



EUROCASTLE

## **Investor Presentation**

June 2007

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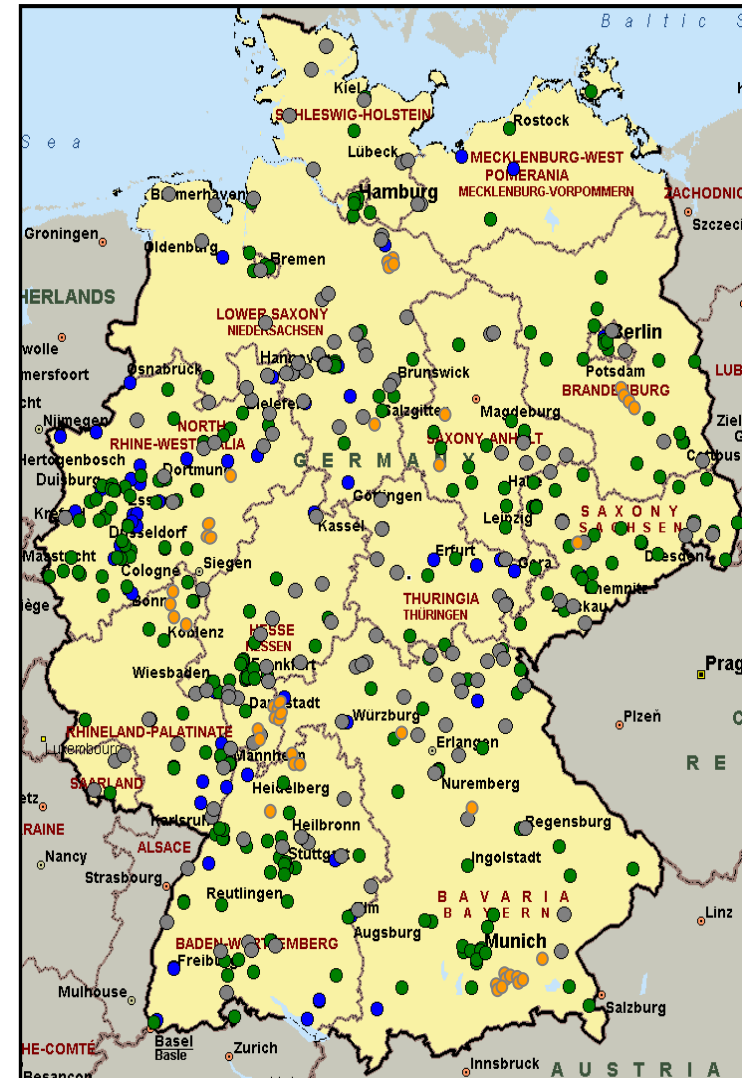
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# Company Overview

- One of the largest listed owners of German commercial property
  - €5.5 billion commercial property portfolio
  - 625 properties throughout Germany
- Dedicated acquisitions and asset management team in Germany
- Strong alignment with shareholders
  - Fortress owns or controls c. €400m of ECT shares (1)



(1) Fortress private equity funds, the Manager, Principals, Officers and Employees (as of 6 June 2007).

# Objectives

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- Our objective is to build long-term value for our shareholders
  - Increase FFO through organic and accretive growth
  - Pay out substantially all FFO over time as quarterly dividends

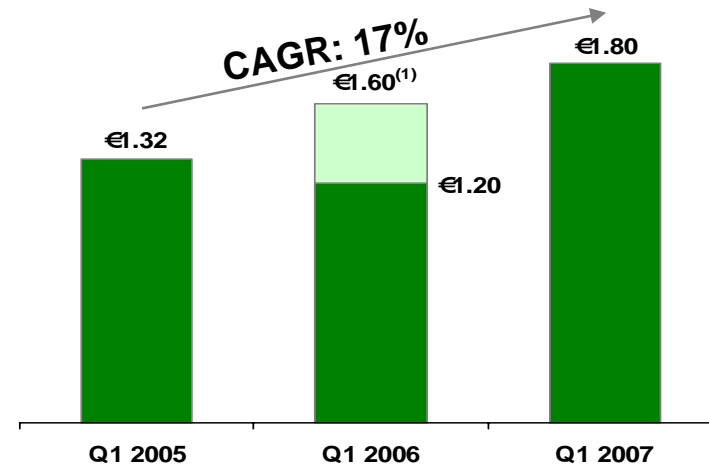


- Increase occupancy
- Control expenditures
- Capture rental growth
- Accretive acquisitions
- High quality real estate
- Upside potential

# Financial Performance for Past 2 Years

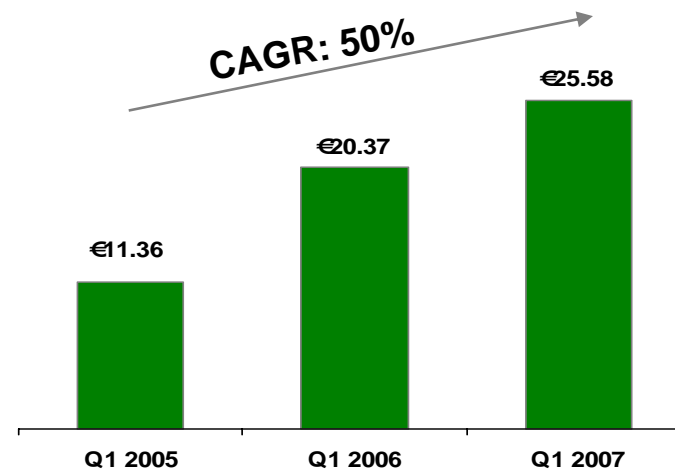
## Annualized Dividend per Basic Share

- Annualized quarterly dividend
  - Increased by 36%
  - CAGR of 17%



## Book Value per Basic Share

- Book value per share
  - Increased by 125%
  - CAGR of 50%



# ECT German Property Portfolio



## Summary

- Value: € 5.5 billion
- Properties: 625
- Area: 2.5 million m<sup>2</sup>
- Avg. Lease: 6.4 years
- Occupancy: 86.8%
- Gross Rent: € 325.7 million
- Yield: 5.5%

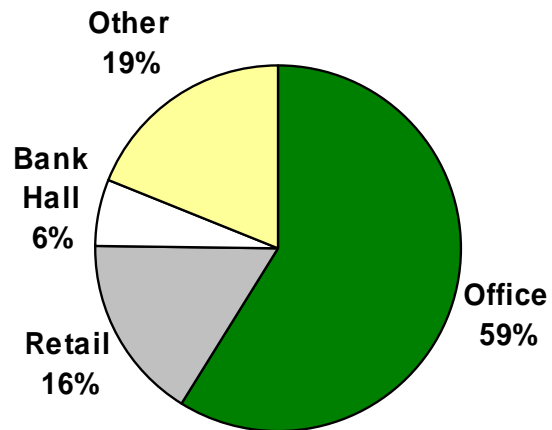
## Total Value by Federal State (Gross Value in million)

	8 - 40
	40 - 300
	300 - 1,822

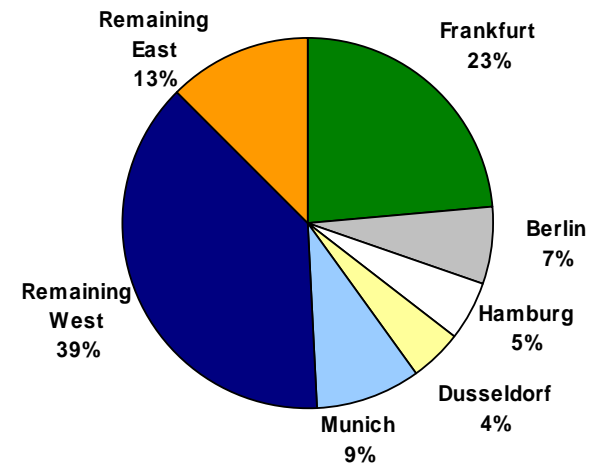
# ECT German Property Portfolio

- Focus in major markets
- Predominantly Class A office

## Portfolio by Use



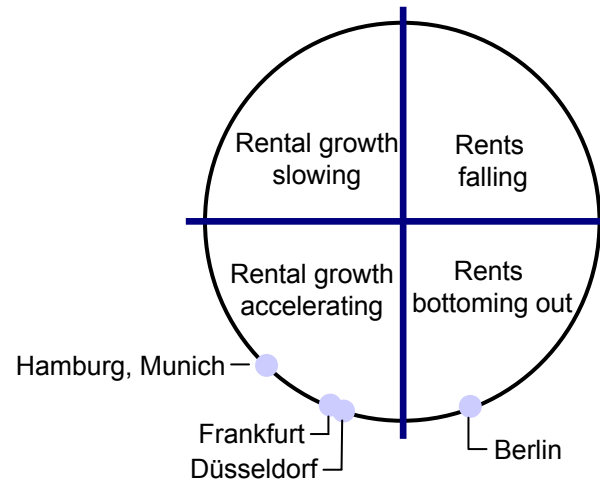
## Portfolio by Location



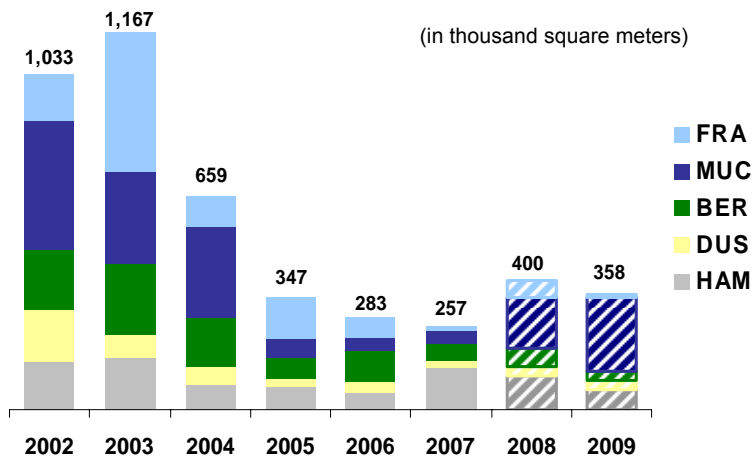
# German Commercial Property Market

- German office market recovering
- Historically low construction pipeline
- Increasing take-up since 2005
- Accelerating rental growth

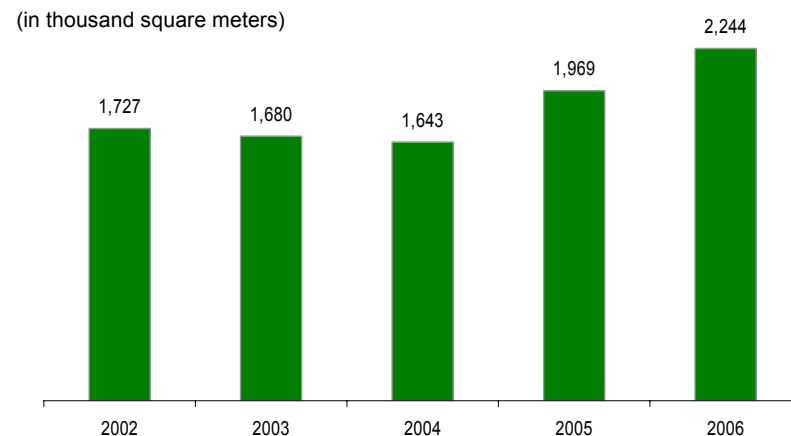
## Property Clock – German Office



## Speculative Construction Pipeline Top 5



## Office Space Take-Up

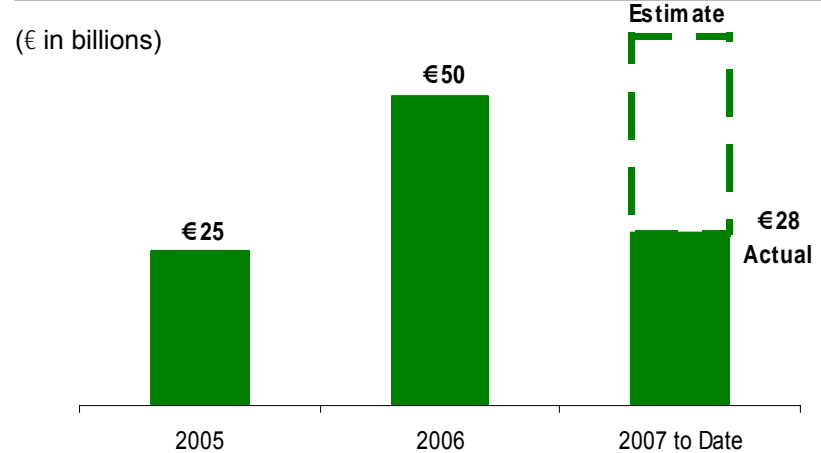




# Increasing Supply

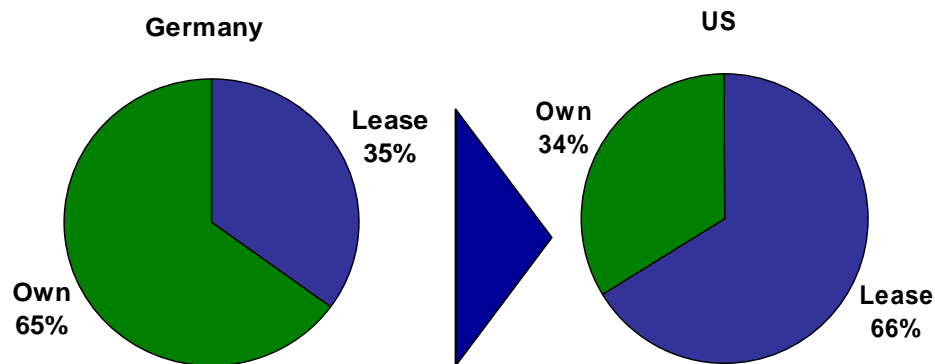
- €28 billion to date in 2007 vs. €50 billion in 2006
- Continued trend of corporate balance sheet restructuring

## Transaction Volume 2005 - 2007



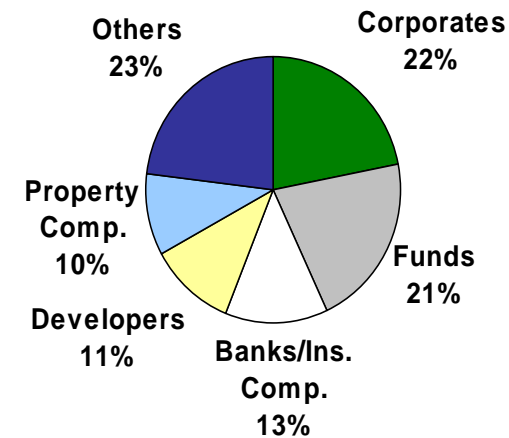
Source: Atis Real & Company Sources

## Corporate RE Ownership Germany vs. U.S.



Source: Morgan Stanley

## Sellers of German Commercial RE 2006



Source: JLL

# Eurocastle 2007 Highlights

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- Dividend
  - Raised to €0.45 per share
- Portfolio
  - Closed MARS acquisition at the end of February
  - 56 properties for €2.1 billion
- Asset Management
  - Sold 78 non-core properties for €325 million<sup>(1)</sup>
  - 9% premium to year end carrying value
  - €26 million net realized gain, for €0.40 per share
- Leasing
  - Signed 126 new leases for 38,500 square meters



(1) Sale expected to be completed in Q2/Q3 2007.

# First Quarter 2007 Results

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## Key Performance Indicators

**50% Quarterly Dividend per Share**  
€0.45 per share  
from €0.30 per share for Q1 2006

**26% Quarterly FFO per Share**  
€0.44 per share  
from €0.35 per share for Q1 2006



## Income

**175% Rental Income**  
€66 million  
from €24 million for Q1 2006

**65% Interest Income**  
€33 million  
from €20 million for Q1 2006



## Balance Sheet

**40% Total Asset**  
€8.0 billion from €5.7 billion at Q4 2006

**67% Commercial Property**  
€5.5 billion from €3.3 billion at Q4 2006

**3.4% Book Value per Share**  
€25.58 from €24.73 at Q4 2006



# German Corporate Tax Reform

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## Major Tax Law Changes

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- Tax reform 2008
- Reduction of corporate tax rate from 25% to 15%
- Tax deductibility of interest expense limited at 30% of EBITDA
- But, “escape clause” allows full tax deductibility of interest expense if leverage of German subsidiaries is approximately equal to or less than the consolidated group leverage

## Impact on Eurocastle

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- Eurocastle is likely to benefit from escape clause
- Certain shareholder loans will be converted into equity
- Effective current tax rate could increase to 3% - 5%

# German REIT Legislation

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## Eurocastle

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- Tax efficient structure, no withholding tax
- Pay out majority of FFO
- Ability to use higher leverage
- No conversion cost
- Potential for G-REIT subsidiary

## G-REITs

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- Withholding tax of up to 26.375%
- Dividend payout significantly reduced – depreciation is non-distributable
- Leverage limited at 55%
- High conversion costs
  - >RETT of 3.5% / 4.5% (Berlin) on IFRS property value
  - >CGT on transferred assets
- Favorable tax treatment for some vendors through 2009

# Near Term Goals

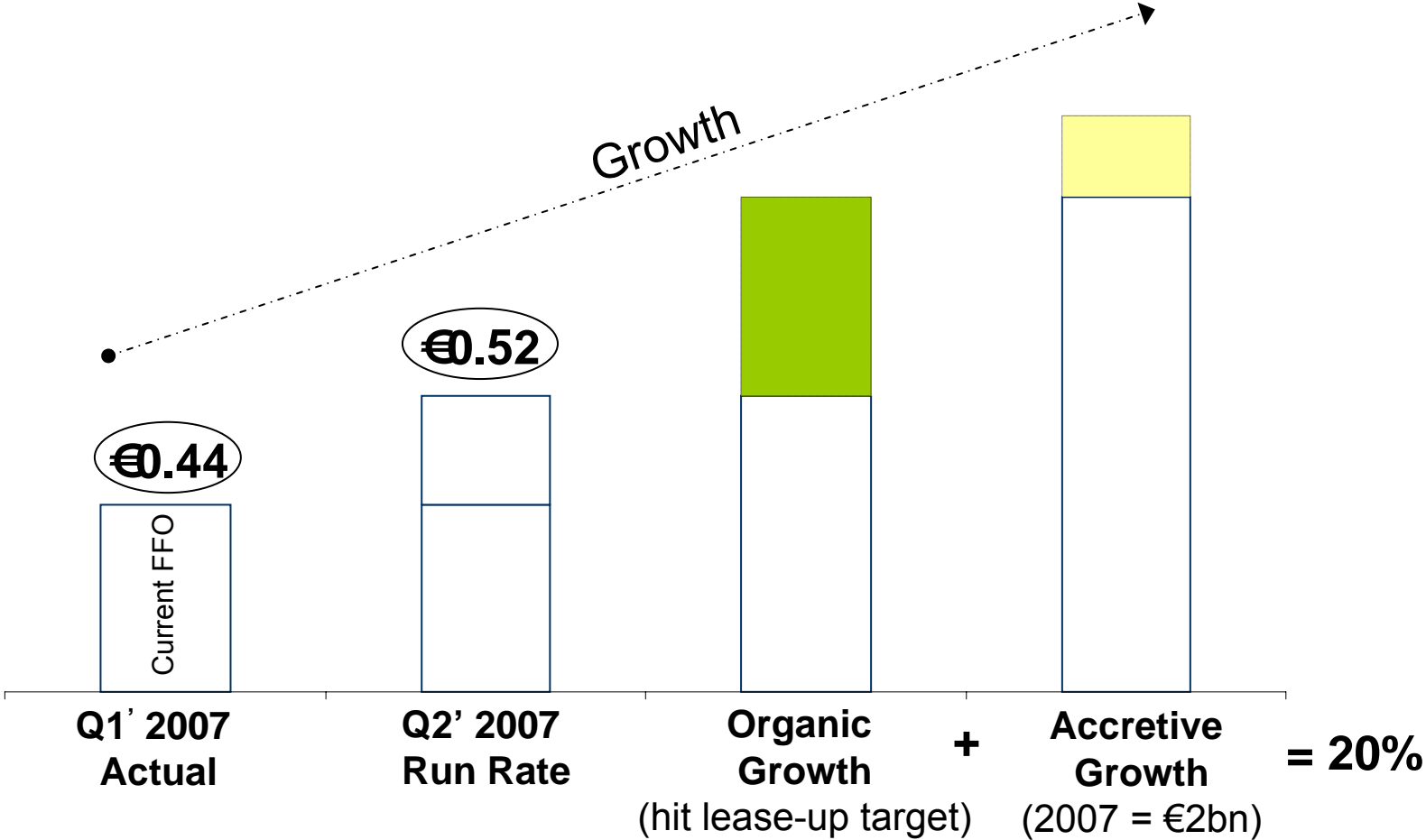
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- PORTFOLIO OCCUPANCY
  - Increasing from 87% to stabilized occupancy of 93% during 2008
  - Office occupancy from 84% to 92%
  
- ACQUISITIONS
  - Add €2 billion of new German commercial property during 2007
  
- LISTING
  - Frankfurt Stock Exchange beginning in June 2007



# Illustrative Example – Growth

## Illustrative Calculation of Quarterly FFO per Share Growth





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