EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

Interim Management Statement as at 18 November 2011

Press Release
18 November 2011

In the third quarter of 2011, Eurocastle Investment Limited ("Eurocastle" or the "Group") continued to make progress toward its main objective of stabilising the Group's financing and maximising long term value through continuous asset management and capitalising on current value through strategic divestments from its real estate holdings.

This interim management statement reports on the status of this objective, as well as other recent developments.

Highlights*

- CDOs II, III and IV have been restructured resulting in positive cashflows to the Group and an increase in the Group's NAV per fully diluted share (on a pro-forma illustrative basis) to €0.66 from €0.46 at the end of the first half of 2011.
- Since the half year-end, the Group has signed 57 commercial leases for approximately 25,200 square metres (sqm).
- At end of the third quarter 2011, the level of physical portfolio occupancy on a like-for-like basis remained unchanged at 83.8% from the end of the second quarter 2011.
- The Group sold 4 properties during the third quarter for total sales proceeds of €6.3 million.

* *Unless otherwise stated, the information provided includes 100% of the Mars Floating portfolio, in which the Group has a 50% equity investment.*

Financing and Liquidity

- Eurocastle has completed a restructuring of its investment in CDO II and CDO III ("the CDOs"). In connection with this, Eurocastle has sold a majority of its equity interest in the CDOs and made a minority investment in the senior class notes issued by CDO II. Following the transaction, Eurocastle has deconsolidated its investment in the CDOs and has realised an increase in the Group's NAV of €95.5 million or €0.17 per fully diluted share as at 30 September 2011.
- The facility with the senior lender in CDO IV was successfully restructured resulting in all excess cashflow after interest and costs going to ECT (estimated at €0.5 million in 2012). Additional terms include the removal of all amortisation targets and an extension of the loan maturity to December 2014.
- As at 30 September 2011, Eurocastle had a corporate cash balance of €9.0 million. It further expects to receive in excess of €16.0 million in connection with the abovementioned CDO restructuring in December of this year.

Real Estate

*Business Review**

- The Group has an interest in 469 investment properties across Germany valued at approximately €2.2 billion(1), equivalent to an NOI yield of 6.1 % based on the 2011 third quarter's NOI. The Group's assets are held in 11 separate financing portfolios. They comprise a diversified mix of office and retail properties concentrated in the five major German markets.

Third Quarter 2011 Real Estate Portfolio Composition:

Asset	No. of properties	Occupied space (sqm)	Occupancy %	Passing rent €m	Annualised NOI €m	Property valuation(1) €m	Average lease term	NOI yield on valuation %
Drive	194	358,576	77.0%	53.1	44.6	825	3.1	5.3%
Bridge	6	183,288	95.7%	29.7	28.1	426	6.7	6.6%
Wave	68	143,212	82.1%	16.4	14.2	211	3.5	6.7%
Mars – Floating	14	101,607	58.6%	10.9	7.7	192	2.8	4.0%
Turret	63	137,294	97.6%	15.0	13.7	174	4.4	7.9%
Truss	41	80,161	98.9%	8.4	7.5	98	5.2	7.7%
Mars – Fixed 2	3	32,952	86.0%	6.2	5.2	96	3.8	5.4%
Belfry	27	52,364	99.0%	5.3	4.8	61	4.7	7.9%
Tannenberg	27	47,344	95.6%	5.2	4.5	61	6.2	7.4%
Rapid	18	38,355	100.0%	4.3	4.2	56	10.0	7.4%
Zama	8	28,354	93.3%	3.5	3.3	45	4.7	7.3%
Total portfolio	**469**	**1,203,507**	**83.8%**	**158.0**	**137.8**	**2,245**	**4.4**	**6.1%**

- The Group has continued to generate cash at the holding company level that is available for corporate purposes. Following the restructuring of two cash-trapped portfolios, the Group has received cash distributions of €2.5 million in relation to the Drive portfolio and a net economic benefit of €2.2 million in relation to the Mars Fixed 1 portfolio to date in 2011.

- Eurocastle continues to pursue a real estate divestment programme seeking to dispose of assets that are believed to be stable, fully valued, or non-core. In the third quarter of 2011, 4 properties have been sold for total sales proceeds of €6.3 million, realising cash of €0.2 million after repayment of asset level financings and costs. For the full year, 26 properties have been sold for total sales proceeds of €132.3 million, realising cash of €4.1 million after repayment of asset level financings and costs, including €1.7 million of cash retained within the Drive portfolio.

- Good progress continues to be made on new leasing and on renewing existing tenants. During the third quarter of 2011, the Group signed 57 leases for approximately 25,200 sqm, including 44 new leases for approximately 13,800 sqm and 13 lease renewals for approximately 11,400 sqm. Since the quarter end, an additional 600 sqm of new leases and 2,900 sqm of renewals have been signed. The current renewal rate for leases expiring in 2011 is 69.8 % which is an increase of 2.6% from the end of the second quarter of 2011. For the full year, the Group has signed 200 leases for approximately 129,700 sqm, including 131 new leases for approximately 44,400 sqm and 69 lease renewals for approximately 85,300 sqm.

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

- As at 30 September 2011, the Group had total lettable space of 1.4 million sqm with occupancy at 83.8%, unchanged from the end of the second quarter 2011 on a like-for-like basis.

(1) *Property valuations are based on semi annual third party independent valuations undertaken in June 2011.*

* *Unless otherwise stated, the information provided includes 100% of the Mars Floating portfolio, in which the Group has a 50% equity investment.*

Market Outlook*

- The investment volume in Germany amounted to €17.6 billion in the first three quarters of 2011. This represents an increase of 30% compared to the same period last year. For full year 2011, the investment volume is expected to be €24.0 billion which would exceed the 2010 figure by approximately €5.0 billion.

- The five major office markets accounted for 43% of the overall investment activity in the first three quarters of 2011, with the highest volume in Frankfurt at €2.2 billion. This number is driven by the sale of Deutsche Bank's headquarters for €584.0 million.

- Retail investments are dominating German investment markets with €8.4 billion followed by office investments with €4.2 billion. Portfolio deals in the first three quarters of 2011 amounted to €4.9 billion which is 44% more than in the comparable period last year. Foreign property investors accounted for approximately 41% of the turnover in the first three quarters 2011.

- Prime yields in the major five office markets decreased from 5.1% to 4.9% from third quarter 2010 to third quarter 2011. In the current quarter prime yields range from 4.8% in Munich to 5.2% in Dusseldorf.

- Rental take-up figures increased in major office markets by 13% compared to the first three quarters of 2010, with an office turnover of 2 million sqm, however the European financial crises is expected to adversely affect the mood of property market players.

- Due to high absorption of space, vacancy rates in the five major markets have decreased from 10.7% in the third quarter of 2010 to 10.3% in the third quarter of 2011. However, prime rents have increased slightly and are forecast to develop in the same way.

* *Data and analysis for this section has been extracted from professional market research sources*

Debt Investments

- There were 13 upgrades and 106 downgrades in the third quarter of 2011, compared to 6 upgrades and 29 downgrades in the second quarter of 2011.

- Prior to the restructuring of the CDOs, Eurocastle's investment portfolio had an average rating of BB with total assets of €1.3 billion and total liabilities of €1.4 billion. Immediately following the recent restructuring and deconsolidation of the CDOs, Eurocastle's residual consolidated debt investment portfolio had an average rating of BB+ with total assets of €547.5 million and total liabilities of €508.6 million (on a pro-forma illustrative basis).

- The Group's remaining consolidated public CDO (CDO V) continues to use cash generated by its collateral to service interest on senior and mezzanine notes with any excess cash being available solely for reinvestment or to buy back or amortise senior debt.

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, 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 leasing or that Eurocastle will be able to fund or repay its liabilities.