

## EUROCASTLE INVESTMENT LIMITED

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### **Eurocastle Releases First Half 2018 Financial Results and Announces Second Quarter Dividend of €0.15 per share**

Guernsey, 10 August 2018 - Eurocastle Investment Limited (Euronext Amsterdam: ECT) [today](#) has released its financial results for the first half year ended 30 June 2018.

- **Net Asset Value ("NAV")** of €494.7 million<sup>[1]</sup>, or €9.38 per share<sup>[2]</sup> (€9.53 per share pro forma post share tender).
- **Normalised FFO**<sup>[3]</sup> of €7.3 million, or €0.14 per share<sup>2</sup>, for the second quarter of 2018 (€0.15 per share pro forma post share tender).
- **Second Quarter 2018 Dividend** of €0.15 per share declared on 9 August 2018 and to be paid on 31 August 2018 to shareholders of record at close of business on 17 August 2018, with an ex-dividend date of 16 August 2018.

	Q2 2018		Q1 2018		H1 2018		H1 2017	
	€ million	€ per share	€ million	€ per share <sup>2</sup>	€ million	€ per share	€ million	€ per share <sup>2</sup>
NAV <sup>1</sup>	494.7	9.38 <sup>2</sup>	505.1	9.58	494.7	9.38 <sup>2</sup>	630.6	10.49
Normalised FFO <sup>3</sup>	7.3	0.14 <sup>2</sup>	7.3	0.14	14.6	0.28 <sup>2</sup>	35.1	0.58
Distributions <sup>2</sup>	7.2 <sup>[4]</sup>	0.15	17.4	0.33	24.6 <sup>4</sup>	0.48	42.1	0.70

### **SECOND QUARTER 2018 BUSINESS HIGHLIGHTS**

#### **doBank Financial Performance**

- For the first half of 2018, the doBank Group reported EBITDA of €34.1 million, up 13% over the same period last year (H1 2017: €30.3 million) following an increase in its EBITDA margin by 3% from 29% to 32%.
- doBank's net profit for the first six months of 2018 was €21.0 million, up 7% over the same period last year (H1 2017: €19.7 million).

#### **doBank Business Update**

- In June 2018, doBank's Board of Directors approved a project to restructure doBank into a listed servicing company, allowing for a better use of capital to support the group's growth. As part of this restructuring, doBank's banking activity will be transferred to a newly established banking entity wholly owned by the parent company. doBank views the new group structure, which it expects to come into effect in 2019 (subject to regulatory approvals), as a means to align itself with its European peers by removing significant limits to the use of its capital whilst optimising the group's financial structure.
- On 1 August 2018, doBank announced that it has reached final agreement with four of the main Greek banks to manage on an exclusive basis a €1.8 billion GBV portfolio of non-performing exposures ("NPEs").

### **New Investment**

- In May 2018, the Company closed on a €7.7 million investment to acquire an interest, alongside other Fortress affiliates, in a portfolio of Italian distressed loans to a single borrower with a GBV of ~€81 million. The loans are secured by 1st lien ship mortgages.

### **BUSINESS HIGHLIGHTS SUBSEQUENT TO 30 JUNE 2018**

#### **Share Tender**

- On 2 July 2018, the Company announced a tender offer for the repurchase of up to €40 million of ordinary shares in the Company for a fixed price of €8.00 per share. The share tender, which closed on 6 August 2018, was fully subscribed and resulted in the repurchase of 5 million shares, or 9.48% of the ordinary voting shares in issue, returning capital of €40 million.
- The tender was NAV and earnings accretive, increasing pro forma Q2 NFFO per share by approximately 10.5% and Q2 NAV per share by approximately 1.5%.

#### **Share Buy-back Programme**

- On 2 July 2018, the Company further announced its first open market share buy-back programme, which commenced following the settlement of the share tender on 6 August 2018. Under the share buy-back programme, the Company is seeking to buy back shares up to an aggregate market value equivalent to €3.0 million. The share buy-back programme will end no later than 15 November 2018, at which point the Board will review the success of the programme and determine whether to renew the programme for a further period.

### **NORMALISED FFO**

Normalised FFO ("NFFO") is a non-IFRS financial measure that, with respect to all of the Company's Italian Investments other than the doBank Group, 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 the doBank Group, following the IPO, the Company now recognises NFFO based on its share of doBank's reported annual net income 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.

Normalised FFO for the Six Months Ended 30 June 2018	Average Net Invested Capital <sup>[5]</sup>	Annualised	H1 2018
			€ Thousands
	€ Thousands	Yield	
doBank Group	81,151	17%	6,875
Italian NPLs	95,515	29%	13,682
Real Estate Fund Investments	31,971	4%	662
<b>Italian Investments NFFO before expenses</b>	<b>208,637</b>	<b>20%</b>	<b>21,219</b>
Legacy portfolios			1,177
Manager base & incentive fees <sup>[6]</sup>			(5,415)
Other operating expenses			(2,405)
<b>Normalised FFO</b>			<b>14,576</b>
<i>Per Share<sup>[7]</sup></i>			0.28

Normalised FFO for the Three Months Ended 30 June 2018	Average Net Invested Capital <sup>1</sup>	Annualised	Q2 2018
			€ Thousands
	€ Thousands	Yield	
doBank Group	81,151	16%	3,247
Italian NPLs	86,378	29%	6,270
Real Estate Fund Investments	31,500	4%	308
<b>Italian Investments NFFO before expenses</b>	<b>199,028</b>	<b>20%</b>	<b>9,825</b>
Legacy portfolios			1,207
Manager base & incentive fees <sup>2</sup>			(2,531)
Other operating expenses			(1,203)
<b>Normalised FFO</b>			<b>7,298</b>
<i>Per Share<sup>3</sup></i>			0.14

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 for the Six and Three Months ended 30 June 2018 (Unaudited)	H1 2018	Q2 2018
	€ Thousands	€ Thousands
<b><u>Portfolio Returns</u></b>		
doBank Group	(37,472)	4,556
Romeo NPLs	3,467	1,239
FINO NPLs	7,894	3,019
Other NPL Pools	3,068	1,986
Real Estate Funds	(527)	(1,247)
<b>Fair value movement on Italian investments</b>	<b>(23,570)</b>	<b>9,553</b>

Fair value movements on residual Legacy entities	1,177	1,207
Other income - Gains on foreign currency translation and other derivatives	1	(1)
<b>Total (loss) / income</b>	<b>(22,392)</b>	<b>10,759</b>

**Operating Expenses**

<b>Interest expense</b>	<b>266</b>	<b>190</b>
Manager base and incentive fees	5,415	2,531
Remaining operating expenses	2,139	1,073
<b>Other Operating expenses</b>	<b>7,554</b>	<b>3,604</b>
<b>Total expenses</b>	<b>7,820</b>	<b>3,794</b>

<b>Net (loss) / profit for the period</b>	<b>(30,212)</b>	<b>6,965</b>
<b>€ per share<sup>3</sup></b>	<b>(0.57)</b>	<b>0.13</b>

For the six months ended 30 June 2018, the total net loss reported was €30.2 million, or €0.57 per share. Excluding the €37.5 million loss that arose from the doBank investment, which is marked-to-market based on doBank's closing share price, Eurocastle recognised a €7.3 million profit, or €0.14 per share. For the three months ended 30 June 2018, the Company recorded a profit of €7.0 million, or €0.13 per share of which €4.6 million arose from the doBank investment after taking into account the annual dividend received in May 2018.

<b>Balance Sheet and NAV Reconciliation as at 30 June 2018 (Unaudited)</b>	<b>Italian Investments € Thousands</b>	<b>Corporate € Thousands</b>	<b>Total € Thousands</b>
<b>Assets</b>			
Cash and cash equivalents	-	149,048	149,048
Other assets	-	23	23
Investments:			
doBank Group	226,935	-	226,935
Romeo NPLs	49,743	-	49,743
FINO NPLs	5,249	-	5,249
Other NPL Pools	43,193	-	43,193
Real Estate Funds	27,618	-	27,618
Other net assets of subsidiaries (residual legacy entities)	-	149	149
<b>Total assets</b>	<b>352,738</b>	<b>149,220</b>	<b>501,958</b>
<b>Liabilities</b>			
Trade and other payables	-	4,568	4,568
Manager base and incentive fees	-	2,710	2,710

<b>Total liabilities</b>	-	<b>7,278</b>	<b>7,278</b>
<b>Net Asset Value</b>	<b>352,738</b>	<b>141,942</b>	<b>494,680</b>
FINO deferred purchase price commitment	64,680	(64,680)	-
RE Fund Investment V remaining unfunded estimated investment	419	(419)	-
<b>NAV (segments adjusted for outstanding commitments)<sup>(9)</sup></b>	<b>417,837</b>	<b>76,843</b>	<b>494,680</b>
NAV (€ per share) <sup>(9)</sup>	<b>7.93</b>	<b>1.45</b>	<b>9.38</b>

Taking into account the €40 million share tender that settled on 6 August 2018, which resulted in €0.15 per share of accretion in the Company's NAV, the Corporate NAV segment (after adjusting for outstanding commitments) would be €36.8 million and the total Company NAV would be €454.7 million, or €9.53 per share.

### **ADDITIONAL INFORMATION**

For additional information that management believes to be useful for investors, please refer to the latest presentation posted on the Investor Relations section of the Company's website, [www.eurocastleinv.com](http://www.eurocastleinv.com). For investment portfolio information, please refer to the Company's most recent Financial Report, which is available on the Company's website ([www.eurocastleinv.com](http://www.eurocastleinv.com)).

### **EARNINGS CALL INFORMATION**

Eurocastle's management will host an earnings conference call at 2:00 P.M. London time (9:00 A.M. New York time) later today. All interested parties are welcome to participate on the live call. You can access the conference call by dialling first +1-800-215-5243 (from within the U.S.) or +1-330-863-8154 (from outside of the U.S.) ten minutes prior to the scheduled start of the call; please reference "Eurocastle Second Quarter 2018 Earnings Call" or "conference ID number 9975518".

A webcast of the conference call will be available to the public on a listen-only basis at [www.eurocastleinv.com](http://www.eurocastleinv.com). Please allow extra time prior to the call to visit the site and download the necessary software required to listen to the internet broadcast. A replay of the webcast will be available for three months following the call.

For those who are not available to listen to the live call, a replay will be available until 11:59 P.M. New York time on Monday, 10 September 2018 by dialling +1-855-859-2056 (from within the U.S.) or +1-404-537-3406 (from outside of the U.S.); please reference access code "9975518".

### **ABOUT EUROCASTLE**

Eurocastle Investment Limited is a publicly traded closed-ended investment company that focuses on investing in performing and non-performing loans and other real estate related assets primarily in Italy. The Company is Euro denominated and is listed on Euronext Amsterdam under the symbol "ECT". Eurocastle is managed by an affiliate of Fortress Investment Group LLC, a leading global investment manager. For more information regarding Eurocastle Investment Limited and to be added to our email distribution list, please visit [www.eurocastleinv.com](http://www.eurocastleinv.com).

## **FORWARD LOOKING STATEMENTS**

This release contains statements that constitute forward-looking statements. Such forward-looking statements may relate to, among other things, future commitments to sell real estate and achievement of disposal targets, availability of investment and divestment opportunities, timing or certainty of completion of acquisitions and disposals, the operating performance of our investments and financing needs. Forward-looking statements are generally identifiable by use of forward-looking terminology such as "may", "will", "should", "potential", "intend", "expect", "endeavor", "seek", "anticipate", "estimate", "overestimate", "underestimate", "believe", "could", "project", "predict", "project", "continue", "plan", "forecast" or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. The Company's ability to predict results or the actual effect of future plans or strategies is limited. Although the Company believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, its actual results and performance may differ materially from those set forth in the forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that may cause the Company's actual results in future periods to differ materially from forecasted results or stated expectations including the risks regarding Eurocastle's ability to declare dividends, amortise the Company's debts, renegotiate the Company's credit facilities, make new investments, or achieve its targets regarding asset disposals or asset performance.

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<sup>[1]</sup> NAV for Q2 2018 is before deducting the second quarter 2018 dividend of €0.15 per share declared and to be paid in August 2018.

<sup>[2]</sup> Per share calculations for Eurocastle throughout this document are based on the weighted average or outstanding voting shares and therefore exclude shares held in treasury. As at 30 June 2018, 66.1 million shares were in issue of which 52.7 million were voting shares and 13.4 million were held in treasury. Amounts per share are therefore calculated on the following basis: Q2 2018, Q1 2018 and H1 2018 Net Asset Value per share ("NAV per share") and NFFO per share - based on 52.7 million voting shares in issue; Q1 2018 distribution paid on 52.7 million voting shares; H1 2017 NAV per share, NFFO per share and distribution based on 60.1 million voting shares.

<sup>[3]</sup> Normalised FFO ("NFFO") is a non-IFRS measure used to explain the financial performance of the Company, as outlined on page 9 of the H1 2018 Interim Report.

<sup>[4]</sup> Q2 2018 declared dividend of €0.15 per share estimated at €7.2 million based on 47.7 million outstanding voting shares post August 2018 share tender. Actual nominal amount of dividend will be determined based on the total voting shares outstanding on 17 August 2018 (Q2 2018 dividend record date) which will be dependent on the amount of shares that will be bought back under the open market buy-back programme that commenced on 6 August 2018.

<sup>[5]</sup> Time weighted average of invested capital (net of any capital returned) over the relevant period.

<sup>[6]</sup> 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).

<sup>[7]</sup> Amounts per share calculated on the following basis: Q2 2018 and H1 2018 NFFO on 52.7 million weighted average voting shares.

<sup>[8]</sup> NAV segments adjusted for outstanding commitments. NAV of FINO NPLs includes €64.7 million of deferred purchase price on FINO payable over the next few years and NAV of Real Estate Funds includes a remaining unfunded estimated investment at €0.4 million in RE Fund Investment V. NAV of Net Corporate Cash deducts outstanding commitments listed above.

<sup>[9]</sup> Amounts per share calculated on 52.7 million outstanding voting shares.