

Media release

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Varia US Properties AG: Strong 2016 performance – promising basis for 2017

- **Total income of USD 64.6 million**
- **Effective gross income of USD 39.1 million and operating result before debt, taxes and exceptional of USD 17.4 million**
- **Property portfolio value of USD 343.5 million as of 31 December 2016**
- **Significant gain from portfolio value adjustment of USD 21.2 million**
- **Almost full deployment of newly raised capital of USD 124.7 million in Q1 2017**
- **Gross potential income increased to USD 49.7 million**
- **Proposed distribution to shareholders of CHF 1.35 per share**

In its first weeks as a listed company after the Initial Public Offer (IPO) on SIX Swiss Exchange on 8 December 2016, Varia US Properties has progressed as planned. The Company swiftly started to deploy the newly raised equity; the proceeds from the IPO were used to make some highly promising acquisitions. A first deal priced of USD 28.7 million was already closed on 29 December 2016.

Rental income of USD 36.5 million – gross potential income up to USD 49.7 million

The resulting portfolio, as of 31 December 2016, consisted of 38 properties totalizing 5,353 units, representing USD 343.5 million of real estate value. The occupancy rate stood at 95.5%. The portfolio generated in 2016 a yearly rental income of USD 36.5 million and a total income of 64.6 million (period from 28 Sept 2015 through 31 Dec 2016). Total operating expenses were USD 33.9 million, which results in an operating profit of USD 30.6 million. After deduction of the finance cost and the income tax provision, the profit for the period is USD 16.2 million, of which USD 8.9 million are attributable to Varia. The gross potential income as of 31 December 2016 increased to up to USD 49.7 million.

The net gain from fair value adjustment on investment property amounted to USD 21.2 million and reflects the execution of the value-add strategy of Varia US Properties.

With regard to the operating results, the effective gross income is USD 39.1 million and the total operating expenses is USD 19.3 million which give a net operating income of USD 19.9 million, and an operating result before debt, taxes and exceptional of USD 17.4 million.

In the first three months of 2017, the proceed of the newly raised capital from the IPO which is expected to be fully deployed by 30 June 2017 was very successful. As of 31 March 2017, more than USD 106.6 million have already been invested. The speed of the deployment of the new capital is supporting the currently positive outlook for 2017.

Manuel Leuthold, Chairman of the Board of Directors of Varia, said: “Varia has implemented its growth strategy as planned. The current results underpin the reliability of our investment strategy focused on secondary and tertiary markets targeting the low to medium income population in growing urban submarkets in the US. We have a promising basis for the future development of Varia US Properties and to create added value for shareholders who are looking for an income-generating strategy in a world of low interest rates.”

Well-performing multifamily property portfolio in growing urban submarkets

In 2016, the US real estate market created interesting opportunities. These include the shift from homeownership to renting in the U.S. Home ownership stands at just 63.7%, the lowest in more than 30 years. In addition, with the market demand for rented properties outpacing the supply, rental income growth is strong, and occupancy rates in multifamily housing stand high. Moreover, economic growth is especially strong in secondary and tertiary markets. Varia is well structured and positioned to benefit from these main trends currently observed in the US multifamily housing market. That means that Varia invests outside of the primary markets, in properties that are usually between ten and 30 years old with average rents of about USD 674 per month.

The election of Donald Trump as President of the United States of America in November 2016 was unexpected but positive for Varia. The Trump administration announced infrastructure investments, tax reductions and rising wages of blue collar workers in particular, residing in secondary and tertiary markets throughout the US. Higher personal income supports higher rents, especially in the secondary and tertiary markets that Varia serves and from which it should benefit.

Proposed distribution to shareholders in line with attractive payout policy

Based on these results, the Board of Directors proposes to the General Meeting of shareholders a distribution of CHF 9.0 million in total including a distribution of CHF 8.0 million of the profit reported under IFRS by a reduction of the agio (CHF 1.20 per issued share) and a distribution of CHF 1.0 million of the profit reported in the statutory accounts (CHF 0.15 per issued share). The underlying success that justifies the distribution of the agio reserve is a result of the value-adding strategy which resulted in non-realized capital gain. This distribution is not subject to the Swiss withholding tax. The distribution out of profit reported in the statutory accounts will be subject to the Swiss withholding tax. The proposed distribution to shareholders totals up to CHF 1.35 per share and will be submitted to the General Assembly of 23 May 2017.

Additionally, the Board of Directors decided to further strengthen its competencies and to propose Stefan Buser to be elected as new member of the Board of Directors. Stefan (49) provides a comprehensive expertise and experience especially in the field of finance and risk

to Varia. Lastly, he used to be member of the Executive Board of the Tertianum Group. Prior to this, Stefan held senior positions as Chief Financial Officer and Head Centralised Services at SENIOcare and as Head Risk & Sustainability Services at KPMG Switzerland.

Key financial figures 2016

In USD million	Period from 28 September 2015 through 31 December 2016	Period from 28 September 2015 through 30 June 2016
Rental income	36.5	17.4
Other income	2.6	1.4
Bargain on purchase of subsidiary	4.2	4.2
Net gain from fair value adjustment on investment property	21.2	10.0
Total income	64.6	33.0
Total operating expenses	33.9	19.8
Operating profit	30.6	13.2
Finance costs	8.6	4.8
Provision for income tax	5.8	1.9
Profit for the period	16.2	6.5
Profit attributable to Varia	8.9	2.9
Cash-on-cash yield	8.3%	8.9%
Net asset value per share (in USD)	33.65	32.46
Earnings per Share (in USD) calculated on the weighted average number of ordinary shares outstanding	3.37	1.39

Average capitalization rate	6.8%	6.8%
Loan-to-value ratio	59.4%	67.0%
Occupancy rate	95.5%	94.5%

Outlook

The accelerated dynamics from the IPO will continue to support the Company's growth strategy. Thanks to a strong US market, with high demand in the multifamily sector and a growing number of tenants, the outlook for 2017 is positive.

Patrick Richard, Delegate of the Board of Directors of Varia, said: "The pace of the deployment of the new raised capital underscores our strategy. The quick acquisitions will allow us to generate and optimize returns in a faster way than expected. Besides the acquisitions of new properties, in the current year, we will focus to work on the existing portfolio, especially in terms of renovation, and increase rents and optimize returns. In view of the current progress and good market positions, we are confident that we will deliver solid results in 2017."

Additional information

The analyst presentation of the results and the 2016 annual report are available on the website of Varia at www.variausproperties.com.

Today, Varia will host a media and analyst event at Haus zum Rüden in Zurich at 9am CET.

Key dates

Annual General Meeting and Q1 2017 Trading Update

23 May 2017

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About Varia US Properties AG

Varia US Properties AG is a Swiss based real estate company exclusively investing in U.S. multifamily housing with a main focus on secondary and tertiary markets. Established in 2015, the Company acquires, holds, transitions and repositions properties in the boundaries of metropolitan regions of the U.S. in order to secure rental income and value growth. More information: www.variausproperties.com

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