SunVesta, Inc.

a Florida corporation
c/o Hubco Registered Agent Services, Inc.
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Annual Report
2018

(for the period ending: December 31, 2018)

As of December 31, 2018, the number of shares outstanding of our Common Stock was: 107,241,603

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Indicate by check mark whether a Change in Control[1] of the company has occurred over this reporting period:

Yes: ☒ No: ☐

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[1] "Change in Control" shall mean any events resulting in:
(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

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Disclosure Statement Annual Report 2018

1 Name of the Issuer and Its Predecessors (if any)

SunVesta, Inc. (the "Company").

Incorporated in the State of Florida on September 12, 1989. The Company is in good standing and is currently active.

Has the Company or any of its predecessors ever been subject to bankruptcy, receivership, or any similar proceedings.

Yes: ☐ No: ☒

2 Security Information

Securities:

Trading symbol:	SVSA
Exact title and class of securities outstanding	Common Stock
CUSIP	86801L103
Par or stated value	$0.01
Total shares authorized	200,000,000 as of March 28, 2019
Total shares outstanding	107,241,603 as of March 28, 2019
Number of shares in the Public Float[2]	34,155,778 as of March 28, 2019
Total number of shareholders of record.	90 as of March 28, 2019

Trading symbol:	N/A
Exact title and class of securities outstanding	Preferred Stock
CUSIP	N/A
Par or stated value	$0.01
Total shares authorized	50,000,000 as of March 28, 2019
Total shares outstanding	0 as of March 28, 2019
Number of shares in the Public Float[2]	0 as of March 28, 2019
Total number of shareholders of record.	0 as of March 28, 2019

Transfer Agent

Standard Registrar & Transfer Company
(801) 571-8844
amy@standardregistrar.com

Is the Transfer Agent registered under the Exchange Act?[3] Yes: ☒ No: ☐

[2] "Public Float' shall mean the total number of unrestricted shares not held directly or indirectly by any officer or, director or any person who is a beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

[3] To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

Trading Suspension Orders Issued by the SEC in the past 12 months concerning the Company or its predecessors:

None.

3 Issuance History

A. Changes to the Number of Outstanding Shares

The following chart shows changes in total shares outstanding of the Company in the past two years and any interim period including all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares or any other securities or options to acquire such equity securities, and any securities issued for services.

Number of Shares Outstanding as of Jan 1, 2017	Opening Balance: Common: 101,841,603 Preferred: 0								
Date of Transaction	**Transaction type (e.g. new issuance, cancellation, shares returned to treasury)**	**Number of Shares Issued (or cancelled)**	**Class of Securities**	**Value of shares issued ($/per share) at Issuance**	**Were the shares issued at a discount to market price at the time of issuance? (Yes/No)**	**Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).**	**Reason for share issuance**	**Restricted or Unrestricted as of this filing?**	**Exemption or Registration Type?**
12/27/2017	New Issuance	2,500,000	Common	0.01	No	Hans Rigendinger	CEO Services	Restricted	4(a)(2)/Reg S
10/19/2017	New Issuance	200,000[4]	Common	0.07	No	Howard Glicken	Director Services	Restricted	4(a)(2)
12/27/2017	New Issuance	200,000[4]	Common	0.01	No	Jose Figueres	Director Services	Restricted	4(a)(2)/Reg S
05/31/2018	New Issuance	2,500,000	Common	0.01	No	Hans Rigendinger	CEO Services	Restricted	4(a)(2)/Reg S
Number of shares outstanding as of March 28, 2019	Ending Balance: Common: 107,241,603 Preferred: 0								

B. Debt Securities and Loans, Including Promissory and Convertible Notes

The following table lists all of the outstanding debt securities and other debt of the Company:

[4] Effective December 22, 2017, the Company accepted the resignation of Mr. Glicken as a director and effective January 10, 2018, the Company accepted the resignation of José Maria Figueres as a director.

Date of Issuance	Outstanding Balance (USD)[1] as of 31 December 2018	Principal Amount (USD)[1] as of 31 December 2018	Interest Rate	Maturity Date	Name of Noteholder	Instruments
12/31/2012	15,122,034[2]	10,205,482	7.25%	12/31/2020	Aires International Investment Inc.	Loan
12/31/2013	14,284,874[2]	10,160,400	7.25%	12/31/2020	Aires International Investment Inc.	Loan
12/31/2014	13,514,513[2]	10,160,400	7.25%	12/31/2020	Aires International Investment Inc.	Loan
Various	3,124,485[2]	Various	7.25%	Various	Aires International Investment Inc.	Miscellaneous Advances

[1] The outstanding balances/principal amounts are denominated in CHF. The exchange rate used was CHF 0.98389/USD 1.
[2] The outstanding balances include accrued and unpaid interest.

In addition, SunVesta Holding AG, a Swiss corporation and the Company's wholly-owned subsidiary ("SunVesta Holding"), has the following debt securities and other debt outstanding:

Date of Issuance	Carrying Value (USD)[1] as of 31 December 2018	Interest Rate	Maturity Date	Name of Noteholder	Instruments
Various	4,341,216	6.5%	August 14, 2020	Various Investors	CHF Bond III
Various	28,162,862	6.5%	May 1, 2022	Various Investors	CHF Bond IV
Various	14,256,310[2]	7.25%	Not before December 31, 2020 and not later than December 31, 2022	Aires International Investment Inc.	Loan
Various	72,697,540[2]	7.25%	Not before December 31, 2020 and not later than December 31, 2022	Global Care AG	Loan

[1] The debts are denominated in CHF. The exchange rate used was CHF 0.98389/USD 1.
[2] The outstanding balances include accrued and unpaid interest.

The Company's and SunVesta Holding's debt has priority over the shareholders' equity in the Company. Neither the Company nor SunVesta Holding has any sources of revenue to service its debt and depend entirely on external financing sources to sustain their operations. The debt securities and other debt of SunVesta Holding are structurally senior to the Company's debt. If SunVesta Holding's creditors were to enforce their claims against SunVesta Holding's assets, including its indirect interest in the Papagayo Bay resort project (as defined below), SunVesta Holding's creditors could deprive the Company of its interest in the Papagayo Bay resort project.

4 Financial Statements

The Company's audited financial statements for the fiscal years ended December 31, 2018 and December 31, 2017, including an audit opinion, attached to this report, have been prepared in accordance with U.S. GAAP.

The financial statements for this reporting period have been prepared by Ernst Rosenberger, Corporate Controller of the SunVesta Group (as defined below). Mr. Rosenberger serves in this capacity as an independent contractor.

5 Issuer's Business, Products and Services

A. Business Operations

The Company is the sole shareholder of SunVesta Holding. Except for its holding of shares in SunVesta Holding, the Company is not engaged in any business. SunVesta Holding, through its indirect subsidiary, SunVesta Costa Rica SA, a Costa Rican corporation ("SVCR"), is in the process of developing a resort in the Papagayo Gulf Tourism area of Guanacaste Province, Costa Rica (the "Resort Project"). For this purpose, SVCR acquired approximately 228,000 sq. meters of land under concessions which expire in the year 2052. While the site has been substantially prepared for construction in line with the project concept developed with Meliá Hotels International (see below), construction of the Resort Project has not yet begun. SunVesta Holding has considered different concepts for the Resort Project, and there have been several changes to the project over the years. SunVesta Holding had initially contracted with Meliá Hotels International to operate the Resort Project. In 2018, this agreement was terminated. This has resulted in a delay of the Resort Project. Currently, SunVesta Holding is in early discussions with a possible new operator for the Resort Project. As the ultimate concept for the Resort Project is not certain at this point in time, the definitive project cost cannot yet be assessed. Management estimates that the SunVesta Group (as defined below) will have a financing need in excess of USD 270 million over the next five years. This includes the amounts necessary to refinance the existing debt of the SunVesta Group (not including the debt owed to Aires International Investments Inc. ("Aires") and Global Care AG ("Global Care")) and to finance interest payments on outstanding debt, the planning and construction of the Resort Project and two to three years of operation of the Resort Project including overhead expenses. The Company's board of directors expects that this financing would likely be provided in the form of debt to be issued by SunVesta Holding or SVCR or preferred equity following a restructuring of the Company's and SunVesta Holding's debt. Any such equity financing would substantially dilute the Company's interest in SunVesta Holding.

On July 16, 2012, each of Joseph Mettler, Zypam Ltd., Hans Rigendinger and Dr. Max Rössler on the one side and SunVesta Holding on the other side entered into a "guaranty agreement" in favor of SunVesta Holding as the beneficiary under Swiss law. The purpose of this agreement was to require Zypam Ltd. and Messrs. Mettler and Rigendinger and Dr. Rössler to secure SunVesta Holding's financing of the Resort Project until its financing can be arranged and to subordinate their claims under this agreement in accordance with Section 725 of the Swiss Code of Obligations. On September 22, 2015, the signatories to this agreement agreed to extend the agreement until December 31, 2018. On October 28, 2016, following the death of Mr. Mettler, Mr. Rigendinger and Dr. Rössler formally agreed to extend their commitment, as necessary, until completion of the construction of the Resort Project.

Pursuant to the guaranty agreement, as amended, Mr. Rigendinger and Dr. Rössler agreed to pay to SunVesta Holding the funds necessary to cover the capital requirements that were established in mid-June 2012 until the financing of the Resort Project (by way of a construction loan) is secured or possibly until the Resort Project is completed. The Company is not named as a beneficiary in the guaranty agreement. The guaranty agreement also does not specify the exact scope of Dr. Rössler's and Mr. Rigendinger's financing requirement or the terms and conditions that apply to such financing. Recently, SunVesta Holding has been financed by loans granted by Aires and Global Care, two companies indirectly controlled by Dr. Rössler. While Aires and Global Care have waived the accrual of additional interest as of October 1, 2018 until further notice, the guaranty agreement does not require that future financing must be made available to SunVesta Holding in the form of interest-free debt or equity. Accordingly, additional financing provided by Mr. Rigendinger and/or Dr. Rössler would not improve the capital structure of the SunVesta Group.

In light of the financial situation of the Company and SunVesta Holding, the significant financing required to complete the Resort Project, and the lack of a binding agreement with a resort operator, it is uncertain whether the planned Resort Project can ever be realized, or if it is, whether it will be profitable and/or generate sufficient cash flow to service the Company's and SunVesta Holding's current debt and any debt that will be incurred in the future. In light of the Company's financial situation and the uncertainties related to the Resort Project described above and elsewhere in this report, the Company's board of directors has resolved to sell SunVesta Holding to Aires, the Company's principal creditor, and to dissolve the Company for a purchase price that would permit an orderly dissolution of the Company and on terms that would otherwise result in the settlement of all debt owed by the Company to Aires and is recommending both actions to the Company's shareholders for their approval. In connection with such a sale, Aires has agreed, effective as of the completion of the Company's liquidation, to release the Company from all of its obligations to Aires, including the principal and accrued and unpaid interest on the Company's debt owed to Aires. Because three of the Company's directors may have a conflict of interest in the proposed sale of SunVesta Holding to Aires, the Company's board of directors formed a special committee of disinterested directors, consisting of Gabriel Margent and Alex Rosenzweig, to consider the fairness of the proposed sale and to negotiate its terms with Aires on behalf of the Company.

The proposed sale of SunVesta Holding to Aires and the Company's dissolution will require the approval of the Company's shareholders at a special meeting of shareholders to be called for these purposes. We are informing our shareholders about these matters in greater detail together with the formal invitation to a special shareholders meeting.

B. Subsidiaries

SunVesta Holding is the only wholly-owned subsidiary of the Company. SunVesta Holding has two wholly-owned subsidiaries: SunVesta Projects and Management AG, a Swiss company, and SunVesta Holding España SL, a Spanish company, which wholly-owns SVCR (with the Company, all together, the "SunVesta Group").

As set forth under "5.A. Business Operations" above, the Company's board of directors has resolved to sell and recommend to the Company's shareholders for their approval the sale of SunVesta Holding to Aires.

C. Services and Markets

The Company does not provide any services and is not directly active in any markets. Through SVCR, SunVesta Holding intends to be engaged in the hospitality and lodging industry in Costa Rica, but is not currently active in this industry. SunVesta Holding intends to take advantage of the demand for hotel lodging and hospitality in Costa Rica with its Resort Project. While management believes that Costa Rica is an attractive and growing market for tourism, it is uncertain whether SVCR will ever be able to successfully operate the planned Resort Project. The global market for lodging and hospitality is very competitive, and dominated by established brands and vacation destinations. In order to be competitive, SVCR will need significant financial resources, expected to be provided in the form of debt, and a resort operator who is able to successfully compete with other established brands and locations. Even if SVCR is able to overcome these challenges, a deterioration of market conditions in Costa Rica or globally could put the Resort Project, which will depend on substantial debt financing, at risk.

6 Issuer's Facilities

SunVesta Holding is developing a five-star luxury hotel and resort (*i.e.*, the Resort Project) on 228'000 m^2 of land located in Guanacaste Province, Costa Rica. SunVesta Holding leases an office at Seestrasse 97 in Oberrieden, Switzerland at an annual rent of $130,000. The lease expires on December 31, 2019.

7 Officers, Directors and Control Persons

The following table sets forth the name and position of each director, executive officer, general partner and control person (control persons are beneficial owners of more than five percent (5%) of any class of the Company's equity securities) as of the date of this report.

Name of Officer/Director and Control Person	Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)	Residential Address (City/State Only)	Number of shares owned	Share Type/Class	Ownership Percentage of Class Outstanding
Hans Rigendinger	CEO, CFO, Director, > 5% shareholder	Chur, Switzerland	40,078,860	Common	37.37%
Dr. Max Rössler[1]	Director, > 5% shareholder via Aires	Hergiswil, Switzerland	11,000,000	Common	10.26% via Aires
Humberto Pacheco	Director	San José, Costa Rica	0	N/A	0%
Gabriel Margent	Independent Director	Pennsylvania, USA	0	N/A	0%
Alex Rosenzweig	Independent Director	Santa Barbara, USA	0	N/A	0%
Estate of Josef Mettler[2]	> 5% shareholder	Pfäffikon (SZ), Switzerland	14,991,514	Common	13.98%

1) Our director, Dr. Max Roessler, controls Aires international Investments Inc., which holds 11,000,000 shares of the Company.
2) Mr. Mettler died in 2016. The information in this chart is based on the Company's stock register and includes those shares which are still registered in the late Mr. Mettler's name and in the name of Zypam Ltd., a company which we understand was controlled by the late Mr. Mettler.

8 Legal/Disciplinary History

In the past 10 years, none of the persons listed under 7 above has been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

Other than ordinary routine litigation incidental to the business to which the Company or any of its subsidiaries is a party or of which any of their property is the subject, there are no material pending legal proceedings to which the Company or any of its subsidiaries is a party or by which any of their respective assets are bound, and to the Company's knowledge, no such proceedings have been contemplated by any person or governmental authority.

The Company has received penalty notices from the U.S. Internal Revenue Service for failing to file certain tax returns for the years 2008, 2009, 2010 and 2011. The Company intends to settle these claims with the proceeds of the proposed sale of SunVesta Holding to Aires.

9 Issuer Certification

I, Hans Rigendinger, certify that:

a) I have reviewed this annual statement of the Company;

b) Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

c) Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this disclosure statement.

May 2, 2019

H. Rigendinger

Hans Rigendinger
Chief Executive Officer and Chief Financial Officer

Appendix

On the following pages you will find the audited financial statements for the periods ended December 31, 2018, and December 31, 2017, and the respective audit opinion.

SunVesta, Inc.
and its subsidiaries

Consolidated financial statements
2018

April 10, 2019

SunVesta, Inc.

Consolidated balance sheets
as at December 31, 2018 and 2017

		December 31, 2018	December 31, 2017
Assets			
Current assets			
Cash and cash equivalents		2,371,021	4,058,982
Other assets		827,398	772,182
Total current assets	$	**3,198,419**	**4,831,164**
Non-current assets			
Property and equipment		59,948,186	76,423,695
Deposits related to construction work		316,854	851,665
Restricted cash		1,668,793	1,669,917
Total non-current assets	$	**61,933,834**	**78,945,277**
Total assets	$	**65,132,253**	**83,776,440**
Liabilities and stockholders' deficit			
Current liabilities			
Accounts payable		770,161	1,796,917
Accrued expenses		2,385,958	3,083,131
Other liabilities		246,918	28,720
Convertible CHF-Bonds		-	11,032,145
Liability related to conversion feature		-	922,087
Provisions for liquidated damages		-	5,120,000
Total current liabilities	$	**3,403,037**	**21,983,000**
Non-current liabilities			
CHF-Bonds		32,503,078	31,853,298
Notes payable to related parties not subordinated		49,958,943	20,490,817
Notes payable to related parties subordinated		83,040,814	79,339,011
Pension liabilities		685,039	210,031
Total non-current liabilities	$	**166,187,874**	**131,893,157**
Total liabilities	$	**169,590,911**	**153,876,156**
Stockholders' deficit			
Preferred stock, $0.01 par value; 50,000,000 shares authorized, no shares issued and outstanding			
Common stock, $0.01 par value; 200,000,000 shares authorized; 107,241,603 shares issued and outstanding		1,072,416	1,047,416
Additional paid-in capital		22,315,370	23,404,808
Accumulated other comprehensive income/(loss)		(500,004)	(769,600)
Accumulated deficit		(127,346,441)	(93,782,340)
Total stockholders' deficit	$	**(104,458,658)**	**(70,099,716)**
Total liabilities and stockholders' deficit	$	**65,132,253**	**83,776,440**

The accompanying notes are an integral part of these consolidated financial statement

SunVesta, Inc.

Consolidated statements of comprehensive loss for the years ended December 31, 2018 and 2017

		2018	2017
Revenues			
Revenue, net		-	-
Cost of revenue		-	-
Gross profit	$	-	-
Operating expenses			
General and administrative expenses		(2,762,857)	(5,280,844)
Expenses for liquidation damages		-	(5,120,000)
Impairment expenses		-	(280,242)
Loss from abandonment of long lived assets		(26,168,000)	-
Total operating expenses	$	**(28,930,857)**	**(10,681,086)**
Loss from operations	$	**(28,930,857)**	**(10,681,086)**
Other income/(expenses)			
Interest income		71,968	72,766
Interest expense		(6,656,243)	(6,719,208)
Change in Fair Value of Conversion Feature		923,066	1,631,708
Gain/(Loss) on extinguishment of debt		(39,266)	2,138,858
Exchange differences		381,022	(1,661,821)
Other income/(expenses)		686,211	(195,414)
Total other expenses	$	**(4,633,241)**	**(4,733,112)**
Loss before income taxes		**(33,564,098)**	**(15,414,197)**
Income Taxes		-	-
Net loss	$	**(33,564,098)**	**(15,414,197)**
Comprehensive loss			
Foreign currency translation		728,692	(3,772,230)
Actuarial gains/(losses)		(459,096)	5,068
Comprehensive loss	$	**(33,294,503)**	**(19,181,359)**
Loss per common share			
Basic and diluted	$	(0.31)	(0.15)
Weighted average common shares			
Basic and diluted		**106,625,165**	**105,614,728**

The accompanying notes are an integral part of these consolidated financial statements

SunVesta, Inc.

Consolidated statements of stockholder's deficit for the years ended December 31, 2018 and 2017

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated deficit	Total Stockholders' Deficit
January 1, 2017	**$ 959,416**	**$ 23,238,526**	**$ 2,997,562**	**$ (78,368,143)**	**$ (51,172,639)**
Translation adjustments	-	-	(3,772,230)	0	(3,772,230)
Net loss	-	-	-	(15,414,197)	(15,414,197)
Actuarial gains/(losses)	-	-	5,068	-	5,068
Stock based compensation expense	88,000	166,282	-	-	254,282
December 31, 2017	**$ 1,047,416**	**$ 23,404,808**	**$ (769,600)**	**$ (93,782,340)**	**$ (70,099,716)**
Translation adjustments	-	-	728,692	-	728,692
Net loss	-	-	-	(33,564,098)	(33,564,098)
Actuarial gains/(losses)	-	-	(459,096)	-	(459,096)
Stock based compensation expense	-	(1,064,438)	-	-	(1,064,438)
Issuance of 2,500,000 shares	25,000	(25,000)	-	-	-
December 31, 2018	**$ 1,072,416**	**$ 22,315,370**	**$ (500,004)**	**$ (127,346,439)**	**$ (104,458,657)**

The accompanying notes are an integral part of these consolidated financial statements

SunVesta, Inc.

Consolidated statements of cash flows for the years ended December 31, 2018 and 2017

		2018	2017 (restated*)
Cash flows from operating activities			
Net loss	$	(33,564,098)	(15,414,197)
Adjustments to reconcile net loss to net cash:			
Depreciation and amortization		208	39,563
Impairment expenses		-	269,695
Loss from abandonment of long lived assets		26,168,000	-
Provision for liquidation damages		(5,120,000)	5,120,000
Amortization of debt issuance costs, commissions and discounts		679,358	1,248,067
Accrued interest on debt		5,617,010	4,733,015
Extinguishment of debt		39,266	(2,138,858)
Unrealized exchange differences		(540,200)	1,636,023
Stock compensation expense		(1,064,438)	254,283
Increase in pension fund commitments		12,055	22,300
Capitalized interest on construction in process		(2,661,669)	(3,164,472)
Other income related to conversion feature		(923,066)	(1,742,821)
Cash flow impact of increase/decrease in:			
Other assets		(296,933)	(790,885)
Accounts payable		(1,190,953)	(1,776,987)
Accrued expenses		(186,404)	(164,562)
Other liabilities		218,461	28,177
Net cash used in operating activities	**$**	**(12,813,403)**	**(11,841,657)**
Cash flow from investing activities			
Payments to acquire property, plant and equipment		(6,496,224)	(5,742,515)
Proceeds from sale of property, plant and equipment		-	32,260
Deposits related to construction		-	(878,903)
Net cash used in investing activities	**$**	**(6,496,224)**	**(6,589,158)**
Cash flows from financing activities			
Proceeds from notes payable related parties		27,950,361	23,543,234
Proceeds from bond issuance, net of commissions and debt issuance costs		541,580	1,417,595
Repayment of bonds		(10,792,643)	(2,305,714)
Proceeds from note payable and other debt		-	525,055
Repayments of note payable and other debt		-	(1,500,000)
Net cash provided by financing activities	**$**	**17,699,298**	**21,680,171**
Effect of exchange rate changes		(78,755)	6,052
Net increase/decrease in cash		**(1,689,084)**	**3,255,407**
Cash and cash equivalents incl. restricted cash, beginning of period		5,728,898	2,473,492
Cash and cash equivalents incl. restricted cash, end of period	**$**	**4,039,815**	**5,728,899**

SunVesta, Inc.

Consolidated statements of cash flows
for the years ended December 31, 2018 and 2017

Additional information on the statements of cash flows		
Increase of CHF Bond III by debiting loan due to Global Care AG (non-cash)	7,381,864	-
Decrease of CHF Bond III by crediting loan due to Global Care AG (non-cash)	7,520,585	-
Increase of loan due to Global Care by offsetting accrued interest (non-cash).	224,488	
Decrease of loan due to Global Care by offsetting with account payables (non-cash).	160,666	
Transfer of CHF Bond III original to notes payable to Global Care AG (non-cash)		15,375,505
Transfer of Convertible CHF-Bond II to CHF-Bond IV (non-cash)	-	25,638,012
Transfer of Convertible CHF-Bond II to notes payable to Global Care AG (non-cash)	-	1,564,444
Transfer of Convertible CHF-Bond I to CHF-Bond III (non-cash)	-	1,216,372
Increase of notes payable to Global Care AG by increase of other assets (non-cash)	-	988,304
Transfer of Convertible CHF-Bond I to CHF-Bond IV (non-cash)	-	251,599
Interest paid	2,756,488	2,017,556

*Restatement due to new requirement to include restricted cash in the reconciliation of cash and cash equivalents at the beginning and end of the period. Please also see note 3 and 18.

The accompanying notes are an integral part of these consolidated financial statements

1 Corporate information

On August 27, 2007, SunVesta, Inc. ("Company") acquired SunVesta Holding AG ("SunVesta Holding"). SunVesta Holding has two wholly-owned subsidiaries: SunVesta Projects and Management AG, a Swiss company and SunVesta Holding España SL, a Spanish company, which wholly-owns SunVesta Costa Rica SA ("SVCR"), a Costa Rican company (together, "the SunVesta Group").

The Company, through its indirect subsidiary, SVCR, is in process of developing a resort in the Papagayo Gulf Tourism area of Guanacaste province, Costa Rica (the "Resort Project"). For this purpose, SVCR acquired approximately 228,000 sq. meters of land under concessions which expire in the year 2052. SunVesta Holding contracted with Meliá Hotels International to operate the Resort Project. In 2018, this contract which impacted the prior planning and development of the Resort Project was terminated.

SunVesta Holding is in early discussions with a possible new operator for the Resort Project. As the ultimate concept for the Resort Project is not certain at this point in time, the definitive project cost cannot yet be assessed (please also refer to note 2).

In view of the prevailing circumstances the Company's activities are subject to significant risks and uncertainties.

These consolidated financial statements are prepared in US Dollars on the basis of generally accepted accounting principles in the United States of America ("US GAAP").

2 Going concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. Based on the current Resort Project status, the opening of the Resort Project will – even in the best case scenario - not take place before the year 2022. And as explained above, the entire Resort Project cost cannot be predicted with a reasonable degree of certainty. However, based on the previous project with Meliá Hotels International, management expects the following costs in connection with the development of the Resort Project until its opening:

	in million $
Completion of resort	201
Negative resort cash flows	13
Payment of existing debt [1)]	37
Future interest cost [2)]	8
Future overhead expenses	12
Total	**271**

1) Excluding repayment of debts to Aires Investment International Inc. and Global Care AG (related parties controlled by Dr. Max Rössler, a Director and related party)

2) Excluding interest of [1)] above.

On July 16, 2012, each of Joseph Mettler, Zypam Ltd., Hans Rigendinger and Dr. Max Rössler on the one side and SunVesta Holding on the other side entered into a "guaranty agreement" in favor of SunVesta Holding as the beneficiary under Swiss law. The purpose of this agreement was to require Zypam Ltd. and Messrs. Mettler and Rigendinger and Dr. Rössler to secure SunVesta Holding's financing of the Resort Project until its financing can be arranged and to subordinate their claims under this agreement in accordance with Section 725 of the Swiss Code of Obligations. On September 22, 2015, the signatories to this agreement agreed to extend the agreement until December 31, 2018. On October 28, 2016, following the death of Mr. Mettler, Mr. Rigendinger and Dr. Rössler formally agreed to extend their commitment, as necessary, until completion of the construction of the Resort Project.

Pursuant to the guaranty agreement, as amended, Mr. Rigendinger and Dr. Rössler agreed to pay to SunVesta Holding the funds necessary to cover the capital requirements that were established in mid-June 2012 until the financing of the Resort Project (by way of a construction loan) is secured or possibly until the Resort Project is completed. The Company is not named as a beneficiary in the guaranty agreement. The guaranty agreement also does not specify the exact scope of Dr. Rössler's and Mr. Rigendinger's financing requirement or the terms and conditions that apply to such financing. Recently, SunVesta Holding has been financed by loans granted by Aires and Global Care, two companies indirectly controlled by Dr. Rössler. While Aires and Global Care have waived the accrual of additional interest as of October 1, 2018 until further notice, the guaranty agreement does not require that future financing must be made available to SunVesta Holding in the form of interest-free debt or equity. Accordingly, additional financing provided by Mr. Rigendinger and/or Dr. Rössler would not improve the capital structure of the SunVesta Group.

In light of the financial situation of the Company and SunVesta Holding, the significant financing required to complete the project, and the lack of a binding agreement with a resort operator, it is uncertain whether the planned Resort Project can ever be realized, or if it is, whether it will be profitable and/or generate sufficient cash flow to service the Company's and SunVesta Holding's current debt and any debt that will be incurred in the future. In light of the Company's financial situation and the uncertainties related to the Resort Project in Costa Rica described above and elsewhere in this report, the Company's board of directors is considering selling SunVesta Holding to Aires, the Company's principal creditor, and to dissolve the Company for a purchase price that would permit an orderly dissolution of the Company and on terms that would otherwise result in the settlement of all debt owed by the Company to Aires. In connection with such a sale, it is thus expected that, effective as of the completion of the Company's liquidation, Aires would release the Company from all of its obligations to Aires, including the principal and accrued and unpaid interest on the Company's debt owed to Aires.

3 Cash and cash equivalents/restricted cash

As of December 31, 2018, the SunVesta Group has the following restricted cash positions:

	December 31, 2018 $	December 31, 2017 $
Credit Suisse in favor of BVK pension fund	129,690	130,814
Banco Lafise in favor of the Costa Rican Tourism Board	933,350	933,350
Banco Lafise in favor Costa Rican Environmental Agency – SETANA	605,753	605,753
Total restricted cash	**1,668,793**	**1,669,917**

Restricted cash positions in favor of Costa Rican Tourism Board and Costa Rican Environmental Agency – SETANA are related to the Resort Project and therefore any release of funds by SETANA or the Costa Rican Tourism Board is not expected until completion of the project. Due to this fact these restricted cash positions have been classified as long term.

The restricted cash position in favor of BVK pension fund is a rental deposit related to a long-term lease contract for office space rented by SunVesta Holding in Switzerland. Due to this fact this restricted cash position is also classified as long term.

The table below provides a reconciliation to the cash, cash equivalents and restricted cash positions as used in the statement of cash flows.

Cash, cash equivalents and restricted cash	December 31, 2018 $	December 31, 2017 $
Cash and cash equivalents	2,371,021	4,058,982
Restricted cash	1,668,793	1,669,917
Total cash, cash equivalents and restricted cash	**4,039,814**	**5,728,898**

4 Property & Equipment

		Construction in-process	Concession Land	Other equipment and furniture	Total
Balances January 1, 2018	$	**56,722,733**	**19,700,000**	**962**	**76,423,695**
Additions		6,496,224	-	-	6,496,224
Capitalised interest		2,661,669	-	-	2,661,669
Transfer of deposits related to construction work		534,806	-	-	534,806
Depreciation		-	-	(208)	(208)
Loss from abandonment of long lived assets		(26,168,000)	-	-	(26,168,000)
Foreign exchange differences		-	-	-	-
Balances December 31, 2018	$	**40,247,432**	**19,700,000**	**754**	**59,948,186**
Cost		66,415,432	19,700,000	534,644	86,650,077
thereof capitalized interest		*18,885,202*	-	-	*18,885,202*
thereof other cost		*47,530,231*	*19,700,000*	*534,644*	*67,764,875*
Accumulated depreciation		-	-	(533,890)	(533,890)
Accumulated loss from abandonment of long lived assets		(26,168,000)	-	-	(26,168,000)
Net carrying value	$	**40,247,432**	**19,700,000**	**754**	**59,948,186**

		Construction in-process	Concession Land	Other equipment and furniture	Total
Balances January 1, 2017	$	46,457,172	19,700,000	59,486	66,216,658
Additions		5,741,015	-	1,400	5,742,415
Disposals		-	-	(21,713)	(21,713)
Capitalised interest		3,164,472	-	-	3,164,472
Transfer of deposits related to construction work		1,360,074	-	-	1,360,074
Depreciation		-	-	(39,563)	(39,563)
Foreign exchange differences		-	-	1,352	1,352
Balances December 31, 2017	$	**56,722,733**	**19,700,000**	**962**	**76,423,695**
Cost		56,722,733	19,700,000	538,927	76,961,659
thereof capitalized interest		*16,223,533*	-	-	*16,223,533*
thereof other cost		*40,499,200*	*19,700,000*	*538,927*	*60,738,127*
Accumulated depreciation		-	-	(537,965)	(537,965)
Net carrying value	$	**56,722,733**	**19,700,000**	**962**	**76,423,695**

Concession:

The concession land comprises approximately 228'095 m^2 of land for the Resort Project that will remain concession land for the purpose it was secured until 2052.

Construction in process:

Construction in process through December 31, 2018, and December 31, 2017, is primarily indicative of planning and architectural work for the Resort Project as well as excavation of the land, infrastructure for the foundations, and capitalized interest expenses. The Company evaluated as part of ASC 360-10 indicators for impairment on long lived assets. As the Company deems that one or more indicators for impairment are met, the Company performed a recoverability test comparing expected undiscounted cash flows to the carrying value of assets under development. The Company concluded that the long-lived assets are recoverable. Nonetheless, the Company deems that certain long-lived assets held are without future value for the changed project plans, therefore the Company abandoned certain long-lived assets under development. Accordingly, the Company recorded a loss from abandonment in the amount of $ 26.1 million.

Deposits related to construction work:

The SunVesta Group placed deposits with contractors for excavation and infrastructure work to be offset against invoices as work is completed. As of December 31, 2018, and December 31, 2017, the SunVesta Group had deposits of $316,854 and $851,665 respectively, which have not yet been set off.

5 Borrowings

5.1 Overview

The table below gives an overview on the SunVesta Group's borrowings in the reporting periods:

		Bonds	Con-version Feature	Notes payable to related parties - not sub-ordinated	Notes payable to related parties - sub-ordinated	Notes payable to third parties	Total
Balances January 1, 2018	**$**	**42,885,444**	**922,087**	**20,490,817**	**79,339,011**	**-**	**143,637,358**
Increase, net of transaction cost		541,580	-	27,950,361	-	-	28,491,941
Repayments		(10,792,643)	-	-	-	-	(10,792,643)
Amortization transaction cost		679,358	-	-	-	-	679,358
Accrual of interest		-	-	1,244,072	4,372,938	-	5,617,010
Exchange of debt instruments (non-cash transactions)		(138,721)	-	202,545	-	-	63,824
Change in Conversion liability due to volume change		-	251,147	-	-	-	251,147
Change in Conversion liability due to valuation		-	(1,174,213)	-	-	-	(1,174,213)
Extinguishment of debt		39,266	-	-	-	-	39,266
Foreign exchange differences		(711,206)	979	71,149	(671,134)	-	(1,310,212)
Balances December 31, 2018	**$**	**32,503,078**	**0**	**49,958,943**	**83,040,815**	**-**	**165,502,836**
- thereof current liabilities		-	-	-	-	-	-
- thereof non-current liabilities		*32,503,078*	-	*49,958,943*	*83,040,815*	-	*165,502,836*

5.2 Bonds

The following tables gives an overview on the types of bonds issued in the reporting periods:

Description	EUR-Bond Basis	EUR-Bond Parallel	Convertible CHF-Bond I	Convertible CHF-Bond II	CHF-Bond III	CHF-Bond IV
Issuer:	SunVesta Holding AG	SunVesta Holding AG	SunVesta Holding AG	SunVesta Holding AG	SunVesta Holding AG	SunVesta Holding AG
Type of security:	Bond in accordance with Swiss law	Bond in accordance with Swiss law	Senior convertible bond, convertible into shares of the issuer at the discretion of the bondholder, in accordance with Swiss law	Senior convertible bond, convertible into shares of the issuer at the discretion of the bondholder, in accordance with Swiss law	Senior convertible bond, convertible into shares of the issuer at the discretion of the bondholder, in accordance with Swiss law	Bond in accordance with Swiss law
Approval by Board of Directors on:	October 31, 2013	May 19, 2014	September 30, 2015	September 30, 2015	July 7, 2016	March 6, 2017
Volume:	Up to EUR 15,000,000	Up to EUR 15,000,000	Up to CHF 45,000,000	Up to CHF 15,000,000	Up to CHF 20,000,000	Up to CHF 50,000,000
Units:	EUR 10,000	EUR 10,000	CHF 5,000	CHF 5,000	CHF 5,000	CHF 1,000
Securitization:	Global certificate	Global certificate	Global certificate	Global certificate	Global certificate	Global certificate
Offering period:	07.11.2013 – 31.03.2014	01.05.2014 – 30.06.2014	01.10.2015	01.10.2015	30.11.2016	01.05.2017
Due date:	02.12.2016	02.12.2016	30.09.2018	30.09.2018	15.08.2020	01.05.2022
Issuance price:	100%	100%	100%	100%	100%	100%
Initial conversion price:			8.00	8.00		
Issuance day:	02.12.2013	02.12.2013	01.10.2015	01.10.2015	21.09.2016	01.05.2017
Interest rate:	7.25% p.a.	7.25% p.a.	6.00% p.a.	6.00% p.a.	6.50% p.a.	6.50% p.a.
Interest due dates:	December 2 of each year, the first time December 2, 2014	December 2 of each year, the first time December 2, 2014	September 30 of each year, the first time September 30, 2016	September 30 of each year, the first time September 30, 2016	August 15 of each year, the first time August 15 2017	May 1 of each year, the first time May 1, 2018
Applicable law:	Swiss	Swiss	Swiss	Swiss	Swiss	Swiss

The following tables gives an overview on the bond transactions as well as the face amounts and accumulated discounts and transaction cost for the years ended December 31, 2018 and 2017.

		CHF Convertible Bonds		CHF Non-Convertible Bonds		
		Convertible CHF-Bond I	Convertible CHF-Bond II	CHF-Bond III	CHF-Bond IV	Total
Balances January 1, 2018	**$**	2,270,618	8,761,527	4,652,406	27,200,893	42,885,444
Increase, net of transaction cost		-	-	43,857	497,723	541,580
Repayments		(2,306,990)	(8,485,652)	-	-	(10,792,643)
Amortization transaction cost		55,474	253,144	49,825	320,914	679,358
Accrual of interest		-	-	-	-	-
Exchange of debt instruments (non-cash transactions)		-	(352,605)	(138,721)	352,605	(138,721)
Extinguishment of debt		-	-	39,266	-	39,266
Foreign exchange differences		(19,102)	(176,414)	(305,417)	(210,273)	(711,206)
Balances December 31, 2018 (Carrying value)	**$**	**0**	**0**	**4,341,216**	**28,161,862**	**32,503,078**
- thereof face amount	$	-	-	4,390,309	29,146,687	33,536,996
- thereof accumulated unamortized discounts and debt issuance costs		-	-	(49,093)	(984,825)	(1,033,918)
Gross discount and debt issuance cost		(240,760)	(4,895,604)	(332,840)	(1,498,593)	(6,967,797)
Accumulated amortization of discounts and debt issuance costs		240,760	4,895,604	283,747	513,768	5,933,879

		EUR-Bond Basis	EUR-Bond Parallel	Convertible CHF-Bond I	Convertible CHF-Bond II	CHF-Bond III	CHF-Bond IV	Total
Balances January 1, 2017	**$**	6,564	477,899	3,525,275	34,570,259	16,384,893	-	54,964,890
Increase, net of transaction cost		-	-	-	15,165	1,177,934	224,497	1,417,595
Repayments		-	(510,120)	-	(1,795,594)	-	-	(2,305,714)
Amortization transaction cost		25,555	(7,340)	72,897	814,817	138,223	203,916	1,248,067
Exchange of debt instruments (non-cash transactions)		(32,271)	32,271	(1,467,971)	(27,202,456)	(14,116,118)	26,418,161	(16,368,384)
Extinguishment of debt		-	-	-	1,221,277	106,762	-	1,328,039
Foreign exchange differences		152	7,290	140,417	1,138,060	960,712	354,319	2,600,951
Balances December 31, 2017 (Carrying value)	**$**	**-**	**0**	**2,270,618**	**8,761,527**	**4,652,406**	**27,200,893**	**42,885,444**
- thereof face amount	$	-	-	2,325,707	9,012,791	4,791,168	28,468,904	44,598,570
- thereof accumulated unamortized discounts and debt issuance costs		-	-	(55,089)	(251,264)	(138,762)	(1,268,011)	(1,713,126)
Gross discount and debt issuance cost		(588,613)	(174,660)	(240,760)	(4,895,604)	(332,840)	(1,453,839)	(7,686,316)
Accumulated amortization of discounts and debt issuance costs		588,613	174,660	185,671	4,644,340	194,078	185,828	5,973,190

Explanations to the exchanges of debt instruments (non-cash transactions) can be found below:

EUR-Bonds
In 2017, USD 32,271 were transferred from EUR Bond new (Original) to EUR Bond new (parallel).

Convertible CHF Bond I
In 2017, $1,216,372 of Convertible CHF Bond I was transferred to CHF Bond III. Additionally, $251,599 from Convertible CHF Bond I was transferred to CHF Bond IV.

Convertible CHF Bond II
In 2017, $25,638,012 of Convertible CHF Bond II were exchanged for the new CHF-Bond IV and $1,564,444 for a note payable due to a related party. As the terms of the new bond are significantly different to the convertible bond, an unamortized transaction cost of $1,221,277 was recognized as a loss on extinguishment of debt in the statement of comprehensive income. Additionally, $6,569 was reclassified to debt issuance cost.

In 2018, $352,605 were transferred from Convertible CHF Bond II to CHF Bond IV.

CHF Bond III
In 2017, $15,375,505 of CHF Bond III was converted in notes payable to a related party. The exchange was treated as an extinguishment of debt with a corresponding expense of $106,762. Additionally, $1,216,372 of Convertible CHF Bond I was transferred to CHF Bond III.

In 2018, $138,721 was exchanged from CHF Bond III to a note payable to a related party. Additionally, there was another immaterial non-cash transaction of $ 4,315.

CHF Bond IV
In 2017, $25,638,012 of Convertible CHF Bond II were exchanged for the new CHF-Bond IV and $251,599 of Convertible CHF Bond I were transferred to CHF Bond IV. Additionally, $528,550 were transferred from notes payable to related parties to CHF Bond IV.

In 2018, $352,605 were transferred from Convertible CHF Bond II to CHF Bond IV.

5.3 Notes payable to related parties

		Loan due to Global Care AG	Loan due to Aires International Investment Inc.	Total
Nature of relationship		Company controlled by Dr. Max Rössler, a Director and related party	Company controlled by Dr. Max Rössler, a Director and related party	
Balances January 1, 2018	**$**	**42,216,409**	**57,613,418**	**99,829,827**
Increase, net of transaction cost		27,950,361	-	27,950,361
Accrual of interest		2,422,282	3,194,729	5,617,010
Exchange of debt instruments (non-cash transactions)		202,544	-	202,544
Foreign exchange differences		(94,055)	(505,930)	(599,985)
Balances December 31, 2018 (Carrying value)	**$**	**72,697,540**	**60,302,217**	**132,999,757**
- thereof subordinated		22,738,597	60,302,217	83,040,814
- thereof not subordinated		49,958,943	0	49,958,943

		Loan due to Global Care AG	Loan agreement Aires International Investment Inc.	Advance to Josef Mettler	Total
Balances January 1, 2017	**$**	**-**	**51,473,793**	**17,088**	**51,490,881**
Increase, net of transaction cost		23,543,234	-	-	23,543,234
Accrual of interest		755,411	3,977,604	-	4,733,015
Exchange of debt instruments (non-cash transactions)		17,928,253	-	(17,484)	17,910,769
Foreign exchange differences		(10,489)	2,162,021	396	2,151,928
Balances December 31, 2017 (Carrying value)	**$**	**42,216,409**	**57,613,418**	**(0)**	**99,829,827**
- thereof subordinated		21,725,592	57,613,418		79,339,011
- thereof not subordinated		20,490,817	0		20,490,817

A portion of the loans from Aires and from Global Care (for details refer to the tables above) are subordinated, under the terms and conditions of subordination agreements, to all other existing and future claims against the respective borrower. In the event of insolvency proceedings and the execution of a composition agreement with an assignment of assets, Aires and Global Care would have to waive their subordinated claims to the extent necessary so that the claims of all other creditors, and the costs of liquidation, debt moratorium, and insolvency proceedings, are covered in full from the proceeds of the liquidation of the respective borrower. Further, the subordinated claims and interests are deferred for the duration of the subordination agreement. None of the claims covered by the subordination agreement may be paid, settled by offsetting or replacement/novation, or newly secured, either in full or in part. The subordination agreement can only be terminated under restrictive preconditions.

The part of the loan from Global Care which is not subordinated is not due before December 31, 2020, and at latest by December 31, 2022.

Interest on all loans amounted 7.25% until September 30, 2018. Effective October 1, 2018, Aires and Global Care have waived interest payments for the time being. No respective gain or loss has been recognized in the statement of comprehensive income.

The interest expense for notes to related parties is $5,617,010 and $4,733,015 for the years ended December 31, 2018, and 2017.

5.4 Maturity of future principle payments

The future principal payments for the SunVesta Group's borrowings as of December 31, 2018 are as follows:

Year	$	December 31, 2018
2019		-
2020		4,390,309
2021		-
2022		77,422,740
2023		-
thereafter		78,642,295
Total	**$**	**160,455,344**

6 Provisions for liquidated damages

On April 27, 2016, the SunVesta Group amended its agreement with Meliá to manage the Resort Project ("Seventh addendum to the management agreement of March 8, 2011"), to postpone the opening date as follows:

a. New contractual completion date: September 15, 2018 (subject to force majeure)
b. Should the completion not occur by September 15, 2018 and should the parties not have agreed in writing an extension to such date, after September 15, 2018, the SunVesta Group would be obligated to pay Melía a daily amount of $2,000 as liquidated damages.
c. Should the completion not occur by November 15, 2018, Meliá would be entitled to terminate the agreement and receive from the SunVesta Group $5,000,000 in liquidated damages, unless the parties agree in writing to extend the completion date.

Based on this amended management agreement, the SunVesta Group recognized a provision for liquidated damages of approximately $5.1 million in 2017. On July 10, 2018, a conciliation agreement was signed by Meliá and the SunVesta Group, that terminated the existing management agreement. In the second semester of 2018, $5 million was paid to Meliá for liquidated damages. The remaining $0.1 million due to Meliá is recognized in other liabilities as of December 31, 2018.

7 Stock compensation

The Company has included share-based compensation and stock-option based compensation under the SunVesta Inc. Stock Option Plan 2013 ("Plan") as part of the total remuneration in certain employment and Board of Director's contracts.

The purpose of the Plan is to advance the interests of the Company by encouraging its employees to remain associated with the Company and assist the Company in building value. Such share-based remuneration includes either shares or options to acquire shares of the Company's common stock. For all employees, fair value is estimated at the grant date. Compensation costs for unvested shares are expensed over the requisite service period on a straight-line basis.

7.1 Shares

On January 1, 2013, the Company granted 3,500,000 shares of commons stock to Hans Rigendinger in connection with his employment agreement with the Company, valued at $0.08, an amount equal to the share price and fair value of the shares on the grant date. His employment agreement also obligates the Company to issue 2,500,000 shares of common stock as a retention award on each anniversary of the employment agreement. The employment agreement had an initial term of three years with the option to extend for an additional two years. Mr Rigendinger's employment agreement was renewed for additional two years on January 1, 2016. Therefore, the Company issued 16,000,000 shares of common stock to Mr. Rigendinger, of which all have been earned as of December 31, 2017. In 2018, the last tranche of 2,500,000 shares were issued. As all shares have been earned previously, no expense for this issuance was recognized in 2018.

As of December 31, 2018, the Company expects to record no further share compensation expense.

7.2 Stock options:

The Company is authorized to grant up to 50,000,000 shares under the Plan.

The following table summarizes the stock options activities in the year 2018:

	Number of options	Weighted average exercise price	Weighted average remaining contractual life
Outstanding January 1, 2018	**20,000,000**	**$ 0.05**	**5.38**
Granted	-	-	
Exercised	-	-	
Forfeited or cancelled	-	-	
Expired	-	-	
Outstanding December 31, 2018	**20,000,000**	**$ 0.05**	**4.38**
Exercisable December 31, 2018	**-**	**-**	**-**

The following table summarizes activities related to the non-vested options in the year 2018:

	Shares under Options	Weighted average grant date fair value
Nonvested at January 1, 2018	**20,000,000**	**$ 0.075**
Nonvested granted during the year	-	-
Vested	-	-
Forfeited or cancelled	-	-
Non-vested at December 31, 2018	**20,000,000**	**$ 0.075**

The options outstanding as of December 2018, were granted to Company Directors Hans Rigendinger and Dr. Max Rössler and are vesting in two identical installments (Installment A and Installment B) of 10,000,000 options.

Installment A vesting is contingent on realizing specific financing arrangements. Installment B vesting is contingent on Meliá Hotels International ("Melía") assuming management responsibilities for the Resort Project. Due to the cancellation of the agreement with Meliá (refer to note 6) and the considerations as outlined in the notes 1 and 2, the SunVesta Group estimates the probability that the performance conditions would be met as remote. Therefore, all share-based compensation expense, which was recognized in the past, was reversed. This resulted in a negative share-based compensation expense of $1,064,438 in the year ended on December 31, 2018.

7.3 Summary of share and option-based compensation expense:

The Company recorded the following amounts related to stock-based compensation expense during the periods ended December 31, 2018 and December 31, 2017:

	Year ended December 31, 2018 $	Year ended December 31, 2017 $
Expenses related to option grants	(1,064,438)	40,965
Expenses related to share grants	-	213,318
Total according statement of comprehensive loss	**(1,064,438)**	**254,283**

8 Pension plan

SunVesta Holding maintains a pension plan covering all employees in Switzerland. The plan is considered a defined benefit plan and accounted for in accordance with ASC 715 Compensation - Retirement Benefits. This model allocates pension costs over the service period of employees in the plan. The underlying principle is that employees render services rateably over this period, and therefore, the income statement effects of pensions should follow a similar pattern. ASC 715 requires recognition of the funded status, or difference between the fair value of plan assets and the projected benefit obligations of the pension plan on the balance sheet, with a corresponding adjustment recorded in the net loss. If the projected benefit obligation exceeds the fair value of plan assets, then that difference or unfunded status represents the pension liability.

The SunVesta Group records a net periodic pension cost in the statement of comprehensive loss. The liabilities and annual income or expense of the pension plan is determined using methodologies that involve several actuarial assumptions, the most significant of which are the discount rate and the long-term rate of asset return (based on the market-related value of assets). The fair values of plan assets are determined based on prevailing market prices.

The projected benefit obligation and the fair value of plan assets have changed as follows:

		2018		2017	
Projected Benefit Obligations beginning of year	$	**415,964**	$	**370,901**	$
Service cost - current		56,257		56,764	
Interest expense		2,009		2,027	
Benefit payments and transfers		929,243		(20,273)	
Actuarial (gains)/losses		456,082		(10,136)	
Currency translation losses		13,631		16,682	
Projected Benefit Obligations end of year	$	**1,873,187**	$	**415,964**	$
Fair Asset Values beginning of year	$	**205,933**	$	**186,432**	$
Expected returns		6,028		6,082	
Contributions paid		40,183		30,409	
Benefits paid and transfers		929,243		(20,273)	
Actuarial gains/(losses)		(3,014)		(5,068)	
Currency translation gains		9,774		8,351	
Fair Asset Value of assets end of year	$	**1,188,147**	$	**205,933**	$
Net liabilities	$	**(685,040)**	$	**(210,031)**	$

The following were the primary assumptions:

Future benefits, to the extent that they are based on compensation, include salary increases, as presented above, consistent with past experiences and estimates of future increases in the Swiss labor market.

	2018	2017
Assumptions at year end		
Discount rate	0.60%	0.60%
Expected rate of return on plan assets	3.00%	3.00%
Future salary increases	1.50%	1.50%
Future pension increases	0.00%	0.00%

Net periodic pension costs have been included in the SunVesta Group's results as follows:

		2018		2017	
Pension expense				-	
Current service cost		56,257		56,764	
Net actuarial (gain)/loss recorded		-		-	
Interest cost		2,009		2,027	
Expected return on assets		(6,028)		(6,082)	
Employee contributions		(20,092)		(15,205)	
Net periodic pension cost	$	**32,147**	$	**37,504**	$

For the years ended December 31, 2018 and December 31, 2017, the SunVesta Group made cash contributions of $20,328 and $15,205, respectively, to its defined benefit pension plan.

All of the assets are held under the collective contract by the plan's re-insurance company and are invested in a mix of Swiss and international bond and equity securities within the limits prescribed by the Swiss Pension Law.

The expected future cash flows to be paid by the SunVesta Group in respect of employer contribution to the pension plan for the year ending December 31, 2019 are $43,200.

9 General and administrative expenses

General and administrative expenses are comprised of the following:

	Year ended December 31, 2018	Year ended December 31, 2017
	$	$
Rental & related expenses	129,843	143,663
Audit	116,224	337,057
Consulting	1,972,990	2,775,399
Travel expenses	192,061	460,971
Personnel costs including social security costs and share based remuneration		
- cash-based compensation	1,008,057	834,881
- share-based compensation	(1,064,438)	254,283
Marketing, communication & office expenses	11,936	51,497
Various other operating expenditures	396,185	423,093
Total general and administrative expenses	**2,762,857**	**5,280,844**

10 Interest expense

The following table provides a reconciliation of total gross interest expenses to interest expenses according to the statement of comprehensive loss:

	Year ended December 31, 2018	Year ended December 31, 2017
	$	$
Interest expense gross	9,317,912	9,883,681
Capitalised interest	(2,661,669)	(3,164,473)
Total interest expense	**6,656,243**	**6,719,208**

11 Income taxes

The components of loss before income taxes are as follows:

	2018	2017
Domestic	(1,002,997)	(5,331,597)
Foreign	(32,561,101)	(10,082,600)
Loss before income tax	**(33,564,098)**	**(15,414,197)**

Income taxes relating to the Company's operations are as follows:

	2018	2017
Current income taxes		
US Federal, state and local	-	-
Foreign	-	-
Deferred income taxes	-	-
US Federal, state and local	-	-
Foreign	-	-
Income tax expense/recovery	**-**	**-**

Income taxes at the United States federal statutory rate compared to the Company's income tax expenses as reported are as follows:

	2018	2017
Net loss before income tax	(33,564,098)	(15,414,197)
Statutory rate	35%	35%
Expected income tax recovery	(11,747,434)	(5,394,969)
Impact on income tax expense/recovery from		
Change in valuation allowance	8,418,432	4,534,893
Different tax rates in foreign jurisdictions	640,744	737,692
Expiration of unused tax loss carry forwards	2,017,151	1,148,939
Permanent differences	(864,115)	1,214,999
Difference due to tax review / previous year adjustments	1,536,000	(2,270,718)
Others	(777)	29,164
Income tax expense	**0**	**-**

The Company's deferred tax assets and liabilities consist of the following:

	December 31, 2018	December 31, 2017
Deferred tax assets		
Tax loss carry forward	25,077,404	25,935,845
Valuation allowance	(25,077,404)	(25,935,845)
Deferred tax assets/liabilities	-	-

As of December 31, 2018, and 2017, there were no known uncertain tax positions. We have not identified any tax positions for which it is reasonably possible that a significant change will occur during the next 12 months.

Pursuant to ASC 740-10-25-3 *Income Taxes*, an income tax provision has not been made for U.S. or additional foreign taxes since none of the subsidiaries of the Company are generating income nor are expected to in the foreseeable future. The Company expects that future earnings will be reinvested, but could become subject to additional tax if they were remitted as dividends or were loaned to the Company, or if the Company should sell or dispose of its stock in the foreign subsidiaries. It is not practical to determine the deferred tax liability, if any, that might be payable on foreign earnings because if the Company were to repatriate these earnings, the Company believes there would be various methods available to it, each with different U.S. tax consequences.

The Company's operating loss carry forward of all jurisdictions expire according to the following schedule:

	Domestic	Foreign
2019	-	4,872,402
2020	-	2,703,467
2021	-	7,690,947
2022	-	8,414,445
2023	392,931	14,163,905
2024	240,753	13,294,468
2025	274,602	9,989,624
Beyond 2025	26,997,056	-
Total operating loss carry forwards	**27,905,342**	**61,129,258**

The following tax years (income tax returns) remain subject to examination:

	United States of America	Switzerland	Costa Rica*
2014	NO	YES	NO
2015	YES	YES	NO
2016	YES	YES	NO
2017	YES	YES	NO
2018	YES	YES	YES

* The Costa Rican companies have been taxable since 2013.

12 Fair value measurement

12.1 General information on fair value measurement

The guidance on fair value measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. This guidance also specifies a fair value hierarchy based upon the observability of inputs used in valuation techniques. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. In accordance with this guidance, fair value measurements are classified under the following hierarchy:

Level 1: Quoted prices for identical instruments in active markets.
Level 2: Quoted process for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which significant inputs or significant value drivers are observable in active markets.
Level 3: Model derived valuations in which one or more significant inputs or significant value-drivers are unobservable.

When available, the Company uses quoted market prices to determine fair value, and classifies such measurements within Level 1. In some cases, where market prices are not available, the Company makes use of observable market-based inputs to calculate fair value, in which case the measurements are classified within Level 2. If quoted or observable market prices are not available, fair value is based upon internally developed models that use, where possible, current market-based parameters such as interest rates, yield curves and currency rates. These measurements are classified within Level 3.

Fair value measurements are classified according to the lowest level input or value-driver that is significant to the valuation. A measurement may therefore be classified within Level 3 even though there may be significant inputs that are readily observable.

Fair value measurement includes the consideration of non-performance risk. Non-performance risk refers to the risk that an obligation (either by counterparty or the SunVesta Group) will not be fulfilled. For financial assets traded in an active market (Level 1), the non-performance risk is included in the market price. For certain other financial assets and liabilities (Level 2 and 3), the SunVesta Group's fair value calculations have been adjusted accordingly.

As of December 31, 2018, and December 31, 2017, respectively, there are no financial assets or liabilities measured on a recurring basis at fair value with the exception of the liability related to the conversion feature. The fair value of this liability is classified as Level 3 in the fair value hierarchy and determined using a Black-Scholes model to calculate the option value at each reporting date and multiplied by the number of potentially convertible shares. The conversion feature related to the Convertible Bond I extinguished with the full repayment of the bond as of September 24, 2018. The Convertible CHF Bond II was fully repaid as of October 10, 2018. Accordingly, the fair value and carrying amount of the conversion feature was nil as of December 31, 2018. The assumptions as of December 31, 2017, were as follows:

Stock Price: CHF 5.08 Annualized Risk-Free Rate: .0001%
Exercise Price: CHF 8 Annualized Volatility: 80%
Time to Maturity: 0.75 years

In addition to the methods and assumptions to record the fair value of financial instruments as discussed above, the Company used the following methods and assumptions to estimate the fair value of our financial instruments:

- Cash and cash equivalents: Carrying amount approximated fair value.
- Restricted cash: Carrying amount approximated fair value.
- Accounts payable: Carrying amount approximated fair value.
- CHF-bonds: The fair values of the bonds payable are classified as Level 3 fair values. The fair values of the bonds have been determined by discounting cash flow projections discounted at the respective interest rate of 6.5% respectively for CHF bonds, which represented the current market rate based on the creditworthiness and the interest environment of SunVesta Holding at issuance. Hence, the carrying values approximate fair value.
- Notes payable to related parties: The fair value of the not subordinated notes was determined by discounting cash flow projections discounted at the interest rate of 7.25%, which represents the current market rate based on the creditworthiness and the interest environment of the SunVesta Group for this financial instrument. The fair value is significantly lower than the carrying value as the notes do not bear interest since October 1, 2018. The fair value of the subordinated notes was determined based on the sum of the subordinated notes payable and the negative consolidated equity. As this value is negative, the fair value is nill as of December 31, 2018. This fair value is classified as level 3.

The fair value of our financial instruments is presented in the table below:

	December 31, 2018		December 31, 2017		
	Carrying Amount $	Fair Value $	Carrying Amount $	Fair Value $	Fair Value Levels
Cash and cash equivalents	2,371,021	2,371,021	4,058,982	4,058,982	1
Restricted cash	1,668,793	1,668,793	1,669,917	1,669,917	1
Accounts Payable	770,161	770,161	1,796,917	1,796,917	1
CHF-bonds	32,503,078	32,503,078	31,853,298	31,853,298	3
Notes payable to related parties not subordinated	49,958,943	37,759,309	20,490,817	20,490,817	3
Notes payable to related parties subordinated	83,040,814	-	79,339,011	79,339,011	3
Convertible CHF-bonds	-	-	11,032,145	11,032,145	3
Liability related to conversion feature	-	-	922,087	922,087	3

13 Segment information

The chief operating decision maker ("CODM") is the Company's CEO. Neither the CODM nor the Company's directors receive disaggregated financial information about the locations in which project development is occurring. Therefore, the Company considers that it has only one reporting segment.

The following table presents the SunVesta Group's property and equipment by geographic region:

		December 31, 2018	December 31, 2017
Location of property and equipment			
Switzerland	$	-	-
Costa Rica		59,948,186	76,423,695
Total	**$**	**59,948,186**	**76,423,695**

14 Future lease commitments

On December 1, 2012, SunVesta Holding entered into a lease agreement for the premises for its Swiss office with an unrelated entity. The annual rental expense amounts to approximately $130,000 on a fixed term expiring on December 31, 2017. This contract was extended to December 31, 2019 in the third quarter 2017.

		December 31, 2018	December 31, 2017
Future lease commitments			
payable in 2018	$	n/a	130,000
payable in 2019	$	130,000	130,000

15 Related party transactions

There were the following significant related party transactions in the reporting periods:

- The SunVesta Group has significant notes payable due to related parties (see Note 5.3).
- The Company has issued share-based compensations to directors (see Note 7)
- A receivable due from a related party of $49,292 was fully impaired in 2017.

16 Earnings per share

Basic earnings per share are the result of dividing the SunVesta Group's net income (or net loss) by the weighted average number of shares outstanding for the contemplated period. Diluted earnings per share are calculated applying the treasury stock method. When there is a net income dilutive effect all stock-based compensation awards or participating financial instruments are considered. When the SunVesta Group posts a loss, basic loss per share equals diluted loss per share. The following table depicts how the denominator for the calculation of basic and diluted earnings per share was determined under the treasury stock method.

Earnings per share	**Year Ended December 31, 2018**	**Year Ended December 31, 2017**
Company posted	Net loss	Net loss
Basic weighted average shares outstanding	106,625,165	105,614,728
Dilutive effect of common stock equivalents	None	None
Dilutive weighted average shares outstanding	106,625,165	105,614,728

The following table shows the number of stock equivalents of the Company that were excluded from the computation of diluted earnings per share for the respective period because the effect would have been anti-dilutive.

	Year ended December 31, 2018 $	**Year ended December, 31 2017 $**
Options to Directors	20,000,000	20,000,000
Total Options	**20,000,000**	**20,000,000**
Shares to directors	-	2,900,000
Total Shares	**-**	**2,900,000**
Total Options and shares	**20,000,000**	**22,900,000**

17 Subsequent events

Management has evaluated subsequent events after the balance sheet date, through the issuance of the financial statements, for appropriate accounting and disclosure. The Company has determined that – with the following exception - there are no events that warrant disclosure or recognition in the financial statements:

The Company's board of directors is considering to:
a. Sell its only asset, the investment in SunVesta Holding to Aires, a related party, based on terms stipulated in a separate Stock Purchase Agreement
b. Dissolve the SunVesta, Inc. (refer to note 2)

The formal decisions, including shareholders' resolutions, are still outstanding.

18 Significant accounting policies

Principles of Consolidation

The consolidated financial statements include those of the Company and its subsidiaries. One hundred percent of assets and liabilities as well as revenues and expenses of all consolidated companies are included. Receivables, payables, as well as revenues and expenses between consolidated companies are eliminated. Unrealized intercompany profits, which may be included in assets as of the end of the respective periods are also eliminated. Certain previously reported amounts have been reclassified to conform to the current presentation.

Fiscal year

The fiscal year of the Company and all its subsidiaries correspond with the calendar year.

Use of estimates

These consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP") and require management to make assumptions and estimates, which have an impact on the reported assets and liabilities as well as on the disclosure of contingent assets and liabilities at the balance sheet dates. These considerations also impact reported income statement items. While the effective amounts may vary from the estimates, management is convinced that all relevant information having an impact on the estimates have been taken into consideration and are appropriately disclosed. Management believes that the valuation of property and equipment includes substantial estimates.

Cash and cash equivalents

Cash and cash equivalents include petty cash and bank accounts as well as time deposits with maturities of less than three months.

Allowance for Doubtful Accounts

Management makes ongoing estimates relating to the collectability of receivable balances and maintains a reserve for estimated losses resulting from the inability of counterparties to meet their financial obligations to us. As of December 31, 2018, and 2017, the SunVesta Group does not have any amounts reserved in the consolidated balance sheet or any bad debt expense recorded in the statement of comprehensive loss except for a minor loss as explained in Note 15.

Other assets

Other assets include items, such as value added tax, withholding tax or similar credits with maturities of less than one year.

Property and equipment

Property and equipment are valued at cost less accumulated depreciation. Repair and maintenance expenses are charged to the income statement when incurred. The cost of fixed assets, including leasehold improvements, are capitalized and depreciated over the following useful lives:

—	Land (concessions)	not depreciated
—	IT equipment	3 years
—	Other equipment and furniture	5 years
—	Leasehold improvements	5 years
—	Vehicles	5 years
—	Project in process	not depreciated until project

The cost and the related accumulated depreciation are removed from the balance sheet at the time of disposal.

"Project in process" relates to costs incurred directly related to the planning and construction of the Resort Project in the Papagayo Gulf Tourism Project of Costa Rica that are reasonably recoverable from future hotel and rental operations or the sale of certain apartments. Once the "project in process" is finished, the Company will reclassify the capitalized costs to corresponding categories and determine the depreciation method and depreciation period.

Interest capitalization

Interest expense is capitalized on the carrying value of the construction in progress during the construction period, in accordance with ASC 835-20, *Capitalization of Interest*.

Deposits related to construction work

The SunVesta Group prepays deposits for construction work, which costs are capitalized initially and will be amortized once construction has begun.

Debt issuance cost

The Company classifies debt issuance cost net with the issued debt as per ASU 2015-3.

Down payment for property and equipment

Down payments for property and equipment are recorded at cost. Once the corresponding property and equipment item has been completely purchased, it will be reclassified to a corresponding subcategory within property and equipment and amortized. The Company assesses regularly if the down payments are recoverable in accordance with ASC 360 *Property, Plant, and Equipment*. Should any down payments due to specific circumstances not be assessed as recoverable, they will be impaired.

Restricted Cash

Restricted cash includes cash that is not disposable for the SunVesta Group without third party permission such as rental deposits or deposits related to the Resort Project. Based on the nature of the SunVesta Group's underlying business it will be determined whether a deposit is recorded as a current or non-current asset.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The carrying value of a long-lived asset or asset group is considered to be impaired when the undiscounted expected cash flows from the asset or asset group are less than it's carrying amount. An impairment loss is recognized to the extent that the carrying value of the asset exceeds its fair value. Fair value is determined based on quoted market prices, where available, or is estimated as the present value of the expected future cash flows from the asset or asset group discounted at a rate commensurate with the risk involved.

Income taxes

The SunVesta Group has not incurred material current taxes on income as it has not generated taxable income in any of the jurisdictions in which it operates.

Deferred taxes are calculated on the temporary differences that arise between the tax base of an asset or liability and it's carrying value on the balance sheet of the Company prepared for consolidation purposes, with the exception of temporary differences arising on investments in foreign subsidiaries where the Company has plans to permanently reinvest profits into the foreign subsidiaries.

Deferred tax assets on tax loss carry-forwards are only recognized to the extent that it is more likely than not, that future profits will be available and the tax loss carry-forward can be utilized.

Changes to tax laws or tax rates enacted at the balance sheet date are taken into account in the determination of the applicable tax rate provided that they are likely to be applicable in the period when the deferred tax assets or tax liabilities are realized.

The SunVesta Group is subject to income taxes in the United States of America, Switzerland, Spain and Costa Rica. Significant judgment is required in determining income tax provisions and in evaluating tax positions.

The SunVesta Group recognizes the benefit of uncertain tax positions in the financial statements when it is more likely than not that the position will be sustained on examination by the tax authorities. The benefit recognized is the largest amount of tax benefit that is greater than 50 percent likely of being realized on settlement with the tax authority, assuming full knowledge of the position and all relevant facts. The SunVesta Group adjusts its recognition of these uncertain tax benefits in the period in which new information is available impacting either the recognition or measurement of its uncertain tax position. Interest and penalties related to uncertain tax positions are recognized as income tax expense.

Concentration of risks

Financial instruments that potentially subject the SunVesta Group to concentrations of credit risk are primarily cash and cash equivalents. Cash and cash equivalents are maintained with several financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand. Cash and cash equivalents are subject to currency exchange rate fluctuations.

Foreign Currency Translation and Transactions

The consolidated financial statements of the Company are presented in US Dollars ("$"). The financial position and results of operations of our foreign subsidiaries are determined using the currency of the environment in which an entity primarily generates and expends cash as the functional currency. Assets and liabilities of these subsidiaries are translated at the exchange rate in effect at each year-end. Statement of comprehensive loss accounts are translated at the average rate of exchange prevailing during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included in accumulated other comprehensive income/(loss) in stockholders' deficit.

Gains and losses resulting from foreign currency transactions are included in other income and expenses (exchange differences), except intercompany foreign currency transactions that are of a long-term-investment nature which are included in accumulated other comprehensive income in stockholders' equity.

Bonds, net of debt issuance costs

Bonds comprise of bonds payable in Euros ("EUR") and Swiss Francs ("CHF"), which bear fixed interest rates. Bonds are carried at notional value. If a bond becomes repayable within the next 12 months from the balance sheet date on, such bond or the corresponding portion of this bond will be categorized as current. Commissions paid to bondholders themselves are reflected as debt discounts and amortized over the term of the bond, based on the "effective interest method". The amortization expense is reflected in amortization of debt issuance cost.

Bonds are presented net of debt issuance costs that arise as a result of issuing debt, i.e. the EUR bonds, CHF bonds, CHF convertible bonds and the loan with Aires. These costs are amortized over the life of the debt using the effective interest method. The costs comprise of finder's fees of generally between three and twelve percent of the amount issued and costs incurred in connection with issuing the bonds, such as legal and accounting fees, and stamp duty taxes.

Related parties

Parties are considered related if one party directly or indirectly controls, is controlled by, or is under common control of the other party, if it has an interest in the other party that gives significant influence, if it has joint control over the party, or if it is an associate or a joint venture. Senior management or close family members are also deemed to be related parties.

Pension Plan

SunVesta Holding maintains a pension plan covering all employees in Switzerland; it is considered a defined benefit plan and accounted for in accordance with ASC 715 *Compensation - Retirement Benefits*. This model allocates pension costs over the service period of employees in the plan. The underlying principle is that employees render services rateably over this period, and therefore, the statement of comprehensive loss effects of pensions should follow a similar pattern. ASC 715 requires recognition of the funded status, or difference between the fair value of plan assets and the projected benefit obligations of the pension plan on the balance sheet, by recording a corresponding expense in the net loss. If the projected benefit obligation exceeds the fair value of plan assets, then that difference or unfunded status represents the pension liability.

The SunVesta Group records a net periodic pension cost in the statement of comprehensive loss. The liabilities and annual income or expense of the pension plan is determined using methodologies that involve several actuarial assumptions, the most significant of which are the discount rate and the long-term rate of asset return (based on the market-related value of assets). The fair values of plan assets are determined based on prevailing market prices.

Earnings per Share

Basic earnings per share are calculated using the Company’s weighted-average outstanding common shares. When the effects are not anti-dilutive, diluted earnings per share is calculated using the weighted-average outstanding common shares and the dilutive effect of warrants and stock options, if any, as determined under the treasury stock method.

Stock-based compensation

Stock-based compensation costs are recognized in earnings using the fair value-based method for all awards granted. Compensation costs for unvested stock options and awards are recognized in earnings over the requisite service period based on the fair value of those options and awards. For employees, fair value is estimated at the grant date and for non-employees fair value is re-measured at each reporting date as required by ASC 718 *Compensation-Stock Compensation*, and ASC 505- 50 *Equity-Based Payments to Non-Employees*. Fair values of awards granted under the share option plans are estimated using a Black-Scholes option pricing model. The model's input assumptions are determined based on available internal and external data sources. The risk-free rate used in the model is based on the US treasury rate for the expected contractual term. Expected volatility is based on historical volatilities of a peer group of similar companies in the same industry.

Derivative Financial Instruments

Derivative financial instruments are initially measured at fair value at the contract date and are subsequently measured to fair value at each reporting date. SunVesta Holding's derivative financial instrument relates to the conversion feature bifurcated from SunVesta Holding's convertible CHF Bond (Note 5.2), is accounted for under ASC 815 and recorded as Liability related to conversion feature in the consolidated balance sheets. Changes in the fair value each period (gains or losses) are reflected in the statement of comprehensive loss as Change in Fair Value of Conversion Feature.

New and amended standards adopted by the Company

There were no new and amended standards adopted by the Company for the first time in this reporting period which had a material impact on the Company's consolidated financial statement except the following:

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updates ASU 2016-18, requiring that restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total cash amounts shown on the statement of cash flows. Consequently, transfers between cash and restricted cash is not presented as a separate line item in the operating, investing or financing sections of the cash flow statement. The amendments were effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company considers that ASU 2016-18 has had only a limited impact on the presentation of the statement of cash flows.

New standards and interpretations not yet adopted

Several new standards and amendments to standards and interpretations are effective for annual periods beginning after the closing date of this report and have not been applied in preparing these consolidated financial statements:

In February 2016, the Financial Accounting Standards Board (FASB) issued "ASU" 2016-02, Leases (Topic 842). The standard requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition. The standard requires lessors to classify leases as either sales-type, finance or operating. A sales-type lease occurs if the lessor transfers all the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing lease. If the lessor does not convey risks and rewards or control, which results in an operating lease. The standard will become effective for the Company beginning January 1, 2019. The Company has assessed the impact that the adoption of this standard will have on its consolidated results of operations, financial condition, cash flows, and financial statement disclosures as immaterial.

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updates ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, requiring certain changes to the recognition and measurement as well as disclosure of incurred and expected credit losses. The standard will become effective for the Company beginning January 1, 2020. The Company is currently assessing the impact that the adoption of this standard will have on its consolidated results of operations, financial condition, cash flows, and financial statement disclosures.

In July 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updates ASU 2017-11, requiring certain changes to the presentation and disclosures of changes to liability or equity classification of financial instruments. The amendments are effective for public business entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company has assessed the impact that the adoption of this standard will have on its consolidated results of operations, financial condition, cash flows, and financial statement disclosures as immaterial.

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updates ASU 2018-07, requiring certain changes to nonemployee share-based payment accounting. The amendments are effective for public business entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company has assessed the impact that the adoption of this standard will have on its consolidated results of operations, financial condition, cash flows, and financial statement disclosures as immaterial.

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updates ASU 2018-13, requiring certain additional disclosures for fair value measurement. The amendments are effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company is currently assessing the impact that the adoption of this standard will have on its consolidated financial statement disclosures.

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updates ASU 2018-14, requiring certain additional disclosures for entities with defined benefit obligations. The amendments are effective for public business entities for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The Company is currently assessing the impact that the adoption of this standard will have on its consolidated financial statement disclosures.

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Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
of SunVesta Inc.
Oberrieden, Switzerland

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of SunVesta Inc. (the “Company”) and subsidiaries as of December 31, 2018 and 2017 and the related consolidated statements of comprehensive loss, stockholders’ deficit, and cash flows for each of the two years in the period ended December 31, 2018, and the related notes (collectively referred to as the “consolidated financial statements” for pages II-1 to II-35). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at December 31, 2018 and 2017, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2015.

Zurich, April 10, 2019

BDO AG

Andreas Wyss

Philipp Kegele