

## Eurocastle Investment Limited: Eurocastle Announces First Half 2017 Financial Results

Guernsey, 4 August 2017 - Eurocastle Investment Limited (Euronext Amsterdam: ECT) [today](#) has released its financial results for the first half year ended 30 June 2017.

- **Normalised FFO<sup>[1]</sup>** of €9.1 million, or €0.15 per share<sup>[2]</sup>, for the second quarter of 2017 (H1 2017: €35.1 million, or €0.58 per share<sup>2</sup>).
- **Adjusted Net Asset Value<sup>[3]</sup>** of €630.6 million, or €10.49 per share<sup>2</sup>, representing an increase of €1.36 per share<sup>2</sup> (14.9%) over the first quarter driven primarily by the revaluation of doBank in the lead up to its IPO that closed in July.
- **Second Quarter 2017 Dividend** of €0.41 per share declared on 3 August 2017 and to be paid on 31 August 2017, following €25.1 million net NFFO received in cash in the quarter, in line with the Company's recently announced distribution policy.

	Q2 2017		Q1 2017		H1 2017		H1 2016	
	€ million	€ per share <sup>2</sup>	€ million	€ per share <sup>2</sup>	€ million	€ per share <sup>2</sup>	€ million	€ per share <sup>2</sup>
Normalised FFO <sup>1</sup>	9.1	0.15	26.0	0.43	35.1	0.58	21.5	0.30
Dividends <sup>[4]</sup>	24.6	0.41	17.4	0.29	42.1	0.70	16.6	0.25
Adjusted NAV <sup>3</sup>	630.6	10.49	548.9	9.13	630.6	10.49	462.7	7.70

### **BUSINESS HIGHLIGHTS FOR THE SECOND QUARTER OF 2017**

- **doBank** - For the first half of 2017, the doBank Group reported EBITDA of €30.3 million and Net Income After Tax of €19.7 million (€20.5 million and €14.3 million for the second quarter respectively). This represents a 13% increase for the first half of 2017 on a like for like basis<sup>[5]</sup>, predominantly driven by collections of €888 million; 37% higher than the same period last year. In May 2017, doBank's board of Directors adopted a dividend policy that provides for the distribution of dividends of at least 65% of its net income (subject to the applicable legal requirements).
- **Romeo NPL Portfolio Financing** - On 3 May 2017, the Company announced the successful completion of a €75 million financing on the secured portion of its Romeo NPL portfolio. As a result, Eurocastle received approximately €36 million, or 50% of the net proceeds (after costs and reserves). At the same time, Eurocastle received over €18 million of previously undistributed cash from the portfolio, resulting in total net proceeds to the Company of approximately €54 million.
- **Italian Real Estate Fund Investments**- In April 2017, the Company closed on its previously committed investment in Real Estate Fund V, deploying an additional €4.0 million. This brings the total equity deployed to date to €4.4 million with an expected further €1.4 million to be deployed predominantly over the next nine months. In addition, the Company made a follow-on investment of €1.3 million to acquire the remaining units of Real Estate Fund IV.
- **Investment Realisations** - In addition to the doBank distribution of €24 million<sup>[6]</sup> and Romeo NPL portfolio proceeds of €54 million, the Company received additional distributions during the second quarter of €8.3 million including €4.8 million from Real Estate Fund I (as a result of sales made by the fund in 2016) and a further €2.8 million from the other NPL portfolios.

- **Legacy Business<sup>[7]</sup> Fully Unwound** - During the second quarter, the Company unwound its interest in the last remaining Legacy levered portfolio (CDO V) and as such has now fully disposed of all Legacy Investments.

## **BUSINESS HIGHLIGHTS SUBSEQUENT TO 30 JUNE 2017**

- **doBank Initial Public Offering** - In July, doBank, the largest and highest rated independent non-performing loan servicing group in Italy and in which Eurocastle held a 50% stake, completed its initial public offering ("IPO") at a value equivalent to a market capitalisation of €704 million, a 30% premium to the Group's carrying value as at 31 March 2017 (€672 million as at 30 June 2017). Eurocastle sold 19.1 million of its shares in doBank<sup>[8]</sup>, or 48.8% of its holding, for €9.00 per share, generating €145.8 million of estimated net proceeds. The Company, together with other Fortress affiliates, retains a joint 51.2% interest in the outstanding shares of doBank.
- **FINO NPL Investment** - On 31 July 2017, the Company closed on its previously committed FINO NPL investment deploying approximately €44 million to acquire alongside other Fortress affiliates a 50.1% interest in a significant portion of a €16.2 billion NPL portfolio (reduced from €17.7 billion following interim collections) from UniCredit S.p.A.. Up to closing, the portfolio has been performing above expectations with collections received from the 30 June 2016 cut-off date higher than expected, resulting in less equity required to fund the acquisition than was previously anticipated. The transaction entails further amounts payable over the next 36 months up to an amount of €64.7 million which are expected to be funded by collections on the portfolio or, if not the case, additional equity.

## **NORMALISED FFO**

Normalised FFO is a non-IFRS financial measure that, with respect to the Company's Italian Investments<sup>[9]</sup>, 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. On Eurocastle's Legacy Business, the measure excludes realised gains and losses, sales related costs (including realised swap losses), impairment losses, foreign exchange movements and any movements on portfolios with a negative NAV other than sales or asset management fees realised.

Eurocastle believes that focusing on the Normalised FFO of the Company's Italian Investments<sup>2</sup> will enhance investors' understanding of current and future earnings given annualised returns achieved and the average net invested capital<sup>[10]</sup> over the relevant period.

Segmental Normalised FFO for the Six Months Ended 30 June 2017	Average Net Invested Capital <sup>3</sup>		Italian Investments <sup>2</sup>	Legacy	Total
	€ Thousands	Yield	€ Thousands	€ Thousands	€ Thousands
doBank Investment	239,006	15%	17,991	-	17,991
Italian NPLs <sup>[11]</sup>	23,752	18%	2,115	-	2,115
Real Estate Fund Investments	44,984	80%	17,915	-	17,915
Other <sup>[12]</sup>	n/a	n/a	7,247	-	7,247
<b>Italian Investments NFFO before expenses</b>	<b>307,742</b>	<b>29%</b>	<b>45,268</b>	<b>-</b>	<b>45,268</b>
Legacy Portfolios NFFO before			-	3,114	3,114

expenses			
Manager Base & Incentive Fees	(10,943)	-	(10,943)
Other operating expenses	(2,020)	(319)	(2,339)
<b>Normalised FFO</b>	<b>32,305</b>	<b>2,795</b>	<b>35,100</b>
<i>Per Share</i> <sup>(13)</sup>	<i>0.54</i>	<i>0.04</i>	<i>0.58</i>

Segmental Normalised FFO for the Three Months Ended 30 June 2017	Average Net Invested Capital		Italian Investments	Legacy	Total
	€ Thousands	Yield	€ Thousands	€ Thousands	€ Thousands
doBank Investment	231,978	16%	9,016	-	9,016
Italian NPLs	23,072	20%	1,176	-	1,176
Real Estate Fund Investments	43,966	26%	2,894	-	2,894
<b>Italian Investments NFFO before expenses</b>	<b>299,016</b>	<b>18%</b>	<b>13,086</b>	<b>-</b>	<b>13,086</b>
Legacy Portfolios NFFO before expenses			-	288	288
Manager Base & Incentive Fees			(3,215)	-	(3,215)
Other operating expenses			(938)	(100)	(1,038)
<b>Normalised FFO</b>			<b>8,933</b>	<b>188</b>	<b>9,121</b>
<i>Per Share</i>			<i>0.15</i>	<i>0.00</i>	<i>0.15</i>
<b>Normalised FFO realised in cash available for distribution</b>			<b>24,962</b>	<b>188</b>	<b>25,150</b>
<i>Per Share</i>			<i>0.42</i>	<i>0.00</i>	<i>0.42</i>

Income Statement for the Six Months Ended 30 June 2017	Italian Investments € Thousands	Legacy € Thousands	Total € Thousands
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#### Portfolio Returns

Fair value movements on joint ventures:			
doBank Group	91,871	-	91,871
Romeo NPLs	2,584	-	2,584
Share of post-tax profit from joint ventures:			
NPLs - Pool 6	44	-	44
Real Estate Fund Investment II	626	-	626
Fair value movements on associates:			
Real Estate Fund Investment III	1,444	-	1,444
Real Estate Fund Investment IV	2,741	-	2,741
Share of post-tax profits from associates:			
NPLs - Pools 7-18	1,291	-	1,291

Fair value movements on other investments:

NPLs/PL - Pools 1-5	(220)	-	(220)
Real Estate Fund Investment I	(125)	-	(125)
<b>Other Income</b>			
Other income	-	2,376	2,376
Gains on foreign currency translations and swaps	7,204	-	7,204
<b>Total operating income</b>	<b>107,460</b>	<b>2,376</b>	<b>109,836</b>
<b>Operating expenses</b>			
Interest expense	69	-	69
Other operating expenses			
Transaction costs	233	-	233
Manager Base Incentive fees	10,943	-	10,943
Remaining operating expenses	1,702	-	1,702
<b>Total operating expenses</b>	<b>12,947</b>	<b>-</b>	<b>12,947</b>
<b>Net operating profit before taxation</b>	<b>94,513</b>	<b>2,376</b>	<b>96,889</b>
Total tax expense	16	-	16
<b>Net profit after taxation from continuing operations</b>	<b>94,497</b>	<b>2,376</b>	<b>96,873</b>
Net Profit after taxation from discontinued operations	-	40,512	40,512
<b>Profit after taxation for the period</b>	<b>94,497</b>	<b>42,888</b>	<b>137,385</b>
<i>Per Share<sup>[14]</sup></i>	<i>1.57</i>	<i>0.72</i>	<i>2.29</i>
Non-controlling interest	34	-	34
<b>Net profit attributable to ordinary shareholders after taxation</b>	<b>94,531</b>	<b>42,888</b>	<b>137,419</b>
<i>Per Share<sup>1</sup></i>	<i>1.57</i>	<i>0.72</i>	<i>2.29</i>
Reversal of profit attributed to last remaining negative NAV portfolio	-	(40,429)	(40,429)
<b>Adjusted net profit</b>	<b>94,531</b>	<b>2,459</b>	<b>96,990</b>
<i>Per Share<sup>1</sup></i>	<i>1.57</i>	<i>0.04</i>	<i>1.61</i>

Excluding the profit from the deconsolidation of the Group's last remaining Legacy investment with a negative NAV, the Group generated a net profit after taxation of €97.0 million, or €1.61 per share.

Balance Sheet and Adjusted NAV Reconciliation as at 30 June 2017	Italian Investments € Thousands	Corporate <sup>[15]</sup>	Total € Thousands
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		€ Thousands	
<b>Assets</b>			
Cash and cash equivalents	3,784	177,113	180,897
Other assets	25	1,502	1,527
Available for sale securities	5,895	-	5,895
Investments in joint ventures			
doBank Group <sup>[16]</sup>	337,737	-	337,737
Romeo NPLs2	49,045	-	49,045
NPLs - Pool 6	1,461	-	1,461
Real Estate Fund Investment II	10,108	-	10,108
Real Estate Fund Investment V	4,367	-	4,367
Investments in associates			
NPLs - Pools 7 - 18	22,647	-	22,647
Real Estate Fund Investment IV	21,519	-	21,519
Other fair value investments			
NPLs/PL - Pools 1-5	2,834	-	2,834
Real Estate Fund Investment I	9,382	-	9,382
<b>Total assets</b>	<b>468,804</b>	<b>178,615</b>	<b>647,419</b>
<b>Liabilities</b>			
Trade and other payables	2,781	11,431	14,212
Current taxation payable	21	2,057	2,078
<b>Total liabilities</b>	<b>2,802</b>	<b>13,488</b>	<b>16,290</b>
<b>Net Asset Value</b>	<b>466,002</b>	<b>165,127</b>	<b>631,129</b>
Non-controlling interest	(560)	-	(560)
<b>Net Asset Value after Non-controlling interest</b>	<b>465,442</b>	<b>165,127</b>	<b>630,569</b>
Committed Investments <sup>[17]</sup>	45,304	(45,304)	-
<b>Adjusted NAV</b>	<b>510,746</b>	<b>119,823</b>	<b>630,569</b>
Adjusted NAV (€ per Share) <sup>[18]</sup>	<b>8.50</b>	<b>1.99</b>	<b>10.49</b>

#### **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 consolidated 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 1:00 P.M. London time (8:00 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 2017 Earnings Call" or "conference ID number 54172236".

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, 4 September 2017 by dialing +1-855-859-2056 (from within the U.S.) or +1-404-537-3406 (from outside of the U.S.); please reference access code "54172236"

## **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", "endeavour", "seek", "anticipate", "estimate", "overestimate", "underestimate", "believe", "could", "project", "predict", "project", "continue", "plan", "forecast" or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. The Group's ability to predict results or the actual effect of future plans or strategies is limited. Although the Group 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 Group'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 Group's debts, renegotiate the Group's credit facilities, make new investments, or achieve its targets regarding asset disposals or asset performance.

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<sup>[1]</sup> Normalised FFO ("NFFO") is a non-IFRS measure used to explain the financial performance of the Company, as outlined on page 14 of the H1 2017 Interim Report.

<sup>[2]</sup> Amounts per share are calculated on the following basis for the relevant period: Q2 2017, Q1 2017 and H1 2017 NFFO and Dividends - 60.1 million of weighted average shares. (72.1 million weighted average

shares for H1 2016 NFFO and 66.3 million weighted average shares for H1 2016 Dividends). Q2 2017, Q1 2017, H1 2017 and H1 2016 Adjusted Net Asset Value ("Adjusted NAV") - 60.1 million ordinary shares in issue (net of 6.0 million shares held in treasury).

<sup>[3]</sup> Adjusted Net Asset Value does not deduct the €0.41 per share second quarter dividend that was declared in August 2017.

<sup>[4]</sup> Q2 2017 dividend amount based on 60.1 million ordinary shares in issue as at 30 June 2017.

<sup>[5]</sup> Pro-Forma 2016 numbers retroactively show the significant effects of the two extraordinary transactions for the period, namely the acquisition of 100% of the share capital of Italfondario S.p.A. and the derecognition of the Romeo portfolio, as if these had been put in place on January 1, 2016.

<sup>[6]</sup> Eurocastle's share of doBank's recently paid dividend was €26.2 million. Net of €2.1 million of working capital retained in the investment structure, Eurocastle received €24.1 million.

<sup>[7]</sup> All investments owned by the Group prior to April 2013.

<sup>[8]</sup> All percentage ownerships of doBank in this document exclude the 1.75 million of treasury shares doBank has retained as at 31 July 2017.

<sup>[9]</sup> All investments acquired by the Group since the establishment of its new strategy in April 2013, previously labelled as "New Investments".

<sup>[10]</sup> Time weighted average of invested capital (net of any capital returned) over the relevant period.

<sup>[11]</sup> Excludes the Romeo NPL pool which is included under the doBank investment.

<sup>[12]</sup> Fully realised investment.

<sup>[13]</sup> Normalised FFO per share based on 60.1 million weighted average ordinary shares for H1 2017.

<sup>[14]</sup> Earnings per share based on 60.1 million weighted average ordinary shares for the six months ended 30 June 2017.

<sup>[15]</sup> As at 30 June 2017, the corporate segment includes cash of €6.3million and other assets of €1.5 million to cover trade and other payables of €7.2 million relating to working capital, transaction costs and winding up costs in relation to the legacy real estate entities and €3.2 million of manager base and incentive fees accrued in the second quarter.

<sup>[16]</sup> Romeo NPL pool value reflects the remaining 95% interest in the NPL pool acquired as part of the doBank investment and spun off in September 2016.

<sup>[17]</sup> Commitment reallocation reflects i) €43.9 million of equity allocated against the FINO transaction ii) a €1.4 million expected outstanding commitment allocated against Real Estate Funds (RE Fund Investment V).

<sup>[18]</sup> Adjusted NAV per share based on 60.1 million ordinary shares in issue.