BUSINESS REVIEW

FINANCIAL HIGHLIGHTS AT A GLANCE[1]

Adjusted Q2 2022 NAV per share[2]:	Adjusted Q2 2022 NAV:
€10.16ps	**€18.9mm**
(YE 2021: €9.79ps)	(YE 2021: €18.2mm)
(Q1 2022: €10.53ps)	(Q1 2022: €19.6mm)
Q2 2022 IFRS NAV of €17.04ps	*Q2 2022 IFRS NAV of €31.6mm*

STRATEGIC REVIEW CONCLUSION & TENDER OFFER

Eurocastle Investment Limited (the "Company" or "Eurocastle") is a publicly traded closed-ended investment company with investments focused on Italian performing and non-performing loans ("NPLs") 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 "Realisation Plan"). In March 2021, Eurocastle launched a strategic review of the Company's options going forward.

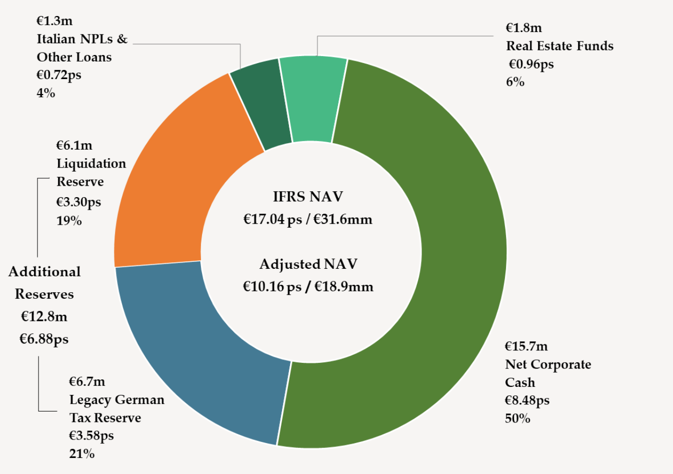
On 8 July 2022, the Company announced the conclusion of the strategic review and the decision to relaunch the Company's investment activity (the "Relaunch"). It also announced a tender offer to provide a liquidity opportunity for those shareholders who did not wish to participate in the Relaunch (the "Tender Offer"). The Tender Offer was set at a price of €10.26 per share, or 97.5% of Eurocastle's Q1 2022 Adjusted NAV, being the maximum share buyback price authorised by the Company's shareholders.

On 20 July 2022, the Company held a general meeting to vote on a resolution to waive the requirement for the Company's Manager and its affiliates to make a general offer for the Company should their ownership interest in the Company exceed 30% as a result the Tender Offer. This resolution was passed and as a result the Tender Offer proceeded and closed on 4 August 2022 with 67% of eligible shares tendered, resulting in Eurocastle accepting 864,980 shares in exchange for €10.26 of cash per share tendered, or €8.9 million in total.

PORTFOLIO OVERVIEW

Following implementation of the Realisation Plan in December 2019, Eurocastle's remaining portfolio of Italian Investments is made up of Real Estate Funds and residual interests in Italian NPLs & Other Loans, with the balance comprising Net Corporate Cash (after taking into account reserves for future costs and potential liabilities considered by the Board in light of the Realisation Plan). The chart below shows a breakdown of Eurocastle's net assets as at **30 June 2022** and key metrics pro forma for the Tender Offer and investment cash flows received subsequent to H1 2022.

Q2 2022 NAV



KEY METRICS POST TENDER & Q3 REALISATIONS[3]

NAV

IFRS NAV: **€22.8m** | **€22.94 p.s.**

Adjusted NAV: **€10.0m** | **€10.07 p.s.**

CASH

CASH AT BANK[4]:
€17.8m | ***€17.94 p.s.***

NET CORPORATE CASH:
€8.4m | ***€8.46 p.s.***

INVESTMENT NAV

€1.6m | ***€1.61 p.s.***

after realisations of €1.5m subsequent to 30 June 2022

Real Estate Funds: Interests in:

- Two private Italian real estate development funds:
  - RE Fund II: Building works completed and fully sold with the fund now in liquidation. Remaining NAV is represented entirely by the net cash of the fund.
  - RE Fund V: Construction completed with 97% of units sold or under contract.

Italian NPLs & Other Loans: Residual minority interest in 2 loan pools, which are under contract to be sold once the underlying portfolio level financing of each is repaid. Interest in one pool sold in July 2022.

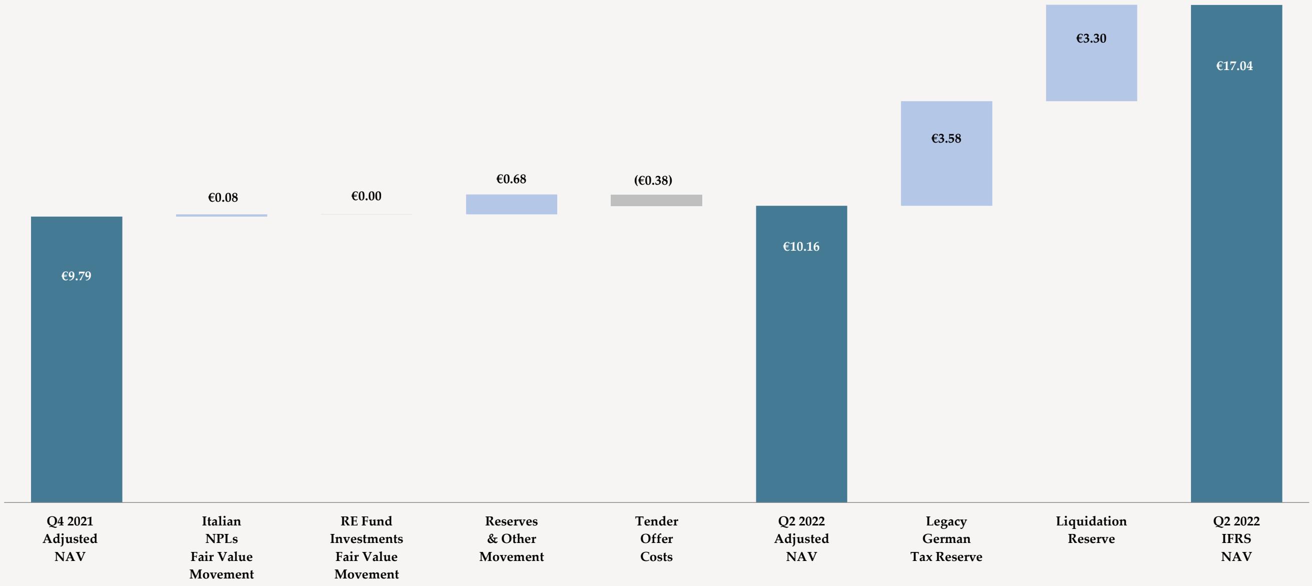
Additional Reserves: Reserves required for the Company to continue in operation and fund its future costs and potential liabilities in light of the Realisation Plan. These reserves are not accounted for under IFRS. No commitments for these future costs and potential liabilities existed as at 30 June 2022.

Net Corporate Cash: Corporate cash net of liabilities and additional reserves.

SEE PAGE 8 FOR ALL END NOTES

H1 2022 NAV Bridge

In € per share



New Investment Strategy

With the Tender Offer having successfully closed the Company is now in a position to proceed with the Relaunch.

The Company's new investment strategy seeks to leverage the Manager's experience of over two decades in the Southern European distressed debt market. With over €200 billion[5] of non-performing exposures ("NPE") having traded from banks in Italy, Spain and Greece over the past 3 years and now largely sitting in the hands of investors, the Manager has identified an opportunity to create a Southern European speciality finance and real estate platform with a geographic focus initially in Greece and Italy. The Company will approach the new investment strategy with a strong commitment to energy saving and environmentally-friendly investments.

Through the new investment strategy, the Company is seeking to build a large granular portfolio of loans and real estate assets over time, targeting gross unlevered returns in the high single digits, increasing to the mid-teens after modest leverage. While specialty finance and real estate form the core of the Company's new investment strategy, the Company may seek to make opportunistic investments arising from the significant capital to be provided by the European Union's recently established recovery and resilience facility ("RRF") of approximately €724 billion to support businesses in the wake of the COVID-19 pandemic. The Company will focus on opportunities aligned to its sustainable investing principles.

The new investment strategy has two key pillars which capitalise on the desire of NPE investors to accelerate collections:

- **Speciality Finance:** The platform intends to source opportunities to provide capital to borrowers that are unable to raise financing from traditional banks and to focus on borrowers which the Company believes are able to agree a discounted pay-off ("DPO") of their debt with NPE investors, who are generally willing to accept DPOs to drive their own returns. New capital would typically be secured against real estate and other hard assets and provided in situations where the borrower is free of other senior creditors. Sustainability criteria will be employed in structuring the Company's investments.

- **Opportunistic Real Estate:** The Company has identified an opportunity to build a granular portfolio of real estate coming from NPE portfolios. The strategy seeks to take advantage of an anticipated significant supply and demand imbalance for real estate collateral being sold through uncompetitive auctions and from NPE investors seeking to dispose of individual real estate assets they have repossessed. The Manager expects this significant supply and demand imbalance will likely result in real estate assets being sold at a material discount to their open market value. The Company intends to capitalise on the Manager's experience and knowledge of the market and auction systems to identify assets being sold at a discount to market value which the platform then intends to acquire and sell.

The Board believes that these investments will provide the Company with stable running cash flows which, once the business is deemed sufficiently established, will provide the Company with the basis to pay a regular stable dividend with a targeted unlevered yield in the high single digits. The Company will commence seeking investments under the new investment strategy using its remaining available cash of €8.4 million after taking into account the amount required for the Tender Offer and investment cash flows received subsequent to 30 June 2022.

The Company will also seek to undertake a fundraising from new and existing institutional investors by way of a private placement of new Ordinary Shares ("New Shares") in order to support the new investment strategy. The quantum of the funds to be raised and the terms (including the price) at which the New Shares could be issued will be determined by the Company, following consultation with the Manager, at the relevant time.

Alongside the implementation of the proposed new investment strategy, and to align itself with the new investments' risk adjusted returns, the Company and the Manager have agreed to amend certain terms of the current Management Agreement. Refer to the July 2022 Tender Offer Circular on the Company's website for further details.

SEE PAGE 8 FOR ALL END NOTES

H1 2022 Business Highlights

H1 2022 Overview

During H1 2022, the Company continued to make progress on realising its remaining assets as part of its Realisation Plan with 41% of its YE 2021 NAV relating to investments realised in the period. As at 30 June 2022, the Company's investments comprised of two RE Fund Investments and two NPL pools with a NAV of €3.1 million, or 10% of the Company's NAV.

Investment Realisations & Highlights

- During H1 2022, the Company realised €2.1 million from its investments, of which €1.9 million came from its Real Estate Funds (~52% of their YE 2021 NAV) and €0.1 million from its minority NPL and Other Loan holdings (~11% of their YE 2021 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 3% of units will remain to be sold.
- During H1 2022, Eurocastle received €1.9 million comprising (i) €1.0 million from REFI II (~70% of its YE 2021 NAV) and (ii) €1.0 million from REFI V (~42% of its YE 2021 NAV).

Additional Reserves:
The Company reduced these reserves from €14.8 million to €12.8 million during the period. The reduction of €2.0 million reflects €0.7 million of reserves being utilised, in line with anticipated costs, and a release of €1.3 million of the existing reserves in H1 2022. The majority of this release relates to the legacy German tax matter following a revision to the estimated total liability. As at 30 June 2022, of the total Additional Reserves of €12.8 million, €6.7 million related to the legacy German tax matter with the balance of approximately €6.1 million in place to allow for an orderly liquidation process.

- As previously announced, the Company made a payment of €4.6 million in March 2022 in relation to the legacy German tax matter against which it raised a corresponding tax asset with the current remaining financial impact (excluding associated costs of €0.2 million) estimated to be between €1.7 million and €1.9 million. Notwithstanding the Company's expectation that the tax matter will eventually be resolved in the Company's favour, as at 30 June 2022, the full potential liability is fully reserved for within the Additional Reserves.

Subsequent Events to 30 June 2022

Tender Offer

As stated above, the Tender Offer closed on 4 August 2022 and the Company bought back 864,980 shares, or €8.9 million, resulting in a current share count of 992,555

Investment Realisations

Subsequent to H1 2022, the Company received €1.5 million from its investments, or approximately half of the Company's total Q2 2022 NAV for its investments comprising:

- €1.3 million from REFI V, or ~90% of its Q2 2022 NAV.
- €0.3 million from one of the two remaining NPL pools following the completion of its sale on 29 July 2022 in line with its Q2 22 NAV.

Following these distributions, Eurocastle's remaining Q2 '22 NAV for all of its investments would be €1.6 million, or 8% of the Company's Adjusted NAV, which is expected to be realised within the next 15 months.

Net Available Cash for Relaunch

Taking into account the Tender Offer settlement and cash flows received from the investments subsequent to H1 2022, the Company has a cash position of €17.8 million and approximately €8.4 million of net available cash to commence seeking new investments under the new investment strategy.

Italian Real Estate Funds

Since 2014, Eurocastle has made several investments in this asset class, investing €67.2 million in five separate real estate funds; of which three have been fully realised.

The Company opportunistically targeted either public or private funds that could be acquired at a significant discount to the value of their underlying assets.

Following adoption of the Realisation Plan, the Company plans to continue to hold and realise these assets in accordance with existing business plans. It will support these investments to the extent required to optimise returns and distribute cash to shareholders when available.

Italian RE funds – H1 2022 Adjusted NAV Bridge

(€ million)

RE Fund Investments	Investment Date	Equity Invested *€ million*	Total Cash flows Distributed to Eurocastle *€ million*	*Of which Received in 2022* *€ million*	Adjusted NAV *€ million*	Adjusted NAV *€ per share*	Total Return (Cash flows Distributed +Adj. NAV) *€ million*
II	Jul- 14	15.4	15.1	*0.9*	0.4	0.21	15.5
V	Q2-17	5.6	6.0	*1.0*	1.4	0.75	7.4
TOTAL		***21.0***	**21.1**	***1.9***	***1.8***	***0.96***	***22.8***

RE Funds Update

During H1 2022, the Company's RE Fund interests comprised of two private Italian real estate redevelopment funds.

- RE Fund II – As at 30 June 2022, all units in both buildings sold, with the fund now in liquidation. In H1 2022, the Company received €1.0 million, or 70% of its 2021 YE NAV. The Q2 2022 NAV is represented entirely by the net cash of the fund. During H1 2022, a fair value decrease of €32k, or €0.02 per share was recognised.

- RE Fund V – Construction completed on budget. As at 30 June 2022, 97% of units are sold or under contract to be sold. The remaining units are in the process of being sold. ~61% of the Q1 2022 NAV is represented by the net cash of the fund together with the value of units under contract. In H1 2022, the Company received a distribution of €1.0 million, or 42% of the Q4 2021 NAV of this investment. During H1 2022, a fair value increase of €27k or €0.02 per share was recognised. Subsequent to H1 2022, the Company received €1.3 million from the fund, or ~90% of its Q2 2022 NAV.

Further details of all remaining real estate fund investments as at 30 June 2022 can be found in the table below:

	Fund Investment II	Fund Investment V
Investment Date	Jul-14	Q2-17
Eurocastle Ownership	49.7%	49.6%
Fund Type	Private	Private
Collateral Type	2 luxury residential redevelopments	1 luxury residential redevelopment
Collateral Location	Rome	Rome
Eurocastle Q2 2022 Adjusted NAV per share	€0.21	€0.75
Fund Leverage	0%	0%
Legal Fund Maturity	In liquidation	Q4 2022

Income Statement For The Six Months Ended 30 June 2022

	Income Statement H1 2022 € Thousands	Income Statement H1 2021 € Thousands
Portfolio Returns		
Italian NPLs & Other Loans unrealised fair value movement	152	437
Real Estate Funds unrealised fair value movement	(5)	1,809
Fair value movement on Italian investments	**147**	**2,246**
Fair value movements on residual Legacy entities	-	28
(Loss) / gain on foreign currency translation	(2)	-
Total income	**145**	**2,274**
Operating Expenses		
Interest expense	**11**	**-**
Manager base and incentive fees	75	96
Remaining operating expenses	635	867
Other operating expenses	**710**	**963**
Total expenses	**721**	**963**
(Loss) / profit for the period	**(576)**	**1,311**
€ per share	***(0.31)***	***0.71***

Balance Sheet and Adjusted NAV Reconciliation as at 30 June 2022

	Italian Investments € Thousands	Corporate € Thousands	Total € Thousands
Assets			
Cash and cash equivalents	-	25,153	25,153
Other assets	-	50	50
Tax Asset[6]	-	4,645	4,645
Investments:			
Italian NPLs & Other Loans	1,347	-	1,347
Real Estate Funds	1,780	-	1,780
Total assets	**3,127**	**29,848**	**32,975**
Liabilities			
Trade and other payables	-	545	545
Tender offer costs	-	710	710
Manager base and incentive fees	-	74	74
Total liabilities	**-**	**1,329**	**1,329**
IFRS Net Asset Value	**3,127**	**28,519**	**31,646**
Liquidation cash reserve	-	(6,122)	(6,122)
Legacy German tax cash reserve	-	(2,006)	(2,006)
Legacy German tax asset reserve[6]	-	(4,645)	(4,645)
Adjusted NAV	**3,127**	**15,746**	**18,873**
Adjusted NAV (€ per share)	***1.68***	***8.48***	***10.16***
Tender Offer settlement	-	(8,875)	(8,875)
Distributions received subsequent to Q2 2022	(1,530)	1,530	-
Q2 2022 PRO FORMA ADJUSTED NAV [3]	**1,597**	**8,401**	**9,998**
€ per share based on 992,555 shares	*1.61*	*8.46*	*10.07*

SEE PAGE 8 FOR ALL END NOTES

Additional Reserves

The table below summarises the movement of Eurocastle's Additional Reserves, set as part of the Realisation Plan in 2019. In light of the disposal of the majority of its assets as part of the Realisation Plan, the Company has taken a prudent view in managing its cash reserves and accordingly implemented various reserves which sought to ensure that the Company could continue to meet known, potential and unknown future liabilities over the period it anticipated would be required to complete the realisation of its investments and be liquidated in an orderly fashion. The Additional Reserves are not accounted for under IFRS as no formal commitments for these future costs and potential liabilities exist.

As at 30 June 2022, the Additional Reserves totalled €12.8 million, of which €6.7 million is specifically related to the the disposal of a legacy German property subsidiary in prior years, with the balance of approximately €6.1 million in place to allow for an orderly liquidation process. Notwithstanding the Company's expectation that the legacy German tax matter will eventually be resolved in the Company's favour, as at 30 June 2022, the potential liability was fully reserved for within the Additional Reserves.

Eurocastle started the year with €14.8m of Additional Reserves to fund future costs and potential liabilities. These reserves currently stand at €12.8 million as at 30 June 2022 after utilising €0.7 million of reserves in line with anticipated costs and a decrease in the existing reserves of €1.3 million in the period.

	Dec 2021 Additional Reserves *€ million*	**Reserves (paid/ payable) in 2022** *€ million* [7]	**Dec 2021 Reserves less (paid/ payable) in 2022** *€ million*	**Q2 2022 Reserves** *€ million*	**2022 Net Movement on Reserves** *€ million*
Legacy German Tax Reserve	(7.4)	0.0	(7.3)	(6.7)	0.7
Liquidation Reserve	(7.4)	0.7	(6.7)	(6.1)	0.6
Total	**(14.8)**	**0.7**	**(14.0)**	**(12.8)**	**1.3**
Per Share	*(7.94)*	*0.39*	*(7.55)*	*(6.88)*	*0.68*

	Additional Reserves as at announcement of Realisation Plan *€ million*	**Reserves (paid/ payable) since Realisation Plan** *€ million* [7]	**Reserves less (paid/ payable) since Realisation Plan** *€ million*	**Q2 2022 Reserves** *€ million*	**2022 Net Movement on Reserves** *€ million*
Legacy German Tax Reserve	(7.1)	0.2	(6.9)	(6.7)	0.2
Liquidation Reserve	(12.9)	5.4	(7.5)	(6.1)	1.4
Total	**(20.0)**	**5.6**	**(14.4)**	**(12.8)**	**1.6**
Per Share [8]	*(10.78)*	*3.02*	*(7.76)*	*(6.88)*	*0.88*

SEE PAGE 8 FOR ALL END NOTES

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.

Statement of Directors’ Responsibility in Respect of the Interim Financial Statements

To the best of our knowledge, and in accordance with the applicable reporting principles of interim financial reporting, the interim financial statements give a true and fair view of the assets, liabilities, financial position and profit for the Company, and the interim management report of the Company includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company for the remaining months of the financial year.

Independent Auditors Review

These interim financial statements as at 30 June 2022 have not been reviewed or audited by our auditors, BDO LLP.

Registered Office

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Hirzel Street
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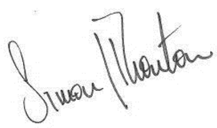
Guernsey
GY1 2NP

On behalf of the Board



Simon J. Thornton
Director and Audit Committee Chairman
Date: 8 August 2022

ENDNOTES

[1] 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 30 June 2022, a total of 1.9 million shares were in issue of which 1.9 million were voting shares and no shares were held in treasury. Amounts per share are therefore calculated on the following basis: Q2 2022 Net Asset Value per share ("NAV per share") – 1.9 million voting shares in issue; Q1 2022 NAV per share based on 1.9 million voting shares; Q4 2021 NAV per share based on 1.9 million voting shares.

[2] In light of the Realisation Plan, the Adjusted NAV reflects the additional reserves for future costs and potential liabilities, which have not been accounted for under the IFRS NAV.

[3] IFRS NAV, Adjusted NAV and Net Corporate Cash pro forma for the Tender Offer settlement of €8.9 million and investment cash flows received subsequent to Q2 2022 of €1.5 million.

[4] Cash at bank pro forma for the above and also includes tenders costs which are accrued but not paid as at 30 June 2022.

[5] Source: Italy: Deloitte Deleveraging Europe – June 2021 and internal estimates for remainder of 2021. Greece: Estimate based on internal records of marketed and announced transactions.

[6] In March 2022, the Company made a payment of €4.6 million in relation to the legacy German tax matter. Notwithstanding the Company's expectation that the tax matter will eventually be resolved in the Company's favour, as at 30 June 2022, this tax asset was fully reserved for within the Additional Reserves.

[7] In March 2022, the Company made a payment of €4.6 million in relation to the legacy German tax matter. This payment is not reflected within the Additional Reserves as a corresponding tax asset was raised.

[8] Per share as at announcement of Realisation Plan based on 1.9 million voting shares post tender offer.

INCOME STATEMENT (UNAUDITED)

	Notes	Six months ended 30 June 2022 (unaudited) €'000	Six months ended 30 June 2021 (unaudited) €'000
Portfolio Returns			
Unrealised fair value gain on Italian investments	4	147	2,246
Realised fair value movements on other net assets of subsidiaries	4	-	28
Other income			
Loss on foreign currency translation		(2)	-
Total income		**145**	**2,274**
Operating expenses			
Interest expense		11	-
Other operating expenses	5	710	963
Total expenses		**721**	**963**
Net operating (loss) / profit before taxation for the period		**(576)**	**1,311**
Taxation expense - current		**-**	**-**
Total tax expense		**-**	**-**
Net (loss) / profit after taxation for the period		**(576)**	**1,311**
Attributable to:			
Ordinary equity holders of the Company		(576)	1,311
Net (loss) / profit after taxation		**(576)**	**1,311**
		€	€
Earnings per ordinary share[1]			
Basic and diluted	11	(0.31)	0.71

The Company had no other comprehensive income for the six months ended 30 June 2022 and for the six months ended 30 June 2021.

[1] Earnings per share is based on the weighted average number of shares in the period of 1,857,535 (30 June 2021: 1,854,766). Refer to note 11.

See notes to the financial statements which form an integral part of these financial statements.

BALANCE SHEET (UNAUDITED)

	Notes	As at 30 June 2022 (unaudited) €'000	As at 31 December 2021 €'000
Assets			
Cash and cash equivalents	6	25,153	28,356
Other assets	7	4,695	115
Investments	8	3,127	5,062
Total assets		**32,975**	**33,533**
Equity and Liabilities			
Capital and reserves			
Issued capital, no par value, unlimited number of shares authorised	12	1,624,052	1,624,762
Accumulated loss		(1,592,406)	(1,591,830)
Total equity		**31,646**	**32,932**
Liabilities			
Trade and other payables	10	1,329	601
Total liabilities		**1,329**	**601**
Total equity and liabilities		**32,975**	**33,533**

See notes to the financial statements which form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 8 August 2022 and signed on its behalf by:

Simon J. Thornton
Director and Audit Committee Chairman

CASH FLOW STATEMENT (UNAUDITED)

	Notes	Six months ended 30 June 2022 (unaudited) €'000	Six months ended 30 June 2021 (unaudited) €'000
Cash flows from operating activities			
Net operating (loss) / profit before taxation for the period		**(576)**	**1,311**
Adjustments for:			
Unrealised fair value loss on Italian investments	4	(147)	(2,246)
Realised fair value movement on other net assets of subsidiaries	4	-	(28)
Interest expense		11	-
Loss on foreign currency		2	-
Total adjustments to profit / (loss) for the period		**(134)**	**(2,274)**
Increase in other assets		(4,695)	(71)
Increase / (decrease) in trade and other payables		131	135
Movements in working capital		**(4,564)**	**64**
Cash distribution from Italian investments	8	2,082	2,855
Cash distribution from subsidiaries		-	28
Interest paid		(11)	-
Cash movements from operating activities		**2,071**	**2,883**
Cash generated from operations		**(3,203)**	**1,984**
Taxation paid		-	-
Net cash flows from operating activities		**(3,203)**	**1,984**
Cash flows from financing activities			
Distribution paid	13	-	(1,001)
Net decrease in cash flows from financing activities		**-**	**(1,001)**
Net decrease in cash and cash equivalents		**(3,203)**	**983**
Cash and cash equivalents, beginning of the period	6	**28,356**	**25,341**
Total cash and cash equivalents, end of the period	6	**25,153**	**26,324**

See notes to the financial statements which form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital €'000	Accumulated loss €'000	Total equity €'000
As at 1 January 2021	**1,625,741**	**(1,592,872)**	**32,869**
Profit after taxation for the six months ended 30 June 2021 (unaudited)	-	1,311	1,311
Total comprehensive profit for the six months ended 30 June 2021 (unaudited)	**-**	**1,311**	**1,311**
Contributions by and distributions to owners:			
Shares issued to Directors (note 12)	22	(22)	-
Distribution declared and paid (note 13)	(1,001)	-	**(1,001)**
As at 30 June 2021 (unaudited)	**1,624,762**	**(1,591,583)**	**33,179**
Loss after taxation for the six months ended 31 December 2021	**-**	(247)	**(247)**
Total comprehensive loss for the six months ended 31 December 2021	**-**	**(247)**	**(247)**
			-
As at 31 December 2021	**1,624,762**	**(1,591,830)**	**32,932**
Loss after taxation for the six months ended 30 June 2022 (unaudited)	-	(576)	(576)
Total comprehensive loss for the period (unaudited)	**-**	**(576)**	**(576)**
Contributions by and distributions to owners:			
Tender offer costs (note 12)	(710)	-	(710)
As at 30 June 2022 (unaudited)	**1,624,052**	**(1,592,406)**	**31,646**

1. BACKGROUND

Eurocastle Investment Limited (“Eurocastle”, the "Company") was incorporated in Guernsey, Channel Islands on 8 August 2003 and commenced its operations on 21 October 2003. Eurocastle is a Euro denominated Guernsey closed-end investment company listed on Euronext Amsterdam (formerly listed on the London Stock Exchange) regulated by the Nederlands Authority for Financial Markets (“AFM”), which is also now its home state regulator as a result of Brexit. Eurocastle is subject to EU transparency rules as a result of its listing on an EU regulated market and, consequently, shareholders are required to notify Eurocastle and the AFM when their holding of the issued share capital and/or of the voting rights in Eurocastle reaches, exceeds or falls below certain thresholds, whereby the lowest threshold is 5%.

The activities of the Company included investing indirectly in Italian performing and non-performing loans ("PLs" / "NPLs"), distressed loan assets and other credit receivables, Italian loan servicing platforms, real estate related assets and other related businesses in Italy. On 18 November 2019 the Board of Directors (“Board”) announced a plan to realise the majority of the Company’s assets in order to accelerate the return of value to the Company’s shareholders (the “Realisation Plan”). On 8 July 2022, the Company announced the relaunch of its investment activity with the aim to build a Southern European speciality finance and real estate platform (the "Relaunch"). The Company’s new investment strategy seeks to leverage the Manager’s experience of over two decades in the Southern European distressed debt market. The Company may also seek to make opportunistic investments arising from the EU’s recently established recovery and resilience facilty.

Eurocastle is externally managed by its investment manager, FIG LLC (the “Manager”). The Manager was acquired by Softbank Group Corp (9984: Tokyo) (“Softbank”) on December 27, 2017 and operates as an independent business within Softbank under the continuing leadership of Pete Briger, Wes Edens and Randal Nardone. Eurocastle has entered into a management agreement (the “Management Agreement”) under which the Manager advises the Company on various aspects of its business and manages its day-to-day operations, subject to the supervision of the Company’s Board of Directors. For its services, the Manager receives an annual management fee and incentive compensation (as well as reimbursement for expenses, including expenses of certain employees providing asset management and finance services), as described in note 14. The Company has no ownership interest in the Manager.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

Following the announcement of the Realisation Plan in 2019, the Directors have assessed, and continue to have a reasonable expectation, that the Company will be able to continue in operation and meet its liabilities as they fall due. The Directors have reviewed the Company’s processes to control those risks to which the Company is exposed, as disclosed in note 3, as well as reviewing the annual budget, including the additional reserves set aside as part of the Realisation Plan. As a result of the Realisation Plan, no contractual commitments have become onerous and no commitments for further realisation costs have been made. Therefore, no provisions have been recorded in the financial statements for the future costs of the business. COVID-19 is not expected to have a significant impact on the Company's liquidity. The Directors have also reviewed forecasts that have been sensitised to reflect plausible downside scenarios. The Directors have determined that there is no material uncertainty that casts doubt on the entity’s ability to continue as a going concern. The Directors have also considered the above in light of the Relaunch. As a result of this, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

The six months ended 30 June 2022 interim condensed financial statements of the Company have been prepared in accordance with International IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (“IASB”) as adopted by the European Union on a going concern basis and under the historical cost convention, except for investments which are measured at fair value. The financial information has been prepared in accordance with the Company’s principal accounting policies as set out in the Annual Report for the year ended 31 December 2021.

Significant estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas involving significant judgements are:
- valuation technique selected in estimating the fair value of unquoted investments - refer to note 8
- treatment of a potential tax liability associated with the disposal of a legacy property subsidiary in prior years - refer to note 17

The area involving significant estimates are:
- inputs used in calculating the fair value of unquoted investments - refer to note 8

Fair value movements on investments

Fair value movements on un-quoted investments includes revaluation gains and losses from the underlying investments. The Company's investments during the period comprised Italian NPLs & other loans, distressed loans, real estate fund units and intermediate holding companies (refer to note 8).

Interest expense

Interest charges on Euro corporate cash deposits are recognised in the income statement on an effective interest rate method.

Taxation

The Company falls under the Collective Investment Schemes exemption for Guernsey tax purposes and is charged €1,400 per annum (2021: €1,400). The Company is granted this exemption status on an annual basis and therefore the Company is treated as not being resident in Guernsey for tax purposes and is not liable for Guernsey tax on non-Guernsey source income (which for these purposes includes Guernsey bank deposit interest).

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash on deposit and in hand with an original maturity of three months or less.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital and reserves

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity via the reserves as a deduction from the issue proceeds.

Dividends

Dividends are recognised when they become legally payable. In the case of interim and final dividends to equity shareholders, this is when declared and approved by the board of directors.

Financial Instruments

Recognition

A financial asset or liability is recognised on the date the Company becomes party to contractual provisions of the instrument.

All financial assets and liabilities are initially recognised on the trade date, i.e. the date that the Company becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Classification

Financial Assets

Financial assets held at fair value through profit or loss are investments that are initially recognised at fair value with any subsequent movements in fair value recognised in the income statement.

Financial liabilities

Financial liabilities are composed of trade and other payables.

Unless otherwise indicated, the carrying amounts of the Company's financial liabilities are a reasonable approximation to their fair value.

Derecognition of financial assets and liabilities

Financial assets

A financial asset is derecognised when:
- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass through’ arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is recognised in the income statement.

Foreign currency translation

The presentation currency and the functional currency of the Company is the Euro. Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Segment Reporting

The company operates in one geographical segment, being Europe. The Board of Directors assesses its business through one primary segment, Italian investments. The Company’s Italian investments are predominantly made up of Italian Real Estate Funds and its residual interests in NPLs & Other Loans.

3. FINANCIAL RISK MANAGEMENT

Alternative Investment Fund Managers Directive ("AIFMD") Leverage

The AIFMD prescribes two methods of measuring and expressing leverage and requires disclosure of the maximum amount of leverage the Company might be subject to. The definition of leverage is wider than that of gearing and includes those assets on balance sheet that are subject to market based valuation changes. For the purposes of AIFMD reporting, leverage is the ratio between the fair value of the assets under management and the net asset value of the Company. The ratio is required to be calculated on a gross basis and a commitment basis, under the European Commission's Delegated Regulation (commonly known as the Level 2 Regulation). The gross basis does not take into account any netting or hedging, whereas the commitment basis takes into account both netting and hedging. As at 30 June 2022, the leverage (as defined by this measure) under the gross and commitment basis was 24.72% and 24.72% respectively (31 December 2021: 15.72% and 15.72%).

Risk Management

This section provides details of the Company's exposure to risk and describes the methods used by the Company to control risk. The most important types of financial risk to which the Company is exposed are market and liquidity risk.

Capital Risk Management

The Company's capital is represented by ordinary shares with no par value and which carry one vote each. The shares are entitled to dividends when declared. The Company has no additional restrictions or specific capital requirements on the issuance and re-purchase of ordinary shares. The movements of capital are shown in the statement of changes in equity.

In order to meet the Company's capital management objectives, the Manager and the Board monitor and review the broad structure of the Company's capital on an ongoing basis. This review includes:

- Working capital requirements for existing and future investments;
- The possible timing and extent of returning capital to shareholders in line with the Company's asset realisation strategy

The Company's objectives when managing capital are to safeguard the Company's ability to meet its obligations as they fall due and to achieve positive returns in all market environments. In order to maintain or adjust the capital structure, the Company may raise or return capital from or to shareholders through the issue and repurchase of voting shares and/or capital distribution. The Company currently has no nominated advisor or broker. At 30 June 2022, the Company had net equity of €31.6 million (31 December 2021: €32.9 million) and no direct leverage (31 December 2021: no direct leverage).

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk

Credit risk is the risk of the financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents. As at 30 June 2022, the Company's cash and cash equivalents was €25.2 million (31 December 2021: €28.4 million).

Banking arrangements

The Company’s banking arrangements are with major financial institutions with investment grade credit ratings with which the Company and its affiliates may also have other financial relationships. While it is not anticipated that any of these counterparties will fail to meet their obligations, there is no certainty in current market conditions that this will be the case. As at 30 June 2022, the Company has placed €25.0 million of its corporate cash in a 35 day notice money market account, with a financial institution rated long term: A by Fitch; A3 by Moody's; and A negative by S&P (31 December 2021: €24.7 million - rated long term: A by Fitch; A3 by Moody's; and A negative by S&P). As at 30 June 2022, the remaining corporate cash was held with a financial institution rated long term: A+ stable by Fitch; A1 Stable by Moody's; and A positive by S&P (31 December 2021: rated long term: A+ stable by Fitch; A1 Stable by Moody's; and A positive by S&P). The Company monitors on a regular basis the credit worthiness of the various financial institutions to mitigate credit risk exposure with respect to its banking arrangements.

Market Risk

Market risk encompasses the following macro-economic and political risks:

Macro-economic and political risks

The value of the Company’s investments in its Italian loan portfolio and real estate is dependent on macroeconomic and political conditions prevailing in Italy. A decline in the Italian economy may have an adverse impact on the Company’s returns on such investments.

The political stability that had been provided when Mario Draghi was appointed as prime minister in early 2021 along with Italian president, Sergio Mattarella, being sworn in for a second term in early 2022 has been largely negated with the political upheaval caused by Mr. Draghi resigning following a confidence vote. As a result, a snap election has been set for late September 2022 with current polls pointing to a right-wing sweep. With Italian GDP having rebounded well in 2021 the current outlook is clouded by a steep rise in energy prices, with it being reported that Italy could suffer a reduction in GDP and be plunged into recession if Russia were to shut off Europe’s gas supply. This, coupled with price increases on other basic necessities, has hit businesses and households and could lead to a year of stagflation for Italy. The majority of the Company’s remaining investments comprise interests in two real estate redevelopment funds where construction is fully completed and all the units in one fund are fully sold with more than 97% of the units in the second fund sold or under contract as at year end.

The current instability in the wider geopolitical environment, exacerbated initially by COVID and now by the ongoing energy and cost of living crisis, could have a material impact on financial activities both at a market and retail level. Additional risks such as the market disruption resulting from the ongoing war in Ukraine could have an impact on the Company’s ability to realise its assets at its target prices and in the timeline envisaged. A deterioration of the Italian economy may affect real estate values as well as the recoveries the Company expects on its investments. At the same time, it could affect investor demand in general for these types of investments. While the expected yield on these portfolios is sensitive to the performance of the underlying assets, the value at which these investments are held by the Company is sensitive to the market yields at which they trade. Refer to note 8 for details of sensitivity analysis on the Italian investments.

The Company aims to manage this risk within acceptable parameters while optimising the return and does so by regular monitoring of the underlying performance and realisation strategy for all investments.

Interest rate risk

The Company's interest rate risk is not considered to be significant. The Company is exposed to interest rates on banking deposits held in the ordinary course of business. Management monitors this risk on a continuous basis.

Foreign Currency Risk

The majority of the Company's assets and liabilities are denominated in Euros. The Company's foreign currency risk is not considered to be significant.

Liquidity Risk

The Company’s objectives when managing capital are to safeguard the Company’s ability to meet its financial obligations as they fall due in order to support the business and to maximise shareholder value. Eurocastle’s liquidity is primarily generated by distributions from its Italian Investments. The Company expects that its cash in hand and cash flow provided by operations and from realisations of investments will satisfy its liquidity needs over the next twelve months.

The Board have assessed future costs and potential liabilities in conjuction with the Realisation Plan and have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due.

4. PORTFOLIO RETURNS

Movements on investments are summarised below:

	Six months ended 30 June 2022 (unaudited)	Six months ended 30 June 2021 (unaudited)
	Fair value movements €'000	**Fair value movements €'000**
Italian NPLs & Other Loans (note 8)	152	437
Real Estate Funds (note 8)	(5)	1,809
Portfolio returns on Italian investments	**147**	**2,246**
Fair value movements on other net assets of subsidiaries	-	28
Total portfolio returns	**147**	**2,274**

5. OTHER OPERATING EXPENSES

	Six months ended 30 June 2022 (unaudited) €'000	Six months ended 30 June 2021 (unaudited) €'000
Professional fees	191	272
Manager base and incentive fees (related party, note 14)	75	96
Manager recharge (related party, note 14)	255	404
General and administrative expenses	189	191
Total other operating expenses	**710**	**963**

6. CASH AND CASH EQUIVALENTS

	As at 30 June 2022 (unaudited) €'000	As at 31 December 2021 €'000
Cash at bank	200	3,652
Cash on deposit	24,953	24,704
Total cash and cash equivalents	**25,153**	**28,356**

7. OTHER ASSETS

	As at 30 June 2022 (unaudited) €'000	As at 31 December 2021 €'000
Prepaid expenses and other receivables	50	115
Legacy German tax asset	4,645	-
Total other assets	**4,695**	**115**

All other assets are expected to mature in less than one year.

8. INVESTMENTS

The Company directly or indirectly holds the following investments:

	As at 30 June 2022 (unaudited) €'000	As at 31 December 2021 €'000
Italian investment portfolio	3,127	5,062
Total investments	**3,127**	**5,062**

As at 30 June 2022 (unaudited), the movements in the Italian investment portfolio were as follows:

	Italian NPLs & Other Loans	Real Estate Funds	
	Fair value accounted	Fair value accounted	Total Investments
	€'000	€'000	€'000
Balance as at 1 January 2022	**1,337**	**3,725**	**5,062**
Distributions received	**(142)**	**(1,940)**	**(2,082)**
Unrealised fair value movement	**152**	**(5)**	**147**
Balance as at 30 June 2022 (unaudited)	**1,347**	**1,780**	**3,127**

As at 31 December 2021, the movements in the Italian investment portfolio were as follows:

	Italian NPLs & Other Loans	Real Estate Funds	
	Fair value accounted	Fair value accounted	Total Investments
	€'000	€'000	€'000
Balance as at 1 January 2021	**1,248**	**7,435**	**8,683**
Distributions received	**(513)**	**(5,771)**	**(6,284)**
Realised fair value movement	**114**	**129**	**243**
Unrealised fair value movement	**488**	**1,932**	**2,420**
Balance as at 31 December 2021	**1,337**	**3,725**	**5,062**

Refer to the portfolio summary for further details on investments on page 19.

8. INVESTMENTS (CONTINUED)

Portfolio summary

During the period the Company's investments were categorised as follows:

I. Italian NPLs & Other Loans
II. Real Estate Funds

I. Italian NPLs & Other Loans

Following the Realisation Plan in 2019, the Company retained a residual minority interest in three Italian NPL & Other Loan pools which are held in 2 portfolio structures. The two portfolios are serviced by doValue (refer to note 14). As at 30 June 2022, both portfolios are under contract to be sold once the underlying portfolio level financing of each is repaid. Subsequent to 30 June 2022, the Company sold one of the remaining pools and received ~€0.3 million, or 100% of its Q2 2022 NAV.

III. Real Estate Funds

During the period the Company had the following Real Estate Fund investments:

Real Estate Fund Investment II:

On 22 July 2014, the Company indirectly invested in a newly established real estate development fund (Real Estate Fund Investment II) which purchased two office buildings in Rome for redevelopment into high-end residential properties for resale. As at 30 June 2022 both projects have been completed and fully sold with the fund now in liquidation.

The Company's investment is held through a joint venture (ownership percentage: 49.7%) investment in Torre Real Estate Fund III Value Added – Sub fund A ("RE Torre Fund"). Real Estate Fund Investment II is managed by Torre, an affiliate of the Manager.

Real Estate Fund Investment V:

In April 2017, building on Real Estate Fund Investment II, the Company closed on the purchase of an office to residential conversion development site in Rome (“Real Estate Fund Investment V”) through a joint venture interest (ownership percentage: 49.6%) in Torre Real Estate Fund III Value Added – Sub fund B. As at 30 June 2022, the project has been fully completed with 97% of the units sold or under contract or to be sold.

Real Estate Fund Investment V is managed by Torre, an affiliate of the Manager.

8. INVESTMENTS (CONTINUED)

Fair value hierarchy

The following table shows an analysis of the fair value assets on the balance sheet by level of hierarchy:

As at 30 June 2022 (unaudited):

	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total fair value €'000
Italian NPLs & Other Loans	-	-	1,347	1,347
Real Estate Funds	-	-	1,780	1,780
Total	**-**	**-**	**3,127**	**3,127**

As at 31 December 2021:

	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total fair value €'000
Italian NPLs & Other Loans	-	-	1,337	1,337
Real Estate Funds	-	-	3,725	3,725
Total	**-**	**-**	**5,062**	**5,062**

Explanation of the fair value hierarchy:
- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Use of a model with inputs (other than quoted prices included in Level 1) that are directly and indirectly observable market data.
- Level 3: Use of a model with inputs that are not based on observable market data.

Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The Company recognises transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques as at the end of the reporting period.

8. INVESTMENTS (CONTINUED)

Transfers between levels

There were no transfers between levels for the period ended 30 June 2022 (31 December 2021: no transfers).

The following table shows a reconciliation for the Level 3 fair value measurements as at 30 June 2022 (unaudited):

	Italian NPLs & Other Loans €'000	Real Estate Funds €'000	Total €'000
As at 1 January 2022	1,337	3,725	5,062
Distributions received	(142)	(1,940)	(2,082)
Unrealised fair value movement in the period	152	(5)	147
As at 30 June 2022 (unaudited)	**1,347**	**1,780**	**3,127**

The following table shows a reconciliation for the Level 3 fair value measurements as at 31 December 2021:

	Italian NPLs & Other Loans €'000	Real Estate Funds €'000	€'000
As at 1 January 2021	1,248	7,137	8,385
Distributions received	(513)	(5,344)	(5,857)
Unrealised fair value movement in the year	488	1,932	2,420
Realised fair value movement in the year	114	-	114
As at 31 December 2021	**1,337**	**3,725**	**5,062**

Expected recoveries of investments

The following table summarises the expected recoveries for the Italian investments held by the Company:

	2022		2021	
	Within one year [1] €'000	More than one year €'000	Within one year [1] €'000	More than one year €'000
Italian NPLs & Other Loans	274	1,073	62	1,275
Real Estate Funds	1,255	525	1,940	1,785

(1) Amounts recoverable within one year represent actual and known cash flows as at the reporting date with the residual balance for the carrying value of the investments shown as amounts due to mature in over one year

8. INVESTMENTS (CONTINUED)

Fair value methodology and sensitivity analysis

Italian NPLs & Other Loans

Following implementation of the Realisation Plan in 2019, the Company held residual interests in three pools, with one pool having been disposed of in 2021. All pools are classified as level 3 on the fair value hierarchy. The fair value of the investments is derived from internal valuation models. The assumptions used in the models are based on cash flows (actual and projected) per the latest business plan and reviewed by senior management.

The key assumptions made relating to the valuations are set out below:

For the period ended 30 June 2022 (unaudited):

	Italian NPLs	Total Unlevered	Total Levered
Expected profit multiple [1]	1.7	1.7	1.9
Remaining weighted average life[2]	1.9	1.9	1.8
Discount rate	12%	12%	12%

For the year ended 31 December 2021:

	Italian NPLs	Total Unlevered	Total Levered
Expected profit multiple [1]	1.7	1.7	1.9
Remaining weighted average life	2.4	2.4	2.4
Discount rate	12%	12%	13%

The key assumptions reported above for Total Unlevered are before taking into account any embedded leverage within the respective vehicle. The key assumptions are also shown on a Total Levered basis so as to report them net of any embedded leverage within the respective vehicle so as to be consistent with the relevant investment carrying value.

[1] The expected profit multiple is derived from the underlying cash flows on which the relevant valuation model is built.
[2] Remaining weighted average life is based on the projected cashflows of the underlying pools

An increase in the remaining weighted average life will decrease the fair value and a decrease in the remaining weighted average life will increase the fair value. An increase in the expected profit multiple will increase the fair value and a decrease in the expected profit multiple will decrease the fair value.

The table below presents the sensitivity of the valuation to a change in the most significant assumption:

For the period ended 30 June 2022 (unaudited):

	Italian NPLs €'000	Total Unlevered €'000	Total Levered €'000
Fair value	1,495	1,495	1,347
Increase in discount rate by 25bps	1,490	1,490	1,342
Value sensitivity	**(5)**	**(5)**	**(5)**

For the year ended 31 December 2021:

	Italian NPLs €'000	Total Unlevered €'000	Total Levered €'000
Fair value	1,729	1,729	1,337
Increase in discount rate by 25bps	1,722	1,722	1,331
Value sensitivity	**(7)**	**(7)**	**(6)**

Real Estate Funds

The Company's investment in Real Estate Fund Investment II and Real Estate Fund Investment V were classified as level 3 in the fair value hierarchy.

The table below presents the sensitivity of the valuation to a change in the most significant assumptions:

For the period ended 30 June 2022 (unaudited)	Real Estate Funds	Total
Expected profit multiple	1.1	1.1
Remaining weighted average life	0.7	0.7
Discount rate	14%	14%

For the year ended 31 December 2021	Real Estate Funds	Total
Expected profit multiple	1.1	1.1
Remaining weighted average life	0.8	0.8
Discount rate	11%	11%

8. INVESTMENTS (CONTINUED)

The table below presents the sensitivity of the valuation to a change in the most significant assumption:

For the period ended 30 June 2022 (unaudited)	**Real Estate Funds €'000**	**Total €'000**
Fair value	1,780	1,780
Increase in discount rate by 25bps	1,778	1,778
Value sensitivity	**(2)**	**(2)**

For the year ended 31 December 2021	**Real Estate Funds €'000**	**Total €'000**
Fair value	3,725	3,725
Increase in discount rate by 25bps	3,720	3,720
Value sensitivity	**(5)**	**(5)**

9. CONTRACTUAL MATURITIES

Contractual maturities

The Company's Italian investments have been funded through equity.

As at 30 June 2022, the Company had no contractual maturities on financial liabilities, outside of trade and other payables which are all due within one year.

Fair values of financial assets and financial liabilities

The Company's financial assets consist of investments, other debtors and cash and cash equivalents. The Company's financial liabilities consist of trade and other payables. All financial assets and liabilities are held at fair value.

10. TRADE AND OTHER PAYABLES

	As at 30 June 2022 (unaudited) €'000	**As at 31 December 2021 €'000**
Due to Manager (related party, refer note 14)	349	253
Accrued expenses and other payables	980	348
Total trade and other payables	**1,329**	**601**

All the trade and other payables are recognised at amortised cost and are expected to mature in less than one year.

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net (loss) / profit after taxation by the weighted average number of ordinary shares outstanding during the period. There are currently no instruments that would give rise to a dilutive effect on the Company's shares.

The following is a reconciliation of the weighted average number of ordinary shares outstanding on a diluted basis:

	As at 30 June 2022 (unaudited)	As at 30 June 2021 (unaudited)
Weighted average number of ordinary shares excluding treasury shares*	1,857,535	1,854,766
Weighted average number of ordinary shares - dilutive	**1,857,535**	**1,854,766**

*weighted average shares for the period

12. SHARE CAPITAL AND RESERVES

As at 30 June 2022 (unaudited), there were 1,857,535 shares (31 December 2021: 1,857,535) issued of which no shares (31 December 2021: no shares) were held in treasury. All shares are fully paid up.

The movement in issued share capital is shown as follows:

	Number of shares
	Voting shares
As at 1 January 2021	**1,854,535**
Shares issued to the Directors as part of their in-place compensation arrangements for €nil consideration - 17 June 2021	3,000
As at 30 June 2021 (unaudited)	**1,857,535**
As at 31 December 2021	**1,857,535**
As at 30 June 2022 (unaudited)	**1,857,535**

Accumulated loss

The reserve represents the cumulative gains and losses and transactions with shareholders (e.g. dividends) not recognised elsewhere.

Tender Offer

As at 30 June 2022, the Company recognised €0.7 million of costs associated with the tender announced as part of the Relaunch of the Company's investment activity through the share capital reserve in the statement of changes in equity.

13. DISTRIBUTIONS PAID AND DECLARED

As a result of the Realisation Plan, the Company's distribution policy, including the regular quarterly dividend, did not apply with effect from Q3 2019.

During the period ended 30 June 2022, no distributions were declared or paid (capital distribution of €1.0 million declared and paid in period ended 30 June 2021):

Declaration date	Ex-date	Record date	Payment date	Distribution per share	Amount €'000
4 March 2021	10 March 2021	11 March 2021	30 March 2021	€ 0.540	1,001
Total				**€ 0.540**	**1,001**

14. MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS

The Company entered into the Management Agreement with the Manager in August 2003. Pursuant to the Management Agreement, the Manager, under the supervision of the Board of Directors, will formulate investment strategies, arrange for the acquisition of assets, arrange for financing, monitor the performance of the Company's assets and provide certain advisory, administrative and managerial services in connection with the operations of the Company. Since 1 January 2015 the management fee paid to the Manager is equal to (i) 1.5% of the Company's Adjusted NAV reported quarterly, excluding net corporate cash, and (ii) 0.75% of the share of Adjusted NAV relating to net corporate cash. Adjusted NAV, for the purposes of the management fee calculation, excludes all portfolios where the NAV is negative (following the disposal of the legacy assets in 2017, this is no longer applicable) and includes certain reserves set aside as part of the Realisation Plan.

Incentive compensation was equal to 25% of the euro amount by which the Company's Normalised FFO derived from Italian Investments, after allocated corporate costs, exceeded the net invested capital in the Company's Italian Investments multiplied by the hurdle rate of 8% per annum (calculated on a cumulative but not compounding basis). In light of the Realisation Plan, the Manager agreed to amend the calculation of its incentive fee to treat the Company's other remaining investments, which predominantly comprise investments in Italian real estate funds, as fully realised at an agreed value in 2019 to better reflect the price per ordinary share represented in the initial Exchange Ratio. These amendments reduced the fee payable by the Company to the Manager in the fourth quarter of 2019 by €2.4 million to €19.5 million and no further fees will be due in relation to the Company's remaining investments. The Manager will be entitled to earn back a portion of this discount if excess amounts are released from certain reserves put in place by the Board to fund future costs and potential liabilities. As at 30 June 2022, the amount due to the manager was €21k (31 December 2021: € nil).

The Management Agreement provides that the Company will reimburse the Manager for various expenses incurred by the Manager or its officers, employees and agents on the Company's behalf, including the cost of legal, accounting, tax, auditing, finance, administrative, asset management, property management and other similar services rendered for the Company by providers retained by the Manager or, if provided by the Manager's or its affiliates' employees, in amounts which are no greater than those that would be payable to external professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arms-length basis. Such expenses have been included in the income statement.

When it was signed in 2003 the Management Agreement provided for an initial term of ten years with automatic three year extensions, subject to certain termination rights. The Management Agreement may be terminated by the Company by payment of a termination fee, as defined in the Management Agreement, equal to the amount of management fees earned by the Manager during the 12 consecutive calendar months immediately preceding the termination, upon the vote of a majority of the holders of the outstanding ordinary shares. In addition, unless an arrangement is made between the Company and the Manager, incentive compensation (as outlined above) will continue to be payable to the Manager post-termination.

In connection with the Relaunch, certain terms of the Management Agreement will be amended to reflect the expected return profile of the new investment strategy. Refer to the July 2022 Tender Offer Circular on the Company's website for further details.

The Manager is deemed to be the key employee for reporting purposes. As at 30 June 2022, management fees, incentive fees and expense reimbursements of €0.3 million (31 December 2021: €0.3 million) were due to the Manager. During the period ended 30 June 2022, management fees of €0.1 million (30 June 2021: €0.1 million), €0.0 million of incentive fees (30 June 2021: €0.0 million), and expense reimbursements of €0.3 million (30 June 2021: €0.4 million) were charged to the income statement.

Total annual remuneration for the Eurocastle directors as at 30 June 2022 was €0.1 million (31 December 2021: €0.1 million), payable quarterly in equal instalments. Randal A. Nardone and Peter Smith do not receive any remuneration from the Company.

Fortress Italian NPL Opportunities Series Fund LLC (which owns the NPL pools) and Fortress Italian Real Estate Opportunities Series Fund LLC (being the entity through which the majority of the Company's interest in Real Estate Fund Investments are held) are managed by an affiliate of the Manager. The total management fee expense for the six months ended 30 June 2022 is €0.0 million (30 June 2021: €0.0 million) and offsets fully against the Company's Management Fee payable to the Manager.

The Company's non-controlling interest in Real Estate Fund Investment I (refer to note 8) along with its joint venture investment in Real Estate Fund Investment II and Real Estate Fund Investment V (refer to note 8) are held in funds managed by Torre SGR S.p.A, which is majority owned by an affiliate of the Manager. The total management fee expense, across these funds, for the six months ended 30 June 2022 was €0.0 million (30 June 2021: €0.1 million).

15. INVESTMENT IN SUBSIDIARIES

The Company has investments in the following subsidiaries (unless otherwise stated the Company has a 100% interest in the entity):

Luxembourg:
Luxgate S.à r.l

Italy:
FMIL S.r.l

United States of America:
Fortress Italian Real Estate Opportunities Series Fund LLC - Series 2

As at 30 June 2022, the unconsolidated subsidiaries do not have any significant restrictions (e.g. resulting from borrowing arrangements, regulatory requirements or contractual arrangements) on the ability to transfer funds to the Company in the form of cash dividends or to repay loans or advances made to the unconsolidated subsidiary by the Company.

16. SUBSEQUENT EVENTS

On 8 July 2022, in connection with the Relaunch, the Company launched a Tender Offer at €10.26 per share, a 28% premium to the closing share price of €8.00 per share on 6 July 2022. The Tender Offer closed on 4 August 2022 and the Company bought back 864,980 shares, or €8.9 million, resulting in a current share count of 992,555.

Subsequent to H1 2022, the Company received €1.3 million from REFI V, or ~90% of its Q2 2022 NAV.

The Company also received €0.3 million from one of the two remaining NPL pools following the completion of its sale on 29 July 2022, in line with its Q2 2022 NAV.

17. CONTINGENT LIABILITIES

The Company is exposed to a potential tax risk of up to €6.7 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 (excluding associated costs of €0.2 million) for all these audits, including interest accruals, is between €1.7 million - €1.9 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 recognised 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. Notwithstanding the Company's expectation that the tax matter will eventually be resolved in the Company's favour, as at 30 June 2022, the full potential liability is fully reserved for within the Additional Reserves.

18. COMMITMENTS

As at 30 June 2022, the Company had no formal commitments.