EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

Interim Management Statement for the three months ended 30 September 2009

Press Release
12 November 2009

Eurocastle has maintained two key objectives through 2009. Firstly, dealing with its short-term and recourse debt, and secondly, increasing cashflow and occupancy in its real estate portfolio. This interim management statement reports on the progress made on both of these fronts, as well as other recent developments.

Eurocastle has ceased to maintain a secondary listing on the Frankfurt Stock Exchange as from 3 November. As a result Eurocastle will report full financial results on a semi-annual frequency at the half and full year and interim management statements at the end of the first and third quarters.

Highlights

- Raised €24.75 million of additional capital through the issuance of 20 per cent Perpetual Subordinated Convertible Securities ("Convertible Securities").
- Since the second quarter 2009, reduced short-term recourse obligations by €32.25 million to €32.75 million at the end of October.
- Like-for-like occupancy improved from 85.9% at the end of the first half to 86.1% at the end of September 2009.
- Sold six properties during the quarter, for total sales proceeds of €8.0 million and under contract to sell a further 11 properties for €179.2 million.

Financing and Liquidity

- Eurocastle raised €15 million of Convertible Securities on 6 October and raised a further €9.75 million on 19 October. These additional bonds were issued on terms that represented a premium to par. Taking into account the first issue in June 2009 of €75 million, Eurocastle has raised approximately €100 million of capital in 2009.

- The proceeds of the issue of the first two Convertible Securities, together with cash from operating activities and asset sales, have been used to repay a substantial portion of the Company's corporate loan facility; from a balance of €125 million at the beginning of the year to €12.75 million at the end of October. In addition, the proceeds from the most recent issue of Convertible Securities were used to reduce Eurocastle's obligation under a guarantee (as described below) from €30 million to €20 million.

- At the end of September Eurocastle secured a short-term extension to a subsidiary's (EFL) acquisition facility that was due to mature on 30 September 2009. Eurocastle Investment Limited had a guarantee obligation of €30 million in respect of this facility. Since then the Company has reached an agreement in principle on new terms with the lender to settle the remaining €20 million guarantee obligation under the facility by the end of September 2010. In substance, this will involve a transfer of the assets financed by the facility to the lender and repayment of the remaining €20 million recourse obligation in tranches of €5 million at the end of January, March, June and September 2010. This in principle agreement has not yet been finally documented and the terms may change.

- In October, the corporate loan facility lenders signed a waiver and amendment letter allowing the contemplated restructuring of the EFL facility and related payments subject to, the corporate loan facility being prepaid at least pro rata to any amounts used to repay the remaining €20 million recourse obligation. In return, the maturity date for the corporate facility has been brought forward by six months to 31 December 2010.

- Following the pay downs of the corporate loan and the other recourse obligation at the end of October, the Group had a corporate cash balance of €11.5 million.

- The Group has one facility for €59 million relating to CDO IV which is non recourse and matures in December 2009. Agreement in principle has been reached with the lender to extend the facility on similar terms for a further 12 months. However, this is yet to be documented, until which time its terms are subject to change. In the interim, this facility continues to be cashswept, although cashflows are permitted to fund running expenses.

Cashflows at the Holding Company Level

The ability of Eurocastle Investment Limited ("EIL") to service the corporate loan, pay interest on the Convertible Bonds and satisfy other corporate costs and guarantees is dependent on the cashflows from its subsidiary companies. The cashflows from the Mars portfolios and the Debt investment portfolios are currently being retained within these portfolios, either to repay senior debt or to reinvest, and are therefore not available for distribution to EIL.

Set out in the table below is a pro-forma illustration of amounts potentially available from the core property portfolios to be distributed to EIL based on in-place cashflows from the commercial property portfolios excluding Mars, as at the end of Q3 2009:

Portfolio Performance Illustration – Q3 2009 Portfolio Results Annualized*

	Total Group (€'million)	Mars portfolio[1] (€'million)	Core portfolios (€'million)
Real estate NOI	231.0	72.7	158.3
Capital expenditure[3]	(21.6)	(10.4)	(11.2)
Interest expense[2]	(144.3)	(55.7)	(88.6)
Corporate overhead[4]	(38.2)	-	(38.2)
Net Cashflow[5]	**26.9**	**6.6**	**20.3**

1 The Mars portfolio does not generate cashflows for distribution to EIL

2 The cash amount of interest paid is calculated by multiplying the weighted average funding cash coupon by the current face amount on an Actual/360 basis

3 The Capital expenditure is based on such expenditure for the first nine months of 2009 on an annualized basis

4 The Corporate G&A is based on other operating expenses for the first nine months of 2009 on an annualized basis, excluding
(a) sales related costs
(b) depreciation and amortization
(c) operating expenses borne directly out of cashflows from the debt investment business, but including
(d) professional fees and general expenses related to the non-Mars real estate business included in property operating expenses

5 No debt investment cashflows have been assumed

* The cashflows shown are not an indication of expected future cashflows and assume no change in portfolio size, occupancy, rental income, operating costs, capital expenditure and management cost.

Real Estate

Business Review

- The Group owns 558 investment properties across Germany with an independent valuation of approximately €3.8 billion at the end of the third quarter, equivalent to an NOI yield of 6.1%. Adjusting for the transfer of 50% interest in Mars, the portfolio valuation and NOI yield were €3.1 billion and 6.3%, respectively. These assets are held in 13 separate portfolios, each of which is ring fenced from the others and have non-recourse financing. They comprise a diversified mix of high quality office and retail properties concentrated in the five major German markets.

- The Group has continued to generate cash at the holding company level that can be available for repaying the corporate loan and other corporate purposes. However, cashflow from the Mars portfolios is being retained within those portfolios, to repay senior debt, and so currently cannot be distributed it to the holding company.

- Eurocastle's sales strategy is to sell assets that are believed to be stable or fully valued. In this quarter six properties have been sold for total sales proceeds of €8.0 million, compared to a carrying value of €8.2 million. For the first nine months of 2009, 17 properties were sold with proceeds of €113.3 million, compared to carrying value of €116.9 million. In addition, since the quarter end a further property has been sold for €9.2 million and binding agreements to sell 11 properties for €179.2 million were entered into.

- On the asset management front, good progress has been made on new leasing and on renewing existing tenants. During the third quarter 2009 the Group signed 89 leases for approximately 31,000 square metres, including 60 new leases for approximately 11,500 square metres. For the first nine months of 2009, the Group signed 241 commercial leases for approximately 101,000 square metres, including 171 new leases for approximately 52,500 square metres. The renewal rate of leases expiring in 2009 is 79% in terms of rental income.

- The Group continues to seek to reduce capital expenditure committed on new leasing, focusing it on those leases and portfolios achieving the greatest economic benefit and thus maximising cashflow available to the holding company.

- The quarter's leasing and sales activities have left total lettable space of 2.1 million square metres at 30 September 2009 with occupancy of 86.1% as compared to occupancy of 85.9% at 30 June 2009 on a like for like basis. Excluding the Mars portfolios, lettable space was 1.4 million square metres at 30 September 2009 with occupancy of 91.5%, unchanged from 30 June 2009. Mars portfolio lettable space had 718 thousand square metres at 30 September 2009 with occupancy of 75.9%, slightly higher than the previous quarter.

- As a result of the change to Interim Management Statements for the first and third quarter results, the Group will be revaluing the property portfolio on a semi-annual basis from 2010. The increased fully diluted share count arising from the issue of additional Convertible Bonds together with the 2.6% reduction in valuation of the property portfolio in the third quarter has resulted in a fall in the real estate NAV per fully diluted share from Q2 2009 to Q3 2009 as shown below:

Q2 2009 Fully Diluted Adjusted Real Estate NAV	**€1.91**
Change due to declining values	€0.25
Q3 2009 NAV due to declining values	**€1.66**
Change due to additional dilution of bonds	€0.29
Q3 2009 Fully Diluted *Adjusted Real Estate NAV	**€1.37**

*** Calculation includes the impact of converting €24.75 million of Convertible Securities issued after the end of the third quarter 2009**

Market Outlook

- Looking at the wider German market, property yields are now approximately 100 basis points higher than at their low point in 2007 and values are now at the lower end of their long-term range. The market seems to now be stabilizing at these levels with an underpinning of demand from domestic investors.

- The occupier markets remain active. In the third quarter of 2009, market vacancy rates in the top tier German markets were estimated to have increased slightly to 9.9% and prime office rents in the five major markets stabilised on the second quarter levels.

- Notwithstanding the decline in overall activity, the German property investment market has remained active and domestic demand for real estate remains solid, particularly for individual properties rather than portfolios. Overall investment transaction volume in the quarter was down from a year ago but still at approximately €7 billion for the first nine months of 2009 (compared to approximately €16 billion for the same period last year). Indications seem to point toward more confidence in the markets, based on which transaction volumes may possibly further increase during the next quarter.

Debt Investments

- Within the Group's debt investment business, the underlying cashflow from its assets remains stable with less than 2% of the portfolio in payment default or interest diversion.

- Changes in the rating agencies' approach to assessing credit grades and refinancing risks has resulted in a large volume of downgrades across the entire CMBS and ABS universe. There were seven upgrades and 44 downgrades in the quarter, and 24 upgrades and 103 downgrades for the first nine months of 2009.

- Mainly as a result of these credit downgrades, the Group's three CDO financings have continued to not comply with triggers requiring that net interest received in the quarter be used to pay down senior debt. If these triggers continue not to be met in the future, then future net interest receipts will also be used to repay CDO debt. As a result, the Group's returns from these portfolios are likely to be driven primarily from the return of capital once the debt has been repaid.

- At the quarter end, there was approximately €16 million of cash in the three CDO financings, which was required to be held within the CDOs. During the quarter approximately €7.9 million was invested in new, AAA-rated assets at current market spreads and approximately €9.4 million of senior liabilities were repurchased for approximately €6.6 million.

- Buying debt back at a discount improves the coverage tests that are currently not being met and increases the probability that the CDOs will be able to distribute surplus cashflow in the future. The Group intends to continue to use cash retained in the CDOs in similar ways going forward until the end of the re-investment periods (June 2010 – CDO II, June 2012 – CDO III and June 2013 – CDO V).

Forward-Looking Statements

This release contains statements that constitute forward-looking statements. Such forward-looking statements relate to, among other things, future commitments to acquire real estate and achievement of acquisition and disposal targets, availability of investment and divestment opportunities, methods of funding portfolios, timing 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", "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 achieve its targets regarding asset disposals or reduction in capital expenditure or that Eurocastle will be able to fund its direct recourse liabilities.