EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

Interim Management Statement as at 16 May 2012

Press Release
16 May 2012

Since the year end, Eurocastle Investment Limited ("Eurocastle" or the "Group") continued to operate its business in accordance with its strategic objectives.

Highlights*

- Following the end of the quarter, Eurocastle has completed the sale of its remaining 25% interest in the Mars Fixed 1 portfolio 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 subsequent to quarter-end.

- Since the year end, the Group has signed 49 commercial leases for approximately 15,700 square metres (sqm).

- At end of the first quarter 2012, the level of physical portfolio occupancy on a like-for-like basis decreased to 81.0% from 84.6% at the end of 2011 following an expiry relating to the consolidation of a major tenant's back-office location in Frankfurt.

- The Group sold 14 properties during the first quarter for total sales proceeds of €21.3 million versus a carrying value of €18.5 million.

* *Unless otherwise stated, the information provided excludes the Mars Fixed 1 portfolio, but includes 100% of the Mars Floating portfolio, in which the Group has a 50% equity investment.*

Financing and Liquidity

- As at 31 March 2012, Eurocastle had a corporate cash balance of €28.1 million.

- The Group has concluded the restructuring of the Mars Floating facility which matures in December 2013. Modified terms include revising the amortisation profile in accordance with an agreed sales plan and the removal of all contingent guarantees previously provided by the Company. In addition, the Company will receive a cash distribution of €1.7m to offset asset management costs incurred by the Group in respect of the portfolio in 2011 with further distributions to be released in order to cover costs for asset management and sales activity anticipated till maturity. The remaining excess cash flow after payment of interest and expenses will continue to be used to amortise the outstanding loan balance.

Real Estate

*Business Review**

- The Group has an interest in 449 investment properties across Germany valued at approximately €2.2 billion based on independent valuations carried out in December 2011, equivalent to an NOI yield of 5.4% based on the 2012 first quarter's annualised NOI compared to 6.2% at year end. This is due to a reduction in NOI from December 2011 as a result of anticipated expiries in Drive and a large long term renewal in the Bridge portfolio at current market rent. 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.

First Quarter 2012 Real Estate Portfolio Analysis:

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	180	303,672	67.1%	42.9	32.4	803	3.8	4.0%
Bridge	6	185,971	97.1%	27.2	24.9	424	6.1	5.9%
Wave	63	136,884	83.1%	15.7	13.0	200	3.2	6.5%
Mars – Floating	13	98,130	58.5%	10.8	6.1	166	3.3	3.7%
Turret	63	137,001	97.4%	15.1	13.2	173	3.9	7.6%
Truss	41	80,048	98.3%	8.3	6.6	97	4.8	6.8%
Mars – Fixed 2	3	33,274	86.9%	6.3	4.7	96	3.7	4.8%
Belfry	27	51,931	98.1%	5.2	4.6	61	4.7	7.6%
Tannenberg	27	47,344	95.6%	5.2	4.4	61	6.1	7.1%
Rapid	18	38,355	100.0%	4.4	4.0	56	9.5	7.2%
Zama	8	28,355	93.3%	3.6	3.3	44	4.4	7.4%
Grand Total	**449**	**1,140,965**	**81.0%**	**144.7**	**117.2**	**2,182**	**4.5**	**5.4%**

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

- Eurocastle continues to pursue a real estate divestment programme seeking to dispose of assets that are believed to be stable, fully valued, non-core or as required within the framework of certain of its financings. In the first quarter of 2012, 14 properties have been sold for total sales proceeds of €21.3 million, realising cash of €1.1 million after repayment of asset level financings and costs including €0.7 million of cash retained within the Drive portfolio.

- Good progress continues to be made on new leasing and on renewing existing tenants. During the first quarter of 2012, the Group signed 49 leases for approximately 15,700 sqm, including 28 new leases for approximately 7,000 sqm and 21 lease renewals for approximately 8,700 sqm. Since the quarter end, an additional 8,400 sqm of new leases and 8,700 sqm of renewals have been signed. The current renewal rate for leases expiring in 2012 is at 66.1%. Excluding a large expiry in the Drive portfolio, the renewal rate was 78.7%.

- The Group continues to seek to moderate capital expenditure committed to 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 31 March 2012, the Group had total lettable space of 1.4 million sqm with occupancy at 81.0%, down from 84.6% at the end of 2011 on a like-for-like basis, following an expiry relating to the consolidation of a major tenant's back-office location in Frankfurt.

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Market Outlook*

- The positive trend seen in the investment markets in 2011 has continued in the first quarter of 2012. Investment volume remained on a high level, decreasing to €5.2 billion compared to €5.9 billion in Q1 2011. Closed-ended funds were the most active buyers in Q1 2012 with a share of 44% of the overall transaction volume.

- The major five office markets accounted for 47% of the overall investment activity, with the highest transaction volume in Munich of €740 million in the first quarter of 2012. The Munich volume was driven by the sale of the Allianz headquarters in Unterföhring for €300 million. Investment in office assets accounted for 45% of the overall volume, or €2.3 billion, in the first quarter of 2012 whereas retail investments were only responsible for 27% of all transactions. In 2011 retail investments had still a share of 45%.

- Rental take-up figures in the major office markets were on similar levels as in Q1 2011 with a total turnover of 544.800 sqm in Q1 2012. The continued stable performance of the German economy and an expected positive development in the German job market is expected to lead to further positive take-up volumes in office letting markets for the rest of 2012.

- In line with the positive lease up trend, prime office vacancy rates in the five major markets have decreased from 11.0% in Q1 2011 to 9.9% in Q1 2012. Prime rents have increased slightly since Q1 2011 with a positive forecast for the rest of 2012.

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

Debt Investments

- There were no upgrades and nine downgrades in the first quarter of 2012, compared to no upgrades and thirteen downgrades in the fourth quarter of 2011.

- Total amortisation principal received in the Group's debt business during the first quarter of 2012 was €8.6 million. The majority of these proceeds were received within the CDO V portfolio which (together with additional available cash) was used to repurchase €14.9 million of its own senior debt at an average price of 64% of nominal realising a gain of €5.3 million.

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.