EUROCASTLE INVESTMENT LIMITED

PRELIMINARY RESULTS FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2004

Year End 2004 Highlights

- Initial public offering completed in June 2004, raising net proceeds of €74.3 million.
- Total assets ended at €1,627.6 million, a €1,568.0 million increase from 31 December 2003.
- Equity book value total of €206.4 million, or €11.18 per share.
- Net earnings of €12.0 million, or €0.78 per diluted share, despite having a significant amount of uninvested cash during the year.
- Declared total dividends of €0.63 per share.

Fourth Quarter 2004 Highlights

- Total assets increased 87.3% from €869.0 million to €1,627.6 million during the quarter.
- Net earnings of €5.1 million for the quarter, or €0.27 per diluted share.
- Increased fourth quarter dividend of €0.33 per share, or annualised rate of €1.32 per share.
- Deployed substantially all of the IPO equity.
- Term financed a €318.5 million purchase of credit leased real estate assets

Selected Financial Data (amounts in €'000, except share data and supplemental data)	**Three Months Ended 31 December 2004**	**Year Ended 31 December 2004**
Operating Data		
Net profit	5,062	12,031
Earnings per diluted share	0.27	0.78
Weighted average number of shares outstanding, diluted	19,088,970	15,495,783

Balance Sheet Data	**As of 31 December 2004**	**As of 30 September 2004**
Available-for-sale assets (includes cash to be invested)	1,286,422	858,192
Investment Properties	318,514	-
Cash and cash equivalents	10,293	1,619
Total assets	1,627,619	868,961
Debt obligations	1,154,310	654,027
Shareholders' equity	206,420	203,315

Supplemental Total Real Estate and Other ABS Securities and Real Estate Loans Data as of 31 December 2004*

Weighted average asset yield	4.18%
Weighted average liability cost	2.73%
Weighted average net spread	1.45%
Weighted average credit rating	BBB+
Weighted average asset credit spread (above Euribor)	1.99%
Percentage investment grade	93%
Number of securities	85

* excludes short term investments with a maturity of less than 3 months and rated A-1+ by Standard & Poor's and P-1 by Moody's

EUROCASTLE INVESTMENT LIMITED

PRELIMINARY RESULTS FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2004

Overview

Eurocastle Investment Limited (LSE: ECT) reported net earnings for the quarter ended 31 December 2004 of €5.1 million or €0.27 per diluted share. Net earnings for the year ended 31 December 2004 totaled €12.0 million or €0.78 per diluted share. As of 31 December 2004, the Company's shareholders' equity was €206.4 million or €11.18 per outstanding share.

Eurocastle's core business strategy is to invest in a diverse portfolio consisting primarily of European real estate asset-backed securities and other European real estate related assets which we finance in a manner designed to match the terms of our assets and liabilities. In the year ended 31 December 2004, Eurocastle purchased approximately €1,061 million of asset backed securities, €22 million of real estate related loans, and €318.5 million of credit leased real estate assets.

Despite credit spreads of European asset backed securities at historically tight levels, we continue to find attractive opportunities to deploy capital at superior risk adjusted returns. We anticipate there will be increased supply of European CMBS in 2005. During the past 12 months there has been a substantial increase in activity with several new conduit programs being formed by a number of investment banks. The B-Note market is also developing in line with this increased securitisation activity and should offer investment possibilities during the current year.

In addition to acquiring real estate and other asset backed securities and real estate related loans during the quarter, Eurocastle also completed its first sale-leaseback transaction in December for €318.5 million. The investment allowed us to substantially deploy the capital we raised in our IPO and generate attractive risk adjusted returns. It represents a long-term investment for Eurocastle and reflects our interest in Germany as well as other opportunities in Western Europe to acquire real estate leased to high credit tenants.

Fourth Quarter 2004 Dividend

The Board of Directors of Eurocastle declared a dividend of €0.33 per share for the quarter ended 31 December 2004. The record date for this dividend will be 4 March 2005 and the payment date will be on 11 March 2005. Eurocastle paid a dividend of €0.30 per share for the third quarter on 5 November 2004.

Our aim is to pay out all or substantially all of Eurocastle's earnings in the form of dividends to shareholders. Eurocastle intends to pay quarterly dividends to shareholders.

Fourth Quarter Investment Activity

During the fourth quarter of 2004, we acquired €534.8 million of real estate and other asset backed securities and real estate related assets.

Real Estate and Other Asset Backed Securities and Real Estate Loans

Total purchases in the quarter were €216.3 million in face amount of real estate securities, other asset backed securities and real estate loans, excluding short term investments (asset backed commercial paper). The securities purchased had an average credit rating of A- and an average credit spread above Euribor of 1.64%. Purchases of CMBS amounted to €88.0 million with an average spread of 1.25% and average rating of BBB+. RMBS purchases amounted to €30.3 million with an average spread of 1.62% and average rating of BBB. Other ABS purchases amounted to €75.8 million with an average spread of 0.76% and average rating of A+. Real estate related loans amounted to €22.2 million with an average spread of 6.17%. After allowing for sales of securities and principal redemptions, the net increase in face amount of real estate and other asset backed securities and real estate related loans during the quarter was approximately €181 million.

Other Real Estate Related Assets

Eurocastle also acquired a portfolio of 96 properties from Deutsche Bank AG for €318.5 million on 24 December 2004. The properties predominantly consist of office buildings and are largely occupied by Deutsche Bank. Deutsche Bank will continue to occupy most of their current space on a medium to long-term basis. The properties, totaling 300,000 square meters of leasable space, are located in 90 cities and towns throughout Germany. The properties are generally in city centre pedestrian areas and are among the best located and highest quality assets in their respective markets. The portfolio has been term financed as described below.

Capital Markets

Eurocastle completed its initial public offering on 29 June 2004 with a net capital raise of approximately €74.3 million, despite difficult equity markets in Europe at that time. Further capital raises are expected during the current year.

Consistent with the Company's funding discipline a €400 million non-recourse term debt offering was completed by Eurocastle CDO I in June 2004 to finance a portfolio of commercial mortgage backed securities and other asset backed securities.

In December 2004, Eurocastle entered into a 8.4 year term loan of €246.5 million with a major real estate lending bank to finance the acquisition of properties from Deutsche Bank. The term loan was set at a cost of Euribor plus 1.15%. After allowing for the cost of a term fixed rate interest rate swap on €210 million of the loan, the average cost of financing these properties at the year end was 4.53%.

Eurocastle also entered into a revolving 364 day credit facility in December 2004 for €35.0 million as a means of securing access to temporary working capital. The interest rate on drawn amounts was priced at Euribor plus 2.5%, with a commitment fee of 0.5% on undrawn amounts.

Investment Portfolio

As of 31 December 2004, Eurocastle's total securities and loans portfolio of €1,286.4 million, which represents 79.0% of the Company's total assets, included €526.2 million of commercial mortgage backed securities, €254.1 million of asset backed commercial paper, €475.0 million of other asset backed securities, €21.9 million of loans, and €9.2 million of cash held within Eurocastle CDO I pending investment in additional real estate securities and other asset backed securities during the ramp-up period.

The investment portfolio is well diversified with 85 issues and an average life of 4.0 years; 95% of the portfolio comprises floating-rate securities. The portfolio is geographically diversified with direct exposures of 39% in the UK, 25% in Italy, 13% Pan European, 10% in Germany, and 6% in France. The average credit quality of the securities portfolio is BBB+ and 93% of the securities are rated investment grade. The weighted average credit spread was 1.99% as of 31 December 2004. The weighted average credit spread represents the yield premium on our securities over Euribor.

Credit

Our real estate securities portfolio continues to perform. As of 31 December 2004, none of our securities or loans defaulted, and there have been no principal losses to date. We continue to seek investments that will generate superior risk adjusted returns with a long-term objective of capital preservation and earnings stability in varying interest rate and credit cycles. With the exception of Germany, where developments have reflected a cautious view of economic prospects, major property markets in Europe have been benign for investors, with falling yield expectations reflecting unsatisfied demand for stable, good quality assets. Our expectations are for continued stability with moderate growth prospects.

About Eurocastle

Eurocastle Investment Limited is an investment company that invests in and manages a diverse portfolio consisting primarily of European real estate related asset-backed securities and other European real estate related assets. Eurocastle is managed by Fortress Investment Group LLC, a global alternative investment and asset management firm with approximately US$12 billion of equity capital currently under management.

Conference Call

Management will conduct a conference call on Thursday 24 February 2005 to review the Company's financial results for the year ended 31 December 2004. The conference call is scheduled for 1:30 P.M. London time (8:30 A.M. New York time). All interested parties are welcome to participate on the live call. You can access the conference call by dialing US 1-888-428-4473 or International +1-612-332-0923 ten minutes prior to the scheduled start of the call; please reference "Eurocastle Earnings Call."

For those who are not available to listen to the live call, a replay will be available until 11:59 P.M. New York time on 3 March 2005 by dialing US 1-800-475-6701 or International +1-320-365-3844; please reference access code "771573."

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited Year Ended 31 December 2004 €'000	8 August 2003 (Formation Date) to 31 December 2003 €'000
Operating income			
Interest income		23,902	50
Rental income		344	-
Realised gain on securities portfolio contract	15	4,141	611
Loss on foreign currency translation		(613)	-
Realised gain on disposal of available-for-sale securities		1,356	-
Total operating income		29,130	661
Operating expenses			
Interest expense		13,663	-
Property operating expense		33	-
Other operating expenses	3	3,403	759
Total operating expenses		17,099	759
Net profit (loss)		12,031	(98)
Earnings per ordinary share (adjusted for share consolidation)			
Basic	12	0.79	(0.01)
Diluted	12	0.78	(0.01)
Weighted average ordinary shares outstanding (adjusted for share consolidation)			
Basic	13	15,214,818	11,857,670
Diluted	13	15,495,783	11,857,670

See notes to the consolidated financial statements

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

	Notes	Unaudited 31 December 2004 €'000	31 December 2003 €'000
Assets			
Cash and cash equivalents		10,293	1,690
Restricted cash		2,812	-
Securities portfolio contract	15	-	57,611
Asset backed securities, available-for-sale (includes cash to be invested)	4	1,264,484	-
Real estate related loans, available-for-sale	5	21,938	-
Investment property	7	318,514	-
Other assets	6	9,578	316
Total assets		1,627,619	59,617
Equity and Liabilities			
Capital and Reserves			
Issued capital, no par value, unlimited number of shares authorised, 18,463,670 shares issued and outstanding at 31 December 2004 (11,857,670 at 31 December 2003, adjusted for share consolidation)	13	192,709	59,027
Net unrealised gain on available-for-sales securities and hedge instruments	4, 5	7,317	-
Accumulated profit (loss)		6,394	(98)
Total equity		206,420	58,929
Minority Interests		2	-
Liabilities			
CDO bonds payable	8	347,877	-
Bank borrowings	9	608,849	-
Repurchase agreements	10	197,584	-
Trade and other payables	11	266,887	688
Total liabilities		1,421,197	688
Total equity and liabilities		1,627,619	59,617

See notes to the consolidated financial statements

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Year	8 August 2003

	Ended 31 December 2004 €'000	(Formation Date) to 31 December 2003 €'000
Cash Flows From Operating Activities		
Net profit (loss)	12,031	(98)
Adjustments for:		
Unrealised gain on securities portfolio contract	-	(611)
Unrealised gain on foreign currency contracts	(275)	-
Accretion of discounts on securities	(790)	-
Amortisation of borrowing costs	224	-
Gain on disposal of available-for-sale securities	(1,356)	-
Gain on securities portfolio contract	(4,141)	-
Shares granted to Directors	72	-
Net change in operating assets and liabilities:		
Increase in restricted cash	(2,812)	-
Increase in other assets	(8,271)	(113)
Increase in trade and other payables	9,223	688
Net cash flows used in operating activities	3,905	(134)
Cash Flows From Investing Activities		
Purchase of investment property	(315,589)	-
Securities portfolio contract deposit paid	(59,000)	(57,000)
Proceeds on securities portfolio contract deposit	120,752	-
Purchase of available-for-sale securities/loans	(1,082,651)	-
Proceeds from sale of available-for-sale securities	39,667	
Repayment of security principal	19,363	-
Net cash flows used in investing activities	(1,277,458)	(57,000)
Cash Flows From Financing Activities		
Proceeds from issuance of ordinary shares	138,488	59,288
Costs related to issuance of ordinary shares	(4,878)	(261)
Issuance of bonds	347,658	-
Borrowings under repurchase agreements	197,584	-
Proceeds from bank borrowings	608,843	-
Payment of deferred financing costs	-	(203)
Dividends paid to shareholders	(5,539)	-
Net cash flows from financing activities	1,282,156	58,824
Net Increase in Cash and Cash Equivalents	8,603	1,690
Cash and Cash Equivalents, Beginning of Year	1,690	-
Cash and Cash Equivalents, End of Year	10,293	1,690

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	-----------Issued Capital-------					
	Ordinary Shares (adjusted for share consolidation)	Amount €'000	Net Unrealised Gains €'000	Hedging Reserves €'000	Accumulated Profit (Loss) €'000	Total Equity €'000

At 8 August 2003 (Date of Formation)	-	-	-	-	-	-
Issuance of ordinary shares	11,857,670	59,288	-	-	-	59,288
Costs related to issuance of ordinary shares	-	(261)	-	-	-	(261)
Net loss	-	-	-	-	(98)	(98)
At 31 December 2003	11,857,670	59,027	-	-	(98)	58,929
At 1 January 2004	11,857,670	59,027	-	-	(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
Costs related to issuance of ordinary shares on IPO	-	(4,878)	-	-	-	(4,878)
Issuance of ordinary shares to Directors	6,000	72	-	-	-	72
Net unrealised gain on available-for-sale securities	-	-	6,604	-	-	6,604
Net unrealised gain on hedge instruments	-	-	-	713	-	713
Dividends paid	-	-	-	-	(5,539)	(5,539)
Net profit	-	-	-	-	12,031	12,031
At 31 December 2004 (unaudited)	18,463,670	192,709	6,604	713	6,394	206,420

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BACKGROUND

Eurocastle Investment Limited (the "Company") was incorporated in Guernsey, Channel Islands on 8 August 2003 and commenced its operations on 21 October 2003. The principal activities of the Company include the investing in, financing and managing of European real estate securities and other real estate related assets and other asset backed securities. The directors consider the Company to operate in three business segments, being real estate and other asset backed securities, real estate related loans, and investment properties, and one geographical segment, being Europe.

The Company is externally managed by its manager, Fortress Investment Group LLC (the "Manager"). The Company has entered into a management agreement (the "Management Agreement") under which the Manager advises the Company on various aspects of its business and manages its day-to-day operations, subject to the supervision of the Company's Board of Directors. The Company has no direct employees. For its services, the Manager receives an annual management fee (which includes a reimbursement for expenses) and incentive compensation, as described in the Management Agreement. The Company has no ownership interest in the Manager.

In October 2003, the Company issued 118,576,700 ordinary shares through a private offering to qualified investors at a price of €1 per share. Pursuant to a written resolution of the Company dated 18 June 2004, the shareholders resolved to receive one share in exchange for every ten shares previously held by them.

Immediately following this resolution, the Manager and its employees held 1,356,870 ordinary shares. In June 2004 the Company issued 6,600,000 ordinary shares in its initial public offering at a price of €12.00 per share, for net proceeds of €74.3 million.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB), and International Accounting Standards and Standing Interpretations Committee interpretations approved by IASB's predecessor, the International Accounting Standards Committee, that remain in effect. In preparing financial statements, the same accounting principles and methods of computation are applied as in the financial statements as at 31 December 2003 and for the period then ended. The consolidated financial statements are presented in euros, the functional currency of the Company, because the Company conducts its business predominantly in euros.

Basis of Preparation

The consolidated financial statements are prepared on a fair value basis for derivative financial instruments, financial assets and liabilities held for trading, and available-for-sale assets. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised or historical cost.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of Eurocastle Investment Limited and its subsidiaries for the year ended 31 December 2004.

Subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company.

At 31 December 2004, the Company's subsidiaries consisted of its investment in Eurocastle Funding Limited ("EFL"), a limited company incorporated in Ireland, Eurocastle CDO I PLC ("CDO I"), Eurocastle CDO II PLC ("CDO II") and Eurocastle CDO III PLC ("CDO III"), all limited companies incorporated in Ireland. The ordinary share capital of EFL held by outside parties has no associated voting rights. The Company retains control over EFL as the sole beneficial holder of secured notes issued by EFL. In accordance with the Standards Interpretation Committee Interpretation 12 Consolidation – Special Purpose Entities the Company consolidates CDO I, CDO II and CDO III as it retains control over these entities and retains the residual risks of ownership of these entities.

Eurocastle acquired its real estate properties through two German limited liability companies, Longwave Acquisition GmbH ("Longwave") and Shortwave Acquisition GmbH ("Shortwave") which are held through two Luxembourg companies (Eurobarbican and Luxgate), set up as sociétés à responsabilité limitée. Longwave and Shortwave each own German companies which have been used to hold one or several of the investment properties. These companies were established as special purpose vehicles limited to holding the single or multiple real estate investment properties acquired at the end of December 2004. Longwave has 60 subsidiaries and Shortwave has 2 subsidiaries. Luxgate owns all of the ordinary share capital of Eurobarbican which in turn owns all of the share capital of Longwave and Shortwave. Also see Note 19.

Financial Instruments

Classification

Financial assets and liabilities held for trading are those instruments that the Company principally holds for the purpose of short-term profit taking. These include securities portfolio contracts and forward foreign exchange contracts that are not designated as effective hedging instruments.

Available-for-sale assets are financial assets that are not held for trading purposes, originated by the Company, or held to maturity. Available-for-sale instruments include real estate and other asset backed securities and real estate related loans.

Recognition

The Company recognises financial assets held for trading and available-for-sale assets on the date it commits to purchase the assets (trade date). From this date any gains and losses arising from changes in fair value of the assets are recognised.

A financial liability is recognised on the date the Company becomes party to contractual provisions of the instrument.

Measurement

Financial instruments are measured initially at cost, including transaction cost.

Subsequent to initial recognition all trading instruments and available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All financial assets other than trading instruments and available-for-sale assets are measured at amortised cost less impairment losses. Amortised cost is calculated on the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques, as applicable.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Company would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of trading instruments are recognised directly in the income statement. Gains and losses arising from a change in the fair value of available-for-sale securities are recognised directly in equity until the investment is derecognised (sold, collected, or otherwise disposed of) or impaired, at which time the cumulative gain or loss previously recognised in equity is included in the income statement for the period.

Derecognition

A financial asset is derecognised when the Company loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

Assets held for trading and available-for-sale assets that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Company commits to sell the assets. The Company uses the specific identification method to determine the gain or loss on derecognition.

Impairment

Financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated. Impairment loss is the difference between the net carrying value of an asset and its recoverable amount. Any such impairment loss is recognised in the income statement.

Securities and loans are considered to be impaired, for financial reporting purposes, when it is probable that the Company will be unable to collect all principal or interest when due according to the contractual terms of the original agreements, or, for securities or loans purchased at a discount for credit losses, when it determines that it is probable that it will be unable to collect as anticipated. Upon determination of impairment an allowance is established based on the recoverable amount of the underlying investment using a discounted cash flow analysis.

Hedge accounting

Where there is a hedging relationship between a derivative instrument and a related item being hedged, the hedging instrument is measured at fair value. The fair value of a derivative hedging instrument is calculated in the same way as the fair value of trading instruments (refer to accounting policy above).

Where a derivative financial instrument hedges the exposure to variability in the cash flows of recognised assets or liabilities, the effective part of any gain or loss on remeasurement of the hedging instrument is recognised directly in equity. The ineffective part of any gain or loss is recognised in the income statement.

The gains or losses that are recognised in equity are transferred to the income statement in the same period in which the hedged firm commitment affects the net profit and loss.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

Available-For-Sale Securities

Securities available-for-sale which are owned directly by the consolidated special purpose vehicles as shown separately in Note 5.

Investment Properties

Investment properties comprise land and buildings. In accordance with IAS 40, property held to earn rentals and/or for capital appreciation is categorised as investment property. Investment property acquired at the end of December 2004 has been recognised at cost, being the fair value of the consideration given, including real estate transfer taxes, professional advisory fees and other acquisition costs. After initial recognition, investment properties are measured at fair value, with unrealised gains and losses recognised in the consolidated income statement. Fair values for the properties have been assessed by the company to be in line with the initial cost of the properties including acquisition costs, and as such, no profit or loss arising from changes in value has been brought to account in the current period.

The value of investment property incorporates five properties which are considered finance or operating leases. As the company has assumed substantially all the risks and rewards associated with these assets, and it has treated these as investment property under IAS 17 and IAS 40. These properties have been recognised at fair value in the same manner as freehold property. An associated liability representing the present value of lease payments to the freehold owner has been included in the balance sheet.

Fair values for all investment property have been determined by reference to the existing rental income and operating expenses for each property and the current market conditions in each geographical market. Fair values also incorporate current valuation assumptions which are considered reasonable and supportable by willing and knowledgeable parties.

Deferred Financing Costs

Deferred financing costs represent costs associated with the issuance of financings.

Interest-Bearing Loans and Borrowings

All loans and borrowings, including the Company's repurchase agreements, are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Minority Interests

Minority interests represent interests held by outside parties in the Company's consolidated subsidiaries.

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest income and expenses are recognised in the income statement as it accrues, taking into account the effective yield of the asset/liability or an applicable floating rate. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Rental income is recognised on an accruals basis.

Income Tax

The Company is a Guernsey, Channel Islands limited company. No provision for income taxes has been made. The company's subsidiaries, EFL, CDO I, CDO II and CDO III are Irish registered companies and are structured to qualify as securitisation companies under section 110 of the Taxes Consolidation Act 1997. It is envisaged that these companies will generate minimal net income for Irish income tax purposes and no provision for income taxes has been made for these companies.

The Company's German subsidiary companies, Longwave and Shortwave, are subject to German income tax on income arising from its investment properties, after the deduction of allowable debt financing costs and other allowable expenses. The net income attributable to the subsidiaries for the year ended 31 December 2004 was de minimis and, therefore, no provision has been made.

Foreign Currency Translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-measured at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary assets and liabilities denominated in foreign currencies, if any, are translated at the historical exchange rate and all differences are recognised in equity.

3. OTHER OPERATING EXPENSES

	Year Ended 31 December 2004 €'000	8 August 2003 (Formation Date) to 31 December 2003 €'000
Professional fees	764	484
Management fees (Note 14)	2,180	257
Other	459	18
	3,403	759

4. AVAILABLE-FOR-SALE SECURITIES

The following is a summary of the Company's available-for-sale securities at 31 December 2004.

			Gross Unrealised			Weighted Average			
	Current Face Amount	**Amortised Cost Basis**	**Gains**	**Losses**	**Carrying Value**	**S&P Rating**	**Coupon**	**Yield**	**Maturity (Years)**
	€'000	€'000	€'000	€'000	€'000				
Portfolio I									
CMBS	177,069	176,867	1,522	(79)	178,310	BBB+	4.01%	4.03%	3.65
Other ABS	215,177	214,051	2,576	(290)	216,337	BBB+	3.86%	4.24%	4.00
	392,246	390,918	4,098	(369)	394,647	BBB+	3.93%	4.16%	3.84
Portfolio II									
CMBS	95,035	94,468	630	(38)	95,060	BBB-	4.23%	4.31%	4.81
Other ABS	76,356	76,570	575	-	77,145	BBB	3.86%	3.82%	5.68
	171,391	171,038	1,205	(38)	172,205	BBB	4.07%	4.09%	5.20
Portfolio III									
CMBS	121,232	121,505	1,079	(204)	122,380	BBB+	4.62%	4.51%	3.80
Other ABS	97,550	96,398	878	(175)	97,101	BBB+	4.24%	4.77%	3.32
	218,782	217,903	1,957	(379)	219,481	BBB+	4.45%	4.63%	3.59
Total Portfolio	**782,419**	**779,859**	**7,260**	**(786)**	**786,333**	**BBB+**	**4.11%**	**4.28%**	**4.07**
Other Securities									
CMBS	131,472	130,630	300	(417)	130,513	AA-	3.32%	3.63%	2.26
Other ABS	83,928	84,187	273	(26)	84,434	A+	3.04%	2.96%	4.89
	215,400	**214,817**	**573**	**(443)**	**214,947**	**AA-**	**3.21%**	**3.37%**	**3.29**
	997,819	**994,676**	**7,833**	**(1,229)**	**1,001,280**	**BBB+**	**3.91%**	**4.08%**	**3.90**
Short Term Investments									
Asset Backed commercial paper	255,073	254,051	-	-	254,051	A1+	n/a	2.13%	0.19
Total	**1,252,892**	**1,248,727**	**7,833**	**(1,229)**	**1,255,331**				

CMBS – Commercial Mortgage Backed Securities
Other ABS – Other Asset Backed Securities

The Carrying Value in the table above excludes restricted cash of €9.2 million included in Portfolio I pending its reinvestment in additional CMBS and other ABS.

The securities within Portfolio I are encumbered by the CDO I securitization (Note8). The securities within Portfolio II and Portfolio III are encumbered by the borrowings under the warehouse credit facilities for CDO II and CDO III described in Note 9. Most of the securities categorised as other above were subject to repurchase agreements described in Note 10 as at 31 December 2004.

5. REAL ESTATE LOANS

			Gross Unrealised			Weighted Average			
	Current Face Amount	Amortised Cost Basis	Gains	Losses	Carrying Value	S&P Rating	Coupon	Yield	Maturity (Years)
	€'000	€'000	€'000	€'000	€'000				
Real estate loans	22,165	21,938	-	-	21,938	NR	8.35%	8.44%	5.88

6. OTHER ASSETS

	31 December 2004 €'000	**31 December 2003 €'000**
Interest receivable	7,800	-
Rent receivable	344	-
Deferred financing costs	217	203
Prepaid insurance	227	111
Derivative assets	990	-
Other assets	-	2
	9,578	316

Deferred financing costs represent costs associated with the issuance of a collateralised debt obligation and will be offset against the proceeds of the issuance.

7. INVESTMENT PROPERTIES

The table below shows the items aggregated under investment property in the consolidated balance sheet:

EUR '000	**Land & Buildings**	**Leasehold Property**	**Total**
At 1 January 2004	-	-	-
Additions	303,480	15,034	318,514
At 31 December 2004 (unaudited)	303,480	15,034	318,514

The property portfolio consists of 96 office and retail assets located throughout metropolitan and regional Germany, predominantly in western Germany. The properties were acquired from Deutsche Bank, who remains the largest occupant of the portfolio, occupying approximately 52% of the portfolio by area. Deutsche Bank's weighted average unexpired lease term is 7.2 years.

A summary of the location and proportionate value of each property in the portfolio is as follows:

Location	**Number of Properties**	**Proportionate Value**
Nordrhein-Westfalen	30	33.71%
Baden-Württemberg	20	23.91%

Hesse	9	8.56%
Lower Saxony	8	9.66%
Bayern	7	7.30%
Rhineland-Palatinate	6	4.54%
Saxony-Anhalt	3	4.45%
Thuringia	5	2.68%
Saxony	2	1.63%
Schleswig-Holstein	1	1.33%
Hamburg	1	0.99%
Bremen	1	0.43%
Mecklenburg-West Pomerania	2	0.51%
Brandenburg	1	0.29%
	96	100.00%

8. BONDS PAYABLE

CDO Bonds

Class	Rating	Current Face Amount €'000	Carrying Amount €'000	Weighted Average Cost of Financing	Weighted Average Maturity (in years)
A and B Notes	AAA/AA	351,000	347,877	2.777%	7.30

9. BANK BORROWINGS

The bank borrowings comprises of:

		31 December 2004 €'000	31 December 2003 €'000
Warehouse borrowing	(Note 9.1)	350,843	-
Term finance	(Note 9.2)	244,006	-
Revolving credit facility	(Note 9.3)	14,000	-
		608,849	-

9.1 Warehouse Borrowings

In July 2004, through its subsidiaries CDO II and CDO III, the Company exercised its option to purchase securities under the securities portfolio contract for an aggregate purchase price of approximately €77.5 million. The Company financed the purchase price through a revolving credit facility arrangement with a major investment bank, whereby the securities purchased, along with any additional securities to be acquired, are financed and held in a custody account by the bank. The Company is using this credit facility as a means of accumulating securities intended to be used in future securitisation transactions. The Company currently anticipates completing the securitisations in the near term.

The terms of the credit facility provide for interest to be calculated with reference to floating rate benchmarks (i.e. Euribor or Sterling Libor) plus 75 basis points. The weighted average financing cost was 2.89% at 31 December 2004.

9.2 Term Financing for Investment Properties

On 23 December 2004, in order to finance the acquisition of investment properties the Company's subsidiaries entered into a €246.5 million term loan facility with a major real estate lending bank. The facility is secured in the customary manner for German real estate lending, granting security over, inter alia, all the real estate purchased as well as over rental streams and bank accounts. The term of the facility is 8.3 years with final maturity in April 2013. The interest rate on the loan is Euribor + 1.15% p.a, payable quarterly.

9.3 Revolving Credit Facility

In December 2004, the Company entered into a revolving €35 million credit facility with a major investment bank as a means of securing access to temporary working capital. The facility is secured over receivables flowing from CDO I, CDO II, CDO III and EFL and with security assignments of the Company's rights under its management agreement with Fortress Investment Group LLC. The facility contains a number of financial covenants including a maximum leverage ratio and a minimum interest cover ratio. The interest rate on drawn amounts is Euribor + 2.5% p.a., while on undrawn amounts it is 0.5% p.a.

10. REPURCHASE AGREEMENTS

In 2004, the Company's consolidated subsidiary EFL entered into a master repurchase agreement with certain major investment banks to finance the purchase of available-for-sale securities. The obligations under those agreements are guaranteed by the Company. The terms of the repurchase agreements provide for interest to be calculated with reference to floating rate benchmarks (i.e. Euribor or Sterling Libor) which resets or rolls monthly or quarterly, with the corresponding security coupon payment dates, plus an applicable spread.

The Company's carrying amount and weighted average financing cost of these repurchase agreements was approximately €197.6 million and 2.35%, respectively at 31 December 2004.

11. TRADE AND OTHER PAYABLES

	31 December 2004 €'000	31 December 2003 €'000
Unsettled security purchases	254,051	-
Security deposit	5,000	-
Interest payable	2,283	-
Accrued expenses	2,264	307
Due to affiliates – Manager	237	381
Finance & operating lease payable	2,925	
Other payables	127	-
	266,887	688

The unsettled security purchase of €254.0 million relates to the purchase of commercial paper bonds, which settled on 6 January 2005.

12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net profit (loss) available to ordinary shareholders by the weighted average number of shares of ordinary stock outstanding during the period.

Diluted earnings per share is calculated by dividing net profit (loss) available to ordinary shareholders by the weighted average number of ordinary shares outstanding plus the additional dilutive effect of ordinary share equivalents during the period.

The Company's ordinary share equivalents outstanding during the period were the stock options issued under its share option plan.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of the financial statements.

13. SHARE CAPITAL

The Company was registered in Guernsey on 8 August 2003 under the provisions of the Companies (Guernsey) Law, 1994 (as amended). On 21 October 2003, the Company issued 118,576,700 shares at €1.00 each. Pursuant to a written resolution of the Company dated 18 June 2004 the Shareholders resolved to receive one share for every ten shares previously held by them. In June 2004, through its initial public offering, the Company received subscriptions for and issued 6,600,000 ordinary shares at a price of €12 each. At the same time, the Company issued 5,000 shares to Paolo Bassi and 1,000 shares to Keith Dorrian in their capacity of Directors of the Company.

Under the Company's Articles of Association, the Directors have the authority to effect the issuance of additional ordinary shares or to create new classes of shares as they deem necessary.

The following is a reconciliation of the weighted average number of ordinary shares outstanding on a diluted basis.

	Year Ended 31 December 2004	**8 August 2003 (Formation Date) to 31 December 2003**
Weighted average number of ordinary shares, outstanding basic	15,214,818	11,857,670
Dilutive effect of ordinary share options	280,965	-
Weighted average number of ordinary shares outstanding, diluted	15,495,783	11,857,670

14. MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS

The Company entered into the Management Agreement with the Manager in August 2003, which provides for an initial term of ten years with automatic three year extensions, subject to certain termination rights. The Management Agreement may be terminated by the Company by payment of a termination fee, as defined in the Management Agreement, equal to the amount of management fees earned by the Manager during the twelve consecutive calendar months immediately preceding the termination, upon the vote of a majority of the holders of the outstanding ordinary shares. Pursuant to the Management Agreement, the Manager, under the supervision of the Company's board of directors, will formulate investment strategies, arrange for the acquisition of assets, arrange for financing, monitor the performance of the Company's assets and provide certain advisory, administrative and managerial services in connection with the operations of the Company. For performing these services, the Company will pay the Manager an annual fee (payable monthly in arrears) of 1.5% of the gross equity of the Company, as described in the Management Agreement.

The Management Agreement provides that the Company will reimburse the Manager for various expenses incurred by the Manager or its officers, employees and agents on the Company's behalf, including the cost of legal, accounting, tax, auditing, administrative and other similar services rendered for the Company by providers retained by the Manager or, if provided by the Manager's employees, in amounts which are no greater than those that would be payable to external professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arms-length basis. Such expenses have been included in the Consolidated Income Statement.

To provide an incentive for the Manager to enhance the value of the Company's ordinary stock, the Manager is entitled to receive incentive compensation on a cumulative, but not compounding, basis in an amount equal to the product of (A) 25% of the euro amount by which (1) funds from operations ("FFO") of the Company before the incentive compensation per ordinary share, exceeds (2) an amount equal to (a) the weighted average of the price per ordinary share in any offerings by the Company (adjusted for any prior capital dividends or distributions) multiplied by (b) a simple interest rate of eight percent (8%) per annum multiplied by (B) the weighted average number of ordinary shares outstanding during such period.

FFO is used to compute the Company's incentive compensation to the Manager. FFO, for these purposes, represents net income (computed in accordance with International Financial Reporting Standards), plus depreciation and amortisation on real estate property (and excluding accumulated depreciation and amortisation from the computation of gain or loss on sold real estate property), after adjustments for unconsolidated partnerships and joint ventures (calculated to reflect FFO on the same basis).

At 31 December 2004 and 31 December 2003, management fees and expense reimbursements of approximately €0.2 million and €0.4 million respectively, were due to the Manager.

15. FINANCIAL INSTRUMENTS

Derivative Financial Instruments – Securities Portfolio Contract

In November 2003, the Company entered into a securities portfolio contract with a major investment bank (the 'Bank') whereby the Bank purchased European commercial mortgage backed and other asset backed securities, targeted to aggregate approximately €500 million, subject to the Company's right, but not the obligation, to purchase such securities from the Bank. The Company had paid a deposit to the Bank. In June and July 2004 the Company exercised its right to purchase the securities. The fair value of the contract was calculated as the value of the securities purchased by the Bank, adjusted for the cost of funding the purchase of securities and any other applicable costs. The fair value of the contract as at 31 December 2003 was approximately €57.6 million.

Risk Management

This section provides details of the Company's exposure to risk and describes the methods used by management to control risk. The most important types of financial risk to which the Company is exposed are market risk, credit, liquidity, interest rate and foreign currency risk.

Market Risk

The Company's exposure to market risk is comprised mainly of movements in the value of its security and property investments. The investment portfolios are managed within the parameters disclosed in the Company's prospectus.

The Company's securities are predominantly floating rate and as such are valued based on a market credit spread over Euribor and Libor benchmarks for euro and sterling denominated assets respectively. Increases in the credit spreads above such benchmarks may affect the Company's net equity, net income or cash flow directly through their impact on unrealised gains or losses on available-for-sale securities, and therefore its ability to realise gains on such securities, or indirectly through their impact on its ability to borrow and access capital.

Under the terms of the securities contract the Company was exposed to market risk on the underlying securities as, should the intended securitisation of such assets not be consummated, the Company would be required to either purchase the securities or pay the loss realised on the disposal up to the amount of any deposits made by the Company under the contract, less any interest earned on the deposits.

Credit risk

The Company is subject to credit risk with respect to its investments in real estate and other asset backed securities and loans.

The securities the Company invests in are generally junior in right of payment of interest and principal to one or more senior classes, but benefit from the support of one or more subordinate classes of securities or other form of credit support within a securitisation transaction. While the expected yield on these securities is sensitive to the performance of the underlying assets, the more subordinated securities are designed to bear the first risk of default and loss.

The Company further minimises credit risk by actively monitoring its securities portfolios and the underlying credit quality of its holdings and, where appropriate, repositioning its investments to upgrade the credit quality and yield on the investments.

The Company's securities portfolio is diversified by asset type, industry, location and issuer. This diversification minimises the risk of capital loss. At December 31, 2004, the Company's securities, which serve as collateral for its CDO financings and other borrowings, had an overall weighted average credit rating of approximately BBB+.

The Company's asset backed securities for sale portfolio was split between countries within Europe as follows:

Country	**Number of Securities 31 December 2004**	**Face Value of Securities €'000**	**Location Split**
United Kingdom	32	387,653	38.85%
Italy	15	255,941	25.65%
Pan European	9	135,703	13.60%
Germany	11	101,578	10.18%
France	5	46,399	4.65%
Other	11	70,545	7.07%
	83	**997,819**	**100.00%**

The Company's hedging transactions using derivative instruments also involve certain additional risks such as counterparty credit risk, the enforceability of hedging contracts and the risk that unanticipated and significant changes in interest rates will cause a significant loss of basis in the contract. The counterparties to the Company's derivative arrangements are major financial institutions with investment grade credit ratings with which the Company and its affiliates may also have other financial relationships. As a result, it is not anticipated that any of these counterparties will fail to meet their obligations.

Liquidity risk

The Company's ability to execute its business strategy, particularly the growth of its investment portfolio, depends to a significant degree on the Company's ability to obtain additional capital.

The Company's primary source of funds for liquidity consist of net cash provided by operating activities, borrowings under loans and the issuance of debt and equity securities. The Company's loans and debt securities are generally secured directly over its assets. The Company expects that its cash on hand and cash flow provided by operations will satisfy its liquidity needs with respect to its current investment portfolio over the next twelve months. The Company expects to meet its long-term liquidity requirements, specifically the repayment of its debt obligations, through additional borrowings and the liquidation or refinancing of its assets at maturity.

A significant portion of the Company's investments are financed with collateralised debt obligations, known as CDOs. If spreads for CDO liabilities widen or if demand for such liabilities ceases to exist, then the ability to execute future CDO financings will be restricted. Proceeds from the sale of real estate and other asset backed securities which serve as collateral for the Company's CDO financings, including gains thereon, are required to be retained in the CDO structure until the related bonds are retired and are therefore not available to fund current cash needs.

The Company's real estate securities are financed long-term and their credit status is continuously monitored; therefore, these investments are expected to generate a generally stable current return, subject to interest rate fluctuations. The Company's operating real estate is also financed long-term and primarily leased to credit tenants with long-term leases and is therefore also expected to generate generally stable current cash flows.

As described in Note 9.3, the Company has access to temporary working capital through a revolving €35 million credit facility.

Interest Rate Risk

The Company's primary interest rate exposures relate to its real estate and other asset backed securities, loans and floating rate debt obligations, as well as its interest rate swaps. Changes in the level of interest rates also can affect the Company's ability to acquire securities and loans and its ability to realise gains from the settlement of such assets.

The Company's general financing strategy focuses on the use of match-funded structures, meaning that it seeks to match the maturities of its debt obligations with the maturities of its investments to minimise the risk that the Company will have to refinance its liabilities prior to the maturities of its assets, reducing the impact of changing interest rates on its earnings. In addition, the Company match funds interest rates on its investments with like-kind debt directly or through the use of interest rate swaps.

As of December 31, 2004, a 100 basis point increase in short-term interest rates would increase the Company's earnings by approximately €1 million per annum.

The weighted average interest rate on the fixed rate portion of the asset backed securities available-for-sale portfolio shown in the table below is 7.14%.

The fixed interest rate portion of the bank loan and the relating interest rate swap was 4.53%.

The interest rate profile of the Company at 31 December 2004 and 31 December 2003 was as follows:

Assets			Within 1 year		1 to 5 years		Over 5 years	
Type	Total per consolidated balance sheet €'000	Non interest bearing assets €'000	Fixed %	Variable %	Fixed %	Variable %	Fixed %	Variable %
2004								
Cash and cash equivalents	10,293	-	-	10,293	-	-	-	-
Restricted cash	2,812	-	-	2,812	-	-	-	-
Asset backed securities, available for sale	1,264,484	-	-	-	46,850	389,893	-	-
Real estate related loans available for sale	21,938	-	-	-	-	21,938	-	827,741
Investment property	318,514	318,514	-	-	-	-	-	-
Other assets	9,578	8,588	-	276	-	-	714 (1)	-
	1,627,619	327,102	-	13,381	46,850	411,831	714	827,741
2003								
Cash and cash equivalents	1,690	-	-	1,690	-	-	-	-
Securities portfolio contract	57,611	-	-	57,611	-	-	-	-
Other assets	316	316	-	-	-	-	-	-
	59,617	316	-	59,301	-	-	-	-

(1) Net interest rate swap receivable related to the fixed €210 million portion of the term loan financing the investment properties.

Liabilities			Within 1 year		1 to 5 years		Over 5 years	
Type	Total per	Non interest	Fixed	Variable	Fixed	Variable	Fixed	Variable

	consolidated balance sheet €'000	bearing liabilities €'000	%	%	%	%	%	%
2004								
CDO bonds payable	347,877	-	-	-	-	-	-	347,877
Bank loans	608,849	-	-	364,843	-	-	210,000	34,006
Repurchase agreements	197,584	-	-	197,584	-	-	-	-
Trade and other payables	266,887	266,887	-	-	-	-	-	-
	1,421,197	266,887	-	562,427	-	-	210,000	381,883
2003								
Trade and other payables	688	688	-	-	-	-	-	-
	688	688	-	-	-	-	-	-

Foreign Currency Risk

The Company's primary foreign currency exchange rate exposures relate to its sterling denominated portfolio of securities and loans. Changes in the currency rates can adversely impact the fair values and earnings streams of the Company's non euro denominated assets and liabilities. The Company has mitigated this impact through a combination of (i) sterling denominated financing and (ii) rolling forward foreign exchange contacts to hedge its net sterling equity investment. At 31 December 2004, the net unrealised gain on these contracts was approximately €0.28 million.

In connection with the Company's purchase of its available-for-sale real estate and other asset backed securities and real estate loans, the foreign currency risk is covered through forward foreign currency exchange contracts.

16. HEDGE ACCOUNTING – CASH FLOW HEDGES OF INTEREST RATE RISK

The Company's policy is to hedge its exposure to interest rates and foreign currencies on a case by case basis. Hedge accounting is only applied to cash flow hedges of interest rate risk exposures. Interest rate swaps under which the Bank pays a fixed rate and receives a floating rate have been used to hedge the interest rate risk on floating rate long term bank borrowing.

The gain or loss on measurement at fair value of both the hedged item and the interest rate swaps have been recognised in the statement of changes in equity to the extent that the swap is effective.

The details of interest rate swaps entered into by the Company are as follows:

	31 December 2004 €000	**31 December 2003 €000**
Nominal amount	210,000	-
Pay rate	3.47%	-
Receive rate	3 Month Euribor	-
Remaining life	8.3 years	-
Fair value	713	-

17. SHARE OPTION PLAN

In December 2003, the Company (with the approval of the Board of Directors and pursuant to the confidential information memorandum dated August 2003) adopted a nonqualified share option plan (the "Company Option Plan") for officers, directors, employees, consultants and advisors, including the Manager. In December 2003, for the purpose of compensating the Manager for its successful efforts in raising capital for the Company, the Manager was granted options representing the right to acquire 1,185,767 ordinary shares at an exercise price of €10 per share (number of shares and exercise price adjusted for share consolidation). In June 2004 following the IPO, the Manager was granted an additional 660,000 options at an exercise price of €12 per share. The Manager options represent an amount equal to 10% of the ordinary shares issued by the Company. The options granted to the Manager were fully vested on the date of grant and expire ten years from the date of issuance.

18. SEGMENTAL REPORTING

The Company operates in one geographical segment, being Europe. The company has conducted business through three primary segments: asset backed securities, real estate related loans and investment properties.

Summary financial data of the Company's business segments is provided below:

For Year Ended 31 December 2004	Asset Backed Securities €'000	Real Estate Related Loans €'000	Investment Properties €'000	Unallocated €'000	Total Eurocastle €'000
Gross revenues	28,502	284	344	-	29,130
Interest expense	(13,353)	-	(310)	-	(13,663)
Other operating expenses	(147)	-	(33)	(3,256)	(3,436)
Net profit	15,002	284	1	(3,256)	12,031

As at 31 December 2004	Asset Backed Securities €'000	Real Estate Related Loans €'000	Investment Properties €'000	Unallocated €'000	Total Eurocastle €'000
Total assets	1,278,992	22,568	320,884	5,175	1,627,619
Total liabilities	(1,152,462)	-	(266,234)	(2,501)	(1,421,197)
Minority interest	-	-	-	(2)	(2)
Net assets	126,530	22,568	54,650	2,672	206,420

The unallocated portion consists primarily of interest on short-term investments, general and administrative expenses, and management fees pursuant to the Management Agreement.

19. INVESTMENT IN SUBSIDIARIES

The legal entity group structure of Eurocastle is designed to support the Group's businesses within an efficient legal, tax, regulatory and funding framework.

The significant operating subsidiaries, in which the Company owns a 100% equity interest, are listed by jurisdiction below:

Luxemburg:

Luxgate s.a.r.l.
Eurobarbican s.a.r.l.

Germany:

Shortwave Acquisition GmbH
L-Wave Grundstücksverwaltungsgesellschaft 29 GmbH

S-Wave Grundstücksverwaltungsgesellschaft 1 GmbH
S-Wave Grundstücksverwaltungsgesellschaft 2 GmbH
Longwave Acquisition GmbH
L-Wave Grundstücksverwaltungsgesellschaft 1 GmbH
L-Wave Grundstücksverwaltungsgesellschaft 2 GmbH
L-Wave Grundstücksverwaltungsgesellschaft 3 GmbH
L-Wave Grundstücksverwaltungsgesellschaft 4 GmbH
L-Wave Grundstücksverwaltungsgesellschaft 5 GmbH
L-Wave Grundstücksverwaltungsgesellschaft 6 GmbH
L-Wave Grundstücksverwaltungsgesellschaft 7 GmbH
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L-Wave Grundstücksverwaltungsgesellschaft 60 GmbH

Additionally, the Company has investments in Eurocastle Funding Limited, Eurocastle CDO I PLC, Eurocastle CDO II PLC, and Eurocastle CDO III PLC which it consolidates in accordance with SIC 12.

20. SUBSEQUENT EVENTS

On 23 February 2005 the directors declared a fourth quarter 2004 interim dividend of €0.33 per share to all holders of shares on 2 March 2005, the record date. The total dividend payable on 11 March 2005 is €6.1 million.

The Annual General Meeting will be held on 19 April 2005.

21. COMPARATIVES

The Company commenced operations on 21 October 2003. As the Company's first period of operations is shorter than one year, comparative periods for the consolidated statement of income, cash flows and statement of changes in equity are shown for the period 8 August to 31 December 2003.

22. OTHER NOTES

The financial information set out in this announcement does not constitute the Company's audited accounts for the years ended 31 December 2004 or 31 December 2003. The financial information for the year ended 31 December 2003 is derived from the audited accounts for that year. The 31 December 2003 accounts contained an unqualified audit report.

A copy of the Annual Report and Financial Statements for the year ended 31 December 2004 will be posted to the shareholders in due course. Copies of this announcement can be obtained from Eurocastle Investment Limited, 5-10 Bolton Street, London, W1J 8BA.