



EUROCASTLE INVESTMENT LIMITED

H1 2012 Investor Presentation



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⁽¹⁾ 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.

(1) Eurocastle Investment Limited and its consolidated subsidiaries are defined as the “Group”



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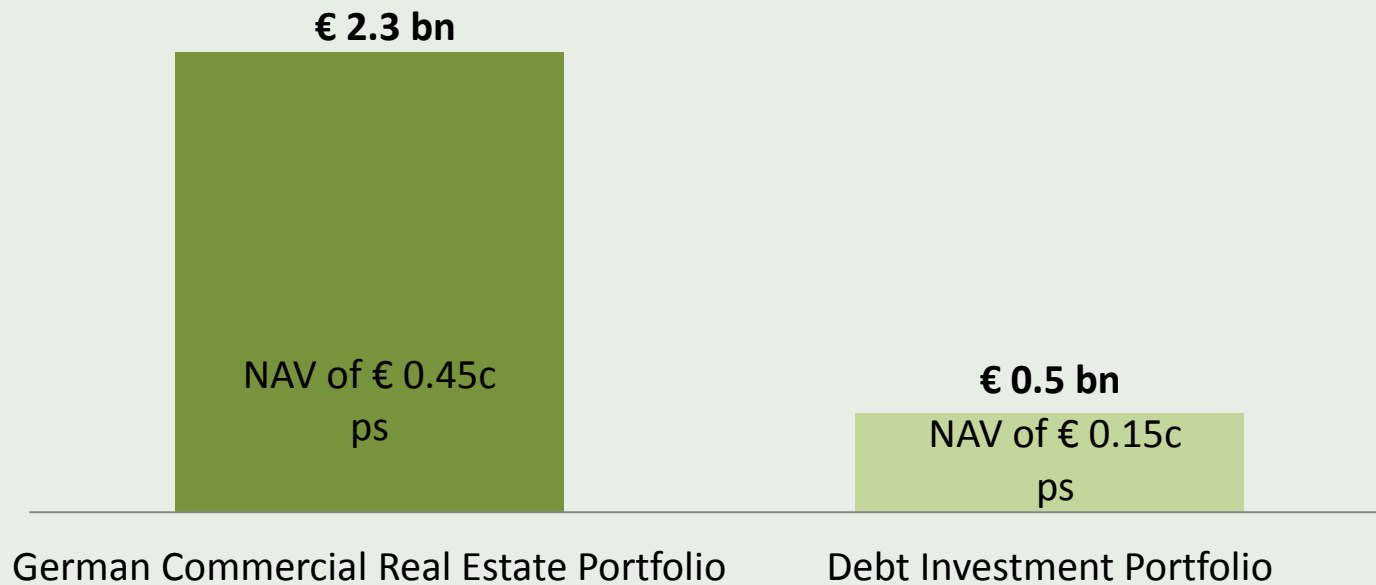
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- H1 2012 Highlights
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- Debt Portfolio Update
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- Subsequent Events
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- Eurocastle Investment Ltd (“ECT”) primarily owns and manages German commercial property and European debt investments
 - As at June 2012, the Group’s Real Estate portfolio consisted of 440 properties with an occupancy level of 81.0%. NAV for the H1 ‘12 is €274.8m or €0.45 per fully diluted share
 - The European Debt Investment portfolio comprises 47 bonds and 21 commercial real-estate loans. NAV for the H1 ‘12 is €91.6m or €0.15 per fully diluted share
 - ECTs total assets amount to €2.8 bn or an NAV per fully diluted share of €0.59

Total Assets & NAV



(1) NAV per share is expressed on a fully diluted share basis as at 30 June 2012 and rounded to two decimal places

(2) NAV is reported after taking into account the effect of the unallocated assets and liabilities



Real Estate Portfolio Highlights

- **Leasing:** During the half-year ended 30 June 2012, the Group signed 108 commercial leases for approximately 60k square metres (sqm)
- **Occupancy:** As at 30 June 2012, physical occupancy has now stabilised at 81.0%, down from 84.6% at the end of 2011
- **Sales:** In H1 '12, the Group sold 23 properties for total sales proceeds of €48.7m compared to a carrying value of €42.4m
- **Restructurings:** Eurocastle completed the sale of its remaining 25% interest in the Mars Fixed 1 portfolio, previously carried at nil value, and terminated asset management services in respect of this portfolio. As a result of this transaction, the Group has received a gross benefit of €7.0m
- **Restructurings:** The cash trapped Mars floating facility was restructured, removing all contingent guarantees previously provided by the Company. In addition, the Company received €1.7m to offset management costs with further distributions expected until the December 2013 maturity

Debt Portfolio Highlights

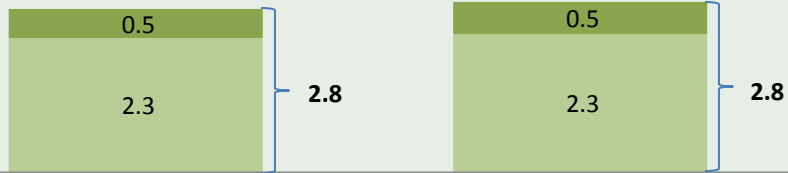
- **Reinvestment:** Using a combination of amortisation and asset sale proceeds, CDO V repurchased €76.8m of its own senior debt at an average price of 61% of nominal realising a net book gain of €30.4m
- **CDO II Liquidation:** Subsequent to 30 June 2012, the remaining assets of CDO II were liquidated and the Group expects to receive in excess of €4.0m in redemption proceeds



Portfolio Highlights

Total Assets (€m)

■ Debt Investment Portfolio
■ Real Estate Portfolio



H1 2012

FY 2011

Major Drivers: Fair value movement and disposals in the real estate portfolio (-€38.5m) and impairments in the debt portfolio (-€17.0m)

NAV (€ / share)

■ Debt Investment Portfolio
■ Real Estate Portfolio



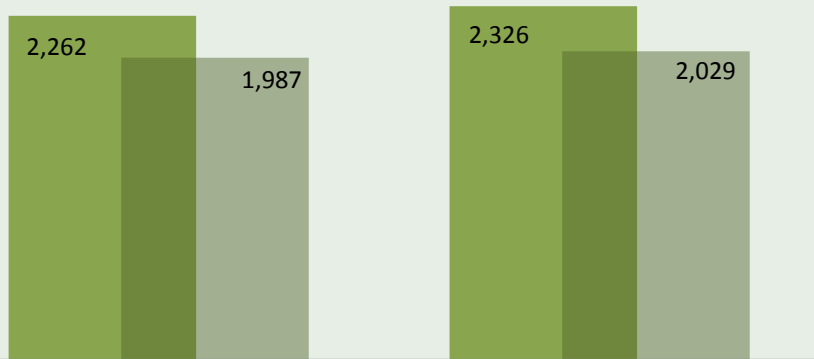
H1 2012

FY 2011

Major Drivers: Share dilution (-€0.05), fair value adjustments to debt and real estate (-€0.05) net of gain of repurchase of debt (+€0.05)

Real Estate Portfolio Assets & Liabilities (€m)

■ Total Assets ■ Total Liabilities



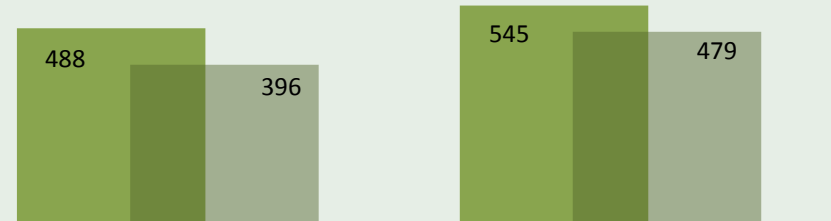
H1 2012

FY 2011

Major Drivers: Fair value movements of €14.1m, disposal of real estate of €24.4m

Debt Portfolio Assets & Liabilities (€m)

■ Total Assets ■ Total Liabilities



H1 2012

FY 2011

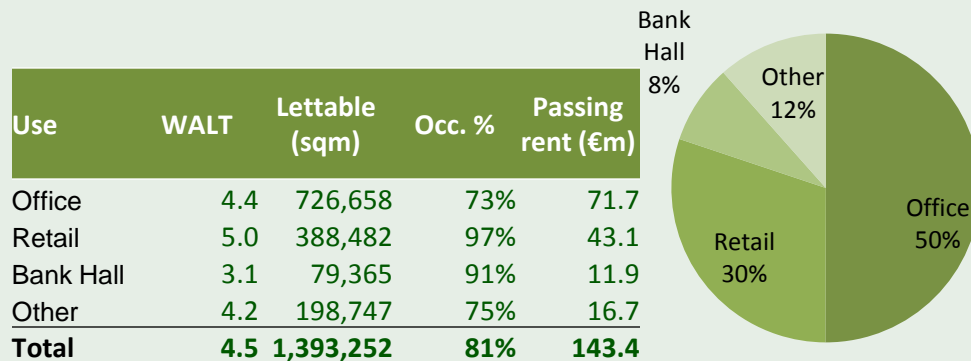
Major Drivers: Repurchase of €76.8m of internal debt, impairments charge €17.1m and sales of €24.8m



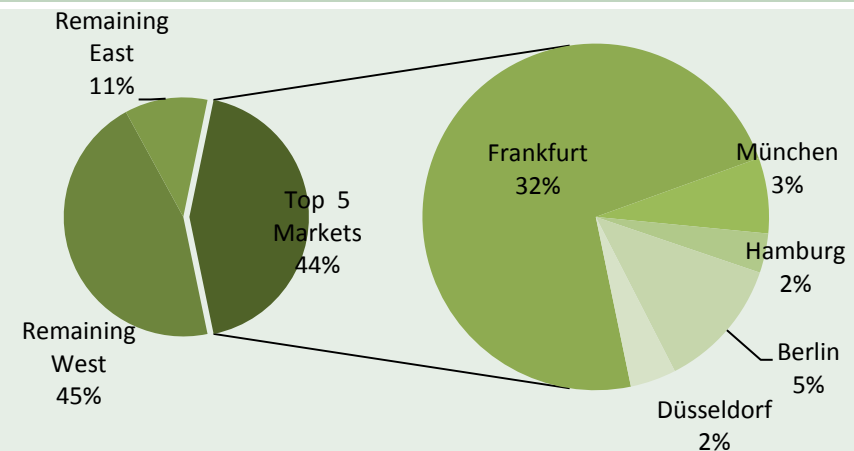
Business Review

- Overview:** As of 30 June 2012, the Group owned 440 investment properties across Germany valued at approximately €2.1bn, equivalent to an NOI⁽¹⁾ yield of 5.5%. These assets are held in 11 separate financing portfolios. They comprise a diversified mix of office and retail properties with 44.0% of rental income from the five major German markets. The average lease term is 4.5 years with 1.4% of rental income expiring in 2012
- Sales:** 23 properties were sold for total sales proceeds of €48.7m, realising cash of €2.2m after repayment of asset level financings and costs, of which €0.7m of cash was retained within the Drive portfolio
- Occupancy:** As of 30 June 2012, the Group had total lettable space of 1.4 million sqm. Physical occupancy on a like-for-like basis was at 81.0% compared to 84.6% at the end of 2011, following an expiry relating to the consolidation of a major tenant's back-office location in Frankfurt

Portfolio Composition⁽²⁾⁽³⁾



Portfolio by Location⁽²⁾⁽³⁾



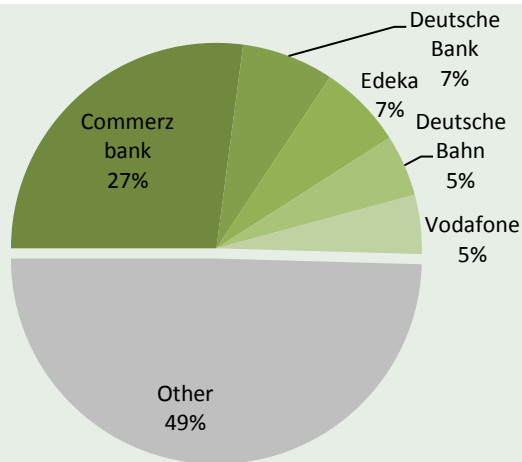
(1) Net operating Income (NOI) represents gross rental income less net service charge expenses and property operating expenses on an annualised basis
 (2) Based on passing rent. Passing rent is defined as the contractual annual gross rental income at the period end, excluding the net effects of straight lining lease incentives.
 (3) Total portfolio includes 100% of Mars Floating, in which the Group has a 50% equity investment



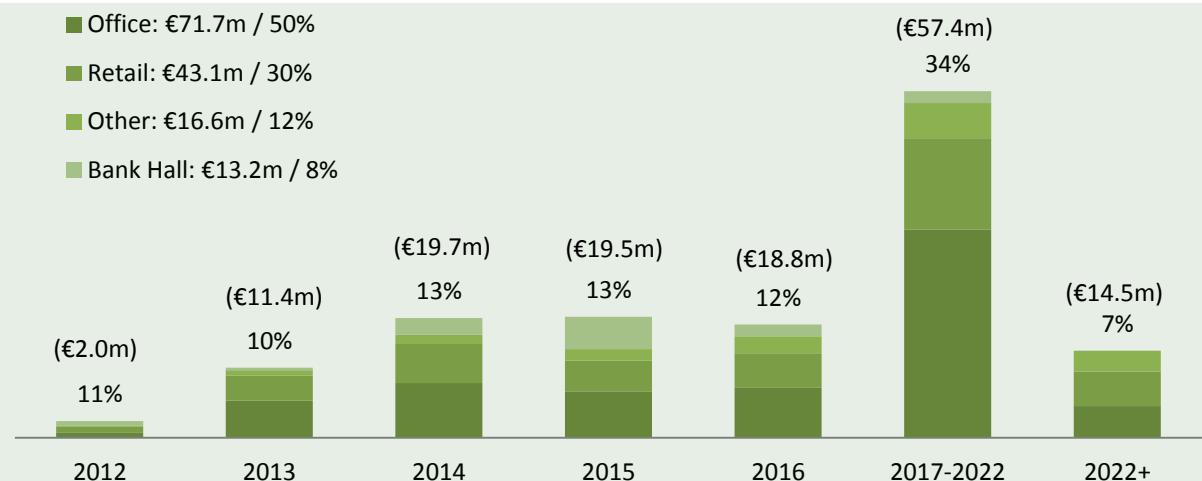
Business Review (continued)

- Leasing:** During H1 '12, the Group signed 108 leases for approximately 60 k sqm, including 64 new leases for approximately 21k sqm and 44 lease renewals for approximately 39 sqm. The renewal rate for leases expiring in H1 2012 was 66.6% compared to 67.2% in H1 2011. Excluding a large expiry in the Drive portfolio, the renewal rate was 79.7%.
- Valuations & Market Commentary:** On a like for like basis, the portfolio value has declined moderately by 3.6% year-on-year as a result of individual asset-related factors (i.e. reduced rent, shorter remaining lease terms). The portfolio has so far not been able to benefit from the positive outlook for the German real estate market given the majority of the assets are situated outside or on the periphery of the five major German markets

Tenant profile (1)



Lease Roll-off (1) (2)



(1) Based on passing rent. Passing rent is defined as the contractual annual gross rental income at the period end, excluding the net effects of straight lining lease incentives

(2) Included in the Drive portfolio passing rent due to expire in 2012 is €10.9m of leases that have been terminated and will not be renewed leading to a 4.4% decrease in occupancy

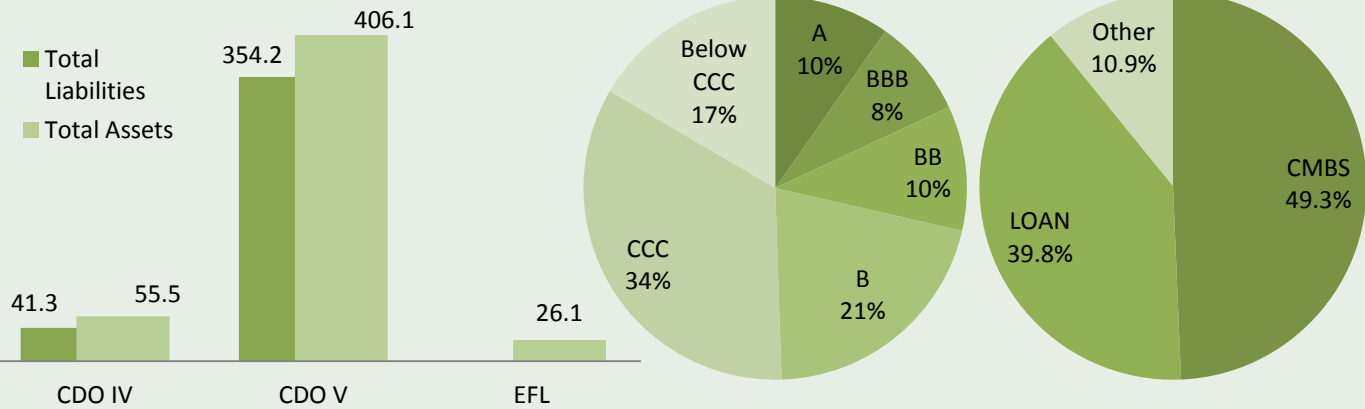


Debt Portfolio Update

Portfolio Composition (€m)

Key Metrics

- As of 30 June 2012, the Debt Investment portfolio consisted of total assets of €487.4m and total non-recourse liabilities of €395.5m held across three portfolios ⁽¹⁾



Key Metrics ⁽²⁾	H1 2012	FY 2011
WA asset margin	3.18%	2.90%
WA liability spread	0.97%	0.92%
WA net spread	2.22%	1.98%
WA credit rating	B-	B
% investment grade	18.06%	23.34%
Nº of securities/loans	68	74

Business Review

- Reinvestment:** Total amortisation principal received during the first half of 2012 was €16.9 million. In addition, €28.5 million nominal of assets were sold at an average price of 100.2%. The majority of these proceeds were received within the CDO V portfolio which (together with additional available cash) was used to repurchase €76.8m of its own senior debt at an average price of 61% of nominal; realising a net book gain of €30.4m
- Market Commentary⁽³⁾:** In the first half of 2012, European credit markets experienced significant volatility, primarily related to the sovereign debt crisis. The first quarter was characterised by a sharp sell-off across credit markets, followed by a moderate recovery in the second quarter. There continues to be a significant imbalance with regard to trading activity between debt classes; secondary markets in senior debt remain active with strong investor demand, whilst there is extremely limited liquidity for more Junior classes of CMBS and commercial real estate loans

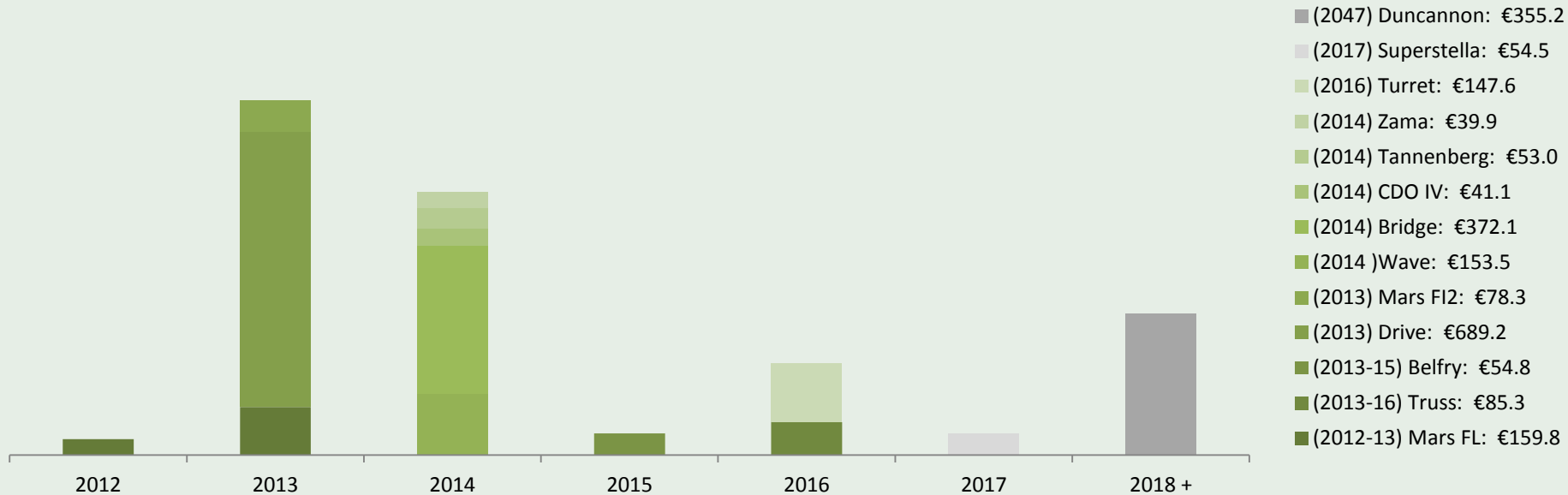
(1) Excludes €0.6m of allocated Corporate liabilities

(2) Weighted average based on carrying value

(3) Based on internal research



Maturities Profile (€m)



Group Liquidity

- The Group has continued to generate cash at the holding company level that is available for corporate purposes. However, excess cashflow from CDO V, Drive and the remaining Mars portfolios continues to be retained at the portfolio level and is not distributed to ECT. As at 30 June 2012, ECT had a corporate cash balance of €36.1m
- The Company does however receive limited distributions to offset asset management costs incurred by the Group in respect of the Drive and Mars Floating portfolios. Relating to the first half of 2012, €1.1m was received with an additional €1.7m paid in the period following the restructuring of the Mars Floating facility for amounts retrospectively accrued from 2011
- The Group received a total gross benefit of €7.4m from the Mars Fixed 1 portfolio, including €0.4m of fees for services performed prior to the termination of asset management services provided to the portfolio. No further considerations are expected
- The Company has received €1.5m from sales in its real estate portfolio after repayment of asset level financings



Financing

- **Drive:** The Group is in an active dialogue with the Senior and Junior lenders with a view to a facility extension and asset disposal plan. The Junior lenders have continued to exercise their discretion to allow distributions to be made from portfolio cash flows to the Group to offset asset management costs for this portfolio
- **Debt Business:** Following the receipt of €18.1m of amortisation proceeds from its investment in the senior CDO II Note in December 2011, note holders have recently voted to liquidate the remaining assets within the portfolio. Eurocastle expects to receive redemption proceeds in September of at least €4.0m from the remaining interest it currently holds in the CDO
- **Conversions:** Subsequent to 30 June 2012, €3.7 million of Eurocastle's convertible securities were presented for conversion into shares. These securities were converted into 12,180,650 ordinary shares after taking into account the impact of deferred interest

Sales & Leasing

- **Leasing:** Since the half-year end, approximately 14.8k sqm of new leases and 3.3k sqm of renewals have been completed, with a further 9.2k sqm of new leases and 35.8k sqm of renewals currently under negotiation
- **Sales:** Since the half-year end, the Group has entered into binding agreements to sell a further 5 for estimated total proceeds of €17.6m. Once completed these sales are expected to generate up to €0.3m of cash after repayment of asset level financings



Key Financials

Key Balance Sheet (€m)

	H1 2012	2011
Cash and cash equivalents	134.5	117.7
RE Investment property	2,152.0	2,201.8
Debt investments	446.2	494.2
Other assets	38.5	57.1
Total assets	2,771.2	2,870.8
Interest bearing debt financing	-2,299.6	-2,405.9
Other liabilities	-105.6	-102.0
Total liabilities	-2,405.2	-2,507.9
Net assets	366.0	362.9
Net assets €/share	0.60	0.64

Net Impairment Losses and Fair Value Movements (€m)

Impairment Losses (Debt)		Fair values (Real Estate)	
H1 2012	H1 2011	H1 2012	H1 2011
-7.5		-20.8	
-9.5		-1.0	
-0.1		-21.8	
-17.1			-73.4
	-29.7		
	-1.8		
	-9.5		
	-41.0		-11.6
			-85.0

■ Loans & Receivables
■ RE related Loans
■ Realisation of un'lis'd losses
■ Freehold Land & Buildings ■ Leasehold

Summarised Income Statement (€m)

Income Statement	H1 2012	H1 2011
Interest income	12.5	25.2
Rental and service charge income	85.3	121.1
Net impact of sale of interest in Mars Fixed	6.8	-9.4
Decrease in fair value of investment properties	-21.7	-28.8
Other than temporary impairment on securities	-17.0	-41.0
Interest Expense	-45.0	-80.8
Service charges and property operating expenses	-28.1	-41.2
Other operating income / (expenses)	8.2	-16.1
Net profit / (loss) before taxation	1.0	-71.0
Taxation	-0.3	-1.1
Net profit / (loss) after taxation	0.7	-72.1
Profit / (loss) per weighted ave basic share (€/share)	0.00	-1.10

FFO and Normalised FFO Reconciliation (€m)

Reconciliation of FFO and normalised FFO	H1 2012	H1 2011
Net loss after taxation	0.7	-72.1
Decrease in fair value of investment properties	21.7	28.8
Increase in fair value of interest rate swaps	-0.1	-0.9
Unrealised movements on currency swaps	0.0	0.1
Realised loss on sale of investment properties	7.7	-74.9
Deferred tax charge on investment properties	0.0	1.5
Funds from operations (FFO)	30.0	-117.5
Net impact of deconsolidation and sales	-6.8	10.1
Net gain on debt paydowns and repurchases	-31.8	-2.8
Impairment losses	17.0	41.0
Loss on investment properties net of costs	-5.3	79.1
Other	-0.7	3.1
Normalised funds from operations	2.4	13.0



Property Portfolio Stratifications ⁽¹⁾

Portfolio	Number of properties	Occupancy (sqm)	Occupancy %	Passing Rent (€m) (2)	Annualised NOI (€m) (3)	Property valuation (€m) (4)	Av lease Term	NOI Yield on valuation	Drawn Debt (€m)	LTV
Drive	173	299,851	67.4%	42.6	32.5	784.2	3.8	4.1%	689.2	87.9%
Bridge	6	185,930	97.1%	27.4	25.2	422.7	5.9	6.0%	372.1	88.0%
Wave	61	129,900	82.5%	14.7	12.6	185.2	3.2	6.8%	153.5	82.9%
Mars - floating	13	98,282	58.6%	10.8	7.0	162.5	3.2	4.3%	159.8	98.4%
Turret	63	137,073	97.5%	15.1	12.7	170.4	4.2	7.5%	147.6	86.6%
Truss	41	80,048	98.3%	8.3	6.8	95.9	4.5	7.1%	85.4	89.1%
Mars - fixed 2	3	31,993	83.5%	6.1	4.9	95.8	3.7	5.1%	78.3	81.7%
Belfry	27	51,931	98.1%	5.2	4.6	60.7	4.4	7.5%	54.7	90.1%
Tannenberg	27	47,292	95.5%	5.2	4.4	60.3	5.9	7.4%	53.0	87.9%
Superstella	18	38,355	100.0%	4.4	3.9	55.8	9.3	7.0%	54.5	97.6%
Zama	8	28,220	92.8%	3.6	3.3	44.1	4.2	7.4%	39.9	90.4%
Total portfolio	440	1,128,875	81.0%	143.4	117.9	2,137.6	4.5	5.5%	1,888.0	88.3%

Ageing of Passing rent (€m) ⁽²⁾

Portfolio	2012	2013	2014	2015	2016	2017-2021	2022+	Open-Ended	Total
Drive	0.2	2.2	6.9	3.0	9.0	19.3	0.4	1.7	42.6
Bridge	0.3	1.4	1.8	0.7	1.9	15.7	5.2	0.4	27.4
Wave	0.2	1.2	1.2	9.0	0.5	2.1	0.3	0.3	14.7
Mars - floating	0.3	2.3	2.5	1.0	1.3	2.8	0.1	0.4	10.8
Turret	0.1	2.4	4.0	1.9	1.8	3.6	1.1	0.3	15.1
Truss	0.1	0.8	0.6	1.5	1.8	3.3	0.2	(0.1)	8.3
Mars - fixed 2	0.3	0.5	1.2	1.0	0.6	2.5	-	0.1	6.1
Belfry	0.2	0.4	0.7	0.5	0.9	2.4	-	0.0	5.2
Tannenberg	0.3	0.3	0.5	0.5	0.6	1.9	1.0	0.3	5.2
Superstella	-	-	-	-	0.1	1.4	2.8	0.1	4.4
Zama	-	0.1	0.4	0.2	0.2	2.5	-	0.2	3.6
Total portfolio	2.0	11.4	19.7	19.3	18.8	57.5	11.1	3.7	143.4

(1) The total portfolio includes 100% of the Mars Floating portfolio, in which the Group has a 50% equity investment

(2) Passing rent is defined as the contractual annual gross rental income at the period end, excluding the net effects of straight lining lease incentives

(3) Net operating income is after deducting €2.9m of free rent. It excludes the amortisation of tenant incentives and leasing commissions, the fund costs related to the Drive portfolio and other real estate related general expenses included within property operating expenses in the consolidated income statement. It is shown here as the annualised amount at the period end

(4) The above valuation does not include €23.7m relating to head leases