

## FINANCIAL HIGHLIGHTS AT A GLANCE<sup>1</sup>

Adjusted Q2 2020 NAV per share<sup>2</sup>:

**€7.26ps**

(Q4 2019: €8.32ps)

(Q1 2020: €6.78ps)

Q2 2020 IFRS NAV of €16.45ps

Adjusted Q2 2020 NAV:

**€13.4mm**

(Q4 2019: €15.4mm)

(Q1 2020: €12.5mm)

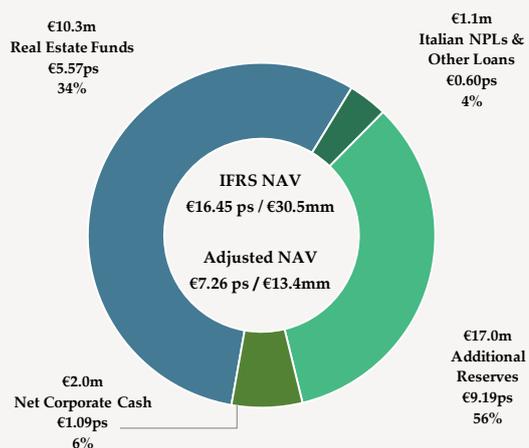
Q2 2020 IFRS NAV of €30.5mm

## COMPANY STRATEGY

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, Italian loan servicing platforms and other real estate related assets in Italy. On 18 November 2019, the Company announced a plan to realise the majority of its assets with the aim of accelerating the return of value to shareholders. The Company does not currently intend to seek new investments from the proceeds of the realisation but will continue to support its existing investments to the extent required in order to optimise returns and distribute cash to shareholders when available (the “Realisation Plan”).

## 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 2020.



**Real Estate Funds:** Interests in:

- One publicly listed fund
  - RE Fund I: all assets sold in 2019, €1.0 million received in March 2020 with a further estimated distribution of ~€1.5 million expected.
- Two private Italian real estate development funds:
  - RE Fund II: one building complete and fully sold, second building complete with approximately 81% of units sold.
  - RE Fund V: Construction completed on budget, with 52% of units sold.

**Italian NPLs & Other Loans:** Residual minority interest in 3 loan pools

**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 not accounted for under IFRS.

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

## H1 2020 NAV Bridge

In € per share



## BUSINESS HIGHLIGHTS FOR H1 2020

### Overview in light of COVID-19

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

These steps left the Company well capitalised and in a strong position to weather the extraordinary circumstances that have followed the outbreak of COVID-19. As a result of this, the Company reviewed its underlying cash flow models and adjusted them accordingly to take into account the anticipated impact of COVID-19, with the resultant impact reflected in the valuation of the Company's assets.

The Company's current assets comprise:

- Interests in two real estate redevelopment funds where construction is fully completed. The units are in the process of being sold but encountering delays due to the coronavirus outbreak. Both developments offer luxury residential apartments with high specification furnishings in Rome.
- Interest in a public fund which is in the process of being liquidated and the assets of which predominantly comprise cash.
- Residual minority interests in three predominantly secured NPL & Other Loan pools.

### Investment Realisations & Market Outlook

COVID-19 has had an extraordinary impact across all sectors of the economy. The Company's move to realise the majority of its assets in Q4 2019 and its prudent management of cash reserves have left the Company well placed to maximize the value of its remaining assets from a position of strength. This has been evidenced in the performance of its remaining assets where in the first half of 2020 the Company achieved the following milestones:

- Closed or collected offers under contract on 25% of remaining real estate units available for sale as at 1 January 2020 in Real Estate Fund Investment II and 23% in Real Estate Fund Investment V. Assuming that all these offers close, only 19% of units in one building in Real Estate Fund Investment II (with the second building already fully sold) and 48% of the units in Real Estate Fund Investment V will remain to be disposed of. Since the end of the lockdown phase in Italy in May 2020 there has been renewed interest in the apartments that the funds have due to pent up demand in the market for quality, semi-central residential real estate in Rome.
- Following the disposal of all of the assets in Real Estate Fund Investment I in 2019, the Company received €1.0 million, or 41% of its Q4 2019 NAV in the first half of 2020. The fund is in the process of being liquidated and its assets predominantly comprise of cash. The fund is currently trading at a c.10% discount to its last published NAV.
- The residual NPL & Other Loan interests, which are predominantly secured, have continued to generate cash proceeds, in spite of the turmoil created by COVID-19. In the first 6 months of the year the pools generated and distributed €0.1 million, or ~6% of its Q4 2019 NAV.
- Following favourable outcomes on certain potential liabilities along with various cost savings, the Company was able to generate a total net reduction on reserves of €0.6 million in the first half of the year. Since implementation of the Realisation Plan in 2019, the Company has generated total savings of €0.8 million against these reserves. Part of these savings are as a result of the Board of Directors agreeing to reduce their annual remuneration from €0.2 million to €0.1 million.
- The cash received in the first half of the year across the Company's investments, along with the current cash set aside for reserves as part of the Realisation Plan, leave the Company well capitalised and in a strong position to weather the uncertainty that COVID-19 has created.

## SUBSEQUENT EVENT TO 30 JUNE 2020

As at 6 of August 2020, there were no material subsequent events to disclose.

## ITALIAN REAL ESTATE FUNDS

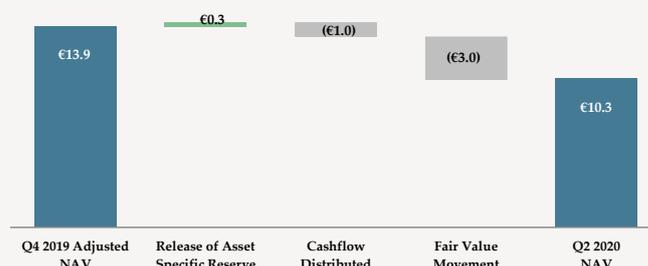
Since 2014, Eurocastle has made several investments in this asset class, investing €67.2 million in five separate real estate funds; of which two have been fully realised.

The Company opportunistically targeted either public or private funds that can 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 2020 Adjusted NAV Bridge

(€ million)



RE Fund Investments	Equity Invested € million	Total Cash flows Distributed to Eurocastle		NAV		Total Return (Cash flows Distributed + NAV) € million
		€ million	Of which Received in 2020 € million	€ million	NAV € per share	
I	22.2	25.2	1.0	1.5	0.79	26.7
II	15.4	11.4	-	4.2	2.31	15.6
V	5.6	-	-	4.6	2.47	4.6
<b>TOTAL</b>	<b>43.2</b>	<b>36.6</b>	<b>1.0</b>	<b>10.30</b>	<b>5.57</b>	<b>46.9</b>

### RE Funds Update

Interests in one publicly listed fund and two private Italian real estate redevelopment funds.

- RE Fund I (publicly listed fund) - Fund manager disposed all of its assets in 2019. The Company received a €1.0 million distribution in March 2020. The fund is in the process of being liquidated and its remaining net assets predominantly comprise of cash with the units currently trading at a 10% discount to the published NAV. During H1 2020, a fair value decrease of €13k, or €0.01 per share, was recognised, based on a closing price of €122.4 per unit.
- RE Fund II - Redevelopment of both buildings is completed with all units of first building sold and approximately 81% of units sold or under contract in the second building. The remaining units are in the process of being sold with delays anticipated due to the COVID-19 outbreak. The development offers luxurious residential apartments with high specification furnishings, semi-centrally located in Rome. During H1 2020, a fair value decrease of €0.1 million or €0.06 per share was recognised, reflecting the anticipated impact of COVID-19.
- RE Fund V – Construction completed on budget and 52% of units to date sold or under contract. The remaining units are in the process of being sold with delays anticipated due to the COVID-19 outbreak. The development offers luxury residential apartments with high specification furnishings, semi-centrally located in Rome. During H1 2020, a fair value decrease of €2.9 million or €1.54 per share was recognised, reflecting the anticipated impact of COVID-19.

Further details of all remaining real estate fund investments as at 30 June 2020 can be found in the table below:

	Fund Investment I	Fund Investment II	Fund Investment V
Investment Date	Mar-14	Jul-14	Q2-17
Eurocastle Ownership	7.5%	49.7%	49.6%
Fund Type	Publicly Listed	Private	Private
Collateral Type	n/a – assets sold	2 luxury residential redevelopments	1 luxury residential redevelopment
Collateral Location	n/a	Rome	Rome
ECT Q2 2020 NAV per share	€0.79	€2.31	€2.47
Fund Leverage	0%	0%	37% <sup>3</sup>
Legal Fund Maturity	Q4 2020	Q4 2020	Q4 2021

# FINANCIAL REVIEW

## INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)

Following the change in classification to an investment entity as defined under IFRS 10 in July 2017, the Company does not consolidate the entities it controls and therefore fair values all of its investments (whether through subsidiaries, joint ventures or associates).

	Income Statement H1 2020 <i>€ Thousands</i>	Income Statement H1 2019 <i>€ Thousands</i>
<b><i>Portfolio Returns</i></b>		
doValue unrealised fair value movement	-	58,012
Italian NPLs & Other Loans unrealised fair value movement	(66)	6,653
Real Estate Funds unrealised fair value movement	(2,975)	570
<b>Fair value movement on Italian investments</b>	<b>(3,041)</b>	<b>65,235</b>
<b>Fair value movements on residual Legacy entities</b>	<b>207</b>	<b>224</b>
<b>Other income</b>	<b>16</b>	<b>-</b>
<b>Loss on foreign currency translation</b>	<b>-</b>	<b>(5)</b>
<b>Total (loss) / income</b>	<b>(2,818)</b>	<b>65,454</b>
<b><i>Operating Expenses</i></b>		
<b>Interest expense</b>	<b>42</b>	<b>90</b>
Manager base and incentive fees	21	3,948
Remaining operating expenses	1,047	1,549
<b>Other operating expenses</b>	<b>1,068</b>	<b>5,497</b>
<b>Total expenses</b>	<b>1,110</b>	<b>5,587</b>
<b>(Loss) / profit for the period</b>	<b>(3,928)</b>	<b>59,867</b>
<b>€ per share</b>	<b>(2.12)</b>	<b>1.33</b>

## BALANCE SHEET AND ADJUSTED NAV RECONCILIATION AS AT 30 JUNE 2020 (UNAUDITED)

	Italian Investments <i>€ Thousands</i>	Corporate <i>€ Thousands</i>	Total <i>€ Thousands</i>
<b>Assets</b>			
Cash and cash equivalents	-	20,663	20,663
Other assets	-	47	47
Investments:			
Italian NPLs & Other Loans	1,120	-	1,120
Real Estate Funds	10,315	-	10,315
<b>Total assets</b>	<b>11,435</b>	<b>20,710</b>	<b>32,145</b>
<b>Liabilities</b>			
Trade and other payables	-	1,547	1,547
Manager base and incentive fees	-	138	138
<b>Total liabilities</b>	<b>-</b>	<b>1,685</b>	<b>1,685</b>
<b>IFRS Net Asset Value</b>	<b>11,435</b>	<b>19,025</b>	<b>30,460</b>
Additional Reserves	-	(17,016)	(17,016) <sup>2</sup>
<b>Adjusted NAV</b>	<b>11,435</b>	<b>2,009</b>	<b>13,444</b>
<b>Adjusted NAV (€ per Share)</b>	<b>6.18</b>	<b>1.08</b>	<b>7.26</b>

## 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 2020 have not been reviewed or audited by our auditors, BDO LLP.

### Registered Office

Regency Court  
Gategny Esplanade  
St. Peter Port  
Guernsey  
GY1 1WW

*On behalf of the Board*



Simon J. Thornton  
Director and Audit Committee Chairman  
Date: 6 August 2020

<sup>1</sup> 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 2020, 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 2020 Net Asset Value per share (“NAV per share”) – 1.9 million voting shares in issue; Q4 2019 NAV per share based on 1.9 million voting shares.

<sup>2</sup> 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.

<sup>3</sup> Fund leverage as of Q2 2020.

## EUROCASTLE INVESTMENT LIMITED

## INCOME STATEMENT (UNAUDITED)

	Notes	Six months ended 30 June 2020 (unaudited) €000	Six months ended 30 June 2019 (unaudited) €000
<b>Portfolio Returns</b>			
Unrealised fair value loss on Italian investments	4	(3,041)	65,235
Realised fair value movements on other net assets of subsidiaries	4	207	224
<b>Other income</b>			
Other income		16	-
Loss on foreign currency translation		-	(5)
<b>Total income</b>		<b>(2,818)</b>	<b>65,454</b>
<b>Operating expenses</b>			
Interest expense		42	90
Other operating expenses	5	1,068	5,497
<b>Total expenses</b>		<b>1,110</b>	<b>5,587</b>
<b>Net operating (loss) / profit before taxation for the period</b>		<b>(3,928)</b>	<b>59,867</b>
<b>Taxation expense - current</b>		-	-
<b>Total tax expense</b>		-	-
<b>Net (loss) / profit after taxation for the period</b>		<b>(3,928)</b>	<b>59,867</b>
<b>Attributable to:</b>			
Ordinary equity holders of the Company		(3,928)	59,867
<b>Net (loss) / profit after taxation</b>		<b>(3,928)</b>	<b>59,867</b>
		€	€
<b>Earnings per ordinary share<sup>(1)</sup></b>			
Basic and diluted	11	(2.12)	1.33

The Company had no other comprehensive income for the six months ended 30 June 2020 and for the six months ended 30 June 2019.

<sup>(1)</sup> Earnings per share is based on the weighted average number of shares in the period of 1,851,535 (30 June 2019: 44,984,256). Refer to note 11.

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

## EUROCASTLE INVESTMENT LIMITED

## BALANCE SHEET (UNAUDITED)

	Notes	As at 30 June 2020 (Unaudited) €000	As at 31 December 2019 €000
<b>Assets</b>			
Cash and cash equivalents	6	20,663	41,681
Other assets	7	47	98
Investments	8	11,435	15,507
<b>Total assets</b>		<b>32,145</b>	<b>57,286</b>
<b>Equity and Liabilities</b>			
<b>Capital and reserves</b>			
Issued capital, no par value, unlimited number of shares authorised	12	1,625,727	1,625,727
Accumulated loss		(1,595,267)	(1,591,339)
<b>Total equity</b>		<b>30,460</b>	<b>34,388</b>
<b>Liabilities</b>			
Trade and other payables	10	1,685	22,898
<b>Total liabilities</b>		<b>1,685</b>	<b>22,898</b>
<b>Total equity and liabilities</b>		<b>32,145</b>	<b>57,286</b>

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 6 August 2020 and signed on its behalf by:



Simon J. Thornton  
Director and Audit Committee Chairman

## EUROCASTLE INVESTMENT LIMITED

## CASH FLOW STATEMENT (UNAUDITED)

	Notes	Six months ended 30 June 2020 (unaudited) €000	Six months ended 30 June 2019 (unaudited) €000
<b>Cash flows from operating activities</b>			
Net operating (loss) / profit before taxation for the period		(3,928)	59,867
Adjustments for:			
Unrealised fair value loss on Italian investments	4	3,041	(65,235)
Realised fair value movement on other net assets of subsidiaries	4	(207)	(224)
Interest expense		42	90
Loss on foreign currency		-	5
<b>Total adjustments to (loss) / profit for the period</b>		<b>2,876</b>	<b>(65,364)</b>
Decrease in other assets		(51)	(87)
Decrease in trade and other payables		(21,042)	(1,092)
<b>Movements in working capital</b>		<b>(21,093)</b>	<b>(1,179)</b>
Acquisition of Italian investments	8	-	(46,817)
Cash distribution from Italian investments	8	1,031	25,289
Cash distribution from subsidiaries		137	369
Interest paid		(41)	(98)
<b>Cash movements from operating activities</b>		<b>1,127</b>	<b>(21,257)</b>
<b>Cash generated from operations</b>		<b>(21,018)</b>	<b>(27,933)</b>
Taxation paid		-	-
<b>Net cash flows from operating activities</b>		<b>(21,018)</b>	<b>(27,933)</b>
<b>Cash flows from financing activities</b>			
Repurchase of share capital net of costs		-	(11,186)
Dividends paid	13	-	(13,514)
<b>Net decrease in cash flows from financing activities</b>		<b>-</b>	<b>(24,700)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(21,018)</b>	<b>(52,633)</b>
<b>Cash and cash equivalents, beginning of the period</b>	6	<b>41,681</b>	<b>87,768</b>
<b>Total cash and cash equivalents, end of the period</b>	6	<b>20,663</b>	<b>35,135</b>

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

## EUROCASTLE INVESTMENT LIMITED

## STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital €000	Treasury shares €000	Accumulated loss €000	Total equity €000
<b>As at 1 January 2019</b>	<b>1,977,731</b>	<b>(156,833)</b>	<b>(1,427,875)</b>	<b>393,023</b>
Profit after taxation for the six months ended 30 June 2019 (unaudited)	-	-	59,867	59,867
<b>Total comprehensive profit for the six months ended 30 June 2019 (unaudited)</b>	<b>-</b>	<b>-</b>	<b>59,867</b>	<b>59,867</b>
<b>Contributions by and distributions to owners:</b>				
Shares issued to Directors from treasury shares (note 12)	-	18	(18)	-
Shares repurchased and cancelled (note 12)	(10,065)	-	-	(10,065)
Repurchase of shares (note 12)	-	(1,094)	-	(1,094)
Release of other reserves upon exercise of share options	-	-	-	-
Dividends to non-controlling interest	-	-	-	-
Dividends declared (note 13)	-	-	(13,514)	(13,514)
<b>As at 30 June 2019 (unaudited)</b>	<b>1,967,666</b>	<b>(157,909)</b>	<b>(1,381,540)</b>	<b>428,217</b>
Loss after taxation for the six months ended 31 December 2019	-	-	(44,087)	(44,087)
<b>Total comprehensive loss for the six months ended 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>(44,087)</b>	<b>(44,087)</b>
<b>Contributions by and distributions to owners:</b>				
Shares repurchased and cancelled (note 12)	(341,939)	-	-	(341,939)
Repurchase of shares (note 12)	-	(1,259)	-	(1,259)
Dividends declared (noted 13)	-	-	(6,544)	(6,544)
Cancellation of treasury shares (note 12)	-	159,168	(159,168)	-
<b>As at 31 December 2019</b>	<b>1,625,727</b>	<b>-</b>	<b>(1,591,339)</b>	<b>34,388</b>
Loss after taxation for the six months ended 30 June 2020 (unaudited)	-	-	(3,928)	(3,928)
<b>Total comprehensive loss for the period (unaudited)</b>	<b>-</b>	<b>-</b>	<b>(3,928)</b>	<b>(3,928)</b>
<b>As at 30 June 2020 (unaudited)</b>	<b>1,625,727</b>	<b>-</b>	<b>(1,595,267)</b>	<b>30,460</b>

## 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”) with the Financial Conduct Authority (“FCA”) its home state regulator (due to its original previous listing on the London Stock Exchange). 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 relevant regulators 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”).

As a result of the Realisation Plan, the Board does not currently intend to make any material new investments with the proceeds realised from the Company’s existing holdings. With respect to the remaining assets, which predominantly comprise Eurocastle’s investments in Italian real estate funds, 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.

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

The six months ended 30 June 2020 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 2019.

### 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. Refer to note 8 for further details on investment valuations.

### 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

Negative interest charges on Euro corporate cash deposits are recognised in the income statement on an accrual basis.

### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank 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.

Where the Company purchases the Company's own equity shares (treasury shares - see note 12), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Company's equity holders. If shares are cancelled once bought back, or after a period of time, the shares are released from the treasury shares reserve.

**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.

Where continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *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 31 June 2020, the leverage (as defined by this measure) under the gross and commitment basis was 37.56% and 37.56% respectively (31 December 2019: 46.33% and 46.33%).

### **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 and follow-on investment capital for portfolio 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. Up until 5 June 2020 Liberum Capital Limited acted as the Company's nominated adviser and broker. At 30 June 2020, the Company had net equity of €0.5 million (31 December 2019: €34.4 million) and no direct leverage (31 December 2019: no direct leverage).

The Company's objectives, policies and processes for managing capital reflect the change in strategy from November 2019.

### 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 2020, the Company's cash and cash equivalents was €20.7 million (31 December 2019: €41.7 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 2020, the Company has placed €1.9 million of its corporate cash with a financial institution rated long term stable: A by Fitch; Baa1 by Moody's; and A- by S&P (31 December 2019: €16.3 million - rated long term stable: A+ by Fitch; Aa3 by Moody's; and A+ by S&P). As at 30 June 2020, the remaining corporate cash was held with a financial institution rated long term stable: A+ Stable by Fitch; A1 Stable by Moody's; and A Negative by S&P (31 December 2019: rated long term stable: A+ Stable by Fitch; A1 Stable by Moody's; and A Stable 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 first half of 2020 saw the world react to the spread of the coronavirus with Italy being the first country in Europe to have instituted lockdown measures in March 2020 to curb the spread of the virus. These measures included restrictions and reduced activity in the legal systems, resulting in delays in cash flow in these markets based on our underwriting models on both our Italian loan portfolio and real estate. Since May 2020 Italy has slowly started to come out of lockdown with businesses reopening and the country opening up its borders again to tourism. Real estate transactions, which were on hold during the lockdown have now started to complete. However, a potential further lockdown in Italy cannot be ruled out. As a result of the lockdown, Italy's economy is expected to contract by between 7.7% and 15% in 2020 based on various estimates.

The current instability in the geopolitical environment, exacerbated by the coronavirus, could have a material impact on financial activities both at a market and retail level. These risks 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.

#### 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 conjunction 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 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
	Fair value movements €000	Fair value movements €000
doValue (note 8)	-	58,012
Italian NPLs & Other Loans (note 8)	(66)	6,653
Real Estate Funds (note 8)	(2,975)	570
<b>Portfolio returns on Italian investments</b>	<b>(3,041)</b>	<b>65,235</b>
Fair value movements on other net assets of subsidiaries	207	224
<b>Total portfolio returns</b>	<b>(2,834)</b>	<b>65,459</b>

**5. OTHER OPERATING EXPENSES**

	Six months ended 30 June 2020 (unaudited) €000	Six months ended 30 June 2019 (unaudited) €000
Professional fees	267	397
Transaction costs	39	171
Manager base and incentive fees (related party, note 14)	21	3,948
Manager recharge (related party, note 14)	559	680
General and administrative expenses	182	301
<b>Total other operating expenses</b>	<b>1,068</b>	<b>5,497</b>

**6. CASH AND CASH EQUIVALENTS**

	As at 30 June 2020 (unaudited) €000	As at 31 December 2019 €000
Corporate cash at Company level	20,663	41,681
<b>Total cash and cash equivalents</b>	<b>20,663</b>	<b>41,681</b>

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7. OTHER ASSETS

	As at 30 June 2020 (unaudited) €000	As at 31 December 2019 €000
Prepaid expenses	47	98
<b>Total other assets</b>	<b>47</b>	<b>98</b>

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 2020 (unaudited) €000	As at 31 December 2019 €000
Italian investment portfolio	11,435	15,507
Other net assets of subsidiaries	-	-
<b>Total investments</b>	<b>11,435</b>	<b>15,507</b>

As at 30 June 2020 (unaudited), the movements in the Italian investment portfolio were as follows:

	Italian NPLs & Other Loans Fair value accounted €000	Real Estate Funds Fair value accounted €000	Total Investments €000
<b>Balance as at 1 January 2020</b>	<b>1,246</b>	<b>14,261</b>	<b>15,507</b>
Distributions received	(59)	(972)	(1,031)
Unrealised fair value movement	(67)	(2,974)	(3,041)
<b>Balance as at 30 June 2020 (unaudited)</b>	<b>1,120</b>	<b>10,315</b>	<b>11,435</b>

As at 31 December 2019, the movements in the Italian investment portfolio were as follows:

	doValue Fair value accounted €000	Italian NPLs & Other Loans Fair value accounted €000	Real Estate Funds Fair value accounted €000	Total Investments €000
<b>Balance as at 1 January 2019</b>	<b>185,518</b>	<b>97,422</b>	<b>26,876</b>	<b>309,816</b>
Additions	-	46,569	248	46,817
Disposals	(223,767)	(121,568)	-	(345,335)
Distributions received	(9,630)	(24,210)	(12,439)	(46,279)
Realised fair value gain	47,879	2,868	-	50,747
Unrealised fair value movement	-	165	(424)	(259)
<b>Balance as at 31 December 2019</b>	<b>-</b>	<b>1,246</b>	<b>14,261</b>	<b>15,507</b>

Refer to the portfolio summary for further details on investments on page 18.

**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. The two NPL portfolios are serviced by doValue (refer to note 14).

**III. Real Estate Funds**

The Company has the following Real Estate Fund investments:

**Real Estate Fund Investment I:**

On 28 March 2014, the Company indirectly purchased 11,929 units in UniCredito Immobiliare Uno closed-end Real Estate Fund ("Real Estate Fund Investment I"). The holding represents 7.46% of the total units issued by Real Estate Fund Investment I. The units are listed on the Italian Stock Exchange. Real Estate Fund Investment I is managed by Torre SGR S.p.A. ("Torre"), an affiliate of the Manager.

In 2019, the fund sold all of its assets. During the period the Company received €1.0 million with a further estimated distribution of €1.5 million.

**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 2020 both projects have been completed, with one project fully sold and approximately 81% of units sold or under contract in the second project.

The Company's investment is held through a joint venture 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 in Torre Real Estate Fund III Value Added – Sub fund B. To date, the work has been completed on time and in line with budget with 52% of the units sold or under contract.

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 2020 (unaudited):**

	Level 1 €000	Level 2 €000	Level 3 €000	Total fair value €000
Italian NPLs & Other Loans	-	-	1,120	1,120
Real Estate Funds	1,460	-	8,855	10,315
<b>Total</b>	<b>1,460</b>	<b>-</b>	<b>9,975</b>	<b>11,435</b>

**As at 31 December 2019:**

	Level 1 €000	Level 2 €000	Level 3 €000	Total fair value €000
Italian NPLs & Other Loans	-	-	1,246	1,246
Real Estate Funds	2,517	-	11,744	14,261
<b>Total</b>	<b>2,517</b>	<b>-</b>	<b>12,990</b>	<b>15,507</b>

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.

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**8. INVESTMENTS (CONTINUED)**

**Transfers between levels**

There were no transfers between levels for the period ended 30 June 2020 (31 December 2019: no transfers).

The following table shows a reconciliation for the Level 3 fair value measurements as at 30 June 2020 (unaudited):

	<b>Italian NPLs &amp; Other Loans €000</b>	<b>Real Estate Funds €000</b>	<b>Total €000</b>
As at 1 January 2020	1,246	11,744	12,990
Distributions received	(59)	72	13
Unrealised fair value movement in the period	(67)	(2,961)	(3,028)
<b>As at 30 June 2020 (unaudited)</b>	<b>1,120</b>	<b>8,855</b>	<b>9,975</b>

The following table shows a reconciliation for the Level 3 fair value measurements as at 31 December 2019:

	<b>Italian NPLs &amp; Other Loans €000</b>	<b>Real Estate Funds €000</b>	<b>€000</b>
As at 1 January 2019	97,422	19,241	116,663
Distributions received	(24,210)	(5,281)	(29,491)
Unrealised fair value movement in the year	165	(2,464)	(2,299)
Realised fair value movement in the year	2,868		2,868
Disposals in the year	(121,568)	-	(121,568)
Investments acquired in the year	46,569	248	46,817
<b>As at 31 December 2019</b>	<b>1,246</b>	<b>11,744</b>	<b>12,990</b>

**Expected recoveries of investments**

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

	<b>2020</b>		<b>2019</b>	
	<b>Within one year<sup>(1)</sup> €000</b>	<b>More than one year €000</b>	<b>Within one year<sup>(2)</sup> €000</b>	<b>More than one year €000</b>
Italian NPLs & Other Loans	15	1,105	445	801
Real Estate Funds	950	9,365	9,295	4,966

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

(2) Amounts recoverable within one year represent estimated cash flows expected on investments.

**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. 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 2020 (unaudited):

	Italian NPLs	Total Unlevered	Total Levered
Expected profit multiple <sup>(1)</sup>	1.5	1.5	1.6
Remaining weighted average life	2.8	2.8	3.1
Discount rate	12%	12%	15%

For the year ended 31 December 2019:

	Italian NPLs	Total Unlevered	Total Levered
Expected profit multiple <sup>(1)</sup>	1.5	1.5	1.6
Remaining weighted average life	2.5	2.5	2.8
Discount rate	12%	12%	16%

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.

<sup>(1)</sup> The expected profit multiple is derived from the underlying cash flows on which the relevant valuation model is built.

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 2020 (unaudited):

	Italian NPLs €000	Total Unlevered €000	Total Levered €000
Fair value	1,873	1,873	1,120
Increase in discount rate by 25bps	1,862	1,862	1,108
<b>Value sensitivity</b>	<b>(11)</b>	<b>(11)</b>	<b>(12)</b>

For the year ended 31 December 2019:

	Italian NPLs €000	Total Unlevered €000	Total Levered €000
Fair value	2,167	2,167	1,246
Increase in discount rate by 25bps	2,157	2,157	1,234
<b>Value sensitivity</b>	<b>(10)</b>	<b>(10)</b>	<b>(12)</b>

The prior year comparative disclosure has been restated to reflect the assumptions on both a levered and unlevered basis.

**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 2020 (unaudited)	Real Estate Funds	Total
Expected profit multiple	1.1	1.1
Remaining weighted average life	1.4	1.4
Discount rate	16%	16%

For the year ended 31 December 2019	Real Estate Funds	Total
Expected profit multiple	1.2	1.2
Remaining weighted average life	1.3	1.3
Discount rate	17%	17%

**8. INVESTMENTS (CONTINUED)**

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

	Real Estate Funds €000	Total €000
For the period ended 30 June 2020 (unaudited)		
Fair value	8,855	8,855
Increase in discount rate by 25bps	8,832	8,832
<b>Value sensitivity</b>	<b>(23)</b>	<b>(23)</b>

	Real Estate Funds €000	Total €000
For the year ended 31 December 2019		
Fair value	11,744	11,744
Increase in discount rate by 25bps	11,720	11,720
<b>Value sensitivity</b>	<b>(24)</b>	<b>(24)</b>

**9. CONTRACTUAL MATURITIES****Contractual maturities**

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

As at 30 June 2020, 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**

Set out below is a comparison by category of carrying amounts and fair values of the Company's financial instruments that are carried in the financial statements excluding trade and other receivables and payables, and current liabilities whose carrying value is equal to fair value due to the short period before settlement.

	As at 30 June 2020 Carrying value (unaudited) €000	As at 31 December 2019 Carrying value €000	As at 30 June 2020 Fair value (unaudited) €000	As at 31 December 2019 Fair value €000
<b>Financial assets</b>				
Cash and cash equivalents	20,663	41,681	20,663	41,681
Italian investments held at fair value through profit or loss	11,435	15,507	11,435	15,507

**10. TRADE AND OTHER PAYABLES**

	As at 30 June 2020 (unaudited) €000	As at 31 December 2019 €000
Due to Manager (related party, refer note 14)	697	20,658
Accrued expenses and other payables	989	2,240
<b>Total trade and other payables</b>	<b>1,685</b>	<b>22,898</b>

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

## NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

**11. EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing net profit / (loss) 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 2020 (unaudited)	As at 31 December 2019
Weighted average number of ordinary shares excluding treasury shares <sup>*</sup>	1,851,535	41,059,499
<b>Weighted average number of ordinary shares - dilutive</b>	<b>1,851,535</b>	<b>41,059,499</b>

<sup>\*</sup>weighted average shares for the period

**12. SHARE CAPITAL AND RESERVES**

As at 30 June 2020 (unaudited), there were 1,851,535 shares (31 December 2019: 1,851,535) issued of which no shares (31 December 2019: 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		Total
	Voting shares	Treasury shares	
<b>As at 1 January 2019</b>	<b>45,158,302</b>	<b>18,655,060</b>	<b>63,813,362</b>
Shares issued from treasury to the Directors as part of their in-place compensation arrangements for €nil consideration - 20 June 2019	3,000	(3,000)	-
Shares repurchased and cancelled - 20 June 2019	(1,333,333)	-	<b>(1,333,333)</b>
Share buyback programme	(155,879)	155,879	-
<b>As at 30 June 2019 (unaudited)</b>	<b>43,672,090</b>	<b>18,807,939</b>	<b>62,480,029</b>
Share buyback programme	(169,257)	169,257	-
Shares repurchased and cancelled - 16 September 2019	(7,100,591)	-	(7,100,591)
Shares repurchased and cancelled - 20 December 2019	(34,550,707)	-	(34,550,707)
Cancellation of treasury shares	-	(18,977,196)	(18,977,196)
<b>As at 31 December 2019</b>	<b>1,851,535</b>	<b>-</b>	<b>1,851,535</b>
<b>As at 30 June 2020 (unaudited)</b>	<b>1,851,535</b>	<b>-</b>	<b>1,851,535</b>

Date	Description	Number of shares	Price Per share	Value of Share repurchase (€000)	Directly attributable costs (€000)
20 June 2019	Share tender - shares repurchased and cancelled	1,333,333	€7.50	10,000	57
16 September 2019	Share tender - shares repurchased and cancelled	7,100,591	€8.45	60,000	65
20 December 2019	Share tender - shares repurchased and cancelled	34,550,707	€8.14	281,238	645
20 December 2019	Treasury shares cancelled	18,977,196	€8.35 <sup>(2)</sup>	159,168	n/a
Full year 2019	Share buyback programme - shares repurchased, held in treasury and cancelled on 20 December 2019	325,136	€7.22 <sup>(1)</sup>	2,343	10

<sup>(1)</sup> Average price of shares for the period

<sup>(2)</sup> Average price of shares which were previously held in the treasury shares reserve

**Accumulated loss**

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

**13. DIVIDENDS 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 no dividends were declared or paid.

The following dividends were declared for the year ended 31 December 2019:

Declaration date	Ex-dividend date	Record date	Payment date	Dividend per share <sup>(1)</sup>	Amount €000
06 March 2019	13 March 2019	14 March 2019	28 March 2019	€0.150	6,763
16 May 2019	22 May 2019	23 May 2019	30 May 2019	€0.150	6,751
08 August 2019	15 August 2019	16 August 2019	29 August 2019	€0.150	6,544
<b>Total</b>				<b>€0.450</b>	<b>20,058</b>

**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.

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.

The Manager is deemed to be the key employee for reporting purposes. As at 30 June 2020, management fees, incentive fees and expense reimbursements of €0.7 million (31 December 2019: €20.7 million) were due to the Manager. During the period ended 30 June 2020, management fees of €0.1 million (30 June 2019: €3.1 million), €0.1 million of incentive fees (30 June 2019: €0.8 million), and expense reimbursements of €0.6 million (30 June 2019: €0.7 million) were charged to the income statement.

Total annual remuneration for the Eurocastle directors as at 30 June 2020 was €0.1 million (31 December 2019: €0.2 million), payable quarterly in equal instalments. Randal A. Nardone and Peter Smith do not receive any remuneration from the Company. As of 16 May 2020, the annual remuneration reduced from €0.2 million to €0.1 million.

Fortress Italian NPL Opportunities Series Fund LLC (which owns the NPL pools) and Fortress Italian Real Estate Opportunities Series Fund LLC (being the entity where the majority of the Company's interest in Real Estate Fund Investments are held through) are managed by an affiliate of the Manager. The total management fee expense for the six months ended 30 June 2020 is €nil million (30 June 2019: €0.3 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 2020 was €0.1 million (30 June 2019: €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:***

Verona Holdco S.à r.l  
Undercroft S.à r.l  
Luxgate S.à r.l  
Truss Lux Participation S.à r.l

***Italy:***

FMIL S.r.l

***United States of America:***

Fortress Italian Real Estate Opportunities Series Fund LLC - Series 1  
Fortress Italian Real Estate Opportunities Series Fund LLC - Series 2

***Ireland:***

Additionally the Company has an investment in Eurocastle Funding Designated Activity Company (incorporated in Ireland), currently in liquidation.

As at 30 June 2020, 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**

As at 6 of August 2020, there were no material subsequent events to disclose.

**17. COMMITMENTS**

As at 30 June 2020, the Company had no formal commitments.