

FINANCIAL HIGHLIGHTS AT A GLANCE¹

Q2 2019 NAV^{2,3}: €428.2 mm

€9.81ps

(Q1 19: €437.3 mm / €9.71ps)

(Q4 18: €393.0 / €8.70ps)

Q2 2019 NFFO: €4.3 mm

€0.10ps

(Q1 19: €6.5 mm / €0.15ps)

(H1 19: €10.9 mm / €0.24ps)

Q2 2019 NFFO of €0.15ps excluding one-off impact relating to announced sale of RE Fund I assets.

Q2 2019 Dividend: €6.5mm⁴

€0.15ps

(Q1 19: €6.8 mm / €0.15ps)

(H1 19: €13.3 mm / €0.30ps)

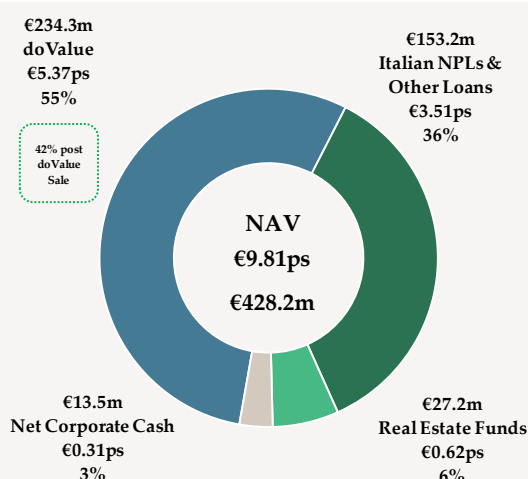
Q2 2019 Dividend declared on 8 August 2019 & payable on 29 August 2019

COMPANY STRATEGY

Eurocastle Investment Limited is a publicly traded closed-ended investment company that focuses on investing in Italian performing and non-performing loans, Italian loan servicing platforms and other real estate related assets in Italy. The Company believes that the markets in which it seeks to make investments, and in particular Italy, continue to be characterised by a significant imbalance between sellers and buyers of investments driven in large part by banks' requirements to deleverage. The Company believes that this imbalance creates attractive investment opportunities due to there being a limited universe of buyers with access to deep market knowledge, industry relationships and servicing expertise.

PORTFOLIO OVERVIEW⁵

Eurocastle's current portfolio of Italian Investments is made up of three key parts: doValue (formerly doBank), Italian NPLs & Other Loans and Real Estate Funds, with the remainder comprising Net Corporate Cash. The chart below shows the net assets as at **30 June 2019**.



doValue:

25.1% interest⁶ (20 million shares) in Europe's #1 independent pure servicer managing ~€139 billion GBV⁷ of NPEs. Listed on the Milan Stock Exchange (DOV:IM).

Ownership interest reduced to 18.8%⁶ following the sale of doValue shares on 8 August 2019. doValue currently manages all NPL portfolios in which ECT has an interest.

Valuation: €11.68 per doValue share as at 30 June 2019.

Italian NPLs & Other Loans:

Interests across 24 loan pools (including one performing pool).

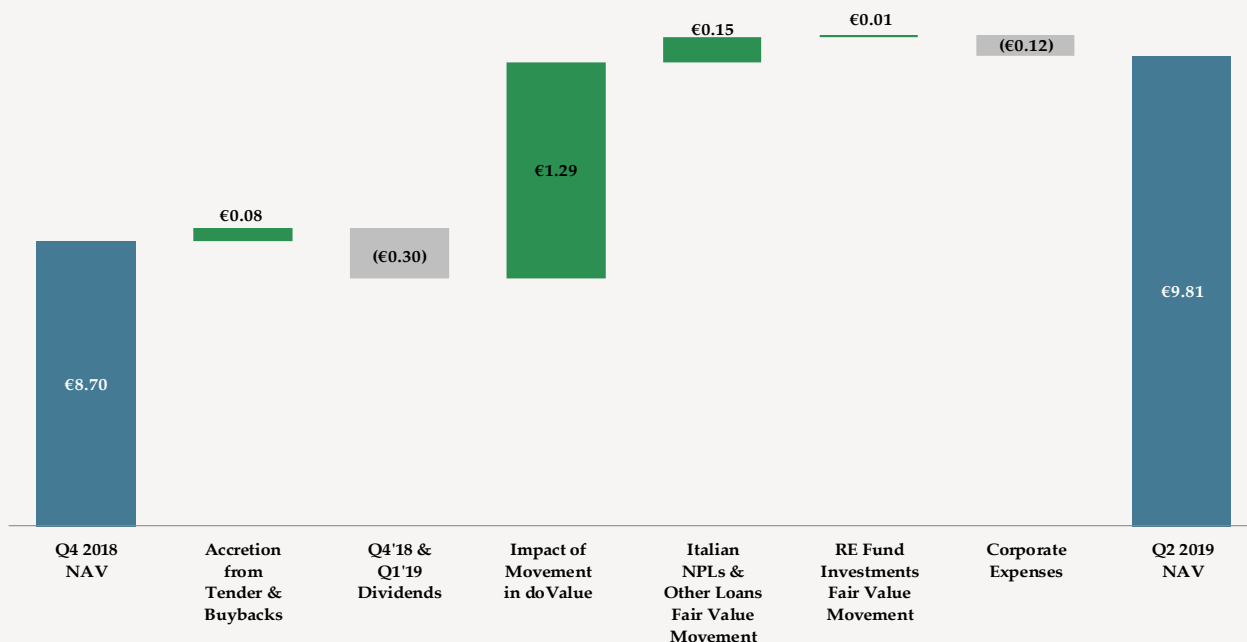
RE Funds:

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

Net Corporate Cash: Corporate cash net of estimated commitments and liabilities (prior to deduction of Q2 2019 dividend, payable on 29 August 2019).

H1 2019 NAV Bridge

In € per share



BUSINESS HIGHLIGHTS FOR H1 2019

doValue (formerly doBank) Business Update

In Q2 2019, doValue completed its project to reorganize the group which allowed it to acquire a controlling interest in Altamira Management S.A. ("Altamira") creating Europe's #1 independent pure servicer.

- On 27 June 2019, doValue announced the completion of its acquisition of an 85% interest in Altamira. The closing of the transaction follows the implementation of the new corporate structure of the group whereby it handed back its banking license and rebranded to doValue S.p.A..

doValue Financial Performance

doValue continues to execute on its business plan delivering excellent operational results in H1 2019:

- 7% year on year increase in revenues driven by growth in performance fees, indemnity fees and ancillary revenues.
- H1 2019 EBITDA of €39.1 million⁸ and Net Income of €26.6 million⁸ substantially up by 11% and 27% respectively versus H1 2018 (EBITDA Margin up by over 1% to 35% versus H1 2018). Combined pro forma H1 2019 EBITDA for 100%⁹ of Altamira is €86.0 million.
- Net debt, after the Altamira acquisition, sits at €320 million, reflecting financial leverage of 1.8x of combined annual pro forma EBITDA.
- On 29 May 2019, doValue paid a dividend of €36.8 million for the financial year 2018 (70% of net profit excluding non-recurring items). Eurocastle's share was €9.2 million.

Investment Activity and NPL Performance

During the first half of 2019, the Company funded a further €46.6 million in the FINO portfolio and received €25.3 million from its investments while maintaining robust pace and profitability on its loan portfolios.

- In February 2019, the Company funded €46.6 million of the €64.7 million deferred purchase price related to its interest in the FINO portfolio. The remaining €18.1 million commitment is expected to be payable in August 2020.
- In June 2019, RE Fund I (publicly listed fund) announced the acceptance of a binding offer on all of its assets, resulting in €6.7 million being received in August 2019, with a further ~€3.0 million expected; representing in excess of a 10% premium to the Company's Q2 carrying value of €8.7 million.
- In H1 2019, the Company received €25.3 million from its investments, including €9.2 million from doValue.
- NPL portfolios continued to perform well, with the unlevered pace of life to date collections of the entire portfolio representing 118% of underwriting and unlevered profitability on fully resolved loans at 172% versus underwriting.

Capital Activity

During H1 2019, the Company continued to capitalise on a widening discount between the share price and NAV to repurchase shares amounting to 3% of the Company for a total of **€11.1 million**, at an **average discount of 24% to the Q2 2019 NAV**, through a tender offer and the **Company's open market buyback programme**.

- Eurocastle completed a share tender on 20 June 2019, repurchasing €10.0 million of shares at a 24% discount to the Q2 2019 NAV and a premium to the share price at the time of announcement of approximately 4% taking into account the Q1 dividend of €0.15 per share paid during the offer window.
- In H1 2019, the Company continued to operate its open market buyback programme repurchasing €1.1 million worth of shares over the period at an average price of €7.04 per share representing a 28% discount to the Q2 2019 NAV. The programme ended on 8 August 2019, with a further €0.3 million worth of shares bought back.

BUSINESS HIGHLIGHTS SUBSEQUENT TO 30 JUNE 2019

doValue Share Sale, Share Tender and Renewal of Share Buyback Programme

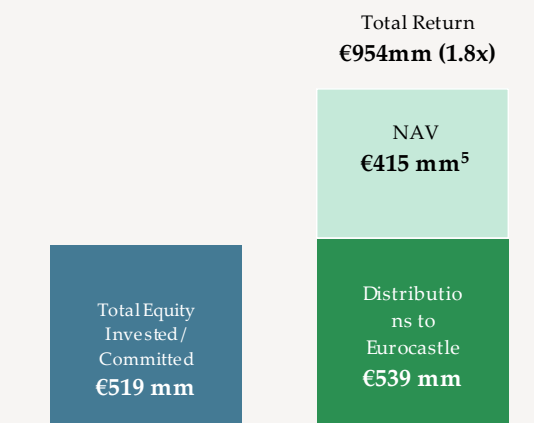
- On 8 August 2019, in light of the current Eurocastle share price discount to NAV and the proportion doValue represents of the Company's assets, the Board determined it is an appropriate time to sell a portion of its doValue shares. Accordingly, the Company sold 25% of its interest in doValue, with estimated net proceeds approximately €45.0 million, or €1.03 per Eurocastle share, realising in excess of 10% of the Company's Q2 NAV in cash.
- Following the settlement of this transaction, the Company intends to launch a tender offer to distribute the net proceeds and additional available capital through a repurchase of up to €60 million of ordinary shares in the Company for a fixed price of €8.45 per share. The Board has chosen to tender at a price in line with its pro forma NAV¹⁰ to seek to address the persistent discount at which the Company's shares trade. The price reflects a premium of 12.7% to the volume weighted average closing price on Euronext Amsterdam of €7.50 per ordinary share over the last month.
- In addition, the buyback programme which ended on 8 August 2019 will resume following the expected settlement of the tender offer on 16 September 2019. Under the share buyback programme, the Company is seeking to buy back shares up to an aggregate market value equivalent to €2.0 million. The share buyback programme will end no later than 13 November 2019.

THE INVESTMENTS

Since the establishment of its new strategy in 2013, Eurocastle has invested or committed €519 million in its Italian Investments at an average targeted gross yield in the mid-teens. The investments continue to deliver outstanding performance, returning to date €539 million, or 104% of the equity invested whilst still being carried at a value of €415 million⁵.

The Company generates its running cash returns from these investments through recoveries received on the NPL pools, dividends on its remaining interest in doValue and operating and sales cash flows from its real estate fund investments. The Company values these investments at their fair value. Cash flow performance, as well as other factors influencing projected cash flows, therefore play a key part in the Company's earnings each quarter.

Italian Investments LTD Performance



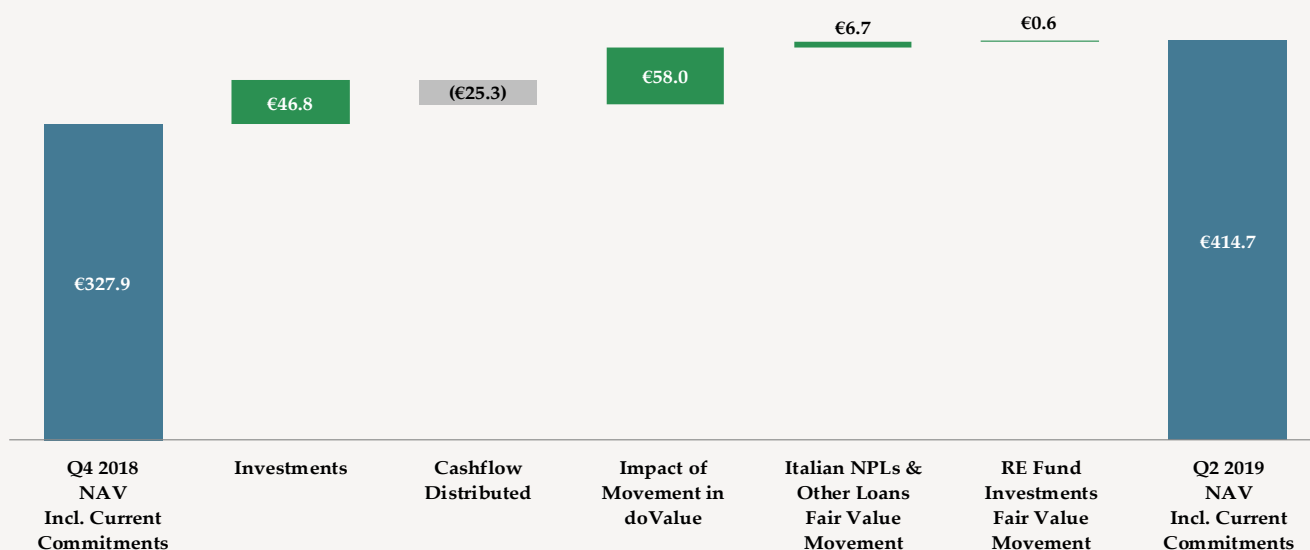
The table and chart below summarise the movement in NAV of the investments held by the Company as at 30 June 2019:

| | Q4 2018 NAV € million | Investments in H1 2019 € million | Cash flow Distributed to ECT € million | Fair value movements € million | H1 2019 NAV € million | H1 2019 NAV € per share |
|---|-----------------------------|--|--|--------------------------------------|-----------------------------|-------------------------------|
| doValue | 185.5 | - | (9.2) | 58.0 | 234.3 | 5.37 |
| Italian NPLs & Other Loans ⁵ | 115.5 | 46.6 | (15.6) | 6.7 | 153.2 | 3.51 |
| Real Estate Funds | 26.9 | 0.2 | (0.5) | 0.6 | 27.2 | 0.62 |
| Total | 327.9 | 46.8 | (25.3) | 65.3 | 414.7 | 9.50 |

In addition to the cash flows distributed as detailed above, a further €8.3 million has been generated for Eurocastle and, as at 30 June 2019, was held at the level of the investment (and therefore included within the NAV of the investment).

Italian Investments – H1 2019 NAV Bridge

(€ million)



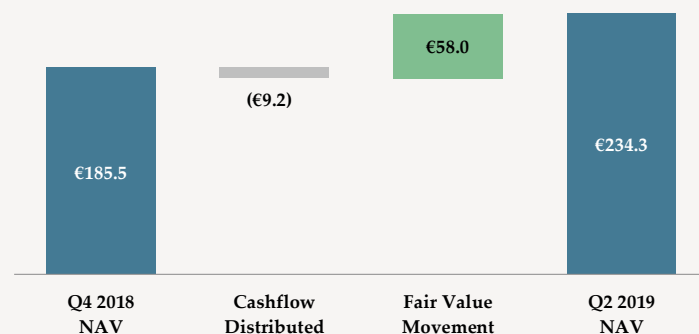
doVALUE

In October 2015, Eurocastle acquired a 50% interest in doValue S.p.A. (formerly doBank S.p.A.) from UniCredit S.p.A. In July 2017, doValue listed on the Milan stock exchange under ticker DOB:IM and today represents Europe's #1 independent pure servicer.

In connection with the listing, Eurocastle sold 48.8% of its holding, and held a 25.1% interest⁶ in doValue directly after the conclusion of the IPO. Together with the interests of Fortress affiliates, the Company held a joint 50.1% interest⁶ as at 30 June 2019. The Company's ownership interest reduced to 18.8%⁶ following the sale of doValue shares on 8 August 2019.

doValue manages ~€139 billion GBV of NPEs⁶ and also provides ancillary products and services related to the management, purchase and sale of NPLs.

doValue – H1 2019 NAV Bridge
(€ million)



In the first half of 2019, doValue made significant progress in its growth strategy, not only growing its core revenues and improving operational performance but also in closing on the Altamira acquisition, thereby diversifying the business through international expansion. The acquisition of an 85% interest in the capital of Altamira, a leading Spanish debt recovery and real estate servicing platform, closed in June 2019. Prior to closing, doBank handed back its banking license and rebranded to doValue. Following the closing of the transaction doBank was rebranded to doValue. The new acquisition creates opportunities for cross-selling with no client overlap as well as significant potential operational synergies. doValue expects the acquisition to be at least 20% accretive on 2020 expected EPS before synergies. As a result of the acquisition, doValue is now Europe's leading independent, asset light credit management servicer of non-performing assets serving a broad range of clients and investors in what it currently views as an addressable market of €650 billion GBV.

doValue continued executing on its business plan by diversifying its revenue streams, with revenues from co-investment and ancillary products up 32% compared with H1 2018. This accounted for just under 50% of the total increase in revenues from H1 2018 of €6.9 million. These additional revenues together with increases from revenues on performance and indemnity fees facilitated an increase in total gross revenue of 7% year on year. In addition, doValue continued to win new servicing mandates in the first half of 2019, with €1.5 billion of Italian contracts, €0.1 billion of Greek contracts and €2 billion of Iberian contacts (related to Altamira) and a further €4 billion Cypriot contract, where doValue announced on 2 August 2019 that it is the preferred bidder. These positive steps position doValue, with its optimised group structure, to make full use of the opportunities in the servicing market in Europe. The group's operating leverage continues to bring further efficiencies to its bottom line as evidenced by the increase in doValue's standalone EBITDA margin from 34% in H1 2018 to 35% for H1 2019.

| Key Financial Highlights | Pro forma combined for Altamira H1 2019 | H1 2019 | H1 2018 | Δ (%) | |
|--|--|------------|------------|--------|--|
| <i>In € million unless otherwise noted</i> | | | | | |
| NPLs Under Management (GBV in €bn) | 139.0 | 82.1 | 86.8 | -7.2% | €2.3 billion new servicing mandates on-boarded in the period. €0.7 billion inflows from existing clients |
| Gross Collections (in €bn) | 2.6 | 0.89 | 0.88 | +0.4% | Trend in line with expected seasonality, consistent with growth in FY19. Collection rate improved to 2.5% of GBV |
| Gross Revenues | 236.0 | 112.2 | 105.3 | +6.5% | Growth in performance fees, indemnity fees and ancillary revenues |
| EBITDA excl. Non-Recurring Items ("NRI") | 86.0 | 39.1 | 35.2 | +10.8% | EBITDA margin up from 34% to 35% |
| Net Income excl. NRI | 22.1 | 26.6 | 20.9 | +27.4% | Excludes tax charge related to DTA reassessment cost (one-off non cash) of €10.8 million (triggered by de-banking process) |

Eurocastle's valuation of its remaining 25.5% interest in doValue as at 30 June 2019 was €234.3million¹¹, or €5.37 per Eurocastle share. This reflects a price of €11.68 per doValue share as at 30 June 2019 compared to €9.25 per doValue share as at 31 December 2018. The share price increase, together with the annual dividend received in May 2019, resulted in a net fair value gain of €58.0 million, or €1.29 per Eurocastle share (31%) H1 2019. Subsequent to quarter end, the Company sold 25% of its interest in doValue for €10.45 per doValue share, generating estimated net proceeds of €44.9 million by way of an accelerated bookbuilding process.

ITALIAN NPLS & OTHER LOANS

Since May 2013, the Company has invested or committed approximately €289 million in 24 Italian loan pools with a combined GBV of approximately €25 billion, comprising:

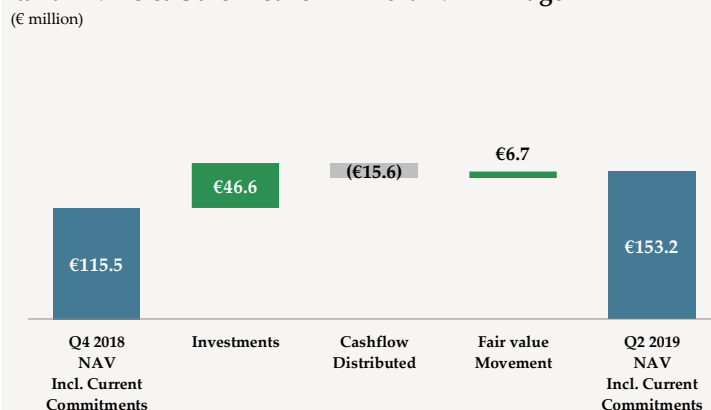
- a minority interest in a €14.4 billion GBV sub-pool of the €17.7 billion GBV NPL portfolio sold by Unicredit in July 2017 ("FINO NPL")
- a 47.5% interest in the €3.3 billion GBV NPL portfolio acquired as part of the doValue transaction ("Romeo NPL")
- interests across 20 smaller diverse pools, one performing pool and a distressed loan pool with a combined GBV of €7.7 billion

The NPL and PL portfolios are all serviced by doValue (formerly doBank).

Acquisitions

- In February 2019, the Company funded €46.6 million of the €64.7 million deferred purchase price related to its interest in the FINO portfolio. The remaining €18.1 million commitment is expected to be payable in August 2020.

Italian NPLs & Other Loans – H1 2019 NAV Bridge

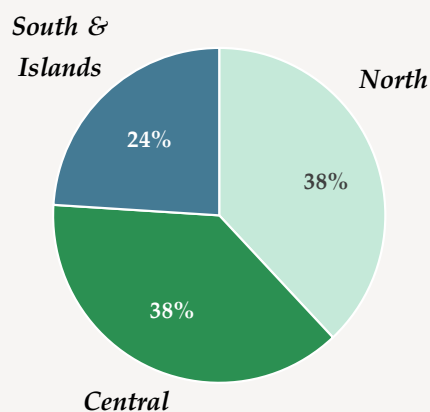


Performance and Valuation Update

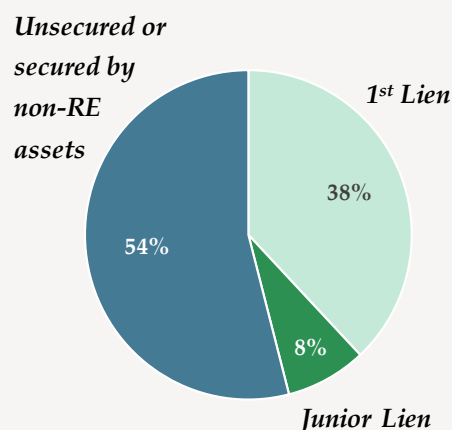
- In H1 19, the Company received €15.6 million from its NPL investments, with a further €8.3 million generated in Q2 2019 and to be distributed in Q3 2019.
- NPL performance continues ahead of expectation with unlevered pace of collections reaching 118% and profitability on fully resolved loans 172% versus underwriting
- Aggregate NPL pool valuations increased by €6.7 million, or €0.15 per share (7%), in H1 2019.

PORTFOLIO BREAKDOWN¹²

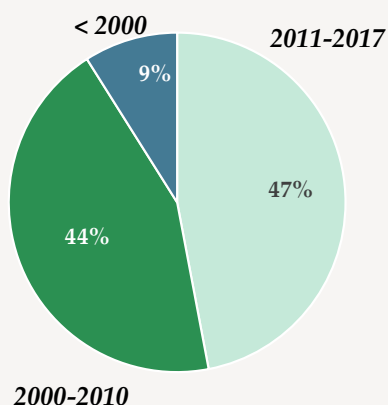
Region



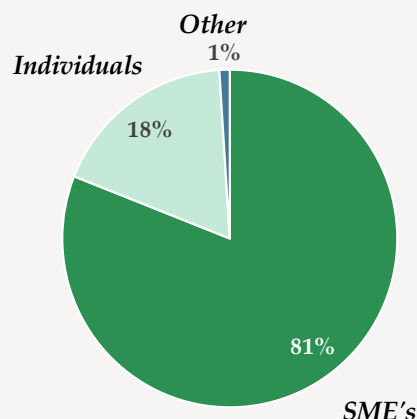
Security



Default Year



Borrower Type



ITALIAN REAL ESTATE FUNDS

Since 2014, Eurocastle has made several investments in this asset class, investing or committing €67.2 million in five separate real estate funds.

The Company opportunistically targets either public or private funds that can be acquired at a significant discount to the value of their underlying assets. Returns from these investments are therefore generated primarily from asset sales as the funds approach their maturity dates.

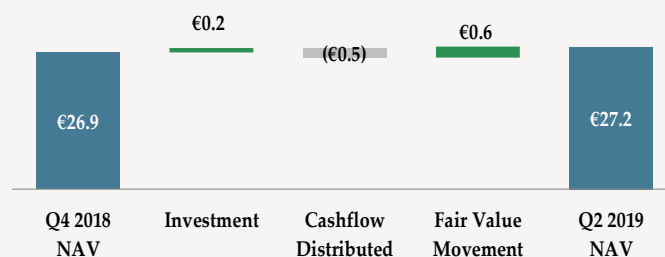
RE Funds Update

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

- RE Fund I (publicly listed fund) - Fund manager accepted a binding offer on all of its assets, the largest of which (representing ~88% of its total assets) closed in July 2019. The Company expects its share of total proceeds from the sale to be ~€10 million; in excess of a 10% premium to Q2 carrying value; €6.7 million of proceeds received in August 2019. In Q1 2019, received a distribution of €0.4 million (€37.50 per unit) primarily from sales made by the fund in 2018.
- RE Fund II - Redevelopment of both buildings is completed with all units of first building sold. The largest unit of second building has been sold and in the process of closing pre-sold units of the second building while marketing the rest.
- RE Fund V - Redevelopment underway. Capex spend is on time and in line with budget with first cash flows anticipated in Q4 2019.

Italian RE funds – H1 2019 NAV Bridge

(€ million)



RE Funds Performance

- RE Fund I fair value represents the Company's holding of 11,929 units valued at €733 per unit, equivalent to a 13% discount to fund's Q2 2019 pro forma NAV⁷. Net of the distribution received, fair value increased by €1.6 million, or €0.04 per share (20%) during H1 19.
- Fair value of RE Fund II and V decreased by €1.0 million or €0.02 per share (8%) during H1 2019.
- RE Fund Investment performance continues in line with expectations. Taking into account the distributions received to date in Q3, the pace of distributions is at 100% and profitability is at 118% versus underwriting.

Further details of all remaining fund investments as at 30 June 2019 can be found in the table below:

| | Fund Investment I | Fund Investment II | Fund Investment V |
|---------------------------|--------------------------|-------------------------------------|------------------------------------|
| Investment Status | Active | Active | Active |
| Investment Date | Mar-14 | Jul-14 | Q2-17 |
| Eurocastle Ownership | 7.5% | 49.3% | 49.6% |
| Fund Type | Publicly Listed | Private | Private |
| Collateral Type | 5 mixed use properties | 2 luxury residential redevelopments | 1 luxury residential redevelopment |
| Collateral Location | Northern & Central Italy | Rome | Rome |
| ECT Q2 2019 NAV per share | €0.20 | €0.25 | €0.17 |
| Fund Leverage | 0% | 0% | 48% ¹³ |
| Legal Fund Maturity | Q4 2020 | Q4 2020 | Q4 2023 |

INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019 (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 2019 <i>€ Thousands</i> | Income Statement H1 2018 <i>€ Thousands</i> |
|--|--|--|
| <u>Portfolio Returns</u> | | |
| doValue | 58,012 | (37,472) |
| Italian NPLs & Other Loans | 6,653 | 14,429 |
| Real Estate Funds | 570 | (527) |
| Fair value movement on Italian investments | 65,235 | (23,570) |
| Fair value movements on residual Legacy entities | 224 | 1,177 |
| Other income - Loss on foreign currency translation | (5) | 1 |
| Total income / (loss) | 65,454 | (22,392) |
| <u>Operating Expenses</u> | | |
| Interest expense | 90 | 266 |
| Manager base and incentive fees | 3,948 | 5,415 |
| Remaining operating expenses | 1,549 | 2,139 |
| Other operating expenses | 5,497 | 7,554 |
| Total expenses | 5,587 | 7,820 |
| Profit / (loss) for the period | 59,867 | (30,212) |
| € per share | 1.33 | (0.57) |

BALANCE SHEET AND NAV RECONCILIATION AS AT 30 JUNE 2019 (UNAUDITED)

| | Italian Investments <i>€ Thousands</i> | Corporate <i>€ Thousands</i> | Total <i>€ Thousands</i> |
|---|--|---------------------------------|-----------------------------|
| Assets | | | |
| Cash and cash equivalents | - | 35,135 | 35,135 |
| Other assets | - | 45 | 45 |
| Investments: | | | |
| doValue | 234,325 | - | 234,325 |
| Italian NPLs & Other Loans | 135,053 | - | 135,053 |
| Real Estate Funds | 27,201 | - | 27,201 |
| Other net assets of subsidiaries (residual legacy entities) | - | 167 | 167 |
| Total assets | 396,579 | 35,347 | 431,926 |
| Liabilities | | | |
| Trade and other payables | - | 2,017 | 2,017 |
| Manager base and incentive fees | - | 1,692 | 1,692 |
| Total liabilities | - | 3,709 | 3,709 |
| Net Asset Value | 396,579 | 31,638 | 428,217 |
| FINO deferred purchase price commitment | 18,111 | (18,111) | - |
| NAV (adjusted for outstanding commitments) | 414,690 | 13,527 | 428,217 |
| NAV (€ per Share) | 9.50 | 0.31 | 9.81 |

NORMALISED FFO

Normalised FFO ("NFFO") is a non-IFRS financial measure that, with respect to all of the Company's Italian Investments other than doValue, recognises i) income on an expected yield basis updated periodically, allowing Eurocastle to report the run rate earnings from these investments in line with their expected annualised returns and ii) any additional gains or losses not previously recognised through NFFO at the point investments are realised. Cash flow receipts are therefore allocated by the Company between income and capital in accordance with this expected yield methodology. With respect to doValue, following the IPO, the Company recognises NFFO based on its share of doValue's reported annual net income excluding non-recurring items after tax together with any gains or losses arising from the sale of its shares. The income cash flow profile of each of the Company's investments may not exactly equal the NFFO recognised by the Company each period but will do so over the life of each investment.

Unrealised gains or losses as typically reported in the financial statements under IFRS do not affect NFFO but impact the Company's asset valuations and therefore its Net Asset Value in the period in which the relevant valuation movement is recognised. Accordingly, while the quantum of NFFO recognised in any period may differ from the corresponding fair value movements recognised in the Company's financial statements in the same period, over the total life of an investment NFFO will always equal the total profit recorded in the Company's financial statements.

The measure is also used as the basis to determine the Manager's entitlement to receive incentive compensation, with the base upon which such an amount is determined equal to the net invested capital of the Company's Italian Investments and calculated against the NFFO for Italian Investments after allocated corporate costs¹⁴. It should be noted that, given NFFO is recognised on a level yield basis for investments which are not realised, there is a difference between the incentive compensation which is currently accrued on the Company's balance sheet and that which would be due from the Company should all investments immediately be realised at their current reported unrealised asset values. As of 30 June 2019, the incentive fees would be an additional €33.8 million, or €0.78 per share, on an immediate realisation.

NORMALISED FFO FOR THE SIX MONTHS ENDED 30 JUNE 2019

| | Average Net Invested Capital ¹⁵ € Thousands | Annualised Yield | Total NFFO € Thousands |
|---|---|---------------------|---------------------------|
| doValue | 81,151 | 23% | 9,171 |
| Italian NPLs & Other Loans | 112,398 | 19% | 10,389 |
| Real Estate Fund Investments | 30,812 | (22)% | (3,335) |
| Italian Investments NFFO before expenses | 224,361 | 15% | 16,225 |
| Legacy portfolios | | | 224 |
| Manager base & incentive fees ¹⁴ | | | (3,948) |
| Other operating expenses | | | (1,644) |
| Normalised FFO | | | 10,857 |
| <i>Per Share</i> | | | <i>0.24</i> |

Italian Investments generated €16.2 million, or €0.36 per share, representing a yield of 15% on the average net invested capital for the period. This is after taking into account a negative one-off impact of €2.9 million, or €0.06 per share, relating to the announced sale of all assets in RE Fund I as a result of the total sales price being less than previously anticipated and at a 9% discount to the funds last reported NAV. Net of all expenses, NFFO for the period was €10.9 million (€0.24 per share), or €13.0 million (€0.29 per share) excluding this one-off impact, net of incentive fees.

The following table provides a reconciliation of net profit and loss as reported in the income statement provided on page 7 to Normalised FFO:

NET PROFIT TO NORMALISED FFO RECONCILIATION

| | doValue € Thousands | Italian NPLs & Other Loans € Thousands | Real Estate Fund Investments € Thousands | Italian Investments € Thousands | Legacy € Thousands | Corporate Expenses € Thousands | Total € Thousands |
|---|------------------------|--|---|---------------------------------------|-----------------------|--------------------------------------|----------------------|
| Net profit | 58,012 | 6,653 | 570 | 65,235 | 224 | (5,592) | 59,867 |
| Effective yield adjustments ¹⁶ | (48,841) | 3,736 | (3,905) | (49,010) | - | - | (49,010) |
| Normalised FFO for the period | 9,171 | 10,389 | (3,335) | 16,225 | 224 | (5,592) | 10,857 |
| <i>Per Share</i> | <i>0.20</i> | <i>0.23</i> | <i>(0.07)</i> | <i>0.36</i> | <i>0.00</i> | <i>(0.12)</i> | <i>0.24</i> |

DISTRIBUTION POLICY

In March 2017 the Company announced the adoption of a distribution policy with the goal of generating substantial liquidity to shareholders by accelerating distributions of Normalised FFO and surplus capital not invested.

The policy saw the establishment of a three-part programme with the intention to:

- i. continue to pay a regular quarterly dividend (currently set at €0.15 per share);
- ii. supplement this on a quarterly basis with undistributed NFFO realised in cash; and
- iii. supplement this on a semi-annual basis with 50% of the capital held by the Company at the previous half-year end that has not been invested or designated for investment in an opportunity being actively pursued at the time,

in each case all distributions being subject to the applicable legal requirements for working capital, distributions and expenses.

The supplemental distributions will take the form considered by the Directors to be in the best interests of the Company at the relevant time, and may be made in any manner available to the Board, including, among others, by way of increased dividends, returns of capital or share buybacks.

Cash NFFO Dividend for the Second Quarter 2019

In line with the current regular dividend, the Board has approved to pay a dividend of €0.15 per share. The dividend was declared on 8 August 2019 and will be paid on 29 August 2019. The table below reconciles NFFO to total dividends declared for Q2 2019:

NFFO to Dividend Reconciliation

| | Q2 2019 | |
|---|---------------|-------------|
| | € Thousands | € Per Share |
| Q2 2019 NFFO | 4,312 | 0.10 |
| Less: NFFO recognised in Q2 2019 not yet realised in cash | 1,866 | |
| Plus: undistributed NFFO recognised prior to Q2 2019, realised in cash in Q2 2019 | 6,701 | |
| NFFO realised in Cash | 12,879 | 0.29 |
| Less : Q1 2019 top-up for regular Quarterly dividend | (10,189) | |
| Q2 2019 Top-up to regular Quarterly dividend | 3,856 | |
| Total Q2 2019 Dividend⁴ | 6,546 | 0.15 |
| <i>Of which:</i> | | |
| Regular Dividend | 6,546 | 0.15 |
| Supplemental Dividend | - | - |

From 2016 to the first quarter of 2019, the Company recognised NFFO of €195.7 million and declared dividends of €185.1 million leaving €10.6 million of undistributed NFFO as of 31 March 2019. During the second quarter of 2019, the Company recognised NFFO of €4.3 million and has declared total dividends related to the period of approximately €6.5⁴ million. As at 30 June 2019, the aggregate amount of undistributed NFFO was therefore €8.4 million, or €0.19 per share which is intended to be distributed in accordance with the Company's policy in the period in which Eurocastle receives it in cash (subject to the applicable legal requirements and reserves for working capital, distributions and expenses).

Undistributed NFFO

| | Q2 2019 | |
|---|--------------|-------------|
| | € Thousands | € Per Share |
| Undistributed NFFO outstanding, recognised before Q2 2019 | 10,220 | 0.23 |
| Undistributed NFFO outstanding, recognised in Q2 2019 | (1,866) | (0.04) |
| Total Undistributed NFFO | 8,354 | 0.19 |

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”, “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, amortise the Company’s debts, renegotiate the Company’s credit facilities, make new investments, 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 2019 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: 8 August 2019

- 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 2019, a total of 62.5 million shares were in issue of which 43.7 million were voting shares and 18.8 million were held in treasury. Amounts per share are therefore calculated on the following basis: Q2 2019 Net Asset Value per share ("NAV per share") – 43.7 million voting shares in issue; Q1 2019 NAV per share is based on 45.1 million voting shares outstanding, Q4 2018 NAV per share based on 45.2 million voting shares.; Normalised FFO ("NFFO") and net income in H1 2019 based on 45.0 million weighted average voting shares, Q2 2019 on 44.9 million weighted average shares, Q1 2019 on 45.1 million weighted average shares.
- ² NAV as at 30 June 2019 is before deducting the Q2 2019 dividend of €0.15 per share declared and to be paid in August 2019.
- ³ The NAV net of additional incentive fees of €33.8 million, or €0.78 per share, which would be due to the Manager if all investments were realised at 30 June 2019 at their Q2 2019 fair value, would be €394.4 million, or €9.03 per share. Please refer to page 8 for further details.
- ⁴ Q2 2019 declared dividend of €0.15 per share at €6.5 million based on 43.6 million outstanding voting shares.
- ⁵ NAV of Italian NPLs & Other Loans includes €18.1 million of deferred purchase price on FINO. NAV of Net Corporate Cash deducts outstanding commitment listed above.
- ⁶ Based on total issued share capital including treasury shares.
- ⁷ Includes €57 billion GBV of Altamira AUM, including €4 billion contract in Cyprus where doValue announced its preferred bidder status on 2 August 2019.
- ⁸ EBITDA and Net Income excluding non recurring items; H1 2019 EBITDA reported at €28.9 million, H1 2019 Net Income reported at €4.0 million.
- ⁹ Combined EBITDA represents 100% of doValue and Altamira, doValue's interest in Altamira is 85%.
- ¹⁰ Pro Forma NAV means the Company's last published Q2 2019 NAV less the additional incentive compensation which would be due by the Company should all investments be realised at their last reported values (the "Incremental Incentive Fee"), adjusted for (i) the doValue share sale price of €10.45; ii) payment of the Q2 2019 dividend; and (iii) the reduction in the Incremental Incentive Fee reflecting the difference between the doValue share sale price and the doValue closing share price at 30 June 2019.
- ¹¹ Includes €0.3 million of other assets & liabilities held within the structure.
- ¹² Stratifications weighted by the NAV and ownership of each portfolio as at 30 June 2019.
- ¹³ Fund leverage as of Q1 2019.
- ¹⁴ Manager base fees are equal to the sum of (i) 1.5% of the Company's Net Asset Value excluding Net Corporate Cash and (ii) 0.75% of the Company's Net Corporate Cash (including cash committed to investments but not yet deployed) calculated and paid monthly in arrears. Incentive fees are equal to 25% of the euro amount by which the Company's NFFO derived from Italian Investments (net of allocable fees and expenses) exceeds the net amount invested in such investments multiplied by a simple interest rate of 8% per annum (calculated on a cumulative but not compounding basis).
- ¹⁵ Time weighted average of invested capital (net of any capital returned) over the relevant period.
- ¹⁶ Adjusts all profit and loss movements recognised on the Italian Investments to that which is derived from an effective yield methodology where income is calculated on an expected yield basis given actual and projected cash flows of each investment. With respect to doValue, following the IPO, the Company recognises NFFO based on its share of doValue's reported annual net income excluding non-recurring items after tax together with any gains or losses arising from the sale of its shares.

EUROCASTLE INVESTMENT LIMITED

INCOME STATEMENT

| | | Six months ended 30 June 2019 (unaudited) €000 | Six months ended 30 June 2018 (unaudited) €000 |
|--|-------|--|--|
| | Notes | | |
| Portfolio Returns | | | |
| Fair value movement on Italian investments | 4 | 65,235 | (23,570) |
| Fair value movements on other net assets of subsidiaries | 4 | 224 | 1,177 |
| Other income | | | |
| (Loss) / gain on foreign currency translation | | (5) | 1 |
| Total income / (loss) | | 65,454 | (22,392) |
| Operating expenses | | | |
| Interest expense | | 90 | 266 |
| Other operating expenses | 5 | 5,497 | 7,554 |
| Total expenses | | 5,587 | 7,820 |
| Net operating profit / (loss) before taxation | | 59,867 | (30,212) |
| Taxation expense - current | | - | - |
| Total tax expense | | - | - |
| Profit / (loss) after taxation for the period | | 59,867 | (30,212) |
| Attributable to: | | | |
| Ordinary equity holders of the Company | | 59,867 | (30,212) |
| Non-controlling interest | | - | - |
| Net profit / (loss) after taxation | | 59,867 | (30,212) |
| Earnings per ordinary share⁽¹⁾ | | | |
| Basic and diluted | 11 | 1.33 | (0.57) |

⁽¹⁾ Earnings per share is based on the weighted average number of shares in the period of 44,984,256 (30 June 2018: 52,712,330). Refer to note 11.

There was no other comprehensive income in the six months ended 30 June 2019 (six months ended 30 June 2018: €nil).

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

EUROCASTLE INVESTMENT LIMITED

BALANCE SHEET

| | | As at 30 June 2019 (unaudited) €000 | As at 31 December 2018 €000 |
|---|-------|--|--------------------------------------|
| | Notes | | |
| Assets | | | |
| Cash and cash equivalents | 6 | 35,135 | 87,768 |
| Other assets | 7 | 45 | 133 |
| Investments | 8 | 396,746 | 310,064 |
| Total assets | | 431,926 | 397,965 |
| Equity and Liabilities | | | |
| Capital and reserves | | | |
| Issued capital, no par value, unlimited number of shares authorised | 12 | 1,967,666 | 1,977,731 |
| Treasury shares | 12 | (157,909) | (156,833) |
| Accumulated loss | | (1,381,540) | (1,427,875) |
| Total equity | | 428,217 | 393,023 |
| Liabilities | | | |
| Trade and other payables | 10 | 3,709 | 4,942 |
| Total liabilities | | 3,709 | 4,942 |
| Total equity and liabilities | | 431,926 | 397,965 |

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 2019 and signed on its behalf by:



Simon J. Thornton
Director and Audit Committee Chairman

EUROCASTLE INVESTMENT LIMITED

CASH FLOW STATEMENT

| | | Six months ended 30 June 2019 (unaudited) €000 | Six months ended 30 June 2018 (unaudited) €000 |
|---|-------|--|--|
| | Notes | | |
| Cash flows from operating activities | | | |
| Profit / (loss) before taxation for the period | | 59,867 | (30,212) |
| Adjustments for: | | | |
| Fair value movements on Italian investments | 4 | (65,235) | 23,570 |
| Fair value movement on other net assets of subsidiaries | 4 | (224) | (1,177) |
| Interest expense | | 90 | 266 |
| (Loss) / gain on foreign currency translation | | 5 | (1) |
| Total adjustments to profit / (loss) for the period | | (65,364) | 22,658 |
| (Increase) in other assets | | (87) | (32) |
| Decrease / (increase) in trade and other payables | | (1,092) | 307 |
| Movements in working capital | | (1,179) | 275 |
| Acquisition of Italian investments | 8 | (46,817) | (16,537) |
| Disposal of Italian investments | 8 | - | 48,579 |
| Cash distribution from Italian investments | 8 | 25,289 | 33,555 |
| Cash distribution from subsidiaries | | 369 | 1,177 |
| Interest paid | | (98) | (301) |
| Cash movements from operating activities | | (21,257) | 66,473 |
| Net cash flows from operating activities | | (27,933) | 59,194 |
| Cash flows from financing activities | | | |
| Repurchase of share capital net of costs | | (11,186) | - |
| Dividends paid | 13 | (13,514) | (31,627) |
| Net decrease in cash flows from financing activities | | (24,700) | (31,627) |
| Net (decrease) / increase in cash and cash equivalents | | (52,633) | 27,567 |
| Cash and cash equivalents, beginning of the period | 6 | 87,768 | 121,481 |
| Total cash and cash equivalents, end of the period | 6 | 35,135 | 149,048 |

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

EUROCASTLE INVESTMENT LIMITED

STATEMENT OF CHANGES IN EQUITY

| | Share capital €000 | Treasury shares €000 | Accumulated loss €000 | Total equity €000 |
|---|--------------------------|----------------------------|-----------------------------|-------------------------|
| As at 1 January 2018 | 1,992,810 | (115,026) | (1,321,265) | 556,519 |
| Loss after taxation for the six months ended 30 June 2018 | - | - | (30,212) | (30,212) |
| Total comprehensive loss for the six months ended 30 June 2018 | - | - | (30,212) | (30,212) |
| Contributions by and distributions to owners: | | | | |
| Shares issued to Directors from treasury shares (note 12) | - | 18 | (18) | - |
| Dividend declared (note 13) | - | - | (31,627) | (31,627) |
| As at 30 June 2018 (unaudited) | 1,992,810 | (115,008) | (1,383,122) | 494,680 |
| Loss after taxation for the six months ended 31 December 2018 | - | - | (30,479) | (30,479) |
| Total comprehensive loss for the six months ended 31 December 2018 | - | - | (30,479) | (30,479) |
| Contributions by and distributions to owners: | | | | |
| Shares repurchased and cancelled (note 12) | (15,079) | - | - | (15,079) |
| Repurchase of shares (note 12) | - | (41,825) | - | (41,825) |
| Dividend declared (note 13) | - | - | (14,274) | (14,274) |
| As at 31 December 2018 | 1,977,731 | (156,833) | (1,427,875) | 393,023 |
| Profit after taxation for the six months ended 30 June 2019 | - | - | 59,867 | 59,867 |
| Total comprehensive profit for the six months ended 30 June 2019 | - | - | 59,867 | 59,867 |
| Contributions by and distributions to owners: | | | | |
| 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) |
| Dividend declared (note 13) | - | - | (13,514) | (13,514) |
| As at 30 June 2019 (unaudited) | 1,967,666 | (157,909) | (1,381,540) | 428,217 |

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 Netherlands 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 include 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.

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 2019 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 2018.

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 comprise of Italian NPLs & other loans, distressed loans, doValue (formerly doBank), real estate fund units and intermediate holding companies (refer to note 8).

Interest expense

Interest expense 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 banks and in hand with an original maturity of three months or less.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 currently made up of an NPL servicing business ("doValue"), Italian NPLs & Other Loans and Real Estate Funds.

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 2019, the leverage (as defined by this measure) under the gross and commitment basis was 92.66% and 92.66% respectively (31 December 2018: 79.03% and 79.03%).

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;
- Capital available for new investments;
- The distribution policy.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern 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 effects of the issue, repurchase and resale of treasury shares are listed in note 12. Liberum Capital Limited acts as the Company's nominated adviser and broker. The Company established a distribution policy in 2017 which, in addition to share buybacks, includes payment of a regular dividend and other forms of capital distribution.

At 30 June 2019, the Company had net equity of €428.2 million (31 December 2018: €393.02 million) and no direct leverage (31 December 2018: no direct leverage).

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 2019, the Company's cash and cash equivalents was €35.1 million (31 December 2018: €87.8 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 2019, the Company has placed €16.4 million of its corporate cash with a financial institution rated long term stable: A+ by Fitch; Aa3 by Moody's; and A+ by S&P (31 December 2018: €60.0 million - rated long term stable: A+ by Fitch; Aa3 by Moody's; and A+ by S&P). As at 30 June 2019, the remaining corporate cash was held with a financial institution rated long term stable: A+ by Fitch; A2 Positive by Moody's; and A Stable by S&P (31 December 2018: rated long term stable: A+ by Fitch; A2 by Moody's; and A 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.

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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, servicing businesses 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.

Italy is currently governed by a coalition party, comprising the League and Five Star Movement political parties. This coalition government is just over a year old and has been beset by internal issues and a fractious relationship with the EU, best exemplified by the 2019 budgetary stand-off which led to the interest rate credit spread on Italian Government bonds over those of Germany widening by more than 300 basis points before moderately tightening after the Italian Government agreed to lower its 2019 budget deficit from 2.4% to 2.04%. The level of this spread is currently nearing 200 basis points, around the lowest level witnessed since the coalition was formed in May 2018. The budget stand-off also culminated in Italy's economy contracting for the second consecutive quarter at the end of 2018, resulting in the country entering into a technical recession in a further setback for the Government. However, the economy returned to modest growth of 0.1% of GDP in the first quarter of 2019 but was below market expectations of 0.2%.

The internal issues within the coalition government have been further exacerbated by the outcome of the European elections in May 2019 where the League won 34% of the Italian vote compared to a 17% share won by the Five Star Movement. The League gained votes from both the Five Star Movement and other opposition, with a hardline stance on migration and a high profile multimedia campaign. This recent swing in votes could potentially lead to increased tension between the coalition parties creating further political uncertainty.

The ongoing instability in the geopolitical environment could have a material impact on financial activities both at a market and retail level. A deterioration of the Italian economy may affect 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 is subject to risk with respect to its investments in Italian loans by virtue of the risk of delinquency, foreclosure, speed of foreclosure proceedings and loss on the loans underpinning the securities in which the Company invests.

Italian bankruptcy laws and other laws and regulations governing creditors' rights in Italy may offer significantly less protection for creditors than the bankruptcy regime in other jurisdictions, thus affecting the recoveries the Company would anticipate to receive on its Italian loan investments. The Company has taken steps to mitigate this exposure by putting in place a structure to bid on certain assets which are auctioned by the Italian courts, following recovery orders, to preserve NPL recoveries.

Furthermore, the Company also seeks to maximise recoveries with respect to its Italian loan investments by agreeing collection strategies with the servicer of the claims through an agreed upon annual business plan with approval required on resolutions that deviate from that plan (subject to certain thresholds).

As at 30 June 2019, the Company had a 25.5% interest in doValue, an NPL servicing business. In July 2017, the Company sold a significant portion of its holding through the initial public offering of doValue. The Company is exposed to equity price risk through its investment in doValue. A change in the quoted market price would have a comparable percentage change on the valuation of the investment. The current and future performance of doValue relies to a certain extent on certain key clients which primarily comprises Unicredit, Sareb, Santander, FINO and the Company's manager, Fortress. These institutions greatly contribute to existing revenues generated on collections in respect of portfolios managed on their behalf together with, in some instances, the provision of a certain amount of future flow of NPLs under various servicing agreements.

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 continue as a going concern 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 will satisfy its liquidity needs over the next twelve months.

Operational Risk

The Company has a significant interest in doValue comprising an NPL servicing business. In July 2017, doValue was listed on the Milan stock exchange. doValue is subject to corporate governance requirements due to its listing. In June 2019 doValue completed on the acquisition of an 85% interest in Altamira Asset Management thereby creating Europe's #1 independent pure servicer and diversifying its products and client base. doValue employs an experienced management team and loan servicing teams to carry out the daily operational tasks associated with the business. Loss of one or more key members of staff may have an adverse operational impact on the business of doValue. The loan servicing business is reliant upon IT and other operational and reporting systems. Any system disruptions and failures may interrupt or delay doValue's ability to service loans. The management team of doValue regularly reviews its operational risks and has appropriate compensation and contingency plans in place to mitigate these risks.

EUROCASTLE INVESTMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. PORTFOLIO RETURNS

Movements on investments are summarised below:

| | Six months ended 30 June 2019 (unaudited) | Six months ended 30 June 2018 (unaudited) |
|--|--|--|
| | Fair value movements €000 | Fair value movements €000 |
| doValue (note 8) | 58,012 | (37,472) |
| Italian NPLs & Other Loans (note 8) | 6,653 | 14,429 |
| Real Estate Funds (note 8) | 570 | (527) |
| Portfolio returns on Italian investments | 65,235 | (23,570) |
| Fair value movements on other net assets of subsidiaries | 224 | 1,177 |
| Total portfolio returns | 65,459 | (22,393) |

5. OTHER OPERATING EXPENSES

| | Six months ended 30 June 2019 (unaudited) | Six months ended 30 June 2018 (unaudited) |
|--|--|--|
| | €000 | €000 |
| Professional fees | 397 | 502 |
| Transaction costs | 171 | 198 |
| Manager base and incentive fees (related party, note 14) | 3,948 | 5,415 |
| Manager recharge (related party, note 14) | 680 | 813 |
| General and administrative expenses | 301 | 626 |
| Total other operating expenses | 5,497 | 7,554 |

6. CASH AND CASH EQUIVALENTS

| | As at 30 June 2019 (unaudited) | As at 31 December 2018 |
|--|--------------------------------------|------------------------------|
| | €000 | €000 |
| Corporate cash at Company level | 35,135 | 87,768 |
| Total cash and cash equivalents | 35,135 | 87,768 |

EUROCASTLE INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS

7. OTHER ASSETS

| | As at 30 June 2019 (unaudited) €000 | As at 31 December 2018 €000 |
|---------------------------|--|--------------------------------------|
| Prepaid expenses | 45 | 133 |
| Total other assets | 45 | 133 |

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 2019 (unaudited) €000 | As at 31 December 2018 €000 |
|---|--|--------------------------------------|
| Italian investment portfolio | 396,579 | 309,816 |
| Other net assets of subsidiaries (residual legacy entities) | 167 | 248 |
| Total investments | 396,746 | 310,064 |

As at 30 June 2019 (unaudited), 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 |
|---|--|---|---|------------------------------|
| (Unaudited) | | | | |
| Balance as at 1 January 2019 | 185,518 | 97,422 | 26,876 | 309,816 |
| Additions | - | 46,569 | 248 | 46,817 |
| Distributions received | (9,205) | (15,591) | (493) | (25,289) |
| Fair value movement | 58,012 | 6,653 | 570 | 65,235 |
| Balance as at 30 June 2019 (unaudited) | 234,325 | 135,053 | 27,201 | 396,579 |

As at 31 December 2018, the movements in the Italian investment portfolio were as follows:

| | doValue Fair value accounted €000 | & Other Loans Fair value accounted €000 | Real Estate Funds Fair value accounted €000 | Total Investments €000 |
|---------------------------------------|--|---|---|------------------------------|
| Balance as at 1 January 2018 | 271,842 | 140,103 | 29,960 | 441,905 |
| Additions | - | 28,395 | 375 | 28,770 |
| Disposals | - | (48,579) | - | (48,579) |
| Distributions received | (7,435) | (52,659) | (2,595) | (62,689) |
| Fair value movement | (78,889) | 30,162 | (864) | (49,591) |
| Balance as at 31 December 2018 | 185,518 | 97,422 | 26,876 | 309,816 |

Refer to the portfolio summary for further details on investments on page 22.

8. INVESTMENTS (CONTINUED)

Portfolio summary

With effect from 1 July 2017, the Company has been classified as an investment entity. As a result, all of the Company's investments are now held at fair value through profit and loss from 1 July 2017.

The Company's investments are categorised as follows:

- I.** doValue (formerly doBank)
- II.** Italian NPLs & Other Loans
- III.** Real Estate Funds

I. doValue:

In October 2015, the Company indirectly acquired a 50% equity interest in doValue S.p.A. (formerly doBank S.p.A., predominantly a NPL servicing business).

The investment in doValue is held through a joint venture in a Luxembourg company, Avio S.à.r.l.

On 14 July 2017, doValue completed its initial public offering through which the Company sold approximately 48.8% of its shareholding. The Company, together with other Fortress affiliates, retains a joint 50.1% interest in the outstanding shares of doValue including treasury shares as at 30 June 2019. doValue is listed on the Milan Stock Exchange.

On 27 June 2019, doValue announced the completion of the acquisition of an 85% interest in Altamira Asset Management ("Altamira"). The closing follows the restructure of doValue whereby it handed back its banking license. Altamira is a leader in Southern Europe in the credit and real estate asset management market, with assets under management of approximately €55 billion and operations in Spain, Portugal and Cyprus. The combination creates Europe's #1 independent pure servicer.

II. Italian NPLs & Other Loans

The Company holds interests across 24 pools with a combined GBV of €25.4 billion. The interest in these pools range from minority stakes up to 80.66% and are held through subsidiaries, joint ventures and associates incorporated in Italy, Luxembourg and United States of America. All investments in subsidiaries, joint ventures and associates are accounted for at fair value through profit and loss.

All NPLs / PLs 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.

On 28 June 2019, Real Estate Fund Investment I announced the acceptance of a binding offer on all of its assets, the largest of which (representing ~85% of its total assets) closed in July 2019. The Company expects its share of total sales proceeds to be ~€10 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. 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. Real Estate Fund Investment V is managed by Torre, an affiliate of the Manager.

EUROCASTLE INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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 2019 (unaudited):

| | Level 1 €000 | Level 2 €000 | Level 3 €000 | Total fair value €000 |
|----------------------------|-------------------------|-------------------------|-------------------------|----------------------------------|
| doValue | 234,325 | - | - | 234,325 |
| Italian NPLs & Other Loans | - | - | 135,053 | 135,053 |
| Real Estate Funds | 8,744 | - | 18,457 | 27,201 |
| Total | 243,069 | - | 153,510 | 396,579 |

As at 31 December 2018:

| | Level 1 €000 | Level 2 €000 | Level 3 €000 | Total fair value €000 |
|----------------------------|-------------------------|-------------------------|-------------------------|----------------------------------|
| doValue | 185,518 | - | - | 185,518 |
| Italian NPLs & Other Loans | - | - | 97,422 | 97,422 |
| Real Estate Funds | 7,635 | - | 19,241 | 26,876 |
| Total | 193,153 | - | 116,663 | 309,816 |

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.

EUROCASTLE INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS (CONTINUED)

The following table shows a reconciliation for the Level 3 fair value measurements as at 30 June 2019 (unaudited):

| | Italian NPLs & Other Loans €000 | Real Estate Funds €000 | Total €000 |
|--|--|---------------------------------------|-----------------------|
| As at 1 January 2019 | 97,422 | 19,241 | 116,663 |
| Distributions received | (15,591) | (46) | (15,637) |
| Unrealised fair value movement in the year | 6,653 | (986) | 5,667 |
| Investments in the period | 46,569 | 248 | 46,817 |
| As at 30 June 2019 (unaudited) | 135,053 | 18,457 | 153,510 |

The following table shows a reconciliation for the Level 3 fair value measurements as at 31 December 2018:

| | Italian NPLs & Other Loans €000 | Real Estate Funds €000 | €000 |
|--|--|---------------------------------------|----------------|
| As at 1 January 2018 | 140,103 | 18,841 | 158,944 |
| Distributions received | (52,659) | (809) | (53,468) |
| Unrealised fair value movement in the year | 30,162 | 834 | 30,996 |
| Disposals in the year | (48,579) | - | (48,579) |
| Investments in the year | 28,395 | 375 | 28,770 |
| As at 31 December 2018 | 97,422 | 19,241 | 116,663 |

Expected recoveries of investments

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

| | 30 June 2019 (unaudited) | | 31 December 2018 | |
|----------------------------|--|--|--|--|
| | Within one year ⁽¹⁾ €000 | More than one year €000 | Within one year ⁽¹⁾ €000 | More than one year €000 |
| doValue | 60,675 | 173,650 | 9,406 | 176,112 |
| Italian NPLs & Other Loans | 8,186 | 126,867 | 8,801 | 88,621 |
| Real Estate Funds | 15,353 | 11,848 | 447 | 26,429 |

⁽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.

EUROCASTLE INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS (CONTINUED)

Fair value methodology and sensitivity analysis

Italian NPLs & Other Loans

The Company's investment in its loans pools (pools 1- 24) 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 six months ended 30 June 2019 (unaudited):

| | Italian PLs | Italian NPLs | FINO NPLs | Total Unlevered | Total Levered |
|--|-------------|--------------|-----------|-----------------|---------------|
| Expected lifetime profit multiple ⁽¹⁾ | 2.1 | 1.7 | 1.4 | 1.6 | 1.8 |
| Remaining weighted average life | 2.9 | 2.8 | 3.7 | 3.1 | 3.7 |
| Discount rate | 22% | 12% | 10% | 12% | 14% |

For the year ended 31 December 2018:

| | Italian PLs | Italian NPLs | FINO NPLs | Total Unlevered | Total Levered |
|--|-------------|--------------|-----------|-----------------|---------------|
| Expected lifetime profit multiple ⁽¹⁾ | 2.1 | 1.7 | 1.4 | 1.6 | 1.8 |
| Remaining weighted average life | 3.2 | 3.1 | 4.0 | 3.4 | 4.8 |
| Discount rate | 23% | 12% | 10% | 12% | 15% |

The key assumptions reported above for Total Unlevered are before taking into account any embedded leverage within the respective vehicle at the time the investment was made. 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 lifetime 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 six months ended 30 June 2019 (unaudited):

| | Italian PLs €000 | Italian NPLs €000 | FINO NPLs €000 | Total Unlevered €000 | Total Levered €000 |
|------------------------------------|---------------------|----------------------|-------------------|-------------------------|-----------------------|
| Fair value | 9,376 | 122,704 | 63,739 | 195,819 | 135,053 |
| Increase in discount rate by 25bps | 9,329 | 122,029 | 63,252 | 194,610 | 133,844 |
| Value sensitivity | (47) | (675) | (487) | (1,209) | (1,209) |

For the year ended 31 December 2018:

| | Italian PLs €000 | Italian NPLs €000 | FINO NPLs €000 | Total Unlevered €000 | Total Levered €000 |
|------------------------------------|---------------------|----------------------|-------------------|-------------------------|-----------------------|
| Fair value | 9,317 | 132,748 | 66,851 | 208,916 | 97,422 |
| Increase in discount rate by 25bps | 9,280 | 132,154 | 66,317 | 207,751 | 96,257 |
| Value sensitivity | (37) | (594) | (534) | (1,165) | (1,165) |

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:

| | Real Estate Funds | Total |
|---|----------------------|-------|
| For the six months ended 30 June 2019 (unaudited) | | |
| Expected profit multiple | 1.3 | 1.3 |
| Remaining weighted average life | 1.0 | 1.0 |
| Discount rate | 19% | 19% |

| | Real Estate Funds | Total |
|-------------------------------------|----------------------|-------|
| For the year ended 31 December 2018 | | |
| Expected profit multiple | 1.4 | 1.4 |
| Remaining weighted average life | 1.0 | 1.0 |
| Discount rate | 19% | 19% |

EUROCASTLE INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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 six months ended 30 June 2019 (unaudited): | | |
| Fair value | 18,338 | 18,338 |
| Increase in discount rate by 25bps | 17,357 | 17,357 |
| Value sensitivity | (981) | (981) |

| | Real Estate Funds €000 | Total €000 |
|-------------------------------------|------------------------------|---------------|
| For the year ended 31 December 2018 | | |
| Fair value | 19,062 | 19,062 |
| Increase in discount rate by 25bps | 19,021 | 19,021 |
| Value sensitivity | (41) | (41) |

9. CONTRACTUAL MATURITIES

Contractual maturities

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

As at 30 June 2019 and 31 December 2018, 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 2019 (unaudited) Carrying value €000 | As at 31 December 2018 Carrying value €000 | As at 30 June 2019 (unaudited) Fair value €000 | As at 31 December 2018 Fair value €000 |
|---|---|---|---|---|
| Financial assets | | | | |
| Cash and cash equivalents | 35,135 | 121,481 | 35,135 | 121,481 |
| Italian investments held at fair value through profit or loss | 396,746 | 442,053 | 396,746 | 442,053 |

10. TRADE AND OTHER PAYABLES

| | As at 30 June 2019 (unaudited) €000 | As at 31 December 2018 €000 |
|---|---|-----------------------------------|
| Due to Manager (related party, refer note 14) | 2,008 | 3,230 |
| Accrued expenses and other payables | 1,701 | 1,712 |
| Total trade and other payables | 3,709 | 4,942 |

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

EUROCASTLE INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net profit after taxation by the weighted average number of ordinary shares outstanding during the year.

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

| | As at 30 June 2019 (unaudited) | As at 31 December 2018 |
|---|--------------------------------------|------------------------------|
| Weighted average number of ordinary shares excluding treasury shares* | 44,984,256 | 50,550,606 |
| Weighted average number of ordinary shares | 44,984,256 | 50,550,606 |

*weighted average shares for the period

12. SHARE CAPITAL AND RESERVES

As at 30 June 2019, there were 62,480,029 shares (31 December 2018: 63,813,362) issued of which 18,807,939 (31 December 2018: 18,655,060) are held in treasury. All shares are fully paid up.

The movement in issued share capital is shown as follows:

| | Number of shares | | |
|--|-------------------|--------------------|-------------------|
| | Voting shares | Treasury shares | Total |
| As at 1 January 2018 | 52,712,164 | 13,408,890 | 66,121,054 |
| Shares issued from treasury to the Directors as part of their in-place compensation arrangements for €nil consideration - 21 June 2018 | 3,000 | (3,000) | - |
| Shares repurchased and held in treasury - 6 August 2018 | (5,000,000) | 5,000,000 | - |
| Share buyback programme | (249,170) | 249,170 | - |
| Shares repurchased and cancelled - 20 December 2018 | (2,307,692) | - | (2,307,692) |
| As at 31 December 2018 | 45,158,302 | 18,655,060 | 63,813,362 |
| 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) | - | (1,333,333) |
| Share buyback programme | (155,879) | 155,879 | - |
| As at 30 June 2019 (unaudited) | 43,672,090 | 18,807,939 | 62,480,029 |

Accumulated loss

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

Share Capital and Treasury Shares Reserve movements

| Date | Description | Number of shares | Price Per share | Value of Share repurchase (€000) | Directly attributable costs (€000) |
|-------------------------------|---|---------------------|----------------------|---|--|
| 6 August 2018 | Share tender - shares repurchased and held in treasury | 5,000,000 | €8.00 | 40,000 | 120 |
| 20 December 2018 | Share tender - shares repurchased and cancelled | 2,307,692 | €6.50 | 15,000 | 79 |
| Year ended 31 December 2018 | Share buyback programme - shares repurchased and held in treasury | 249,170 | €6.59 ⁽¹⁾ | 1,641 | 64 |
| 20 June 2019 | Share tender - shares repurchased and cancelled | 1,333,333 | €7.50 | 10,000 | 65 |
| Six months ended 30 June 2019 | Share buyback programme - shares repurchased and held in treasury | 155,879 | €7.04 ⁽¹⁾ | 1,097 | 25 |

⁽¹⁾ Average price per share for the period

All rights associated with treasury shares held by the Company are suspended until the shares are re-issued.

EUROCASTLE INVESTMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS

13. DIVIDENDS PAID AND DECLARED

The following dividends were declared for the six months ended 30 June 2019:

| Declaration date | Ex-dividend date | Record date | Payment date | Dividend per share | 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 |
| Total | | | | €0.300 | 13,514 |

The following dividends were declared for the year ended 31 December 2018:

| Declaration date | Ex-dividend date | Record date | Payment date | Dividend per share ⁽¹⁾ | Amount €000 |
|------------------|------------------|------------------|------------------|-----------------------------------|---------------|
| 20 March 2018 | 26 March 2018 | 27 March 2018 | 05 April 2018 | €0.270 | 14,232 |
| 16 May 2018 | 22 May 2018 | 23 May 2018 | 31 May 2018 | €0.330 | 17,395 |
| 09 August 2018 | 16 August 2018 | 17 August 2018 | 31 August 2018 | €0.150 | 7,153 |
| 14 November 2018 | 21 November 2018 | 22 November 2018 | 29 November 2018 | €0.150 | 7,121 |
| Total | | | | €0.900 | 45,901 |

⁽¹⁾ The Q1 2018 dividend of €0.33 per share includes €0.18 per share of capital distribution

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. Incentive compensation is equal to 25% of the euro amount by which the Company's Normalised FFO derived from Italian Investments, after allocated corporate costs, exceeds 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).

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 2019, management fees, incentive fees and expense reimbursements of €2.0 million (31 December 2018: €3.2 million) were due to the Manager. During the six months ended 30 June 2019, management fees of €3.1 million (30 June 2018: €3.2 million), €0.8 million of incentive fees (30 June 2018: €2.2 million), and expense reimbursements of €0.7 million (30 June 2018: €0.8 million) were charged to the income statement.

Total annual remuneration for the Eurocastle directors is €0.2 million (31 December 2018: €0.2 million), payable quarterly in equal instalments. Randal A. Nardone and Peter Smith do not receive any remuneration from the Company.

As a result of the investment in Italian performing and non-performing loans, the Company is party to various servicing agreements with doValue S.p.A. and its subsidiary Italfondinario S.p.A. ("doValue"). The terms of the agreements have been approved by the Independent Directors. doValue inter alia provides portfolio servicing, cash management and corporate services as part of the agreements in return for an agreed fee. The fee is made up of a fixed annual amount, a percentage of the outstanding portfolio balance as well as a percentage of the amount collected. The total fee paid in the six months ended 30 June 2019 was €4.3 million (30 June 2018: €2.9 million). The fee is deducted from the collections prior to distribution. As such, there is no amount outstanding at 30 June 2019.

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 2019 is €0.3 million (30 June 2018: €0.4 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 2019 was €0.1 million (30 June 2018: €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:

Italy Investment S.à r.l (in liquidation)
Verona Holdco S.à r.l
Undercroft S.à r.l
Luxgate S.à r.l
Eurobarbican S.à r.l (in liquidation)
Truss Lux Participation S.à r.l
Mars Holdco S.à r.l
Finial S.à r.l (in liquidation)

Italy:

FMIL S.r.l
Palazzo Finance S.r.l. (Indirect holding of 80.66%)
SPV Ieffe S.r.l. (Indirect holding of 80.66%)
SPV Ieffe Due S.r.l. (Indirect holding of 80.66%)
SPV Ieffe Tre S.r.l. (Indirect holding of 80.66%)

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).

As at 30 June 2019, 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 August 2019, in light of the current share price discount to NAV and the proportion of NAV doValue represents, the Company determined it is an appropriate time to reduce its holding. Accordingly, the Company sold 25% of its interest in doValue, with estimated net proceeds of €44.9 million or €1.03 per Eurocastle share, realising in excess of 10% of the Company's Q2 NAV in cash.

Following the settlement of this transaction, the Company intends to launch a tender offer to distribute the net proceeds and additional available capital through a repurchase of up to €60 million of ordinary shares in the Company for a fixed price of €8.45 per share. The Board has chosen to tender at a price in line with its pro forma NAV to seek to address the persistent discount at which the Company's shares trade to NAV. The price reflects a premium of 12.7% to the volume weighted average closing price on Euronext Amsterdam of €7.50 per ordinary share over the last month.

In addition, the buyback programme which ended on 8 August 2019 will resume following the expected settlement of the tender offer on 16 September 2019. Under the share buyback programme, the Company is seeking to buy back shares up to an aggregate market value equivalent to €2.0 million. The share buyback programme will end no later than 13 November 2019.

17. COMMITMENTS

In July 2017 the Company closed on its previously committed FINO NPL investment deploying approximately €44 million to acquire alongside other affiliates of the Manager a 50.1% interest in a €14.4 billion NPL portfolio from UniCredit S.p.A.. The transaction terms included a deferred purchase price payable by the purchaser of the FINO notes. The Company committed to provide equity funding for the deferred purchase price in the amount of €64.7 million, based on its proportional ownership of the purchaser. Of the €64.7 million, €46.6 million was funded in Q1 2019, with the remaining €18.1 million payable in August 2020.