EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

FINANCIAL RESULTS FOR THE HALF YEAR AND QUARTER ENDED 30 JUNE 2009

Eurocastle Investment Limited today announced its financial results for the half year and quarter ended 30 June 2009. The Company and its subsidiaries ("the Group") has Euro denominated shares which are currently listed on Euronext Amsterdam, under the symbol "ECT" and on the Frankfurt Stock Exchange, under the symbol "EUI1". Eurocastle is managed by an affiliate of Fortress Investment Group LLC. For more information regarding Eurocastle and to be added to our email distribution list, please visit www.eurocastleinv.com.

Highlights

Financial

- **Normalised FFO*** was €8.7 million or €0.14 per share for the quarter ended 30 June 2009 and €21.7 million or €0.36 per share for the half year ended 30 June 2009, compared with €21.5 million or €0.34 per share and €43.4 million or €0.68 per share for the quarter and half year ended 30 June 2008, respectively.

- **Fully diluted NAV** per share of €2.14 as at 30 June 2009 comprising of (€0.12) for the debt investment business and €2.26 for the commercial property portfolio (31 December 2008: €13.35 comprising €0.27 for the debt investment business and €13.62 for the commercial property portfolio). The fully diluted NAV, adjusted for the full impact of the refinancing of the Mars portfolio (which was completed on 27 May 2009) is €1.79 per share.

- **Real estate NAV** of €595 million and NAV per fully diluted share of €1.91 adjusted for the full impact of the Mars Portfolio refinancing, reflecting a NOI yield on valuation of 5.9%.

- **Net loss after tax** was €85.1 million for the quarter ended 30 June 2009 and €247.6 million for the half year ended 30 June 2009, compared with a loss of €31.6 million and €115.7 million for the quarter ended and half year ended 30 June 2008. The losses primarily relate to non-cash valuation adjustments to our portfolio.

Business Review

- Sold three properties during the second quarter of 2009, for total sales proceeds of €5.2 million, compared to carrying value of €4.6 million. For the first half of 2009, sold 11 properties for sales proceeds of €105.3 million, compared to carrying value of €108.7 million.

- During the second quarter 2009 the Group signed 71 commercial leases for approximately 39,000 square metres, including new leases for approximately 20,000 square metres. For the first six months of 2009, the Group signed 152 commercial leases for approximately 70,000 square metres, including new leases for approximately 41,000 square metres.

- Total lettable space was 2.1 million square metres at 30 June 2009 with occupancy of 85.8% as compared to occupancy of 85.7% at 31 March 2009 on a like for like basis. Lettable space excluding the Mars portfolio was 1.4 million square metres at 30 June 2009 with occupancy of 91.4%, slightly higher than 91.2% as at 31 March 2009. Mars portfolio lettable space had 720 thousand square metres at 30 June 2009 with occupancy of 75.2%, unchanged on the quarter.

* Normalised FFO (Funds from Operations) is a non-IFRS financial measure used to provide investors with information regarding the true underlying performance of the Group and its ability to service debt and make capital expenditure. This measure excludes realised losses, sales related costs (including realised swap losses), impairment losses, foreign exchange movements, and accounting adjustments related to the Mars refinancing.

Financing and Liquidity

- As at 30 June 2009, the Company had a corporate cash balance of €8.6 million.
- The Company raised €75 million in perpetual subordinated convertible securities at the end of June 2009. The net proceeds of €73.8 million were used to pay down the Corporate Loan from €115 million to €35 million. The terms of the perpetual subordinated convertible securities are contained in the Note 17 to the Interim Consolidated Financial Statements.
- As at 30 June 2009 the Group has two material short to medium term recourse obligations totalling €65 million comprised as follows:
    - A €35 million corporate loan facility maturing on 30 June 2011 with scheduled amortisations of €15 million by 31 December 2010 and €20 million by 30 June 2011, and
    - A guarantee obligation limited to €30 million in respect of an acquisition facility which matures on 30 September 2009. The Company is in discussions with the lender of this facility over a potential restructuring.
- The Group repurchased €121.2 million of senior liabilities in CDO V with restricted cash within the CDO at an average price of 56.9, realising a net book gain of €51.1 million.

Conference Call

Management will conduct a conference call today, 13 August 2009, to review the Group's financial results for the half year and quarter ended 30 June 2009. The conference call is scheduled for 1:00 P.M. London time (8:00 A.M. New York time). All interested parties are welcome to participate on the live call. You can access the conference call by dialling +1-877-717-3044 (from within the U.S.) or +1-706-679-1521 (from outside of the U.S.) ten minutes prior to the scheduled start of the call; please reference “Eurocastle Second Quarter Earnings Call.”

A webcast of the conference call will be available to the public on a listen-only basis at www.eurocastleinv.com. Please allow extra time prior to the call to visit the site and download the necessary software required to listen to the internet broadcast. A replay of the webcast will be available for three months following the 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 Thursday, 20 August 2009 by dialing +1-800-642-1687 (from within the U.S.) or +1-706-645-9291 (from outside of the U.S.); please reference access code “24181665.”

Forward-Looking Statements

This release contains statements that constitute forward-looking statements. Such forward-looking statements relate to, among other things, future commitments to acquire real estate and achievement of acquisition targets, availability of attractive investment opportunities, methods of funding portfolios, timing of completion of acquisitions, 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. Our ability to predict results or the actual effect of future plans or strategies is limited. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our 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 our actual results in future periods to differ materially from forecasted results or stated expectations, including the risk that Eurocastle will be able to achieve its targets regarding asset disposals or reduction in capital expenditure or that Eurocastle will be able to fund its direct recourse liabilities.

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

FINANCIAL RESULTS FOR THE HALF YEAR AND QUARTER ENDED 30 JUNE 2009

Key Financial Information

Income Statement Data in €'000, except per share data (Unaudited)	**Six months ended 30 June 2009**	**Six months ended 30 June 2008**	**Three months ended 30 June 2009**	**Three months ended 30 June 2008**
Interest income	41,543	76,473	16,752	38,427
Rental income	125,989	149,422	62,755	74,426
(Decrease) in fair value of investment properties	(203,026)	(164,281)	(72,655)	(64,445)
Impairment losses	(113,434)	-	(73,594)	-
Interest expense	(114,443)	(142,255)	(57,241)	(66,834)
Service charges and property operating expenses	(44,431)	(42,905)	(21,968)	(22,086)
Other operating expenses	(20,299)	(23,833)	(9,512)	(15,116)
Net (loss) before taxation	(253,077)	(118,407)	(87,824)	(32,958)
Net (loss) after taxation	(247,552)	(115,706)	(85,095)	(31,574)
Funds from operations ("FFO")	(52,695)	55,111	(16,971)	32,464
Normalised funds from operations	21,653	43,440	8,659	21,533
(Loss) per weighted average basic share	(4.08)	(1.81)	(1.40)	(0.49)
(Loss) per weighted average diluted share	(3.59)	(1.81)	(1.10)	(0.49)
FFO per weighted average basic share	(0.87)	0.86	(0.28)	0.51
FFO per weighted average diluted share	(0.76)	0.86	(0.22)	0.51
Normalised FFO per weighted average basic share	0.36	0.68	0.14	0.34
Normalised FFO per weighted average diluted share	0.31	0.68	0.11	0.34
Weighted average number of ordinary shares, outstanding, basic	60,731,845	63,927,634	60,732,042	63,927,634
Dilutive effect of ordinary share options and convertible bonds*	8,287,293	124,744	16,483,516	-
Weighted average number of ordinary shares outstanding, diluted	69,019,138	64,052,378	77,215,558	63,927,634
Ordinary shares outstanding	**60,735,646**	**63,927,643**	**60,735,646**	**63,927,634**
Fully diluted ordinary shares outstanding*	**310,735,646**	**63,927,643**	**310,735,646**	**63,927,634**

* For the quarter and half-year ended 30 June 2009, fully diluted ordinary shares represent the impact of converting €75,000,000 of convertible bonds at €0.30 per share. The weighted average dilutive effect at the quarter and half year ended 30 June 2009 comprises a time weighting of the impact of fully converting the bonds against the relative periods from 25 June 2009, the date of issue of the bonds.

Summarised Balance Sheet (in €'000, except per share data)	**30 June 2009 (Unaudited)**	**31 December 2008**
Cash and cash equivalents	105,329	119,869
Investment property (including properties held for sale)	3,922,084	4,230,111
Debt investments	1,634,206	1,733,942
Other assets	115,401	164,387
Total assets	**5,777,020**	**6,248,309**
Interest bearing debt financing	(4,993,817)	(5,300,880)
Other liabilities	(119,295)	(136,377)
Total liabilities	**(5,113,112)**	**(5,437,257)**
Net assets	**663,908**	**811,052**
Net assets per fully diluted share	**2.14**	**13.35**

FFO Reconciliation €'000 (Unaudited)	Six months ended 30 June 2009	Six months ended 30 June 2008	Three months ended 30 June 2009	Three months ended 30 June 2008
Reconciliation of FFO to net loss after taxation				
Net (loss) / profit after taxation	(247,552)	(115,706)	(85,095)	(31,574)
Decrease / (increase) in fair value of investment properties	203,026	164,281	72,655	64,445
Decrease / (increase) in fair value of interest rate swaps	764	1,216	(1,760)	(8,842)
Unrealised movements on currency swaps (net of translation (gains) / losses on related assets)	(705)	(230)	(769)	1,214
Realised (loss) on sale of investment properties	(2,351)	8,960	1,014	8,960
Deferred tax (benefit) / charge on investment properties	(5,877)	(3,410)	(3,016)	(1,739)
Funds from operations (FFO)	**(52,695)**	**55,111**	**(16,971)**	**32,464**
Net realised losses / (gains) on investment property sales after sales costs and closure of swaps	5,351	(10,537)	(63)	(10,537)
(Gains) / losses on foreign currency contracts, translation and swaps	(1,388)	553	(3,063)	184
Impairment losses	113,434	-	73,594	-
Realised loss on sale of Available for Sale securities	3,744	269	1,347	269
Amortisation of cost of Mars Refinancing	2,834	-	2,834	-
Interest rate swap adjustments	1,520	(1,956)	2,128	(847)
Gain on repurchase of debt in CDO V	(51,147)	-	(51,147)	-
Normalised FFO	**21,653**	**43,440**	**8,659**	**21,533**

Financial Review

Funds from operations (FFO)

FFO and Normalised FFO are appropriate measures of underlying operating performance of companies primarily involved in real estate as it provides investors with information regarding the Group's ability to service debt and make capital expenditure.

The table below shows the summarised financial data of the Group's business segments with the unallocated amounts per Note 22 allocated between the segments on the basis disclosed below the table. The segmental analysis prepared according to IFRS has been disclosed in Note 22.

Income statement data Quarter ended 30 June 2009 (Unaudited)	**Debt investments €'000**	**Investment properties €'000**	**Total Eurocastle €'000**
Revenue	16,616	75,138	**91,754**
Other operating gains / (losses)	51,147	(72,242)	**(21,095)**
Impairment losses	(73,594)	-	**(73,594)**
Interest expense	(11,300)	(45,941)	**(57,241)**
Service charge and property operating expenses	-	(21,968)	**(21,968)**
Other operating income / (expenses) (including foreign currency gains/(losses))[1]	2,554	(8,234)	**(5,680)**
Operating (loss) before taxation	**(14,577)**	**(73,247)**	**(87,824)**
Taxation credit/(expense)	-	2,729	**2,729**
Net (loss)	**(14,577)**	**(70,518)**	**(85,095)**
Decrease / (increase) in fair values	(769)	70,895	**70,126**
Realised gains on sale	-	1,014	**1,014**
Deferred tax	-	(3,016)	**(3,016)**
Funds from operations	**(15,346)**	**(1,625)**	**(16,971)**
Net realised gain on investment property sales after sales costs and closure of swaps	-	(63)	(63)
(Gains) on foreign currency contracts, translation and swaps	(3,063)	-	(3,063)
Impairment losses	73,594	-	73,594
Realised loss on sale of available for sale securities	-	1,347	1,347
Amortisation of cost of Mars refinancing[2]	-	2,834	2,834
Interest rate swap adjustments	-	2,128	2,128
Gain on repurchase of debt in CDO V	(51,147)	-	(51,147)
Normalised funds from operations[3]	**4,038**	**4,621**	**8,659**
Funds from operations per ordinary share[4] €	**(0.25)**	**(0.03)**	**(0.28)**
Normalised funds from operations per ordinary share €	**0.07**	**0.07**	**0.14**

1 Unallocated other operating expenses of €6.2 million have been allocated between the segments based on each segment's share of invested equity. Amounts allocated were; debt investments: €0.8 million and investment properties: €5.4 million.

2 See the Balance Sheet Review for an explanation of the accounting for the Mars refinancing.

3 Normalised funds from operations exclude realised losses, sales related costs (including realised swap losses), impairment losses, foreign exchange movements, and accounting adjustments related to the Mars refinancing.

4 Normalised FFO per share and FFO per share are calculated on the weighted average number of shares at 30 June 2009.

€'000 (Unaudited)	**Six months ended 30 June 2009**	**Six months ended 30 June 2008**	**Three months ended 30 June 2009**	**Three months ended 30 June 2008**
Funds from operations	(52,695)	55,111	(16,971)	32,464
FFO per ordinary share	(0.87)	0.86	(0.28)	0.51

FFO for the second quarter 2009 was a loss of €17.0 million and included impairments of €73.6 million (second quarter 2008: nil).

FFO for the first half of 2009 decreased by €107.8 million against the first half of 2008 mainly due to:

- impairment of debt investments of €113.4 million
- rental and service charge income was lower by €27.9 million due to expiry of guarantee in Q208 and investment property disposals
- lower interest income of €34.9 million due to lower interest rates
- realised gain on sale of investment properties in H108 €9.0 million compared to €2.3 million realised loss in H109 resulting in a net movement of €11.3 million
- higher losses on sale of debt investments of €3.5 million
- higher service charge and property expenses of €1.5 million

Offset by:

- gain on the repurchase of CDO financing of €51.1 million
- lower interest expense of €27.8 million due to lower interest rates
- foreign exchange movements of €1.9 million
- lower operating expenses of €3.9 million

The decrease in FFO for the second quarter 2009 by €49.4 million against the second quarter 2008 is due mainly to:

- no impairment losses recognised in the second quarter of 2008 compared to second quarter of 2009 of €73.6 million
- lower interest income of €21.7 million due to lower interest rates
- rental and service charge income was lower in Q209 by €14.9 million due to expiry of guarantee in Q208 and investment property disposals
- higher losses on sale of debt investments of €1.1 million
- lower gain on sale of investment properties of €7.9 million

Offset by:

- gains on the repurchase of CDO financing of €51.1 million in Q209
- lower interest expense of €9.6 million due to lower interest rates
- lower other operating expenses of €5.9 million
- foreign exchange movements of €3.2 million

Operating Income

The Group's operating income consists of rental and service charge income from German commercial property, interest income from debt investments, gains/losses on sale of available for sale assets, impairment losses on securities and fair value movements on investment properties and interest rate swaps.

Operating income, excluding fair value movements is shown in the table below:

Operating income (excluding fair value movements) €'000 (Unaudited)	**Six months ended 30 June 2009**	**Six months ended 30 June 2008**	**Three months ended 30 June 2009**	**Three months ended 30 June 2008**
Interest income	41,543	76,473	16,752	38,427
Rental income	125,989	149,422	62,755	74,426
Service charge income	26,292	30,780	12,247	15,495
Total	**193,824**	**256,675**	**91,754**	**128,348**

The decrease in interest income for the six and three months ended 30 June 2009 compared with the six and three months ended 30 June 2008 was principally due to lower interest rates.

The decrease in rental income compared to the six and three months ended 30 June 2008 reflects the sale of real estate assets and the expiry of rental guarantees in the second quarter 2008.

Service charge income represents the service costs that have been charged to the tenants and includes common area maintenance, insurance, utilities costs and property taxes and a service charge guarantee on the Mars portfolio. Lower service charge income in the six months and quarter ended 30 June 2009 compared to the same periods ended 30 June 2008, mainly reflects the sale of real estate assets and the expiry of service charge guarantees in the second quarter of 2008.

Fair value movements / impairment losses €'000 (Unaudited)	**Six months ended 30 June 2009**	**Six months ended 30 June 2008**	**Three months ended 30 June 2009**	**Three months ended 30 June 2008**
(Decrease) in fair value of investment properties	(203,026)	(164,281)	(72,655)	(64,445)
(Loss) on sale of asset back securities, available-for-sale	(3,744)	(269)	(1,347)	(269)
(Decrease) / increase in fair value of interest rate swaps	(764)	(1,216)	1,760	8,842
Gain on repurchase of debt financing	51,147	-	51,147	-
Impairment losses	(113,434)	-	(73,594)	-
Total	**(269,821)**	**(165,766)**	**(94,689)**	**(55,872)**

The Group's investment properties are revalued for the purposes of the Group's financial statements on a quarterly basis by external valuers. The main factors the valuers consider when determining a fair valuation are the following: passing rent, void periods, yield, relettability and marketability of properties. Valuations continue to reflect current uncertainties in the German real estate market related to a weak economic environment.

The Group sold 5 assets in the six months and 2 assets in the quarter ended 30 June 2009 out of the Drive Liquidity fund for total proceeds of €9.2 million and €2.7 million respectively. The sales generated realised losses on sale of €3.7 million and €1.3 million in the six months and second quarter ended 30 June 2009, respectively. There were no asset sales out of the Drive Liquidity fund for the same periods ended 30 June 2008, while there was a loss of €0.3 million on sale of debt investments.

The increase in the fair value of interest rate swaps for the three months ended 30 June 2008 and 30 June 2009 is due to increases in forward interest rates in the relative second quarters of 2008 and 2009. The decrease in the fair value of interest rate swaps in the six months ended 30 June 2009 and six months ended 30 June 2008 is due to fall in interest rates, where the Group remained a net fixed interest rate payer.

The Group repurchased debt issued by CDO V and realised a gain on repurchase of €51.1 million in the second quarter ended 30 June 2009 and consequently in the first half of 2009. No debt was repurchased in the same periods in 2008.

During the six months and quarter ended 30 June 2009, the Group has recognised €113.4 million and €73.6 million of impairment losses within the debt investment portfolio for 20 and 17 assets, respectively. There were no impairments in the three months and six months ended 30 June 2008.

Operating Expenses

The Group's operating expenses consist of interest expenses, service charge expenses, property operating expenses and other operating expenses as shown in the table below:

€'000 (Unaudited)	**Six months ended 30 June 2009**	**Six months ended 30 June 2008**	**Three months ended 30 June 2009**	**Three months ended 30 June 2008**
Interest expense	114,443	142,255	57,241	66,834
Losses / (gains) on foreign currency contracts, translation and swaps	(2,093)	323	(3,832)	1,398
Service charge expenses	26,292	30,780	12,247	15,495
Property operating expenses	18,139	12,125	9,721	6,591
Other operating expenses	20,299	23,833	9,512	15,116
Total operating expenses	**177,080**	**209,316**	**84,889**	**105,434**
Operating income (excluding fair value movements and impairment losses)	**193,824**	**256,675**	**91,754**	**128,348**

A significant proportion of the Group's operating expenses represent interest expense (65% and 67% for the six and three months ended 30 June 2009, 68% and 63% for the six and three months ended 30 June 2008). The decrease from 2008 was due to lower interest rates in Q2 2009 and repayment of debt through commercial property sales.

The Group's property operating expenses include common area maintenance, insurance, utilities costs and property taxes that cannot be recovered from tenants or that relate to vacant space. The increase as compared to the three months and six months ended 30 June 2008 was predominantly due to an increase in non recoverable expenses relating to prior period settlements and the increase in amortisations of tenant incentives and leasing commissions. Tenant incentives and leasing commissions increased throughout 2008 due to the letting of vacant space.

The Group's other operating expenses include Management Fees paid to the Manager of €5.4 million and €10.7 million for the three and six months ended 30 June 2009; Management Fees paid to the Manager for the three months and six months ended 2008 was €5.5 million and €10.9 million respectively. Other operating expenses decreased by €5.6 million and €3.5 for the three months and six months ended 30 June 2009 when compared to the same period in 2008, due mainly to higher transaction costs incurred relating to the sale of properties in the second quarter of 2008.

Corporation Tax

The Group's corporation tax is shown in the table below:

€'000 (Unaudited)	**Six months ended 30 June 2009**	**Six months ended 30 June 2008**	**Three months ended 30 June 2009**	**Three months ended 30 June 2008**
Current tax charge	352	709	287	355
Deferred tax credit	(5,877)	(3,410)	(3,016)	(1,739)
Total tax credit	**(5,525)**	**(2,701)**	**(2,729)**	**(1,384)**

The deferred tax represents temporary timing differences between the fair value and the German tax book value of all investment properties, except those within the Drive portfolio (which are exempt from corporation tax on all income generated and revaluation gains).

The Group has structured its investments in a tax efficient manner but changes in tax legislation or management non-compliance with certain tax principles in relevant jurisdictions (including Guernsey, Luxembourg, Ireland, United Kingdom and Germany) could affect the Group's effective rate of taxation.

Balance Sheet Review

The segmental analysis prepared according to IFRS has been disclosed in Note 22. The table below shows the summarised financial data of the Group's business segments on a pro-forma basis with the unallocated amounts per Note 22 allocated between the segments on the basis disclosed in the table below.

Balance sheet data

As at 30 June 2009 (Unaudited)	Debt investments €'000	Investment properties €'000	Total Eurocastle €'000
Investments	1,631,431	3,924,859	**5,556,290**
Other assets[1]	77,188	143,542	**220,730**
Total assets	**1,708,619**	**4,068,401**	**5,777,020**
Interest-bearing debt financing[3]	(1,741,213)	(3,252,604)	**(4,993,817)**
Other liabilities[2]	(4,354)	(107,499)	**(111,853)**
Total liabilities	**(1,745,567)**	**(3,360,103)**	**(5,105,670)**
Segment net (liabilities) /assets	**(36,948)**	**708,298**	**671,350**
Tax liability	-	(7,442)	**(7,442)**
Minority interest	(2)	(4)	**(6)**
Net (liabilities) / assets	**(36,950)**	**700,852**	**663,902**
Net assets / (liabilities) per fully diluted share €	**(0.12)**	**2.26**	**2.14**
Adjusted NAV for 50% Mars transfer[4]	**-**	**(106,308)**	**(106,308)**
Adjusted net assets / (liabilities) after transfer	**(36,950)**	**594,544**	**557,594**
Adjusted net assets / (liabilities) per fully diluted share after transfer	**(0.12)**	**1.91**	**1.79**

1 Unallocated other assets of €11.9 million have been allocated between the segments based on each segment's share of invested equity. Amounts allocated were; debt investments: €1.5 million and investment properties: €10.4 million.

2 Unallocated other liabilities of €5.0 million have been allocated between debt investment and investment property segments based on each segment's share of invested equity. Amounts allocated were: debt investments: €0.6 million and investment properties: €4.4 million.

3 Included in the interest-bearing debt financing is the corporate loan balance of €34.6 million, split between the debt investments: €4.3 million and investment properties: €30.3 million.

4 Represents the economic (non-IFRS) impact of transferring 50% of the Group's equity in the Mars portfolios to the lender as part of the Mars Floating refinancing (see Financing Review for a fuller explanation of the Mars refinancing).

The debt investment securities portfolio is predominantly financed to maturity with long-term collateralised debt obligations ("CDOs") that are not callable as a result of changes in value and are non-recourse to the Group. While the assets in the CDOs are consolidated in the financial statements for IFRS purposes, the Group's exposure to losses is limited to its initial investment in each CDO. The 30 June 2009 IFRS net asset value reflects approximately €118.8 million of unrealised losses in assets within the Group's CDOs that exceeds its investment in the CDOs and, therefore, could not be realised in cash terms by the Group.

Accounting for the Mars Refinancing

The Group's equity transfer to the Mars lender in respect of the Mars Floating portfolio refinancing settled on 27 May 2009, and comprised of the transfer of 50% of the loan notes and shareholder loans held by Eurocastle Investment Limited in the total Mars portfolio financed by the lender.

Eurocastle Investment Limited's investment in the loan notes and shareholder loans, and the corresponding liabilities in the Mars Portfolio, are recorded at amortised cost.

The liabilities within the Mars Portfolio have been re-measured against cash flows available from the Mars investment properties, and this has resulted in a reduction in their amortised cost. Consequently, the Mars portfolio has recorded a transfer of reduced liabilities to the lender, which is shown as an external liability to the Group within Note 13 to the Interim Consolidated Financial Statements.

Eurocastle Investment Limited's transfer of its interest in these investments to the lender on behalf of its Mars subsidiaries is considered to be a cost of refinancing in Mars, and is therefore amortised over the life of the new loan facility. See Note 13.2 in the Interim Consolidated Financial Statements.

The Adjusted NAV for the 50% transfer is a non-IFRS adjustment that reflects the economic substance of the transaction. The economic benefit pertaining to 50% of the NAV of Mars portfolios has been transferred to the lender, and the Group no longer benefits from this. This 50% of NAV is hence excluded from total Group NAV.

Total Assets

Total assets as at 30 June 2009 amounted to €5.8 billion, representing a 8% decrease from €6.2 billion as at 31 December 2008. This primarily reflects the reduction in value of the commercial property portfolio of €308.0 million, comprising the sale of 11 assets with a fair value of €105.3 million and a reduction in fair value of €202.7 million. In addition debt investments declined €99.7 million, mainly due to impairments of €113.4 million offset by foreign exchange movements.

Real Estate Investments

As at 30 June 2009, the Group's real estate portfolio comprised €3.9 billion of commercial property investments compared with €4.0 billion as at 31 March 2009, on a like-for-like basis. This mainly represents a decrease of 1.8% in the fair value of investment properties on the 31 March 2009 values.

Debt Investments

Following the amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets", the Group reclassified all available for sale securities within CDO II, CDO III and CDO V to loans and receivables with effect from 1 July 2008 at fair value at that date.

The change in the value of the reclassified securities during the six months ended 30 June 2009, had they been held as available for sale, would have been a €170.7 million unrealised loss.

Financing Activities

The Group's financing position as at 31 July 2009 was as follows:

Maturities and Amortization								
Portfolio (€million)	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015 +**	**TOTAL**
Non - Recourse								
Mars - fixed	-	-	-	-	-	966.4	-	**966.4**
Mars - floating *	34.6	50.0	75.0	75.0	-	-	-	**234.6**
Mars - fixed 2	-	-	-	-	80.0	-	-	**80.0**
Drive	-	-	-	-	939.7	-	-	**939.7**
Bridge	-	-	-	-	-	372.1	-	**372.1**
Wave	-	-	-	-	-	202.6	-	**202.6**
Turret	-	-	-	-	-	-	147.6	**147.6**
Truss	-	-	-	0.2	0.9	0.9	83.4	**85.4**
Belfry	-	-	-	-	-	-	56.2	**56.2**
Superstella	-	-	-	-	-	-	54.5	**54.5**
Tannenberg	-	-	-	-	-	53.0	-	**53.0**
Zama	-	-	-	-	-	39.9	-	**39.9**
Bastion	-	-	-	26.5	-	-		**26.5**
Real Estate Total	34.6	50.0	75.0	101.7	1,020.6	1,634.9	341.7	**3,258.5**
CDO II	-	-	-	-	-	-	310.9	**310.9**
CDO III	-	-	-	-	-	-	698.5	**698.5**
Duncannon	-	-	-	-	-	-	571.7	**571.7**
CDO IV	63.6	-	-	-	-	-	-	**63.6**
EFL	68.0	-	-	-	-	-	-	**68.0**
Debt Total	131.6	0.0	0.0	0.0	0.0	0.0	1,581.1	**1,712.7**
Total Non-Recourse	**166.2**	**50.0**	**75.0**	**101.7**	**1,020.6**	**1,634.9**	**1,922.8**	**4,971.2**
Recourse								
EFL	30.0	-	-	-	-	-	-	**30.0**
Corporate Loan	-	15.0	20.0	-	-	-	-	**35.0**
Total Recourse	**30.0**	**15.0**	**20.0**	**0.0**	**0.0**	**0.0**	**0.0**	**65.0**
GRAND TOTAL	**196.2**	**65.0**	**95.0**	**101.7**	**1,020.6**	**1,634.9**	**1,922.8**	**5,036.2**

* This facility contains an interest top-up guarantee of up to a maximum of €10 million from Eurocastle in the event that there is insufficient net operating cashflow from the Mars Floating portfolio to meet current interest.

Real Estate Portfolio Financing

The Group continues to finance its core real estate portfolio with fixed rate term loans, which, during the period of ownership, has substantially eliminated its exposure to increased interest rates. This is consistent with the objective of locking in the spread between the yield on its investments and the cost of financing those investments.

Debt Investment Portfolio Financing

The Group has no mark-to-market or full recourse exposure on its debt portfolio. As at 31 July 2009, out of total financing facilities of €1.7 billion, the Group has financing totalling €161.6 million maturing within the year. One facility for €63.6 million, relating to CDO IV, is non recourse and matures in December 2009. The second facility (the EFL facility) is for €98 million and matures in September 2009. This facility has limited recourse of €30 million.

At 30 June 2009, approximately 89.0% of the debt investment portfolio benefits from financing maturing beyond the maturity date of its assets.

A significant portion of the Group's debt investments are financed with non-recourse collateralised debt obligations, known as CDOs. As a necessary consequence of the existence of certain covenants, where compliance is a function of the default rate and external credit ratings of the underlying investments, there is currently a material risk that, in the event of a breach of those covenants, that a substantial proportion of the net cash flows attributable to the debt business could be mandatorily applied to the repayments of the debt funding those underlying investments. The Directors consider that there are material risks to the cash flows from the Group's debt investment operations. In particular, as noted in the 2008 Annual Report, CDO II, III and V remain out of compliance in respect of certain tests where compliance is, among other things, a function of the default rate and external credit ratings of the underlying investments. As a result, on the last interest payment date, most of the projected cashflow attributable to the Group's investments in its debt business was mandatorily diverted to amortise more senior debt. Ongoing failure of various tests will continue to lead to a substantial proportion of the net cash flows attributable to the debt business being mandatorily applied to the repayments of debt funding those underlying investments. Furthermore there are additional covenants, also where compliance is a function of the default rate and credit ratings of the underlying investments, which if breached would constitute an event of default under the terms of those borrowings and as such give a right of acceleration to the respective lenders. The underlying investments in the CDOs are continuing to generate cash flows. However, in the current environment, where the frequency and more importantly severity of negative ratings actions has increased significantly, the risk of these tests being breached has increased.

Short Term Financing

The Group raised €75 million in Perpetual Subordinated Convertible Securities (Convertible Bonds) at the end of June 2009. The main terms of these are set out in Note 17 to the Consolidated Interim Financial Statements herein. The net proceeds of issue which amounted to €73.8 million were used to pay down the Corporate Loan facility to €35 million. This facility, as noted in the 2008 Annual report and the First Quarter 2009 Group Financial Results, matures on 30 June 2011. The facility's planned semi-annual amortisation requirements at the end of December 2009 and June 2010 have been met. The next scheduled amortisation of €15 million is at the end of December 2010. However, the Group is targeting to repay the facility within the first half of 2010, through a combination of proceeds from asset sales and cashflows from operations, but there can be no assurance that this target will be achieved.

The Company has granted a guarantee in respect of an acquisition loan made available to EFL which matures on 30 September 2009. This guarantee is limited to €30 million. Negotiations in respect of a settlement are currently in progress with the lender but there can be no assurance that this guarantee will have its term extended. If the guarantee is called, this will trigger a default of the Company's Corporate Loan Facility.

The Mars Floating Facility of €236 million was refinanced in February 2009. The amended Facility matures on 31 December 2012 and has scheduled amortisation payments of €36 million, €50 million, and €75 million at the end of 2009, 2010, and 2011, respectively. In consideration of the extension of this facility, the Group has agreed to transfer to the Mars Floating Facility lender half of its equity investment in the combined Mars portfolios as at 31 January 2009.

Additional details on the Corporate Loan Facility and Mars Floating Facility, together with the Directors' assessment of the Group's ability to continue as a going concern, have not changed since the publication of the 2008 Annual Report and are set out in Note 3 of the Notes to the Consolidated Financial Statements therein.

Cashflows at the Holding Company level

The ability of Eurocastle Investment Limited ("EIL") to service the corporate loan, pay interest on the Convertible Bond and satisfy other corporate costs and guarantees is dependent on the cashflows from its subsidiary companies. The cashflows from the Mars portfolios and the Debt investment portfolios are currently being retained within these portfolios, either to repay senior debt or to reinvest, and are therefore not available for distribution to EIL.

Set out in the table below is a pro-forma illustration of amounts potentially available from the core portfolios to be distributed to EIL in 2009 based on in-place cashflows from the commercial property portfolios excluding Mars, as at the end of Q2 2009:

Portfolio Performance Illustration – Q2 2009 Portfolio Results Annualized*

	Total Group (€'million)	Mars portfolio[1] (€'million)	Core portfolios (€'million)
Real estate NOI	229.9	70.7	159.2
Capital expenditure	(20.5)	(8.5)	(12.0)
Interest expense[2]	(145.5)	(56.7)	(88.8)
Corporate overhead[3]	(37.6)	-	(37.6)
Net Cashflow[4]	**26.3**	**5.5**	**20.8**

1 The Mars Portfolio does not generate cash flows for distribution to EIL

2 The cash amount of interest paid is calculated by multiplying the weighted average funding cash coupon by the current face amount on an Actual/360 basis

3 The Corporate G&A is based on other operating expenses for Q2 2009 on an annualized basis, excluding
- (a) sales related costs
- (b) depreciation and amortization
- (c) operating expenses borne directly out of cashflows from the debt investment business, but including
- (d) professional fees and general expenses related to the non-Mars real estate business included in property operating expenses

4 No debt investment cash flows have been assumed

* The cashflows shown are not an indication of expected future cashflows and assume no change in portfolio occupancy, rental income, operating costs, capital expenditure and management cost.

Commercial Property Portfolio

As at 30 June 2009, Eurocastle owned a €3.9 billion portfolio of commercial property investments. At quarter end, the investment property portfolio comprised 564 properties with approximately 2.1 million square meters (sqm) of lettable space. The portfolio had a total occupancy of 85.8%, and a weighted average remaining lease term of 5.6 years. The Group derives 60% of its rental income from the five major German markets. At the end of the second quarter, the Group's investment property portfolio generated an average NOI* yield of 5.9%.

Investment properties excluding the Mars portfolio had lettable space of 1.4 million square metres with occupancy of 91.4% at 30 June 2009, slightly higher than 91.2% as at 31 March 2009. These generated an average NOI yield of 6.5%. Mars portfolio investment properties had lettable space of 720 thousand square metres at 30 June 2009 with occupancy of 75.2%, the same as at 31 March 2009. The Mars portfolio generated an average NOI yield of 4.7%.

During the second quarter of 2009, the Group has signed 71 commercial leases for approximately 39,000 sqm, of which new leases accounted for approximately 20,000 sqm. The level of physical portfolio occupancy, on a like for like basis, increased to 85.8% as compared to 85.7% in the previous quarter. Since quarter end, approximately 7,300 sqm of new leases and 10,000 sqm of renewals have been completed, with a further 6,300 sqm of new leases and 9,700 sqm of renewals currently under negotiation.

The Group has completed the sale of 3 properties for total sales proceeds of €5.2 million, realising cash of €3.7 million, net of all transaction costs during the second quarter. Subsequent to quarter end, the Group has sold one further property for total sale proceeds of €2.2 million, and has entered into binding agreements to sell six properties for estimated total proceeds of €4 million.

* Net Operating Income (NOI) represents gross rental income less net service charge expenses and property operating expenses on an annualised basis, excluding the investment properties held for sale.

As at 30 June 2009, the Group had signed 24 new leases for approximately €1.7 million of rental income per annum on approximately 14,800 sqm of vacant space, which will become effective during the third quarter 2009 or later. These leases have not been included in the following tables.

Rental Data

By Use

Use	Lettable (sqm)	Occupancy %	Passing rent* €'million Annual	Passing rent* %	Passing rent* € per sqm/month
Office	1,168,237	80.7%	143.7	56.6%	12.7
Retail	456,280	98.3%	54.6	21.5%	10.1
Bank Hall	106,342	98.0%	16.8	6.6%	13.4
Other	356,264	83.0%	39.0	15.3%	11.0
Total portfolio	**2,087,123**	**85.8%**	**254.1**	**100%**	**11.8**

By Location

Location	Lettable (sqm)	Occupancy %	Passing rent* €'million Annual	Passing rent* %	Passing rent* € per sqm/month
Frankfurt	545,388	85.2%	88.4	34.8%	15.9
Munich	204,008	70.6%	24.6	9.7%	14.2
Hamburg	91,299	88.4%	12.1	4.8%	12.5
Berlin	90,765	82.4%	9.5	3.7%	10.5
Düsseldorf	107,928	95.6%	18.7	7.3%	15.1
Subtotal – top 5 markets	**1,039,388**	**83.4%**	**153.3**	**60.3%**	**14.7**
Remaining West	831,066	89.8%	83.9	33.0%	9.4
Remaining East	216,669	81.8%	16.9	6.7%	8.0
Total portfolio	**2,087,123**	**85.8%**	**254.1**	**100%**	**11.8**

By Portfolio

Portfolio	Lettable (sqm)	Occupancy %	Passing rent* €'million Annual	Passing rent* %	Passing rent* € per sqm/month
Mars – fixed 1	462,341	82.1%	60.7	23.9%	13.3
Mars – fixed 2	36,936	88.8%	6.3	2.5%	16.0
Mars – floating	220,942	58.6%	15.0	5.9%	9.7
Drive	553,849	88.1%	79.0	31.1%	13.5
Bridge	192,003	94.1%	29.7	11.7%	13.7
Wave	199,655	83.1%	19.0	7.5%	9.6
Zama	30,557	88.4%	3.3	1.3%	10.3
Turret	140,633	99.4%	14.9	5.9%	8.9
Truss	81,280	99.6%	8.5	3.3%	8.7
Belfry	55,889	99.4%	5.4	2.1%	8.2
Rapid	37,612	100.0%	4.4	1.7%	9.7
Tannenberg	49,498	95.8%	5.2	2.0%	9.1
Bastion	25,928	100.0%	2.7	1.1%	8.8
Total portfolio	**2,087,123**	**85.8%**	**254.1**	**100%**	**11.8**

* Passing rent is defined as the contractual annual gross rental income at the period end, excluding the net effects of straight lining for lease incentives.

Lease Expiry Data

By Use

Use	Average lease term	Passing rent*						
		2009	2010	2011	2012	2013	2014-2018	2019+
	Years	€m	€m	€m	€m	€m	€m	€m
Office	4.3	2.1	15.5	40.4	16.5	7.4	52.0	9.9
Retail	7.4	0.4	2.1	3.4	4.2	4.8	22.5	17.2
Bank Hall	4.9	-	0.1	2.4	2.4	0.2	10.4	1.3
Other	8.1	0.3	5.8	6.0	4.0	0.9	10.1	11.8
Total portfolio	**5.6**	**2.8**	**23.5**	**52.2**	**27.1**	**13.3**	**95.0**	**40.2**
Percentage of portfolio		1.1%	9.3%	20.5%	10.7%	5.2%	37.4%	15.8%

By Location

Location	Average lease term	Passing rent*						
		2009	2010	2011	2012	2013	2014-2018	2019+
	Years	€m	€m	€m	€m	€m	€m	€m
Frankfurt	4.9	0.8	6.9	27.5	9.6	2.8	33.3	7.5
Munich	7.1	0.1	2.9	8.3	2.3	2.2	3.3	5.5
Hamburg	3.9	0.5	1.9	2.9	1.7	0.7	3.2	1.2
Berlin	3.9	0.2	1.6	1.8	1.1	1.2	2.5	1.0
Düsseldorf	7.6	-	2.5	2.7	3.0	0.2	1.1	9.1
Subtotal – top 5 markets	**5.4**	**1.6**	**15.8**	**43.2**	**17.7**	**7.1**	**43.4**	**24.3**
Remaining West	5.9	1.1	6.1	7.7	8.5	3.9	41.8	14.9
Remaining East	5.0	0.1	1.6	1.3	0.9	2.3	9.8	1.0
Total portfolio	**5.6**	**2.8**	**23.5**	**52.2**	**27.1**	**13.3**	**95.0**	**40.2**

By Portfolio

Portfolio	Average lease term	Passing rent*						
		2009	2010	2011	2012	2013	2014-2018	2019+
	Years	€m	€m	€m	€m	€m	€m	€m
Mars – fixed 1	6.4	0.5	9.7	12.6	11.3	4.6	6.7	15.2
Mars – fixed 2	4.3	0.2	0.8	0.6	1.7	0.2	2.6	0.2
Mars – floating	3.2	0.6	4.1	3.3	1.5	1.0	4.0	0.5
Drive	4.7	0.5	4.3	26.3	5.6	1.9	31.5	8.9
Bridge	5.4	0.5	1.3	6.0	4.5	1.0	14.8	1.5
Wave	4.8	0.2	1.6	1.4	0.4	0.7	14.4	0.4
Zama	6.3	0.1	0.3	0.1	0.1	0.1	2.7	-
Turret	6.2	0.1	0.4	0.9	0.5	2.3	8.7	2.1
Truss	6.6	-	0.5	0.4	0.7	0.7	4.6	1.6
Belfry	6.4	0.1	0.1	0.5	0.3	0.7	2.7	1.1
Rapid	12.3	-	-	-	-	-	0.1	4.2
Tannenberg	8.0	-	0.4	0.1	0.5	0.1	2.1	1.9
Bastion	11.2	-	-	-	-	-	0.1	2.6
Total portfolio	**5.6**	**2.8**	**23.5**	**52.2**	**27.1**	**13.3**	**95.0**	**40.2**

* Passing rent is defined as the contractual annual gross rental at the period end, excluding the net effects of straight lining lease incentives.

Valuation Data

By Location

Markets	Number of properties	Occupancy	Lettable space	Property valuation	Property cost	% of Portfolio	Net operating income	NOI yield on cost	NOI yield on valuation
		%	(sqm)	€m*	€m**	€m	€m***	%	%
Top 5 markets									
Frankfurt	48	85.2%	545,388	1,444	1,728	37.4%	81.0	4.7%	5.6%
Munich	16	70.6%	204,008	445	586	12.8%	22.4	3.8%	5.0%
Hamburg	13	88.4%	91,299	205	248	5.4%	9.6	3.9%	4.7%
Berlin	10	82.4%	90,765	160	177	3.9%	8.7	4.9%	5.4%
Düsseldorf	7	95.6%	107,928	317	357	7.8%	18.0	5.0%	5.7%
Subtotal – top 5 markets	**94**	**83.4%**	**1,039,388**	**2,571**	**3,096**	**67.3%**	**139.7**	**4.5%**	**5.4%**
Remaining West	368	89.8%	831,066	1,155	1,285	28.0%	75.1	5.8%	6.5%
Remaining East	102	81.8%	216,669	203	215	4.7%	15.2	7.1%	7.5%
Total portfolio	**564**	**85.8%**	**2,087,123**	**3,929**	**4,596**	**100%**	**230.0**	**5.0%**	**5.9%**

By Portfolio

Portfolio	Number of properties	Occupancy	Lettable space	Property valuation	Property cost	% of Portfolio	Net operating income	NOI yield on cost	NOI yield on valuation
		%	(sqm)	€m*	€m**	€m	€m***	%	%
Mars – fixed 1	28	82.1%	462,341	1,060	1,365	29.7%	53.5	3.9%	5.0%
Mars – fixed 2	3	88.8%	36,936	105	129	2.7%	5.3	4.1%	5.0%
Mars – floating	21	58.6%	220,942	339	414	9.0%	11.9	2.9%	3.5%
Drive	230	88.1%	553,849	1,163	1,342	29.2%	72.3	5.4%	6.2%
Bridge	6	94.1%	192,003	461	508	11.1%	28.7	5.6%	6.2%
Wave	78	83.1%	199,655	256	238	5.2%	17.0	7.1%	6.6%
Zama	8	88.4%	30,557	47	54	1.2%	3.5	6.5%	7.4%
Turret	63	99.4%	140,633	179	197	4.3%	13.8	7.0%	7.7%
Truss	41	99.6%	81,280	100	106	2.3%	7.8	7.4%	7.8%
Belfry	28	99.4%	55,889	65	69	1.5%	5.0	7.2%	7.7%
Rapid	18	100.0%	37,612	56	68	1.5%	4.1	6.0%	7.2%
Tannenberg	27	95.8%	49,498	63	71	1.5%	4.6	6.5%	7.3%
Bastion	13	100.0%	25,928	35	35	0.8%	2.5	7.1%	7.1%
Total portfolio	**564**	**85.8%**	**2,087,123**	**3,929**	**4,596**	**100%**	**230.0**	**5.0%**	**5.9%**

* The above valuation does not include €18.1 million relating to head leases.

** Includes leasing commissions and tenant incentives disclosed separately in other assets.

*** Net operating income is after deducting €6.2 million 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.

Like for like* occupancy analysis

By Use

Use	30 June 2009 Occupancy (sqm)	30 June 2009 Occupancy %	30 June 2009 Passing rent** €m	31 March 2009 Occupancy (sqm)	31 March 2009 Occupancy %	31 March 2009 Passing rent** €m
Office	942,516	80.7%	143.7	940,801	80.6%	143.1
Retail	448,442	98.3%	54.6	449,595	98.6%	54.7
Bank Hall	104,256	98.0%	16.8	103,396	98.0%	16.8
Other	295,525	83.0%	39.0	295,370	82.5%	39.1
Total portfolio	**1,790,739**	**85.8%**	**254.1**	**1,789,162**	**85.7%**	**253.7**

By Location

Location	30 June 2009 Occupancy (sqm)	30 June 2009 Occupancy %	30 June 2009 Passing rent** €m	31 March 2009 Occupancy (sqm)	31 March 2009 Occupancy %	31 March 2009 Passing rent** €m
Frankfurt	464,400	85.2%	88.4	464,119	85.1%	88.1
Munich	144,071	70.6%	24.6	144,596	70.9%	24.7
Hamburg	80,678	88.4%	12.1	83,610	91.6%	12.6
Berlin	74,825	82.4%	9.5	74,429	82.0%	9.4
Düsseldorf	103,134	95.6%	18.7	103,021	95.5%	18.6
Subtotal – top 5 markets	**867,108**	**83.4%**	**153.3**	**869,775**	**84.3%**	**153.4**
Remaining West	746,330	89.8%	83.9	742,036	89.3%	83.4
Remaining East	177,301	81.8%	16.9	177,351	81.9%	16.9
Total portfolio	**1,790,739**	**85.8%**	**254.1**	**1,789,162**	**85.7%**	**253.7**

By Portfolio

Portfolio	30 June 2009 Occupancy (sqm)	30 June 2009 Occupancy %	30 June 2009 Passing rent** €m	31 March 2009 Occupancy (sqm)	31 March 2009 Occupancy %	31 March 2009 Passing rent** €m
Mars – fixed 1	379,655	82.1%	60.7	383,258	82.9%	61.3
Mars – fixed 2	32,817	88.8%	6.3	32,626	88.3%	6.3
Mars – floating	129,412	58.6%	15.0	126,024	57.0%	14.6
Drive	488,009	88.1%	79.0	486,658	87.9%	78.6
Bridge	180,641	94.1%	29.7	179,838	93.7%	29.5
Wave	165,957	83.1%	19.0	167,288	83.8%	19.1
Zama	27,016	88.4%	3.3	26,288	86.0%	3.2
Turret	139,749	99.4%	14.9	139,699	99.3%	14.9
Truss	80,957	99.6%	8.5	80,957	99.6%	8.5
Belfry	55,563	99.4%	5.4	55,563	99.4%	5.4
Rapid	37,612	100.0%	4.4	37,612	100.0%	4.4
Tannenberg	47,423	95.8%	5.2	47,423	95.8%	5.2
Bastion	25,928	100.0%	2.7	25,928	100.0%	2.7
Total portfolio	**1,790,739**	**85.8%**	**254.1**	**1,789,162**	**85.7%**	**253.7**

* Like for like represents common properties that are held at the end of both reporting periods.
** Passing rent excludes the impact of the rental guarantee.

Top 5 Tenants

Tenant name	Business sector	Passing rent €'000	% of total portfolio	Square meters
Commerzbank	Banking	67,998	26.8%	397,265
Deutsche Bank	Banking	15,056	5.9%	120,196
Edeka	Retail	12,695	5.0%	120,944
Starman Hotels	Hotel	9,513	3.7%	40,988
Deutsche Bahn	Railway	8,797	3.5%	50,479
Total portfolio		**114,059**	**44.9%**	**729,872**

Debt Investment Portfolio

Overview of the Debt Investment Portfolio

	30 June 2009 (Unaudited)	31 December 2008
Carrying value of total debt investments (excluding restricted cash) (€'000)	**1,629,597**	**1,586,895**
Implied discount margin (above Euribor) at carrying value	**7.70%**	**6.17%**
Amortised cost of total debt investments (excluding restricted cash) (€'000)	**1,674,974**	**1,620,505**
Weighted average asset margin (above Euribor)	**1.79%**	**1.81%**
Weighted average liability spread	**0.60%**	**0.58%**
Weighted average net spread	**1.19%**	**1.23%**
Weighted average credit rating	**BB+**	**BB+**
Percentage investment grade of debt investment portfolio	**49%**	**55%**
Number of securities and loans	**192**	**187**

Eurocastle's €1.6 billion investment portfolio (excluding restricted cash) consists primarily of commercial real estate backed and residential real estate backed debt. The following describes the investment portfolio as at 30 June 2009:

Asset/liability structure for debt investment portfolio

30 June 2009 (Unaudited)	Assets			Cash in hand	Liabilities				
Funding structure	**Nominal €'000**	**Average life**	**Average rating**	**Nominal €'000**	**Drawn amount €'000**	**Facility amount €'000**	**Average life €'000**	**Legal maturity**	**M-T-M provisions*** **
Eurocastle CDO II PLC	352,432	3.0	BB+	465	311,012	311,012	6.0	Dec 2060	No
Eurocastle CDO III PLC	737,753	3.5	BBB	1,369	698,402	698,402	6.0	Dec 2060	No
Eurocastle CDO IV PLC	98,606	3.0	BBB+	-	66,259	66,259	0.4	Dec 2009	No
Duncannon CRE CDO V PLC**	740,095	3.1	B+	-	571,559	571,559	5.5	Jun 2047	No
Eurocastle Funding Limited (unlevered)*	7,730	2.4	CCC-	-	-	-	-	-	-
Eurocastle Funding Limited (financed)	120,594	2.6	BB-	-	100,079	100,079	0.3	Sep 2009	No
Total	**2,057,210**	**3.2**	**BB+**	**1,834**	**1,747,311**	**1,747,311**	**5.3**	-	-

* The legal maturity of Eurocastle Funding Limited's liabilities is based on the weighted average maturity of all its liabilities.
** Includes current face amount of Balance Guaranteed Swap Asset of €63.3 million on the nominal value of non Euro assets.
*** This states whether there are any of mark-to market covenants in the financing structures.

Debt Investment Portfolio Composition (30 June 2009)
(Unaudited)

Asset class	Nominal €'000	Total debt portfolio %
Commercial real estate backed	**1,574,360**	**79.0%**
Residential real estate backed	**349,266**	**17.5%**
Other	**70,250**	**3.5%**
	1,993,876	**100.0%**

Commercial Real Estate Backed Debt

At 30 June 2009, the Group owned €1.6 billion face amount of commercial assets (Commercial mortgage backed securities ("CMBS"), Mezzanine Loans, B-Notes, Whole Business Securitisations ("WBS"), NPL Securitisations and Real Estate Loans and SME CLOs. During the quarter ended 30 June 2009, the Group had purchases of €74 million, no sales and had principal repayments of €24 million. From a cash flow perspective the Group's €890 million CMBS portfolio continues to perform in line with expectations notwithstanding the highly stressed credit environment. Only 0.79% of the underlying loans are delinquent or in payment default, and 7.03% of loans in breach of covenants. To date only one security having a par outstanding amount of €2.3 million has defaulted on an interest payment, which was due to the bankruptcy of Lehman Brothers. In addition, of its Mezzanine Loans, B-Notes and Real Estate Loans, the Group had 3.7% of loans in either payment default or interest diversion and 8.98% in breach of a loan covenant at the end of the period. The Group had no CMBS securities upgraded and 23 CMBS downgrades totalling €156 million during the quarter.

Asset class	Nominal	Total debt book	Average rating*	Average credit spread*	Average LTV
	€'000	%		Bps	%
CMBS	890,173	44.7%	BBB	2,608	61.0%
Commercial real estate loans	509,308	25.5%	B-	2,545	81.9%
NPL securitisation	9,210	0.5%	A+	1,498	18.7%
SME CLO	95,470	4.8%	BB	4,457	0.0%
Whole business securitisation	70,199	3.5%	BB+	2,095	56.1%
	1,574,360	**79.0%**	**BB**	**2,670**	**63.6%**

***** Average Ratings are calculated by reference to the lowest rating currently assigned to each loan or security by any of Moody Investor Services, Standard and Poor, and Derivative Fitch and an arithmetic mean weighted by the current face amount of each loan or security. The average credit spread represents the average implied discount margin (above Euribor) at the current estimated carrying value, weighted by the current nominal par amount outstanding.

Rating distribution / country exposure	AAA	AA	A	BBB	BB	B	CCC	CC	D	Total	% of total debt portfolio
	€'000	€'000	€'000	€'000	€'000	€'000	€'000			€'000	
UK	10,380	31,123	41,310	101,295	108,745	48,479	182,133	55,805	10,248	**589,518**	**29.5%**
Germany	45,523	26,479	8,690	125,898	27,561	42,248	143,523	-	-	**419,922**	**21.1%**
Italy	-	4,649	22,910	50,741	28,957	15,100	32,500	-	-	**154,857**	**7.8%**
France	-	-	-	10,000	-	45,115	10,000	-	2,271	**67,386**	**3.4%**
Netherlands	11,200	-	-	19,685	13,245	-	3,494	-	-	**47,624**	**2.4%**
Switzerland	-	-	-	-	7,000	33,330	2,873	-	-	**43,203**	**2.2%**
Spain	-	-	12,200	3,800	8,934	1,398	-	-	-	**26,332**	**1.3%**
Pan-European	24,883	48,703	45,490	22,469	61,464	22,509	-	-	-	**225,518**	**11.3%**
Total	**91,986**	**110,954**	**130,600**	**333,888**	**255,906**	**208,179**	**374,523**	**55,805**	**12,519**	**1,574,360**	**79.0%**
% of total debt portfolio	**4.6%**	**5.6%**	**6.6%**	**16.7%**	**12.8%**	**10.4%**	**18.9%**	**2.8%**	**0.6%**	**79.0%**	

Residential Real Estate Debt

At 30 June 2009, the Group owned €349 million face amount of residential mortgage backed securities ("RMBS"). During the quarter ended 30 June 2009, the Group made purchases of €36 million, made no sales and had principal repayments of €1 million. The current average rating of the RMBS portfolio is BBB. The Group had 2 securities totalling €6 million upgraded and 2 downgrades totalling €17 million during the quarter.

The composition of the residential mortgage backed securities portfolio as at 30 June 2009 is shown below:

RMBS type	Nominal	Total debt book	Average rating*	Average credit spread*
	€'000	%		Bps
Prime	178,862	9.0%	BBB+	2,698
Mixed	67,623	3.4%	BB+	5,201
Non conforming	102,781	5.1%	BBB-	4,681
Total	**349,266**	**17.5%**	**BBB**	**3,766**

* Average Ratings are calculated by reference to the lowest rating currently assigned to each loan or security by any of Moody Investor Services, Standard and Poor, and Derivative Fitch and an arithmetic mean weighted by the current face amount of each loan or security. The average credit spread represents the average implied discount margin (above Euribor) at the current estimated market value, weighted by the current nominal par amount outstanding.

Rating distribution / country exposure	AAA	AA	A	BBB	BB	B	CCC	Total	% of total debt portfolio
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	
United Kingdom	-	15,667	36,242	107,647	40,501	5,839	6,400	**212,296**	**10.5%**
Italy	-	-	-	28,000	2,750	-	-	**30,750**	**1.5%**
Netherlands	22,000	-	6,375	8,078	15,000	-	-	**51,453**	**2.6%**
Germany	-	-	-	5,000	6,200	-	-	**11,200**	**0.6%**
Spain	-	-	-	3,164	2,200	7,000	-	**12,364**	**0.6%**
Ireland	-	-	-	13,153	2,250	9,800	-	**25,203**	**1.3%**
Belgium	-	-	-	5,000	-	-	-	**5,000**	**0.3%**
Greece	-	-	-	1,000	-	-	-	**1,000**	**0.1%**
Total	**22,000**	**15,667**	**42,617**	**171,042**	**68,901**	**22,639**	**6,400**	**349,266**	**17.5%**
% of total debt portfolio	**1.1%**	**0.8%**	**2.1%**	**8.6%**	**3.5%**	**1.1%**	**0.3%**	**17.5%**	

UK Non-Conforming RMBS

Within the larger residential mortgage backed securities portfolio the current average rating of the €91 million UK non-conforming loan backed securities sub-portfolio is BBB. The performance of these assets has been in-line with the Group's expectations notwithstanding some increases in foreclosures and loss severities and declines in prepayment rates since June 2008. It is a well seasoned portfolio (backed by residential mortgages with a weighted average seasoning of 3.8 years). The benefits of the seasoning effect are threefold; firstly, there is a strong payment history from the underlying borrowers, secondly the deals have benefited from strong historic UK house price growth, and thirdly the portfolio has avoided some of the weaker underwriting and structuring practices prevalent in the 2006/2007 vintage.

Year of mortgage origination*	Nominal	Total debt book	Average rating**	Average credit spread**
	€'000	%	%	Bps
2004	20,743	1.0%	A-	3,887
2005	58,031	2.9%	BBB	4,472
2006	11,958	0.6%	BB	1,727
Total	**90,732**	**4.5%**	**BBB**	**3,977**

* Year of mortgage origination refers to the weighted average date of origination of the underlying residential mortgage loans rather than either the issue date, or the purchase date, of the securitized debt securities held by the Group.

** Average ratings are calculated by reference to the lowest rating currently assigned to each loan or security by any of Moody Investor Services, Standard and Poor, and Derivative Fitch and an arithmetic mean weighted by the current face amount of each loan or security. The average credit spread represents the average implied discount margin (above Euribor) at the current estimated market value, weighted by the current nominal par amount outstanding.

Other Debt

At 30 June 2009, the Group owned €70 million face amount of other structured finance debt (commercial & consumer loans). During the quarter ended 30 June 2009, the Group made no purchases, no sales and had paydowns of €1 million. Five securities totalling €29 million were upgraded, and two securities totalling €20 million were downgraded during the quarter.

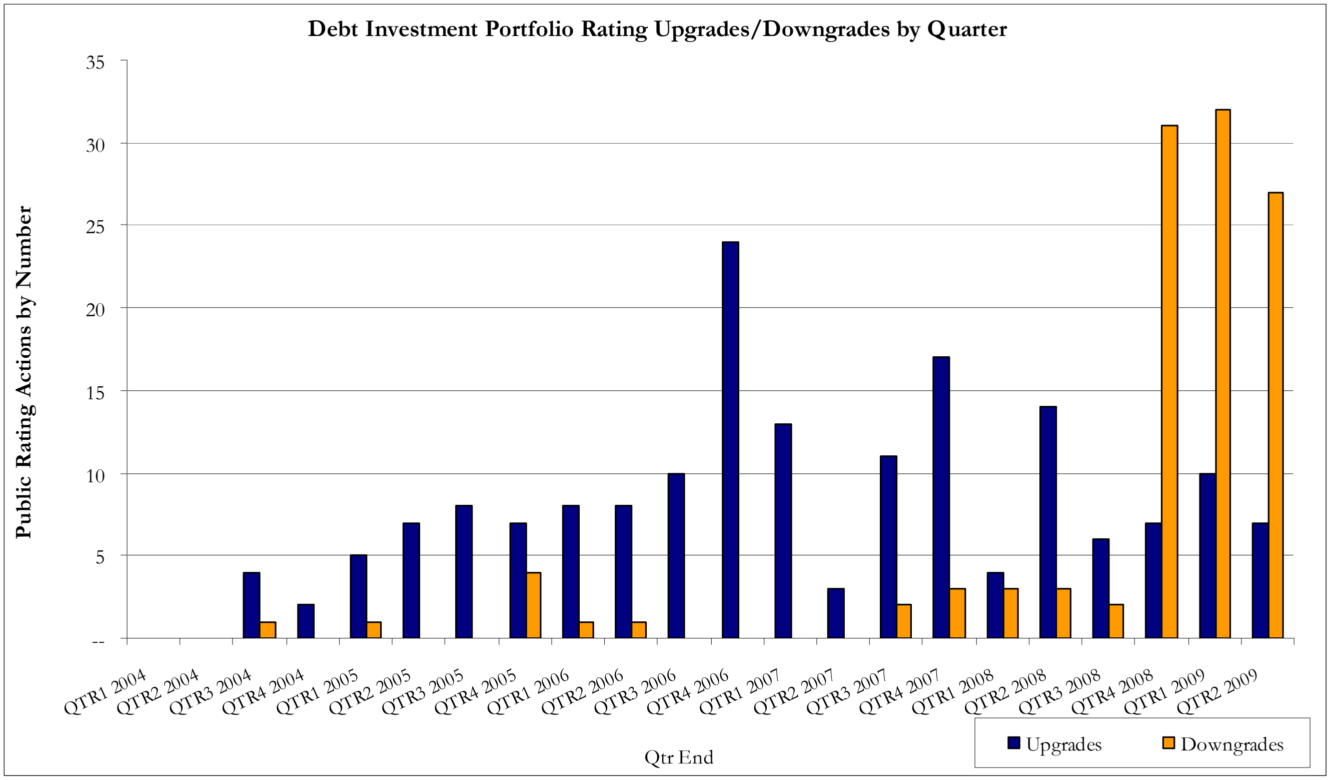
Debt Type	Nominal	Total debt book	Average rating*	Average credit spread*
	€'000	%	%	Bps
Commercial leases & loans	27,453	1.4%	BBB	1,882
Consumer leases & loans	42,797	2.1%	A-	1,351
Total	**70,250**	**3.5%**	**BBB+**	**1,559**

* Average Ratings are calculated by reference to the lowest rating currently assigned to each loan or security by any of Moody Investor Services, Standard and Poor, and Derivative Fitch and an arithmetic mean weighted by the current face amount of each loan or security. The average credit spread represents the average implied discount margin (above Euribor) at the current estimated market value, weighted by the current nominal par amount outstanding.

Rating distribution / country exposure	AAA	AA	A	BBB	BB	B	Total	% of total debt portfolio
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	
Italy	5,759	12,000	11,900	11,000	-	5,944	**46,603**	**2.3%**
Germany	-	-	-	4,750	-	-	**4,750**	**0.2%**
Sweden	-	-	-	3,500	-	-	**3,500**	**0.2%**
United Kingdom	-	-	-	10,000	-	-	**10,000**	**0.5%**
Portugal	-	-	-	5,397	-	-	**5,397**	**0.3%**
Total	**5,759**	**12,000**	**11,900**	**34,647**	**-**	**5,944**	**70,250**	**3.5%**
% of total debt portfolio	**0.3%**	**0.6%**	**0.6%**	**1.7%**	**0.0%**	**0.3%**	**3.5%**	

Credit Quality

The credit environment in the first half of 2009 has continued to be stressed and this has impacted the credit ratings of the debt investment portfolio. During the second quarter, the portfolio had 27 downgrades and 7 upgrades, continuing the trend seen in the first quarter 2009. Although the current lifetime rating upgrades versus downgrades ratio is still positive at 175:111, the credit environment is expected to continue to be stressed through 2009, keeping downward pressure on credit ratings. Actual credit losses, however, both at an underlying and securities level remain at very low absolute levels. The graph below shows ratings action experienced in the portfolio on a quarterly basis.



Statement of Directors' Responsibility in Respect of the Financial Statements

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Independent Auditors' Review

These consolidated interim financial statements have not been reviewed or audited by our auditors Ernst and Young LLP.

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30 June 2009 (Unaudited) €'000	Six months ended 30 June 2008 (Unaudited) €'000	Three months ended 30 June 2009 (Unaudited) €'000	Three months ended 30 June 2008 (Unaudited) €'000
Operating income					
Interest income		41,543	76,473	16,752	38,427
Rental income		125,989	149,422	62,755	74,426
Service charge income		26,292	30,780	12,247	15,495
(Loss) on sale of asset backed securities, available for sale		(3,744)	(269)	(1,347)	(269)
(Decrease) in fair value of investment properties	4,10	(203,026)	(164,281)	(72,655)	(64,445)
Gain on repurchase of debt financing	12	51,147	-	51,147	-
(Decrease) / increase in fair value of interest rate swaps		(764)	(1,216)	1,760	8,842
Impairment losses	6	(113,434)	-	(73,594)	-
Total operating income		**(75,997)**	**90,909**	**(2,935)**	**72,476**
Operating expenses					
Interest expense		114,443	142,255	57,241	66,834
Losses / (gains) on foreign currency contracts, translation and swaps		(2,093)	323	(3,832)	1,398
Service charge expenses		26,292	30,780	12,247	15,495
Property operating expenses		18,139	12,125	9,721	6,591
Other operating expenses	5	20,299	23,833	9,512	15,116
Total operating expenses		**177,080**	**209,316**	**84,889**	**105,434**
Operating (loss) before taxation		**(253,077)**	**(118,407)**	**(87,824)**	**(32,958)**
Taxation charge - current	4	352	709	287	355
Taxation charge - deferred	4	(5,877)	(3,410)	(3,016)	(1,739)
Net (loss) after taxation		**(247,552)**	**(115,706)**	**(85,095)**	**(31,574)**
(Losses) per ordinary share					
Basic		(4.08)	(1.81)	(1.40)	(0.49)
Diluted		(3.59)	(1.81)	(1.10)	(0.49)
Weighted average ordinary shares outstanding					
Basic	15	60,731,845	63,927,634	60,732,042	63,927,634
Diluted	15	69,019,138	64,052,378	77,215,558	63,927,634

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	Notes	30 June 2009 (Unaudited) €'000	31 December 2008 €'000
Assets			
Cash and cash equivalents	7	105,329	119,869
Investment property held for sale	10	4,512	117,790
Other assets	11	59,050	71,560
Available for sale securities	8	74,887	104,548
Loans and receivables (includes cash to be invested)	9	1,559,319	1,629,394
Fixtures and fittings		251	284
Derivative assets		53,988	90,225
Investment property	10	3,917,572	4,112,321
Intangible assets		2,112	2,318
Total assets		**5,777,020**	**6,248,309**
Equity and liabilities			
Capital and reserves			
Issued capital, no par value, unlimited number of shares authorised		1,426,618	1,426,617
Accumulated (loss)		(630,899)	(383,347)
Net unrealised (loss) on available for sale securities		(230,819)	(265,253)
Hedging reserve	16	7,882	15,709
Perpetual Subordinated Convertible Securities	17	73,800	-
Other reserves	18	17,320	17,320
Total shareholders' equity		**663,902**	**811,046**
Minority interest		**6**	**6**
Total equity		**663,908**	**811,052**
Liabilities			
Trade and other payables	14	79,096	88,152
CDO bonds payable	12	1,570,583	1,674,758
Bank borrowings	13	3,423,234	3,626,122
Derivative liabilities		14,688	11,218
Finance lease payable	10	18,069	24,001
Current taxation payable	4	1,934	1,621
Deferred taxation liability	4	5,508	11,385
Total liabilities		**5,113,112**	**5,437,257**
Total equity and liabilities		**5,777,020**	**6,248,309**

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June 2009 (Unaudited) €'000	Six months ended 30 June 2008 (Unaudited) €'000
Cash flows from operating activities		
Operating (loss) before taxation	(253,077)	(118,407)
Adjustments for:		
Interest income	(41,543)	(76,473)
Interest expense	114,443	142,255
Unrealised (gain) / loss on foreign currency contracts	(2,093)	323
Amortisation of (discounts) on securities	(1,553)	(876)
Amortisation of borrowing costs	4,473	3,648
Amortisation of tenant incentives and leasing commissions	3,518	-
Realised loss on disposal of available for sale securities	3,744	269
Realised (gain) on repurchase of debt financing	(51,147)	-
Impairment losses	113,434	-
Shares granted to Directors	1	-
Taxation paid	(39)	(27)
Amortisation of intangibles	399	394
Depreciation	33	73
Decrease in fair value of investment properties	203,026	164,281
Decrease in fair value of interest rate swap	764	1,216
(Increase) / decrease in other assets	(3,016)	2,893
Interest received	54,599	77,899
Interest paid	(121,811)	(145,146)
Increase / (decrease) in trade and other payables	1,781	(29,857)
Net cash flows from operating activities	**25,936**	**22,465**
Cash flows from investing activities		
Purchase of investment property/capital expenditure	(10,916)	(14,907)
Proceeds on sale of investment property	105,288	275,680
Proceeds on sale/prepayment of available for sales securities	20,078	171,495
Purchase of available for sale securities	-	(108,584)
Purchase of real estate related loans	(101,225)	-
Sale/prepayment of real estate related loans	47,637	10,092
Purchase of intangible assets	(193)	(5)
Net cash flows from investing activities	**60,669**	**333,771**
Cash flows from financing activities		
Proceeds from issuance of convertible bonds	75,000	17,311
Costs related to issuance of bonds	(1,200)	(833)
Repurchase of bonds issued	(69,090)	-
Repayment of bonds issued	(20,982)	-
(Decrease) of bank borrowings	(215,934)	(254,417)
Dividends paid to shareholders	-	(19,178)
Net cash flows from financing activities	**(232,206)**	**(257,117)**
Net increase in cash and cash equivalents	**(145,601)**	**99,119**
Cash and cash equivalents, beginning of period	**119,869**	**146,707**
Restricted CDO cash, beginning of period	**132,895**	**6,840**
Total Cash, beginning of period	**252,764**	**153,547**
Cash and cash equivalents, end of period	**105,329**	**172,941**
Restricted CDO cash, end of period	**1,834**	**79,725**
Total cash, end of period	**107,163**	**252,666**

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Group							
	Ordinary shares Number	**Share capital €'000**	**Other reserves €'000**	**Net unrealised gains/ (losses) €'000**	**Hedging reserves €'000**	**Accumulated profit / (loss) €'000**	**Minority interest €'000**	**Total equity €'000**
At 1 January 2008	**63,927,634**	**1,446,172**	**17,320**	**(129,221)**	**30,335**	**109,082**	**6**	**1,473,694**
Unrealised loss on available for sale securities	-	-	-	(167,185)	-	-	-	(167,185)
Realised gains reclassified to the income statement	-	-	-	(26)	-	-	-	(26)
Net unrealised loss on hedge instruments	-	-	-	-	4,808	-	-	4,808
Swaps novated during the year	-	-	-	-	3,229	-	-	3,229
Realised gains on hedge instruments reclassified to the income statement	-	-	-	-	(817)	-	-	(817)
Amortisation of novated swaps	-	-	-	-	(1,253)	-	-	(1,253)
Net losses not recognised in the income statement	-	-	-	(167,211)	5,967	-	-	(161,244)
Net loss for the six months	-	-	-	-	-	(115,706)	-	(115,706)
Total loss and expense for the six months	-	-	-	(167,211)	5,967	(115,706)	-	(276,950)
Dividends paid	-	-	-	-	-	(19,178)	-	(19,178)
At 30 June 2008 (Unaudited)	**63,927,634**	**1,446,172**	**17,320**	**(296,432)**	**36,302**	**(25,802)**	**6**	**1,177,566**
Repurchase of ordinary shares	(3,199,988)	(19,200)	-	-	-	-	-	(19,200)
Costs related to repurchase of ordinary shares	-	(375)	-	-	-	-	-	(375)
Shares issued to Directors	4,000	20	-	-	-	-	-	20
Six months net unrealised loss on asset backed securities, remaining as available for sale	-	-	-	(25,523)	-	-	-	(25,523)
Net unrealised losses of available-for-sale securities reclassified to loans and receivables	-	-	-	16,386	-	-	-	16,386
Realised gains reclassified to the income statement	-	-	-	(26)	-	-	-	(26)
Amortisation of unrealized gains/losses on available-for-sale securities reclassified to loans and receivables movements released to the income statement	-	-	-	31,918	-	-	-	31,918
Net unrealized losses released to Income Statement on impaired asset backed securities, available-for-sale	-	-	-	2,318	-	-	-	2,318
Net unrealized losses released to Income Statement on impaired available-for-sale securities reclassified to loans and receivables	-	-	-	6,080	-	-	-	6,080
Net unrealised loss on hedge instruments	-	-	-	-	(18,489)	-	-	(18,489)
Realised gains on hedge instruments reclassified to the income statement	-	-	-	-	(1,639)	-	-	(1,639)
Amortisation of novated swaps	-	-	-	-	(465)	-	-	(465)
Net losses not recognised in the income statement	-	-	-	31,179	(20,593)	-	-	10,586
Net loss for the six months	-	-	-	-	-	(338,367)	-	(338,367)
Total loss and expense for the nine months	-	-	-	31,179	(20,593)	(338,367)	-	(327,781)
Dividends paid	-	-	-	-	-	(19,178)	-	(19,178)
At 31 December 2008	**60,731,646**	**1,426,617**	**17,320**	**(265,253)**	**15,709**	**(383,347)**	**6**	**811,052**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Group								
	Ordinary shares Number	Share capital €'000	Other reserves €'000	Perpetual subordinated convertible securities €'000	Net unrealised gains/ (losses) €'000	Hedging reserves €'000	Accumulated profit / (loss) €'000	Minority interest €'000	Total equity €'000
At 1 January 2009	**60,371,646**	**1,426,617**	**17,320**	**-**	**(265,253)**	**15,709**	**(383,347)**	**6**	**811,052**
Net unrealised loss on asset backed securities, available for sale and loans and receivables	-	-	-	-	(23,199)	-	-	-	(23,199)
Shares issued to Directors	4,000	1	-	-	-	-	-	-	1
Convertible bonds issued	-	-	-	75,000	-	-	-	-	75,000
Costs related to convertible bond issue	-	-	-	(1,200)	-	-	-	-	(1,200)
Realised losses reclassified to the income statement*	-	-	-	-	3,744	-	-	-	3,744
Amortisation of unrealized gains/losses on available-for-sale securities reclassified to loans and receivables movements released to the income statement***	-	-	-	-	28,534	-	-	-	28,534
Net unrealized losses released to Income Statement on impaired available-for-sale securities reclassified to loans and receivables	-	-	-	-	25,355	-	-	-	25,355
Net unrealised loss on hedge instruments	-	-	-	-	-	(5,551)	-	-	(5,551)
Realised gains on hedge instruments reclassified to the income statement**	-	-	-	-	-	(378)	-	-	(378)
Amortisation of novated swaps	-	-	-	-	-	(1,898)	-	-	(1,898)
Net losses not recognised in the income statement	-	-	-	-	34,434	(7,827)	-	-	26,607
Net loss for the six months	-	-	-	-			(247,552)	-	(247,552)
Total loss and expense for the period	-	-	-	-	34,434	(7,827)	(247,552)	-	(220,945)
Dividends paid	-	-	-		-	-	-	-	-
At 30 June 2009	**60,735,646**	**1,426,618**	**17,320**	**73,800**	**(230,819)**	**7,882**	**(630,899)**	**6**	**663,908**

* Realised (gains) / losses are reclassified to the gain / (loss) on disposal of available for sale securities in the income statement.

** Realised gains on hedge instruments are reclassified to the interest expense in the income statement.

*** This represents the amortisation of the available-for-sale securities reserves due to the reclassification of available-for-sale securities to loans and receivables as at 1 July 2008 based on effective interest rate basis through income statement (netted off in interest income).

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

1. BACKGROUND

Eurocastle Investment Limited (the "Group") was incorporated in Guernsey, Channel Islands on 8 August 2003 and commenced its operations on 21 October 2003. Eurocastle Investment Limited is a euro denominated Guernsey closed-end investment company listed on Euronext Amsterdam (formerly listed on the London Stock Exchange) and on 20 June 2007 was admitted to trading on the Amtlicher Markt (Official Market) and the Official Market sub-segment of the Frankfurt Stock Exchange. The activities of the Group include the investing in, financing and managing of European real estate assets and European real estate related debt.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated interim financial statements of the Group have been prepared in accordance with IAS 34 (Interim financial statements). The consolidated financial statements are presented in euros, the functional currency of the parent company, because the Group conducts its business predominantly in euros.

The critical accounting judgements and estimates and significant accounting policies are disclosed in the financial statements for the year ended 31 December 2008. The same accounting policies, presentation and methods of computation have been followed in these interim financial statements except for the impact of the Group's transfer of 50% equity in the Mars portfolios as described below:

Mars Refinancing

Liabilities within the Mars Portfolio Companies include Loan notes and Shareholder's loans invested by Eurocastle Investment Limited (EIL) to facilitate the financing of investment properties within that portfolio. These are held at amortised cost. The investment in the sole entity accounts of EIL and the related liabilities in the Mars portfolio are eliminated on consolidation. The repayment of the loan notes and shareholder's loans is dependent on cash collections from the investment properties. The Directors periodically review the estimated future cash flows on investment properties to determine whether the amortised cost carrying value of the loan notes and shareholder's loans requires adjustment. If a shortfall in the cash flows is identified on the investment properties, then the loan notes and shareholders loans are re-measured and the resulting adjustment is credited to the income statement of the Mars portfolio companies. A corresponding adjustment is debited to EIL's sole entity income statement in respect of its investment in those loans and shareholder's loans. These income statement adjustments are eliminated at Group level.

As a result the Group recognises an external liability of 50% of the adjusted amortised cost of the Mars liabilities, while EIL's transfer of its interest in the loan notes and shareholder's loans on behalf of its Mars subsidiaries is considered to be a cost of refinancing the Mars facility and is hence capitalised and amortised over the life of the new loan facility.

Basis of Consolidation

The consolidated interim financial statements comprise the financial statements of Eurocastle Investment Limited and its subsidiaries for the half year and three months ended 30 June 2009. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred from the Group.

At 30 June 2009, the Group's subsidiaries consisted of a number of subsidiaries in Ireland, Luxembourg and Germany.

Eurocastle Funding Limited ("EFL"), Eurocastle CDO I PLC ("CDO I"), Eurocastle CDO II PLC ("CDO II"), Eurocastle CDO III PLC ("CDO III"), Eurocastle CDO IV PLC ("CDO IV"), Duncannon CRE CDO V PLC (Duncannon) and FECO SUB SPV PLC (Feco) are all limited companies incorporated in Ireland. The ordinary share capital of these vehicles is held by outside parties and the Group has no voting rights. In accordance with the Standing Interpretations Committee Interpretation 12 Consolidation – Special Purpose Entities, the Group consolidates EFL, CDO I, CDO II, CDO III, CDO IV, Duncannon and FECO as it retains control over these entities and retains the residual risks of ownership of these entities.

The Group owns either directly or indirectly a 100% equity interest in a number of significant operating subsidiaries in Luxembourg, Germany and Ireland, which are consolidated into these financial statements.

3. GOING CONCERN

The Directors have made an assessment of the Group's ability to continue as a going concern. The Directors recognise the existence of a material uncertainty relating to a guarantee obligation referred that may cast significant doubt upon the Group's ability to continue as a going concern. More specifically, the Company has granted a guarantee in respect of an acquisition loan made available to EFL which matures on 30 September 2009. This guarantee is limited to €30 million. Negotiations in respect of a settlement are currently in progress with the lender but there can be no assurance that this guarantee will have its term extended. If the guarantee is called, this will trigger a default of the Company's Corporate Loan Facility.

However, based on the actions taken and contemplated as described in Note 3 of the Notes to the Consolidated Financial Statements in the 2008 Annual Report, the Directors have concluded that it is appropriate for the financial statements to be prepared on a going concern basis.

4. TAXATION EXPENSE

The taxation expense for the six months and three months ended 30 June 2009 relates to the Group's Luxembourg and German subsidiary companies. The Company is a Guernsey, Channel Islands limited company and is not subject to taxation. The Company's subsidiaries, EFL, CDO I, CDO II, CDO III, CDO IV, Duncannon and Feco, 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 deferred tax credit of €5.9 million and €3.0 million for the six months and three months ended 30 June 2009 is mainly due to the downward revaluation of investment properties (compared to a €3.4 million and €1.7 million credit for the six and three months ended 30 June 2008).

5. OTHER OPERATING EXPENSES

(€'000) (Unaudited)	Six months ended 30 June 2009	Six months ended 30 June 2008 (restated)	Three months ended 30 June 2009	Three months ended 30 June 2008 (restated)
Professional fees	623	1,222	219	707
Sales related costs	2,455	6,098	799	6,098
Management fees	10,735	10,939	5,414	5,456
Depreciation	33	73	16	38
Amortisation	399	394	202	197
Other*	6,054	5,107	2,862	2,620
	20,299	**23,833**	**9,512**	**15,116**

* Included within other operating expenses for the six and three months ended 30 June 2009 are reimbursement of property related asset management services of €4.2 million and €2.0 million, respectively (30 June 2008: €4.0 million and €2.1 million) to FIG LLC (See Note 19).

6. IMPAIRMENT LOSSES

(€'000) (Unaudited)	Six months ended 30 June 2009	Six months ended 30 June 2008	Three months ended 30 June 2009	Three months ended 30 June 2008
Impairment losses on loans and receivables	97,314	-	76,702	-
Impairment losses on real estate related loans	16,120	-	(3,108)	-
	113,434	**-**	**73,594**	**-**

Included in the impairment losses for the six and three months ended 30 June 2009 are losses on the derivative asset as a result of the impairment of the underlying loans and receivables held within CDO V of €11.4 million and €1.8 million respectively (2008: nil).

7. CASH AND CASH EQUIVALENTS

	30 June 2009 (Unaudited) €'000	31 December 2008 (restated) €'000
Corporate cash	8,592	25,754
Cash within the real estate operating companies	84,556	67,403
Cash within the CDO vehicles	12,181	26,712
	105,329	**119,869**

Cash within the real estate operating companies is held to cover interest obligations, operating expenses and other working capital.

The cash within the CDO vehicles is restricted to repaying CDO interest as it falls due.

8. AVAILABLE FOR SALE SECURITIES

The following is a summary of the Group's available for sale securities within the debt investment portfolio at 30 June 2009 (Unaudited):

	Current face amount €'000	Amortised cost basis €'000	Impairment losses €'000	Gross unrealised Gains €'000	Gross unrealised Losses €'000	Carrying value €'000	Weighted average Average Rating*	Weighted average Coupon	Weighted average Margin	Weighted average Maturity (years)
Portfolio IV										
CMBS	63,291	62,467	-	-	(21,338)	41,129	A+	1.77%	0.71%	3.04
Other ABS	7,816	7,815	(51)	-	(2,568)	5,196	AA-	1.65%	0.45%	3.22
	71,107	70,282	(51)	-	(23,906)	46,325	A+	1.75%	0.68%	3.06
Other securities										
CMBS	47,700	47,207	-	-	(21,420)	25,787	A+	2.38%	1.31%	3.59
	47,700	**47,207**	**-**	**-**	**(21,420)**	**25,787**	**A+**	**2.38%**	**1.31%**	**3.59**
Total portfolio	**118,807**	**117,489**	**(51)**	**-**	**(45,326)**	**72,112**	**A+**	**2.01%**	**0.93%**	**3.27**

* Average Ratings are calculated by reference to the lowest rating currently assigned to each loan or security by any of Moody Investor Services, Standard and Poor's, and Derivative Fitch and an arithmetic mean weighted by the current face amount of each loan or security.

The following is a summary of the Group's available for sale securities held within the Drive Liquidity Fund at 30 June 2009 (Unaudited):

	Current face amount €'000	Amortised cost basis €'000	Impairment losses €'000	Gross unrealised Gains €'000	Gross unrealised Losses €'000	Carrying value €'000	Weighted average Average Rating*	Weighted average Coupon	Weighted average Margin	Weighted average Maturity (years)
CMBS	3,000	3,006	-	-	(906)	2,100	AAA	1.19%	0.22%	2.24
Bank notes	3,000	2,993	(2,318)	-	-	675	NR	0.00%	0.00%	6.89
Total portfolio	**6,000**	**5,999**	**(2,318)**	**-**	**(906)**	**2,775**	**AAA**	**1.19%**	**0.11%**	**4.57**
Total available for sale securities						**74,887**				

The following is a summary of the Group's available for sale securities at 31 December 2008.

	Current face amount €'000	Amortised cost basis €'000	Impairment losses €'000	Gross unrealised Gains €'000	Gross unrealised Losses €'000	Carrying value €'000	Weighted average Average Rating*	Weighted average Coupon	Weighted average Margin	Weighted average Maturity (years)
Portfolio IV										
CMBS	68,754	67,907	-	-	(18,026)	49,881	AA	5.08%	0.65%	3.61
Other ABS	8,752	8,752	-	-	(1,508)	7,244	AA	3.95%	0.38%	3.92
	77,506	76,659	-	-	(19,534)	57,125	AA	4.95%	0.62%	3.64
Other securities										
CMBS	47,901	47,347	-	-	(14,076)	33,271	A+	5.98%	1.23%	4.09
	47,901	47,347	-	-	(14,076)	33,271	A+	5.98%	1.23%	4.09
Total portfolio	**125,407**	**124,006**	**-**	**-**	**(33,610)**	**90,396**	**AA-**	**5.34%**	**0.86%**	**3.81**

* Average Ratings are calculated by reference to the lowest rating currently assigned to each loan or security by any of Moody Investor Services, Standard and Poor's, and Derivative Fitch and an arithmetic mean weighted by the current face amount of each loan or security.

The following is a summary of the Group's available for sale securities held within the Drive Liquidity Fund at 31 December 2008:

	Current face amount €'000	Amortised cost basis €'000	Impairment losses €'000	Gross unrealised Gains €'000	Gross unrealised Losses €'000	Carrying value €'000	Weighted average Average Rating*	Weighted average Coupon	Weighted average Margin	Weighted average Maturity (years)
CMBS	3,000	3,006	-	-	(516)	2,490	AAA	5.31%	0.22%	2.69
Other ABS	10,141	10,148	-	-	(1,196)	8,952	AAA	5.01%	0.13%	5.01
Bank notes	6,000	5,996	(2,318)	-	(968)	2,710	AA	2.89%	0.20%	7.34
Total portfolio	**19,141**	**19,150**	**(2,318)**	**-**	**(2,680)**	**14,152**	**AA-**	**4.39%**	**0.17%**	**5.38**
Total available for sale securities						**104,548**				

9. LOANS AND RECEIVABLES

The following is a summary of the Group's loans and receivables as at 30 June 2009 (Unaudited).

	Current face amount €'000	Amortised cost basis €'000	Impairment losses €'000	Carrying value €'000	Weighted average Average Rating*	Weighted average Coupon	Weighted average Margin	Weighted average Maturity (years)
Portfolio II								
CMBS	202,373	169,575	(7,273)	162,302	BB+	2.34%	1.14%	3.66
Other ABS	134,864	108,686	(12,090)	96,596	BBB	2.20%	1.85%	2.30
Real estate related loans	15,195	14,990	-	14,990	CCC+	4.41%	2.39%	1.43
	352,432	293,251	(19,363)	273,888	BB+	2.38%	1.46%	3.04
Portfolio III								
CMBS	308,907	261,652	(206)	261,446	BBB+	2.01%	1.28%	4.48
Other ABS	419,179	350,304	(33,273)	317,031	BBB-	2.78%	1.58%	2.88
Real estate related loans	9,667	9,636	-	9,636	CCC	3.85%	2.57%	3.38
	737,753	621,592	(33,479)	588,113	BBB	2.47%	1.47%	3.55
Portfolio IV								
Real estate related loans	27,499	27,441	-	27,441	CCC	3.67%	2.34%	2.94
	27,499	27,441	-	27,441	CCC	3.67%	2.34%	2.94
Portfolio V								
CMBS	267,905	221,225	(14,702)	206,523	BB+	2.78%	1.48%	3.76
Other ABS	32,535	23,610	-	23,610	BB+	2.28%	0.98%	3.96
Real estate related loans	376,321	377,558	(19,727)	357,831	CCC+	3.78%	2.80%	3.06
	676,761	622,393	(34,429)	587,964	B+	3.31%	2.19%	3.38
Other Securities								
Real estate related loans	80,624	80,530	(451)	80,079	CCC	4.81%	3.74%	2.00
	80,624	80,530	(451)	80,079	CCC	4.81%	3.74%	2.00
Total portfolio	**1,875,069**	**1,645,207**	**(87,722)**	**1,557,485**	**BB**	**2.87%**	**1.84%**	**3.32**
Restricted cash – cash to be invested				**1,834**				
Total loans and receivables (including cash to be invested)				**1,559,319**				

* Average Ratings are calculated by reference to the lowest rating currently assigned to each loan or security by any of Moody Investor Services, Standard and Poor, and Derivative Fitch and an arithmetic mean weighted by the current face amount of each loan or security.

The securities within Portfolio II, III and V are encumbered by CDO securitisations (Note 12).

As at 31 December 2008:

	Current face amount €'000	Amortised cost basis €'000	Impairment losses €'000	Carrying value €'000	Weighted average: Average Rating*	Weighted average: Coupon	Weighted average: Margin	Weighted average: Maturity (years)
Portfolio II								
CMBS	173,592	141,794	-	141,794	BBB	5.58%	1.21%	4.04
Other ABS	108,475	86,030	-	86,030	BBB	4.98%	1.20%	2.63
Real estate related loans	13,556	10,417	-	10,417	B+	7.12%	2.38%	1.94
	295,623	238,241	-	238,241	BBB	5.43%	1.25%	3.43
Portfolio III								
CMBS	252,089	210,291	(597)	209,694	BBB	5.90%	1.26%	5.32
Other ABS	413,801	332,565	(11,303)	321,262	BBB-	5.45%	1.71%	3.23
Real estate related loans	9,676	9,642	-	9,642	B-	7.21%	2.58%	3.89
	675,566	552,498	(11,900)	540,598	BBB-	5.65%	1.55%	4.02
Portfolio IV								
Real estate related loans	24,534	24,475	-	24,475	B-	7.31%	2.34%	3.43
	24,534	24,475	-	24,475	B-	7.31%	2.34%	3.43
Portfolio V								
CMBS	262,395	212,204	-	212,204	BBB	5.85%	1.52%	4.29
Other ABS	29,015	20,062	-	20,062	BBB-	4.72%	0.98%	4.46
Real estate related loans	379,250	383,397	(2,576)	380,821	BB-	7.40%	2.83%	3.47
	670,660	615,663	(2,576)	613,087	BB+	6.68%	2.24%	3.84
Other Securities								
Real estate related loans	80,207	80,098	-	80,098	B	8.72%	3.72%	2.50
	80,207	80,098	-	80,098	B	8.72%	3.72%	2.50
Total portfolio	**1,746,590**	**1,510,975**	**(14,476)**	**1,496,499**	**BB+**	**6.17%**	**1.88%**	**3.77**
Restricted cash – cash to be invested				**132,895**				
Total loans and receivables (including cash to be invested)				**1,629,394**				

* Average Ratings are calculated by reference to the lowest rating currently assigned to each loan or security by any of Moody Investor Services, Standard and Poor, and Derivative Fitch and an arithmetic mean weighted by the current face amount of each loan or security.

Following the amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets", the Group reclassified all available for sale securities within CDO II, CDO III and CDO V to loans and receivables. The Group identified assets, eligible under the amendments, for which at 1 July 2008 it had the intention and the ability to hold for maturity or the foreseeable future. Under IAS 39 as amended, the reclassifications were made with effect from 1 July 2008 at fair value at that date. The disclosures below detail the impact of the reclassifications to the Group:

The following table shows carrying values and fair values of the reclassified assets:

	1 July 2008 Carrying value €'000	30 June 2009 Carrying value €'000	30 June 2009 Fair value €'000
Available for sale securities, reclassified to loans and receivables	1,077,560	966,217	454,737

As of the reclassification date, the effective interest rate on the reclassified available for sale securities was approximately 12%, with expected recoverable cash flows of €1.3 billion. The effective interest rate was determined based on weighted average rates by CDO.

If the reclassification had not been made, the Group's income statement for the second quarter 2009 would have included €45.7 million on the reclassified available for sale securities of impairment losses, compared with €69.0 million after the reclassification. As at 30 June 2009 shareholders' equity (net losses not recognised in the income statement) would have included €460.4 million of changes in unrealised fair value losses in respect of reclassified available for sale which were not impaired between 1 July 2008 and 30 June 2009.

After reclassification, the reclassified financial assets contributed the following amounts to income for six months and three months ended 30 June 2009:

(€'000) (Unaudited)	Six months ended 30 June 2009	Six months ended 30 June 2008	Three months ended 30 June 2009	Three months ended 30 June 2008
Net interest income	22,293	-	9,292	-
Impairment losses on securities classified as loans and receivables	(89,620)	-	(68,986)	-
Loss on available for sale securities reclassified to loans and receivables	**(67,327)**	**-**	**(59,694)**	**-**

10. INVESTMENT PROPERTY

Total investment property consists of:

	As at 30 June 2009 (Unaudited) €'000	As at 31 December 2008 €'000
Tenant incentives and leasing commission (included in other assets)	24,810	23,631
Investment property held for sale	4,512	117,790
Investment property	3,917,572	4,112,321
Closing balance	**3,946,894**	**4,253,742**

The table below shows the items classified under investment property in the consolidated balance sheet (including capitalised tenant incentives and leasing commissions classified in other assets) as at 30 June 2009:

	Freehold land and buildings €'000	Leasehold property €'000	Total (Unaudited) €'000
Opening balance at 1 January 2009	4,106,570	147,172	4,253,742
Additions/capital expenditure	10,910	6	10,916
Tenant incentives and leasing commissions	(3,518)	-	(3,518)
Disposals	(105,288)	-	(105,288)
Increase in minimum payments under head lease	-	(5,932)	(5,932)
Decrease in fair value	(197,450)	(5,576)	(203,026)
Total	**3,811,224**	**135,670**	**3,946,894**

As at 31 December 2008:

	Freehold land and buildings €'000	Leasehold property €'000	Total €'000
Opening balance at 1 January 2008	5,025,494	157,627	5,183,121
Additions/capital expenditure	36,828	727	37,555
Tenant incentives and leasing commissions	(4,210)	-	(4,210)
Disposals	(460,865)	-	(460,865)
Increase in minimum payments under head lease	-	(2,708)	(2,708)
(Decrease) in fair value	(490,677)	(8,474)	(499,151)
Total	**4,106,570**	**147,172**	**4,253,742**

Investment properties are stated at fair value, which has been determined based on valuations performed by external valuers who hold a recognised and relevant professional qualification and have recent experience in the location and category of investment being valued. The main factors the valuers consider when determining a fair valuation are the following: passing rent, void periods, yield and relettability and marketability of properties. The fair value represents the amount at which the asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's-length transaction at the date of valuation, in accordance with international valuation standards.

Lease arrangements over the land on which the 31 investment properties are built have unexpired terms ranging from 6 years to 91 years.

A reconciliation of investment property valuations to the balance sheet carrying value of property (including tenant incentives and leasing commissions within other assets) is shown below:

	As at 30 June 2009 (Unaudited) €'000	As at 31 December 2008 €'000
Investment property at market value	3,928,825	4,229,741
Minimum payments under head leases also separately disclosed on the balance sheet as Finance lease payable	18,069	24,001
Balance sheet carrying value of investment property	**3,946,894**	**4,253,742**

Additional Information

The table below provides additional information for various portfolios within the group at 30 June 2009:

Portfolio	Property valuation***	Term financing (face amount)	Other assets / (liabilities)****	Net operating income*	NOI yield on valuation	Occupancy	Annualised Capitalised expenditure**
	€'000	€'000	€'000	€'000	%	%	€'000
Mars – fixed	1,060,000	966,400	19,130	53,543	5.0%	82.1%	5,420
Mars – fixed 2	105,270	80,000	6,017	5,278	5.0%	88.8%	167
Mars - floating	339,480	231,752	(236)	11,875	3.5%	58.6%	2,922
Drive	1,161,835	939,693	35,981	72,338	6.2%	88.1%	4,073
Bridge	460,660	372,090	5,446	28,670	6.2%	94.1%	2,094
Wave	255,990	205,405	(1,610)	16,988	6.6%	83.1%	5,367
Zama	46,950	39,896	648	3,479	7.4%	88.4%	231
Turret	179,180	147,556	3,365	13,794	7.7%	99.4%	60
Truss	99,840	85,280	1,484	7,789	7.8%	99.6%	139
Belfry	64,730	56,240	1,014	5,046	7.7%	99.4%	4
Rapid	56,450	54,500	1,396	4,080	7.2%	100.0%	-
Tannenburg	63,300	52,960	1,574	4,612	7.3%	95.8%	-
Bastion	35,140	26,500	420	2,506	7.1%	100.0%	-
Total	**3,928,825**	**3,258,272**	**74,629**	**229,998**	**5.9%**	**85.8%**	**20,477**

* Net operating income is after deducting €6.2 million 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.

** Capitalised expenditure represents the quarter ended 30 June 2009 annualised expenditure on building improvements, landlord work, tenant incentives, and leasing commissions, excluding any adjustments for prior year accruals.

*** Property valuation excludes the leasehold gross-up of €18.1 million.

**** Other assets / liabilities do not include unallocated assets and liabilities per Note 22 - Segmental Reporting.

The tables below provide additional information for various portfolios within the group at 31 December 2008:

Portfolio	Property valuation***	Term financing (face amount)	Other (assets / liabilities)****	Net operating income*	NOI yield on valuation	Occupancy	Capitalised expenditure**
	€'000	€'000	€'000	€'000	%	%	€'000
Mars – fixed	1,124,070	969,961	19,996	54,482	4.8%	82.4%	7,895
Mars – fixed 2	112,710	79,000	4,659	5,712	5.1%	90.3%	1,162
Mars - floating	365,720	232,403	(3,615)	10,119	2.8%	56.8%	4,408
Drive	1,301,253	1,035,078	34,620	77,324	5.9%	88.1%	8,149
Bridge	484,180	372,090	5,033	27,648	5.7%	93.9%	3,891
Wave	274,617	210,000	(10,015)	17,970	6.5%	84.0%	4,644
Zama	48,920	39,896	551	2,917	6.0%	88.3%	392
Turret	187,452	147,556	4,322	13,801	7.4%	99.1%	85
Truss	102,730	85,280	1,842	7,733	7.5%	98.9%	142
Belfry	67,259	56,240	1,167	5,047	7.5%	99.5%	42
Rapid	58,390	54,500	1,597	4,080	7.0%	100.0%	-
Tannenburg	66,060	52,960	1,939	4,619	7.0%	95.8%	-
Bastion	36,380	26,500	501	2,504	6.9%	100.0%	15
Total	**4,229,741**	**3,361,464**	**62,597**	**233,956**	**5.5%**	**85.7%**	**30,825**

* Net operating income 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.

** Capitalised expenditure on building improvements, landlord work, tenant incentives, and leasing commissions, excluding any adjustments for prior year accruals.

*** Property valuation excludes the leasehold gross-up of €24.0 million.

**** Other assets / liabilities do not include unallocated assets and liabilities per Note 22 - Segmental Reporting.

11. OTHER ASSETS

	As at 30 June 2009 (Unaudited) €'000	As at 31 December 2008 €'000
Tenant incentives and leasing commissions	24,810	23,631
Service charge receivable	13,938	14,887
Interest receivable	8,443	21,499
Rent receivable	3,979	4,409
Prepaid expenses	3,399	1,348
Other accounts receivable	4,481	5,786
	59,050	**71,560**

12. CDO BONDS PAYABLE

As at 30 June 2009 (Unaudited):

	Class	Rating*	Current face amount €'000	Carrying amount €'000	Weighted average cost of financing	Weighted average margin	Weighted average maturity (in years)
CDO II	A1, A2, B and C notes	BBB/BB/B/B	311,012	309,429	1.83%	0.32%	6.0
CDO III	A1, A2, B, C and D notes	BBB/BB/B/B-/CCC	698,402	694,710	1.69%	0.49%	6.0
Duncannon CRE CDO 1 Plc	AR, X, A, B, C1, C2, D1, D2, D3, E1, E2	B-/B/B-/CCC/CC/CC/C/C/C/C/C	571,559	566,444	1.95%	0.74%	5.5
Total			**1,580,973**	**1,570,583**	**1.81%**	**0.55%**	**5.8**

* CDO bonds payable are rated at the lower of S&P and Fitch

During the second quarter, the Group repurchased €121.2 million of current face value of the Duncannon bonds payable, recognising a net gain of €51.1 million.

None of the CDO bonds are due to be repaid within one year of the balance sheet date.

As at 31 December 2008:

	Class	Rating	Current face amount €'000	Carrying amount €'000	Weighted average cost of financing	Weighted average margin	Weighted average maturity (in years)
CDO II	A, B and C notes	AAA/AA/A	285,926	284,317	3.60%	0.37%	6.5
CDO III	A, B, C and D notes	AAA/AA/A/BBB	704,250	700,082	3.54%	0.49%	6.5
Duncannon CRE CDO 1 Plc	AR, X, A, B, C1, C2, D1, D2, D3, E1, E2	AAA/AAA/AA/A/BBB/BBB-/BB+/BB/BB-/B/B-	697,000	690,359	3.74%	0.68%	5.9
Total			**1,687,176**	**1,674,758**	**3.63%**	**0.55%**	**6.3**

None of the CDO bonds were due to be repaid within one year of the balance sheet date.

13. BANK BORROWINGS

The bank borrowings comprise:

		As at 30 June 2009 (Unaudited) €'000	As at 31 December 2008 €'000
Term finance	(Note 13.1)	3,179,378	3,400,925
Loans and notes relating to the Mars Portfolios	(Note 13.2)	109,142	-
Corporate loan		34,635	124,600
Other bank financing – under 1 year		100,079	100,597
Total		**3,423,234**	**3,626,122**

13.1 Term Financing

		Current face amount €'000		Carrying amount €'000				
Portfolios	**Month Raised**	**As at 30 June 2009 (Unaudited)**	**As at 31 December 2008**	**As at 30 June 2009 (Unaudited)**	**As at 31 December 2008**	**Hedged weighted average funding cost**	**Weighted average funding cash coupon**	**Maturity**
Debt investments								
CDO IV	Jul 2005	66,259	80,920	66,208	80,813	1.99%	1.84%	Dec 2009
Investment property								
Mars – fixed 1***	Jan 2007	966,400	969,961	949,612	951,748	4.70%	4.61%	Jul 2014
Mars – fixed 2	Jun 2008	80,000	79,000	76,540	75,165	5.21%	5.07%	Jun 2013
Mars – floating	Jan 2007	231,752	232,403	230,485	232,289	3.21%	3.16%	Dec 2012
Drive	Feb 2006	939,693	1,035,078	934,024	1,028,570	4.19%	4.07%	Jan 2013
Bridge	Oct 2006	372,090	372,090	368,488	368,138	4.74%	4.67%	Jan 2014
Wave	Apr 2007	205,405	210,000	203,982	208,397	4.94%	4.78%	Apr 2014
Zama	Feb 2007	39,896	39,896	39,490	39,447	4.99%	4.86%	May 2014
Turret*	May 2006	147,556	147,556	146,285	146,203	4.93%	4.85%	May 2016
Truss*	Dec 2005	85,280	85,280	84,722	84,684	4.93%	4.85%	Feb 2016
Belfry*	Aug 2005	56,240	56,240	55,637	55,595	4.85%	4.66%	Oct 2015
Rapid*	Aug 2007	54,500	54,500	52,997	52,910	4.96%	4.91%	Nov 2017
Tannenberg*	May 2007	52,960	52,960	51,429	51,294	4.87%	4.66%	Oct 2014
Bastion*	Sep 2005	26,500	26,500	25,787	25,672	4.44%	4.24%	Sep 2012
		3,258,272	**3,361,464**	**3,219,478**	**3,320,112**	**4.50%**	**4.41%**	
Total		**3,324,531**	**3,442,384**	**3,285,686**	**3,400,925**	**4.45%**	**4.35%**	
Adjustment for costs of Mars refinancing**				**(106,308)**				
Total				**3,179,378**				

* These portfolios make up the retail property portfolio.

** Eurocastle Investment Limited transferred 50% of its interest in the Mars portfolios to the lender on behalf of its Mars subsidiaries and this is considered to be a cost of refinancing in Mars and is amortised over the life of the new loan facility (see 13.2). The amortised charge for the second quarter ended 30 June 2009 was €2,834k.

*** The interest margin on the Mars – fixed 1 loan will step up from 0.725% to 1.20% with effect from 1 January 2010.

The cash amount of interest paid is calculated by multiplying the weighted average funding cash coupon by the current face amount.

There were no material changes to the terms of bank borrowings from those stated in Note 20 of the Notes to the Consolidated Financial Statements in the 2008 Annual Report.

13.2 Loans and notes relating to the Mars Portfolios

	As at 30 June 2009 (Unaudited)	As at 31 December 2008
Within the Mars portfolio		
Loan Notes and Shareholder Loans	672,436	-
Less: Remeasurement adjustment to amortised cost	(454,152)	-
Adjusted amortised cost	218,284	-
Transfer of 50% of the adjusted amortised cost to the lender*	109,142	-

*As noted in the Financial Review and in the 2008 Annual Report, in consideration of the extension of the Mars Floating facility, the Group agreed to transfer to the Mars Floating lender half of its equity investment in the combined Mars portfolios. This transfer was legally affected on 27 May 2009 and comprised the transfer of Loan Notes and Shareholder's Loans relating to the lender's financing of the portfolios. The terms and conditions of the loan notes and shareholder loans provide that the holders will receive interest and principal only to the extent that sufficient funds are generated from the underlying investment properties. The priority and amount of claims on the portfolio proceeds are determined in accordance with a strict priority of payments.

14. TRADE AND OTHER PAYABLES

	As at 30 June 2009 (Unaudited)	As at 31 December 2008
Security deposit	6,446	6,004
Interest payable	28,548	35,916
Due to Manager (note 21)	4,603	4,382
Accrued expenses & other payables*	39,499	41,850
Total trade and other payables	**79,096**	**88,152**

* Accrued expenses and other payables include provisions relating to capital expenditure of €16.6 million (31 December 2008: €15.4 million).

15. EARNINGS PER SHARE

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

	As at 30 June 2009 (Unaudited)	As at 31 December 2008
Weighted average number of ordinary shares, outstanding, basic	60,731,845	63,072,337
Dilutive effect of ordinary share options and convertible bonds	8,287,293	-
Weighted average number of ordinary shares outstanding, diluted	**69,019,138**	**63,072,337**

16. HEDGE ACCOUNTING

The Group's policy is to hedge its exposure to interest rates and foreign currencies on a case-by-case basis. Hedge accounting is applied to cash flow and fair value hedges of interest rate risk exposures. Interest rate swaps under which the Group pays a fixed rate and receives a floating rate have been used to hedge the interest rate risk on floating rate long-term bank borrowings. Interest rate swaps where the Group pays a fixed rate and receives a floating rate have been used to hedge the fair value of the available for sale assets in Feco Sub SPV Plc.

At 30 June 2009, cumulative unrealised gains on hedge instruments were €7.9 million (31 December 2008: €15.7 million). The unrealised gains comprise the fair value of the novated swaps of €21.9 million (31 December 2008: €24.2 million) and the fair value loss of the interest rate swaps of €14.0 million (31 December 2008: €8.5 million).

The gain or loss on measurement of the fair value of the interest rate swaps has been recognised in the statement of changes in equity to the extent that the swaps are effective, while gains and losses related to fair value hedges have been recognised in the income statement.

17. PERPETUAL SUBORDINATED CONVERTIBLE SECURITIES

	As at 30 June 2009 (Unaudited) €'000	As at 31 December 2008 €'000
Convertible bonds issued	75,000	-
Capitalised issue costs	(1,200)	-
	73,800	-

On 25 June 2009, the Group issued €75 million of perpetual subordinated convertible securities (net of transaction costs of €1.2 million) on the following terms:

- The convertible securities were issued at par and will be entitled to a coupon of 20 per cent, payable annually in arrears. Interest may accrue and is capable of being paid in shares at the conversion price at the

Company's discretion upon conversion. No interest will be paid out until the corporate loan facility has been paid off in full.

- The convertible securities are perpetual but the Company may redeem the securities after 2 years at a premium of 20 per cent.
- The securities will be convertible into shares at the holder's option at a conversion price per Ordinary Share of €0.30.
- The securities have a minimum denomination of €50,000, are unlisted but can be transferred.

Upon a full conversion of all convertible bonds, the Group's number of shares outstanding would increase by 250,000,000.

18. OTHER RESERVES

	As at 30 June 2009 (Unaudited) €'000	As at 31 December 2008 €'000
Share options	17,320	17,320

The share options represent the fair value at the grant date of unexercised share options, granted to the Manager in December 2003, June 2004, June 2005, February 2006 and December 2006.

19. FINANCIAL INSTRUMENTS

Risk Management

The Group's exposure to risk and methods used by the Group to control risk have not changed since the 2008 Annual Report. The most important types of financial risk to which the Group is exposed are market, credit, liquidity, interest rate and foreign currency risk. A detailed description of these is provided in the Notes to the Consolidated Financial Statements for the year ended 31 December 2008.

The tables below represent the details of the remaining contractual maturities of financial assets and liabilities, excluding trade receivables and payables as at 30 June 2009 and 31 December 2008:

30 June 2009

Type	Total outstanding at 30 June 2009 €'000	Within 1 year €'000	1 to 5 years €'000	Over 5 years €'000
Assets				
Cash and cash equivalents	105,329	105,329	-	-
Asset backed securities, available-for-sale	74,887	13,884	49,880	11,123
Loans and receivables (includes cash to be invested)	1,559,319	197,349	1,151,246	210,724
Derivative assets*	53,988	(913)	53,013	1,888
Total assets	**1,793,523**	**315,649**	**1,254,139**	**223,735**
Liabilities				
Interest payable**	28,548	189,679	607,211	54,498
Derivative liabilities*	14,688	3,227	12,748	-
CDO bonds payable****	1,570,583	-	-	1,580,973
Bank loans****	3,423,234	523,090	1,046,193	1,980,327
Finance leases payable ***	18,069	1,567	6,545	96,871
Total liabilities	**5,055,122**	**717,563**	**1,672,697**	**3,712,669**

* Derivative assets/liabilities reflect the cash flows over the remaining life of the assets.
** Interest payable reflects the interest payable over the life of the financing.
*** Finance leases payable represent all lease payments due over the lives of the leases.
**** CDO bonds payable and Bank loans are shown at carrying value as at 30 June 2009, with maturities being shown at face value.

Gross settled derivatives	Total outstanding at 30 June 2009 €'000	Within 1 year €'000	1 to 5 years €'000	Over 5 years €'000
Contractual amounts payable	(250,243)	(12,209)	(230,954)	(7,080)
Contractual amounts receivable	304,231	11,296	283,967	8,968
Total undiscounted gross settled derivatives outflow	53,988	(913)	53,013	1,888

31 December 2008

Type	Total outstanding at 31 December 2008 €'000	Within 1 year €'000	1 to 5 years €'000	Over 5 years €'000
Assets				
Cash and cash equivalents	119,869	119,869	-	-
Asset backed securities, available-for-sale	104,548	15,320	71,414	17,814
Loans and receivables (includes cash to be invested)	1,629,394	275,518	1,040,530	313,346
Derivative assets*	90,225	915	73,700	15,610
Total assets	**1,944,036**	**411,622**	**1,185,644**	**346,770**
Liabilities				
Interest payable**	35,916	224,591	776,138	147,266
Derivative liabilities*	11,218	6,169	13,581	485
CDO bonds payable	1,674,758	-	-	1,687,176
Bank loans	3,626,122	538,920	1,140,578	1,988,483
Finance leases payable ***	24,001	1,559	6,510	97,736
Total liabilities	**5,372,015**	**771,239**	**1,936,807**	**3,921,146**

* Derivative assets/liabilities reflect the cash flows over the remaining life of the assets.
** Interest payable reflects the interest payable over the life of the financing.
*** Finance leases payable represent all lease payments due over the lives of the leases.

Gross settled derivatives	Total outstanding at 31 December 2008 €'000	Within 1 year €'000	1 to 5 years €'000	Over 5 years €'000
Contractual amounts payable	(260,815)	(3,001)	(220,422)	(37,392)
Contractual amounts receivable	349,844	2,721	294,122	53,001
Total undiscounted gross settled derivatives outflow	89,029	(280)	73,700	15,609

20. DIVIDENDS PAID & DECLARED

No dividends were paid or declared in the second quarter 2009 (2008: €0.30 per share).

21. RELATED PARTY TRANSACTIONS

At 30 June 2009, management fees, incentive fees and expense reimbursements of approximately €4.6 million (31 December 2008: €4.4 million) were due to the Manager. For the six and three months ended 30 June 2009, management fees of €10.7 million and €5.4 million, respectively, (30 June 2008: €10.9 million and €5.5 million), no incentive fees (30 June 2008: nil), and expense reimbursements of €4.2 million and €2.0 million, respectively, (30 June 2008: €4.0 million and €2.1 million) were charged to the income statement.

Total annual remuneration for Eurocastle directors is €0.2 million payable quarterly in equal instalments. Wesley R. Edens and Randal A. Nardone do not receive any remuneration from the Group.

22. SEGMENTAL REPORTING

The Group operates in one geographical segment, being Europe. The Group has conducted business through two primary segments: debt investments and investment properties.

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

Six months ended 30 June 2009 (Unaudited)	**Debt investment €'000**	**Investment properties €'000**	**Unallocated €'000**	**Total Eurocastle €'000**
Revenue	40,979	152,741	104	**193,824**
Other operating loss	(62,287)	(207,534)	-	**(269,821)**
Interest expense	(28,493)	(85,950)	-	**(114,443)**
Other operating income/(expense)	1,232	(51,111)	(12,758)	**(62,637)**
Segment result	**(48,569)**	**(191,854)**	**(12,654)**	**(253,077)**
Taxation benefit	-	5,525	-	**5,525**
Net (loss)	**(48,569)**	**(186,329)**	**(12,654)**	**(247,552)**
(Increase) / decrease in fair values	(705)	203,790	-	**203,085**
Realised gains on sale	-	(2,351)	-	**(2,351)**
Deferred tax	-	(5,877)	-	**(5,877)**
Funds from operations	**(49,274)**	**9,233**	**(12,654)**	**(52,695)**

Six months ended 30 June 2008 (Unaudited)	**Debt investment €'000**	**Investment properties €'000**	**Unallocated €'000**	**Total Eurocastle €'000**
Revenue	74,270	182,070	335	**256,675**
Other operating income	(269)	(165,497)	-	**(165,766)**
Interest expense	(57,750)	(84,505)	-	**(142,255)**
Other operating expenses	(1,193)	(53,002)	(12,866)	**(67,061)**
Segment result	**15,058**	**(120,934)**	**(12,531)**	**(118,407)**
Taxation expense	-	2,701	-	**2,701**
Net profit / (loss)	**15,058**	**(118,233)**	**(12,531)**	**(115,706)**
(Increase) / decrease in fair values	(230)	165,497	-	**165,267**
Realised gains on sale	-	8,960	-	**8,960**
Deferred tax	-	(3,410)	-	**(3,410)**
Funds from operations	**14,828**	**52,814**	**(12,531)**	**55,111**

Three months ended 30 June 2009 (Unaudited)	Debt investment €'000	Investment properties €'000	Unallocated €'000	Total Eurocastle €'000
Revenue	16,616	75,138	-	91,754
Other operating loss	(22,447)	(72,242)	-	(94,689)
Interest expense	(11,300)	(45,941)	-	(57,241)
Other operating income/(expense)	3,330	(24,792)	(6,186)	(27,648)
Segment result	**(13,801)**	**(67,837)**	**(6,186)**	**(87,824)**
Taxation benefit	-	2,729	-	2,729
Net (loss)	**(13,801)**	**(65,108)**	**(6,186)**	**(85,095)**
(Increase) / decrease in fair values	(769)	70,895	-	70,126
Realised gains on sale	-	1,014	-	1,014
Deferred tax	-	(3,016)	-	(3,016)
Funds from operations	**(14,570)**	**3,785**	**(6,186)**	**(16,971)**

Three months ended 30 June 2008 (Unaudited)	Debt investment €'000	Investment properties €'000	Unallocated €'000	Total Eurocastle €'000
Revenue	37,162	90,928	258	128,348
Other operating loss	(269)	(55,603)	-	(55,872)
Interest expense	(28,508)	(38,326)	-	(66,834)
Other operating expenses	(1,817)	(30,104)	(6,679)	(38,600)
Segment result	**6,568**	**(33,105)**	**(6,421)**	**(32,958)**
Taxation benefit	-	1,384	-	1,384
Net profit / (loss)	**6,568**	**(31,721)**	**(6,421)**	**(31,574)**
Decrease in fair values	1,214	55,603	-	56,817
Realised gains on sale	-	8,960	-	8,960
Deferred tax	-	(1,739)	-	(1,739)
Funds from operations	**7,782**	**31,103**	**(6,421)**	**32,464**

As at 30 June 2009 (Unaudited)	Debt investment €'000	Investment properties €'000	Unallocated €'000	Total Eurocastle €'000
Total assets	1,707,131	4,058,022	11,867	5,777,020
Total liabilities	(1,744,943)	(3,355,755)	(4,972)	(5,105,670)
Segment net assets	**(37,812)**	**702,267**	**6,895**	**671,350**
Tax liability	-	(7,442)	-	(7,442)
Minority interest	(2)	(4)	-	(6)
Net assets	**(37,814)**	**694,821**	**6,895**	**663,902**

As at 31 December 2008	**Debt investment €'000**	**Investment properties €'000**	**Unallocated €'000**	**Total Eurocastle €'000**
Total assets	1,864,689	4,361,993	21,627	6,248,309
Total liabilities	(1,883,537)	(3,535,379)	(5,335)	(5,424,251)
Segment net assets	**(18,848)**	**826,614**	**16,292**	**824,058**
Tax liability	-	(13,006)	-	(13,006)
Minority interest	(2)	(4)	-	(6)
Net assets	**(18,850)**	**813,604**	**16,292**	**811,046**

23. SUBSEQUENT EVENTS

Subsequent to 30 June 2009 the Group has sold one additional asset and entered into binding agreements to sell 6 further properties for estimated total proceeds of €4 million.

24. COMMITMENTS

As at 30 June 2009, the Group had no commitments that were not disclosed in these financial statements.