EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

Interim Management Statement for the three months ended 30 September 2010

Press Release
17 November 2010

During the third quarter of 2010, Eurocastle Investment Limited ("Eurocastle" or the "Company") continued to make progress towards its two main objectives; reducing the Company's short term and recourse debt, and realising value from its commercial real estate investment portfolio in Germany. This interim management statement reports on the status of both of these objectives, as well as other recent developments.

Highlights

- Over the course of the third quarter of 2010, Eurocastle has secured a short term extension relating to €5 million of recourse debt pending a release of sufficient cash realized from asset sales to repay all remaining short term and recourse debt. The remaining balance of Eurocastle's recourse debt obligations amounts to €9.3 million (including fees) and is expected to be fully repaid by the end of the year.

- During the third quarter, the Group has signed 87 commercial leases for approximately 37,200 square metres (sqm). This is comprised of 59 new leases for approximately 20,100 sqm and 28 lease renewals for approximately 17,100 sqm.

- The Group sold five properties during the third quarter for total sales proceeds of €44.2 million, realising cash proceeds of €13.6 million after repayment of asset level financings.

Financing and Liquidity

- As at 31 October 2010, Eurocastle had a corporate cash balance of €5.1 million

- The Group continues to be engaged in constructive discussions in relation to the restructuring of its Mars Fixed 1 and Mars Floating facilities (as described in the Company's 2010 half year results). The Group expects to conclude the restructuring of these facilities in the first half of 2011.

- As of the end of October 2010, the Group's Drive subsidiary has built up and is retaining a cash balance of €27.3 million attributable to operating cashflow from the Drive Portfolio as well as net proceeds from asset sales generated since the end of the first quarter of 2010. The Group is in the process of concluding final documentation in relation to a restructuring of its Drive Junior Facility. Eurocastle expects to receive, in the short term, sufficient amounts from its Drive subsidiary to repay all its outstanding short term and recourse debt. Further details of the terms of this restructuring will be set out in the Group's year-end results once the restructuring has taken effect.

Real Estate

Business Review

- The Group owns 535 investment properties across Germany valued at approximately €3.4 billion based on independent valuations carried out in June 2010, equivalent to an NOI yield of 6.1% based on the 2010 third quarter's NOI. Adjusting for the transfer of 50% interest in its Mars portfolio, the portfolio valuation and NOI yield were €2.8 billion and 6.4%, respectively. The Group's assets are held in 13 separate financing portfolios. They comprise a diversified mix of office and retail properties concentrated in the five major German markets.

Third Quarter 2010 Real Estate 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	486	1,166,078	91.0%	157.4	142.3	2,063	4.5	6.9%
Mars	49	531,174	75.4%	78.8	66.5	1,373	5.6	4.9%
Grand Total	**535**	**1,697,252**	**85.5%**	**236.2**	**208.8**	**3,436**	**4.9**	**6.1%**
Core plus 50% Mars Adjustment	**N/A**	**N/A**	**87.6%**	**199.9**	**178.2**	**2,798**	**4.7**	**6.4%**

* *Property valuations are based on semi annual third party independent valuations undertaken in June 2010.*

- The Group has continued to generate cash at the holding company level that is available for repaying Eurocastle's two corporate loan obligations and for other corporate purposes. However, excess cashflow from the Mars and Drive portfolios is being retained within those portfolios, and so currently cannot be distributed to Eurocastle. Eurocastle does expect, in the near-term, a one-off payment of sufficient cash out of the Drive portfolio to repay all its short term and recourse debt.

- Eurocastle continues to pursue a real estate divestment programme seeking to dispose of assets that are believed to be stable, fully valued, or non-core. In the third quarter of 2010, five properties have been sold for total sales proceeds of €44.2 million, realising cash of €13.6 million after repayment of asset level financings and costs.

- Good progress continues to be made on new leasing and on renewing existing tenants. During the third quarter of 2010, the Group signed 87 leases for approximately 37,200 square metres, including 59 new leases for approximately 20,100 square metres and 28 lease renewals for approximately 17,100 square metres. During the first nine months of 2010, the Group signed 274 leases for approximately 169,000 square metres, including 163 new leases for approximately 44,700 square metres and 111 lease renewals for approximately 124,300 square metres. The renewal rate for the nine months ended 30 September 2010 was 79.0%.

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

- As at 30 September 2010, the Group had total lettable space of 2.0 million square metres with occupancy at 85.5%, consistent with the occupancy level as at 30 June 2010 on a like-for-like basis. Excluding the Mars portfolios, lettable space was 1.3 million square metres at 30 September 2010 with occupancy at 91.0%, up from 90.8% as at 30 June 2010. The Mars portfolio had lettable space of 704 thousand square metres at quarter-end with occupancy at 75.4%, down from 76.0% at the end of the previous quarter.

Market Outlook*

- The positive trend seen in the investment markets in the first half of 2010 has continued during the third quarter. Investment volume remained at the average level of the last four quarters and totalled approximately €3.7 billion for the three months ended 30 September 2010. Foreign property investors continue to invest in Germany, accounting for approximately €4.7 billion or 36% of the turnover in the first three quarters of 2010.

- The major five office markets accounted for 47% of overall investment activity during the third quarter, with the highest volume in Frankfurt with €735 million. Investment in office assets accounted for 35% of the overall volume, or €4.6 billion in the first nine months of 2010. Interest in larger volumes has generally picked up again with 22 transactions recorded at larger than €100 million.

- Rental take-up figures increased in major office markets by 22% compared to the second quarter in 2010. The turnover in office space was 682,700 sqm, which is a similar level to that reached at the end of 2008. The increased demand for office space follows favourable improvements in the jobs market and the positive outlook for corporate Germany. The continued recovery of the German economy is expected to lead to further positive take-up volumes in office letting markets during the fourth quarter of 2010.

- Despite the positive trend, prime office vacancy rates in the five major markets have increased from 10.6% in the second quarter 2010 to 10.7% in the third quarter 2010. However, prime rents remained unchanged and are forecast to remain stable during the last quarter of 2010.

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

Debt Investments

- There were five upgrades and 15 downgrades in the third quarter of 2010, compared to three upgrades and 22 downgrades in the second quarter of 2010.

- While the Group's debt investment business continues to generate cash, non-compliance with various coverage and other tests within its CDO or other financings means that all cash generated either stays within the portfolios or is used to amortise senior debt. The Group expects this to continue for the foreseeable future such that it expects any returns from its debt investment business to be likely to be driven from the return of capital once debt has been repaid.

- In September 2010, CDO II registered an event of default. The Group does not anticipate this to have any material effect on the Group's cashflows or return expectations from CDO II.

- At the quarter-end, there was approximately €20.1 million of cash within the Group's three CDO financings. During the quarter €5.7 million of senior liabilities were repurchased for approximately €4.1 million.

- Buying senior debt back at a discount improves the coverage tests that are currently not being met and increases the probability that the CDOs will be able to distribute surplus cashflow in the future. The Group expects cash retained within the CDOs to be actively used to move closer to compliance of the relevant coverage test until the end of the relevant reinvestment periods of each CDO (June 2012 – CDO III and June 2013 – CDO V, the reinvestment period for CDO II has ended).

Forward-Looking Statements

This release contains statements that constitute forward-looking statements. Such forward-looking statements may relate to, among other things, future commitments to sell real estate and achievement of disposal targets, availability of investment and divestment opportunities, methods of funding portfolios, timing of completion of acquisitions and disposals, the operating performance of our investments and financing needs. Forward-looking statements are generally identifiable by use of forward-looking terminology such as "may", "will", "should", "potential", "intend", "expect", "endeavour", "seek", "anticipate", "estimate", "overestimate", "underestimate", "believe", "could", "project", "predict", "continue", "plan", "forecast" or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. The Group's ability to predict results or the actual effect of future plans or strategies is limited. Although the Group believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, its actual results and performance may differ materially from those set forth in the forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors that may cause the Group's actual results in future periods to differ materially from forecasted results or stated expectations, including the risks regarding Eurocastle's ability to achieve its targets regarding asset disposals or reduction in capital expenditure or that Eurocastle will be able to fund or repay its liabilities.