EUROCASTLE INVESTMENT LIMITED

FOR IMMEDIATE RELEASE

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Eurocastle Releases First Quarter 2022 Interim Management Statement and Announces the Results of the Strategic Review, Tender Offer and General Meeting to be held on 20 July 2022

Guernsey, 8 July 2022 – Eurocastle Investment Limited (Euronext Amsterdam: ECT) today has released its interim management statement for the quarter ended 31 March 2022. In addition, the Company announces that its Board of Directors (the "**Board**") has concluded the strategic review and made a decision to relaunch the Company's investment activity (the "**Relaunch**"). The Company is today also launching a tender offer to provide a liquidity opportunity for those shareholders who do not wish to participate in the Relaunch (the "**Tender Offer**"). The Tender Offer is at a price of €10.26 per share, a 28% premium to the closing share price of €8.00 per share on 6 July 2022, and the maximum share buyback price authorised by the Company's shareholders. During the Tender Offer period the Company will hold a general meeting on 20 July, 2022 (the "**General Meeting**") to vote on the resolution to waive the requirement for the Company's Manager and its affiliates (the "**FIG Concert Party**") to make a general offer for the Company should their ownership interest in the Company exceed 30% as a result the Tender Offer. Closing of the Tender Offer is conditional on the passing of this resolution. All shareholders other than the FIG Concert Party are entitled to vote at the General Meeting, including those intending to participate in the tender offer.

- **Q1 ADJUSTED NET ASSET VALUE ("NAV")**[1] of €19.6 million, or €10.53 per share[2], up €0.74 per share vs. €9.79 per share at 31 December 2021 due to:

  1. Valuation increases:

     - €0.04 per share increase (2%) in the valuation of the remaining two real estate fund investments.
     - €0.03 per share increase (4%) in the valuation of the remaining two NPL and other loan interests.

  2. Release of €0.68 per share of reserves.

- **STRATEGIC REVIEW CONCLUSION**

In March 2021, the Company announced that in light of a number of potentially attractive investment opportunities created by market turmoil, the Board had decided to conduct a review of the Company's strategic options, including use of available capital. The Board has since concluded the strategic review and decided to relaunch the Company's investment activity with a new strategy focussed on speciality finance and real estate investments and an emphasis on sustainability.

New Investment Strategy

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 of non-performing exposures[3] ("**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.

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.

[1] In light of the Realisation Plan announced in November 2019, the Adjusted NAV as at 31 March 2022 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 March 2022. IFRS NAV as at 31 March 2022 was €32.7 million or, €17.59 per share.
[2] Per share calculations for Eurocastle throughout this document are based on 1.9 million shares
[3] 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.

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

(1) Speciality Finance

- The platform intends to source opportunities to provide capital to borrowers who are unable to raise financing from traditional banks.
- The platform intends to focus on borrowers which the Company believes are likely able to agree a discounted pay off ("**DPO**") of their debt with NPE investors who are willing to accept DPOs to drive their own returns.
- Capital is expected to be provided to borrowers with strong collateral asset value to refinance or restructure their debt. The Company believes that borrowers in this position are generally willing to agree to attractive terms, in order to rehabilitate their credit and become re-performing.
- 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.

(2) 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 (i) for real estate collateral being sold through uncompetitive auctions and (ii) from NPE investors seeking to dispose of individual real estate assets they have repossessed.
- The Company believes that high barriers to entry generally limit participation in judicial auctions, while it expects volumes to increase following a backlog from auctions postponed during the COVID-19 pandemic. The Company also expects a significant increase in auction volumes driven by the recent changes in legislation to streamline the auction processes and recent sizeable trades of portfolios to NPE investors actively seeking to realise collateral in order to enhance their returns.
- The Manager expects this significant demand and supply imbalance will likely result in real estate assets being sold at a material discount to their open market value. The Company intends to capitalize 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 will then acquire and sell through an open market process over time. The Company will also seek to improve the environmental performance of such assets.
- In addition, complementing its specialty finance business, the platform may also provide capital to real estate companies who are unable to access traditional financing sources.
- In light of the anticipated granular nature of the opportunity, the strategy is targeting individual real estate acquisitions of below €10 million, subject to certain exceptions.

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 business in the wake of the COVID-19 pandemic. The Company will focus on opportunities aligned to its sustainable investing principles.

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 which, as at 31 March 2022 and prior to the Tender Offer, stood at €16.4 million, or €8.82 per Ordinary Share, after accounting for reserves. The maximum funding requirement for the Tender Offer (including costs) is €13.9 million. Following completion of the Tender Offer and assuming all eligible shareholders tender in full, the Company expects to hold €10.9 million of net corporate cash, or €2.5 million of available capital after accounting for all reserves as at 31 March 2022, with in excess of €3 million expected to be realised from its remaining investments over the next 12 to 18 months.

The Company is also intending to raise cash from new and existing institutional investors by way of a private placement of Ordinary Shares in order to support the new investment strategy in the course of 2022. The timing and 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 Board at the relevant time.

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.

Shareholders should be aware that the implementation and performance of the Company's new investment strategy is subject to risks, uncertainty, and assumptions. The Manager is currently in the early stages of trying to establish the platform and there can be no certainty that it will have success in doing so. There is likewise no certainty that it will be able to attain sufficient scale to achieve the desired returns. In addition, changes in economic conditions generally and the real estate and debt markets specifically, the availability of appropriate investment opportunities and the ability to raise financing on suitable terms may also affect the success of the Relaunch. Accordingly, there is no guarantee that the Company's new investment strategy will be effectively implemented nor will there necessarily be a future opportunity for shareholders to achieve an exit from their investment in the Company at a price equal to or higher than the current share price. In light of the above risks of the Relaunch, the Board is implementing the Tender Offer to provide a liquidity opportunity for those shareholders who do not wish to participate in the Relaunch.

♦ **TENDER OFFER**

The Tender Offer is intended to provide shareholders who do not wish to participate in the Relaunch with an opportunity to exit their investment in the Company in full or in part for cash at the maximum price that the Company is authorised by its shareholders to repurchase its shares – 97.50% of the Company's most recently published Adjusted NAV (i.e. €10.26 per share). Shareholders choosing to tender would therefore be able to exit not only at an attractive premium to the current share price, but at effectively the 'run-off' NAV based on reserves set by the Board estimating future costs and potential liabilities to liquidate the Company in an orderly fashion. In support of the Relaunch, the FIG Concert Party and the Independent Directors have irrevocably undertaken not to participate in the Tender Offer. Closing of the Tender Offer is conditional on the passing of an ordinary resolution by independent shareholders at a general meeting of the Company to waive the requirement for the FIG Concert Party to make a general offer for the Company under Rule 9 of the City Code on Takeovers and Mergers (the "**Code**") should its ownership interest in the Company exceed 30% as a result the Tender Offer.

The FIG Concert Party has an interest in approximately 29.05% of the Ordinary Shares in issue. Therefore, if the Tender Offer is implemented, the shareholding of the FIG Concert Party would likely exceed 30% of the voting rights of the Company, thereby triggering a requirement to make a general offer for the Company, in accordance with Rule 9 of the Code. As the price per Ordinary Share of such an offer would not be required to be higher than that offered in the Tender Offer, the Independent Directors are of the view that requiring the FIG Concert Party to make a general offer to shareholders under Rule 9 of the Code, as a result of the Tender Offer would add unnecessary levels of complexity, time and expense to the Relaunch process without offering shareholders any substantive benefits over and above those offered by the Tender Offer.

The Panel on Takeovers and Mergers has agreed to waive this requirement subject to the approval of the Company's independent shareholders to give Eurocastle the flexibility to implement the Tender Offer without the FIG Concert Party being obliged to make a general offer for the Company. Accordingly, Eurocastle has today published a circular to shareholders (the "**Circular**") containing details of the Tender Offer and a notice of General Meeting to vote on a resolution to waive the Rule 9 requirement (the "**Rule 9 Waiver Resolution**"). The Circular has been posted on the Investor Relations section of the Company's website under the tab "Periodic Reports and Shareholder Communications – July 2022 Notice of Extraordinary General Meeting and Circular " and has been mailed to eligible shareholders on the register as at close of business on 7 July 2022.

No member of the FIG Concert Party will be entitled to vote on the Rule 9 Waiver Resolution. The Rule 9 Waiver Resolution will, therefore, be taken on a poll of independent shareholders.

If the Rule 9 Waiver Resolution is not passed at the General Meeting, the Tender Offer will not proceed and will lapse. The Board currently intends in any case to proceed with the subsequent steps of the Relaunch. While the Board may consider other options to create liquidity for shareholders, there is no certainty that any alternative transaction will be available.

The Board considers the Tender Offer to be in the best interests of shareholders as a whole as, amongst other things, it will ensure, as far as possible, that shareholders who remain invested in the Company are those who are committed to the Relaunch. Furthermore, the Company has been trading at a discount to its Adjusted NAV and, in light of the Company's available capital, the Board believes that the implementation of the Tender Offer at a premium to the prevailing market price balances the interests of shareholders seeking liquidity while representing an accretive and expeditious use of available cash for the Company and its remaining shareholders.

♦ Q1 2022 BUSINESS HIGHLIGHTS

	Q4 2021 NAV		Q1 Cash Movement		Q1 FV Movement		Q1 2022 NAV	
	€ million	€ per share	€ million	€ per share	€ million	€ per share	€ million	€ per share
Real Estate Funds[1]	2.8	1.49	(1.0)	(0.53)	0.1	0.04	1.9	1.00
Italian NPLs & Other Loans	1.3	0.72	(0.1)	(0.03)	0.0	0.03	1.3	0.71
Net Corporate Cash[2]	14.1	7.57	1.1	0.56	1.3	0.68	16.4	8.82
Adjusted NAV	**18.2**	**9.79**	-	-	**1.4**	**0.74**	**19.6**	**10.53**

- In Q1 2022, the Company received €2.0 million from its investments, of which €1.0 million related to Real Estate Fund Investment II and was reallocated to Net Corporate Cash in the Q4 2021 Adjusted NAV. The remaining amounts relate to:

  (i) €1.0 million from Real Estate Fund Investment V (~42% of its Q4'21 NAV) and
  (ii) €0.1 million from Italian NPLs & Other Loans (~5% of its Q4'21 NAV).

- As at 31 March 2022, the Company's remaining assets comprise:

  - 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 **100%** sold or under contract to be sold and **97%** of the units in Real Estate Fund Investment V ("REFI V") are now sold or under contract to be sold. The majority of each of these investments therefore comprises of the net cash within these funds which will be distributed at the discretion of the fund manager as the funds are liquidated.

  - 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.

  - Net corporate cash of €16.4 million, comprising corporate cash net of liabilities and additional reserves.

- **Additional Reserves** - In light of the disposal of the majority of its assets as part of the Realisation Plan, the Board set aside reserves to allow it to complete the realisation of its investments and fund its future costs and potential liabilities. These reserves amount to €13.1 million, or €7.06 per share, as at the end of Q1 2022 and are not accounted for under IFRS. Of this amount, €6.7 million is specifically related to the legacy German tax matter with the balance of approximately €6.4 million in place to allow for an orderly liquidation process.

  During the quarter, €1.3 million, or €0.68 per share, of the reserves were released by the Company. The majority of this amount relates to the legacy German tax matter following a revision to the estimated total liability. As previously announced, the Company made a payment of €4.6 million in March 2022 in relation to this 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 31 March 2022, the full potential liability is fully reserved for within the Additional Reserves.

[1] In Q4 2021, €1.0 million distribution received in January 2022 from RE Fund II reallocated from Real Estate Funds to Net Corporate Cash.
[2] Reflects corporate cash net of liabilities and additional reserves.

Balance Sheet and Adjusted NAV Reconciliation as at 31 March 2022	Italian Investments *€ Thousands*	Corporate *€ Thousands*	Total *€ Thousands*
Assets			
Cash and cash equivalents	-	25,424	25,424
Other assets	-	85	85
Tax asset[1]	-	4,645	4,645
Investments:			
Italian NPLs & Other Loans	1,322	-	1,322
Real Estate Funds	1,862	-	1,862
Total assets	**3,184**	**30,154**	**33,338**
Liabilities			
Trade and other payables	-	582	582
Manager base and incentive fees	-	85	85
Total liabilities	**-**	**667**	**667**
IFRS NAV	**3,184**	**29,487**	**32,671**
Cash reserves	-	(8,465)	(8,465)
Non-cash reserves[1]	-	(4,645)	(4,645)
Total additional reserves[2]	-	(13,110)	(13,110)
Adjusted NAV	**3,184**	**16,377**	**19,561**
Adjusted NAV (€ per share)[3]	***1.71***	***8.82***	***10.53***

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).

Terms not otherwise defined in this announcement shall have the meaning given to them in the Circular.

ABOUT EUROCASTLE

Eurocastle Investment Limited ("Eurocastle" or the "Company") is a publicly traded closed-ended investment company. 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. 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. 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", "endeavour", "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.

[1] Tax asset recognised following the payment of a €4.6 million revised tax assessment associated with the disposal of a legacy property subsidiary in prior years. Notwithstanding the Company's expectation that the tax matter will eventually be resolved in the Company's favour, as at 31 March 2022, this tax asset was fully reserved for within the Additional Reserves.
[2] In light of the Realisation Plan, the Adjusted NAV as at 31 March 2022 reflects the additional reserves for future costs and potential liabilities of €13.1 million which have not been accounted for under the IFRS NAV.
[3] Amounts per share calculated on 1.9 million outstanding ordinary shares.