

Varia Europe Properties AG, Zug

Financial Statements Swiss GAAP FER 31 December 2017

Varia Europe Properties AG, Zug
Balance sheet as of December 31, 2017
(prepared in accordance with Swiss GAAP FER)

**December 31,
2017**

| Expressed in CHF | Notes | |
|---|--------------|------------------|
| Assets | | |
| Cash and cash equivalents | | 70'301 |
| Current Assets | | 70'301 |
| Investments at fair value | 2.1 | 2'174'317 |
| Non-Current Assets | | 2'174'317 |
| | | 2'244'618 |
| Liabilities and Shareholders' equity | | |
| Accrued expenses | 2.2 | 55'935 |
| Accrued capital taxes | 2.3 | 1'600 |
| Current liabilities | | 57'535 |
| Liabilities | | 57'535 |
| Share capital | 2.4 | 1'533'336 |
| Reserves from capital contributions | 2.4 | 653'234 |
| Legal capital reserves | | 653'234 |
| Net profit for the period | | 513 |
| Voluntary retained earnings | | 513 |
| Shareholders' equity | | 2'187'083 |
| Total Liabilities and Shareholders' equity | | 2'244'618 |

Varia Europe Properties AG, Zug
Profit and loss statement
for the period from April 20, 2017 to December 31, 2017

(prepared in accordance with Swiss GAAP FER)

**From April
20, 2017 to
December 31, 2017**

| Expressed in CHF | Notes | |
|---|--------------|----------------|
| Gain on redemption of notes | | 7'701 |
| Loss on redemption of notes | | -3'979 |
| Gain on investments fair value adjustment | 2.1 | 166'122 |
| Loss on investments fair value adjustment | 2.1 | -119'615 |
| Revenue | | 50'229 |
| Communications, publicity and marketing | | -261 |
| Membership fees | | -3'544 |
| Accounting and administration expenses | | -37'000 |
| Legal and other consulting fees | | -3'816 |
| Audit fees | | -25'000 |
| Incorporation expenses | | -1'220 |
| Other operating expenses | | -29 |
| Direct taxes on capital | 2.3 | -1'600 |
| Operating expenses | | -72'470 |
| Operating profit before financial result | | -22'241 |
| Financial income | 2.6 | 23'320 |
| Financial expenses | 2.6 | -566 |
| Net profit for the period | | 513 |
| Earnings per share (EPS) : | | |
| Basic earnings per share | 2.5 | 0.0004 |
| Diluted earnings per share | 2.5 | 0.0004 |

Varia Europe Properties AG, Zug
Cash flow statement
for the period from April 20, 2017 to December 31, 2017

(prepared in accordance with Swiss GAAP FER)

**From April
20, 2017 to
December 31, 2017**

| Expressed in CHF | Notes | |
|---|--------------|-------------------|
| Operation activities | | |
| Net profit for the period | | 513 |
| Gain on redemption of notes | | -7'701 |
| Loss on redemption of notes | | 3'979 |
| Gain on investments fair value adjustment | 2.1 | -166'122 |
| Loss on investments fair value adjustment | 2.1 | 119'615 |
| Currency loss on reinvestment (non cash transaction) | 2.1 | 290 |
| Change in accrued expenses | 2.2 | 55'935 |
| Change in accrued taxes | 2.3 | 1'600 |
| Cash flow from operating activities | | 8'109 |
| Investing activities | | |
| Investments notes acquisition | 2.1 | -2'124'378 |
| Cash flow from investing activities | | -2'124'378 |
| Financing activities | | |
| Proceeds from ordinary share capital increase | 2.4 | 1'986'570 |
| Cash flow from financing activities | | 1'986'570 |
| Change in cash and cash equivalents for the period | | -129'699 |
| - Cash at the date of incorporation, at the beginning of the period | | 200'000 |
| - Cash and cash equivalents at the end of the period | | 70'301 |
| Change in cash and cash equivalents for the period | | -129'699 |

Varia Europe Properties AG, Zug
Statement of changes in equity
for the period from April 20, 2017 to December 31, 2017

(prepared in accordance with Swiss GAAP FER)

Expressed in CHF

| | Share capital | Reserves from capital contributions | Voluntary retained earnings | Total equity |
|--|----------------------|--|--|---------------------|
| Incorporation share capital | 200'000 | | | 200'000 |
| Ordinary share capital increase on June 28, 2017 | 1'333'336 | 653'234 | | 1'986'570 |
| Net profit for the period | | | 513 | 513 |
| Balance at 31 December 2017 | 1'533'336 | 653'234 | 513 | 2'187'083 |

Varia Europe Properties AG, Zug
Notes to the financial statements
for the period from April 20, 2017 to December 31, 2017
(prepared in accordance with Swiss GAAP FER)

1 Principles

1.1 General information

Varia Europe Properties AG ("Varia" or "the Company") was created on March 8, 2017 and registered with the Zug Commercial register on April 20, 2017 under UID number CHE—342.208.571. The Company is a Swiss stock corporation established under the relevant provisions of the Swiss code of obligations ("SCO"). Its address is Gubelstrasse 19, 6300 Zug, Switzerland.

As a Swiss real estate investment company, Varia's purpose is to participate in real estate investments in Europe (other than in Switzerland), through participations in Varia Structured Opportunities SA ("VSO") compartments. VSO is a public limited company incorporated under the laws of the Grand Duchy of Luxembourg, organized as a securitization company. VSO has different compartments (or programmes) with distinct real estate investment strategies. The Company is a noteholder of VSO compartments, allowing it to participate indirectly in the underlying investments. As a noteholder Varia invests in a debt instrument (notes) allowing to participate in the underlying assets returns through variable yield.

Investment decisions in VSO programmes are taken by the Board depending on the individual strategy of each VSO programme. The allocations are done with the objective to participate in 4 different strategies:

- 1- Spanish development: participation in real estate constructions with a special focus on residential for sale developments.
- 2- Spanish bridge loans: participation in real estate loans backed by 1st lien mortgages, with a 12 to 36 months maturity.
- 3- Italian income assets: participation in real estate commercial assets with existing tenants.
- 4- Italian Non Performing Loans: participation in non performing loans sold by banks at 40% to 60% discount to Gross Book Value and backed by real estate assets.

Varia Europe has no direct influence on the management and investment decision of VSO programmes themselves and the exit of the investments is dependent on the realisation of the underlying assets. VSO programmes and underlying assets owned by VSO programmes are advised and managed by Stoneweg group entities. It is expected that each investment by Varia in VSO should not be realized before 2 to 4 years depending on the strategy.

1.2 General aspects

These financial statements were prepared in accordance with all of the existing guidelines and reporting recommendations of the Swiss generally accepted accounting principles (Swiss Gaap FER). The Company expect to be listed in the future at the BX Bern eXchange in Switzerland . As a result and in anticipation, the Board of directors has elected to apply already from the first period the Swiss GAAP FER, in accordance in particular with Swiss GAAP FER 31.

The Board of directors of the Company is ultimately responsible for the policies, the valuations, and the management of the activities. These financial statements for the period ended December 31, 2017 were approved by the Board of Directors on July 18, 2018 and will be submitted to the Annual General Meeting of Shareholders for approval on August 30, 2018.

The financial statements are presented in Swiss francs (CHF) and all values are rounded to the nearest CHF, except when otherwise indicated.

1.3 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise petty cash, cash at bank and short-term deposits with an original maturity of three months or less. They are recorded at their nominal value. In the cash flow statement, cash and cash equivalents consist of the cash and cash equivalents as defined above, less current account overdrafts (Fund "Net Cash").

1.4 Investments

At the balance sheet date, the investments are valued at the fair value.

The fair value of investments are calculated by a third party entity, in charge of the corporate services of Varia Structured Opportunities SA ("VSO"), the Luxembourg securitization company where Varia invests its assets. The fair values are based on the audited financial statements of VSO and on the information available with respect to the owned underlying assets. The gains and losses of valuation are recognized in the profit and loss statement.

Each VSO programme has a different strategy and therefore the fair value of each VSO is determined with a tailored different valuation method:

- 1-For assets under construction and assets generating cash flow, an external valuation by Cushman & Wakefield has been performed using the red book guidelines for market rent and market value. This valuation is then taken into account to value VSO's investments, adjusted for tax and performance fees provisions.

- 2-For bridge loans the fair value is determined by the nominal value of the loans plus accrued and paid interest. Nominal value can be adjusted down should VSO's Board of directors estimate that there is a risk of non recovery of the full amount.

- 3- For Non Performing loans the fair value is determined by the acquisition cost plus accrued interest. The acquisition value can be adjusted down should VSO's Board of directors estimate that there is a risk of non recovery of the full amount.

All VSO programmes have an annual audit performed by Deloitte, Luxembourg. The 2017 VSO audited financial statements have been used to determine the fair value of Varia's investments as of 31 December 2017.

The revenue recognition principles related to the investments are disclosed in note 1.6.

1.5 Foreign currency items

The Company's functional currency is the Euro (EUR) but the Company's reporting and presentation currency is the Swiss franc (CHF).

Short-term monetary assets and liabilities in foreign currencies are converted at the exchange rate on the balance sheet date. Non-monetary assets as well as equity items are presented at historical rate. Transactions in foreign currencies are translated at the exchange rate on the day the transaction takes place.

Foreign exchange profits and losses are recorded in the profit and loss statement.

For the translation of EUR into CHF, the closing rate applied at the end of the period is 1.1702. Profit and loss statement transactions in EUR were translated in CHF at the exchange rate on the day the transaction took place.

1.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Revenue resulting from the redemption of notes are recognized at the time of the transaction. It corresponds to the gain or the loss resulting from the difference between the redemption proceed net of expenses and the fair value of the notes recognized in the books at the time of the redemption.

1.7 Income taxes

The tax expense for the period comprises current income taxes and deferred taxes. Tax is recognized in the profit and loss statement.

Current income tax liabilities and assets for the first current period are measured at the amount expected to be paid to or recovered from the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred tax is recognized in full, using the balance sheet approach, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is determined using tax regulations and rate that have been enacted or substantively enacted at the balance sheet date and are expected to apply. No taxes were paid during the period ended December 31, 2017.

2 Information on balance sheet and profit and loss statement balances

2.1 Investments

From its creation, the Company has developed its investments' portfolio by investing in notes of compartments of an investment vehicle based in Luxembourg, named Varia Structured Opportunities ("VSO"). The investments are done through subscription into notes issued by the relevant compartments; these notes do not provide voting rights and have to be seen as a debt instrument issued by the relevant compartment. Therefore a consolidation, even in cases of majority of notes held by Varia, is not required as the notes do not provide a control over the investments made by the compartments.

As at December 31, 2017, The Company owned notes of 6 different compartments as per the below explanation and table:

| Compartments | Initial acquisition value | Redemption acquisition value | Reinvestment | Fair value adjustment as of 31.12.2017 | Fair value 31.12.2017 |
|------------------------|---------------------------|------------------------------|----------------|--|-----------------------|
| | CHF | CHF | | CHF | CHF |
| VSO V | 425'278 | -19'540 | 0 | 33'416 | 439'154 |
| VSO VII | 425'278 | -128'733 | 0 | 68'906 | 365'451 |
| VSO X | 423'232 | -159'443 | 0 | 55'001 | 318'789 |
| VSO XI | 425'312 | 0 | 21'089 | -118'663 | 327'738 |
| VSO XIII | 425'278 | -425'278 | 0 | 0 | -0 |
| VSO Spanish Phoenix II | 0 | 0 | 555'239 | 8'798 | 564'037 |
| VSO XX | 0 | 0 | 160'099 | -952 | 159'147 |
| Total | 2'124'378 | -732'994 | 736'427 | 46'506 | 2'174'317 |

The proceeds of the redemption of notes have been immediately reinvested into others compartments without cash transactions. Accordingly, these transactions are not shown in the cash flow statement, except the currency loss on reinvestment.

The investments of Varia in the notes VSO are the following at year-end :

| Compartments | Domicile | Country of investments | Strategy | 31.12.17 | 31.12.17 |
|------------------------|------------|------------------------|----------------------|--------------------------------------|---|
| | | | | Number of Notes held by Varia Europe | Percentage held by Varia Europe of total compartment's capital in % |
| VSO V | Luxembourg | Spain | Bridge Loans | 353 | 3.2% |
| VSO VII | Luxembourg | Italy | Non Performing Loans | 258 | 3.2% |
| VSO X | Luxembourg | Italy | Income assets | 225 | 1.6% |
| VSO XI | Luxembourg | Spain | Development | 388 | 75.6% |
| VSO Spanish Phoenix II | Luxembourg | Spain | Development | 482 | 7.4% |
| VSO XX | Luxembourg | Italy | Non Performing Loans | 136 | 3.3% |

| | | |
|------------|-------------------------|-----------------|
| 2.2 | Accrued expenses | 31.12.17 |
| | | CHF |
| | Audit fees | 25'000 |
| | Accounting fees | 26'900 |
| | Legal fees | 3'816 |
| | Other expenses | 219 |
| | Total | 55'935 |

2.3 Accrued taxes

The accrued taxes at December 31, 2017 consist on provisions for the best estimated capital tax related to the period.

| | |
|---|--------------|
| | CHF |
| Balance at the beginning of the period | 0 |
| Capital tax provision | 1'600 |
| Balance at the end of the period | 1'600 |

The effective income tax rate 2017 is 14.60% in the canton of Zug.

2.4 Share capital | Reserves from capital contributions

The share capital at December 31, 2017 is divided in 1,533,336 ordinary registered shares of a par value of CHF 1.00 each, fully paid.

| | Number of shares | Share capital CHF | Reserves from capital contributions CHF |
|--|---------------------|----------------------|--|
| Share capital at date of incorporation | 200'000 | 200'000 | - |
| Ordinary share capital increase on June 28, 2017 | 1'333'336 | 1'333'336 | 653'234 |
| Balance as of December 31, 2017 | 1'533'336 | 1'533'336 | 653'234 |

The Company has been established on March 8, 2017 with an initial capital of CHF 200'000 divided into 200'000 shares issued at their nominal value. There is no preferential rights attributed to the shares.

Then Varia proceeded to a first capital increase on June 28, 2017 raising net proceeds in capital and premium of CHF 1,986,570.

The share premium of CHF 666,668 was recorded net of transaction costs amounting to CHF 13,434 in the Reserves for capital contributions for CHF 653,234, in accordance with the Swiss Code of obligations.

Share premiums are considered under Swiss law as reserves from capital contributions.

The Swiss federal tax authorities did not yet confirm the amount of the reserves from capital contributions in the sense of article 20 paragraph 3 of the Federal Income Tax Act.

2.5 Earnings per share (EPS)

| | |
|--|---------------|
| | 2017 |
| | CHF |
| Net profit of the period | 513 |
| Average of ordinary shares outstanding | 1'172'113 |
| Basic earnings per share | 0.0004 |
| Diluted earnings per share | 0.0004 |

There is no dilutive shares at December 31, 2017.

2.6 Financial result

| | |
|----------------------------------|---------------|
| | 2017 |
| | CHF |
| Financial income | |
| Foreign currency exchange gains | 23'320 |
| Total | 23'320 |
| Financial expenses | CHF |
| Bank fees | 275 |
| Foreign currency exchange losses | 291 |
| Total | 566 |

2.7 Segment reporting

The Company is investing its funds in investments mostly related to real estate properties that are presenting similar features even if related to compartments set up for different geographical regions and/or countries. Management has determined that the Company is operating only in the sole investments property sector in Europe and accordingly the profit and loss statement presents a result of this sole segment.

2.8 *Related party transactions*

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control or to exercise significant influence over the other party in making financial and operating decisions. Related parties of the Company include:

- Board of Directors of Varia Europe Properties AG
- Board of Directors of Varia Structured Opportunities SA, Luxembourg
- Stoneweg SA, Geneva (Switzerland) and its subsidiaries.

Board of Directors

The Board of Directors is considered as key management. In the period into consideration, there was no compensation paid or accrued for members of the Board of Directors.

No other compensation to the Board members for their role or for additional work, except for the Board members paid by Stoneweg SA that are involved in the asset management duties of the Company. In particular, no performance related compensation and no compensation in shares or other stocks were allocated to Board members. No loans or credit facilities were granted to any member of the Board or related parties during the period and there were no such receivable outstanding as at December 31, 2017.

Transactions of Varia with Stoneweg SA and its subsidiaries

In 2017, the activities of Varia Europe Properties AG were administered by Stoneweg SA, which was also acting as advisor to Varia Structured Opportunities SA (VSO). Stoneweg has not received any direct remuneration from Varia for its work during the period. The decision has been taken due to the fact that Stoneweg is indirectly remunerated from its work as advisor of the VSO compartments and asset manager of the local entities holding the real estate assets. It is expected that in the near future Stoneweg will be remunerated by Varia as asset manager of the Company. Such remuneration will be limited given Stoneweg role in VSO and underlying assets.

Shareholding rights of Board of Directors members

The following Board Members owned directly or indirectly shares of the Company as of December 31, 2017 as follows:

| Name | Function | 31.12.17 |
|----------------|-----------------|-----------------|
| | | Shares |
| Jaume Sabater | Member | 166'667 |
| Taner Alicehic | Chairman | 166'667 |
| Total | | 333'334 |

3 **Other information**

3.1 *Declaration on the number of full-time positions on annual average*

Varia Europe Properties AG has no employees at December 31, 2017 and has never employed any staff.

3.2 *Contingent liabilities*

As of December 31, 2017, the Company had no contingencies and other off-balance sheet transactions that would have to be disclosed herein.

The operations of the Company may be affected by legislative, fiscal and regulatory developments for which provisions would be made when and where deemed necessary.

3.3 *Significant events occurring after the balance sheet date*

On January 29, 2018, the Company proceeded to a second capital increase with the issuance of 9,240,909 new shares at a nominal value of CHF 1.00 each for a total net proceed of CHF 15,247,500. These funds will be used for further investment in the Spanish and Italian markets. Specifically the funds raised will be used to increase the allocation into income generating investments (Bridge loans and existing assets) and to reinforce the positions into the development projects as well as Non Performing Loans.

Since the balance sheet date as of December 31, 2017, there has been no other further event that would have a material impact on the financial statements and related disclosure.

Varia Europe Properties AG, Zug

Statutory Financial Statements 31 December 2017

Varia Europe Properties AG, Zug
Balance sheet as of December 31, 2017

| Expressed in CHF | Notes | December 31, 2017 |
|---|--------------|------------------------------|
| Assets | | |
| Cash and cash equivalents | | 70'301 |
| Current Assets | | 70'301 |
| Investments | 2.1 | 2'127'810 |
| Non-Current Assets | | 2'127'810 |
| | | 2'198'111 |
| Liabilities and Shareholders' equity | | |
| Accrued expenses | 2.2 | 55'935 |
| Provision for taxes | | 1'600 |
| Current liabilities | | 57'535 |
| Liabilities | | 57'535 |
| Share capital | 2.3 | 1'533'336 |
| Reserves from capital contributions | 2.3 | 653'234 |
| Legal capital reserves | | 653'234 |
| Net loss for the period | | -45'994 |
| Accumulated deficit | | -45'994 |
| Shareholders' equity | | 2'140'576 |
| Total Liabilities and Shareholders' equity | | 2'198'111 |

Varia Europe Properties AG, Zug
Profit and loss statement
for the period from April 20, 2017 to December 31, 2017

| Expressed in CHF | Notes | From April 20, 2017 to December 31, 2017 |
|---|--------------|---|
| Gain on redemption of notes | | 7'701 |
| Loss on redemption of notes | | -3'979 |
| Revenue | | 3'722 |
| Communications, publicity and marketing | | -261 |
| Membership fees | | -3'544 |
| Accounting and administration expenses | | -37'000 |
| Legal and other consulting fees | | -3'816 |
| Audit fees | | -25'000 |
| Incorporation expenses | | -1'220 |
| Other operating expenses | | -29 |
| Direct taxes on capital | | -1'600 |
| Operating expenses | | -72'470 |
| Operating loss before financial result | | -68'748 |
| Financial income | 2.4 | 23'320 |
| Financial expenses | 2.4 | -566 |
| Net loss for the period | | -45'994 |

Varia Europe Properties AG, Zug
Notes to the statutory financial statements
for the period from April 20, 2017 to December 31, 2017

1 Principles

1.1 General information

Varia Europe Properties AG ("Varia" or "the Company") was created on March 8, 2017 and registered with the Zug Commercial register on April 20, 2017 under UID number CHE—342.208.571. The Company is a Swiss stock corporation established under the relevant provisions of the Swiss code of obligations ("SCO"). Its address is Gubelstrasse 19, 6300 Zug, Switzerland.

As a Swiss real estate investment company, Varia's purpose is to participate in real estate investments in Europe (other than in Switzerland), through participations in Varia Structured Opportunities SA ("VSO") compartments. VSO is a public limited company incorporated under the laws of the Grand Duchy of Luxembourg, organized as a securitization company. VSO has different compartments (or programmes) with distinct real estate investment strategies. The Company is a noteholder of VSO compartments, allowing it to participate indirectly in the underlying investments. As a noteholder Varia invests in a debt instrument (notes) allowing to participate in the underlying assets returns through variable yield.

Investment decisions in VSO programmes are taken by the Board depending on the individual strategy of each VSO programme. The allocations are done with the objective to participate in 4 different strategies:

- 1- Spanish development: participation in real estate constructions with a special focus on residential for sale developments.
- 2- Spanish bridge loans: participation in real estate loans backed by 1st lien mortgages, with a 12 to 36 months maturity.
- 3- Italian income assets: participation in real estate commercial assets with existing tenants.
- 4- Italian Non Performing Loans: participation in non performing loans sold by banks at 40% to 60% discount to Gross Book Value and backed by real estate assets.

Varia Europe has no direct influence on the management and investment decision of VSO programmes themselves and the exit of the investments is dependent on the realisation of the underlying assets. VSO programmes and underlying assets owned by VSO programmes are advised and managed by Stoneweg group entities. It is expected that each investment by Varia in VSO should not be realized before 2 to 4 years depending on the strategy.

1.2 General aspects

These financial statements were prepared in accordance with the Swiss accounting legislation (32nd title of the Code of Obligations).

The Board of directors of the Company is ultimately responsible for the policies, the valuations, and the management of the activities. These financial statements for the period ended December 31, 2017 were approved by the Board of Directors on July 18, 2018 and will be submitted to the Annual General Meeting of Shareholders for approval on August 30, 2018.

The financial statements are presented in Swiss francs (CHF) and all values are rounded to the nearest CHF, except when otherwise indicated.

When not prescribed by the law, the principles applied in the annual accounts are described below.

1.3 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise petty cash, cash at bank and short-term deposits with an original maturity of three months or less. They are recorded at their nominal value. In the cash flow statement, cash and cash equivalents consist of the cash and cash equivalents as defined above, less current account overdrafts (Fund "Net Cash").

1.4 Investments

At the balance sheet date, the investments are valued at the lower of the historical cost basis or net realisable value if permanently impaired.

The revenue recognition principles related to the investments are disclosed in note 1.6.

1.5 Foreign currency items

The Company's functional currency is the Euro (EUR) but the Company's reporting and presentation currency, as per article 958d alinea 3 of SCO, is the Swiss franc (CHF).

Short-term monetary assets and liabilities in foreign currencies are converted at the exchange rate on the balance sheet date. Non-monetary assets as well as equity items are presented at historical rate. Transactions in foreign currencies are translated at the exchange rate on the day the transaction takes place.

Foreign exchange profits and losses are recorded in the profit and loss statement, except for unrealized exchange profits on long term monetary assets and liabilities which are deferred in the balance sheet, if any.

For the translation of EUR into CHF, the closing rate applied at the end of the period is 1.1702, except for the investments valued at their acquisition historical rate. Profit and loss statement transactions in EUR were translated in CHF at the exchange rate on the day the transaction took place.

Varia Europe Properties AG, Zug
Notes to the statutory financial statements
for the period from April 20, 2017 to December 31, 2017

1.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Revenue resulting from the redemption of notes are recognized at the time of the transaction. It corresponds to the gain or the loss resulting from the difference between the redemption proceed net of expenses and the acquisition value of the notes.

1.7 Income taxes

The tax expense for the period comprises current income taxes. Tax is recognized in the profit and loss statement.

Current income tax liabilities and assets for the first current period are measured at the amount expected to be paid to or recovered from the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

2 Information on balance sheet and profit and loss statement balances

2.1 Investments

From its creation, the Company has developed its investments' portfolio by investing in notes of compartments of an investment vehicle based in Luxembourg, named Varia Structured Opportunities ("VSO"). The investments are done through subscription into notes issued by the relevant compartments; these notes do not provide voting rights and have to be seen as a debt instrument issued by the relevant compartment. Therefore a consolidation, even in cases of majority of notes held by Varia, is not required as the notes do not provide a control over the investments made by the compartments.

As at December 31, 2017, The Company owned notes of 6 different compartments as per the below explanation and table:

| Compartments | Initial acquisition value CHF | Redemption acquisition value CHF | Reinvestment CHF | 31.12.17 CHF |
|-----------------------------------|----------------------------------|-------------------------------------|---------------------|------------------|
| VSO V | 425'278 | -19'540 | 0 | 405'738 |
| VSO VII | 425'278 | -128'733 | 0 | 296'545 |
| VSO X | 423'232 | -159'443 | 0 | 263'789 |
| VSO XI | 425'312 | 0 | 21'089 | 446'401 |
| VSO XIII | 425'278 | -425'278 | 0 | 0 |
| VSO Spanish Phoenix II | 0 | 0 | 555'239 | 555'239 |
| VSO XX | 0 | 0 | 160'099 | 160'099 |
| Total at acquisition costs | 2'124'378 | -732'994 | 736'427 | 2'127'810 |

As of December 31, 2017, the net asset value of Varia Europe in its investments' equities amounted to EUR 1.86 million or CHF 2.17 million at EUR/CHF closing exchange rate, presenting therefore a total value in excess of CHF 0.05 million over the investments acquisition values.

The investments of Varia in the notes VSO are the following at year-end :

| Compartments | Domicile | Country of investments | Strategy | 31.12.17 | 31.12.17 |
|------------------------|------------|------------------------|----------------------|--------------------------------------|--|
| | | | | Number of Notes held by Varia Europe | Percentage held by Varia Europe of total compartment's capital in % |
| VSO V | Luxembourg | Spain | Bridge Loans | 353 | 3.2% |
| VSO VII | Luxembourg | Italy | Non Performing Loans | 258 | 3.2% |
| VSO X | Luxembourg | Italy | Income assets | 225 | 1.6% |
| VSO XI | Luxembourg | Spain | Development | 388 | 75.6% |
| VSO Spanish Phoenix II | Luxembourg | Spain | Development | 482 | 7.4% |
| VSO XX | Luxembourg | Italy | Non Performing Loans | 136 | 3.3% |

Varia Europe Properties AG, Zug
Notes to the statutory financial statements
for the period from April 20, 2017 to December 31, 2017

| | |
|-----------------------------|-----------------|
| 2.2 Accrued expenses | 31.12.17 |
| | CHF |
| Audit fees | 25'000 |
| Accounting fees | 26'900 |
| Legal fees | 3'816 |
| Other expenses | 219 |
| Total | 55'935 |

2.3 Accrued taxes

The accrued taxes at December 31, 2017 consist on provisions for the best estimated capital tax related to the period.

| | |
|---|--------------|
| | CHF |
| Balance at the beginning of the period | 0 |
| Capital tax provision | 1'600 |
| Balance at the end of the period | 1'600 |

The effective income tax rate 2017 is 14.60% in the canton of Zug.

2.4 Share capital | Reserves from capital contributions

The share capital at December 31, 2017 is divided in 1,533,336 ordinary registered shares of a par value of CHF 1.00 each, fully paid.

| | Number of shares | Share capital | Reserves from capital contributions |
|--|-----------------------------|----------------------|--|
| | | CHF | CHF |
| Share capital at date of incorporation | 200'000 | 200'000 | - |
| Ordinary share capital increase on June 28, 2017 | 1'333'336 | 1'333'336 | 653'234 |
| Balance as of December 31, 2017 | 1'533'336 | 1'533'336 | 653'234 |

The Company has been established on March 8, 2017 with an initial capital of CHF 200'000 divided into 200'000 shares issued at their nominal value. There is no preferential rights attributed to the shares.

Then Varia proceeded to a first capital increase on June 28, 2017 raising net proceeds in capital and premium of CHF 1,986,570.

The share premium of CHF 666,668 was recorded net of transaction costs amounting to CHF 13,434 in the Reserves for capital contributions for CHF 653,234, in accordance with the Swiss Code of obligations.

Share premiums are considered under Swiss law as reserves from capital contributions.

The Swiss federal tax authorities did not yet confirm the amount of the reserves from capital contributions in the sense of article 20 paragraph 3 of the Federal Income Tax Act.

| | |
|----------------------------------|---------------|
| 2.5 Financial result | 2017 |
| | CHF |
| Financial income | |
| Foreign currency exchange gains | 23'320 |
| Total | 23'320 |
| Financial expenses | CHF |
| Bank fees | 275 |
| Foreign currency exchange losses | 291 |
| Total | 566 |

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2.6 Related party transactions

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control or to exercise significant influence over the other party in making financial and operating decisions. Related parties of the Company include:

- Board of Directors of Varia Europe Properties AG
- Board of Directors of Varia Structured Opportunities SA, Luxembourg
- Stoneweg SA, Geneva (Switzerland) and its subsidiaries.

Board of Directors

The Board of Directors is considered as key management. In the period into consideration, there was no compensation paid or accrued for members of the Board of Directors.

No other compensation to the Board members for their role or for additional work, except for the Board members paid by Stoneweg SA that are involved in the asset management duties of the Company. In particular, no performance related compensation and no compensation in shares or other stocks were allocated to Board members. No loans or credit facilities were granted to any member of the Board or related parties during the period and there were no such receivable outstanding as at December 31, 2017.

Transactions of Varia with Stoneweg SA and its subsidiaries

In 2017, the activities of Varia Europe Properties AG were administered by Stoneweg SA, which was also acting as advisor to Varia Structured Opportunities SA (VSO). Stoneweg has not received any direct remuneration from Varia for its work during the period. The decision has been taken due to the fact that Stoneweg is indirectly remunerated from its work as advisor of the VSO compartments and asset manager of the local entities holding the real estate assets. It is expected that in the near future Stoneweg will be remunerated by Varia as asset manager of the Company. Such remuneration will be limited given Stoneweg role in VSO and underlying assets.

Shareholding rights of Board of Directors members

The following Board Members owned directly or indirectly shares of the Company as of December 31, 2017 as follows:

| Name | Function | 31.12.17 Shares |
|----------------|----------|--------------------|
| Jaume Sabater | Member | 166'667 |
| Taner Alicehic | Chairman | 166'667 |
| Total | | 333'334 |

3 Other information

3.1 Declaration on the number of full-time positions on annual average

Varia Europe Properties AG has no employees at December 31, 2017 and has never employed any staff.

3.2 Contingent liabilities

As of December 31, 2017, the Company had no contingencies and other off-balance sheet transactions that would have to be disclosed herein.

The operations of the Company may be affected by legislative, fiscal and regulatory developments for which provisions would be made when and where deemed necessary.

3.3 Significant events occurring after the balance sheet date

On January 29, 2018, the Company proceeded to a second capital increase with the issuance of 9,240,909 new shares at a nominal value of CHF 1.00 each for a total net proceed of CHF 15,247,500. These funds will be used for further investment in the Spanish and Italian markets. Specifically the funds raised will be used to increase the allocation into income generating investments (Bridge loans and existing assets) and to reinforce the positions into the development projects as well as Non Performing Loans.

Since the balance sheet date as of December 31, 2017, there has been no other further event that would have a material impact on the financial statements and related disclosure.