

European Equity Tranche Income Limited ("EETI" or the "Company")**Quarterly dividend and estimated net asset value ("NAV")****Quarterly dividend**

The Board of EETI has referred in earlier announcements to its objective of securing stable debt financing for the Company. Currently EETI has drawn down Eur 36.2 million of a Eur 70 million facility provided by Citibank. The terms of that loan are 250 basis points over 3 months EURIBOR until the end of 2008 increasing to 500 basis points over EURIBOR until the end of 2009, at which time the loan is due for repayment. EETI has been in discussions with Citibank in relation to extending the maturity of the facility and these discussions are continuing. However, taking into account the difficulty in obtaining debt financing in the current debt markets there is no certainty that EETI will be able to come to an agreement on satisfactory terms. The Board has therefore decided to focus on reducing the Company's borrowings.

In the light of this, the Board has declared an interim dividend of Eur 0.005 per share in respect of the quarter ended 31 March 2008. This dividend will be payable on 6 June 2008 to holders of record on 16 May 2008. The corresponding ex dividend date will be 14 May 2008. This reduced level of dividend will amount to a total of Eur 490,000. If EETI maintains the quarterly dividend at this rate until the end of 2009 and uses all cash expected to be generated by its investment activities to repay the Company's borrowings, the total debt outstanding at the end of 2009 is estimated, in the absence of unforeseen circumstances, to amount to around Eur 25 million. It remains the Board's objective over the course of the next 19 months to secure longer term funding for the Company, but in the event that this proves difficult EETI will clearly be in a much stronger position to consider alternative courses of action if the Company's debt has been reduced significantly from the current level.

Estimated NAV

The estimated NAV of an ordinary share in the Company is calculated as being Eur 0.8287 as at 31 March 2008.

This estimated NAV of an ordinary share is provided for indication purposes only and should not be relied upon for investment decisions. As some of the Company's assets are not freely traded it is not possible to obtain prices from an independent third party source and such assets have been valued by the Investment Manager using pricing models designed by the Investment Manager and reviewed by one of the Company's joint auditors.

The above estimated NAV of an ordinary share has been calculated by the Administrator using asset valuation information provided by the Investment Manager which, whilst being considered as received from a reliable source, is itself in part 'estimated' and accordingly none of the Company, the Investment Manager, the joint auditor nor the Administrator accept any responsibility for the accuracy of the estimated NAV figure given, and neither is any responsibility implied.

Portfolio Update

EETI continues to monitor its asset quality carefully. The Company referred in January 2008 to the increased level of prepayments on its Italian investments and took a provision on the assumption that long term prepayment rates would remain at 10 per cent. Prepayment data from the last quarter shows short term rates currently average around 15 per cent. If this rate of prepayment continued into the long term this would require EETI to make a further provision on these investments of around Eur 10 million. Naturally it is the Board's hope that these rates of prepayment start to stabilise and reduce. The Board is aware that prepayment rates in other Southern European countries such as Spain and Portugal are starting to decline as the credit squeeze reduces the opportunities for mortgage holders to refinance.

The Board has also become aware that the original pool data provided by the originator and arranger of its UK investment contained certain acknowledged errors. While this investment to date has performed ahead of expectations, taking into account these errors and the recent increase in the LIBOR/base rate spread may lead to future performance not being in line with model expectations. The Company's investment manager is currently in discussions with the arranger to resolve this issue in the best interests of EETI, although a provision against the book value of this investment may be necessary.

The remaining investments in the portfolio are, overall, performing well and in some cases above model predictions. Even if EETI has to make provisions in relation to the two investments referred to above, its pro forma net asset value would be over Eur 0.70 per share. These are not easy times for investment companies focussed on the securitisation markets, but the Board believes that EETI's outlook is certainly considerably brighter than its current share price would indicate.

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END OF ANNOUNCEMENT