17 May 2013

Starwood European Real Estate Finance Limited
Unaudited Interim Management Statement for the First Half of the Financial Year ending 31 December 2013

Starwood European Real Estate Finance Limited (the "Company") is publishing this Interim Management Statement in accordance with DTR 4.3 of the FCA Handbook.

This interim management statement relates to the period from 17 December 2012 to 17 May 2013, and has been prepared solely to comply with the requirement of the Company to provide additional information to Shareholders as a body in an interim management statement, no earlier than 12 March 2013 and no later than 19 May 2013. It should not be relied upon by any other party or for any other purpose.

Unless otherwise noted herein, the financial information provided in this interim management statement, and the asset valuations underlying that financial information, are as at 30 April 2013 and are unaudited. Terms used but not defined in this interim management statement shall have the same meaning as those defined in the Company's prospectus dated 28 November 2012.

References to the "Group" below refer to the Company, Starfin Public LP and its wholly-owned Luxembourg subsidiary, Starfin Lux Sarl.

Background information

The Company is a Guernsey closed-ended investment company listed on the main market of the London Stock Exchange, and has been registered with the Guernsey Financial Services Commission as a closed-ended collective investment scheme. The Company is managed by the Guernsey incorporated Starwood European Finance Partners Limited, which has delegated certain functions to the Investment Adviser Starwood Capital Europe Advisers, LLP. Both the manager and the adviser are indirectly wholly-owned subsidiaries of Starwood Capital Group Global, L.P..

The Company's share capital consists of Ordinary Shares denominated in Sterling.

Investment Policy & Objective

The investment objective of the Company is to provide Shareholders with regular dividends and an attractive total return whilst limiting downside risk, through the origination, execution, acquisition and servicing of a diversified portfolio of real estate debt investments in the UK and Continental European markets.

As per the prospectus, the Company will target a net total return on invested capital of 8-9% per annum and a dividend yield of 3.5 pence per Ordinary Share in respect of the period from the date of Admission, of 17 December 2012, to the first financial year end, of 31 December 2013. In subsequent financial periods, this target will increase to 7.0 pence per Ordinary Share.

Market Summary & Outlook

The start of the year has highlighted a much greater degree of optimism within the property markets, still cautious but certainly greater than in recent years. A time delay always exists in transferring optimism on property into the financing markets and, after August, the first quarter remains the most muted months of the year for business. That said, on the demand side, the Investment Adviser senses that property investors are cautiously seeking to take steps to broaden the range and extent of investment plays that will require debt.

On the supply side, many European banks continue to focus on their withdrawal or reduction of exposure to the sector. Individual events, such as the recent nationalization of SNS by the Dutch government, also underscore continued regulatory concerns over the carrying value of many loans on bank balance sheets. The recent recommendation from the Bank of England that the UK banks should seek to raise additional capital is also reflective of this carrying value concern. Quiet capital relief programs rather than high profile non-performing loan portfolio trades are likely to be a dominant theme. Certainly given the short term nature of outstanding loan maturities, loan prolongations are now a very high level agenda item for most European banks.

In contrast, other aspects of the financial sector show greater life. The UK government's "Funding for Lending" program has clearly stimulated property lending. Funding for Lending is ostensibly focused on encouraging SME lending but to qualify requires participating lenders to grow their UK facing balance sheets. Hence as a by-product, the scheme is notable in apparently creating a renewed interest in property lending albeit based on rather conservative lending metrics. The alternative lending space continues to develop and is summarily defined by investment funds (such as the Company) raising third party capital for higher return lending strategies and insurance companies taking an interest in the more traditional senior lending area that the banks themselves still occupy.

The Investment Adviser believes that continued demand for alternative finance will come from a hardening attitude of banks to delever as well as continuing new deal optimism. Such demand growth, however, will also highlight that the restricted scale of available capital remains well below that necessary to meet such demand. Tempering this is the reality that the Company is not the only one to identify the opportunity.

Portfolio Summary as at 30 April 2013– Key Statistics

Number of issuers	1
Number of investments	1
Number of industries	1
Percentage of invested portfolio in floating rate investments	100%
Portfolio current yield	N/A [1]
Weighted average coupon	N/A [1]
Blended portfolio LTV	N/A [1]
Average loan term	5 years
Percentage of assets invested in cash	91.9%
Percentage of assets invested in senior loans	0%
Percentage of assets invested in second lien and mezzanine loans	8.1%
Percentage invested in GBP	100%
Percentage invested in Euro	0%

(1) Unable to disclose until the fund has greater than one investment due to confidentiality undertakings.

Portfolio News

On 27 December 2012 the Group participated as one of three partners in the £147m mezzanine component of the £547m refinancing ("Refinancing") of the Maybourne Hotel Group ("Maybourne"). The five-year Refinancing is secured on three five-star luxury London hotels, being Claridge's, the Connaught and the Berkeley, and consists of a £400m senior loan and £147m of mezzanine, to which the Group committed £19m. This investment has been undertaken on an attractive loan-to-value of the low fifties percent, and the Group will earn a double digit yield in line with its investment criteria.

Origination Process & Pipeline

The Investment Adviser seeks to originate opportunities in three principal ways:

(1) Direct Client Origination – Utilising its broad global and local relationships to source primary business opportunities.
(2) Bank Interaction – The Investment Adviser and its affiliates have strong banking relationships given the Starwood Capital Group's wider market position. With the growing awareness of the Company and its capabilities, the Investment Adviser is being actively approached by banking partners to work together.
(3) Equity Business Referral – As a result of Starwood Capital Group's involvement in equity investments, the Investment Adviser often sees opportunities where the pricing or risk level is inappropriate from an equity perspective but where the opportunity to invest in the debt aspect of the investment is more compelling.

All three approaches are sourcing opportunities. Interestingly, secondary market transactions rarely show value, either because of structural terms or pricing. The Investment Adviser has reviewed numerous capital relief trades where banks seek to sell existing performing loan positions – this is not the Company's core business focus and in any case the bid/offer spread remains challenging to bridge.

Implementing these origination approaches means that the Investment Adviser has agreed indicative terms on five other investments, transitional and development opportunities in the UK and Continental Europe. These opportunities remain subject to final due diligence, documentation and final Investment Manager Board approval. In addition, the Investment Adviser is in advanced discussions on a number of other transactions. These opportunities are a mixture of senior, mezzanine and whole loans that reflect the Company's desire to deliver a blended approach to risk and return and represent transactions which are expected to make an effective contribution to the achievement of the investment objectives in the second quarter of 2013. The Investment Adviser is also working on an extensive pipeline of other opportunities at various stages of due diligence and negotiation which are anticipated to achieve the strategic intention to be fully invested within 12 months.

Material Events and Transactions

In order to meet market demand, principally following the Company's inclusion in the FTSE UK Index Series and to manage the current share price premium over the net asset value per share, the Company has issued additional shares within the limits imposed by the Prospectus Rules.

The following tap issues were made during the period:

- 21 March 2013: An additional eight million ordinary shares at a price of 104.25 pence per Ordinary Share.
- 09 April 2013: An additional one million ordinary shares at a price of 104.50 pence per Ordinary Share.
- 12 April 2013: An additional six hundred thousand shares at a price of 104 pence per Ordinary Share.

Following these issues, the Company currently has issued share capital consisting of 238,100,000 Ordinary Shares.

Financial Highlights

As described in the Company's prospectus, the net asset value ("NAV") and the NAV per share are both calculated monthly by the Company's administrator based on the latest published NAV for each underlying fund.

	31 December 2012	**31 January 2013**	**28 February 2013**	**31 March 2013**	**30 April 2013**
Estimated NAV per Ordinary share	97.99	98.07	98.14	98.39	98.49
Share price	102.00	104.38	105.63	104.75	106.25
Premium / (discount)	4.1%	6.4%	7.6%	6.5%	7.9%
Market Capitalisation	£233.1m	£238.5m	£241.4m	£247.7m	£253.0m

Unaudited Consolidated Statement of Financial Position
As at 30 April 2013

	30 April 2013 (unaudited)	
	£m	£m
Non-Current Assets		
Financial assets at fair value through profit or loss		19.1
Current Assets		
Trade and other receivables	0.1	
Cash and cash equivalents	215.5	
	215.6	
Current Liabilities		
Trade and other payables	0.2	
Net Current Assets		215.4
Net Assets		234.5
Capital and reserves		
Called up share capital and share premium	233.8	
Retained Earnings	0.7	
Total Equity		234.5
Number of shares		238,100,000
NAV per share (p)		98.49

Dividends

Subject to market conditions, the financial position of the Company and the investment outlook, it is the Director's intention to pay quarterly dividends to Shareholders. Whilst not forming part of its investment objective or policy and assuming that the Net Issue Proceeds are invested in accordance with the intended timetable, the Company will seek to target the following dividend payments.

- Dividends totalling at least 3.5 pence per Ordinary Share in respect of the period from Admission to the first financial year end;
- Dividends totalling 7.0 pence per Ordinary Share per annum in respect of subsequent financial periods.

The Directors will declare and pay dividends in compliance with the solvency test prescribed by Guernsey law.

Reports and Accounts

The Company's first interim report and accounts will be for the period ending 30 June 2013 and will be made public within two months following the period end.

The Company's first annual report and accounts will be for the financial year ending 31 December 2013 and will be made public within four months following the period end.

The Board is not aware of any other significant events or transactions that have occurred since Admission on 17 December 2012 and the publication date of this interim management statement which would have a material impact on the financial position of the Company.

Starwood European Real Estate Finance Limited

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Past performance is no guide to the future. The value of investments and the income from them may go down as well as up and investors may not get back the full amount they originally invested. The target return and target dividend yield should not be taken as an indication of the Company's expected future performance or results. The target return and target dividend yield are targets only and there is no guarantee that they can or will be achieved and they should not be seen as an indication of the Company's actual or expected return. Statements contained herein, including statements about market conditions and the economic environment, are based on current expectations, estimates, projections, opinions and/or beliefs of the Company and its investment manager. Such statements involve known and unknown risks, uncertainties and other factors, and undue reliance should not be placed thereon. Such statements are necessarily speculative in nature, as they are based on certain assumptions. It can be expected that some or all of the assumptions underlying such statements will not reflect actual conditions. Accordingly, there can be no assurance that any projections, forecast or estimates will be realised. The information presented has been obtained from sources believed to be reliable but no representation or warranty is given or may be implied that it is accurate or complete.

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