

Varia Europe Properties AG, Zug

Interim Financial Statements Swiss GAAP FER 30 June 2018

Varia Europe Properties AG, Zug**Interim balance sheet as of June 30, 2018**

(prepared in accordance with Swiss GAAP FER)

Expressed in CHF	Notes	June 30, 2018	December 31, 2017
Assets			
Cash and cash equivalents		707	70,301
Current Assets		707	70,301
Investments at fair value	2.1	17,608,600	2,174,317
Non-Current Assets		17,608,600	2,174,317
Total Assets		17,609,307	2,244,618
Liabilities and Shareholders' equity			
Trade accounts payable to third parties		28,440	0
Trade accounts payable to related parties	2.8	51,356	0
Accrued expenses	2.2	125,591	55,935
Accrued capital taxes	2.3	7,770	1,600
Current liabilities		213,157	57,535
Deferred tax liabilities	2.3	57,700	0
Non-Current liabilities		57,700	0
Liabilities		270,857	57,535
Share capital	2.4	10,774,245	1,533,336
Reserves from capital contributions	2.4	6,203,518	653,234
Legal capital reserves		6,203,518	653,234
Retained earnings brought forward		513	0
Net profit for the period		360,174	513
Voluntary retained earnings		360,687	513
Shareholders' equity		17,338,450	2,187,083
Total Liabilities and Shareholders' equity		17,609,307	2,244,618

Varia Europe Properties AG, Zug
Interim profit and loss statement
for the period from January 1, 2018 through June 30, 2018

(prepared in accordance with Swiss GAAP FER)

Expressed in CHF	Notes	For the period ended June 30, 2018	From April 20, 2017 to December 31, 2017
Gain on redemption of notes		3,888	7,701
Loss on redemption of notes		-477	-3,979
Gain on investments fair value adjustment	2.1	638,018	166,122
Loss on investments fair value adjustment	2.1	-18,771	-119,615
Revenue		622,658	50,229
Directors' fees and social charges		-7,500	0
Communications, publicity and marketing		-14,344	-261
Membership fees		-754	-3,544
Accounting and administration expenses		-26,004	-37,000
Legal and other consulting fees		-98,408	-3,816
Audit fees		-7,310	-25,000
Incorporation expenses		0	-1,220
Other operating expenses		-781	-29
Direct taxes on capital	2.3	-6,170	-1,600
Operating expenses		-161,271	-72,470
Operating profit before financial result		461,387	-22,241
Financial income	2.6	0	23,320
Financial expenses	2.6	-43,513	-566
Profit before income taxes		417,874	513
Deferred income tax expense	2.3	-57,700	0
Net profit for the period		360,174	513
Earnings per share (EPS) :			
Basic earnings per share	2.5	0.0388	0.0004
Diluted earnings per share	2.5	0.0388	0.0004

Varia Europe Properties AG, Zug
Interim cash flow statement
for the period from January 1, 2018 to June 30, 2018

(prepared in accordance with Swiss GAAP FER)

Expressed in CHF	Notes	For the period ended June 30, 2018	From April 20, 2017 to December 31, 2017
Operation activities			
Net profit for the period		360,174	513
Gain on redemption of notes		-3,888	-7,701
Loss on redemption of notes		477	3,979
Gain on investments fair value adjustment	2.1	-638,018	-166,122
Loss on investments fair value adjustment	2.1	18,771	119,615
Currency loss on reinvestment (non cash transaction)	2.1	0	290
Change in liabilities to third parties		28,440	0
Change in liabilities to related parties	2.8	51,356	0
Change in accrued expenses	2.2	69,656	55,935
Change in accrued taxes	2.3	6,170	1,600
Change in deferred taxes	2.3	57,700	0
Cash flow from operating activities		-49,162	8,109
Investing activities			
Investments notes acquisition	2.1	-14,841,575	-2,124,378
Investments notes redemption	2.1	29,950	0
Cash flow from investing activities		-14,811,625	-2,124,378
Financing activities			
Proceeds from ordinary share capital increase	2.4	14,791,193	1,986,570
Cash flow from financing activities		14,791,193	1,986,570
Change in cash and cash equivalents for the period		-69,594	-129,699
- Cash at the beginning of period, at the date of incorporation		70,301	200,000
- Cash and cash equivalents at the end of the period		707	70,301
Change in cash and cash equivalents for the period		-69,594	-129,699

Varia Europe Properties AG, Zug
Interim statement of changes in equity
for the period from January 1, 2018 to June 30, 2018

(prepared in accordance with Swiss GAAP FER)

Expressed in CHF	Notes				
		Share capital	Reserves from capital contributions	Voluntary retained earnings	Total equity
Incorporation share capital	2.4	200,000			200,000
Ordinary share capital increase on June 28, 2017	2.4	1,333,336	653,234		1,986,570
Net profit for the period from April 20, 2017 to December 31, 2017				513	513
Balance at 31 December 2017	2.4	1,533,336	653,234	513	2,187,083
Ordinary share capital increase on January 29, 2018	2.4	9,240,909	5,550,284		14,791,193
Net profit for the period from January 1, 2018 to June 30, 2018				360,174	360,174
Balance at 30 June 2018	2.4	10,774,245	6,203,518	360,687	17,338,450

Varia Europe Properties AG, Zug
Notes to the interim financial statements
for the period from January 1, 2018 to June 30, 2018
(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 it 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 Spain and Italy, with 4 different strategies:

- 1- Developments: participation in real estate constructions with a special focus on residential for sale developments.
- 2- Bridge Loans: participation in real estate loans backed by 1st lien mortgages, with a 12 to 36 months maturity.
- 3- Income Assets: participation in real estate commercial assets with existing tenants.
- 4- 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 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 interim 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 expects to be listed in the future at the BX Bern eXchange in Switzerland. As a result and in anticipation, the Board of directors has decided to apply 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. The statutory financial statements for the period ended December 31, 2017 were approved by the Annual General Meeting of Shareholders on August 30, 2018.

These accompanying interim financial statements of Varia for the 6 months period ended June 30, 2018 were authorised by the Board of directors for issue on October 22, 2018. They should be read in conjunction with the company's last annual financial statements as of December 31, 2017 and for the period from April 20, 2017 (inception) through December 31, 2017.

Comparative information is provided as at 31.12.2017, rather than 30.06.2017, given that these are interim financial statements. Due to the very short period from company launch to 30.06.2017 presenting the comparative information as at 31.12.2017 provides more useful informations to the financial statements readers. The standard reporting period is at year end, full year accounts were published to the end of period 31.12.2017.

The interim financial statements are presented in Swiss francs (CHF) and all values are rounded to the nearest CHF.

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 ("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. For the interim financial statements, fair value is based on the non-audited and estimated net asset values of the different VSO compartments. Net asset values of VSO compartments are determined depending on the underlying asset type; it is based on paid and accrued interest regarding bridge loan strategies and non performing loan strategies; for assets under construction and existing assets it is determined with a net present value approach. 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 is performed annually at year-end 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. For interim financial statements, VSO fair values are determined taking into account the net present value approach.
- 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 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 amount.

VSO compartments are not listed and do not provide any redemption feature, therefore reducing the liquidity of the investment. VSO compartments are to be seen as private equity investments with a limited life span. Notes are sellable to other investments. Redemptions are made on a mandatory basis, each time there is sufficient cash to provide to Noteholders.

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, financial assets and liabilities in foreign currencies are converted at the exchange rate on the balance sheet date. Other 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 1.1569 (31.12.2017 : 1.1702).

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 proceeds net of expenses and the fair value of the notes recognized in the books at the time of the redemption.

1.7 Income tax

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 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 rates that have been enacted or substantively enacted at the balance sheet date and are expected to apply. No income taxes were paid during the period ended June 30, 2018 (31.12.2017 - nil).

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. For the preparation of the interim financial statements, no third party assessment was performed for the valuation of the investments and therefore the assessment of these investments is the sole responsibility of the board of directors.

As at June 30, 2018, the Company owned notes of 7 different compartments as per the below explanation and table:

Compartments	Initial acquisition value CHF	Accumulated redemption acquisition value CHF	Accumulated reinvestment CHF	Accumulated fair value adjustment as of 30.06.2018 CHF	Fair value 30.06.2018 CHF
VSO V	425,278	-64,366	0	45,547	406,459
VSO VII	425,278	-128,733	0	53,435	349,980
VSO X	423,232	-159,443	0	55,606	319,395
VSO XI	425,312	0	39,501	34,651	499,464
VSO Spanish Phoenix II	0	0	555,239	12,720	567,959
VSO XX	0	0	160,099	-4,251	155,848
VSO Europe Properties	14,841,450	0	0	468,045	15,309,495
Total	16,540,550	-352,542	754,839	665,753	17,608,600

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	Accumulated redemption acquisition value CHF	Accumulated reinvestment CHF	Fair value adjustment as of 31.12.2017 CHF	Fair value 31.12.2017 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

Almost all proceeds of the redemption of notes have been immediately reinvested into others compartments without cash transactions. Accordingly, these transactions for an amount of CHF 18,287, for the period ending June 30, 2018 (31.12.2017 : CHF 736,427) 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 the end of the period :

Compartments	Domicile	Country of investments	Strategy	6/30/2018	6/30/2018
				Number of Notes held by Varia	Percentage held by Varia of total compartment's capital
VSO V	Luxembourg	Spain	Bridge Loans	314	3.2%
VSO VII	Luxembourg	Italy	Non Performing Loans	258	3.0%
VSO X	Luxembourg	Italy	Income assets	225	1.6%
VSO XI	Luxembourg	Spain	Development	404	10.0%
VSO Spanish Phoenix II	Luxembourg	Spain	Development	482	5.3%
VSO XX	Luxembourg	Italy	Non Performing Loans	136	1.2%
VSO Europe Properties	Luxembourg	Spain & Italy	Diversified	12,900	100.0%

For operational ease, all new investments are made from February 23, 2018 through a dedicated Luxembourg compartment, VSO Europe Properties, of which Varia is the sole noteholder. VSO Europe Properties, depending on the type of structure, can invest as a noteholder into either another compartment, or the underlying SPV through VSO RE, a securitization company. At the end of the period, VSO Europe Properties allocated capital in the following underlying VSO compartments :

Compartments	Domicile	Country of investments	Strategy	6/30/2018	
				Percentage held by VSO Europe	Properties of total compartment's value
VSO VII	Luxembourg	Italy	Non Performing Loans	6.7%	
VSO XI	Luxembourg	Spain	Income assets	24.8%	
VSO RE: SPV Carimate / Teras	Luxembourg	Italy	Income assets	22.9%	
VSO RE: SPV Hollandia (Medio)	Luxembourg	Italy	Non Performing Loans	8.6%	
VSO RE: SPV Hollandia (Albatros)	Luxembourg	Italy	Non Performing Loans	6.2%	
VSO RE: SPV Immobiliare CMC	Luxembourg	Italy	Development	16.1%	
VSO Iberia Income Opportunity	Luxembourg	Spain	Income assets	2.1%	
VSO Spanish Phoenix II	Luxembourg	Spain	Development	22.1%	
VSO Spanish Phoenix CAT	Luxembourg	Spain	Development	18.4%	

The investments of Varia in the notes VSO were the following at December 31, 2017 :

Compartments	Domicile	Country of investments	Strategy	12/31/2017	
				Number of Notes held by Varia	Percentage held by Varia of total compartment's value
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

	6/30/2018	12/31/2017
	CHF	CHF
Audit fees	10,770	25,000
Accounting fees	39,260	26,900
Legal fees	47,096	3,816
Other expenses	28,465	219
Total	125,591	55,935

2.3 Accrued taxes

The accrued taxes consist on provisions for the capital tax and deferred taxes related to the period.

The deferred taxes of the period consist of deferred tax liabilities for an amount of CHF 90,000 related to the fair value adjustments of the investments and of deferred tax assets for an amount of CHF 32,300 related to the unused deductible loss.

	6/30/2018	12/31/2017
	CHF	CHF
Balance at the beginning of the period	1,600	0
Capital tax provision	6,170	1,600
Deferred tax provision	57,700	0
Balance at the end of the period	65,470	1,600

The effective income tax rates 2017 and 2018 are respectively 14.60% and 13.06% in the canton of Zug.

2.4 Share capital | Reserves from capital contributions

The share capital at June 30, 2018 is divided in 10,774,245 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
Ordinary share capital increase on January 29, 2018	9,240,909	9,240,909	5,550,284
Balance as of June 30, 2018	10,774,245	10,774,245	6,203,518

The Company was 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.

The Company proceeded to two capital increases on June 28, 2017 and on January 29, 2018 raising net proceeds of respectively CHF 1,986,570 and CHF 14,791,193.

For these capital increases, the related transaction costs amounting to respectively CHF 13,434 and CHF 456,307 were deducted from the share premium recorded in the Reserves from capital contributions in accordance with the Swiss code of obligations.

As of December 31, 2017, the net asset value of Varia Europe based on shareholders' equity was CHF 2,187,083, while the net asset value per share, based on the existing number of shares at that date (1,533,336) amounted to CHF 1.43. As of June 30, 2018, the net asset value of Varia Europe based on shareholders' equity was CHF 17,338,450, while the net asset value per share, based on the existing number of shares at that date (10,774,245) amounted to CHF 1.61.

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)

	6/30/2018	12/31/2017
	CHF	CHF
Net profit of the period	360,174	513
Average of ordinary shares outstanding	9,285,432	1,172,113
Basic earnings per share	0.0388	0.0004
Diluted earnings per share	0.0388	0.0004

There is no dilutive shares at June 30, 2018 (31.12.2017 - nil).

2.6 Financial result

	6/30/2018	12/31/2017
	CHF	CHF
Financial income		
Foreign currency exchange gains	0	23,320
Total	0	23,320
Financial expenses	CHF	CHF
Bank interests	1,222	0
Bank fees	152	275
Foreign currency exchange losses	42,139	291
Total	43,513	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, expense in the amount of CHF 7,500 was accrued (31.12.2017 - nil). No other compensation to the Board members for their role or for additional work. 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 June 30, 2018.

Transactions of Varia with Stoneweg SA and its subsidiaries

During the period, the activities of Varia were administered and managed 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.

During the reporting period December 31, 2017, ended June 30, 2018 REIS has charged the Company approximately 305,000 CHF in placement and capital increase fees that have been accounted for as transaction costs against the share premium proceeds.

During the period VSO Europe Properties paid on behalf of Varia an amount of CHF 51,356 which represents a debt at the end of the period.

Shareholding rights of Board of Directors members

The following Board Members owned directly or indirectly shares of the Company as of June 30, 2018 as follows:

Name	Function	6/30/2018 Shares	12/31/2017 Shares
Taner Alicicic	Chairman	266,667	266,667
Jaume Sabater Martos	Member	166,667	166,667
Pierre Grégoire Baudin	Member	166,667	-
Total		600,001	433,334

3 Other information

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

Varia Europe Properties AG has no employees at June 30, 2018 and has never employed any staff.

3.2 Contingent liabilities

As of June 30, 2018, 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

Since the balance sheet date as of June 30, 2018, 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

Interim Statutory Financial Statements 30 June 2018

Varia Europe Properties AG, Zug
Interim balance sheet as of June 30, 2018

Expressed in CHF	Notes	June 30, 2018	December 31, 2017
Assets			
Cash and cash equivalents		707	70,301
Current Assets		707	70,301
Investments	2.1	16,942,847	2,127,810
Non-Current Assets		16,942,847	2,127,810
Total Assets		16,943,554	2,198,111
Liabilities and Shareholders' equity			
Trade accounts payable to third parties		28,440	0
Trade accounts payable to related parties	2.8	51,356	0
Accrued expenses	2.2	125,591	55,935
Provision for taxes	2.3	7,770	1,600
Current liabilities		213,157	57,535
Liabilities		213,157	57,535
Share capital	2.4	10,774,245	1,533,336
Reserves from capital contributions	2.4	6,203,518	653,234
Legal capital reserves		6,203,518	653,234
Retained earnings brought forward		-45,994	0
Net loss for the period/year		-201,372	-45,994
Accumulated deficit		-247,366	-45,994
Shareholders' equity		16,730,397	2,140,576
Total Liabilities and Shareholders' equity		16,943,554	2,198,111

Varia Europe Properties AG, Zug
Interim profit and loss statement
for the period from January 1, 2018 through June 30, 2018

Expressed in CHF	Notes	For the period ended June 30, 2018	From April 20, 2017 to December 31, 2017
Gain on redemption of notes		3,412	7,701
Loss on redemption of notes		0	-3,979
Revenue		3,412	3,722
Directors' fees		-7,500	0
Communications, publicity and marketing		-14,344	-261
Membership fees		-754	-3,544
Accounting and administration expenses		-26,004	-37,000
Legal and other consulting fees		-98,408	-3,816
Audit fees		-7,310	-25,000
Incorporation expenses		0	-1,220
Other operating expenses		-781	-29
Direct taxes on capital	2.3	-6,170	-1,600
Operating expenses		-161,271	-72,470
Operating loss before financial result		-157,859	-68,748
Financial income	2.5	0	23,320
Financial expenses	2.5	-43,513	-566
Net loss for the period		-201,372	-45,994

Varia Europe Properties AG, Zug
Notes to the interim financial statements
for the period from January 1, 2018 through June 30, 2018

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 it 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 Spain and Italy, with 4 different strategies:

- 1- Developments: participation in real estate constructions with a special focus on residential for sale developments.
- 2- Bridge Loans: participation in real estate loans backed by 1st lien mortgages, with a 12 to 36 months maturity.
- 3- Income Assets: participation in real estate commercial assets with existing tenants.
- 4- 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 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 interim financial statements were prepared in accordance with the Swiss accounting legislation (32nd title of the Code of Obligations). The balance sheet figures as of June 30, 2018 are compared with the figures as of December 31, 2017 and the profit and loss statement figures for the period from January 1, 2018 through June 30, 2018 are compared with these for the period from April 20, 2017 to December 31, 2017.

The Board of directors of the Company is ultimately responsible for the policies, the valuations, and the management of the activities. The statutory financial statements for the period ended December 31, 2017 were approved by the Annual General Meeting of Shareholders on August 30, 2018.

These accompanying interim financial statements of Varia for the 6 months period ended June 30, 2018 were authorised by the Board of directors for issue on October 22, 2018. They should be read in conjunction with the company's last annual financial statements as of December 31, 2017 and for the period from April 20, 2017 (inception) through December 31, 2017.

Comparative information is provided as at 31.12.2017, rather than 30.06.2017, given that these are interim financial statements. Due to the very short period from company launch to 30.06.2017 presenting the comparative information as at 31.12.2017 provides more useful informations to the financial statements readers. The standard reporting period is at year end, full year accounts were published to the end of period 31.12.2017.

The interim financial statements are presented in Swiss francs (CHF) and all values are rounded to the nearest CHF.

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 ("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 1.1569 (31.12.2017 : 1.1702), except for the investments valued at their acquisition historical rate.

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 proceeds net of expenses and the acquisition value of the notes.

1.7 Income tax

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

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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 June 30, 2018, the Company owned notes of 7 different compartments as per the below explanation and table:

Compartments	Initial acquisition value CHF	Accumulated redemption acquisition value CHF	Accumulated reinvestment CHF	6/30/2018 CHF
VSO V	425,278	-64,366	0	360,912
VSO VII	425,278	-128,733	0	296,545
VSO X	423,232	-159,443	0	263,789
VSO XI	425,312	0	39,501	464,813
VSO Spanish Phoenix II	0	0	555,239	555,239
VSO XX	0	0	160,099	160,099
VSO Europe Properties	14,841,450	0	0	14,841,450
Total at acquisition costs	16,540,550	-352,542	754,839	16,942,847

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	Accumulated redemption acquisition value CHF	Accumulated reinvestment CHF	12/31/2017 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 June 30, 2018, the net asset value of Varia Europe in its investments' equities amounted to EUR 15.22 million (31.12.2017 : EUR 1.86) or CHF 17.61 million (31.12.2017 : CHF 2.17) at EUR/CHF closing exchange rate, presenting therefore a total value in excess of CHF 0.67 million (31.12.2017 : CHF 0.05) over the investments acquisition values.

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

Compartments	Domicile	Country of investments	Strategy	Number of Notes held by Varia	6/30/2018 Percentage held by Varia of total compartment's value in %
VSO V	Luxembourg	Spain	Bridge Loans	314	3.2%
VSO VII	Luxembourg	Italy	Non Performing Loans	258	3.0%
VSO X	Luxembourg	Italy	Income assets	225	1.6%
VSO XI	Luxembourg	Spain	Development	404	10.0%
VSO Spanish Phoenix II	Luxembourg	Spain	Development	482	5.3%
VSO XX	Luxembourg	Italy	Non Performing Loans	136	1.2%
VSO Europe Properties	Luxembourg	Spain & Italy	Diversified	12,900	100.0%

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For operational ease, all new investments are made since February 23, 2018 through a dedicated Luxembourg compartment, VSO Europe Properties, of which Varia is the sole noteholder. VSO Europe Properties, depending on the type of structure, can invest as a noteholder into either another compartment, or into the underlying SPV through VSO RE, a securitization company. At the end of the period, VSO Europe Properties allocated capital in the following underlying VSO compartments :

Compartments	Domicile	Country of investments	Strategy	6/30/2018	6/30/2018
				Capital Allocation by VSO Europe Properties	Percentage held by VSO Europe Properties of total compartment's value
				CHF	in %
VSO VII	Luxembourg	Italy	Non Performing Loans	655,785	6.7%
VSO XI	Luxembourg	Spain	Income assets	1,150,500	24.8%
VSO RE: SPV Carimate / Teras	Luxembourg	Italy	Income assets	1,828,576	22.9%
VSO RE: SPV Hollandia (Medio)	Luxembourg	Italy	Non Performing Loans	1,150,500	8.6%
VSO RE: SPV Hollandia (Albatros)	Luxembourg	Italy	Non Performing Loans	1,150,500	6.2%
VSO RE: SPV Immobiliare CMC	Luxembourg	Italy	Development	1,162,005	16.1%
VSO Iberia Income Opportunity	Luxembourg	Spain	Income assets	2,301,000	2.1%
VSO Spanish Phoenix II	Luxembourg	Spain	Development	2,301,000	22.1%
VSO Spanish Phoenix CAT	Luxembourg	Spain	Development	2,301,000	18.4%

The investments of Varia in the notes VSO were the following at December 31, 2017 :

Compartments	Domicile	Country of investments	Strategy	12/31/2017	12/31/2017
				Number of Notes held by Varia	Percentage held by Varia of total compartment's value
					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

	6/30/2018	12/31/2017
	CHF	CHF
Audit fees	10,770	25,000
Accounting fees	39,260	26,900
Legal fees	47,096	3,816
Other expenses	28,465	219
Total	125,591	55,935

2.3 Accrued taxes

The accrued taxes consist on provisions for the capital tax related to the period.

	6/30/2018	12/31/2017
	CHF	CHF
Balance at the beginning of the period	1,600	0
Capital tax provision	6,170	1,600
Balance at the end of the period	7,770	1,600

The effective income tax rates 2017 and 2018 are respectively 14.60% and 13.06% in the canton of Zug.

2.4 Share capital | Reserves from capital contributions

The share capital at June 30, 2018 is divided in 10,774,245 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
Ordinary share capital increase on January 29, 2018	9,240,909	9,240,909	5,550,284
Balance as of June 30, 2018	10,774,245	10,774,245	6,203,518

The Company was 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.

The Company proceeded to two capital increases on June 28, 2017 and on January 29, 2018 raising net proceeds and premium of respectively CHF 1,986,570 and CHF 14,791,193.

For these capital increases, the related transaction costs amounting to respectively CHF 13,434 and CHF 456,307 were deducted from the share premium recorded in the Reserves from capital contributions 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.

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2.5 Financial result	6/30/2018	12/31/2017
	CHF	CHF
Financial income		
Foreign currency exchange gains	0	23,320
Total	0	23,320
Financial expenses	CHF	CHF
Bank interests	1,222	0
Bank fees	152	275
Foreign currency exchange losses	42,139	291
Total	43,513	566

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, expense in the amount of CHF 7,500 was accrued (31.12.2017 - nil).

No other compensation to the Board members for their role or for additional work. 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 June 30, 2018.

Transactions of Varia with Stoneweg SA and its subsidiaries

During the period, the activities of Varia were administered and managed 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.

During the reporting period December 31, 2017, ended June 30, 2018 REIS has charged the Company approximately 305,000 CHF in placement and capital increase fees that have been accounted for as transaction costs against the share premium proceeds.

During the period VSO Europe Properties paid on behalf of Varia an amount of CHF 51,356 which represents a debt at the end of the period.

Shareholding rights of Board of Directors members

The following Board Members owned directly or indirectly shares of the Company as follows :

Name	Function	6/30/2018	12/31/2017
			Shares
Taner Alicehic	Chairman	266,667	266,667
Jaume Sabater Martos	Member	166,667	166,667
Pierre Grégoire Baudin	Member	166,667	-
Total		600,001	433,334

3 Other information

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

Varia Europe Properties AG has no employees at June 30, 2018 and has never employed any staff.

3.2 Contingent liabilities

As of June 30, 2018, 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

Since the balance sheet date as of June 30, 2018, there has been no other further event that would have a material impact on the financial statements and related disclosure.