EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

PROGRESS REPORT TO SHAREHOLDERS

Eurocastle Investment Limited ("Eurocastle") today announced its financial results for the six months ended 30 June 2010. Eurocastle and its consolidated subsidiaries (together with Eurocastle, the "Group") primarily own and manage German commercial property. The Group is Euro denominated and currently listed on Euronext Amsterdam, under the symbol "ECT". 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.

Eurocastle First Half 2010 Progress Report to Shareholders

During the first half of 2010, we continued to make progress towards achieving our two main objectives; reducing our short term and recourse debt, and realizing value from our commercial real estate investment portfolio in Germany.

Through a combination of asset sales and operating cash flows from our investments, Eurocastle has reduced its short term recourse obligations by €24.6 million since year-end to €8.2 million at the end of June. We expect to fully repay our recourse debt by the end of September 2010, achieving one of our main objectives.

As a result of Eurocastle's corporate loan being outstanding, annual interest of €17.6 million was mandatorily deferred on €98.25 million of convertible securities issued in 2009 and outstanding at the end of June 2010. The deferral of interest has resulted in an additional dilution of the Net Asset Value (NAV) per share when viewed on a fully converted basis. Our adjusted NAV per fully diluted share was €0.65 at the half year-end, compared to €0.80 per fully diluted share at the end of 2009. The adjusted real estate portion of the NAV was €0.83 per fully diluted share at the half year end compared to €1.12 per fully diluted share at the end of 2009. Of the reduction in the adjusted real estate NAV, €0.12 per fully diluted share is the result of the deferral of convertible securities interest, €0.10 per fully diluted share from the decline in property values and €0.07 per fully diluted share is due to the use of real estate cash flows to pay down corporate recourse obligations.

Although the operating results from our real estate investments compared favourably to the second half of 2009 and were in line with expectations, the non-cash valuation declines in the value of our property portfolio together with the non-cash valuation impairments of some of our debt investments has resulted in a net loss after taxation for the first six months 2010 of €55.3 million, compared to a net loss of €247.6 million for the first six months of 2009. Our Normalised Funds from Operations for the first half of 2010 totalled €19.8 million compared to €21.7 million for the first half 2009 and €17.0 million for the second half of 2009. No dividends were declared or paid in 2010.

Real Estate Portfolio

At the half year-end, Eurocastle owned 540 German commercial real estate assets, with a value of €3.5 billion. Taking into account our 50% ownership of the Mars portfolios, we have €2.8 billion of real estate investments with an NOI yield of 6.2%. The portfolio is comprised of a diversified mix of high quality office and retail properties concentrated in the five major German cities (Berlin, Hamburg, Frankfurt, Düsseldorf and Munich).

The five major office markets accounted for 37% of the overall investment activity in the first half of 2010. Prime yields in the major five office markets decreased slightly from an average 5.24% in the first quarter of 2010 to 5.19% in the second quarter 2010. Of the overall investment volume, office properties accounted for 31%, or €2.9 billion, and retail properties accounted for 48%, or €4.5 billion.

The current outlook for the Germany economy appears positive but cautious, with a 2% growth forecast for 2010, year on year unemployment down to 7.6% from 8.2%, and year on year exports up 30%. This backdrop should be supportive towards German commercial real estate. Thus far, we have seen a continuing positive trend in the German commercial real estate investment markets beginning in the second half of 2009 through the first half of 2010. Investment volume in the first half year of 2010 totalled approximately €9.4 billion which represents 91% of the total transaction volume for the whole of 2009. The increased activity, we believe, has been driven by attractive yields relative to bonds, greater confidence in the duration of the recovery in the German economy and steadily increased availability of bank financing.

Foreign property investors have once again started to invest in Germany, accounting for approximately €4.0 billion or 42% of activity. In addition, there was a marked increase in portfolio transactions with total volume of €2.5 billion in the first half of 2010, up 310% on the comparable period in 2009. The largest buyers were public real estate companies, closed-ended real estate funds and insurance companies focusing primarily on core investments. Our sales activities have continued this year. During the year to date, we have sold 18 properties with sale proceeds of €200.4 million.

The major occupier markets recorded positive rental take-up figures in the first half of 2010, up 13% compared to the first six months of 2009, with further improvements possible during the remainder of 2010 as brokers are reporting a substantial pipeline of potential larger transactions.

Despite the positive trend in take-up, office vacancy rates in the major office markets have increased from 9.7% in the first six months of 2009 to 10.6% in this first half of the year. However, prime office rents remained almost unchanged and are forecasted to remain stable during the remainder of 2010. For Eurocastle specifically, physical occupancy on a like for like basis decreased from 86.2% at year-end 2009 to 85.6% at the end of June 2010. Our average lease term in the portfolio is 5.0 years, with 1.3% of our rental income expiring in the second half of the year versus 1.1% for the comparative period in 2009.

Debt Investment Portfolio

Within our debt investment portfolio, we have €1.7 billion face value of assets which are financed through three separate term, non-recourse public CDO financings. Despite the relatively stable cash flow performance of our investments, rating agency downgrades continue to cause our CDO financings to trigger financial ratios which direct the cash they generate to pay down senior CDO financing. During the first half of 2010, these ratios have benefited from the re-investment of cash received from repayments of principal into higher yielding new assets and the repurchase of our own senior liabilities at a discount. However, while these ratios remain below their triggers, our returns from these portfolios are likely to be driven primarily from the return of capital once senior debt tranches have been repaid.

Financing

On the financing front we have continued to focus on eliminating our short term recourse obligations which we have successfully reduced from €24.6 million at year-end 2009 to €8.2 million today. We expect to fully repay the balance by the end of the third quarter 2010.

The remainder of our financings at Eurocastle are non-recourse. At the half year-end, we had €4.6 billion in financing with a weighted average life of 3.9 years. We remain active in managing our debt. We have successfully completed the restructuring of the Mars Fixed 2 facility and we are currently in negotiations with lenders to effect a restructuring of the Mars Fixed 1 and Mars Floating facilities. Both of these facilities continue to apply excess cash to repay debt. In addition, cash flow from the Drive portfolio is being retained in a Group subsidiary while we pursue constructive discussions with lenders in relation to renegotiating the facility and establishing cash reserves for reinvestment into the Drive portfolio. We are hopeful that these discussions will be concluded by the end of the third quarter of 2010.

Once we have repaid the remaining balance of our recourse obligations, our remaining real estate financings will be in 13 separate portfolios.

Outlook

We remain focused on our main priorities of reducing debt and realising the value of our real estate investment portfolio. To this end, we will continue to opportunistically sell assets we consider to be fully valued and take further steps to improve our overall long term capital structure.

We are starting to see real estate values stabilize and market activity increase. We believe Eurocastle is positioned to benefit from a recovery in the German commercial real estate market.

Commercial Property Portfolio

As at 30 June 2010, Eurocastle owned a €3.5 billion portfolio of commercial property investments generating an average NOI* yield of 5.9%. The investment property portfolio is a diversified mix of high-quality office and retail properties, and comprised 540 properties with approximately 2.0 million square meters (sqm) of lettable space. The portfolio had a total occupancy of 85.6%, and a weighted average remaining lease term of 5.0 years. The Group derives 59.4% of its rental income from the five major German markets.

The properties are held in 13 separate financings. The table below shows the split between the three Mars financings (the "Mars" portfolio), the cash flows from which are currently being retained to repay debt, and the remaining portfolios (the "Core" portfolio).

Portfolio composition

Asset	No. of properties	Occupied space (sqm)	Occupancy %	Passing rent €m	Annualised NOI €m	Property valuation €m	Average lease term	NOI yield on valuation %
Core	491	1,182,147	90.8%	160.3	142.8	2,105	4.7	6.8%
Mars	49	535,263	76.0%	79.6	62.1	1,374	5.7	4.5%
Grand Total	**540**	**1,717,410**	**85.6%**	**239.9**	**204.9**	**3,479**	**5.0**	**5.9%**
Core plus 50% Mars Adjustment	**N/A**	**N/A**	**87.6%**	**203.2**	**176.4**	**2,841**	**4.9**	**6.2%**

The Core plus 50% Mars adjustment shown in the table above consists of the assets within the Core portfolio, Mars Fixed 2 portfolio, and 50% of the Mars Fixed 1 and Mars Floating portfolios. This is intended to show the effect of the Mars Floating portfolio refinancing, whereby the Group transferred 50% of the equity in the Mars Fixed 1 and Mars Floating portfolios to the Mars Floating lender.

The Core portfolio had lettable space of 1.3 million square metres with occupancy of 90.8% at 30 June 2010, down from 91.3% as at 31 December 2009 on a like-for-like basis. This portfolio generated an average NOI yield of 6.8%. The Mars portfolios had lettable space of 704 thousand square metres at 30 June 2010 with occupancy of 76.0%, slightly lower than 76.8% as at 31 December 2009 on a like-for-like basis. The Mars portfolio generated an average NOI yield of 4.5%.

During the six months ended 30 June 2010, the Group signed 187 commercial leases for approximately 131,700 sqm. This comprised 104 new leases for approximately 24,600 sqm, and 83 lease renewals for approximately 107,100 sqm. The renewal rate for the first six months of 2010 was 71.8%.

Overall, the level of physical portfolio occupancy, on a like for like basis, decreased to 85.6% from 86.2% in 2009. Since the end of June 2010, approximately 1,800 sqm of new leases and 2,200 sqm of renewals have been completed, with a further 10,200 sqm of new leases and 10,800 sqm of renewals currently under negotiation.

As part of its ongoing sales programme, during the six months ended 30 June 2010, the Group has completed the sale of 13 properties for total sales proceeds of €162.8 million, compared to a carrying value of €172.4 million. These sales realised cash of €8.7 million, after repayment of asset level financings.

Since the half year end, the Group has sold five properties for €37.6 million generating €13.4 million of cash after repayment of asset level financings, and has entered into binding agreements to sell a further two properties for estimated total proceeds of €7.4 million. Once completed, these sales are expected to generate up to €0.8 million of cash, after repayment of asset level financings.

* 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 2010, the Group had signed 34 new leases for approximately €1.5 million of rental income per annum on approximately 11,400 of vacant space, which will become effective during the second half of 2010 or later. These leases have not been included in the tables below.

The following tables show the split of real estate property investments by use and geographical location as at 30 June 2010.

Rental Data

By Use

Use	Lettable (sqm)	Occupancy %	Passing rent* €'million Annual	Passing rent* %	Passing rent* € per sqm/month
Office	1,116,042	79.9%	132.5	55.2%	12.4
Retail	435,509	97.8%	50.4	21.0%	9.9
Bank Hall	98,329	97.7%	15.8	6.6%	13.7
Other	356,841	85.2%	41.2	17.2%	11.3
Total portfolio	**2,006,721**	**85.6%**	**239.9**	**100%**	**11.6**

By Location

Location	Lettable (sqm)	Occupancy %	Passing rent* €'million Annual	Passing rent* %	Passing rent* € per sqm/month
Frankfurt	543,913	84.2%	86.2	35.9%	15.7
Munich	203,271	75.1%	25.0	10.4%	13.7
Hamburg	81,219	83.1%	10.4	4.3%	12.9
Berlin	89,829	83.5%	9.4	3.9%	10.4
Düsseldorf	73,527	91.9%	11.6	4.8%	14.3
Subtotal – top 5 markets	**991,759**	**82.8%**	**142.6**	**59.4%**	**14.5**
Remaining West	806,123	89.3%	80.7	33.7%	9.3
Remaining East	208,839	84.6%	16.6	6.9%	7.8
Total portfolio	**2,006,721**	**85.6%**	**239.9**	**100%**	**11.6**

By Portfolio

Portfolio	Lettable (sqm)	Occupancy %	Passing rent* €'million Annual	Passing rent* %	Passing rent* € per sqm/month
Mars – Fixed 1	462,945	82.8%	59.8	24.9%	13.0
Mars – Fixed 2	36,899	88.1%	6.3	2.6%	16.2
Mars – Floating	204,563	58.4%	13.5	5.6%	9.4
Drive	510,388	86.2%	69.7	29.2%	13.2
Bridge	192,038	94.3%	29.6	12.3%	13.6
Wave	179,394	81.8%	16.4	6.8%	9.3
Zama	30,641	94.1%	3.5	1.5%	10.1
Turret	140,633	98.9%	15.0	6.3%	9.0
Truss	81,280	99.4%	8.4	3.5%	8.7
Belfry	54,159	99.3%	5.5	2.3%	8.4
Rapid	38,355	100.0%	4.4	1.8%	9.5
Tannenberg	49,498	95.9%	5.1	2.1%	9.0
Bastion	25,928	100.0%	2.7	1.1%	8.8
Total portfolio	**2,006,721**	**85.6%**	**239.9**	**100%**	**11.6**

* 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 Years	Passing rent* 2010 €m	2011 €m	2012 €m	2013 €m	2014 €m	2015-2019 €m	2020+ €m
Office	3.7	2.3	29.2	27.8	9.2	14.1	44.5	5.5
Retail	6.2	0.3	3.6	4.0	4.7	6.8	19.1	12.0
Bank Hall	4.3	-	0.5	3.0	0.3	2.9	8.0	1.0
Other	8.1	0.5	8.8	4.3	1.4	2.2	9.5	14.4
Total portfolio	**5.0**	**3.1**	**42.1**	**39.1**	**15.6**	**26.0**	**81.1**	**32.9**
Percentage of portfolio		1.3%	17.5%	16.3%	6.5%	10.9%	33.8%	13.7%

By Location

Location	Average lease term Years	Passing rent* 2010 €m	2011 €m	2012 €m	2013 €m	2014 €m	2015-2019 €m	2020+ €m
Frankfurt	4.4	0.9	17.9	19.6	3.4	4.7	33.2	6.3
Munich	7.1	0.8	8.5	2.7	2.0	1.8	1.1	8.2
Hamburg	3.7	0.1	2.2	2.2	1.6	2.6	0.7	1.1
Berlin	3.8	0.2	2.6	0.8	1.3	1.5	2.6	0.4
Düsseldorf	5.3	0.2	2.3	3.5	0.4	1.0	1.8	2.3
Subtotal – top 5 markets	**4.8**	**2.2**	**33.5**	**28.8**	**8.7**	**11.6**	**39.4**	**18.3**
Remaining West	5.5	0.8	6.1	9.4	4.4	8.6	37.9	13.4
Remaining East	4.2	0.1	2.5	0.9	2.5	5.8	3.8	1.2
Total portfolio	**5.0**	**3.1**	**42.1**	**39.1**	**15.6**	**26.0**	**81.1**	**32.9**

By Portfolio

Portfolio	Average lease term Years	Passing rent* 2010 €m	2011 €m	2012 €m	2013 €m	2014 €m	2015-2019 €m	2020+ €m
Mars – Fixed 1	6.5	1.2	11.5	12.4	6.0	5.7	5.5	17.6
Mars – Fixed 2	4.2	-	0.7	1.5	0.3	1.0	2.5	0.3
Mars – Floating	3.1	0.6	3.9	2.6	1.4	2.2	1.8	0.9
Drive	3.6	0.3	15.5	15.5	2.0	8.4	26.0	2.0
Bridge	4.6	0.5	5.9	4.7	1.1	1.5	15.9	-
Wave	4.4	0.2	1.8	0.4	0.6	1.7	10.4	1.2
Zama	5.6	-	0.3	0.1	0.2	0.3	2.7	-
Turret	5.3	0.2	0.8	0.6	2.3	3.7	5.7	1.9
Truss	5.8	-	0.8	0.3	0.8	0.6	4.8	1.1
Belfry	5.4	0.1	0.5	0.3	0.7	0.5	2.5	0.7
Rapid	11.3	-	-	-	-	-	1.4	3.0
Tannenberg	7.0	-	0.4	0.7	0.2	0.4	1.8	1.6
Bastion	10.2	-	-	-	-	-	0.1	2.6
Total portfolio	**5.0**	**3.1**	**42.1**	**39.1**	**15.6**	**26.0**	**81.1**	**32.9**

* 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	% of Portfolio	Net operating income	NOI yield on valuation
		%	(sqm)	€m*		€m**	%
Top 5 markets							
Frankfurt	48	84.2%	543,913	1,311	37.7%	74.9	5.7%
Munich	15	75.1%	203,271	404	11.6%	20.6	5.1%
Hamburg	11	83.1%	81,219	180	5.2%	8.8	4.9%
Berlin	10	83.5%	89,829	148	4.3%	7.9	5.3%
Düsseldorf	6	91.9%	73,527	179	5.1%	10.4	5.8%
Subtotal – top 5 markets	**90**	**82.8%**	**991,759**	**2,222**	**63.9%**	**122.6**	**5.5%**
Remaining West	351	89.3%	806,123	1,066	30.6%	68.8	6.5%
Remaining East	99	84.6%	208,839	191	5.5%	13.5	7.0%
Total portfolio	**540**	**85.6%**	**2,006,721**	**3,479**	**100%**	**204.9**	**5.9%**

By Portfolio

Portfolio	Number of properties	Occupancy	Lettable space	Property valuation	% of Portfolio	Net operating income	NOI yield on valuation
		%	(sqm)	€m*		€m**	%
Mars – Fixed 1	28	82.8%	462,945	986	28.4%	47.4	4.8%
Mars – Fixed 2	3	88.1%	36,899	98	2.8%	5.2	5.3%
Mars – Floating	18	58.4%	204,563	289	8.3%	9.6	3.3%
Drive	217	86.2%	510,388	923	26.6%	61.0	6.6%
Bridge	6	94.3%	192,038	426	12.2%	28.2	6.6%
Wave	70	81.8%	179,394	221	6.4%	13.5	6.1%
Zama	8	94.1%	30,641	45	1.3%	3.1	6.9%
Turret	63	98.9%	140,633	176	5.0%	13.5	7.7%
Truss	41	99.4%	81,280	99	2.8%	7.4	7.5%
Belfry	28	99.3%	54,159	63	1.8%	4.9	7.8%
Rapid	18	100.0%	38,355	56	1.6%	4.1	7.3%
Tannenberg	27	95.9%	49,498	62	1.8%	4.5	7.4%
Bastion	13	100.0%	25,928	35	1.0%	2.5	7.1%
Total portfolio	**540**	**85.6%**	**2,006,721**	**3,479**	**100%**	**204.9**	**5.9%**

* The above valuation does not include €20.2 million relating to head leases, but includes leasing commissions and tenant incentives disclosed separately in Other Assets.

** Net operating income is after deducting €7.0 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 2010 Occupancy (sqm)	30 June 2010 Occupancy %	30 June 2010 Passing rent** €m	31 December 2009 Occupancy (sqm)	31 December 2009 Occupancy %	31 December 2009 Passing rent** €m
Office	891,525	79.9%	132.5	900,568	80.9%	135.5
Retail	425,768	97.8%	50.4	427,859	97.9%	50.7
Bank Hall	96,035	97.7%	15.8	97,970	98.2%	15.5
Other	304,082	85.2%	41.2	303,282	85.1%	41.8
Total portfolio	**1,717,410**	**85.6%**	**239.9**	**1,729,679**	**86.2%**	**243.5**

By Location

Location	30 June 2010 Occupancy (sqm)	30 June 2010 Occupancy %	30 June 2010 Passing rent** €m	31 December 2009 Occupancy (sqm)	31 December 2009 Occupancy %	31 December 2009 Passing rent** €m
Frankfurt	458,214	84.2%	86.2	464,167	85.3%	88.3
Munich	152,565	75.1%	25.0	150,337	74.0%	24.6
Hamburg	67,483	83.1%	10.4	70,103	86.3%	10.8
Berlin	75,052	83.5%	9.4	75,620	84.2%	9.6
Düsseldorf	67,549	91.9%	11.6	69,037	93.9%	11.9
Subtotal – top 5 markets	**820,863**	**82.8%**	**142.6**	**829,264**	**83.6%**	**145.2**
Remaining West	719,841	89.3%	80.7	723,215	89.7%	81.0
Remaining East	176,706	84.6%	16.6	177,200	84.9%	17.3
Total portfolio	**1,717,410**	**85.6%**	**239.9**	**1,729,679**	**86.2%**	**243.5**

By Portfolio

Portfolio	30 June 2010 Occupancy (sqm)	30 June 2010 Occupancy %	30 June 2010 Passing rent** €m	31 December 2009 Occupancy (sqm)	31 December 2009 Occupancy %	31 December 2009 Passing rent** €m
Mars – Fixed 1	383,347	82.8%	59.8	386,766	83.5%	61.6
Mars – Fixed 2	32,517	88.1%	6.3	32,564	88.3%	6.4
Mars – Floating	119,399	58.4%	13.5	121,497	59.4%	13.7
Drive	439,972	86.2%	69.7	444,744	87.1%	70.6
Bridge	181,118	94.3%	29.6	181,576	94.6%	29.9
Wave	146,772	81.8%	16.4	148,810	83.0%	16.7
Zama	28,843	94.1%	3.5	28,224	92.1%	3.4
Turret	139,132	98.9%	15.0	139,131	98.9%	15.0
Truss	80,753	99.4%	8.4	80,897	99.5%	8.5
Belfry	53,799	99.3%	5.5	53,764	99.3%	5.4
Rapid	38,355	100.0%	4.4	38,355	100.0%	4.4
Tannenberg	47,475	95.9%	5.1	47,423	95.8%	5.2
Bastion	25,928	100.0%	2.7	25,928	100.0%	2.7
Total portfolio	**1,717,410**	**85.6%**	**239.9**	**1,729,679**	**86.2%**	**243.5**

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

Top 5 Tenants

Tenant name	Business sector	Passing rent €'000	% of total portfolio	Square meters
Commerzbank	Banking	59,229	24.7%	351,506
Deutsche Bank	Banking	13,240	5.5%	108,509
Edeka	Retail	13,086	5.5%	127,020
Starman Hotels	Hotel	9,632	4.0%	40,988
Deutsche Bahn	Railway	8,704	3.6%	49,542
Total portfolio		**103,891**	**43.3%**	**677,565**

Debt Investment Portfolio

Overview of the Debt Investment Portfolio

	30 June 2010 (Unaudited)	31 December 2009
Carrying value of total debt investments (excluding restricted cash) (€'000)	1,382,406	1,494,599
Implied discount margin (above Euribor) at carrying value	9.04%	8.43%
Amortised cost of total debt investments (excluding restricted cash) (€'000)	1,416,979	1,537,356
Weighted average asset margin (above Euribor)	1.78%	2.04%
Weighted average liability spread	0.56%	0.59%
Weighted average net spread	1.22%	1.45%
Weighted average credit rating	BB-	BB-
Percentage investment grade of debt investment portfolio	34%	34%
Number of securities and loans	181	191
Nominal value of impaired assets (€'000)	354,203	319,720
Number of impaired assets	40	37

Eurocastle's €1.4 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 2010:

Asset/liability structure for debt investment portfolio

30 June 2010 (Unaudited)	Assets			Cash in hand	Liabilities			
Funding structure	**Nominal €'000**	**Average life**	**Average rating**	**Nominal €'000**	**Nominal €'000**	**Average life**	**Legal maturity**	**M-T-M provisions**
Eurocastle CDO II PLC	358,824	3.4	BB	283	315,042	3.7	Dec 2060	No
Eurocastle CDO III PLC	719,308	4.3	BB+	504	672,806	4.2	Dec 2060	No
Eurocastle CDO IV PLC	94,854	2.7	BB-	-	58,459	0.4	Dec 2010	No
Duncannon CRE CDO I PLC*	667,244	2.7	B	-	468,202	5.3	Jun 2047	No
Eurocastle Funding Limited (unlevered)	8,038	2.2	CCC-	-	-	-	-	-
Total	**1,848,268**	**3.4**	**BB-**	**787**	**1,514,509**	**4.3**	**-**	**-**

* Includes Balance Guaranteed Swap Asset of €46.9 million on the nominal value of some non Euro assets.

Debt Investment Portfolio Composition (30 June 2010)

Asset class (Unaudited)	Nominal* €'000	Total debt portfolio %
Commercial real estate backed	1,374,543	76.3%
Residential real estate backed	390,070	21.7%
Other	36,743	2.0%
	1,801,356	**100.0%**

* Excludes the balance guaranteed swap asset of €46.9 million on the nominal value of some non-Euro assets.

Commercial Real Estate Backed Debt

At 30 June 2010, the Group owned €1.4 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 six months ended 30 June 2010, the Group made purchases of €1 million, sales of €164 million and had principal repayments of €48 million. The Group had 4 CMBS securities upgraded totalling €14 million and 39 CMBS downgrades totalling €386 million during the six months ended 30 June 2010.

As at 30 June 2010, 18 CMBS securities with a nominal value of €246.3 million had been impaired by a total amount of €169.5 million.

Asset class	Nominal €'000	Total debt book %	Average rating*
CMBS	805,326	44.6%	BB
Commercial real estate loans	410,772	22.8%	B-
NPL securitisation	1,289	0.1%	AA-
SME CLO	82,228	4.6%	B+
Whole business securitisation	74,928	4.2%	BB
	1,374,543	**76.3%**	**BB-**

* 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	Total portfolio
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	%
UK	2,008	30,759	37,867	68,415	63,520	64,580	128,108	110,877	70,673	**576,807**	**32.0%**
Germany	9,795	18,295	4,985	53,659	27,205	83,073	117,225	-	-	**314,237**	**17.4%**
Italy	-	1,289	17,886	15,000	23,810	45,100	35,491	-	-	**138,576**	**7.7%**
France	-	-	-	-	10,000	34,967	12,413	-	-	**57,380**	**3.2%**
Netherlands	-	-	-	9,262	2,500	11,000	20,999	-	-	**43,761**	**2.4%**
Switzerland		-	-	-	7,000	24,344	2,907	-	-	**34,251**	**1.9%**
Spain	-	-	12,200	3,800	-	4,334	4,600	1,398	-	**26,332**	**1.5%**
Pan-European	7,956	19,883	30,678	-	14,426	19,961	83,385	6,910	-	**183,199**	**10.2%**
Total	**19,759**	**70,226**	**103,616**	**150,136**	**148,461**	**287,359**	**405,128**	**119,185**	**70,673**	**1,374,543**	**76.3%**
% of total debt portfolio	**1.1%**	**3.9%**	**5.8%**	**8.3%**	**8.2%**	**16.0%**	**22.5%**	**6.6%**	**3.9%**	**76.3%**	
% of total debt portfolio - 2009	**1.4%**	**3.8%**	**6.3%**	**9.5%**	**10.6%**	**15.2%**	**25.9%**	**4.5%**	**2.4%**	**79.6%**	

Residential Real Estate Debt

At 30 June 2010, the Group owned €390 million face amount of residential mortgage backed securities ("RMBS"). During the six months ended 30 June 2010, the Group made purchases of €54 million, made sales of €21 million, and had principal repayments of €8 million. The current average rating of the RMBS portfolio is BBB. The Group had 4 securities totalling €8 million upgraded and 14 downgraded totalling €53 million during the six months ended 30 June 2010.

As at 30 June 2010, 22 RMBS securities with a nominal value of €107.9 million had been impaired by a total amount of €94.1 million.

The composition of the residential mortgage backed securities portfolio as at 30 June 2010 is shown below:

RMBS type	Nominal	Total debt book	Average rating*
	€'000	%	
Prime	219,119	12.2%	A-
Mixed	68,456	3.8%	BB+
Non conforming	102,495	5.7%	BBB-
Total	**390,070**	**21.7%**	**BBB**

* 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	C	Total	Total portfolio
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	%
United Kingdom	48,715	3,619	36,424	60,578	69,754	9,306	11,039	6,000	-	**245,435**	**13.7%**
Italy	-	-	-	28,000	-	2,750	-	-	-	**30,750**	**1.7%**
Netherlands	38,073	-	6,375	5,617	15,000	-	-	-	-	**65,065**	**3.6%**
Germany	-	-	-	-	6,200	-	-	-	-	**6,200**	**0.3%**
Spain	-	-	-	2,944	2,200	-	7,000	-	-	**12,144**	**0.7%**
Ireland	-	-	-	11,562	-	1,000	2,250	-	9,800	**24,612**	**1.4%**
Belgium	-	-	-	5,000	-	-	-	-	-	**5,000**	**0.3%**
Greece	-	-	-	864	-	-	-	-	-	**864**	**0.0%**
Total	**86,788**	**3,619**	**42,799**	**114,565**	**93,154**	**13,056**	**20,289**	**6,000**	**9,800**	**390,070**	**21.7%**
% of total debt portfolio	**4.8%**	**0.2%**	**2.4%**	**6.5%**	**5.2%**	**0.7%**	**1.1%**	**0.3%**	**0.5%**	**21.7%**	
% of total debt portfolio - 2009	**2.0%**	**0.7%**	**2.1%**	**7.2%**	**4.3%**	**0.7%**	**0.7%**	**0.3%**	**0.5%**	**18.5%**	

Other Debt

At 30 June 2010, the Group owned €36 million face amount of other structured finance debt (commercial & consumer loans). During the six months ended 30 June 2010, the Group made purchases of €7 million, sales of €0.2 million and had paydowns of €6 million. One security totalling €4 million was upgraded and no securities were downgraded during the six months ended 30 June 2010.

As at 30 June 2010, no securities were impaired.

Debt Type	Nominal €'000	Total debt book %	Average rating* %
Commercial leases & loans	15,915	0.9%	BB
Consumer leases & loans	20,828	1.1%	BBB
Total	**36,743**	**2.0%**	BB+

* 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	Total	Total portfolio
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	%
Italy	-	-	-	6,000	-	8,665	**14,665**	**0.9%**
Germany	-	-	-	1,250	-	-	**1,250**	**0.1%**
Sweden	-	-	-	3,500	-	-	**3,500**	**0.2%**
United Kingdom	-	-	-	17,328	-	-	**17,328**	**0.8%**
Total	-	-	-	**28,078**	-	**8,665**	**36,743**	**2.0%**
% of total debt portfolio	**0.0%**	**0.0%**	**0.0%**	**1.5%**	**0.0%**	**0.5%**	**2.0%**	
% of total debt portfolio - 2009	**0.0%**	**0.0%**	**0.0%**	**1.4%**	**0.0%**	**0.5%**	**1.9%**	

Credit Quality

The first half of 2010 saw credit quality stabilise in all asset classes of the European debt investment market. Although downgrades continued to outpace upgrades, the magnitude of downgrades has decreased from 2009 levels. Real estate values in the United Kingdom have increased over the last 12 months which has been supportive of the CMBS market, while decreases in delinquencies and foreclosures have supported the RMBS market. Cash flows in the portfolio have remained strong; actual, realized losses have been very small to date and have been primarily in the CMBS market. Impairments showed a modest increase from the 2009 year-end, reflecting the stabilization in credit quality.

Financing and Liquidity

The Group has improved its short-term financing and liquidity position during 2010 by selling assets, and generating cash from its real estate operations. At the end of July 2010, the Group had a corporate cash balance of €3.2 million.

The Group's financing position as at 31 July 2010 was as follows:

Maturities and Mandatory Amortization								
Portfolio (€million)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016 +**	**TOTAL**
Non - Recourse								
Mars - Fixed 1	-	-	-	-	965.8	-	-	965.8
Mars - Floating (1)	27.9	50.0	50.0	100.0	-	-	-	227.9
Mars - Fixed 2	-	-	-	80.0	-	-	-	80.0
Drive(2)	-	-	-	792.8	-	-	-	792.8
Bridge	-	-	-	-	372.1	-	-	372.1
Wave(2)	-	-	-	-	178.2	-	-	178.2
Turret	-	-	-	-	-	-	147.6	147.6
Truss	-	-	0.2	0.9	0.9	0.9	82.4	85.3
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	27.9	50.0	76.7	973.7	1,609.9	57.1	284.5	3,079.8
CDO IV	58.5	-	-	-	-	-	-	58.5
Debt Total	58.5	-	-	-	-	-	-	58.5
Total Non-Recourse	**86.4**	**50.0**	**76.7**	**973.7**	**1,609.9**	**57.1**	**284.5**	**3,138.3**
Recourse								
Excalibur Line	5.0	-	-	-	-	-	-	5.0
Corporate Loan	3.2	-	-	-	-	-	-	3.2
Total Recourse	**8.2**	**-**	**-**	**-**	**-**	**-**	**-**	**8.2**
GRAND TOTAL	**94.6**	**50.0**	**76.7**	**973.7**	**1,609.9**	**57.1**	**284.5**	**3,146.5**

(1) The balance outstanding under the Mars Floating facility includes €3.1 million reserved for capital expenditure that is currently undrawn. The Mars Floating facility also includes €10 million recourse to Eurocastle in respect of any interest shortfall and a suspended €10 million credit support obligation. Under the suspended €10 million credit support obligation, Eurocastle is required to give credit support only to the extent assets are (i) sold and (ii) below their respective allocated loan amounts.

(2) Subsequent to 30 June 2010, there have been financing repayments in addition to the amounts disclosed in Note 12.1 of €4.1 million in the Wave portfolio and €5.3 million in the Drive portfolio.

Non Mandatory CDO Paydown Profile								
Portfolio (€million)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016 +**	**TOTAL**
CDO II	4.6	16.4	53.2	58.3	45.0	137.5	-	315.0
CDO III	3.8	8.0	38.0	106.5	106.7	409.8	-	672.8
Duncannon	4.5	9.0	8.7	64.8	101.3	28.3	251.6	468.2
GRAND TOTAL	**12.9**	**33.4**	**99.9**	**229.6**	**253.0**	**575.6**	**251.6**	**1,456.0**

The repayment profiles of the CDOs do not constitute mandatory amortisations. The repayments represent the expected amortisations from excess interest and, once the reinvestment period in each CDO has elapsed, the expected cash receipts from the underlying investments.

Convertible Securities

In February 2010 convertible security holders presented €1.5 million of convertible securities for conversion. The Group duly converted these securities and issued 5,000,000 shares. No interest was payable on the converted securities.

In June 2010, in accordance with the terms of the convertible securities that required the mandatory deferral of interest in the event that the corporate facility was still outstanding, annual interest of €17.6 million on €98.25 million of securities was deferred.

Short-Term Financing

Corporate Loan Facility
As at 30 June 2010, €3.2 million was outstanding under the corporate loan facility. The facility matures on 31 December 2010 but must be repaid pro rata to any prepayments under the Excalibur Line (see below). The terms of the corporate loan facility are described in the 2009 Annual Report.

Excalibur Line
Following the termination of a €97.35 million acquisition facility between Eurocastle Funding Limited (EFL, a consolidated subsidiary) as Borrower and Excalibur Funding No.1 PLC as Lender under which Eurocastle had a guarantee obligation, in the first quarter of 2010, Eurocastle assumed a €20 million residual guarantee obligation which was converted into a €20 million loan facility (the Excalibur Line). As at 30 June 2010, €5 million was outstanding under the Excalibur Line, which matures on 26 September 2010.

Mars Floating Facility
As at 30 June 2010, €224.8 million was outstanding under the Mars Floating facility, the terms of which were described in the 2009 financials. The facility is currently the subject of negotiation with lenders in relation to the requirement for Eurocastle to have made a €2.5 million capital expenditure contribution by 30 June 2010.

Eurocastle continues to provide a €10 million interest shortfall guarantee and a €10 million credit support to the Mars Floating portfolio allowing assets to be sold in aggregate up to €10 million below their respective facility allocated loan amounts.

All operating cash flows, net of agreed costs and expenses (including agreed capital expenditure costs), continue to be used to amortise the outstanding loan balance on the quarterly interest payment dates.

CDO IV Financing
As at 30 June 2010, the Group had a non-recourse facility for €58.5 million with CDO IV as the borrower. This facility, due to mature in December 2010, is currently the subject of negotiation with its lenders pending a restructuring. All income (net of costs and expenses) is being applied to amortise this facility.

Real Estate Portfolio Financing

The Group finances 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.

Mars Fixed 1 Facility

As at 30 June 2010, €965.8 million was outstanding under the Mars Fixed 1 Facility. This is a non-recourse facility. The Group is currently in negotiations with lenders to effect a restructuring of this facility, which it expects to finalise before year-end.

Mars Fixed 2 Facility

As at 30 June 2010, €80 million was outstanding under the Mars Fixed 2 Facility. This is a non-recourse facility. A restructuring of this facility was signed in July 2010 under which the financial covenants have been reset to the benefit of the Group. In addition, any operating cash flows, net of agreed costs and expenses (including agreed capital expenditure costs), may be used by the lender to amortise the outstanding loan balance on the quarterly interest payment dates.

Drive Junior Facility

The Drive portfolio assets are held through a German real estate fund. A Group entity owns its interest in the fund through ownership of units issued by this fund. The structure is financed by a senior loan made to the fund and through a junior loan made to the Group entity holding the fund units and secured by, amongst other things, the fund units. As at 30 June 2010, the combined debt on the Drive portfolio (all of which is non-recourse) was €798.1 million, split between the senior or fund level loan (€434.9 million) and the junior facility (€363.2 million).

Cash flow from the Drive portfolio is being retained in a Group subsidiary while the Group pursues constructive discussions with lenders in relation to renegotiating the facility and establishing cash reserves for reinvestment into the Drive portfolio. The Group expects that these discussions will be concluded by the end of the third quarter of 2010.

As at 30 June 2010, the Group's €3.5 billion real estate portfolio was financed with €3.1 billion of non-recourse loans with a weighted average maturity of 3.7 years.

Debt Investment Portfolio Financing

The Group has no mark-to-market or recourse exposure on its debt portfolio. As at 30 June 2010, out of total financing facilities of €1.5 billion, the Group has financing totalling €71.4 million maturing within the year, of which €58.5 million is repayable in December 2010, and €12.9 million relates to non mandatory amortisations as a result of expected interest from the underlying investments.

During the six months ended 30 June 2010, the Group repurchased €73.9 million of senior liabilities within the CDO financings with restricted cash at an average price of 74.4%, realising a net book gain of €18.4 million.

At 30 June 2010, approximately 94.4% of the debt investment portfolio benefited 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 consequence of the non-compliance with certain covenants, where compliance is generally a function of the default rate and external credit ratings of the underlying investments, substantially all the interest receipts are mandatorily being diverted to amortise senior debt, as are principal receipts unless, where appropriate, they are reinvested within strict timeframes in substitute eligible collateral. Eurocastle currently receives no cash from its debt investment business.

CDO Compliance Test Summary as at 28 July 2010

Overcollateralisation Compliance Summary

€'000	Eurocastle CDO II PLC	Eurocastle CDO III PLC	Duncannon CRE CDO I PLC
Nominal value of assets	288,539	738,138	665,471
Balance of the principal cash accounts	5,653	2,902	855
Sum of applied haircuts[1]	(66,133)	(90,585)	(288,729)
Overcollateralisation (par value) numerator (A)	228,059	650,455	377,597
Aggregate principal amount of rated liabilities[2] (B)	268,023	681,253	495,545
Interest diversion test (A / B)	85.1%	95.5%	76.2%
Trigger	103.5%	102.5%	102.0%
Collateral shortfall	**(49,346)**	**(47,829)**	**(127,858)**

Interest Coverage Compliance Summary

€'000	Eurocastle CDO II PLC	Eurocastle CDO III PLC	Duncannon CRE CDO I PLC
Interest coverable amount (C)	1,194	3,347	4,266
Quarterly interest due on the liabilities[2] (D)	797	1,750	1,526
Mezzanine interest coverage test (C / D)	149.8%	191.3%	279.5%
Trigger	112.0%	112.0%	103.0%
Interest cushion	**302**	**1,387**	**2,694**

[1] An amount is subtracted from the nominal value of assets that are held as collateral within the CDO. The size of this haircut reflects the perceived risk as defined by the minimum rating associated with holding the assets and thus primarily depends on the credit ratings assigned to the collateral. For example, in Duncannon CRE CDO I Plc (1) assets rated below CCC- with a nominal value of €149 million on 28 July 2010 were treated as defaulted obligations and haircut to their respective recovery levels (4% on average) based on collateral type and (2) assets rated between CCC+ and CCC- with an aggregate nominal value of €199 million were treated as Haircut Obligations and haircut by 73%.

[2] Excludes the Class E Notes for Eurocastle CDO II and Eurocastle CDO III.

The interest cash used to paydown senior liabilities since the first interest diversion test breach during 2009 is outlined below:

€'000	Eurocastle CDO II PLC	Eurocastle CDO III PLC	Duncannon CRE CDO I PLC
Second quarter 2009	933	3,668	3,746
Third quarter 2009	748	2,023	2,629
Fourth quarter 2009	882	2,421	2,617
First quarter 2010	557	1,985	2,270
Second quarter 2010	579	1,793	2,966
Total interest diverted	**3,699**	**11,890**	**14,228**

The interest diversion test is a customary CDO test based on collateral quality and is used primarily to determine whether interest on the mezzanine and subordinated notes may be paid and whether principal cash must on certain dates be used to amortise senior notes rather than remain available for reinvestment.

Liquidity Outlook

The Group has continued to upstream cash to the holding company level which is available for repaying the corporate loan and other corporate purposes. However, as described above, the cash flows from the Mars and Drive portfolios and the debt investment portfolios are being retained within those portfolios and so currently cannot be distributed to Eurocastle.

Cash flow from the Drive portfolio is being retained in a Group subsidiary while the Group pursues constructive discussions with lenders in relation to renegotiating the facility and establishing cash reserves for reinvestment into the Drive portfolio. The Group expects that these discussions will be concluded by the end of the third quarter of 2010. The Group also expects that the amended facility will at the least allow for sufficient cash to be released from the Drive portfolio to satisfy Eurocastle's obligations to repay its maturing short term debt in 2010 (the corporate facility and the Excalibur Line). At the end of July 2010, €7.4 million, representing the second quarter's levered operating cash flow for Drive, was being retained. In addition, net proceeds from asset sales out of the Drive portfolio since 30 June 2010, amounting to €13.4 million, was also being retained.

The Group continues to seek to reduce capital expenditure committed on new leasing, focusing it on those leases and portfolios achieving the greatest economic benefit and thus maximising cash flow available to Eurocastle.

Key Financial Information

Income Statement Data (in €'000, except per share data) (Unaudited)	Six months ended 30 June 2010	Six months ended 30 June 2009
Interest income	22,433	41,543
Rental income	120,911	125,989
Service charge income	25,123	26,292
Decrease in fair value of investment properties	(46,104)	(203,026)
Impairment losses	(12,807)	(113,434)
Interest expense	(99,667)	(114,443)
Service charges and property operating expenses	(43,836)	(44,431)
Other operating expenses	(19,844)	(20,299)
Net loss before taxation	(53,517)	(253,077)
Net loss after taxation	(55,264)	(247,552)
Funds from operations ("FFO")	(19,423)	(52,695)
Normalised funds from operations	19,762	21,653
Loss per weighted average basic share and diluted share	(0.86)	(4.08)
FFO per weighted average basic share	(0.30)	(3.59)
FFO per weighted average diluted share	(0.05)	(0.87)
Normalised FFO per weighted average basic share	0.31	(0.76)
Normalised FFO per weighted average diluted share	0.05	0.36
Normalised FFO per fully diluted share	0.04	0.31

Weighted average number of ordinary shares, outstanding, basic	64,216,530	60,731,845
Dilutive effect of ordinary share options and convertible securities*	327,500,000	8,287,293
Weighted average number of ordinary shares outstanding, diluted	**391,716,530**	69,019,138

Ordinary shares outstanding	**65,739,646**	**60,735,646**
Fully diluted ordinary shares outstanding*	**451,757,865**	**310,735,646**

* For the six months ended 30 June 2010, fully diluted ordinary shares represent the impact of converting €99,750,000 of Convertible Securities at €0.30 per share, as well as the impact of converting the interest due on the Convertible Securities. The weighted average dilutive effect for the six months ended 30 June 2010 comprises a time weighting of the impact of fully converting the securities against the relative periods from the date of each Convertible Securities issue.

Balance Sheet Data (in €'000, except per share data)	30 June 2010 (Unaudited)	31 December 2009
Cash and cash equivalents	93,827	122,545
Investment property (including properties held for sale)	3,477,086	3,678,298
Debt investments	1,383,193	1,496,840
Other assets	87,340	103,398
Total assets	**5,041,446**	**5,401,081**
Interest bearing debt financing	(4,591,604)	(4,895,334)
Other liabilities	(122,883)	(142,383)
Total liabilities	**(4,714,487)**	**(5,037,717)**
Net assets	**326,959**	**363,364**
Net assets per fully diluted share	**0.72**	**0.92**
Real estate net assets per fully diluted share	**0.90**	**1.24**
Debt investment portfolio net assets per fully diluted share	**(0.19)****	**(0.32) ****

** 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 2010 IFRS net asset value reflects approximately €159.4 million, or €0.35 per fully diluted share, 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.

FFO Reconciliation **€'000 (Unaudited)**	**Six months ended 30 June 2010**	**Six months ended 30 June 2009**
Reconciliation of FFO to net loss after taxation		
Net loss after taxation	(55,264)	(247,552)
Decrease in fair value of investment properties	46,104	203,026
(Increase) / decrease in fair value of interest rate swaps	(2,012)	764
Unrealised movements on currency swaps (net of translation gains on related assets)	(47)	(705)
Realised loss on sale of investment properties	(9,618)	(2,351)
Deferred tax benefit on investment properties	1,414	(5,877)
Funds from operations (FFO)	**(19,423)**	**(52,695)**
Net realised losses on investment property sales after sales costs and closure of swaps	16,750	5,351
Gains on foreign currency contracts, translation and swaps	(454)	(1,388)
Impairment losses	12,807	113,434
Realised loss on sale of available-for-sale securities	20,612	3,744
Amortisation of cost of Mars refinancing	5,904	2,834
Interest rate swap adjustments	1,939	1,520
Gain on repurchase of debt in CDO V	(18,373)	(51,147)
Normalised FFO	**19,762**	**21,653**

FFO is used to compute incentive compensation to the Manager. FFO, as defined by Eurocastle, represents net profit after taxation (computed in accordance with IFRS), excluding changes in the fair value of investment properties net of attributable deferred taxation, changes in the fair value of interest rate swaps that are taken to the income statement, unrealised movements on currency swaps (net of translation gains/losses of related assets) and mark-to-market fluctuations in real estate fund units. The Group considers the realisation of gains and losses on its investments to be a normal part of its recurring operations and therefore does not exclude such gains and losses when arriving at FFO. FFO does not represent cash generated from operating activities in accordance with IFRS and therefore should not be considered an alternative to cash flow as a measure of liquidity, and is not necessarily indicative of cash available to fund cash needs. Eurocastle's calculation of FFO may be different from the calculation used by other companies and, therefore, comparability may be limited.

Normalised FFO is a non-IFRS financial measure used to provide investors with additional information regarding the 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.

Funds from operations (FFO)

FFO and Normalised FFO are appropriate measures of underlying operating performance of companies primarily involved in real estate as they provide 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 21 allocated between the segments on the basis disclosed below the table. The segmental analysis prepared according to IFRS has been disclosed in Note 21.

Income statement data **Six months ended 30 June 2010** **(Unaudited)**	**Debt investments** **€'000**	**Investment properties** **€'000**	**Total Eurocastle** **€'000**
Revenue	22,062	146,405	**168,467**
Other operating losses	(2,104)	(44,227)	**(46,331)**
Impairment losses	(12,807)	-	**(12,807)**
Interest expense	(12,205)	(87,462)	**(99,667)**
Service charge and property operating expenses	-	(43,836)	**(43,836)**
Other operating expenses (including foreign currency gains/(losses))[1]	(1,133)	(18,210)	**(19,343)**
Operating loss before taxation	**(6,187)**	**(47,330)**	**(53,517)**
Taxation credit	-	(1,747)	**(1,747)**
Net loss	**(6,187)**	**(49,077)**	**(55,264)**
(Increase) / decrease in fair values	(47)	44,092	**44,045**
Realised loss on sale	-	(9,618)	**(9,618)**
Deferred tax credit	-	1,414	**1,414**
Funds from operations	**(6,234)**	**(13,189)**	**(19,423)**
Net realised losses on investment property sales after sales costs and closure of swaps	-	16,750	16,750
Gains on foreign currency contracts, translation and swaps	(454)	-	(454)
Impairment losses	12,807	-	12,807
Realised loss on sale of available-for-sale securities	20,477	135	20,612
Amortisation of cost of Mars refinancing[2]	-	5,904	5,904
Interest rate swap adjustments	-	1,939	1,939
Gain on repurchase of debt in CDO V	(18,373)	-	(18,373)
Normalised funds from operations[3]	**8,223**	**11,539**	**19,762**
Funds from operations per ordinary share[4] **€**	(0.10)	(0.20)	(0.30)
Normalised funds from operations per ordinary share[4] **€**	**0.13**	**0.18**	**0.31**

1 Unallocated other operating expenses of €12.3 million have been allocated between the segments based on each segment's share of invested equity. Amounts allocated were; debt investments: €0.7 million and investment properties: €11.6 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 2010.

€'000 (Unaudited)	**Six months ended 30 June 2010**	**Six months ended 30 June 2009**
Funds from operations	(19,423)	(52,695)
FFO per ordinary share	(0.30)	(0.87)

FFO for the six months ended 30 June 2010 was a loss of €19.4 million (six months ended 30 June 2009: €52.7 million) and included impairments of €12.8 million (six months ended 30 June 2009: €113.4 million).

FFO for the six months ended 30 June 2010 increased by €33.3 million against the six months ended 30 June 2009 mainly due to:

- lower gain on the repurchase of CDO financing of €32.8 million
- interest income was lower by €19.1 million due to lower interest rates
- €16.9 million increase in loss realised from transfer of a subsidiary's assets to its lender as part of the settlement for the subsidiary's acquisition facility
- higher realised losses on sale of investment properties by €7.3 million
- net rental and service charge income and expense was lower by €5.6 million due mainly to investment property disposals and lower recovery rates than those estimated in the first half of 2009
- foreign exchange movements decreased by €0.9 million

Offset by:

- lower impairments of debt investments by €100.6 million
- interest expense declined by €14.8 million
- other operating expenses and taxation decreased by €0.5 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 2010**	**Six months ended 30 June 2009**
Interest income	22,433	41,543
Rental income	120,911	125,989
Service charge income	25,123	26,292
Total	**168,467**	**193,824**

The decrease in interest income compared to the first six months of 2009 was principally due to lower interest rates.

The decrease in rental income compared to the first six months of 2009 reflects mainly the sale of properties.

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. Lower service charge income compared to the first six months of 2009 is due mainly to lower recovery levels than previously estimated in first six months of 2009 and the sale of properties.

Fair value movements / impairment losses **€'000 (Unaudited)**	**Six months ended 30 June 2010**	**Six months ended 30 June 2009**
Decrease in fair value of investment properties (a)	(46,104)	(203,026)
Loss on sale of available-for-sale securities and loans and receivables (b)	(20,612)	(3,744)
Increase / (decrease) in fair value of interest rate swaps (c)	2,012	(764)
Gain on repurchase of debt financing (d)	18,373	51,147
Impairment losses (e)	(12,807)	(113,434)
Total	**(59,138)**	**(269,821)**

(a) The Group's investment properties are revalued for the purposes of the Group's financial statements on a semi-annual 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.

(b) The Group sold one security out of the Drive Liquidity fund during the six months ended 30 June 2010 and realised a loss of €0.1 million. 13 securities were sold from the debt investment portfolio and 2 assets were transferred from a subsidiary to its lender as part of the settlement terms for the subsidiary's acquisition facility; realised gain and loss on the sale of debt investments was €0.1 million and the transfer of assets to the facility's lender recognised a realised loss of €20.4 million. During the six months ended 30 June 2009, 5 assets were sold out of the Drive Liquidity fund, which generated realised losses on sale of €3.7 million, and there were no sales from the debt investment portfolio in the same period.

(c) The increase in the fair value of interest rate swaps is due to lower average Euro interest rates in the first six months of 2010 when compared to the same period in 2009.

(d) The Group repurchased debt issued by CDO V in both of the comparative periods and realised a gain of €18.4 million for the six months ended 30 June 2010 compared to a realised gain of €51.1 million for the six months ended 30 June 2009.

(e) During the six months ended 30 June 2010, the Group recognised €12.8 million of impairment losses within the debt investment portfolio on four additional assets, compared to €113.4 million which included 20 assets in the first six months of 2009.

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:

Operating expenses €'000 (Unaudited)	**Six months ended 30 June 2010**	**Six months ended 30 June 2009**
Interest expense	99,667	114,443
Gains on foreign currency contracts, translation and swaps	(501)	(2,093)
Service charge expenses	25,123	26,292
Property operating expenses	18,713	18,139
Other operating expenses	19,844	20,299
Total operating expenses	**162,846**	**177,080**
Operating income (excluding fair value movements and impairment losses)	**168,467**	**193,824**

A significant proportion of the Group's operating expenses represent interest expense (61% for the six months ended 30 June 2010, against 65% for the comparative period in 2009). The decrease in interest expense from 2009 was due mainly to lower interest rates and the repayment of debt through net proceeds from approximately €100 million of Convertible Securities raised, the sale of properties and cash generated from the CDOs.

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 six months ended 30 June 2009 was predominantly due to an increase in non recoverable expenses as result of lower recovery rates than previously estimated.

The Group's other operating expenses include management fees paid to the Manager of €10.7 million for the first half of 2010 which was unchanged from the comparative period in 2009. Other operating expenses decreased by €0.5 million in the first half of 2010 when compared to the first half of 2009, due mainly to lower transaction costs incurred relating to the sale of properties and cost control measures.

Corporation Tax

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

€'000 (Unaudited)	Six months ended 30 June 2010	Six months ended 30 June 2009
Current tax charge	333	352
Deferred tax charge / (credit)	1,414	(5,877)
Total tax charge / (credit)	**1,747**	**(5,525)**

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 21. 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 21 allocated between the segments on the basis disclosed in the table below.

Balance sheet data

As at 30 June 2010 (Unaudited)	**Debt investments €'000**	**Investment properties €'000**	**Total Eurocastle €'000**
Investments	1,383,193	3,477,086	**4,860,279**
Other assets[1]	45,813	135,354	**181,167**
Total assets	**1,429,006**	**3,612,440**	**5,041,446**
Interest-bearing debt financing[3]	(1,507,483)	(3,084,121)	**(4,591,604)**
Other liabilities[2]	(3,016)	(112,085)	**(115,101)**
Total liabilities	**(1,510,499)**	**(3,196,206)**	**(4,706,705)**
Segment net (liabilities) /assets	**(81,493)**	**416,234**	**334,741**
Tax liability	-	(7,782)	**(7,782)**
Minority interest	(2)	(4)	**(6)**
Net (liabilities) / assets	**(81,495)**	**408,448**	**326,953**
Net (liabilities) / assets per fully diluted share €	**(0.18)**	**0.90**	**0.72**
Adjusted NAV for 50% Mars transfer[4]	**-**	**(32,063)**	**(32,063)**
Adjusted net (liabilities) / assets after transfer	**(81,495)**	**376,385**	**294,890**
Adjusted net (liabilities) / assets per fully diluted share after transfer	**(0.18)**	**0.83**	**0.65**

1 Unallocated other assets of €3.8 million have been allocated between the segments based on each segment's share of invested equity. Amounts allocated were; debt investments: €0.2 million and investment properties: €3.6 million.

2 Unallocated other liabilities of €4.0 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: €0.2 million and investment properties: €3.8 million.

3 Included in the interest-bearing debt financing is the corporate loan balance of €3.2 million, split between the debt investments: €0.2 million and investment properties: €3.0 million, and the Excalibur line loan balance of €5.0 million, split between the debt investments: €0.3 million and investment properties: €4.7 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 2009 Annual Report 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 2010 net asset value reflects approximately €159.4 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.

Total Assets

Total assets as at 30 June 2010 amounted to €5.0 billion, representing a 6.7% decrease from €5.4 billion as at 31 December 2009. This primarily reflects the 1.2% reduction in value of the commercial property portfolio, and the sale of 13 assets within the commercial property portfolio, valued at €163 million. In addition debt investments declined by €114 million, through a combination of impairment charges, purchases, sales and redemptions.

Real Estate Investments

As at 30 June 2010, the Group's real estate portfolio comprised €3.48 billion of commercial property investments compared with €3.52 billion as at 31 December 2009, on a like-for-like basis. This represents a decrease of 1.2% in the fair value of investment properties on the 31 December 2009 values.

The main reductions in the valuations are in Drive (€13.2 million), Mars Fixed (€7.3 million), Mars Floating (€6.4 million) and Bridge (€5.3 million) which account for €32.2 million, or 78%, of the total value decline. The 5 largest single asset value reductions amount to €17.8 million, or 43%, of the total value decline, which shows that the majority of the portfolio is generally stable with a few assets contributing to a significant part of the valuation decline.

The main drivers of the reduction in value were lower rental income (a decrease of €2.8million, or 1.2%) and higher vacancy (an increase of 15,600 sqm or 0.6%) due to leases that expired during the first half of 2010. In addition, market rent assumptions have been reduced in several critical assets. Yield assumptions for the property valuations have remained generally stable, which is in-line with the current market environment with investment activity picking up and yields remaining stable and, in some cases, falling for core product in the Top 5 markets.

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. The Group identified assets, eligible under the amendments, for which at 1 July 2008 it had the intention and the ability to hold to maturity or for 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 accounting treatment for loans and receivables allows the securities to be carried at their amortised cost (based on the carrying value at the date of reclassification), with no adjustment for changes in the market value unless there has been any impairments. The change in the value of the reclassified securities during the year, had they been held as available-for-sale, would have been a €87.8 million unrealised gain.

Risks

The Group's exposure to risk and methods used by the Group to control risk have not changed since the 2009 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 2009.

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 & Young LLP.

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT

(Unaudited)	Notes	Six months ended 30 June 2010 €'000	Six months ended 30 June 2009 €'000
Operating income			
Interest income		22,433	41,543
Rental income		120,911	125,989
Service charge income		25,123	26,292
Loss on disposal of available-for-sale securities and loans and receivables		(20,612)	(3,744)
Decrease in fair value of investment properties	3,9	(46,104)	(203,026)
Gain on repurchase of debt financing	11	18,373	51,147
Increase / (decrease) in fair value of interest rate swaps		2,012	(764)
Impairment losses	5	(12,807)	(113,434)
Total operating income / (loss)		**109,329**	**(75,997)**
Operating expenses			
Interest expense		99,667	114,443
Gains on foreign currency contracts, translation and swaps		(501)	(2,093)
Service charge expenses		25,123	26,292
Property operating expenses		18,713	18,139
Other operating expenses	4	19,844	20,299
Total operating expenses		**162,846**	**177,080**
Net operating loss before taxation		**(53,517)**	**(253,077)**
Taxation expense - current	3	333	352
Taxation expense / (credit) - deferred	3	1,414	(5,877)
Net loss after taxation		**(55,264)**	**(247,552)**
Loss per ordinary share			
Basic and diluted	14	(0.86)	(4.08)
Weighted average ordinary shares outstanding			
Basic	14	64,216,530	60,731,845
Diluted	14	391,716,530	69,019,138

See notes to the consolidated financial statements.

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)	Notes	Six months ended 30 June 2010 €'000	Six months ended 30 June 2009 €'000
Net loss after taxation		**(55,264)**	**(247,552)**
Other comprehensive income			
Available-for-sale securities			
Unrealised loss on asset backed securities, available-for-sale	7	(9,234)	(23,199)
Unrealised losses reclassified to the income statement on disposal of asset backed securities, available-for-sale		19,687	3,744
Amortisation of unrealized losses on available-for-sale securities reclassified to loans and receivables movements released to the income statement	8	8,534	28,534
Unrealised losses reclassified to the income statement on disposal of available for sale securities, reclassified as loans and receivables		2,287	-
Net unrealized losses released to the income statement on impaired asset backed securities, available-for-sale	7	(4)	-
Net unrealized losses released to the income statement on impaired available-for-sale securities reclassified to loans and receivables	8	4,300	25,355
Total available-for-sale securities		25,570	34,434
Cash flow hedges			
Net unrealised loss on hedge instruments		(4,225)	(5,551)
Realised gains on hedge instruments reclassified to the income statement	16	(58)	(378)
Amortisation of novated swaps	16	(2,429)	(1,898)
Total cash flow hedges		(6,712)	(7,827)
Other comprehensive income		**18,858**	**26,607**
Total comprehensive loss for the year		**(36,406)**	**(220,945)**

See notes to the consolidated financial statements.

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	Notes	30 June 2010 (Unaudited) €'000	31 December 2009 €'000
Assets			
Cash and cash equivalents	6	93,827	122,545
Investment properties held for sale	9	39,370	158,800
Other assets	10	51,883	48,335
Available-for-sale securities	7	31,031	66,396
Loans and receivables (includes cash to be invested)	8	1,352,162	1,430,444
Fixtures and fittings		258	301
Derivative assets		33,832	53,040
Investment property	9	3,437,716	3,519,498
Intangible assets		1,367	1,722
Total assets		**5,041,446**	**5,401,081**
Equity and liabilities			
Capital and reserves			
Issued capital, no par value, unlimited number of shares authorised	15	1,428,119	1,426,618
Accumulated loss		(1,062,079)	(997,071)
Net unrealised loss on available-for-sale securities, and loans and receivables	7,8	(169,574)	(195,144)
Hedging reserve	16	(1,435)	5,277
Perpetual subordinated convertible securities	17	114,602	106,358
Other reserves	15	17,320	17,320
Total shareholders' equity		**326,953**	**363,358**
Minority interest		**6**	**6**
Total equity		**326,959**	**363,364**
Liabilities			
Trade and other payables	13	76,650	104,644
CDO bonds payable	11	1,448,590	1,511,134
Bank borrowings	12	3,143,014	3,384,200
Derivative liabilities		18,259	11,437
Finance lease payable	9	20,192	19,535
Current taxation payable	3	2,026	2,425
Deferred taxation liability	3	5,756	4,342
Total liabilities		**4,714,487**	**5,037,717**
Total equity and liabilities		**5,041,446**	**5,401,081**

See notes to the consolidated financial statements.

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT

(Unaudited)	Six months ended 30 June 2010 €'000	Six months ended 30 June 2009 €'000
Cash flows from operating activities		
Operating loss before taxation	(53,517)	(253,077)
Adjustments for:		
Interest income	(21,232)	(41,543)
Interest expense	96,057	114,443
Unrealised loss on foreign currency contracts	(501)	(2,093)
Amortisation of discounts on securities	(1,201)	(1,553)
Amortisation of borrowing costs	3,610	4,473
Amortisation of tenant incentives and leasing commissions	3,654	3,518
Realised loss on disposal of available-for-sale securities and loans and receivables	20,612	3,744
Realised gain on repurchase of debt financing	(18,373)	(51,147)
Impairment losses	12,807	113,434
Shares granted to directors	1	1
Taxation paid	(732)	(39)
Amortisation of intangibles	411	399
Depreciation of fixtures and fittings	59	33
Decrease in fair value of investment properties	46,104	203,026
(Increase) / decrease in fair value of interest rate swap	(2,012)	764
Increase in other assets	(7,488)	(3,016)
Interest received	21,343	54,599
Interest paid	(97,292)	(121,811)
Increase in trade and other payables	10,062	1,781
Decrease in provision for finance guarantee loss	(30,000)	-
Net cash flows from operating activities	**(17,628)**	**25,936**
Cash flows from investing activities		
Capital expenditures	(8,273)	(10,916)
Proceeds from sale of investment properties	162,808	105,288
Proceeds on sale / prepayment of available-for-sale securities	23,670	20,078
Purchase of loans and receivables	(59,505)	(101,225)
Sale / prepayment of loans and receivables	191,590	47,637
Purchase of intangible assets	(56)	(193)
Purchase of fixtures and fittings	(16)	-
Net cash flows from investing activities	**310,218**	**60,669**
Cash flows from financing activities		
Proceeds from issuance of convertible bonds	-	75,000
Costs related to issuance of bonds	-	(1,200)
Repurchase of bonds issued	(54,963)	(69,090)
Repayment of bonds issued	(16,539)	(20,982)
Decrease of bank borrowings	(250,585)	(215,934)
Net cash flows from financing activities	**(322,087)**	**(232,206)**
Net decrease in cash and cash equivalents	**(29,497)**	**(145,601)**
Cash and cash equivalents, beginning of period	**122,545**	**119,869**
Restricted CDO cash, beginning of period	**1,566**	**132,895**
Cash and cash equivalents, beginning of period	**124,111**	**252,764**
Cash and cash equivalents, end of period	**93,827**	**105,329**
Restricted CDO cash, end of period	**787**	**1,834**
Cash and cash equivalents, end of period	**94,614**	**107,163**

See notes to the consolidated financial statements.

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	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	**60,731,646**	**1,426,617**	**17,320**	-	**(265,253)**	**15,709**	**(383,347)**	**6**	**811,052**
Loss for the six months	-	-	-	-	-	-	(247,552)	-	(247,552)
Other comprehensive income / (loss)	-	-	-	-	34,434	(7,827)	-	-	26,607
Total comprehensive income /(loss)	-	-	-	-	34,434	(7,827)	(247,552)	-	(220,945)
Shares issued to Directors	4,000	1	-	-	-	-	-	-	1
Convertible Securities issued	-	-	-	75,000	-	-	-	-	75,000
Costs related to Convertible Securities issue	-	-	-	(1,200)	-	-	-	-	(1,200)
At 30 June 2009 (Unaudited)	**60,735,646**	**1,426,618**	**17,320**	**73,800**	**(230,819)**	**7,882**	**(630,899)**	**6**	**663,908**
Loss for the six months	-	-	-	-	-	-	(358,364)	-	(358,364)
Other comprehensive income / (loss)	-	-	-	-	35,675	(2,605)	-	-	33,070
Total comprehensive income / (loss)	-	-	-	-	35,675	(2,605)	(358,364)	-	(325,294)
Convertible Securities issued	-	-	-	24,750	-	-	-	-	24,750
Capitalised interest on the Convertible securities issued	-	-	-	7,808	-	-	(7,808)	-	-
At 31 December 2009	**60,735,646**	**1,426,618**	**17,320**	**106,358**	**(195,144)**	**5,277**	**(997,071)**	**6**	**363,364**
Loss for the six months	-	-	-	-	-	-	(55,264)	-	(55,264)
Other comprehensive income / (loss)	-	-	-	-	25,570	(6,712)	-	-	18,858
Total comprehensive income / (loss)	-	-	-	-	25,570	(6,712)	(55,264)	-	(36,406)
Shares issued to Directors	4,000	1	-	-	-	-	-	-	1
Convertible securities converted to ordinary shares	5,000,000	1,500	-	(1,500)	-	-	-	-	-
Capitalised interest on the Convertible securities issued	-	-	-	9,744	-	-	(9,744)	-	-
At 30 June 2010	**65,739,646**	**1,428,119**	**17,320**	**114,602**	**(169,574)**	**(1,435)**	**(1,062,079)**	**6**	**326,959**

1. BACKGROUND

Eurocastle Investment Limited ("Eurocastle") was incorporated in Guernsey, Channel Islands on 8 August 2003 and commenced its operations on 21 October 2003. Eurocastle is a Euro denominated Guernsey closed-end investment company listed on Euronext Amsterdam (formerly listed on the London Stock Exchange). On 3 November 2009, the Group ceased to maintain a secondary listing on 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.

Eurocastle is externally managed by its investment manager, FIG LLC (the "Manager"). Eurocastle 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 2009. The same accounting policies, presentation and methods of computation have been followed in these interim financial statements.

Basis of Consolidation

The consolidated interim financial statements comprise the financial statements of Eurocastle Investment Limited and its subsidiaries for the six months ended 30 June 2010. 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 2010, the Group's subsidiaries consisted of a number of subsidiaries in Ireland, Luxembourg and Germany.

Eurocastle Funding Limited ("EFL"), Eurocastle CDO II PLC ("CDO II"), Eurocastle CDO III PLC ("CDO III"), Eurocastle CDO IV PLC ("CDO IV"), Duncannon CRE CDO I PLC ("CDO V") 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 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 and Germany, which are consolidated into these financial statements.

3. TAXATION EXPENSE

The taxation expense for the six months ended 30 June 2010 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 II, CDO III, CDO IV, CDO V 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 charge for the six ended 30 June 2010 was €1.4 million, compared to a €5.9 million credit for the six months ended 30 June 2009.

4. OTHER OPERATING EXPENSES

(Unaudited)	Six months ended 30 June 2010 €'000	Six months ended 30 June 2009 €'000
Professional fees	373	623
Sale related costs	2,187	2,455
Management fees (Note 20)	10,743	10,735
Depreciation	59	33
Amortisation of intangible assets	411	399
Other*	6,071	6,054
	19,844	**20,299**

* Included within other operating expenses for the six months ended 30 June 2010 are reimbursement of property related asset management services of €4.2 million (30 June 2009: €4.2 million) to FIG LLC (See Note 20).

5. IMPAIRMENT LOSSES

(Unaudited)	Six months ended 30 June 2010 €'000	Six months ended 30 June 2009 €'000
Impairment losses on asset backed securities, available-for-sale	-	51
Impairment losses on loans and receivables	5,515	97,263
Impairment losses on real estate related loans	2,992	16,120
Realisation of previously unrealised losses on impaired loans and receivables, previously held as available-for-sale	4,300	-
	12,807	**113,434**

During the six months ended 30 June 2010, the Group has recognised impairment adjustments on 6 securities or loans for €12.8 million within the debt investment portfolio, compared to 23 securities or loans for €113.4 million for the six months ended 30 June 2009.

There were no impairment losses for the six months ended 30 June 2010 on the derivative asset as a result of the impairment of the underlying loans and receivables held within CDO V, compared to €11.4 million for the six months ended 30 June 2009.

The carrying value of the impaired securities or loans as at 30 June 2010 after the impairment losses was €99.3 million (31 December 2009: €72.8 million).

6. CASH AND CASH EQUIVALENTS

	As at 30 June 2010 (Unaudited) €'000	As at 31 December 2009 €'000
Corporate cash	3,794	9,697
Cash within the real estate operating companies	84,949	95,167
Cash within the CDO vehicles	5,084	7,585
Cash on deposit in relation to finance guarantee obligation	-	10,096
	93,827	**122,545**

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 or for use for reinvestment within the CDO.

7. ASSET BACKED SECURITIES, AVAILABLE-FOR-SALE

The following is a summary of the Group's available-for-sale securities at 30 June 2010 (unaudited):

				Gross unrealised			Weighted average			
	Current face amount €'000	Amortised cost basis €'000	Impairment losses €'000	Gains €'000	Losses €'000	Carrying value €'000	Average Rating*	Coupon	Margin	Maturity (years)
Portfolio IV										
CMBS	63,855	63,160	(53)	-	(32,717)	30,390	BBB-	1.10%	0.66%	2.72
Other ABS	2,442	2,444	-	-	(1,803)	641	BB	2.37%	1.77%	0.36
	66,297	65,604	(53)	-	(34,520)	31,031	BBB-	1.15%	0.70%	2.63
Total portfolio	**66,297**	**65,604**	**(53)**	**-**	**(34,520)**	**31,031**	**BBB-**	**1.15%**	**0.70%**	**2.63**

* 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 at 31 December 2009:

				Gross unrealised			Weighted average			
	Current face amount €'000	Amortised cost basis €'000	Impairment losses €'000	Gains €'000	Losses €'000	Carrying value €'000	Average Rating*	Coupon	Margin	Maturity (years)
Portfolio IV										
CMBS	61,845	61,119	(49)	-	(23,021)	38,049	BBB+	1.16%	0.72%	3.01
Other ABS	2,258	2,253	-	-	-	2,253	BBB	1.43%	1.21%	0.84
	64,103	63,372	(49)	-	(23,021)	40,302	BBB+	1.17%	0.74%	2.93
Other securities										
CMBS	45,536	45,106	-	-	(19,687)	25,419	BB-	1.71%	1.26%	3.08
	45,536	45,106	-	-	(19,687)	25,419	BB-	1.71%	1.26%	3.08
Total portfolio	**109,639**	**108,478**	**(49)**	**-**	**(42,708)**	**65,721**	**BBB-**	**1.39%**	**0.96%**	**2.99**

* 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 2009:

				Gross unrealised			Weighted average			
	Current face amount €'000	Amortised cost basis €'000	Impairment losses €'000	Gains €'000	Losses €'000	Carrying value €'000	Average Rating*	Coupon	Margin	Maturity (years)
Bank notes	3,000	2,993	(2,318)	-	-	675	NR	0.00%	0.00%	6.64
Total portfolio	**3,000**	**2,993**	**(2,318)**	**-**	**-**	**675**	**NR**	**0.00%**	**0.00%**	**6.64**
Total available-for-sale securities						**66,396**				

8. LOANS AND RECEIVABLES

The following is a summary of the Group's loans and receivables as at 30 June 2010 (unaudited):

	Current face amount €'000	Amortised cost basis €'000	Impairment losses €'000	Carrying value €'000	Weighted average: Average Rating*	Coupon	Margin	Maturity (years)
Portfolio II								
CMBS	191,634	162,727	(14,894)	147,833	BB-	1.70%	1.58%	3.24
Other ABS	151,425	129,270	(25,129)	104,141	BBB	1.98%	1.52%	3.77
Real estate related loans	15,765	15,505	(656)	14,849	CCC	3.01%	2.36%	2.61
	358,824	307,502	(40,679)	266,823	BB	1.88%	1.59%	3.44
Portfolio III								
CMBS	312,239	274,792	(13,710)	261,082	BB	1.86%	1.55%	3.56
Other ABS	397,613	340,274	(49,107)	291,167	BBB-	2.13%	1.58%	4.88
Real estate related loans	9,456	9,428	(4,611)	4,817	CCC	3.17%	2.50%	2.39
	719,308	624,494	(67,428)	557,066	BB+	2.03%	1.58%	4.28
Portfolio IV								
Real estate related loans	28,557	28,515	(219)	28,296	CCC	2.92%	2.34%	2.70
	28,557	28,515	(219)	28,296	CCC	2.92%	2.34%	2.70
Portfolio V								
CMBS	237,598	198,558	(23,174)	175,384	BB-	1.99%	1.38%	3.07
Other ABS	33,778	26,683	(4,994)	21,689	BB	1.70%	0.99%	4.10
Real estate related loans	348,956	350,017	(49,769)	300,248	CCC+	3.48%	2.86%	2.26
	620,332	575,258	(77,937)	497,321	B	2.81%	2.19%	2.67
Other Securities								
Real estate related loans	8,038	8,033	(6,164)	1,869	CCC-	0.63%	2.73%	2.24
	8,038	8,033	(6,164)	1,869	CCC-	0.63%	2.73%	2.24
Total portfolio	**1,735,059**	**1,543,802**	**(192,427)**	**1,351,375**	**BB-**	**2.28%**	**1.82%**	**3.49**

Restricted cash - cash to be invested	**787**
Total loans and receivables (including cash to be invested)	**1,352,162**

* 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 securities within Portfolio II, III and V are encumbered by CDO securitisations (Note 11).

As at 31 December 2009:

	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	191,476	161,274	(18,488)	142,786	BB	1.48%	1.38%	3.73
Other ABS	132,009	108,140	(23,233)	84,907	BBB	1.50%	1.74%	4.36
Real estate related loans	14,596	14,322	(606)	13,716	CCC	2.59%	2.52%	3.11
	338,081	283,736	(42,327)	241,409	BB+	1.53%	1.57%	3.95
Portfolio III								
CMBS	331,710	289,811	(7,674)	282,137	BB+	1.73%	1.88%	4.18
Other ABS	379,945	315,445	(49,729)	265,716	BB+	1.95%	1.68%	5.13
Real estate related loans	9,538	9,510	(4,684)	4,826	CCC	0.39%	2.58%	2.89
	721,193	614,766	(62,087)	552,679	BB+	1.83%	1.79%	4.66
Portfolio IV								
Real estate related loans	26,426	26,379	(202)	26,177	CCC	2.75%	2.34%	3.19
	26,426	26,379	(202)	26,177	CCC	2.75%	2.34%	3.19
Portfolio V								
CMBS	263,966	223,744	(25,537)	198,207	BB-	2.34%	1.72%	3.39
Other ABS	31,282	23,884	(4,618)	19,266	BB	1.78%	0.98%	4.49
Real estate related loans	360,202	361,304	(44,166)	317,138	CCC+	3.36%	3.22%	2.91
	655,450	608,932	(74,321)	534,611	B	2.88%	2.51%	3.18
Other Securities								
Real estate related loans	79,771	79,700	(5,698)	74,002	B+	4.23%	3.72%	4.14
	79,771	79,700	(5,698)	74,002	B+	4.23%	3.72%	4.14
Total portfolio	**1,820,921**	**1,613,513**	**(184,635)**	**1,428,878**	**BB-**	**2.27%**	**2.10%**	**3.95**

Restricted cash - cash to be invested	**1,566**
Total loans and receivables (including cash to be invested)	**1,430,444**

* 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.

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:

	01 July 2008 Carrying value €'000	30 June 2010 Carrying value €'000	31 December 2009 Carrying value €'000	30 June 2010 Fair value €'000	31 December 2009 Fair value €'000
Available-for-sale securities, reclassified to loans and receivables	1,077,560	1,001,296	993,019	628,296	560,218

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 on an asset by asset basis.

If the reclassification had not been made, Eurocastle's income statement for the six months ended 30 June 2010 would have included €17.9 million on the reclassified available-for-sale securities of impairment losses, compared with €14.3 million after the reclassification. During the six months ended 30 June 2010, shareholders' equity (net losses not recognised in the income statement) would have included €58.0 million of changes in unrealised fair value gains in respect of reclassified available-for-sale securities which were not impaired between 1 July 2008 and 30 June 2010.

After reclassification, the reclassified financial assets contributed the following amounts to income for the six months ended 30 June 2010:

(Unaudited)	Six months ended 30 June 2010 €'000	Six months ended 30 June 2009 €'000
Net interest income	12,694	22,293
Impairment losses on securities classified as loans and receivables	(9,815)	(89,620)
Income / (loss) on available-for-sale securities reclassified to loans and receivables	**2,879**	**(67,327)**

As of the reclassification dates, unrealized fair value losses recorded directly in shareholders' equity amounted to €283.3 million. This amount will be released from shareholders' equity to the income statement on an effective interest rate basis.

After the reclassification, if the asset subsequently becomes impaired the amount recorded in shareholders' equity relating to the impaired asset is released to the income statement at the impairment date. During the six months ended 30 June 2010, €4.3 million of unrealised fair value losses have been released to the income statement for impaired reclassified financial assets available-for-sale (six months ended 30 June 2009: €25.4 million). Additionally, €10.9 million (six months ended 30 June 2009: €28.5 million) of amortisation of the available-for-sale securities reserve has been released from shareholders equity as a result of the reclassification of available-for-sale securities to loans and receivables, including €2.3 million relating to assets sold during six months ended 30 June 2010 (six months ended 30 June 2009: nil).

At 30 June 2010, the net unrealised loss on loans and receivables was €135.1 million (31 December 2009: €152.4 million).

9. INVESTMENT PROPERTY

Total investment property consists of:

	As at 30 June 2010 (unaudited) €'000	As at 31 December 2009 €'000
Tenant incentives and leasing commission (included in other assets)	22,313	24,737
Investment property held for sale	39,370	158,800
Investment property	3,437,716	3,519,498
Closing balance	**3,499,399**	**3,703,035**

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 2010:

(Unaudited)	Freehold land and buildings €'000	Leasehold property €'000	Total €'000
Opening balance at 1 January 2010	3,574,379	128,656	3,703,035
Capital expenditure	8,354	-	8,354
Tenant incentives and leasing commissions	(3,654)	-	(3,654)
Free rent	(81)	-	(81)
Disposals	(162,808)	-	(162,808)
Increase in minimum payments under head lease	-	657	657
Decrease in fair value	(42,598)	(3,506)	(46,104)
Total	**3,373,592**	**125,807**	**3,499,399**

As at 31 December 2009:

	Freehold land and buildings €'000	Leasehold property €'000	Total €'000
Opening balance at 1 January 2009	4,106,570	147,172	4,253,742
Capital expenditure	18,564	152	18,716
Tenant incentives and leasing commissions	(6,670)	-	(6,670)
Free rent	181	-	181
Disposals	(138,155)	-	(138,155)
Increase in minimum payments under head lease	-	(4,466)	(4,466)
Decrease in fair value	(406,111)	(14,202)	(420,313)
Total	**3,574,379**	**128,656**	**3,703,035**

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, 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.

Investment properties held for sale are stated at fair value, and are those properties that have been notarised for sale as at 30 June 2010.

Lease arrangements over the land on which the 29 investment properties are built have unexpired terms ranging from 5 years to 90 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 2010 (unaudited) €'000	As at 31 December 2009 €'000
Investment property at market value	3,479,207	3,683,500
Minimum payments under head leases separately included in trade and other payables on the balance sheet	20,192	19,535
Balance sheet carrying value of investment property	**3,499,399**	**3,703,035**

Additional Information

The table below provides additional information for various portfolios within the Group at 30 June 2010 (unaudited):

Portfolio	Property valuation*** €'000	Term financing (face amount) €'000	Other assets / (liabilities)**** €'000	Net operating income* €'000	NOI yield on valuation %	Occupancy %	Capitalised expenditure** €'000
Mars – Fixed 1	987,030	965,750	14,045	47,359	4.8%	82.8%	6,404
Mars – Fixed 2	97,940	80,000	5,235	5,198	5.3%	88.1%	190
Mars – Floating	289,180	224,778	5,691	9,558	3.3%	58.4%	2,287
Drive	923,307	798,105	28,775	61,220	6.6%	86.2%	5,740
Bridge	425,920	372,090	3,287	28,243	6.6%	94.3%	(146)
Wave	221,030	182,354	(19,939)	13,454	6.1%	81.8%	1,799
Zama	45,120	39,896	718	3,093	6.9%	94.1%	(13)
Turret	175,610	147,556	2,186	13,543	7.7%	98.9%	24
Truss	98,510	85,280	1,136	7,382	7.5%	99.4%	264
Belfry	63,360	56,240	782	4,934	7.8%	99.3%	118
Rapid	55,800	54,500	1,216	4,079	7.3%	100.0%	-
Tannenburg	61,680	52,960	1,336	4,550	7.4%	95.9%	29
Bastion	34,720	26,500	126	2,470	7.1%	100.0%	12
Total	**3,479,207**	**3,086,009**	**44,594**	**205,083**	**5.9%**	**85.6%**	**16,708**

* Net operating income is after deducting €7.0 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 six months ended 30 June 2010 annualised expenditure.

*** Property valuation excludes the leasehold gross-up of €20.2 million.

**** Other assets / liabilities do not include unallocated assets and liabilities per Note 21 - Segmental Reporting.

The tables below provide additional information for various portfolios within the Group at 31 December 2009:

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	994,370	966,070	17,664	52,353	5.3%	83.4%	5,956
Mars – Fixed 2	99,870	80,000	5,426	5,269	5.3%	88.0%	164
Mars – Floating	310,510	231,261	1,355	10,634	3.4%	58.6%	2,479
Drive	1,077,640	935,267	35,687	71,856	6.7%	88.2%	5,168
Bridge	431,220	372,090	4,058	28,752	6.7%	94.6%	1,665
Wave	230,520	192,286	(10,354)	15,294	6.6%	83.4%	2,788
Zama	45,740	39,896	487	3,038	6.6%	92.4%	375
Turret	177,340	147,556	2,325	13,721	7.7%	98.9%	25
Truss	98,920	85,280	1,462	7,646	7.7%	99.5%	52
Belfry	64,010	56,240	985	4,989	7.8%	99.3%	32
Rapid	55,820	54,500	1,330	4,104	7.4%	100.0%	-
Tannenburg	62,750	52,960	1,526	4,641	7.4%	95.8%	11
Bastion	34,790	26,500	226	2,543	7.3%	100.0%	1
Total	**3,683,500**	**3,239,906**	**62,177**	**224,840**	**6.1%**	**86.2%**	**18,716**

* Net operating income is after deducting €4.9 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 actual expenditure for the year.

*** Property valuation excludes the leasehold gross-up of €19.5 million.

**** Other assets / liabilities do not include unallocated assets and liabilities per Note 21 - Segmental Reporting.

10. OTHER ASSETS

	As at 30 June 2010 (Unaudited) €'000	As at 31 December 2009 €'000
Tenant incentives and leasing commissions	22,313	24,737
Service charge receivable	11,043	10,420
Interest receivable	5,600	5,711
Rent receivable	2,646	4,242
Prepaid expenses	7,963	1,015
Other accounts receivable	2,318	2,210
	51,883	**48,335**

11. CDO BONDS PAYABLE

As at 30 June 2010 (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	BB/B/CC/CC	315,042	313,884	1.39%	0.30%	3.7
CDO III	A1, A2, B, C and D notes	B/CCC/CC/C C/C	672,806	670,094	1.23%	0.50%	4.2
Duncannon	AR, X, A, B, C1, C2, D1, D2, D3, E1, E2	B-/B/B-/CCC/CC/CC/C/C/C/C/C	468,202	464,612	1.56%	0.83%	5.3
Total			**1,456,050**	**1,448,590**	**1.37%**	**0.56%**	**4.5**

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

During the six months ended 30 June 2010, the Group repurchased €73.9 million of current face value of the Duncannon bonds payable, recognising a net gain of €18.4 million, compared to repurchasing €121.2 million of current face value during the six months ended 30 June 2009, 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 2009:

	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	BB/B/CC/CC	296,186	294,888	1.36%	0.31%	4.0
CDO III	A1, A2, B, C and D notes	B/CCC/CC/C C/C	676,575	673,374	1.21%	0.50%	5.2
Duncannon	AR, X, A, B, C1, C2, D1, D2, D3, E1, E2	B-/B/B-/CCC/CC/CC/C/C/C/C/C	547,404	542,872	1.48%	0.77%	6.4
Total			**1,520,165**	**1,511,134**	**1.33%**	**0.56%**	**5.4**

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

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

12. BANK BORROWINGS

The bank borrowings comprise:

		As at 30 June 2010 (unaudited) €'000	As at 31 December 2009 €'000
Term financing	(Note 12.1)	3,083,088	3,211,872
Loans and notes relating to the Mars Portfolios	(Note 12.2)	51,770	62,321
Corporate loan		3,156	12,657
Excalibur Line financing	(Note 12.3)	5,000	-
Other bank financing – under 1 year		-	97,350
Total		**3,143,014**	**3,384,200**

12.1 Term Financing

Portfolios	Month Raised	Current face amount €'000 As at 30 June 2010 (unaudited)	Current face amount €'000 As at 31 December 2009	Carrying amount €'000 As at 30 June 2010 (unaudited)	Carrying amount €'000 As at 31 December 2009	Hedged weighted average funding cost	Weighted average funding cash coupon	Maturity
Debt investments								
CDO IV	Jul 2005	58,459	54,611	58,451	54,611	1.38%	1.22%	Dec 2010
Investment property								
Mars – Fixed 1	Jan 2007	965,750	966,070	952,343	950,991	5.18%	5.09%	Jul 2014
Mars – Fixed 2	Jun 2008	80,000	80,000	77,406	76,976	5.21%	5.07%	Jun 2013
Mars – Floating	Jan 2007	224,778	231,261	224,303	230,381	2.44%	2.39%	Dec 2013
Drive	Feb 2006	798,105	935,267	794,685	930,614	4.21%	4.10%	Jan 2013
Bridge	Oct 2006	372,090	372,090	369,257	368,874	4.74%	4.67%	Jan 2014
Wave	Apr 2007	182,354	192,286	181,263	191,051	4.94%	4.78%	Apr 2014
Zama	Feb 2007	39,896	39,896	39,520	39,475	4.99%	4.86%	May 2014
Turret*	May 2006	147,556	147,556	146,453	146,369	4.93%	4.85%	May 2016
Truss*	Dec 2005	85,280	85,280	84,799	84,760	4.93%	4.85%	Feb 2016
Belfry*	Aug 2005	56,240	56,240	55,723	55,680	4.85%	4.66%	Oct 2015
Rapid*	Aug 2007	54,500	54,500	53,173	53,086	4.96%	4.91%	Nov 2017
Tannenberg*	May 2007	52,960	52,960	51,756	51,618	4.87%	4.66%	Oct 2014
Bastion*	Sep 2005	26,500	26,500	26,019	25,904	4.44%	4.24%	Jul 2012
		3,086,009	**3,239,906**	**3,056,700**	**3,205,779**	**4.62%**	**4.52%**	
Total		**3,144,468**	**3,294,517**	**3,115,151**	**3,260,390**	**4.55%**	**4.46%**	
Adjustment for costs of Mars refinancing**				**(32,063)**	**(48,518)**			
Total				**3,083,088**	**3,211,872**			

* These portfolios make up the retail property portfolio.

** Eurocastle transferred 50% of its interest in the Mars Fixed 1 and Floating portfolios to the lender and this is considered to be a cost of refinancing and is amortised over the life of the new loan facility (see Note 12.2). The amortised charge for the six months ended 30 June 2010 was €5.9 million.

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.

There were no material changes to the terms of the bank borrowings from those stated in Note 19 of the Notes to the Consolidated Financial statements in the 2009 annual report.

12.2 Loans and notes relating to the Mars Portfolios

	As at 30 June 2010 (unaudited) €'000	As at 31 December 2009 €'000
Within the Mars portfolio		
Loan Notes and Shareholder Loans	745,158	708,258
Less: Remeasurement adjustment to amortised cost	(641,618)	(583,617)
Adjusted amortised cost	103,540	124,641
Transfer of 50% of the adjusted amortised cost to the lender*	**51,770**	**62,321**

12.3 Excalibur Line Financing

In February 2010, the Group successfully completed a restructuring in relation to its outstanding €20 million recourse obligation as described in Note 19.4 of the 2009 Annual Report. This short term obligation was converted into a loan facility maturing in September 2010, and had amortisations of €5 million in February, March and June 2010, with a final €5 million payment at maturity.

13. TRADE AND OTHER PAYABLES

	As at 30 June 2010 (Unaudited) €'000	As at 31 December 2009 €'000
Security deposit	6,830	6,530
Finance guarantee obligation	-	30,000
Interest payable	26,656	27,891
Due to Manager (Note 20)	4,006	4,059
Accrued expenses and other payables*	39,158	36,164
Total trade and other payables	**76,650**	**104,644**

* Accrued expenses and other payables include provisions relating to capital expenditure of €15.9 million (31 December 2009: €13.5 million).

In February 2010, the Group successfully completed a restructuring in relation to its outstanding recourse obligation as described in Note 19.4 of the 2009 Annual Report and above as the "Finance guarantee obligation". This short term obligation was converted into the Excalibur Line facility maturing in September 2010, and had had amortisations of €5 million in February, March and June 2010, with a final €5 million payment at maturity (refer Note 12.3).

14. LOSS PER SHARE

Basic earnings per share is calculated by dividing net loss after taxation by the weighted average number of shares of ordinary stock outstanding during the period.

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

The Group's potential ordinary shares during the period were the share options issued under its share option plan. There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of the financial statements.

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

	As at 30 June 2010 (Unaudited)	As at 31 December 2009
Weighted average number of ordinary shares, outstanding, basic	64,216,530	60,733,761
Dilutive effect of ordinary share options and convertible securities	327,500,000	148,643,836
Weighted average number of ordinary shares outstanding, diluted	**391,716,530**	**209,377,597**

15. SHARE CAPITAL AND RESERVES

As at 31 December 2009, there were 60,735,646 shares issued and outstanding.

On 25 February 2010, convertible securityholders presented €1.5 million of convertible securities for conversion. Eurocastle duly converted these securities and issued 5,000,000 shares.

On 21 June 2010, 4,000 shares were issued to the Directors of the Group at nil proceeds. These shares are valued at fair value.

As at 30 June 2010, there were 65,739,646 shares issued and outstanding.

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

Other Reserves

Other reserves 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.

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 loans and receivable assets in Feco Sub SPV Plc.

At 30 June 2010, cumulative unrealised losses on hedge instruments were €1.4 million (31 December 2009: gains of €5.3 million). The cumulative unrealised gains comprise the gain in value of the novated swaps of €16.9 million (31 December 2009: €19.4 million) and the fair value loss of the interest rate swaps of €18.3 million (31 December 2009: €14.1 million).

The gain or loss on measurement of the fair value of the interest rate swaps has been recognised in the statement of comprehensive income 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 2010 (Unaudited) €'000	As at 31 December 2009 €'000
Convertible securities issued	99,750	99,750
Accrued interest	17,552	7,808
Capitalised issue costs	(1,200)	(1,200)
Convertible securities converted into ordinary shares	(1,500)	-
	114,602	**106,358**

There were no material changes to the terms of the perpetual subordinated convertible securities from those stated in Note 24 of the Notes to the Consolidated Financial statements in the 2009 annual report.

In February 2010 convertible securityholders presented €1.5 million of convertible securities for conversion. Eurocastle duly converted these securities and issued 5,000,000 shares (see Note 15). No interest was payable on the converted securities.

18. FINANCIAL INSTRUMENTS

The Group's exposure to risk and methods used by the Group to control risk have not changed since the 2009 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 2009.

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 2010 and 31 December 2009:

30 June 2010 (unaudited)

Type	Total outstanding at 30 June 2010 €'000	Within 1 year €'000	1 to 5 years €'000	Over 5 years €'000
Assets				
Cash and cash equivalents	93,827	93,827	-	-
Interest receivable**	5,600	40,362	94,104	-
Asset backed securities, available-for-sale	31,031	7,443	23,102	486
Loans and receivables (includes cash to be invested)	1,352,162	250,863	958,971	142,328
Derivative assets*	33,832	704	33,128	-
Total assets	**1,516,452**	**393,199**	**1,109,305**	**142,814**
Liabilities				
Interest payable**	26,656	163,188	450,399	11,812
Derivative liabilities*	18,259	5,182	14,272	-
CDO bonds payable	1,448,590	-	-	1,456,050
Bank loans	3,143,014	66,615	2,742,433	343,576
Finance leases payable ***	20,192	1,662	6,812	104,757
Total liabilities	**4,656,711**	**236,647**	**3,213,916**	**1,916,195**

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

Gross settled derivatives (unaudited)	Total outstanding at 30 June 2010 €'000	Within 1 year €'000	1 to 5 years €'000	Over 5 years €'000
Contractual amounts payable	(206,742)	(8,839)	(197,903)	-
Contractual amounts receivable	240,574	9,543	231,031	-
Total undiscounted gross settled derivatives outflow	33,832	704	33,128	-

31 December 2009

Type	Total outstanding at 31 December 2009 €'000	Within 1 year €'000	1 to 5 years €'000	Over 5 years €'000
Assets				
Cash and cash equivalents	122,545	122,545	-	-
Interest receivable**	5,711	42,844	118,281	948
Asset backed securities, available-for-sale	66,396	12,205	43,396	10,795
Loans and receivables (includes cash to be invested)	1,430,444	204,319	1,018,459	207,666
Derivative assets*	53,040	1,619	49,289	2,132
Total assets	**1,678,136**	**383,532**	**1,229,425**	**221,541**
Liabilities				
Interest payable**	27,891	168,091	512,820	37,471
Derivative liabilities*	11,437	7,115	20,087	-
CDO bonds payable	1,511,134	-	-	1,520,165
Bank loans	3,384,200	164,618	2,896,330	343,576
Finance leases payable ***	19,535	1,573	6,581	96,003
Total liabilities	**4,954,197**	**341,397**	**3,435,818**	**1,997,215**

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

Gross settled derivatives	Total outstanding at 31 December 2009 €'000	Within 1 year €'000	1 to 5 years €'000	Over 5 years €'000
Contractual amounts payable	(207,571)	(13,699)	(187,073)	(6,799)
Contractual amounts receivable	260,611	15,318	236,362	8,931
Total undiscounted gross settled derivatives outflow	53,040	1,619	49,289	2,132

19. DIVIDENDS PAID AND DECLARED

No dividends were paid or declared in the six months ended 30 June 2010 (2009: nil).

20. MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS

At 30 June 2010, management fees, incentive fees and expense reimbursements of approximately €4.0 million (31 December 2009: €4.1 million) were due to the Manager. For the six months ended 30 June 2010: management fees of €10.7 million (30 June 2009: €10.7 million), no incentive fees (30 June 2009: nil), and expense reimbursements of €4.2 million (30 June 2009: €4.2 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.

21. SEGMENTAL REPORTING

The Group operates in one geographical segment, being Europe. The Group is organised into two business units and conducts business through two primary segments: debt investments, relating to the Irish entities that it consolidates under SIC 12, and its German investment properties. The debt investments consist of investments in European real estate related debt, and the investment properties segment includes investing in, financing and management of high-quality German commercial properties.

The debt investment segment derives its income primarily from interest on the available-for-sale securities and loans and receivables.

The investment properties segment derives its income primarily from rental income and service charge income.

Segment assets for the debt investment segment include available-for-sale securities and loans and receivables. Segment assets for the investment properties segment represent investment properties (including investment properties available-for-sale).

Segment liabilities for the debt investment segment include CDO bonds payable and bank borrowings. Bank borrowings are also included as segment liabilities within the investment properties segment.

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

Six months ended 30 June 2010 (unaudited)	Debt investments €'000	Investment properties €'000	Unallocated €'000	Total Eurocastle €'000
Revenue[1]	22,060	146,374	33	168,467
Impairment losses	(12,807)	-	-	(12,807)
Other operating losses	(2,104)	(44,227)	-	(46,331)
Total operating income	**7,149**	**102,147**	**33**	**109,329**
Interest expense	(12,205)	(87,462)	-	(99,667)
Other operating expenses	(465)	(50,406)	(12,308)	(63,179)
Total operating expenses	**(12,670)**	**(137,868)**	**(12,308)**	**(162,846)**
Net operating loss	**(5,521)**	**(35,721)**	**(12,275)**	**(53,517)**
Taxation expense	-	(1,747)	-	(1,747)
Net loss	**(5,521)**	**(37,468)**	**(12,275)**	**(55,264)**
(Increase) / decrease in fair values	(47)	44,092	-	44,045
Realised gains on sale of investment properties	-	(9,618)	-	(9,618)
Deferred tax	-	1,414	-	1,414
Funds from operations	**(5,568)**	**(1,580)**	**(12,275)**	**(19,423)**

(1) Included within revenue income is interest income of €22.1 million within the debt investment segment and €0.3 million within the investment properties segment.

Six months ended 30 June 2009 (unaudited)	Debt investments €'000	Investment properties €'000	Unallocated €'000	Total Eurocastle €'000
Revenue[(1)]	40,979	152,741	104	193,824
Impairment losses	(113,434)	-	-	(113,434)
Other operating income / (losses)	53,240	(207,534)	-	(154,294)
Total operating (losses) / income	**(19,215)**	**(54,793)**	**104**	**(73,904)**
Interest expense	(28,493)	(85,950)	-	(114,443)
Other operating expenses	(861)	(51,111)	(12,758)	(64,730)
Total operating expenses	**(29,354)**	**(137,061)**	**(12,758)**	**(179,173)**
Net operating loss	**(48,569)**	**(191,854)**	**(12,654)**	**(253,077)**
Taxation credit	-	5,525	-	5,525
Net loss	**(48,569)**	**(186,329)**	**(12,654)**	**(247,552)**
Decrease in fair values	(705)	203,790	-	203,085
Realised gains on sale of investment properties	-	(2,351)	-	(2,351)
Deferred tax	-	(5,877)	-	(5,877)
Funds from operations	**(49,274)**	**9,233**	**(12,654)**	**(52,695)**

(1) Included within revenue income is interest income of €41.0 million within the debt investment segment and €0.5 million within the investment properties segment.

As at 30 June 2010 (unaudited)	Debt investment €'000	Investment properties €'000	Unallocated €'000	Total Eurocastle €'000
Total assets	1,428,800	3,608,844	3,802	5,041,446
Total liabilities	(1,510,282)	(3,192,420)	(4,003)	(4,706,705)
Segment net assets / (liabilities)	**(81,482)**	**416,424**	**(201)**	**334,741**
Tax liability	-	(7,782)	-	(7,782)
Minority interest	(2)	(4)	-	(6)
Net assets / (liabilities)	**(81,484)**	**408,638**	**(201)**	**326,953**

As at 31 December 2009	Debt investment €'000	Investment properties €'000	Unallocated €'000	Total Eurocastle €'000
Total assets	1,573,712	3,815,475	11,894	5,401,081
Total liabilities	(1,698,245)	(3,328,342)	(4,363)	(5,030,950)
Segment net assets	**(124,533)**	**487,133**	**7,531**	**370,131**
Tax liability	-	(6,767)	-	(6,767)
Minority interest	(2)	(4)	-	(6)
Net assets	**(124,535)**	**480,362**	**7,531**	**363,358**

22. SUBSEQUENT EVENTS

Since the half year end, the Group has sold five properties for €37.6 million generating €13.4 million of cash after repayment of asset level financings, and has entered into binding agreements to sell a further two properties for estimated total proceeds of €7.4 million. Once completed, these sales are expected to generate up to €0.8 million of cash, after repayment of asset level financings.

23. COMMITMENTS

As at 30 June 2010, the Group had no commitments that were not disclosed in these financial statements.