



EUROCASTLE

REG-Eurocastle Inv. Ltd 3rd Quarter Results - Part 2

November 2, 2005

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT

Notes	Unaudited Three Months Ended 30 September 2005 €'000	Unaudited Nine Months Ended 30 September 2005 €'000	Unaudited Three Months Ended 30 September 2004 €'000	Unaudited Nine Months Ended 30 September 2004 €'000
Operating income				
Interest income	16,970	47,408	9,020	11,784
Rental income	6,408	19,063	-	-
Unrealised gain on securities portfolio contract	-	-	84	4,140
Real estate fund unit interest income	3,607	3,607	-	-
Realised gain on disposal of available-for-sale securities	380	2,233	-	-
Realised gain on disposal of investment properties	731	731	-	-
Decrease)/Increase in fair value of investment properties	(68)	445	-	-
Increase in fair value of real estate fund unit	7,122	7,122	-	-
Increase in fair value of total return swap	428	428	-	-
Total operating income	35,578	81,037	9,104	15,924
Operating expenses				
Interest expense	14,876	40,371	4,512	6,320
Losses on foreign currency contracts/currency translation	314	1,473	230	280
Property expenses	917	2,120	-	-
Other operating expenses	2,529	6,629	1,179	2,354
Total operating expenses	18,636	50,593	5,921	8,954

Profit on ordinary activities before taxation		16,942	30,444	3,183	6,970
Taxation expense	4	590	877	-	-
Net profit after taxation		16,352	29,567	3,183	6,970
Earnings per ordinary share (adjusted for share consolidation)					
Basic	14	0.68	1.45	0.17	0.49
Diluted	14	0.65	1.39	0.17	0.49
Weighted average ordinary shares outstanding (adjusted for share consolidation)					
Basic	15	24,209,670	20,443,707	18,463,670	14,140,801
Diluted	15	25,046,485	21,206,023	18,943,733	14,302,043

See notes to the consolidated interim financial statements

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 30 September 2005 €'000	31 December 2004 €'000
Assets			
Cash and cash equivalents		17,500	10,293
Restricted cash		1,879	2,812
Asset backed securities, available-for-sale (includes cash to be invested)	5	1,143,354	796,522
Asset backed securities pledged under repurchase agreements	5	60,398	467,962
Real estate related loans	6	63,328	21,938
Real estate related loans pledged under repurchase agreements	6	36,304	-
Real estate fund units	8	181,992	-
Investment property	9	398,042	318,514
Other assets	7	24,937	9,578
Total assets		1,927,734	1,627,619
Equity and Liabilities			
Capital and Reserves			
Issued capital, no par value, unlimited number of shares authorised, 24,209,670 shares issued and outstanding at 30 September 2005	15	286,814	192,309
Net unrealised gain on available-for-sale securities	5	7,070	6,604
Hedging reserve	5,16	(5,976)	713
Accumulated profit		17,309	6,394
Other reserves	15	1,020	400
Total equity		306,237	206,420

Minority Interests	2	2
Liabilities		
CDO bonds payable	10 863,055	347,877
Bank borrowings	11 602,463	608,849
Repurchase agreements	12 84,763	197,584
Taxation payable	4 877	-
Trade and other payables	13 70,337	266,887
-----	-----	-----
Total liabilities	1,621,495	1,421,197
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Total equity and liabilities	1,927,734	1,627,619
=====	=====	=====

See notes to the consolidated interim financial statements

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Nine Months to 30 September 2005 €'000	Unaudited Nine Months to 30 September 2004 €'000
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Cash Flows From Operating Activities		
Net profit before taxation	30,444	6,970
Adjustments for:		
Gain on disposal of investment properties	(731)	-
Unrealised (gain)/loss on foreign currency contracts	(106)	(918)
Accretion of discounts on securities	(3,561)	(480)
Amortisation of borrowing costs	(382)	121
Gain on disposal of available-for-sale securities	(2,233)	-
Shares granted to Directors	108	72
Gain on revaluation of real estate fund units	(7,122)	-
Revaluation (gain) on investment properties	(445)	-
Net change in operating assets and liabilities:		
Decrease/(Increase) in restricted cash	933	(2,273)
Increase in other assets	(15,966)	(5,591)
Increase in trade and other payables	51,525	10,930
-----	-----	-----
Net cash flows used in operating activities	52,464	8,831
-----	-----	-----
Cash Flows From Investing Activities		
Securities portfolio contract deposit	-	(59,000)
Repayment of securities portfolio contract deposit	-	119,388
Repayment of security principal	-	9,106
Additions to investment property	(79,542)	-
Proceeds from disposal of investment property	1,190	-
Acquisition of real estate fund units	(174,870)	-
Net purchase of available-for-sale securities/loans	(392,494)	(866,044)
Proceeds from sale of available-for-sale-securities	127,741	-
-----	-----	-----
Net cash flows used in investing activities	(517,975)	(796,550)
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Cash Flows From Financing Activities		

Proceeds of issuance of ordinary shares	99,015	138,488
Costs related to issuance of ordinary shares	(3,998)	(4,745)
Proceeds from issuance of bonds	520,083	351,000
Costs related to issuance of bonds	(4,523)	(3,342)
Borrowings under repurchase agreements	(112,821)	146,683
Repayments under warehouse borrowing facility	(350,843)	159,564
Net movement of bank borrowings	344,457	-
Dividends paid to shareholders	(18,652)	-
-----	-----	-----
Net cash flows from financing activities	472,718	787,648
-----	-----	-----
Net Increase/(Decrease) in Cash and Cash Equivalents	7,207	(71)
Cash and Cash Equivalents, Beginning of Period	10,293	1,690
Cash and Cash Equivalents, End of Period	17,500	1,619
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EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary Shares (adjusted for share consolidation)	Share Capital	Other Reserves	Net Unrealised Gains/ (Losses)	Hedging Reserves	Accumulated Profit (Loss)	Total Equity
		€'000	€'000	€'000	€'000	€'000	€'000
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At 1 January 2004 (as previously reported)	11,857,670	59,027	-	-	-	(98)	58,929
Effect of adopting IFRS 2	-	-	200	-	-	-	200
Costs related to issuance of shares on IPO	-	(200)	-	-	-	-	(200)
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At 1 January 2004 (restated)	11,857,670	58,827	200	-	-	(98)	58,929
Second capital call on existing shares	-	59,288	-	-	-	-	59,288
Issuance of ordinary shares on IPO	6,600,000	79,200	-	-	-	-	79,200
Effect of adoption of IFRS 2 - fair value of share options	-	-	200	-	-	-	200
Costs related to issuance of ordinary shares on IPO (including €200k relating	-	(4,945)	-	-	-	-	(4,945)

to adoption of IFRS 2)							
Issuance of ordinary shares to Directors	6,000	72	-	-	-	-	72
Net unrealised loss on available for sale securities	-	-	-	3,601	-	-	3,601
Net profit	-	-	-	-	-	6,970	6,970
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At 30 September 2004 (restated) (unaudited)	18,463,670	192,442	400	3,601	-	6,872	203,315
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At 1 October 2004 (restated)	18,463,670	192,442	400	3,601	-	6,872	203,315
Costs related to issuance of ordinary shares on IPO	-	(133)	-	-	-	-	(133)
Net unrealised gain on available for sale securities	-	-	-	3,003	-	-	3,003
Net unrealised gain on hedge instruments	-	-	-	-	713	-	713
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Net gains not recognised in the income statement	-	-	400	6,604	713	-	7,717
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Net profit for the period	-	-	-	-	-	5,159	5,159
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Total income and expense for the year	-	-	400	6,604	713	12,031	19,748
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Dividends paid	-	-	-	-	-	(5,539)	(5,539)
-----	-----	-----	-----	-----	-----	-----	-----
At 31 December 2004 (restated)	18,463,670	192,309	400	6,604	713	6,394	206,420
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Ordinary Shares
(adjusted for
share consolidation)

Share Capital

Other
Reserves

Net
Unrealised
Gains/
(Losses)

Hedging
Reserves

Accumulated
Profit

Total Equity
(Loss)

€'000

€'000

€'000

€'000

€'000

€'000

At 1 January

2005	18,463,670	192,309	400	6,604	713	6,394	206,420
Net unrealised gain on available-for-sale securities	-	-	-	2,247	-	-	2,247
Issuance of shares - June 2005	5,740,000	99,015	-	-	-	-	99,015
Costs related to issue of shares - June 2005	-	(3,998)	-	-	-	-	(3,998)
Issuance of ordinary shares to Directors	6,000	108	-	-	-	-	108
Realised losses reclassified to the income statement	-	-	-	2	-	-	2
Realised gains reclassified to the income statement	-	-	-	(1,783)	-	-	(1,783)
Net unrealised loss on hedge instruments	-	-	-	-	(6,689)	-	(6,689)
Cost related to issue of options on follow on share issue	-	(620)	620	-	-	-	-
----- Net gains not recognised in the income statement	----- -	----- -	----- 1,020	----- 7,070	----- (5,976)	----- -	----- 2,114
----- Net profit for the period	----- -	----- -	----- -	----- -	----- -	----- 29,567	----- 29,567
Total income and expense for the period	-	-	-	466	(6,689)	29,567	23,344
----- Dividends paid and declared	----- -	----- -	----- -	----- -	----- -	----- (18,652)	----- (18,652)
----- At 30 September 2005 (unaudited)	----- 24,209,670	----- 286,814	----- 1,020	----- 7,070	----- (5,976)	----- 17,309	----- 306,237