Eurocastle Investment Limited ("Eurocastle" or the "Company") today announced its financial results for the six months ended 30 June 2013. 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 e-mail distribution list, please visit www.eurocastleinv.com.

BUSINESS AND FINANCIAL REVIEW

Capital Structure

In the six months ending 30 June 2013, the Company obtained approval from the holders of its convertible securities (refer note 18) to lower the conversion price from €0.30 to €0.05 per share in exchange for, inter alia, the right for the Company to require a conversion of all outstanding convertible securities. Conditional upon such conversion, the Company reached agreement with the Manager to rebase the fees under its Management Agreement (refer note 23) which will preserve capital for future investment.

On 12 April 2013, the Company converted all outstanding convertible securities to ordinary shares thereby increasing the share count by 3,398,474,685 shares and resulting in the fully diluted adjusted net asset value ("NAV") per share as at 31 December 2012 reducing from €0.46 to €0.09. On 8 May 2013, the Company completed a share consolidation in the ratio of 200:1 resulting in the number of shares reducing to 17,629,502 and a restated NAV per share of €17.43.

On 30 May 2013, the Company issued 15,000,000 shares at €7.25. The net proceeds received from the share issue were €104.2 million after deducting share issue costs of €4.6 million and resulting in a pro-forma NAV of €12.61.

Dividends

No dividends have been declared or paid during the six months ended 30 June 2013 (30 June 2012: €nil). At the Annual General Meeting held on 29 May 2013, the shareholders approved a change to the Company's Articles of Incorporation such that future dividends can be paid out of capital and reserves. The Company has announced its intention to reinstate an annual dividend of €0.50 per ordinary share. Subject to the Company having available resources, it is expected that the Company will declare an interim dividend at the end of the third quarter payable in November.

New Business - Italian Investments

On 22 May 2013, the Group acquired four non-performing loan portfolios and one performing loan portfolio for a total consideration of €14.0 million (refer note 11). These portfolios were acquired from a related party fund of the Manager based on an independent valuation. Since acquisition, the five portfolios have generated net collections of €2.8 million to the Group of which €1.1 million has been distributed.

(Unaudited)	Gross book value €'m	Purchase price [(1)] €'m	% secured	Weighted average maturity (years)	Effective rate %
Non-performing loan portfolio	4,029.8	9.4	11.7%	1.93	23.7%
Performing loan portfolios	10.0	4.6	100.0%	1.10	18.9%
Total Italian Investments	**4,039.8**	**14.0**		**1.69**	**22.6%**

(1) The amount is shown net of minority interests

The Group had a corporate cash balance of €128.4 million at the end of the six months of 2013 which is available for additional investments in new opportunities around distressed Italian loans and real estate, with target gross internal rate of returns in the range of 15 to 20%.

On 31 July 2013, the Group acquired a 50% share in a non-performing loan portfolio for €2.6 million. The portfolio is mainly comprised of residential first lien mortgages with a gross book value of €13.6 million.

Legacy Business - European Real Estate Debt

In aggregate, the debt business reinvested €28.8 million of principal proceeds in commercial mortgage backed securities with an average rating of BBB at an average price of 94% of nominal.

As at 30 June 2013, the NAV of the European Real Estate Debt business was €73.6 million. The value of the portfolio declined following a €16.8 million impairment charge on the Group's loan and receivable positions predominantly held within Duncannon whereby certain junior loan investments suffered potential losses as a result of work outs and restructurings. This was partially offset by a €5.6 million increase in the market value of the Group's available for sale securities (primarily in CDO IV) following positive asset level performance.

The net assets of the debt business as disclosed in note 24 is shown by portfolio in the table below:

(Unaudited)	CDO IV [(1)] €'000	Duncannon [(2)] €'000	Balance Sheet [(3)] €'000	Total European Debt Portfolio €'000
Total assets	59,501	403,174	1,725	464,400
Total liabilities	(36,251)	(354,341)	(191)	(390,783)
Net assets excluding non-controlling interest	**23,250**	**48,833**	**1,534**	**73,617**

(1) CDO IV represents the net assets of CDO IV PLC

(2) Duncannon represents the net assets of Duncannon CRE CDO I PLC

(3) Balance Sheet represents the net assets of Eurocastle Funding Limited

Legacy Business - German Real Estate

During the six months ended 30 June 2013, the Group signed 102 commercial leases for approximately 64,754 square metres (sqm). Physical occupancy was at 79.4% compared to 82.3% at the end of 2012 on a like-for-like basis primarily due to an early surrender of a major tenant's leases in the Drive portfolio for which the Group received an upfront fee of €4.2 million. In the first half of 2013, the Group sold 22 properties for total sales proceeds of €204.8 million versus a carrying value of €207.0 million with the loss reported in the decrease in fair value of investment properties.

As at 30 June 2013, the NAV of the German Real Estate business excluding the Mars Floating portfolio was €168.0 million. Valuation adjustments, together with capital expenditure, resulted in a fair value loss of €25.0 million with €20.5 million attributable to the Drive and Bridge portfolios as a result of asset specific factors such as a decline in occupancy and shortening lease terms.

In January 2013, the Group secured a restructuring of the senior loan on the Drive portfolio. Modified terms include a 1 year extension to January 2014 and interim amortisation targets (refer note 21) to be met through an agreed sales programme. Sales fees of 3.5% of gross sales proceeds (equivalent to amount of €14.1 million) shall be for the benefit of the Group if these targets are met. In addition, the Company will receive quarterly asset management fees in relation to the Drive portfolio of €1.7 million per annum. On the interest payment date in July 2013, the outstanding debt was reduced to €165.9 million. As a result, the last amortisation target due prior to the January 2014 maturity was consequently met thereby enabling the release of €7.4 million of sales fees. A further €1.4 million of asset management fees have been received up to July 2013. The Group is currently in advanced discussions with the lenders of the Drive Junior facility on an extension to January 2014 which would be co-terminus with the senior loan.

In June 2013, the Mars Fixed 2 facility (outstanding balance of €71.6 million) reached its maturity date. The Group has agreed terms in principle and is close to finalising documentation on a two year extension.

In May 2013, the Group obtained an amendment to the Mars Floating facility with the 2012 amortisation target being extended to the December 2013 maturity. The Company continues to benefit from running asset management and sales fees, receiving €0.5 million in the first half of 2013.

Property Valuation Data (by Portfolio)

For 2013:

	Number of properties	Occupancy %	Lettable space (sqm)	Property valuation [(1)] €m	Passing Rent €m	Net operating income (NOI) [(2)] €m	NOI yield on valuation %
Drive	149	58.4%	342,826	541.0	29.9	20.2	3.7%
Bridge	6	97.3%	191,433	400.0	27.5	25.9	6.5%
Wave	52	79.1%	143,020	171.2	12.8	10.1	5.9%
Turret	63	96.9%	141,389	168.4	14.9	12.6	7.5%
Truss	41	95.7%	81,437	93.6	8.1	6.5	7.0%
Mars Fixed 2	2	92.0%	32,169	89.1	5.8	4.6	5.2%
Belfry	27	85.1%	52,900	58.6	4.6	3.7	6.4%
Tannenberg	27	94.7%	49,569	58.5	5.0	4.1	7.0%
Superstella	18	100.0%	38,641	55.1	4.4	4.0	7.3%
Zama	8	94.3%	30,399	44.6	3.7	3.2	7.3%
Total portfolio excluding Mars	**393**	**81.9%**	**1,103,783**	**1,680.1**	**116.7**	**95.0**	**5.7%**
Mars Floating [(3)]	7	57.4%	122,433	100.9	7.4	4.3	4.2%
Total portfolio	**400**	**79.4%**	**1,226,216**	**1,781.0**	**124.2**	**99.3**	**5.6%**

For 2012 (on a like-for-like basis):

	Number of properties	Occupancy %	Lettable space (sqm)	Property valuation [(1)] €m	Passing Rent €m	Net operating income (NOI) [(2)] €m	NOI yield on valuation %
Drive	149	66.0%	342,813	549.0	32.4	24.26	4.4%
Bridge	6	96.5%	191,572	407.0	27.1	25.02	6.1%
Wave	52	81.4%	142,989	168.0	13.0	10.49	6.2%
Turret	63	96.9%	141,389	169.0	14.9	12.67	7.5%
Truss	41	96.5%	81,437	95.0	8.2	7.04	7.4%
Mars Fixed 2	2	93.1%	32,169	90.0	5.9	4.36	4.9%
Belfry	27	95.1%	52,900	60.0	5.1	4.39	7.3%
Tannenberg	27	94.6%	49,569	59.0	5.0	4.23	7.2%
Superstella	18	100.0%	38,641	55.0	4.4	3.97	7.2%
Zama	8	94.3%	30,399	45.0	3.6	3.17	7.1%
Total portfolio excluding Mars	**393**	**84.9%**	**1,103,878**	**1,697.0**	**119.6**	**99.6**	**5.9%**
Mars Floating [(3)]	7	58.4%	122,637	104.6	7.7	4.9	4.7%
Total portfolio	**400**	**82.3%**	**1,226,515**	**1,801.6**	**127.3**	**104.5**	**5.8%**

(1) Property valuation excludes the leasehold gross-ups of €22.9 million (31 December 2012: €23.2 million)

(2) Net operating income is after deducting €1.6 million (31 December 2012: €1.2 million on a like-for-like basis) 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.

(3) The total portfolio includes 100% of the Mars Floating Portfolio, in which the Group has a 50% investment. The portfolio has a negative net asset value and has been separated as the financing is non-recourse to the Company and not callable as a result of any changes in the fair value of the assets.

Lease Expiry Data (by Portfolio)

	Average lease term (years)	Passing rent [1] 2013 €m	2014 €m	2015 €m	2016 €m	2017 €m	2018-2022 €m	2022+ [2] €m
Drive	4.1	0.4	2.1	0.9	4.8	12.6	8.2	0.9
Bridge	5.5	0.5	1.3	1.1	1.7	14.8	0.8	7.4
Wave	3.3	0.3	1.3	6.9	0.5	0.3	1.8	1.7
Turret	4.2	1.2	3.9	1.9	1.7	1.0	3.0	2.3
Truss	3.9	0.5	0.6	1.4	1.8	0.9	2.5	0.3
Mars Fixed 2	3.5	0.1	1.0	1.0	0.6	1.7	1.4	0.1
Belfry	4.0	0.0	0.6	0.6	0.7	0.6	1.9	0.0
Tannenberg	5.2	0.1	0.5	0.5	0.6	0.9	1.5	0.8
Superstella	8.3	0.0	0.0	0.0	0.1	0.0	3.4	0.9
Zama	3.5	0.1	0.2	0.2	0.2	2.6	0.2	0.2
Total portfolio excluding Mars Floating	**4.5**	**3.2**	**11.7**	**14.6**	**12.7**	**35.4**	**24.6**	**14.6**
Mars Floating [3]	3.7	0.2	1.6	0.6	0.9	1.0	2.4	0.7
Total portfolio	**4.5**	**3.4**	**13.2**	**15.2**	**13.6**	**36.4**	**27.0**	**15.4**

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

(2) Includes open-ended leases of €2.6 million for the total portfolio

(3) The total portfolio includes 100% of the Mars Floating Portfolio, in which the Group has a 50% investment. The portfolio has a negative net asset value and has been separated as the financing is non-recourse to the Company and not callable as a result of any changes in the fair value of the assets.

Top 5 Tenants

Tenant name	**Business sector**	**Passing rent €m**	**% of total portfolio [1]**	**Square meters**
Commerzbank AG	Banking	24.6	19.8%	145,028
EDEKA	Retail	10.9	8.8%	104,205
Deutsche Bank AG	Banking	9.5	7.7%	75,282
Vodafone D2 GmbH	Telecommunication	7.3	5.9%	40,335
CSC Deutschland Solutions	IT Solutions	5.6	4.5%	29,740
Total portfolio		**57.9**	**46.6%**	**394,591**

(1) Calculated as a percentage of passing rent

Business Segments

The table below shows the summarised financial performance of the Group's business segments with the unallocated amounts per note 24 allocated between the segments on the basis disclosed in the table. The segmental analysis disclosed in note 24 is prepared according to IFRS.

(Unaudited)	European Real Estate Debt [(1)] €'000	German Real Estate [(1)] €'000	Italian Investments [(1)] €'000	Corporate [(1)] €'000	Total Eurocastle €'000
Revenue	7,505	83,728	33	-	91,266
Impairment losses	(16,815)	-	-	-	(16,815)
Fair value movements	-	(32,754)	1,063	-	(31,691)
Interest expense	(2,674)	(35,415)	-	-	(38,089)
Other operating expense	(1,269)	(43,354)	-	(9,685)	(54,308)
Net operating loss before taxation	**(13,253)**	**(27,795)**	**1,096**	**(9,685)**	**(49,637)**
Taxation expense	-	(2,670)	-	-	(2,670)
Net operating loss after taxation and before minority interest	**(13,253)**	**(30,465)**	**1,096**	**(9,685)**	**(52,307)**
Minority interest in Italian Investments	-	-	(205)	-	(205)
Net loss	**(13,253)**	**(30,465)**	**891**	**(9,685)**	**(52,512)**
Decrease in fair values of investment properties	-	32,754	-	-	32,754
Realised loss on sale of investment properties	-	(2,206)	-	-	(2,206)
Unrealised movements on currency swaps (net of translation gains on rela	(1)	-	-	-	(1)
Increase in fair value of interest rate swaps	4	-	-	-	4
FFO adjustment to Italian Investments	-	-	244	-	244
Unrealised fair market gains on Italian Investments	-	-	(858)	-	(858)
Deferred tax charge on investment properties	-	2,929	-	-	2,929
Funds from operations (FFO)	**(13,250)**	**3,012**	**277**	**(9,685)**	**(19,646)**
Net realised losses on investment property sales after sales costs and	-	12,231	-	-	12,231
Gains on foreign currency contracts, translation and swaps	(9)	-	-	-	(9)
Impairment losses	16,815	-	-	-	16,815
Amortisation of costs of Mars Refinancing [(2)]	-	-	-	-	-
Normalised funds from operations	**3,556**	**15,243**	**277**	**(9,685)**	**9,391**
Net loss per ordinary share €	(0.41)	(0.93)	0.03	(0.30)	(1.60)
Net loss per weighted average ordinary share €	(0.65)	(1.50)	0.05	(0.48)	(2.58)
FFO per weighted average ordinary share €	(0.65)	0.15	0.01	(0.48)	(0.97)
Normalised FFO per weighted average ordinary share €	0.18	0.75	0.01	(0.48)	0.46

(1) Unallocated revenue and other operating expense has been allocated between the segments based on each segment's share of net asset value.

(2) Represents the economic (non-IFRS impact) of transferring 50% of the Group's equity in the Mars Floating Portfolio to the lender as part of the Mars Floating restructuring.

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, fair value changes of the Italian investments, changes in the fair value of interest rate swaps that are taken to the income statement and unrealised movements on currency swaps (net of translation gains/losses of related assets). 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 gains and losses, sales related costs (including realised swap losses), impairment losses, foreign exchange movements, and accounting adjustments related to the Mars refinancing.

The table below shows the summarised financial position of the Group's business segments with the unallocated amounts per note 24 allocated between the segments on the basis disclosed in the table. The segmental analysis disclosed in note 24 is prepared according to IFRS.

(Unaudited)	European Real Estate Debt [(1)] €'000	German Real Estate [(1)] €'000	Italian Investments [(1)] €'000	Corporate [(1)] €'000	Total Eurocastle €'000
Investments	446,081	1,797,691	17,031	-	2,260,803
Other assets (including cash)	18,319	193,929	131,413	-	343,661
Total assets	**464,400**	**1,991,620**	**148,444**	**-**	**2,604,464**
Interest-bearing debt financing	(389,812)	(1,617,445)	-	-	(2,007,257)
Other liabilities	(969)	(209,578)	(1,812)	(6,651)	(219,009)
Total liabilities	**(390,781)**	**(1,827,023)**	**(1,812)**	**(6,651)**	**(2,226,266)**
Segment net assets	**73,619**	**164,597**	**146,632**	**(6,651)**	**378,198**
Tax liability	-	(20,159)	-	-	(20,159)
Minority interest	(2)	(4)	(3,252)	-	(3,258)
Net assets	**73,617**	**144,434**	**143,380**	**(6,651)**	**354,781**
Add back net liabilities of Mars Floating Portfolio [(2)]	-	23,575	-	-	23,575
Adjusted net assets	**73,617**	**168,009**	**143,380**	**(6,651)**	**378,356**
Net asset value per diluted ordinary share €	2.26	4.43	4.40	(0.20)	10.88
Adjusted net asset value per diluted ordinary share €	2.26	5.15	4.40	(0.20)	11.60

[(1)] Unallocated assets and liabilities have been allocated to Italian Investments as it represents the net cash available for future investments in this segment.

[(2)] The negative net asset value of Mars Floating has been adjusted as this financing is non-recourse to the Company and not callable as a result of any changes in the fair value of the assets.

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, timing or certainty 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 declare dividends, amortise the Group’s debts, renegotiate the Group’s credit facilities, make new investments, or achieve its targets regarding asset disposals or asset performance.

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 as at 30 June 2013 and for the six month period then ended have not been reviewed or audited by our auditors, Ernst & Young LLP.

On behalf of the Board

Simon J. Thornton
Director and Audit Committee Chairman
Date: 6 August 2013

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

(Unaudited)	Notes	Six months ended 30 June 2013 €'000	Six months ended 30 June 2012 €'000
Operating income			
Interest income		7,538	12,394
Rental income		70,223	71,180
Service charge income		13,505	14,703
Gain on disposal of loans and receivables		-	592
Decrease in fair value of investment properties		(32,754)	(21,711)
Gain on repurchase of debt financing	14	-	30,381
(Decrease) / increase in fair value of interest rate swaps		(4)	52
Gains on foreign currency contracts, translation and swaps		9	154
Impairment losses	5	(16,815)	(17,025)
Fair value movements on Italian debt portfolio		1,063	-
Gain on repurchase of mezzanine financing	14	-	797
Gain on investment in Mars Fixed 1 Portfolio	10	-	6,755
Income from associate	10	-	-
Total operating income		42,765	98,272
Operating Expenses			
Interest expense		38,089	47,960
Service charge expenses		13,016	14,153
Property operating expenses		18,420	16,196
Other operating expenses	4	22,877	19,033
Total operating expenses		92,402	97,342
Net operating (loss) / profit before taxation		(49,637)	930
Taxation (credit) / expense - current	3	(259)	243
Taxation charge - deferred	3	2,929	37
Net (loss) / profit after taxation		(52,307)	650
Attributable to:			
Ordinary equity holders of the Company		(52,307)	650
Non-controlling interest		(205)	-
Net (loss) / profit after taxation		(52,512)	650
(Loss) / profit per ordinary share [(1)]			
Weighted average - basic	17	(2.59)	1.52
Weighted average - dilutive	17	(2.59)	0.25

See notes to the interim consolidated financial statements

[(1)] The prior year figures have been calculated using the weighted average number of shares (for both basic and dilutive) as at 30 June 2012 adjusted for the impact of the share consolidation (ratio of 200:1).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(Unaudited)	Notes	Six months ended 30 June 2013 €'000	Six months ended 30 June 2012 €'000
Net (loss) / profit after taxation		**(52,307)**	**650**
Other comprehensive income			
Available for sale securities			
Unrealised gain on asset backed securities, available-for-sale	7	5,840	11
Amortisation of unrealised gains/losses on available-for-sale securities reclassified to the income statement	8	4,078	2,322
Adjustment to amortisation of unrealised losses reflecting changes in expected cash flows	8	(753)	(252)
Unrealised losses reclassified to the income statement on disposal of available-for-sale securities, reclassified as loans and receivables		-	600
Net unrealised losses released to the income statement on impaired available-for-sale securities reclassified to loans and receivables	5,8	(1,353)	69
Total available-for-sale securities		**7,812**	**2,750**
Cash flow hedges			
Net unrealised gain on hedge instruments		3,295	1,042
Realised (gains) / losses on hedge instruments reclassified to the income statement	19	(270)	74
Amortisation of novated swaps	19	446	(1,119)
Total cash flow hedges		**3,471**	**(3)**
Other comprehensive income		**11,283**	**2,747**
Total comprehensive (loss) / income for the year		**(41,024)**	**3,397**

See notes to the interim consolidated financial statements

There are no tax effects relating to the components disclosed in comprehensive income.

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	Notes	30 June 2013 (Unaudited) €'000	31 December 2012 €'000
Assets			
Cash and cash equivalents	6	311,258	141,344
Investment properties held for sale	13	63,472	76,510
Other assets	12	18,845	24,066
Available-for-sale securities	7	50,523	46,098
Loans and receivables (includes cash to be invested)	8	395,557	409,965
Fair value investments	9	17,031	-
Fixture and fittings		20	55
Derivative assets		13,459	9,792
Investment property	13	1,734,219	1,943,744
Investment in associate	10	-	-
Intangible assets		80	124
Total assets		**2,604,464**	**2,651,698**
Equity and Liabilities			
Capital and reserves			
Issued capital, no par value, unlimited number of shares authorised	18	1,714,284	1,446,624
Accumulated loss		(1,357,019)	(1,296,297)
Net unrealised loss on available-for-sale securities and loans and receivables	7,8	(22,736)	(30,548)
Hedging reserve	19	(2,036)	(5,507)
Perpetual subordinated convertible securities	20	-	160,514
Other reserves	18	22,288	17,320
Total shareholders' equity		**354,781**	**292,106**
Non-controlling interest		3,258	6
Total equity		**358,039**	**292,112**
Liabilities			
Trade and other payables	16	76,683	59,198
CDO bonds payable	14	353,688	352,905
Bank borrowings	15	1,767,635	1,898,045
Derivative liabilities		5,311	8,756
Finance lease payable	13	22,949	23,216
Current taxation payable		11,013	11,249
Deferred taxation liability		9,146	6,217
Total liabilities		**2,246,425**	**2,359,586**
Total equity and liabilities		**2,604,464**	**2,651,698**

See notes to the interim consolidated financial statements

EUROCASTLE INVESTMENT LIMITED AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

(Unaudited)	Notes	Six months ended 30 June 2013 €'000	Six months ended 30 June 2012 €'000
Cash flows from operating activities			
Operating (loss) / profit before taxation		(49,637)	930
Adjustments for:			
Interest income		(6,506)	(9,279)
Interest expense		35,446	43,764
Unrealised loss on foreign exchange contracts		(9)	(154)
Amortisation of discount on securities		(2,385)	(3,206)
Amortisation of borrowing costs		2,643	1,246
Amortisation of tenant incentives / leasing commissions		2,216	2,267
Realised gain on disposal of loans and receivables		-	(592)
Realised gain on repurchase of debt financing	14	-	(30,381)
Realised gain on repurchase of mezzanine financing	14	-	(797)
Impairment losses	5	16,815	17,025
Gain on investment in Mars Fixed 1 Portfolio	10	-	(6,755)
Taxation paid		22	(983)
Amortisation of intangibles		42	153
Depreciation of fixtures and fittings		35	41
Decrease in fair value of investment properties	13	32,754	21,711
Increase in fair value investments		(1,063)	-
Increase in fair value of interest rate swaps		4	1,741
Decrease / (increase) in other assets		190	(453)
Interest received		7,233	11,253
Interest paid		(30,274)	(45,202)
Increase in trade and other payables		10,584	9
Shares issued to Directors	18	-	1
Net cash flows from operating activities		18,110	2,339
Cash flows from investing activities			
Capital expenditure / tenant incentives	13	(13,231)	(8,544)
Proceeds from sale of investment properties	13	204,841	48,707
Proceeds from sale / prepayment of available-for-sale securities		1,271	145
Purchase of loans and receivables		(28,608)	-
Sale / prepayment of loans and receivables		6,198	43,249
Net cash impact of acquisition in Italian Investments	11	(11,110)	-
Cash impact of disposal of investment in Associate	10	-	6,755
Net cash flows from investing activities		159,361	90,312
Cash flows from financing activities			
Issue of share capital net of consolidation and issuance costs		103,905	-
Repurchase of mezzanine financing		-	(8)
Payments for the repurchase of bonds issued		-	(46,640)
Repayments of bonds issued		(803)	(1,376)
Repayments of bank borrowings		(131,475)	(28,239)
Net cashflows from financing activities		(28,373)	(76,263)
Net increase in cash and cash equivalents		**149,098**	**16,388**
Cash and cash equivalents, beginning of period		**141,344**	**117,669**
Restricted CDO Cash, beginning of period		**20,896**	**473**
Total cash and cash equivalents, beginning of period		**162,240**	**118,142**
Cash and cash equivalents, end of period	6	**311,258**	**134,530**
Restricted CDO cash, end of period	8	**80**	**-**
Total cash and cash equivalents, beginning of period		**311,338**	**134,530**

See notes to the interim consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(Unaudited)	Attributable to equity holder 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 loss €'000	Non-controlling interest €'000	Total equity €'000
At 1 January 2012	**86,577,189**	**1,434,370**	**17,320**	**144,822**	**(38,785)**	**(8,112)**	**(1,186,680)**	**6**	**362,941**
Loss for the six months	-	-	-	-	-	-	650	-	650
Other comprehensive income / (loss)	-	-	-	-	2,750	(3)	-	-	2,747
Total comprehensive income / (loss)	**-**	**-**	**-**	**-**	**2,750**	**(3)**	**650**	**-**	**3,397**
Share issued to Directors	4,000	1	-	-	-	-	-	-	1
Convertible securities converted into ordinary shares (note 18)	370,443	111	-	(111)	-	-	-	-	-
Capitalised interest on Convertible Securities issued (note 18)	-	-	-	13,206	-	-	(13,206)	-	-
At 30 June 2012	**86,951,632**	**1,434,482**	**17,320**	**157,917**	**(36,035)**	**(8,115)**	**(1,199,236)**	**6**	**366,339**
Profit for the six months	-	-	-	-	-	-	(82,322)	-	(82,322)
Other comprehensive income	-	-	-	-	5,487	2,608	-	-	8,095
Total comprehensive (loss) / income	**-**	**-**	**-**		**(30,548)**	**(5,507)**	**(1,281,558)**	**6**	**292,112**
Convertible securities converted into ordinary shares (note 18)	40,474,148	12,142	-	(12,142)	-	-	-	-	-
Capitalised interest on Convertible Securities issued (note 18)	-	-	-	14,739	-	-	(14,739)	-	-
At 31 December 2012	**127,425,780**	**1,446,624**	**17,320**	**160,514**	**(30,548)**	**(5,507)**	**(1,296,297)**	**6**	**292,112**
Profit for the six months	-	-	-	-	-	-	(52,512)	205	(52,307)
Other comprehensive income	-	-	-	-	7,812	3,471	-	-	11,283
Total comprehensive income/(loss)	**-**	**-**	**-**	**-**	**7,812**	**3,471**	**(52,512)**	**205**	**(41,024)**
Capitalised interest on Convertible Securities issued (note 18)	-	-	-	8,210	-	-	(8,210)	-	-
Conversion of Convertible Securities to Ordinary Shares	3,398,474,685	168,724	-	(168,724)	-	-	-	-	-
Share consolidation of ordinary shares (note 16)	(3,508,270,963)	-	-	-	-	-	-	-	-
Costs in relation of consolidation of ordinary shares	-	(265)	-	-	-	-	-	-	(265)
Issue of ordinary shares (note 16)	15,000,000	108,750	-	-	-	-	-	-	108,750
Costs in relation of issue of ordinary shares	-	(4,581)		-	-	-	-	-	(4,581)
Costs in relation to issue of options following share issue	-	(4,968)	4,968	-	-	-	-	-	-
Acquisition of Italian Investments net of distributions	-	-	-	-	-	-	-	3,047	3,047
At 30 June 2013	**32,629,502**	**1,714,284**	**22,288**	**-**	**(22,736)**	**(2,036)**	**(1,357,019)**	**3,258**	**358,039**

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 note 23. 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 Reporting* . 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 consolidated interim financial statements represent a condensed set of financial statements and should be read in conjunction with the Group's financial statements for the year ended 31 December 2012, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issue by the International Accounting Standards Board ("IASB").

The interim consolidated financial statements have been prepared under the same accounting principles and methods of computation as in the financial statements as at 31 December 2012 and for the year then ended, except that the Group has adopted the following new and amended IFRS and IAS interpretations as of 1 January 2013:

IAS 1 *Presentation of Financial Statements*

The amendments to IAS 1 changed the grouping of items presented in other comprehensive income. Items that could be reclassified (or "recycled") to the income statement at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has had no impact on the Group's financial position or performance.

IAS 32 *Financial Instruments: Presentation*

The amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments did not impact the Group's financial position or performance.

IFRS 7 *Financial Instruments: Disclosures*

The amendments to IFRS 7 require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments did not impact the Group's financial position or performance.

IFRS 13 *Fair Value Measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The impact of this standard did not have an impact on the Group's financial position and performance.

IFRS 10 *Consolidated Financial Statements* , IFRS 11 *Joint Arrangements* , IFRS 12 *Disclosure of Interests in Other Entities* , IAS 27 *Separate Financial Statements (2011) and IAS 28* Investments in Associates and Joint Ventures (2011)

The application of the changes to the IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28 did not have a material impact on the Group.

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of Eurocastle Investment Limited and its subsidiaries for the six months period ended 30 June 2013. 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 2013, the Group’s subsidiaries consisted of a number of subsidiaries in Germany, Italy, Ireland, Luxembourg and the United States of America.

As a result of the Group's investment in the performing and non-performing loan portfolios in Italy (refer note 9 and 11), it has acquired subsidiaries in Italy, Luxembourg and the United States of America. The Group holds 80.66% of the member’s interest in NPL Top Tier Holding LLC (“Ieffe and Palazzo”) and 100% of the outstanding notes in FMIL S.á r.l. (“BAM"). The investments in the underlying loan portfolios are held through Law 130 securitisation notes.

Eurocastle Funding Limited PLC (“EFL”), Eurocastle CDO IV PLC ("CDO IV"), Duncannon CRE CDO 1 PLC ("Duncannon") and FECO SUB SPV PLC (“Feco”) are all limited companies incorporated in Ireland. The ordinary share capital of these vehicles is held by outside parties and the Group has no voting rights. In accordance with the IAS 27, the Group consolidates EFL, CDO IV, Duncannon and FECO as it retains control over these entities and retains the residual risks of ownership of these entities.

Following the Mars Floating financing restructuring in May 2009, the Group recognised an external liability of 50% of the adjusted amortised cost of the Mars Floating and Mars Fixed 1 portfolio company Loan Notes and Shareholder’s loans invested by Eurocastle Investment Limited (EIL), while EIL’s transfer of its interest in the loan notes and shareholder’s loans on behalf of its Mars subsidiaries is considered to be a cost of refinancing the Mars facility and is hence capitalised and amortised over the life of the new loan facility.

As a result of the Group’s transfer in May 2011 of a further 50% of its remaining interest in the shareholder’s loans and equity to the Mars Fixed 1 junior lender in respect of the Mars Fixed 1 portfolio refinancing, the Group has deconsolidated its investment in the Mars Fixed 1 portfolio, and values its remaining 25% investment in the loan notes and shareholder loans using the equity method as described under IAS 28 - Investments in Associates. Under the equity method, the investment is carried in the balance sheet at cost plus post-transfer changes in the Group’s share of net assets of the associate, less distributions received and less any impairment in value of the individual investments. The interim consolidated condensed income statement for the three months ended 30 June 2012 reflects the share of Mars Fixed 1 loss after tax. The Group recognised €nil as the investment was carried at €nil value.

Financial statements of the Mars Fixed 1 portfolio are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those used by the Group. Adjustments are also made to the Group’s financial statements to eliminate the Group’s share of unrealised gains and losses on transactions between the Group and its associates.

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

3. TAXATION EXPENSE

The taxation expense for the six months ended 30 June 2013 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, Eurocastle Funding Limited, CDO IV PLC, Duncannon CRE CDO I PLC and FECO SUB SPV PLC, 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 months ended 30 June 2013 was €2.9 million, compared to €0.1 million for the six months ended 30 June 2012.

4. OTHER OPERATING EXPENSES

(Unaudited)	Six months ended 30 June 2013 €'000	Six months ended 30 June 2012 €'000
Professional fees	596	521
Sale related costs	9,688	2,403
Management fees (note 23)	6,673	10,828
Depreciation	35	41
Amortisation of intangible assets	43	153
Other (1)	5,842	5,087
Total other operating expenses	**22,877**	**19,033**

(1) Included within other operating expenses for the six months ended 30 June 2013 are reimbursement of property related and asset management services of €3.7 million (30 June 2012: €2.8 million which was net of a €1.0 million termination fee received for the Mars Fixed portfolio) to FIG LLC (see note 23).

5. IMPAIRMENT LOSSES

(Unaudited)	Six months ended 30 June 2013 €'000	Six months ended 30 June 2012 €'000
Impairment losses on loans and receivables	5,853	7,501
Impairment losses on real estate related loans	10,962	9,455
Realisation of previously unrealised losses on impaired loans and receivables previously held as available for sale	-	69
Total impairment losses	**16,815**	**17,025**

During the six months ended 30 June 2013, the Group has recognised impairment losses on 13 securities or loans for €16.8 million in the debt portfolio, compared to 4 securities or loans for €17.0 million for the six months ended 30 June 2012.

The carrying value of the impaired securities or loans as at 30 June 2013 after the impairment losses was €139.0 million (31 December 2012: €82.8 million).

6. CASH AND CASH EQUIVALENTS

	As at 30 June 2013 (Unaudited) €'000	As at 31 December 2012 €'000
Corporate cash	128,429	38,838
Cash within Italian Investments	2,896	-
Cash within the real estate operating companies	176,228	98,366
Cash within the CDO vehicles	3,705	4,140
Total cash and cash equivalents	**311,258**	**141,344**

Cash within Italian Investments is held to cover distributions, operating expenses and other working capital.

Cash within the real estate operating companies is held to cover interest obligations, operating expenses and other working capital. It also includes any proceeds from the disposal of investment property that has not been distributed or used to amortise bank borrowings.

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 2013 (unaudited):

			Gross unrealised			Weighted average			
	Current face amount €'000	Amortised cost base €'000	Gains €'000	Losses €'000	Carrying value €'000	Average rating [(1)]	Coupon	Margin	Maturity (in years)
Portfolio IV									
CMBS	56,409	56,156	-	(6,664)	49,492	BB	0.75%	0.71%	1.88
Other ABS	1,169	1,169	-	(208)	961	BBB-	2.24%	2.05%	12.52
	57,578	57,325	-	(6,872)	50,453	BB	0.78%	0.74%	2.10
Other securities									
CMBS	6,930	435	-	(365)	70	D	2.90%	2.70%	5.88
	6,930	435	-	(365)	70	D	2.90%	2.70%	5.88
Total portfolio	**64,508**	**57,760**	**-**	**(7,237)**	**50,523**	**BB-**	**1.01%**	**0.95%**	**2.50**

The following is a summary of the Group's available-for-sale securities at 31 December 2012:

			Gross unrealised			Weighted average			
	Current face amount €'000	Amortised cost base €'000	Gains €'000	Losses €'000	Carrying value €'000	Average rating [(1)]	Coupon	Margin	Maturity (in years)
Portfolio IV									
CMBS	57,940	57,625	-	(12,383)	45,242	BB+	0.75%	0.71%	2.45
Other ABS	1,232	1,232	-	(514)	718	BBB-	2.21%	2.05%	13.01
	59,172	58,857	-	(12,897)	45,960	BB+	0.78%	0.74%	2.66
Other securities									
CMBS	6,930	318		(180)	138	D	2.89%	2.70%	3.33
	6,930	318	-	(180)	138	D	2.89%	2.70%	3.33
Total portfolio	**66,102**	**59,175**	**-**	**(13,077)**	**46,098**	**BB**	**1.00%**	**0.95%**	**2.73**

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

8. LOANS AND RECEIVABLES

The following is a summary of the Group's loans and receivables as at 30 June 2013 (unaudited):

	Current face amount €'000	Amortised cost basis €'000	Impairment losses €'000	Carrying value €'000	Average rating(1)	Weighted Average Coupon(2)	Weighted Average Margin	Weighted Average Maturity (in years)
Portfolio IV								
Real estate related loans	12,279	12,282	(3,540)	8,742	CC	0.92%	2.30%	1.73
	12,279	12,282	(3,540)	8,742	CC	0.92%	2.30%	1.73
Portfolio V								
CMBS	260,095	221,297	(26,119)	195,177	B-	1.30%	2.65%	2.80
Other ABS	43,508	40,073	-	40,073	BB+	2.38%	1.73%	6.97
Real estate related loans	215,945	216,180	(65,784)	150,396	CCC	0.99%	2.70%	1.71
	519,548	477,550	(91,903)	385,646	B-	1.26%	2.59%	2.70
Other securities								
Real estate related loans	17,034	2,687	(1,598)	1,089	CCC-	1.39%	2.50%	0.72
	17,034	2,687	(1,598)	1,089	CCC-	1.39%	2.50%	0.72
Total portfolio	**548,861**	**492,519**	**(97,041)**	**395,477**	**CCC+**	**1.26%**	**2.59%**	**2.61**

Restricted cash - cash to be invested	80
Total loans and receivables (including cash to be invested)	**395,557**

The following is a summary of the Group's loans and receivables as at 31 December 2012:

	Current face amount €'000	Amortised cost basis €'000	Impairment losses €'000	Carrying value €'000	Average rating(1)	Weighted Average Coupon(2)	Weighted Average Margin	Weighted Average Maturity (in years)
Portfolio IV								
Real estate related loans	13,185	13,188	(3,474)	9,714	CC	2.16%	2.30%	1.42
	13,185	13,188	(3,474)	9,714	CC	2.16%	2.30%	1.42
Portfolio V								
CMBS	246,823	204,570	(15,391)	189,179	B	1.10%	4.45%	3.45
Other ABS	41,419	36,731	(4,776)	31,955	B+	1.91%	1.17%	5.60
Real estate related loans	240,573	240,922	(83,987)	156,935	CCC-	2.67%	2.69%	2.11
	528,815	482,223	(104,154)	378,069	B	1.88%	3.39%	3.01
Other securities								
Real estate related loans	23,413	8,433	(7,147)	1,286	CCC-	1.84%	2.92%	1.24
	23,413	8,433	(7,147)	1,286	CCC-	1.84%	2.92%	1.24
Total portfolio	**565,413**	**503,844**	**(114,775)**	**389,069**	**B-**	**1.88%**	**3.35%**	**2.90**

Restricted cash - cash to be invested	20,896
Total loans and receivables (including cash to be invested)	**409,965**

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

(2) Weighted average coupon rates exclude any coupon for assets that are impaired by greater than 25%, for which the Group does not accrue coupon interest income. The Group recognises any coupon interest received on impaired assets on a cash-received basis.

The securities with Portfolio V are encumbered by CDO securitisations (note 12).

The movement in the impairment losses is shown below:

(Unaudited)	**Six months ended 30 June 2013 €'000**
Balance as at 1 January 2013	(114,775)
Reversals due to paydowns and sales in the period	34,434
Losses for the period	(20,457)
Reversals for the period	3,757
Balance as at 30 June 2013	**(97,041)**

Following the amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets", the Group reclassified all available-for-sale securities within 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 which amounted to €1.1 billion. The disclosures below detail the impact of the reclassifications to the Group.

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

	1 July 2008 Carrying Value €'000	**30 June 2013 Carrying Value (unaudited) €'000**	**31 December 2012 Carrying Value €'000**	**30 June 2013 Fair Value (unaudited) €'000**	**31 December 2012 Fair Value €'000**
Available-for-sale securities, reclassified to loans and receivables	1,077,560	135,487	143,401	79,352	82,340

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 six months ended 30 June 2013 would have included €1.1 million on the reclassified available-for-sale securities of impairment reversals, compared with impairment losses of €1.0 million after the reclassification. For the six months ended 30 June 2013, shareholders' equity (net losses not recognised in the income statement) would have included €10.3 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 31 December 2012.

After reclassification, the reclassified financial assets contributed the following amounts to income for the six months ended 30 June 2013 and 30 June 2012

(Unaudited)	**Six months ended 30 June 2013 €'000**	**Six months ended 30 June 2012 €'000**
Net interest income	1,069	3,911
Impairment losses on securities classified as loans and receivables	(10,962)	(7,271)
Losses available-for-sale securities reclassified to loans and receivables	**(9,893)**	**(3,360)**

As of the reclassification dates, unrealised fair value losses recorded directly in shareholders' equity amounted to €2.2 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. For the six months ended 30 June 2013, €nil 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 2012: €0.1 million). Additionally, €2.6 million (six months ended 30 June 2012: €2.1 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. This amortisation has been adjusted by €0.8 million to reflect changes in the expected cash flows (30 June 2012: €0.3 million).

At 30 June 2013, the net unrealised loss on loans and receivables was €7.2 million (31 December 2012: €13.1 million).

9. FAIR VALUE INVESTMENTS

(Unaudited)	Gross book value €'000	Cost €'000	Fair value €'000	No. of borrowers	Weighted average maturity (years)	Effective rate %
Non-performing loans						
Ieffe	3,279,865	2,988	3,589	5,476	1.91	27.6%
Ieffe Due	88,033	1,757	1,858	297	2.25	21.4%
Ieffe Tre	649,438	5,320	5,516	1,498	1.79	22.3%
BAM	12,422	213	217	19	2.69	24.6%
Total non-performing loans	**4,029,758**	**10,277**	**11,180**	**7,290**	**1.93**	**23.7%**
Performing loans						
Palazzo	10,046	5,691	5,851	869	1.10	18.9%
Total performing loans	**10,046**	**5,691**	**5,851**	**869**	**1.10**	**18.9%**
Total portfolio	**4,039,804**	**15,968**	**17,031**	**8,159**	**1.69**	**22.6%**

On 22 May 2013, the Group acquired three non-performing loan portfolios and one performing loan portfolio for €13.8 million . On the same date, the Group acquired a non-performing loan portfolio for a total consideration of €0.2 million (refer note 11). These portfolios were acquired from a related party fund of the Manager and subject to an independent valuation to determine the purchase price.

The non-performing loan portfolios are secured by residential properties, judicial mortgages and personal guarantees in Italy.

The performing loan portfolio is secured by residential properties in Italy.

Both portfolios are serviced by Italfondiario S.p.A. a related party to the Manager (refer note 23).

The minority interest in the fair value of the portfolios is €3.3 million.

10. INVESTMENT IN ASSOCIATE

On 4 April 2012, the Group sold its remaining 25% interest in the Mars Fixed 1 portfolio. The profit on disposal was €6.8 million. The Associate reported an unaudited loss of €6.2 million for the period ending 4 April 2012 of which the Group recognised €nil as the investment was carried at €nil value.

11. ACQUISITION OF SUBSIDIARIES

On 22 May 2013, the Group acquired one performing and three non-performing loan portfolios (refer note 9) through its acquisition of the controlling interest (80.66%) of the Member's interest in NPL Top Tier Holding LLC ("Ieffe and Palazzo"). The acquisition was made as part of the Group's new investment strategy. Within this structure, there are a number of holding and interim holding companies; as well as four special purpose securitisation vehicles which have invested in the underlying loan portfolios. The Group's holding in the securitisation vehicles is held through shares and Italian Law 130 securitisation notes.

On 22 May 2013, the Group acquired one non-performing loan portfolio (refer note 9) through its acquisition of the controlling interest (100%) of the outstanding equity and notes in FMIL S.á r.l. ("BAM"). The acquisition was made as part of the Group's new investment strategy. Within this structure, there is one special purpose vehicle which has invested in the underlying loan portfolio. The Group's holding in this securitisation vehicle is held through shares and Italian Law 130 securitisation notes.

The following table summarises the consideration paid and the amounts of the assets acquired and liabilities assumed recognised at 22 May 2013:

(Unaudited)	Ieffe and Palazzo acquisition €'000	BAM acquisition €'000	Total €'000
Total cash consideration paid	13,793	213	14,006
Acquisition-related costs included in other operating expenses in the profit and loss	-	-	-
Recognised amounts of identifiable assets acquired and liabilities assumed			
Fair valued investments	17,100	213	17,313
Cash	2,896	-	2,896
Other liabilities	(2,896)	-	(2,896)
Total identifiable net assets	**17,100**	**213**	**17,313**
Less the minority interest thereon	(3,307)	-	(3,307)
Total Group identifiable net assets	**13,793**	**213**	**14,006**
Cash consideration	13,793	213	14,006
Less: Cash acquired at date of acquisition	(2,896)	-	(2,896)
Net cash outflow on acquisition	**10,897**	**213**	**11,110**

12. OTHER ASSETS

	As at 30 June 2013 (unaudited) €'000	As at 31 December 2012 €'000
Tenant incentives and leasing commission	6,207	10,493
Service charge receivable	4,228	5,509
Interest receivable	975	1,720
Rent receivable	1,304	1,839
Prepaid expenses	1,691	699
Other accounts receivable	4,440	3,806
Total other assets	**18,845**	**24,066**

13. INVESTMENT PROPERTY

	As at 30 June 2013 (unaudited) €'000	As at 31 December 2012 €'000
Tenant incentives and leasing commission (included in other assets - note 12)	6,207	10,493
Investment property held for sale	63,472	76,510
Investment property	1,734,219	1,943,744
Closing balance	**1,803,898**	**2,030,747**

As at 30 June 2013, the investment property held for sale is financed by approximately €56.3 million of bank borrowings (31 December 2012: approximately €72.8 million).

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 2013:

(Unaudited)	Freehold land and buildings €'000	Leasehold property €'000	Total €'000
Opening balance at 1 January 2013	1,953,804	76,943	2,030,747
Capital expenditure	12,729	-	12,729
Tenant incentives and leasing commissions	(2,212)	(4)	(2,216)
Free rent	502	-	502
Disposals	(204,841)	-	(204,841)
Decrease in minimum payments under head lease	-	(269)	(269)
Decrease in fair value	(30,318)	(2,436)	(32,754)
Total	**1,729,664**	**74,234**	**1,803,898**

As at 31 December 2012:

	Freehold land and buildings €'000	Leasehold property €'000	Total €'000
Opening balance at 1 January 2012	2,144,403	80,048	2,224,451
Capital expenditure	16,429	-	16,429
Tenant incentives and leasing commissions	(4,541)	(8)	(4,549)
Free rent	1,031	-	1,031
Disposals	(112,481)	-	(112,481)
Increase in minimum payments under head lease	-	524	524
Decrease in fair value	(91,037)	(3,621)	(94,658)
Total	**1,953,804**	**76,943**	**2,030,747**

Investment properties are stated at fair value, which has been determined based on valuations performed by external values who hold a recognised and relevant professional qualification and have recent experience in the location and category of investment being valued. In arriving at their estimates of market values, the valuers have used their market knowledge and professional judgment and not only rely on historical transactional comparables. 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 2013. The gain or loss on the sale of investment property is reported in the fair value movements in the income statement.

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 2013 (unaudited) €'000	**As at 31 December 2012 €'000**
Investment property at market value	1,780,951	2,007,531
Minimum payments under head leases separately included in liabilities on the balance sheet	22,949	23,216
Balance sheet carrying value of investment property	**1,803,900**	**2,030,747**

The significant assumptions made relating to the valuations are set out below:

30 June 2013 (Unaudited)	**Office**	**Retail**	**Average**
Passing rent per sqm per month (€)	9.91	8.32	9.36
Market rent per sqm per month (€)	12.55	8.59	11.17
Average net initial yield	5.4%	6.9%	5.8%
Vacancy rate	24.0%	3.5%	17.9%

31 December 2012	**Office**	**Retail**	**Average**
Passing rent per sqm per month (€)	10.09	8.68	9.64
Market rent per sqm per month (€)	12.79	8.58	11.44
Average net initial yield	5.5%	7.1%	5.8%
Vacancy rate	24.3%	3.1%	18.6%

The Group acquired certain leasehold property that it classifies as investment property. The leases are accounted for as finance leases. Lease arrangements over the land on which the 22 investment properties are built have unexpired terms ranging from 9 years to 87 years. Most are at a fixed rental, but some contain an obligation to pay a contingent rental calculated by reference to a retail price index. The amount recognised as an expense in the six months ended 30 June 2013 in respect of contingent rental is €0.5 million (six months ended 30 June 2012: €0.5 million).

Sensitivity analysis

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of investment property:

30 June 2013 (€'million and unaudited)	**Office**	**Retail**	**Total**
Market value	1,347	434	1,781
Increase in yield of 25 bps	1,179	408	1,587
Value sensitivity	**(168)**	**(26)**	**(194)**

31 December 2012 (€'million)	**Office**	**Retail**	**Total**
Market value	1,569	439	2,008
Increase in yield of 25 bps	1,399	426	1,825
Value sensitivity	**(170)**	**(13)**	**(183)**

Additional information

The table below provides additional information for various portfolios within the Group at 30 June 2013 (unaudited):

Portfolio	Property valuation (1) €'000	Term financing (face amount) €'000	Other assets/ (liabilities) (2) €'000	Net operating income (3) €'000	NOI yield on valuation %	Occupancy %	Capitalised expenditure (4) €'000
Drive (5)	540,999	589,214	510	20,201	3.7%	58.4%	17,510
Bridge	400,010	372,090	70	25,907	6.5%	97.3%	1,244
Wave	171,177	142,637	(21,352)	10,125	5.9%	79.1%	1,252
Turret	168,445	147,556	2,143	12,592	7.5%	96.9%	646
Truss	93,550	84,855	(699)	6,525	7.0%	95.7%	60
Mars Fixed 2	89,140	71,603	1,344	4,628	5.2%	92.0%	2,176
Belfry	58,580	54,496	(424)	3,743	6.4%	85.1%	316
Tannenberg	58,540	54,500	(142)	4,083	7.0%	94.7%	74
Superstella	55,090	52,960	196	4,020	7.3%	100.0%	-
Zama	44,560	39,896	1,026	3,174	7.3%	94.3%	20
Total portfolio excluding Mars Floating	**1,680,091**	**1,609,807**	**(17,328)**	**94,998**	**5.7%**	**81.9%**	**23,298**
Mars Floating (6)	100,860	127,279	4,765	4,274	4.2%	57.4%	2,158
Total portfolio	**1,780,951**	**1,737,086**	**(12,563)**	**99,272**	**5.6%**	**79.4%**	**25,456**

The table below provides additional information for various portfolios within the Group at 31 December 2012:

Portfolio	Property valuation (1) €'000	Term financing (face amount) €'000	Other assets/ (liabilities) (2) €'000	Net operating income (3) €'000	NOI yield on valuation %	Occupancy %	Capitalised expenditure €'000
Drive (5)	709,882	677,813	32,832	30,200	4.3%	66.9%	8,263
Bridge	406,971	372,090	180	25,023	6.1%	96.5%	2,070
Wave	181,778	153,534	(21,654)	11,146	6.1%	81.4%	439
Turret	169,295	147,556	(2,524)	12,673	7.5%	96.9%	1,000
Truss	94,940	85,280	(2,839)	7,044	7.4%	96.5%	102
Mars Fixed 2	96,410	78,303	2,076	4,745	4.9%	89.8%	819
Belfry	60,210	54,770	(851)	4,390	7.3%	95.1%	383
Tannenberg	59,150	54,500	(3,246)	4,210	7.2%	94.6%	122
Superstella	55,460	52,960	186	3,972	7.2%	100.0%	55
Zama	44,650	39,896	710	3,174	7.1%	94.3%	60
Total portfolio excluding Mars Floating	**1,878,746**	**1,716,702**	**4,870**	**106,577**	**5.7%**	**84.0%**	**13,313**
Mars Floating (6)	128,785	147,872	4,237	6,280	4.9%	59.3%	3,116
Total portfolio	**2,007,531**	**1,864,574**	**9,107**	**112,857**	**5.6%**	**81.2%**	**16,429**

(1) Property valuation excludes the leasehold gross-ups of €22.9 million (2012: €23.2 million)

(2) Other assets / liabilities do not include unallocated assets and liabilities per note 24 - segmental reporting

(3) Net operating income is after deducting €1.6 million of free rent (2012: €2.0 million). 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.

(4) Capitalised expenditure represents actual expenditure for the six months ended 30 June 2013 (€12.7 million) annualised for the full year.

(5) The amount is split into a Senior facility and Junior facility for €280.7 million and €308.5 million respectively (31 December 2012: €369.3 million and €308.5 million).

(6) The total portfolio includes 100% of the Mars Floating Portfolio, in which the Group has a 50% investment. The portfolio has a negative net asset value and has been separated as the financing is non-recourse to the Company and not callable as a result of any changes in the fair value of the assets.

14. CDO BONDS PAYABLE

As at 30 June 2013 (unaudited):

	Class	Rating [(1)]	Current face amount €'000	Carrying amount €'000	Weighted average cost of financing %	Weighted average margin %	Weighted average maturity [(1)] (in years)
Duncannon	A, B, C1, C2, D1, D2, D3, E1, E2	B/CC/ C/C/ C/C/C/ C/C	354,904	353,688	1.19%	0.98%	3.5
Total			**354,904**	**353,688**	**1.19%**	**0.98%**	**3.5**

[(1)] The legal maturity of the portfolio is 20 June 2047.

On 20 June 2013, the remaining balance of the Class X Duncannon notes were repaid in full.

The Group did not repurchase any of the Duncannon bonds payable during the six months ended 30 June 2013. During the six months ended 30 June 2012, the Group repurchased €77.0 million of current face of the Duncannon bonds payable and recognised a net gain of €30.4 million.

The Group did not repurchase any of the Duncannon bonds payable during the six months ended 30 June 2013. In May 2012, Eurocastle Funding Limited purchased €0.8 million of Duncannon Class E notes at a price of 1% resulting in a gain to the Group of €0.8 million.

As at 31 December 2012:

	Class	Rating [(1)]	Current face amount €'000	Carrying amount €'000	Weighted average cost of financing %	Weighted average margin %	Weighted average maturity (in years)
Duncannon	X, A, B, C1, C2, D1, D2, D3, E1, E2	BB/B/ CC/C/C/ C/C/C/ C/C	354,867	352,905	1.16%	0.98%	4.0
Total			**354,867**	**352,905**	**1.16%**	**0.98%**	**4.0**

[(1)] CDO Bonds payable are rated at the lower of S&P and Fitch

15 BANK BORROWINGS

The bank borrowings comprise:

		As at 30 June 2013 (unaudited) €'000	As at 31 December 2012 €'000
Term financing	(note 15.1)	1,767,635	1,898,045
Loans and notes relating to the Mars Portfolios	(note 15.2)	-	-
Total		**1,767,635**	**1,898,045**

15.1 Term Financing

		Current face amount €'000		Carrying amount €'000				
Portfolios	**Month raised**	**As at 30 June 2013 (unaudited)**	**As at 31 December 2012**	**As at 30 June 2013 (unaudited)**	**As at 31 December 2012**	**Hedged weighted average funding cost (unaudited)**	**Weighted average funding cash coupon (unaudited)**	**Maturity**
Debt Investments								
CDO IV	Jul 2005	36,124	38,518	36,124	38,518	0.76%	0.76%	Dec 2014
Investment Property								
Drive - Senior	Feb 2006	280,747	369,346	278,179	369,298	2.46%	2.46%	Jan 2014
Drive - Junior (1)	Feb 2006	308,467	308,467	308,467	308,427	4.51%	4.51%	Jan 2013
Bridge	Oct 2006	372,090	372,090	371,644	371,241	4.74%	4.67%	Jan 2014
Wave	Apr 2007	142,637	153,534	142,448	153,211	4.94%	4.78%	Apr 2014
Turret (2)	May 2006	147,556	147,556	146,983	146,563	4.93%	4.85%	May 2016
Truss (2)	Dec 2005	84,855	85,280	84,622	84,903	4.93%	4.85%	Feb 2016
Mars Fixed 2 (1)	Jun 2008	71,603	78,303	71,603	77,894	5.21%	5.07%	Jun 2013
Belfry (2)	Aug 2005	54,496	54,770	54,254	54,478	4.85%	4.66%	Oct 2015
Rapid (2)	Aug 2007	54,500	54,500	53,708	53,619	4.96%	4.91%	Nov 2017
Tannenberg (2)	May 2007	52,960	52,960	52,595	52,456	4.87%	4.66%	Oct 2014
Zama	Feb 2007	39,896	39,896	39,806	39,757	4.99%	4.86%	May 2014
Total investment property excluding Mars Floating		**1,609,807**	**1,716,702**	**1,604,309**	**1,711,847**	**4.39%**	**4.32%**	
Mars Floating	Jan 2007	127,279	147,872	127,202	147,680	2.40%	2.33%	Dec 2013
Total investment property		**1,737,086**	**1,864,574**	**1,731,511**	**1,859,527**	**4.24%**	**4.18%**	
Total term financing		**1,773,210**	**1,903,092**	**1,767,635**	**1,898,045**	**4.17%**	**4.11%**	
Adjustment for costs of Mars refinancing (3)				-	-			
Net total term financing				**1,767,635**	**1,898,045**			

(1) The current status of the maturity is described in note 21

(2) These portfolios make up the Retail portfolios

(3) 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 15.2). The amortisation charge for the six months ended 30 June 2013 was €nil (30 June 2012: €nil 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.

15.2 Loans and notes relating to Mars Portfolio

	As at 30 June 2013 (unaudited) €'000	As at 31 December 2012 €'000
Within Mars Floating Portfolio		
Loan notes and Shareholder Loans	299,402	287,241
Less: Remeasurement adjustment to amortised cost	(322,526)	(301,991)
Adjusted amortised cost	(23,124)	(14,750)
Transfer of 50% of the adjusted amortised cost to the lender	**-**	**-**

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

16. TRADE AND OTHER PAYABLES

	As at 30 June 2013 (unaudited) €'000	As at 31 December 2012 €'000
Security deposit	5,388	5,538
Interest payable	19,832	14,656
Due to Manager (note 23)	2,385	3,403
Accrued expenses and other payables	49,078	35,601
Total trade and other payables	**76,683**	**59,198**

Accrued expenses and other payables include provisions relating to capital expenses of €24.5 million (31 December 2012: €20.8 million).

17. LOSS PER SHARE

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

The Group’s potential ordinary shares during the year were the share options issued under its share option plan (refer to note 18). 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 other than those described in note 18. The exercise of the share options would have a dilutive effect based on the average share price during which the share options were in issue.

	As at 30 June 2013 (unaudited)	As at 30 June 2012 (unaudited)
Weighted average number of shares	20,290,792	2,636,775
Grants of options	11,958	-
Weighted average number of shares - dilutive	**20,302,750**	**2,636,775**

The prior year figure of 527,354,993 has been restated for the share consolidation (ratio of 200:1).

18. SHARE CAPITAL AND RESERVES

Share Capital

As at 30 June 2013, there were 32,629,502 shares (31 December 2012: 127,425,780) issued and outstanding.

In the six months ended 30 June 2013, the Company obtained approval from the holders of the convertible securities (refer note 20) to lower the conversion price from €0.30 to €0.05 per share in exchange for, inter alia, the right for the Company to require a conversion of all outstanding convertible securities. On 12 April 2013, the Company converted all outstanding convertible securities to ordinary shares and hereby increasing the share count by 3,398,474,685 to 3,525,900,465.

On 8 May 2013, the Company completed a share consolidation in the ratio of 200:1 resulting in the number of shares reducing to 17,629,502.

On 30 May 2013, the Company issued 15,000,000 shares at €7.25. The net proceeds received from the share issue were €104.2 million after deducting share issue costs of €4.6 million. The Manager was granted options over an additional 1,500,000 ordinary shares at an exercise price of €7.25 per share on the same terms as the existing options. The fair value of the options at the date of grant was €4.5 million and was calculated by reference to an option pricing model.

Under the Company's Articles of Incorporation, 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. The terms of which are set out in note 27 of the Notes to the Consolidated Financial Statements in the 2012 Annual Report. Movement in the number of share options and the related average exercise prices are as follows:

Date of grant	Options remaining at 1 January 2013	Exercised in the six months ended 30 June 2013	Change in number of options as a result of share consolidation	New options issued	Options remaining at 30 June 2013	Fair value at grant date €'000	Exercise price [(1)] €	Date of expiration
31 Dec 2003	984,783	-	(979,859)	-	4,924	200	2,000.00	31 Dec 2013
23 Jun 2004	600,600	-	(597,597)	-	3,003	200	2,400.00	23 Jun 2014
24 Jun 2005	504,356	-	(501,834)	-	2,522	620	3,450.00	24 Jun 2015
27 Jan 2006	791,286	-	(787,330)	-	3,956	4,800	3,600.00	27 Jan 2016
27 Jan 2006	1,220,325	-	(1,214,223)	-	6,102	2,100	6,000.00	27 Jan 2016
1 Dec 2006	1,765,945	-	(1,757,115)	-	8,830	9,400	7,400.00	1 Dec 2016
30 May 2013	-	-	-	1,500,000	1,500,000	4,968	7.25	30 May 2023
Total	**5,867,295**	**-**	**(5,837,958)**	**1,500,000**	**1,529,337**	**22,288**		

(1) The exercise price of the historic options has been restated following the share consolidation

19. 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.

At 30 June 2013, cumulative unrealised gains on hedge instruments were €2.0 million (31 December 2012: €2.6 million). The cumulative unrealised gains comprise the gain in value of the novated swaps of €2.9 million (31 December 2012: €1.7 million) and the fair value loss of the interest rate swaps of €5.0 million (31 December 2012: €4.3 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.

20. PERPETUAL SUBORDINATED CONVERTIBLE SECURITIES

	As at 30 June 2013 (unaudited) €'000	As at 31 December 2012 €'000
Convertible securities issued	99,750	99,750
Accrued interest	83,443	75,233
Capitalised issue costs	(1,200)	(1,200)
Convertible securities converted into ordinary shares	(181,993)	(13,269)
Total	**-**	**160,514**

Please refer to note 18 for information regarding the change in terms of the convertible securities.

21. FINANCIAL INSTRUMENTS

The Group's debt investments are generally financed long-term, with 86.5% of the debt investment portfolio benefiting from financing maturing beyond the maturity date of the debt investments, and their credit status is continuously monitored.

The Group's investment property portfolio was generally financed at acquisition with long-term, fixed rate, non-recourse financing.

During 2012, the Mars Floating loan was re-negotiated with the lender into a fixed and floating rate facility maturing 31 December 2013 with interim amortisation targets. The first payment to reduce the outstanding balance to below the required €120.0 million was due at the end of 2012 and was subsequently renegotiated for payment at the maturity date. Asset management fees of 8.5% of gross rental income and sales fees of 1.25% of gross sales proceeds continue to be released to the Company.

In January 2013, the Group secured a restructuring of the senior loan on the Drive portfolio to January 2014. Modified terms include a 1 year extension at a floating rate of interest and interim amortisation targets to be met through an agreed sales programme. Sales fees of 3.5% of gross sales proceeds (equivalent to amount of €14.1 million) shall be for the benefit of the Group if these targets are met. In addition, the Company will receive quarterly asset management fees in relation to the Drive portfolio of €1.7 million per annum. On the July 2013 interest payment date the outstanding debt was reduced to €165.9 million, the last amortisation target due prior to the January 2014 maturity was consequently met resulting in the release of €7.4 million of sales fees. A further €1.4 million of asset management fees have been received up to July 2013. The maturity date of the junior loan remains outstanding. The Group is currently in advanced discussions on an extension of this facility to January 2014, the current maturity date of the senior loan.

In June 2013, the Mars Fixed 2 facility (outstanding balance of €71.6 million) reached its maturity date. The Group has agreed terms in principle and are close to finalising documentation on a two year extension secured through a capital injection of €2 million that will be released upon closing of the next planned sale.

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 2013 (unaudited) and 31 December 2012:

As at 30 June 2013 (unaudited)

Type	Total outstanding at 30 June 2013 €'000	Within 1 year €'000	1 to 5 years €'000	Over 5 years €'000
Assets				
Cash and cash equivalents	311,258	311,258	-	-
Interest receivable [(1)]	975	7,542	15,439	2,041
Asset backed securities, available-for-sale	50,523	-	49,492	1,031
Loans and receivables (includes cash to be invested)	395,557	39,532	312,113	43,912
Fair value investments	17,031	6,972	9,461	598
Derivative assets [(2)]	13,459	752	9,444	3,263
Total assets	**788,803**	**366,056**	**395,949**	**50,845**
Liabilities				
Interest payable [(1)]	19,832	78,157	32,504	-
Derivative liabilities [(2)]	5,311	2,672	2,638	-
CDO bonds payable	353,688	-	-	353,688
Bank borrowings	1,767,635	1,339,349	428,286	-
Finance leases payable [(3)]	22,949	1,020	3,823	18,106
Total liabilities	**2,169,415**	**1,421,199**	**467,251**	**371,794**

(1) Interest receivable and payable reflects the interest receivable and payable over the weighted average life of the assets and financing.

(2) Derivative assets/liabilities reflect the cash flows over the remaining life of the assets.

(3) Finance leases payable represent all lease payments due over the lives of the leases.

Gross settled derivatives	Total outstanding at 30 June 2013 €'000	Within 1 year €'000	1 to 5 years €'000	Over 5 years €'000
Contractual amounts payable	(76,236)	(3,867)	(60,597)	(11,772)
Contractual amounts receivable	89,695	4,619	70,041	15,035
Total undiscounted gross settled derivatives outflow	**13,459**	**752**	**9,444**	**3,263**

Maturities and mandatory amortisation

Portfolio (€m)	2013	2014	2015	2016	2017	Total
Non recourse						
Drive - Senior [(1)]	102.8	177.9	-	-	-	280.7
Drive - Junior [(1)]	308.5	-	-	-	-	308.5
Bridge	-	372.1	-	-	-	372.1
Wave [(1)]	11.1	131.5	-	-	-	142.6
Turret	-	-	-	147.6	-	147.6
Truss	0.4	0.9	0.9	82.7	-	84.9
Mars Fixed 2	71.6		-	-	-	71.6
Belfry	0.3	0.5	53.7	-	-	54.5
Superstella	-	-	-	-	54.5	54.5
Tannenberg	-	53.0	-	-	-	53.0
Zama	-	39.9	-	-	-	39.9
Real estate portfolio excluding Mars Floating	**494.7**	**775.8**	**54.6**	**230.3**	**54.5**	**1,609.9**
Mars Floating	127.3	-	-	-	-	127.3
Real estate portfolio	**622.0**	**775.8**	**54.6**	**230.3**	**54.5**	**1,737.2**
CDO IV	-	36.1	-	-	-	36.1
Debt Total	**-**	**36.1**	**-**	**-**	**-**	**36.1**
Grand total	**622.0**	**811.9**	**54.6**	**230.3**	**54.5**	**1,773.3**

(1) The Drive and Wave amounts due in 2013 reflect contractual repayments made in July 2013 as a result of sales closed as at 30 June 2013.

As at 31 December 2012

Type	Total outstanding at 31 December 2012 €'000	Within 1 year €'000	1 to 5 years €'000	Over 5 years €'000
Assets				
Cash and cash equivalents	141,344	141,344	-	-
Interest receivable [(1)]	1,720	11,318	18,362	696
Asset backed securities, available-for-sale	46,098	-	37,710	8,388
Loans and receivables (includes cash to be invested)	409,965	28,014	303,110	78,841
Derivative assets [(2)]	9,792	396	5,952	3,444
Total assets	**608,919**	**181,072**	**365,134**	**91,369**
Liabilities				
Interest payable [(1)]	14,656	85,282	55,701	-
Derivative liabilities [(2)]	8,756	5,823	2,933	-
CDO bonds payable	352,905	-	-	352,905
Bank borrowings	1,898,045	581,564	1,316,481	-
Finance leases payable [(3)]	23,216	1,040	3,858	18,318
Total liabilities	**2,297,578**	**673,709**	**1,378,973**	**371,223**

(1) Interest receivable and payable reflects the interest receivable and payable over the weighted average life of the assets and financing.

(2) Derivative assets/liabilities reflect the cash flows over the remaining life of the assets.

(3) Finance leases payable represent all lease payments due over the lives of the leases.

Gross settled derivatives

	Total outstanding at 31 December 2012 €'000	Within 1 year €'000	1 to 5 years €'000	Over 5 years €'000
Contractual amounts payable	(80,631)	(2,151)	(61,376)	(17,104)
Contractual amounts receivable	90,423	2547	67,328	20,548
Total undiscounted gross settled derivatives inflow	**9,792**	**396**	**5,952**	**3,444**

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are reported in the financial statements excluding trade and other receivables and payables, and current liabilities whose carrying value is equal to fair value due to the short period before settlement.

	Unaudited as at 30 June 2013 Carrying Value €'000	As at 31 December 2012 Carrying Value €'000	Unaudited as at 30 June 2013 Fair Value €'000	As at 31 December 2012 Fair Value €'000
Financial assets				
Cash and cash equivalents	311,258	141,344	311,258	141,344
Asset back securities, available-for-sale	50,523	46,098	50,523	46,098
Loans and receivables (including cash to be invested)	395,557	409,965	253,217	227,826
Fair value investments	17,031	-	17,031	-
Derivative assets	13,459	9,792	13,459	9,792
Financial liabilities				
CDO bonds payable	353,688	352,905	234,777	191,867
Bank borrowings	1,767,635	1,898,045	1,838,634	2,000,902
Finance lease payable	22,949	23,216	22,949	23,216
Derivative liabilities	5,311	8,756	5,311	8,756

22. DIVIDENDS PAID AND DECLARED

No dividends were declared or paid during the six months period ended 30 June 2013 (30 June 2012: €nil).

23. MANAGEMENT AGREEMENT AND RELATED PARTY TRANSACTIONS

With effect from 28 February 2013, an amendment agreement between the Group and Manager was entered into in relation to the original agreement. The agreed amendments took effect on 12 April 2013 to (i) reduce the amount payable by Eurocastle to the Manager as annual management fee by resetting the capital base upon which such fee is calculated from an amount equal to aggregate equity proceeds raised to €300 million plus an amount equal to the proceeds of any future issue of equity share capital; and (ii) similarly reset the capital base upon which the Manager’s entitlement to incentive compensation is calculated; in both cases, in respect of the period commencing 1 April 2013.

To provide an incentive for the Manager to enhance the value of the Group’s ordinary shares, the Manager is entitled to receive incentive compensation on a cumulative, but not compounding, basis (but not subject to clawback) in an amount equal to the product of (A) 25% of the Euro amount by which (1) funds from operations (“FFO”) of the Group before the incentive compensation per ordinary share, exceeds (2) an amount equal to (a) the weighted average of the price per ordinary share in any offerings by the Group (adjusted for any prior capital dividends or distributions) multiplied by (b) a simple interest rate of 8% per annum multiplied by (B) the weighted average number of ordinary shares outstanding during such period.

At 30 June 2013, management fees, incentive fees and expense reimbursements of approximately €2.4 million (31 December 2012: €3.4 million) were due to the Manager. For the six months ended 30 June 2013 management fees of €6.7 million (30 June 2012: €10.8 million), no incentive fees (30 June 2012: €nil), and expense reimbursements of €3.7 million (30 June 2012: €2.8 million which was net of a €1.0 million termination fee received for the Mars Fixed portfolio) were charged to the income statement.

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

As a result of the investment in Italian performing and non-performing loans, the Group is party to various servicing agreements with Italfondario S.p.A. (“Italfondario”) which is majority owned by Fortress Investment Group LLC funds and affiliates. Italfondario will provide portfolio servicing, cash management and corporate services as part of the agreements in return for an agreed fee. The fee is made up of a fixed annual amount, a percentage of the outstanding portfolio balance as well as a percentage of the amount collected. The total fee paid in the six months ending 30 June 2013 was €0.9 million (six months ending 30 June 2012: €nil). The fee is deducted from the collections prior to distribution. As such, there is no amount outstanding at 30 June 2013.

24. SEGMENTAL REPORTING

The Group operates in one geographical segment, being Europe. The Group is organised into three business units and conducts business through three primary segments: debt investments (relating to the Irish entities that it consolidates under IAS 27), German investment properties and Italian investments. The debt investments consist of investments in European real estate related debt. The investment properties segment includes investing in, financing and management of high-quality German commercial properties. The Italian Investments are made up of non-performing and performing loan portfolios.

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.

The Italian investments segment derives its income from loan collections.

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 assets for the Italian investments represent the loan portfolios.

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 2013 (unaudited)	European Real Estate Debt €'000	German Commercial Real Estate €'000	Italian Investments €'000	Unallocated €'000	Total Eurocastle €'000
Revenue[(1)]	7,505	83,728	-	33	91,266
Impairment losses	(16,815)	-	-	-	(16,815)
Other operating (loss) / income	-	(32,754)	1,063	-	(31,691)
Total operating (loss) / income	**(9,310)**	**50,974**	**1,063**	**33**	**42,760**
Interest expense	(2,674)	(35,415)	-	-	(38,089)
Other operating expense	(1,269)	(43,354)	-	(9,685)	(54,308)
Total operating expenses	**(3,943)**	**(78,769)**	**-**	**(9,685)**	**(92,397)**
Net operating (loss) / profit	**(13,253)**	**(27,795)**	**1,063**	**(9,652)**	**(49,637)**
Taxation expense	-	(2,670)	-	-	(2,670)
Net (loss) / profit after taxation	**(13,253)**	**(30,465)**	**1,063**	**(9,652)**	**(52,307)**
Minority interest	-	-	(205)	-	(205)
Net (loss) / profit after minority interest	**(13,253)**	**(30,465)**	**858**	**(9,652)**	**(52,512)**
Decrease / (increase) in fair values	3	32,754	(614)	-	32,143
Realised gains on sale	-	(2,206)	-	-	(2,206)
Deferred tax	-	2,929	-	-	2,929
Funds from operations	**(13,250)**	**3,012**	**244**	**(9,652)**	**(19,646)**

(1) Included within revenue income is interest income of €7.5 million within the debt investment segment and €0.1 million within the investment properties segment.

Six months ended 30 June 2012 (unaudited)	European Real Estate Debt €'000	German Commercial Real Estate €'000	Italian Investments €'000	Unallocated €'000	Total Eurocastle €'000
Revenue[(1)]	12,413	85,790	-	74	98,277
Impairment losses	(17,025)	-	-	-	(17,025)
Other operating income / (loss)	31,924	(14,904)	-	-	17,020
Total operating (loss) / income	**27,312**	**70,886**	**-**	**74**	**98,272**
Interest expense	(5,140)	(42,820)	-	-	(47,960)
Other operating expense	(737)	(39,054)	-	(9,591)	(49,382)
Total operating expenses	**(5,877)**	**(81,874)**	**-**	**(9,591)**	**(97,342)**
Net operating profit / (loss)	**21,435**	**(10,988)**	**-**	**(9,517)**	**930**
Taxation expense	-	(280)	-	-	(280)
Net profit / (loss)	**21,435**	**(11,268)**	**-**	**(9,517)**	**650**
Decrease in fair values	(168)	21,711	-	-	21,543
Realised gains on sale	-	7,653	-	-	7,653
Deferred tax	-	37	-	-	37
Funds from operations	**21,267**	**18,133**	**-**	**(9,517)**	**29,883**

(1) Included within revenue income is interest income of €12.4 million within the debt investment segment and €nil million within the investment properties segment.

Segmental Balance Sheet:

As at 30 June 2013 (unaudited)	European Real Estate Debt €'000	German Commercial Real Estate €'000	Italian Investments €'000	Unallocated €'000	Total Eurocastle €'000
Total assets	464,400	1,991,620	19,927	128,517	2,604,464
Total liabilities	(390,781)	(1,827,023)	(1,812)	(6,651)	(2,226,266)
Segment net assets	**73,619**	**164,597**	**18,115**	**121,866**	**378,198**
Tax liability	-	(20,159)	-	-	(20,159)
Non-controlling interest	(2)	(4)	(3,252)	-	(3,258)
Net assets	**73,617**	**144,434**	**14,863**	**121,866**	**354,781**

As at 31 December 2012	European Real Estate Debt €'000	German Commercial Real Estate €'000	Italian Investments €'000	Unallocated €'000	Total Eurocastle €'000
Total assets	493,297	2,157,965	-	437	2,651,699
Total liabilities	(392,490)	(1,942,937)	-	(6,694)	(2,342,121)
Segment net assets / (liabilities)	**100,807**	**215,028**	**-**	**(6,257)**	**309,578**
Tax liability	-	(17,466)	-	-	(17,466)
Non-controlling interest	(2)	(4)	-	-	(6)
Net assets / (liabilities)	**100,805**	**197,558**	**-**	**(6,257)**	**292,106**

Segmental Cashflows:

Six months ended 30 June 2013 (unaudited)	European Real Estate Debt €'000	German Commercial Real Estate €'000	Italian Investments €'000	Unallocated €'000	Total Eurocastle €'000
Cashflows from operating activities	2,271	27,098	(1,606)	(9,653)	18,110
Cashflows from investing activities	(21,139)	191,610	(11,110)	-	159,361
Cashflows from financing activities	(803)	(131,475)	103,905	-	(28,373)
Net (decrease) / increase in cash and cash equivalents	**(19,671)**	**87,233**	**91,189**	**(9,653)**	**149,098**

Six months ended 30 June 2012 (unaudited)	European Real Estate Debt €'000	German Commercial Real Estate €'000	Italian Investments €'000	Unallocated €'000	Total Eurocastle €'000
Cashflows from operating activities	6,559	5,741	-	(9,961)	2,339
Cashflows from investing activities	43,394	46,918	-	-	90,312
Cashflows from financing activities	(48,024)	(28,239)	-	-	(76,263)
Net (decrease) / increase in cash and cash equivalents	**1,929**	**24,420**	**-**	**(9,961)**	**16,388**

25. SUBSEQUENT EVENTS

Since the half year-end, the Group has entered into binding agreements to sell a further 6 properties for estimated total proceeds of €61.0 million. Once completed and after deducting transaction costs, these sales are expected to repay €58.2 million of debt and generate a further €1.9 million of sales fees to Eurocastle.

Following the end of the half year, the Group has completed approximately 3.232 sqm of new leases and 5,958 sqm of renewals. A further 31,127 sqm of new leases and 52,747 sqm of renewals are currently under negotiation. Excluding the Mars FL portfolio, the Group has approximately 22,392 sqm of new leases and 50,253 sqm of renewals under negotiation. Of the 52,747 sqm of renewals under negotiations, 32,342 sqm are early renewals in the retail portfolios.

On 31 July 2013, the Group purchased a 50% joint controlling interest in a non-performing loan portfolio for €2.6 million. The gross book value of the portfolio is €13.6 million with a weighted average maturity of 2.5 years and an effective rate of 18.3%. The portfolio is mainly comprised of residential first lien mortgages.

The Group achieved the interim amortisation target on the Drive Senior Loan facility in July 2013. As a result, the Group received a sales fee of €7.4 million.

In July 2013, CDO IV received €15.5 million of principal amortisation proceeds from three assets held within the portfolio. These amounts were used to partially repay the CDO IV facility, reducing the debt outstanding to €20.3 million as of 1 August 2013.

In June 2013, the Mars Fixed 2 facility (outstanding balance of €71.6 million) reached its maturity date. The Group has agreed terms in principle and are close to finalising documentation on a two year extension.

26. COMMITMENTS

As at 30 June 2013, the Group has no material commitments that were not disclosed in these financial statements (31 December 2012: none).