivalents	-	28,356	28,356
Other assets	-	115	115
Investments:			
Italian NPLs & Other Loans	1,337	-	1,337
Real Estate Funds	3,725	-	3,725
Total assets	5,062	28,471	33,533
Liabilities			
Trade and other payables	-	564	564
Manager base and incentive fees	-	37	37
Total liabilities	-	601	601
IFRS NAV	5,062	27,870	32,932
Additional Reserves ¹	-	(14,752)	(14,752)
RE Fund II distribution ²	(950)	950	-
Adjusted NAV	4,112	14,068	18,180
Adjusted NAV (€ per share) ³	2.21	7.57	9.79

¹ In light of the Realisation Plan, the Adjusted NAV as at 31 December 2021 reflects the additional reserves for future costs and potential liabilities of €14.8 million which have not been accounted for under the IFRS NAV.

² In early January 2022, the Company received €1.0 million of cash from RE Fund II. This amount has been reallocated from Real Estate Funds to Net Corporate Cash.

³ Amounts per share calculated on 1.9 million outstanding ordinary shares.

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 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.