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**Eurocastle Releases Fourth Quarter and Year End 2020 Financial Results**

Guernsey, 5 March 2021 – Eurocastle Investment Limited (Euronext Amsterdam: ECT) today has released its annual report for the year ended 31 December 2020.

◆ **Adjusted Net Asset Value (“NAV”)** of €16.7 million<sup>1</sup>, or €9.00 per share<sup>2</sup> up €1.54 per share vs. €7.46 per share at Q3 2020 (up €0.68 per share vs. €8.32 per share at YE 2019) due to:

1. Valuation movements:
  - €0.20 per share, or 4%, increase in Q4 2020 (€1.03 per share<sup>3</sup> decrease for the FY 2020) on the remaining three real estate fund investments.
  - €0.02 per share, or 4%, increase in Q4 2020 (€0.05 per share increase for the FY 2020) on the remaining three NPL and other loan interests.
2. Positive reserve and legacy movements of €1.32 per share in Q4 2020 (€1.66 per share increase for the FY 2020).

◆ **IFRS NAV** of €32.9 million, or €17.72 per share

◆ **2020 Capital Distribution** of €1.0 million, or €0.54 per share declared on 4 March 2021 and to be paid on 30 March 2021 to shareholders of record at close of business on 11 March 2021 with an ex-dividend date of 10 March 2021. This distribution is being treated as a return of capital because there are no current year or carry-forward profits available at the Company. It will be reflected in the “Share Capital” column in the Statement of Changes in Equity in the Company’s financial statements.

The tables below summarise the Adjusted NAV by segment:

	YE 2020 NAV		YE 2019 NAV		Q3 2020 NAV	
	€million	€per share	€million	€per share	€million	€per share
Real Estate Funds	7.4	4.01	13.9	7.52	8.5	4.58
Italian NPLs & Other Loans	1.2	0.67	1.2	0.67	1.2	0.67
Net Corporate Cash <sup>4</sup>	8.0	4.32	0.3	0.13	4.1	2.21
<b>Adjusted NAV</b>	<b>16.7</b>	<b>9.00</b>	<b>15.4</b>	<b>8.32</b>	<b>13.8</b>	<b>7.46</b>

The Company’s current assets comprise:

1. Interests in two real estate redevelopment funds where construction is fully completed. The units are in the process of being sold but encountering delays due to the COVID-19 outbreak. Both developments offer luxury residential apartments with high specification furnishings in Rome.
2. Interest in a public fund which is in the process of being liquidated and which recently declared its last expected material distribution of €0.4 million to be paid to Eurocastle on 10 March 2021.
3. Residual minority interests in three predominantly secured NPL & Other Loan pools.
4. Net corporate cash of €8.0 million, comprising corporate cash net of liabilities and additional reserves.

<sup>1</sup> In light of the Realisation Plan announced in November 2019, the Adjusted NAV as at 31 December 2020 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 2020.

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

<sup>3</sup> FY 2020 decrease of €1.03 per share, includes fair value decrease on real estate fund investments of €1.21 per share net of a release of additional asset specific reserves of €0.18 per share.

<sup>4</sup> Reflects corporate cash net of liabilities and additional reserves.

## 2020 BUSINESS HIGHLIGHTS

### **Overview in light of COVID-19**

The Company started 2020 having successfully executed on the first and largest part of its Realisation Plan by selling its NPL portfolio and tendering its stake in doValue, via a share for share tender. As part of this process the Company set aside Additional Reserves determined by the Board of Directors in order to take into account anticipated future costs and potential liabilities.

These steps left the Company well capitalised and in a strong position to weather the extraordinary circumstances that have followed the outbreak of COVID-19. During the year, the Company reviewed its underlying cash flow models and adjusted them accordingly by applying haircuts and extending out the cash flows of its remaining investments to take into account the anticipated impact of COVID-19, with the resultant impact reflected in the valuation of the Company's assets at the end of YE 2020.

### **Investment Realisations & Highlights**

COVID-19 has had an extraordinary impact across all sectors of the economy. The Company's move to realise the majority of its assets in YE 2019 and its prudent management of cash reserves have left the Company well placed to maximize the value of its remaining assets. This has been evidenced in their performance during 2020 where the Company achieved the following milestones:

- During the year, the Company realised €4.7 million from its investments, of which €4.6 million came from its Real Estate Funds (~33% of YE 2019 NAV after asset specific reserves) and €0.1 million from its minority NPL and Other Loan holdings (~8% of YE 2019 NAV).
- **RE Redevelopment Funds - REFI II & REFI V:** Closed or collected offers under contract on 50% of the remaining real estate units available for sale as at 1 January 2020 in Real Estate Fund Investment II and 47% in Real Estate Fund Investment V, with a significant portion of this activity occurring in H2 2020, after the initial lockdown. Assuming that all these offers close, only 13% of units in one building in Real Estate Fund Investment II (with the second building already fully sold) and 33% of the units in Real Estate Fund Investment V will remain to be sold. The renewed interest in the apartments that was evidenced after the end of the first lockdown in Italy in May 2020 has continued, reflecting the pent-up demand in the market for quality, semi-central residential real estate in Rome.
- **REFI I:** Following the sale of all of the assets in Real Estate Fund Investment I in 2019, the Company received €2.2 million, or 89% of its YE 2019 NAV, during 2020. The fund is in the process of being liquidated with its last expected material distribution of €0.4 million to be paid to Eurocastle on 10 March 2021, €0.1 million above Eurocastle's YE 2020 carrying value.
- **Italian NPLs & Other Loans:** The residual NPL & Other Loan interests, which are predominantly secured, have continued to generate cash proceeds, in spite of the turmoil created by COVID-19. During the year the pools generated and distributed €0.1 million, or ~8% of YE 2019 NAV.
- **Legacy Realisations:** The Company successfully negotiated the positive resolution of a claim relating to its legacy debt business. Given the uncertainty ascribed to the outcome of the claim, the Company did not attribute any value in its accounts other than reserving for its share of the associated costs. The Company received approximately €2.2 million and after taking into account costs previously reserved for, the net positive impact to Eurocastle's Adjusted Net Asset Value is €2.3 million.
- **Additional Reserves:** The Company reduced its Additional Reserves (excluding asset specific reserves) from €18.7m to €16.2m during the financial year. €1.8m of this reduction relates to reserves being utilised, in line with anticipated costs, along with €0.7m of net reserve savings having been achieved in 2020.

### SUBSEQUENT EVENTS TO 31 DECEMBER 2020

- The market turmoil and global distress caused by the COVID-19 pandemic has created a number of potentially attractive investment opportunities. In light of this and the Company's parallel efforts to expedite the resolution of certain key reserves, the Board has decided to undertake a review of the Company's strategic options, including use of available capital.
- The Company's current strategy was approved by shareholders as part of the Realisation Plan announced in November 2019. The Board presently anticipates that the outcome of the current review will be announced to shareholders during the second half of 2021.

**Income Statement for the Full Year and Fourth Quarter 2020**

	FY 2020 € Thousands	Q4 2020 € Thousands
<b><u>Portfolio Returns</u></b>		
Italian NPLs & Other Loans	99	33
Real Estate Funds	(2,233)	371
<b>Fair value movement on Italian investments</b>	<b>(2,134)</b>	<b>404</b>
<b>Fair value movements on residual Legacy entities</b>	<b>2,501</b>	<b>2,294</b>
<b>Other income</b>	<b>15</b>	<b>-</b>
<b>Gains on foreign currency translation</b>	<b>2</b>	<b>3</b>
<b>Total gain</b>	<b>384</b>	<b>2,701</b>
<b><u>Operating Expenses</u></b>		
<b>Interest expense</b>	<b>43</b>	<b>-</b>
Manager base and incentive fees	111	37
Remaining operating expenses	1,749	316
<b>Other Operating expenses</b>	<b>1,860</b>	<b>353</b>
<b>Total expenses</b>	<b>1,903</b>	<b>353</b>
<b>Net (loss) / profit for the period</b>	<b>(1,519)</b>	<b>2,348</b>
<b>€ per share</b>	<b>(0.82)</b>	<b>1.27</b>

<b>Balance Sheet and Adjusted NAV Reconciliation as at 31 December 2020</b>	<b>Italian Investments € Thousands</b>	<b>Corporate € Thousands</b>	<b>Total € Thousands</b>
<b>Assets</b>			
Cash and cash equivalents	-	25,341	25,341
Other assets	-	119	119
Investments:			
Italian NPLs & Other Loans	1,248	-	1,248
Real Estate Funds	7,435	-	7,435
<b>Total assets</b>	<b>8,683</b>	<b>25,460</b>	<b>34,143</b>
<b>Liabilities</b>			
Trade and other payables	-	1,170	1,170
Manager base and incentive fees	-	140	140
<b>Total liabilities</b>	<b>-</b>	<b>1,274</b>	<b>1,274</b>
<b>IFRS NAV</b>	<b>8,683</b>	<b>24,186</b>	<b>32,869</b>
Additional Reserves <sup>1</sup>	-	(16,183)	(16,183)
<b>Adjusted NAV</b>	<b>8,683</b>	<b>8,003</b>	<b>16,686</b>
Adjusted NAV (€per share) <sup>2</sup>	<b>4.68</b>	<b>4.32</b>	<b>9.00</b>

<sup>1</sup> In light of the Realisation Plan, the Adjusted NAV as at 31 December 2020 reflects the additional reserves for future costs and potential liabilities of €16.2 million which have not been accounted for under the IFRS NAV.

<sup>2</sup> 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](http://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](http://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.