

RNS Euro. Eq Tranche Inc EET Interim Results
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European Equity Tranche Income Ltd.
22 March 2007

EUROPEAN EQUITY TRANCHE INCOME LIMITED

PRELIMINARY ANNOUNCEMENT OF INTERIM RESULTS

The directors announce the statement of interim results for the six months ended 31 December 2006 as follows:-

ABOUT THE COMPANY

European Equity Tranche Income Limited (`the Company`) was incorporated in Guernsey as a closed-ended investment company on 17 March 2006 and issued its prospectus for the raising of capital on 6 April 2006 (the "Prospectus"). The Company commenced business on 26 April 2006 ("Admission") when 100,000,000 Ordinary shares of no par value ("Shares") were allotted to applicants pursuant to the initial offering of Shares at an issue price of 1 each. The Company does not have a fixed life. Shareholders will have the opportunity to review the future of the Company after an initial period of seven years following Admission and every second year thereafter.

INVESTMENT OBJECTIVE AND POLICY

The Company`s investment objective is to deliver stable returns to shareholders in the form of quarterly dividends and to preserve capital.

It intends to achieve this by investment in non-investment grade and equity tranche (or "first loss") positions of residential mortgage-backed securities ("RMBS") and, to a limited extent, other asset-backed securities ("ABS") in Europe. The directors intend that, once fully invested no less than 75 per cent of investments are made in RMBS and up to 25 per cent in other ABS.

REPORT OF THE DIRECTORS

European Equity Tranche Income Limited is pleased to announce its interim results for the 6 months ended 31 December 2006. During the period, the Company generated distributable net profit of Euro 2.7 million and earnings per ordinary share of Euro 0.0272. An interim dividend in relation to the second financial quarter of Euro 1.4 million or Euro 0.0139 per share was declared on 17 January 2007. Taken together with the interim dividend in relation to the first financial quarter of Euro 1.3 million or Euro 0.0132 per share makes a total aggregate dividend of Euro 2.7 million or Euro 0.0271 per share for the 6 months ended 31 December 2006. The third financial quarter is proceeding satisfactorily and we expect to declare a further interim quarterly dividend in relation to the third financial quarter of Euro 0.02 per share in April 2007.

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 Mar 22 2007 16:45

In our investment update of 11 January we reported that we had completed the first stage of our investment programme having now made 11 investments across 6 countries totalling 108 million. Since that time we have made no new investments although we continue to see a regular deal flow and are confident that we will have made further investments by the end of the fourth quarter. All of our investments are performing well.

A number of events in both the U.S. and U.K. have raised concern in those countries about non-conforming and sub prime RMBS. Our single involvement in the U.K. is in the equity residual of a niche prime RMBS securitisation. This security is performing well. We have no exposure to the U.S. market. In continental Europe the markets remain stable and all our investments are in the prime segment. ABS credit spreads of rated notes remain stable and current default rates are well within our base case modelling assumptions and we see no reason why any `contagion` should spread to our markets. Recently the Italian Government has proposed a change in the law relating to early repayment charges on mortgage loans which, if it comes into effect, could have an adverse effect on future income from the Company`s Italian mortgage loan portfolio. It is too early to say what impact, if any, it will have on us; shareholders will be kept informed in the event of material developments.

Our discussions continue with both investment banks and rating agencies with the objective of increasing the Company`s leverage to enable us to move towards our targeted dividend rate of up to Euro 0.12 per share.

UNAUDITED INCOME STATEMENT
 for the period ended 31 December 2006

1 Jul 2006
 to 31 Dec 2006

Operating income	3,611,495
Operating expenses	(867,872)
Loan interest payable	(16,891)

Profit for the period	2,726,732
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Basic and diluted earnings per share for the period	0.0272

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Mar 22 2007 16:45

In arriving at the results for the financial period, all amounts above relate to continuing operations.

There have been no gains or losses in the period that are not included in the income statement.

UNAUDITED BALANCE SHEET
as at 31 December 2006

	31 Dec 2006	30 Jun 2006
ASSETS		
Non-current assets		
Investments designated at fair value through the income statement	105,406,811	55,104,283
Current assets		
Trade and other receivables	1,081,470	608,025
Cash at bank	3,271,071	42,663,014
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	4,352,541	43,271,039
	-----	-----
Total assets	109,759,352	98,375,322
	=====	=====
EQUITY AND LIABILITIES		
Equity		
Issued share capital	-	-
Share premium	50,000,000	50,000,000
Retained earnings	49,458,285	48,051,553
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	99,458,285	98,051,553
Current liabilities		
Bank loan	9,912,160	-
Trade and other payables	388,907	323,769

RNS Euro. Eq Tranche Inc EET Interim Results
 Mar 22 2007 16:45

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Total equity and liabilities	109,759,352	98,375,322
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UNAUDITED CASH FLOW STATEMENT
 for the period ended 31 December 2006

1 Jul 2006
 to 31 Dec 2006

Cash flows from operating activities

Profit for the period	2,726,732
Add: Increase in accrued expenses	65,138
Less: Decrease in prepayments and accrued income	(473,445)
Purchase of non-current assets	(52,551,910)
Capital repayments received from investments	2,249,382

Net cash outflow from operating activities	(47,984,103)

Cash flows from investing activities & servicing of finance

Dividends paid	1,320,000

Net cash flow from investing activities	1,320,000

Cash flows from financing activities

Bank loan	9,912,160

Net cash flow from financing activities	9,912,160

Cash and cash equivalents at the beginning of the period	42,663,014
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Decrease in cash and cash equivalents	(39,391,943)

Cash and cash equivalents at the end of the period	3,271,071
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Mar 22 2007 16:45

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END OF ANNOUNCEMENT

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