

HALF YEAR REPORT

2019



VARIA
US PROPERTIES



2020095
244 N PORTFOLIO LLC
244 N (216-52)

2 STORY
244 N ALLU
3 492

2 1/2 STORY
280 N ALLUAB
2 892

244 N ALLUABAU
PARCE
4 93
186.675 S

WOOD BLDG
LAUGH STREET
SPACES

ASPHALTIC SURFACE

6 SPACES

C/L 20 BANG POW
SPECIAL EXCEPTION

SPECIAL EXCEPTION NO 13

CONTENTS

**KEY FIGURES
HY 1 / 2019**

4

**PORTFOLIO
SUMMARY**

8

**SHAREHOLDER
LETTER**

10

3

**CONSOLIDATED
IFRS FINANCIAL
STATEMENTS**

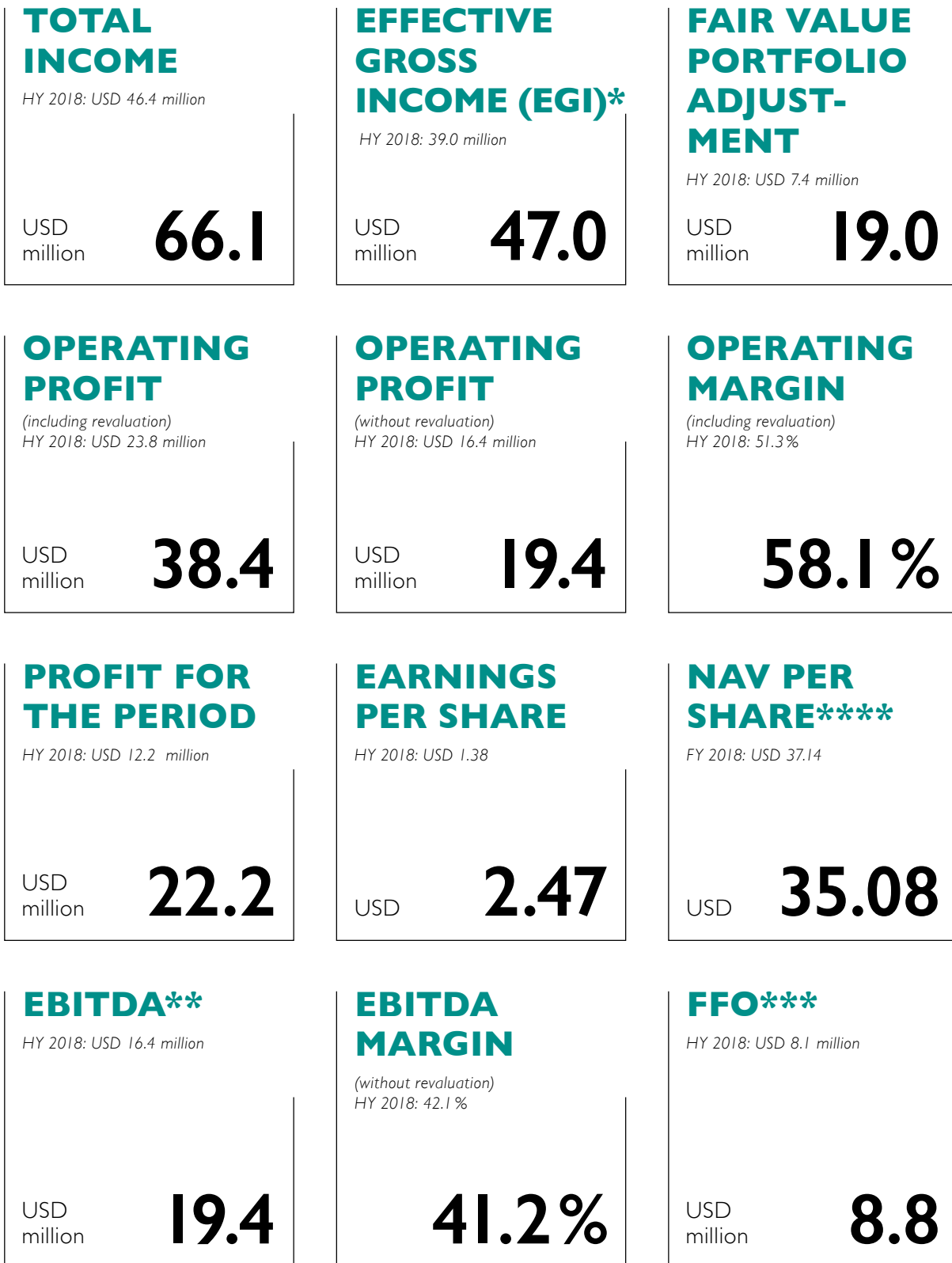
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CONTACT

62



KEY FIGURES HY I / 2019



* EGI defined as total income less unrealized revaluation
 ** EBITDA defined as operating profit less unrealized revaluation
 *** FFO defined as EBITDA less interest expense
 **** NAV excluding distribution payable is USD 37.13 at June 30, 2019

SUMMARY PAGE OF KEY FIGURES

RESULTS (For the Six Months Ended)	Unit	June 30, 2019	June 30, 2018	Change
Total Income	USD mio	66.1	46.4	42.4%
Rental income	USD mio	42.4	35.3	19.9%
Rental Income like for like*	USD mio	32.0	30.9	3.5%
Other Income and insurance Proceeds	USD mio	4.7	3.6	29.0%
Net gain from fair value adjustment on investment property	USD mio	19.0	7.4	156.3%
Revaluation of properties like for like*	USD mio	18.5	7.8	136.5%
Operating expenses	USD mio	27.7	22.6	22.5%
Operating profit incl. Revaluation	USD mio	38.4	23.8	61.3%
Operating margin	%	58.1	51.3	6.8%
EBITDA (Operating Profit less unrealized revaluation)	USD mio	19.4	16.4	18.4%
EBITDA Margin	%	41.2	42.1	-0.9%
Net Profit Before tax	USD mio	28.0	15.3	83.0%
Net Profit	USD mio	22.2	12.2	82.3%
Funds from Operations (FFO) (EBITDA less Interest Expense)***	USD mio	8.8	8.1	8.8%

BALANCE SHEET (As of)	Unit	June 30, 2019	December 31, 2018	Change
Total Assets	USD mio	880.4	824.5	6.8%
Equity	USD mio	315.8	334.3	-5.5%
Equity ratio	%	35.9	40.5	-4.7%
Return on Equity	%	7.0	3.6	3.4%
Interest bearing Debt	USD mio	505.5	455.0	11.1%
Interest bearing Debt ratio at the property level	%	57.4	55.2	2.2%
Average interest of debt at the property level	%	4.2	4.2	0.0%
Average maturity of debt at the property level	years	7.7	8.2	-0.5%

PORTFOLIO	Unit	June 30, 2019	December 31, 2018	Change
Properties	number	52	52	0.0%
Units	number	9,737	9,737	0.0%
Portfolio value	USD mio	793.7	767.5	3.4%
Portfolio Value like for like as of**	USD mio	793.7	767.5	3.4%
Market value per unit	USD	81,509	78,823	3.4%
Gross Potential Rent (Market per Colliers)	USD mio	103.3	101.0	2.3%
Monthly rent per unit	USD	802	760	5.5%
Monthly rent per unit like for like as of**	USD	802	760	5.5%
Occupancy rate	%	93.8	93.7	0.1%
Occupancy rate Like for Like as of**	%	94.1	93.7	0.4%

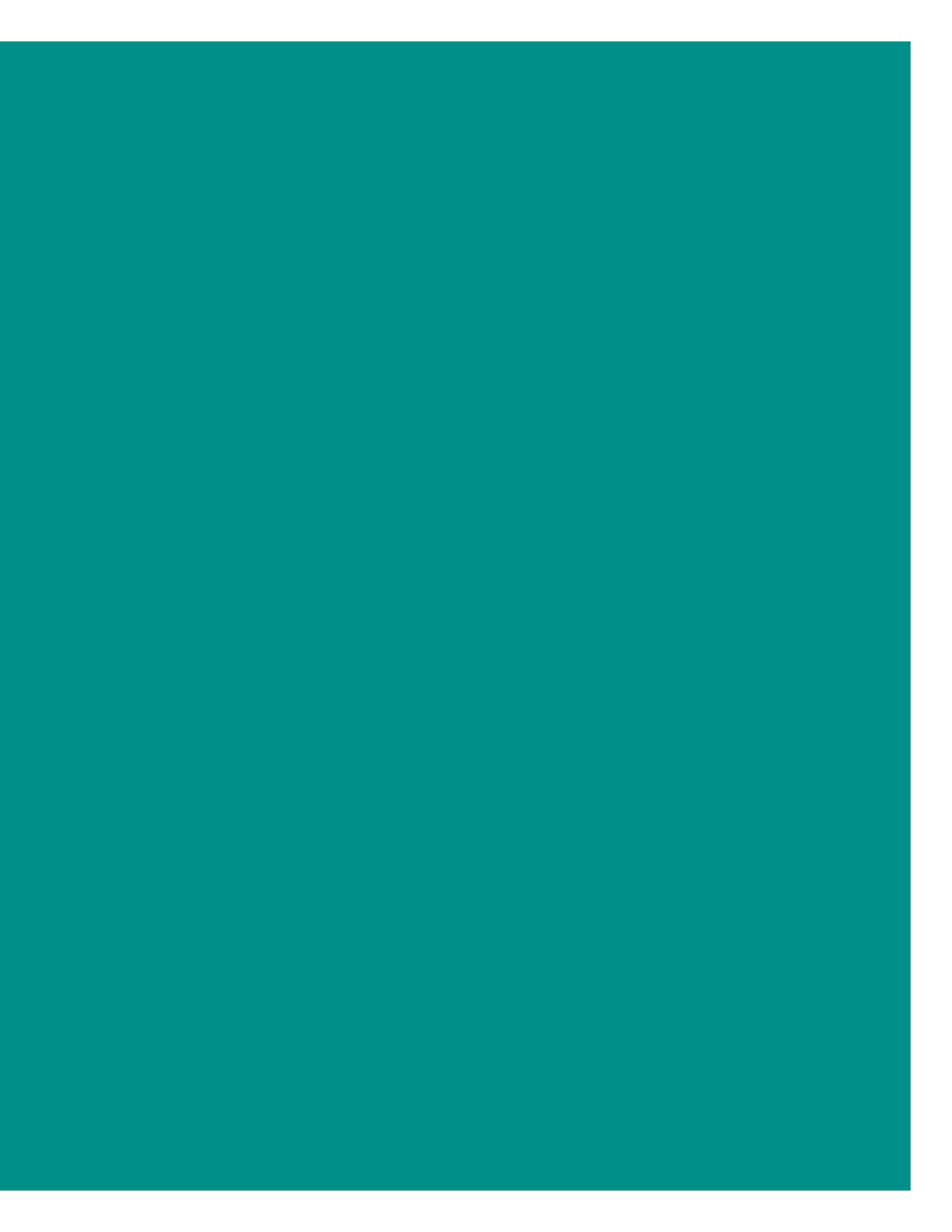
SHARE INFORMATION	Unit	2019	2018	Change
Market capitalization – June 30, 2019 and December 31, 2018	USD mio	328.5	334.8	-1.9%
Earnings per share (EPS) – June 30, 2019 and 2018	USD / share	2.47	1.38	79.0%
Distribution	CHF / share	2.50	0.00	-
NAV – June 30, 2019 and December 31, 2018****	USD / share	35.08	37.14	-5.5%
NAV excluding deferred taxes – June 30, 2019 and December 31, 2018****	USD / share	37.61	39.07	-3.7%
NAV excluding distribution payable as of June 30, 2019 and December 31, 2018	USD / share	37.13	37.14	-5.5%
Share price at the end of June 30, 2019 and December 31, 2018	CHF / share	36.50	37.20	-1.9%

* Like for Like compares assets that were held for the full periods of 2019 and 2018.

** Like for Like as of compares assets that on hand for all periods presented.

*** FFO for June 30, 2019 would be USD 9.6 million excluding USD .8 million debt prepayment penalty recorded in interest expense.

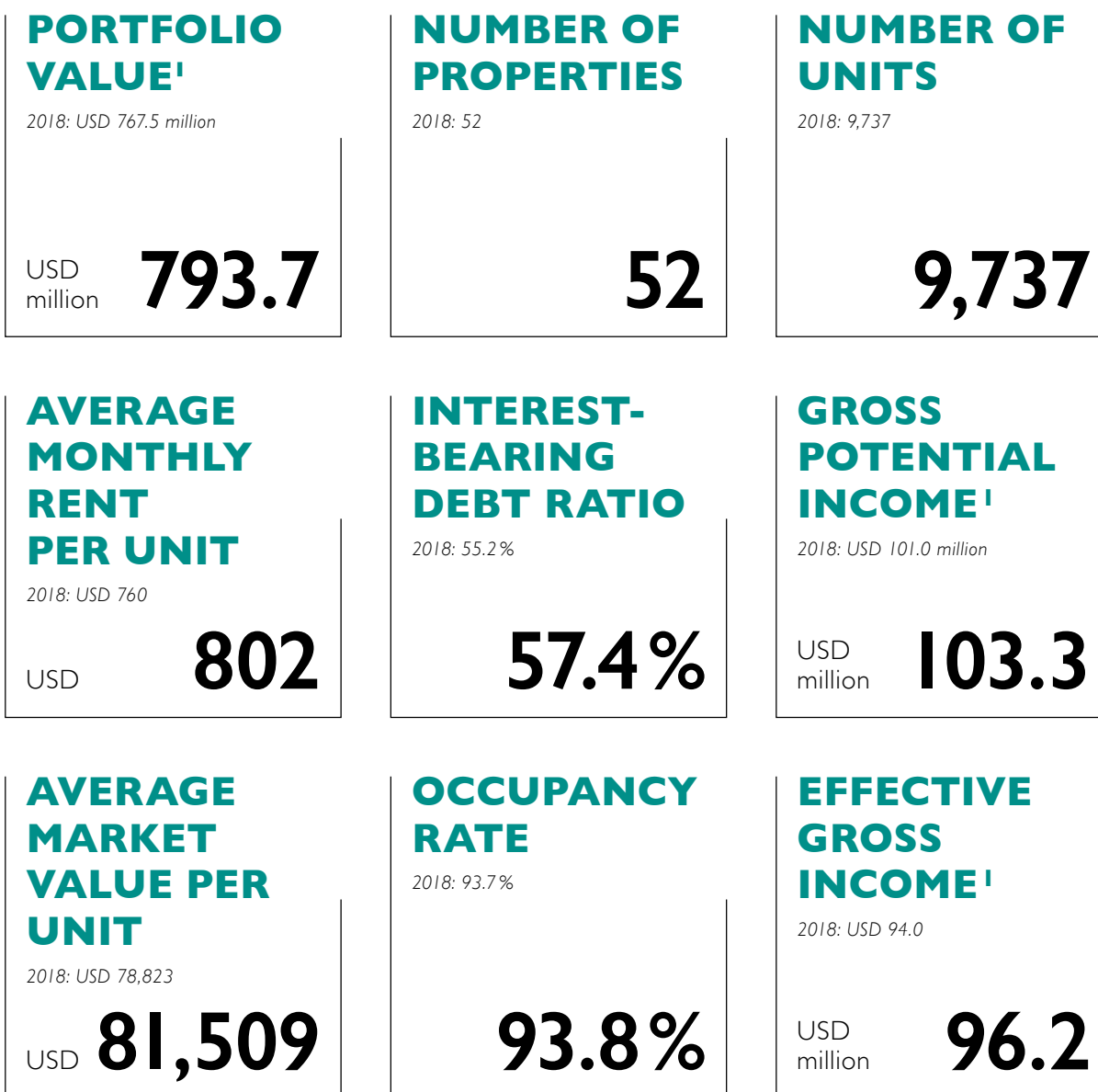
**** NAV and NAV excluding deferred taxes at June 30, 2019 would be \$37.13 and \$39.66, respectively excluding accrued but unpaid distributions.





PORTFOLIO SUMMARY

as of June 30, 2019



9

¹) Data appraised by Colliers



SHAREHOLDER LETTER

DEAR SHAREHOLDERS

The Board of Directors (the Board) of Varia US Properties AG (the Company) is pleased to present the very successful 2019 mid-year results.

Total income for the first half of 2019 was USD 66.1 million (USD 46.4 million in the first half of 2018), EBITDA¹ was USD 19.4 million (USD 16.4 million in the first half of 2018) and Funds from Operations (FFO²) was USD 8.8 million (USD 8.1 million in the first half of 2018). Earnings per share for the first half of 2019 increased to USD 2.47 from USD 1.38 in the first half of 2018.

These results reflect the strong and growing financial performance of the portfolio as well as the progress of the ongoing initiatives set forth in 2019. The first half of the year was very successful and the Board is optimistic for the balance of the year and beyond.

Based on this positive trend, the Board feels confident and targets a CHF 2.60 capital distribution per share for the year 2019³.

The first six months of 2019 have been focused on improving and optimizing the portfolio through several initiatives, as well as on the full execution of the water conservation program. The energy conservation program has been set up and its implementation is well underway. It will continue to be executed during the second part of the year.

On the corporate side, the Company issued its first corporate bond, which will further enhance growth and profitability. This capital raise of an unsecured corporate bond was extremely successful and provides additional funding for acquisitions that will be accretive to earnings for the long term. Additionally, at the annual shareholder meeting in April, approval was obtained to begin quarterly distributions starting in August 2019.

Subsequent to June 30, 2019, the Company has closed on two acquisitions of properties in August and is set to close on a third property at the end of September 2019. The Company is also considering the strategic disposition of certain properties in remote locations or with small unit counts.

¹ EBITDA – Defined as operating profit less net gain from unrealized fair value adjustments on investment property.

² FFO – Defined as EBITDA less interest expense.

³ The distribution target includes the quarterly payments of 0.5 CHF/share

I. GENERAL UPDATE

a. Portfolio optimization

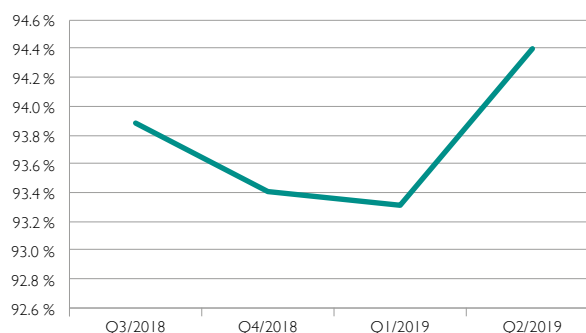
At the end of June 2019, the portfolio comprised 52 properties and 9,737 units (consistent with December 31, 2018).

Over the last few quarters, occupancy, Net Operating Income (NOI) and EBITDA at the property level have all improved significantly (see graphs below).

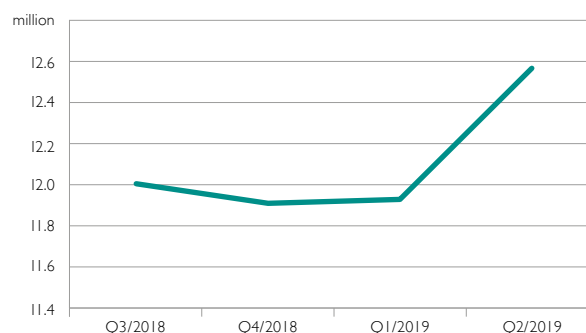
On a like for like basis, the rental income increased by 3.5% or USD 1.1 million for the first half of 2019 compared to the same period in 2018. The occupancy rate reached 93.8% across the portfolio compared to 93.7% at the end of June 2018. The occupancy rate on a same store basis increased by 0.4% to 94.1% compared to 93.7% at the end of June 2018.

The Operating margin (including revaluation) improved by 6.8% to 58.1% for the first half of 2019 (51.3% for the first half of 2018) due primarily to lower payroll and other operating expenses on a marginal basis.. The EBITDA increased by 18.4% to USD 19.4 million (USD 16.4 million as of June 30, 2018). The EBITDA margin, without revaluation, slightly decreased by 0.9% to 41.2% (42.1% as of June 30, 2018).

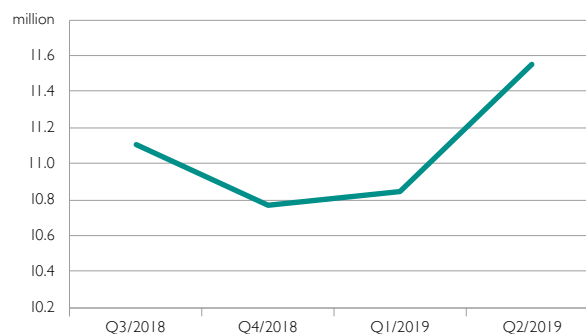
Occupancy Variation



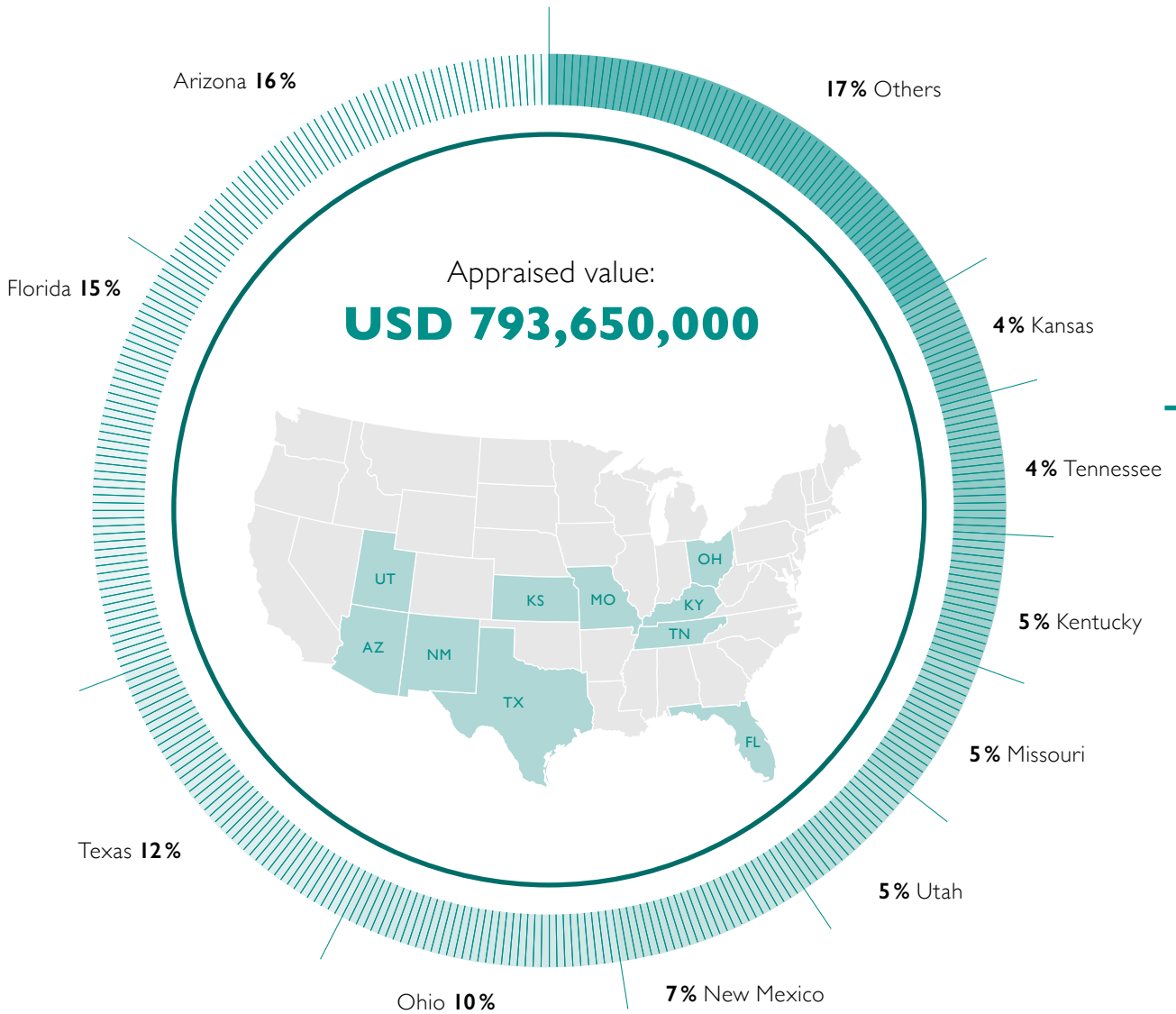
NOI Variation



EBITDA Variation



The chart below shows the geographical allocation of the portfolio and demonstrates a regionally more balanced strategy.



The average rent per unit continued to increase reaching USD 802/month (USD 760 as of December 31, 2018) for an average unit size of 820 square feet (same as of December 31, 2018) and an average value per unit of USD 81,509 (USD 78,823 as of December 31, 2018).

b. Portfolio valuation

As of June 30, 2019, the appraised value of the portfolio was USD 793.65 million (USD 767.50 million as of December 31, 2018), which equals an increase of 3.4% and almost CHF 3.00 per share over the last six months. According to Varia's appraiser, Colliers International, this progression in value is mainly due to the increased NOI.

The increase includes a total capex investment of USD 7.2 million during the first six month of the year of which USD 1.3 million invested in unit rehabs and USD 1.9 million for roof projects. The remaining amount was invested in different projects such as landscaping, pools, asphalt, exterior painting or siding.

The implied cap rate estimated by the appraiser is 6.23% (6.29% as of December 31, 2018).

According to Colliers International, the annual Potential Gross Income (PGI) amounted to USD 103.3 million at the end of June compared to USD 101.0 million as of December 31, 2018. The annual total Effective Gross Income (EGI) considered by the appraisal company is USD 96.2 million (USD 94.0 million as of December 31, 2018) and the annual NOI estimated by Colliers is USD 49.5 million (USD 48.3 million as of December 31, 2018).

c. Implementation of value-add strategy

The value-add strategy continued to be implemented. As of June 30, 2019, a total of 391 units have been rehabbed. The average rehab cost per unit was only USD 3,202 leading to an average monthly rent increase of USD 74. This represents a very strong annual ROCE of 28%.

d. Water conservation program

Since the launch of the water conservation program, the Company has invested USD 138,750 to replace mainly aerators and shower heads, which represents a cost of USD 14.25 per unit on average. It also invested significant amounts of money to modernize toilets when requested by the lender or during unit upgrades.

Based on the first six months of the year, water consumption was reduced by USD 149,555 (approximately 18.5 million gallons) compared to the budget (actual is USD 1.4 million compared to budget of USD 1.5 million). At the same time, the residents reimbursed less water than budgeted. They paid over the first six months of the year USD 580,701, when the budget was USD 630,816, which represents a saving for the residents of USD 50,114.

Based on these results, it appears the Company saved approximately USD 100,000 net in terms of water consumption whereas the residents saved at the same time approximately USD 50,000.

e. Energy conservation program

The Company entered into an agreement to implement a LED program in eight properties. The cost of this implementation is USD 400,000, which should result in a saving of energy cost of USD 64,000/year, and in a return on investment of 16%.

At the end of the reporting period, about 50% of the work was completed. A shipment of additional material was expected to complete the work. Due to the trade difficulties between the US and China, this shipment was delayed, but did finally arrive early August. All the work should be finalized before the end of August and recording of saving should start then. This test will be expanded if it is successful.

f. Corporate activities

During the last Shareholder meeting on April 30, 2019 the shareholders decided to pay out a capital distribution of CHF 2.50 for the year 2018 and to start paying the 2019 distribution on a quarterly basis of CHF 0.50 per share, starting in August 2019, with a true-up after the next Shareholder meeting.

In June 2019, the Company also issued a corporate, unsecured bond of CHF 50 million for a tenure of four years and a yearly coupon of 3% that will be paid in half every semester. The proceeds of the bond will be invested during the third quarter of 2019 as detailed below. This corporate bond will allow the Company to increase its profitability by adding more profit for the equity investors without the dilutive effect of additional equity.

2. FINANCIAL HIGHLIGHTS (CONSOLIDATED IFRS FINANCIAL STATEMENTS)

a. Strong balance sheet

The total assets of the Company amounted to USD 880.4 million as of June 30, 2019 (USD 824.5 million on December 31, 2018).

Cash and cash equivalents represent an amount of USD 72.8 million, including the proceed of the bond issuance received in June (USD 44.3 million as of December 31, 2018).

The portfolio was valued at USD 793.7 million as of June 30, 2019 by Colliers International (USD 767.5 million on December 31, 2018).

With regards to the liabilities, interest bearing loans amounted to USD 505.5 million (including the proceed of the corporate bond issued in June 2019) (USD 455.0 million on December 31, 2018). The interest-bearing debt ratio was 57.4% and 55.2% as of June 30, 2019 and December 31, 2018, respectively. The average interest rate at the property level was 4.2% for both periods.

The NAV/share amounted to USD 35.08 at June 30, 2019 (USD 37.14 at the end of December 2018). The decrease is due to the payment of CHF 2.50 per share as of May 8, 2019 for the 2018 dividend. It is also due to the four installments of CHF 0.50 per share to be paid in 2019 and 2020 that were decided by the latest Shareholder meeting and that need to be accrued as liability in the balance sheet. The 2019 target distribution is discussed further below.

If the NAV per share would be normalized, one would have to reintegrate the CHF 2 per share of advanced dividend that is accounted as a liability in the June 2019 financials. In that case, the NAV per share would be at USD 37.13. This normalized NAV correspond to the distribution of CHF 2.50 per share on May 16 and to the earning per share of USD 2.47 on June 30, 2019 (see below).

b. Profit and loss account: USD 2.47 EPS

The rental income increased significantly to USD 42.4 million for the first six months of 2019 (USD 35.3 million as of June 30, 2018) and the total income of the

Company for the period, including non-realized income, was USD 66.1 million, compared to USD 46.4 million through June 30, 2018.

The total realized income for the first six months of 2019 was USD 47.1 million whereas it was USD 39.0 million for the corresponding period of 2018. Compared to the non-realized income, the realized portion of the income represents 71.3% of the total income for the first six months of 2019, whereas it represented 84% of the total income at the end of June 2018.

Total operating expenses for the first half of 2019 amounted to USD 27.7 million (USD 22.6 million for the same period in 2018) and the Operating Profit (including the revaluation) was USD 38.4 million compared to USD 23.8 million for the same period in 2018.

The net profit for the period amounted to USD 22.2 million (USD 12.2 million for the first half of 2018). Profit for the period was diminished by USD 0.8 due to the prepayment penalty paid for the refinance of the loan of Willows of Cumming (see below). Normalized profit for the period would be USD 23 million.

The FFO (meaning EBITDA without interest expenses) for the first half of 2019 improved by 8.8% to USD 8.8 million (USD 8.1 million for the first half of 2018). Excluding the prepayment penalty, the FFO would be USD 0.8 million above that number at USD 9.6 million.

The earning per share was up to USD 2.47 as of June 30, 2019 (USD 1.38 as of June 30, 2018). A significant part of the difference is due to the increased non realized gain that was appraised by Colliers International. Excluding the prepayment penalty, earnings per share would be USD 2.56.

Based on the June 30, 2019 share price of CHF 36.50 and on the exchange rate at the same date (USD/CHF of 0.9797), this earning per share represents an earning of 6.63%. Excluding the prepayment penalty, the earnings per share percentage would jump to 6.87%.

Overall, the Company is very pleased with these positive results, which are in line with its expectations in a growing portfolio and shows an increase in the realized results, a key element to sustain a stable and growing dividend for shareholders.

Whilst continuing to work on the deployment of the added value strategy, the Company is committed to maintain its effort to increase realized income, reduce operating expenses and to increase its profitability.

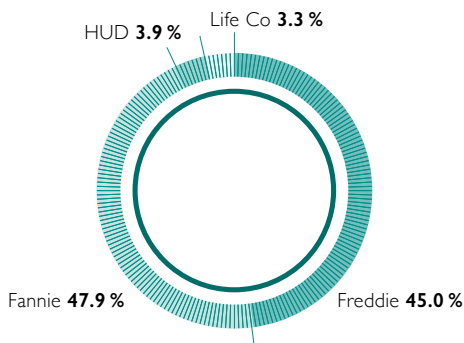
3. MORTGAGES

At the end of the period, the balance of the existing mortgaged loan was USD 459.6 million (USD 458.4 million as of December 31, 2018). The leverage at property level was 57.91% (59.73% as of December 31, 2018) and the average interest rate was 4.19% (4.19% as of December 31, 2018). All loans had a fixed interest rate, except the known USD 2 million loan of Broadview Oaks (FL).

During the first six month of 2019, the loan of the property Willows of Cumming (GA), was refinanced. The balance of the previous loan was USD 7,964,000, the interest rate was 4.52% and there was a principal repayment of about USD 12,000 per month. The new loan amounts to USD 10,140,000 with a fixed interest rate of 4.05% and a duration of 10 years, interest only. The penalty paid for the refinance was USD 0.8 million. This cost will be paid off by additional cash flows in 4.5 years and the Company benefited from an additional proceed of USD 1.1 million that were invested in various capex projects in different properties.

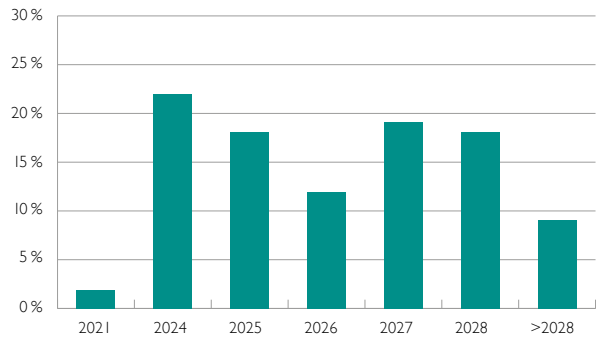
The split of the lenders looks as follows:

Counterparty Risk in %

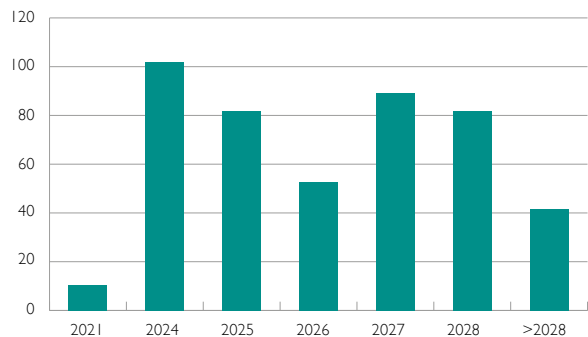


The weighted average maturity is 7.72 year (8.13 year as of December 31, 2018) and the breakdown of maturities is well balanced, as shown below:

Maturity Breakdown in %



Maturity Breakdown in USD



4. MARKET COMMENT

a. Real estate

According to NKF, sales volume since the beginning of the year have increased in the real estate sector overall and multifamily remains the top recipient of sales volume of all major property types. Cap rates have slightly been compressed (3 basis points on a national basis and 6 basis points for the non-major markets to 5.56%). Rents continue to grow at a national pace of 3.2% year over year. The demand still outpaces new supply and absorption remains strong. The 10-year Treasury rate lost 41 bips quarter over quarter to 2.00%, which is the lowest level since the third quarter of 2016.

The US economy remained strong over the last six months with an unemployment rate at 3.7% as of June 30, 2019, and an inflation rate of 1.6% for the 12 months ended June 2019, as published by the U.S. Labor Department. Average hourly earnings were up by 3.2% over the past 12 months. These numbers are positive for the rental housing market, even if the inflation rate did decrease significantly since last year.

This positive image has to be nuanced by the current macro-economic instability. This is specifically true for

the trade war between China and the US. However, the fundamentals of the national economy remain strong and economists expect that the situation will stabilize before the next presidential election. The Company foresees some instability in the next few months but it does not anticipate a severe modification of the US national economy on a longer period of time.

b. Currency consideration

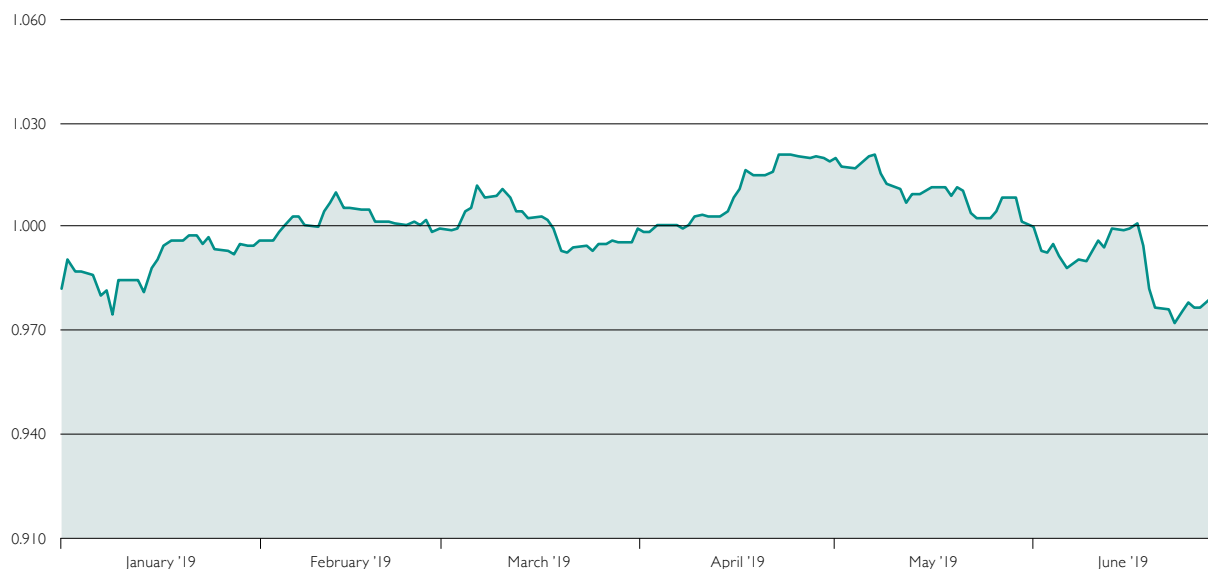
Since the beginning of the year, the dollar has been fairly stable and has moved between 0.9816 on January 1, 2019 and 0.9797 on June 30, 2019 to the Swiss franc. However, the volatility was broader with the highest for the period at 1.0205 on April 24 and a lowest at 0.972 on June 24.

The trade dispute between China and the US does create more volatility on the markets and in the currency trading. Swiss francs will tend to get stronger against the dollar but this should settle up to normal the day an agreement between the two parties is reached.

The following is exchange rate of the USD to Swiss francs:

Exchange rate

Source: cash.ch



¹ Newmark Knight Frank, 2Q 2019 US Multifamily Capital Markets Report

Although future volatility is uncertain, the Board would like to repeat that a long hold position in USD goes with the investment in Varia US Properties AG. To reduce the impact of short-term volatility and mitigate the currency risk linked with a yearly distribution, the last Shareholder meeting accepted the principle of a quarterly distribution, starting in August 2019.

To further mitigate the currency volatility risk, the Board follows the current parliamentary discussions about the modification of the Swiss 'code of obligations', that

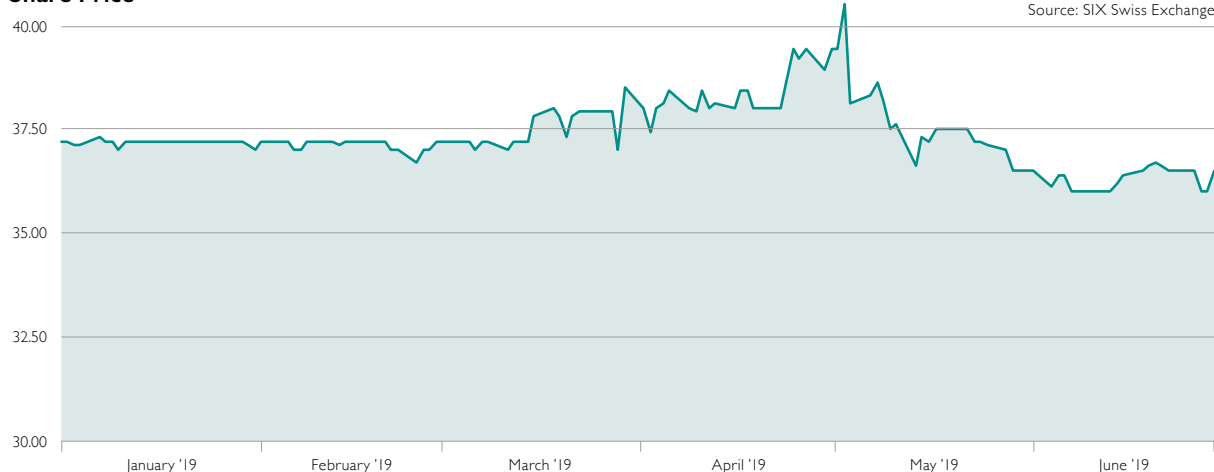
could allow a conversion of the capital of the Company in US dollars.

c. Share price

The share price of the Company remained relatively flat during the first half of the year, starting on January 1, 2019 at CHF 37.10 and ending on June 28, 2019 at CHF 36.50.

The highest price was paid on May 2 at CHF 40.80 and the lowest price was paid on several days at CHF 36.

Share Price



The total number of shares traded during the first semester of 2019 was 502,990 (392,871 during the first semester of 2018), which represents an average volume

per day of 4,132 shares (3,194 shares per day for the same period in 2018).

5. OUTLOOK ON THE SECOND HALF OF THE YEAR

a. Acquisitions

Following the bond issuance, the Company purchased

two assets on August 13, 2019 and a third one should be closed at the end of September.

Name of the propters	Date of acquisition	City	State	Number of Units	Acquisition Price	Equity invested	Year 1 Gross Potential income	Expected Yield over loan duration ¹
Maple Hills	13.08.19	Kansas City	Missouri	455	31,100,000	16,500,000	3,895,000	10.91 %
Lynnfield Place	13.08.19	Memphis	Tennessee	400	34,550,000	17,075,000	4,285,000	11.51 %
KingsQuarters ²	23.09.19	Kansas City	Missouri	408	32,000,000	13,750,000	3,892,000	10.83 %
Total				1263	97,650,000	47,325,000	12,072,000	

These three acquisitions will complete Varia's existing portfolio in Kansas City and Memphis. The first two assets were acquired at a very favorable borrowing interest rate of 3.50%, interest only for ten year fixed. The last one will be closed under the same conditions, except for the interest rate which will depend on the 10 years treasury rate and on the applied agency spread.

The underwritten cash on cash return for the three properties is above Varia's average and will participate in the strong performance of the Company for the investors. That should already be visible by the end of this year.

b. Pending Dispositions

The Company intends to sell four to five assets before the end of the year. One of them is already under contract, the others are marketed at the time this report is published. Four of these assets are small and located in remote areas. They do not fully match with the current portfolio strategy of the Company. The last one is a larger property that has a low cash on cash return due to a loan that requires principal amortization. The asset manager of the Company would like to replace this last one by a new acquisition that will perform better on a cash on cash basis.

c. 2019 target distribution

Following the 2018 shareholder meeting, the Company started a distribution of CHF 0.50 per share and per quarter. At the time of the 2019 shareholder meeting, the investors who kept their shares during the whole year will already have received a total distribution of

CHF 2.00 per share. On top, the general Assembly will decide of a true-up based on the 2019 results of the Company.

After due consideration of the mid-year results and considering the expected results of the second half of the year, the Board is comfortable targeting a total distribution (ordinary income and capital gain) of CHF 2.60 per share for the year 2019, expecting therefore a true-up of CHF 0.60 per share after the next Shareholder meeting. This target should be in the range of 90% of FFO.

This total distribution will be composed of CHF 2.30 per share out of the rental income and of CHF 0.30 per share out of capital gain following the expected sale of the properties mentioned above.

d. Conclusion

The Board remains very pleased with the strong and solid performance of the portfolio and the operational achievements of the Company in line with the its strategy and objectives.

The Company does expect a solid second half of the year that will allow the confirmation and achievement of the dividend target.

In the meantime, the Board of the Company would like to thank the investors for their continuous support and confidence. It will continue its hard work to bring sustainable and regular returns to Varia's investors.

Sincerely yours.

In the name of the Board

Manuel Leuthold
Chairman

Jaume Sabater
Vice-Chairman

Patrick Richard
Executive Board Member

CONSOLIDATED IFRS FINANCIAL STATEMENTS

June 30, 2019

**CONSOLIDATED
IFRS FINANCIAL
STATEMENTS**

page

21

**NOTES TO
CONSOLIDATED
IFRS FINANCIAL
STATEMENTS**

page

25

**SUPPLEMENTARY
INFORMATION**

page

54

Varia US Properties AG and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS	Notes	June 30, 2019 in USD	December 31, 2018 in USD
Current assets			
Cash and cash equivalents	E	72,769,925	44,262,934
Rent and other receivables	F	1,119,132	695,841
Income tax receivable		–	242,495
Prepaid expenses and other current assets		1,978,118	2,603,989
Total current assets		75,867,175	47,805,259
Non-current assets			
Investment property	G	793,650,000	767,500,000
Other assets		2,522,312	1,936,484
Escrow accounts	E	6,900,721	4,544,919
Deferred tax asset	M	1,430,173	2,673,133
Total non-current assets		804,503,207	776,654,536
Total assets		880,370,382	824,459,795

21

LIABILITIES AND EQUITY	Notes	June 30, 2019 in USD	December 31, 2018 in USD
Current liabilities			
Current maturities of interest bearing loans and borrowings	I	2,100,678	2,124,719
Trade and other payables	H	14,141,600	12,917,110
Distribution payable	J	18,447,838	–
Income tax payable		1,501,275	1,174,952
Rent received in advance		860,167	999,987
Total current liabilities		37,051,558	17,216,768
Non-current liabilities			
Interest bearing loans and borrowings, net of current maturities	I	503,381,550	452,887,987
Deferred tax liability	M	24,154,779	20,019,110
Total non-current liabilities		527,536,329	472,907,097
Total liabilities		564,587,887	490,123,865
Issued share capital	J	9,053,794	9,053,794
Share premium from capital contributions	J	225,077,866	265,850,530
Legal reserves		1,034,911	302,964
Retained earnings		80,615,924	59,128,642
Total equity	J	315,782,495	334,335,930
Total liabilities and equity		880,370,382	824,459,795

Varia US Properties AG and Subsidiaries

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six Months Ended June 30, 2019 in USD	Six Months Ended June 30, 2018 in USD
Rental income		42,384,710	35,342,703
Other income	G	4,541,522	3,644,718
Insurance proceeds	B	177,601	–
Net gain from fair value adjustment on investment property	G	18,971,041	7,402,140
Total income		66,074,874	46,389,561
Expenses for third party onsite workforces		6,306,909	5,368,767
Real estate operating expenses	K	12,122,579	9,614,257
Repairs, maintenance and minor replacements		3,807,209	2,518,086
Property management fees		1,401,542	1,210,210
Other expenses	K	4,063,249	3,892,931
Total operating expenses		27,701,489	22,604,251
Operating Profit		38,373,386	23,785,310
Interest expense		10,625,455	8,317,679
Net foreign currency exchange (gains) losses		(266,841)	163,091
Total finance costs	L	10,358,614	8,480,770
Profit before income tax		28,014,772	15,304,540
Income tax expense	M	5,795,543	3,116,486
Profit for the period		22,219,229	12,188,054
Other comprehensive income		–	–
Total comprehensive income for the period		22,219,229	12,188,054
Earnings per share: Basic and diluted earnings, on profit for the period	J	2.47	1.38

Varia US Properties AG and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018

	Notes	Equity Attributable to Varia US Properties AG Shareholders					Non-controlling Interests in USD	Total Equity in USD
		Issued Share Capital in USD	Share Premium from Capital Contribution in USD	Legal reserves in USD	Retained Earnings in USD	Total in USD		
Balance at December 31, 2018		9,053,794	265,850,530	302,964	59,128,642	334,335,930	–	334,335,930
Profit for the period		–	–	–	22,219,229	22,219,229	–	22,219,229
Other comprehensive income		–	–	–	–	–	–	–
Total comprehensive income		–	–	–	22,219,229	22,219,229	–	22,219,229
Allocation to legal reserves	J	–	–	731,947	(731,947)	–	–	–
Net capital distributions	J	–	(40,772,664)	–	–	(40,772,664)	–	(40,772,664)
Balance at June 30, 2019		9,053,794	225,077,866	1,034,911	80,615,924	315,782,495	–	315,782,495

	Notes	Equity Attributable to Varia US Properties AG Shareholders					Non-controlling Interests in USD	Total Equity in USD
		Issued Share Capital in USD	Share Premium from Capital Contribution in USD	Legal reserves in USD	Retained Earnings in USD	Total in USD		
Balance at December 31, 2017		7,187,200	204,382,481	41,619	35,976,419	247,587,719	22,795,953	270,383,672
Profit for the period		–	–	–	12,188,054	12,188,054	–	12,188,054
Other comprehensive income		–	–	–	–	–	–	–
Total comprehensive income		–	–	–	12,188,054	12,188,054	–	12,188,054
Transactions with non-controlling interests	D	–	–	–	(654,061)	(654,061)	(22,795,953)	(23,450,014)
Ordinary share capital increases								
January 15, 2018	J	1,866,594	61,468,049	–	–	63,334,643	–	63,334,643
Allocation to legal reserves	J	–	–	261,345	(261,345)	–	–	–
Balance at June 30, 2018		9,053,794	265,850,530	302,964	47,249,067	322,456,355	–	322,456,355

The notes on pages 25 to 54 form an integral part of these financial statements.

Varia US Properties AG and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Six Months Ended June 30, 2019 in USD	Six Months Ended June 30, 2018 in USD
Operating activities			
Profit before income tax		28,014,772	15,304,540
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Net gain from fair value adjustment on investment property	G	(18,971,041)	(7,402,140)
Finance costs	L	10,358,614	8,480,770
		19,402,345	16,383,170
Working capital adjustments			
(Increase) decrease in rent and other receivables	F	(423,291)	156,088
Decrease (increase) in prepaid expenses		625,871	(570,246)
Increase in escrow accounts	E	(2,355,802)	(2,220,978)
(Increase) decrease in other assets		(585,828)	1,987,094
Increase (decrease) in trade and other payables		1,224,490	(904,413)
Increase in income tax payable		–	368,866
(Decrease) increase in rent received in advance		(139,820)	152,313
Cash generated from operating activities		17,747,964	15,351,895
Income taxes received		418,740	–
Net cash provided by operating activities		18,166,704	15,351,895
Investing activities			
Acquisition of investment property	G	–	(134,056,698)
Capital expenditure on investment property	G	(7,178,959)	(3,506,162)
Net cash used in investing activities		(7,178,959)	(137,562,860)
Financing activities			
Payments of principal on interest bearing loans and borrowings	I	(8,966,560)	(2,457,856)
Interest paid	L	(10,625,455)	(8,317,679)
Payment of debt issuance costs	I	(1,213,454)	(1,161,694)
Proceeds from interest bearing loans and borrowings	I	10,140,000	87,943,000
Proceeds from bond issuance		50,242,700	–
Proceeds from issued share capital	J	–	63,334,643
Capital distributions paid		(22,324,826)	–
Payment of due to non controlling interest		–	(1,201,844)
Payments of distributions to non-controlling interests		–	(212,009)
Net cash provided by financing activities		17,252,405	137,926,561
Net increase in cash and cash equivalents		28,240,150	15,715,596
Cash and cash equivalents at beginning of period		44,262,934	38,377,113
Exchange losses (gains) on cash and cash equivalents	L	266,841	(163,091)
Cash and cash equivalents at end of period		72,769,925	53,929,618
Supplemental disclosure of non-cash investing and financing activities			
Transactions with non-controlling interests	D	–	22,795,953

Varia US Properties AG and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A ORGANIZATION AND ACTIVITIES

Varia US Properties AG (Varia, Parent, or the Company) was created on September 17, 2015 and registered with the Zug register of commerce on September 28, 2015 under UID number CHE-320748.468. The Company is a Swiss company limited by shares established under the relevant provisions of the Swiss code of obligations. Its address is Gubelstrasse 19, CH-6300 Zug, Switzerland. Varia US Properties AG has the legal status of a holding company.

As a Swiss real estate investment company, Varia's purpose is to acquire, hold, and sell properties in the United States of America (USA and U.S.). Accordingly, the Company is fully dedicated to investments in the U.S. multifamily real estate market. Since 2015, it has assembled a portfolio currently held through Varia's subsidiaries that mainly comprise low-moderate income and workforce multifamily housing properties. The Company and its subsidiaries (the Group) pursue a long-term growth strategy aimed at offering investors risk optimized access to the U.S. multifamily real estate market.

The board of directors of the Company is ultimately responsible for the policies, the valuations, and the management of the activities. Varia has no employees as of June 30, 2019 and has never employed any staff.

The accompanying consolidated financial statements of Varia US Properties AG and subsidiaries (collectively, the Group) as of June 30, 2019 and for the six months then ended were authorized by the board of directors for issue on August 26, 2019.

These consolidated financial statements are presented in U.S. Dollars (USD) and all values are rounded to the nearest dollar, except when otherwise indicated.

NOTE B BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and comply with Article 17 of the Directive on Financial Reporting of SIX Exchange.

Accordingly, the Company's consolidated financial statements have been prepared on the historical cost basis, except for its investment properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies hereafter.

Basis of Consolidation

The accompanying consolidated financial statements comprise the financial statements of Varia and its subsidiaries as of June 30, 2019 and December 31, 2018 and for the six-month periods ended June 30, 2019 and 2018. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

When necessary, adjustments are made to the consolidated financial statements of the subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intercompany assets and liabilities, income, expenses, and cash flows relating to transactions between members of the Group are eliminated on consolidation.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the period are recognized from the effective date of the acquisition, or up to the date of disposal, as applicable.

For acquisitions of subsidiaries not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities in the Group based on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill.

Functional and Presentation Currency

The board of directors of the Company has assessed the underlying characteristics of Varia's currency exposure, of its investments, and transactions and considers that USD is the currency that best reflects its underlying transactions, events, and conditions for the preparation of the accompanying consolidated financial statements. In particular, the Company has assessed the USD as the currency

- In which the funds from Varia financing activities are invested, and in which receipt for operating activities are usually retained. The Company obtains interests and dividends primarily in USD.
- That influences most of the Company's transactions and determines the prices of Varia subsidiaries investment properties and assessment of the performances and profits from the operational activities.
- Most of the transactions have been and are expected to continue to be transacted in USD, even if limited administrative costs of the Company are expected to continue in Swiss franc (CHF).
- In which Varia's shareholders are investing their funds over the long-term for the return of their investments.

As a result, the accompanying consolidated financial statements are presented in USD.

Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing on the dates of the transactions.

In preparing consolidated financial statements at the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rate prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign cur-

rency are translated at the exchange rate at the date of the transaction. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise, except for unrealized exchange profits on long-term monetary assets and liabilities which are deferred in the statement of financial position, if any.

The following exchange rates have been applied to translate the foreign currencies of significance for the Company:

CHF/USD average exchange rate for the period from January 1, 2019 through June 30, 2019	0.9797
CHF/USD exchange rate at June 30, 2019	0.97548
CHF/USD average exchange rate for the period from January 1, 2018 through June 30, 2018	1.01545
CHF/USD exchange rate at Dec 31, 2018	0.98400

Cash and Cash Equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash, with original maturities of three months or less, that are subject to an insignificant risk of change of value. Cash and cash equivalents are recorded at nominal value.

Financial Assets

(Rent, Other Receivables, and Escrow Accounts)

All financial assets held are classified as measured at amortized cost. The Company determines the classification of its financial assets at initial recognition.

Financial assets are recognized on the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument, and are measured at fair value less transaction costs if the financial asset is not carried at fair value through profit or loss, except for rent receivables which are initially measured at the transaction price.

Purchases or sales of financial assets that require delivery of assets within a timeframe established by any applicable regulation or convention in the marketplace (regular way purchases) are recognized on the settle-

ment date, i.e., the date a financial asset is delivered to or by the Company.

Investment Property

Investment property comprises real estate that is held-to-earn rentals or for capital appreciation or both.

Investment property is initially recorded at cost plus any directly attributable expenditures in accordance with IAS 40 *Investment Property*. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect.

Repairs and maintenance expenses consist of the costs related to the day-to-day servicing, repairing, and maintaining (including related labor and consumables) the investment property such as cleaning, painting, electricity, plumbing, heating, ventilation, and air conditioning parts. Minor replacements (those generally less than \$2,500 consist of unit turnover and certain common areas, which may include minor improvements, as well as routine servicing of investment property such as landscaping services, pool and clubhouse services, tile/vinyl replacement, and paving are not capitalized and are directly expensed to operations as incurred. These expenditures neither include the replacement of more than minor parts nor represent enhancements or increase future benefit of the properties otherwise. Capital improvements that improve and/or extend the useful life of the asset are capitalized.

Investment property is derecognized either when it has been disposed of, or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal of proceeds and the carrying amount of the asset is recognized in profit or loss in the period of de-recognition.

Insurance proceeds represent amounts received from third parties for damages to investment property and are approximately \$ 178,000 for the six months ended June 30, 2019. Insurance proceeds are not revenue in accordance with IFRS 15.

Interest-Bearing Loans and Borrowings, Trade, and Other Payables

All loans and borrowings, trade and other payables are initially recognized at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Debt issuance costs are amortized on a straight-line basis which is comparable to the effective interest method.

Rental Income

The Company's operating subsidiaries are the lessors in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms, and is included in rental income in the consolidated statement of profit or loss and other comprehensive income due to its operating nature.

Other Income

The Company earns revenue from monthly or one-time fees charged to tenants for services provided and from utility expenses passed through to tenants. The revenue is recognized in other income as these services are provided.

Operating Expenses

Operating expenses are recognized in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred (on an accrual basis).

Income Taxes

Current Tax

Tax expense and income taxes payable are based on reported income and calculated in accordance with the applicable legislations and regulations. In Switzerland, Varia is taxed as a holding company at federal, cantonal, and communal levels. In the United States, Varia's direct subsidiaries are limited liability companies taxed as corporations.

Income, including dividend income and capital gains from its subsidiaries, are exempt from taxation at the Zug cantonal and communal levels. Nevertheless, the Company is subject to capital taxes that are included in operating expenses in the consolidated statement of profit or loss and other comprehensive income. The amount of current income tax payable or receivable is the best estimate of the tax amount expected to be paid. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred Tax

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statement of profit or loss and other comprehensive income in the period that includes the enactment date.

Deferred tax assets are only recognized to the extent that it is probable that future taxable profits will be available against which they can be used.

Recorded deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related benefit will be realized.

New Accounting Standards

Effective January 1, 2019, management adopted IFRS 16 which introduced a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. Distinctions of operating leases (off-balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and are replaced by a model where a right-of-use asset (the right to use the leased item) and a corresponding liability to pay rentals must be recognized for all leases by lessees, except for short-term and low-value leases.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating or a finance lease. Varia is not subject to lease contracts where it is the lessee with a significant commitment for future lease payments. Varia's rental contracts where it is lessor are currently classified as operating leases and will remain classified as such under IFRS 16. Accordingly, IFRS 16 had no impact on the Company's consolidated financial statements.

The IASB has issued new standards, amendments, and interpretations to existing standards that are not yet effective and may potentially be relevant for the Company. Varia has yet to adopt these new and amended standards and interpretations and plans to do so for the reporting period beginning on or after the effective date stated in the respective standards:

New IFRS Pronouncements	Title	Effective date
IFRS	Amendments to References to the Conceptual Framework in IFRS Standards	Jan 1, 2020
IFRS 3	Definition of a Business	Jan 1, 2020
IAS 1, IAS 8	Definition of Material	Jan 1, 2020
IFRS 17	IFRS 17 Insurance Contracts	Jan 1, 2021

The amendment to IFRS 3 changes the definition of what represents a business. The new guidance includes:

- an optional concentration test: entities can elect to apply a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single/group of identifiable asset(s).
- if the test is not applied/failed, then the assessment focuses on the existence of a substantive process.

In the real estate industry, the new "narrower" definition of a business could result in fewer business combinations and more asset acquisitions.

All other new or amended standards and interpretations issued but not yet effective are not expected to have a significant impact on Varia's consolidated financial statements.

NOTE C CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION

The application of the Company's accounting policies, and the preparation of the consolidated financial statements require the board of directors to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results could differ from those estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of December 31, 2018 and for the period from January 1, 2018 through June 30, 2018.

The estimates and underlying assumptions are reviewed on an ongoing basis.

Fair Value Measurement of Investment Property

The main area involving assumptions and estimates that are significant to the consolidated financial statements of the Group is the fair value of its investment property.

The Group's investment property does not have a quoted market price, nor can the fair value be determined with respect to observable input variable. Accordingly, Varia's subsidiaries obtain independent property appraisals for determining the fair value of each investment property (see Note G and Note O).

Consolidation of Subsidiaries

In deciding whether the consolidation of subsidiaries is appropriate, the board of directors has assessed the level of control it has over its subsidiaries. For that purpose, the board of directors has considered all relevant facts and circumstances in assessing whether it controls its subsidiaries. The assessment includes the analysis of the percentage of detention, the decision-making process in particular related to investment decisions, and the contractual terms defined in different agreements which set conditions for operating the business.

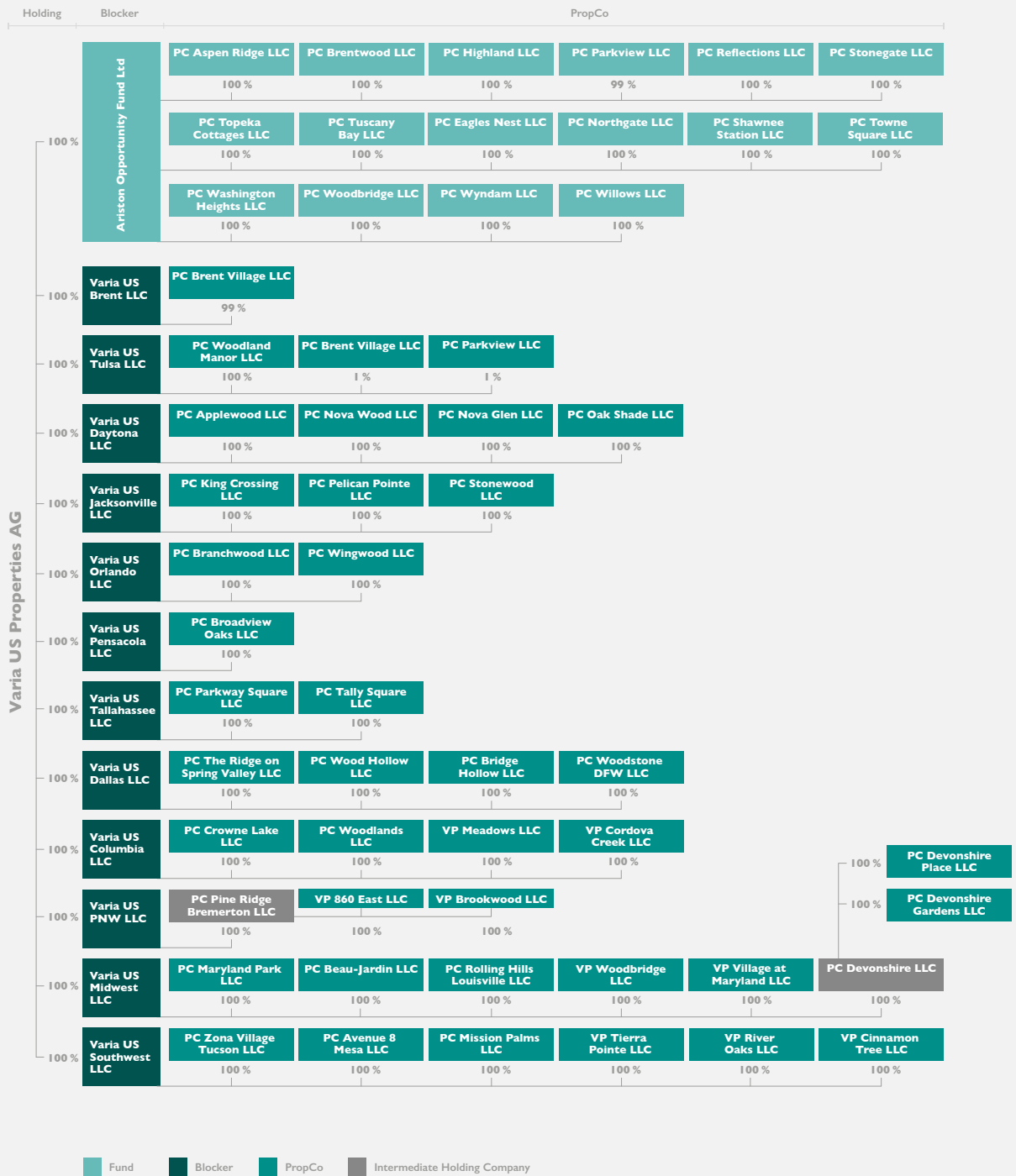
Income Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expenses already recorded. The Group establishes provisions for income taxes, based on reasonable estimates and interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective Group's domicile. Management has determined that no uncertain income tax positions exist at June 30, 2019 or December 31, 2018.

NOTE D COMPANY STRUCTURE

From its creation on September 28, 2015, the Group has developed its investment portfolio with the acquisition on February 23, 2016 (effective January 1, 2016) of the 100% equity shares of the Ariston Opportunity Fund Ltd (Bahamas), and the establishment of 12 U.S. limited liability companies since December 2015 that invest in multifamily residential real estate investment properties in the USA. The chart of Varia's investments portfolio is structured as follows at June 30, 2019 as shown on the following page.

The business model of Varia is to fully own its direct holding investments by creating blockers for the purpose of acquiring multifamily properties in different regions in the U.S.



The business model of Varia is to fully own its direct holding investments by creating blockers for the purpose of acquiring multifamily properties in different regions in the U.S.

Transaction with Non-Controlling Interest Holders Completed During 2018

During December 2017, Varia entered into a settlement agreement with the holders of the non-controlling interests (NCI), to divide 36 jointly owned property companies amongst them. Varia held a majority interest in all the entities. The transaction was completed in January 2018.

Upon completion of the transaction in 2018, Varia owns 100% of the property companies, and there are no remaining non-controlling interests. The non-controlling interests of \$22,795,953 presented at December 31, 2017 represented the non-controlling interest of Woodlands of Jackson (\$505,650), plus the equity of the six property companies to be transferred to NCI holders in 2018 (\$22,290,303). These properties were all transferred as of June 30, 2018 and are shown as a reduction of non-controlling interests of \$22,795,953 on the statement of changes in equity. Additional transaction costs of approximately \$650,000 were incurred during the six months ended June 30, 2018 and were recorded against equity.

NOTE E CASH AND CASH EQUIVALENTS / ESCROW ACCOUNTS

At June 30, 2019 and December 31, 2018, cash and cash equivalents comprise cash in bank accounts in Swiss francs and USD, of which \$43,031,234 and \$13,892,827, respectively, is at the full disposal of Varia, and \$29,738,691 and \$30,370,107, respectively, is at the property company level. Cash in banks totalled \$72,769,925 and \$44,626,934 at June 30, 2019 and December 31, 2018, respectively.

Escrow accounts consist of cash accounts held by third-party lenders in connection with interest bearing loans and borrowings that are restricted for the Group and used to pay real estate taxes and property insurance on behalf of the Company's operating subsidiaries, and to hold reserves for expected maintenance and property improvements. Any excess amounts held are returned to the Company upon either sale of the investment property or satisfaction of the related loan.

NOTE F RENT AND OTHER RECEIVABLES

At June 30, 2019 and December 31, 2018, rent and other receivables of \$1,119,132 and \$695,841, respectively, generally relates to amounts owed to the Group's operating subsidiaries from lessees under lease agreements associated with its investment properties.

NOTE G INVESTMENT PROPERTY

Varia's subsidiaries have invested their funds, capital and loans funded by Varia in various real estate over the

accounting period. The investment properties table is as follows at June 30, 2019:

Properties Held	City	Fair Value of Investment Property at December 31, 2018 in USD	Property Acquired through purchase of Investment Property in USD	Capital Improvements in USD	Net Gain (Loss) From Fair Value Adjustment on Investment Property in USD	Fair Value of Investment Property at June 30, 2019 in USD
860 East	Cincinnati	22,070,000	–	265,198	174,802	22,510,000
Altitude on 5th (Northgate)	Salt Lake City	41,300,000	–	73,254	2,426,746	43,800,000
Applewood	Deland	8,800,000	–	85,538	94,462	8,980,000
Aspen Ridge	Albuquerque	7,000,000	–	91,774	(91,774)	7,000,000
Avenue 8	Mesa	23,400,000	–	150,005	1,549,995	25,100,000
Beau-Jardin	St. Louis	16,890,000	–	61,326	948,674	17,900,000
Branchwood	Winter Park	9,000,000	–	29,059	140,941	9,170,000
Brent Village	Bellevue	9,320,000	–	623,656	(363,656)	9,580,000
Brentwood Oaks	Fredericksburg	5,600,000	–	79,124	(79,124)	5,600,000
Bridge Hollow	Fort Worth	19,600,000	–	538,624	(338,624)	19,800,000
Broadview Oaks	Pensacola	5,100,000	–	49,733	150,267	5,300,000
Brookwood	Tucson	21,100,000	–	191,516	208,484	21,500,000
Cinnamon Tree Apartments	Albuquerque	21,500,000	–	139,081	160,919	21,800,000
Cordova Creek	Cordova	20,200,000	–	236,318	63,682	20,500,000
Cottages of Topeka	Topeka	4,180,000	–	16,014	273,986	4,470,000
Devonshire Place and Gardens	Evansville	14,000,000	–	119,144	580,856	14,700,000
Eagles Nest	Rifle	1,690,000	–	4,142	(194,142)	1,500,000
Highland Vista	Creedmoor	7,000,000	–	118,595	181,405	7,300,000
Maryland Park	Maryland Heights	20,640,000	–	136,354	1,193,646	21,970,000
Mayfield Apartments	Mayfield	28,700,000	–	105,691	994,309	29,800,000
Mission Palms	Tucson	38,700,000	–	149,395	3,650,605	42,500,000

Properties Held	City	Fair Value of Investment Property at December 31, 2018 in USD	Property Acquired through purchase of Investment Property in USD	Capital Improvements in USD	Net Gain (Loss) From Fair Value Adjustment on Investment Property in USD	Fair Value of Investment Property at June 30, 2019 in USD
Nova Glen	Daytona Beach	8,400,000	–	21,721	358,279	8,780,000
Novawood II	Daytona Beach	6,100,000	–	46,778	483,222	6,630,000
Oak Shade	Orange City	4,900,000	–	50,537	39,463	4,990,000
Parkview	Caldwell	4,930,000	–	133,250	(93,250)	4,970,000
Parkway Square	Tallahassee	24,300,000	–	176,153	(176,153)	24,300,000
Pelican Pointe I & II	Jacksonville	7,610,000	–	42,421	767,579	8,420,000
Reflections Senior	Fort Collins	5,330,000	–	9,271	160,729	5,500,000
Ridge on Spring Valley	Dallas	20,350,000	–	135,296	84,704	20,570,000
River Oaks	Tucson	21,000,000	–	185,466	2,114,534	23,300,000
Rolling Hills	Louisville	37,920,000	–	719,897	180,103	38,820,000
Shawnee Station	Shawnee	19,650,000	–	128,648	(88,648)	19,690,000
Stonegate Village	Bellevue	3,750,000	–	9,591	(9,591)	3,750,000
Stonewood	Jacksonville	6,100,000	–	47,198	492,802	6,640,000
Tally Square	Tallahassee	22,400,000	–	138,330	(38,330)	22,500,000
The Meadows	Memphis	14,200,000	–	342,063	(42,063)	14,500,000
Tierra Pointe	Albuquerque	26,000,000	–	430,141	(230,141)	26,200,000
Towne Square	Boise	12,390,000	–	52,684	367,316	12,810,000
Tuscany Bay	Lawrenceburg	7,330,000	–	38,638	11,362	7,380,000
Varia at Oakcrest	Columbia	24,100,000	–	167,829	(267,829)	24,000,000
Villas at Kings Crossing	Jacksonville	5,380,000	–	104,576	1,025,424	6,510,000
Washington Heights	Kansas City	3,340,000	–	1,873	188,127	3,530,000
Willows of Cumming	Cumming	13,100,000	–	76,593	123,407	13,300,000
Wingwood	Orlando	6,200,000	–	26,782	93,218	6,320,000
Wood Hollow	Fort Worth	33,700,000	–	187,765	(487,765)	33,400,000
Woodbridge Senior	Fort Collins	3,040,000	–	27,863	2,137	3,070,000
Woodland Manor	Tulsa	18,000,000	–	23,625	576,375	18,600,000
Woodlands	Jackson	9,100,000	–	195,693	(95,693)	9,200,000
Woodridge	Fairfield	24,060,000	–	261,248	318,752	24,640,000
Woodstone	Fort Worth	14,200,000	–	67,060	332,940	14,600,000
Wyndam Place	Shawnee	3,630,000	–	8,452	211,548	3,850,000
Zona Village	Tucson	11,200,000	–	57,976	842,024	12,100,000
		767,500,000	–	7,178,959	18,971,041	793,650,000

	in USD
Investment Property at December 31, 2018	767,500,000
Property acquired through purchase of investment property	–
Capital improvements	7,178,959
Net gain from fair value adjustment on investment property	18,971,041
Investment Property at June 30, 2019	793,650,000

Varia's subsidiaries have invested their funds, capital and loans funded by Varia in various real estate over the accounting period. The investment properties table is the following at December 31, 2018:

Properties Held	City	Fair Value of Investment Property at December 31, 2017 in USD	Property Acquired through purchase of Investment Property in USD	Capital Improvements in USD	Net Gain (Loss) From Fair Value Adjustment on Investment Property in USD	Transfer to NCI and Sale of Investment Property in USD	Fair Value of Investment Property at December 31, 2018 in USD
860 East	Cincinnati	–	22,010,792	26,516	32,694	–	22,070,000
Altitude on 5th (Northgate)	Salt Lake City	40,000,000	–	740,410	559,590	–	41,300,000
Applewood	Deland	8,100,000	–	99,513	600,487	–	8,800,000
Aspen Ridge	Albuquerque	7,100,000	–	227,735	(327,735)	–	7,000,000
Avenue 8	Mesa	22,310,000	–	851,468	238,532	–	23,400,000
Beau-Jardin	St. Louis	16,700,000	–	218,449	(28,449)	–	16,890,000
Branchwood	Winter Park	8,340,000	–	26,075	633,925	–	9,000,000
Brent Village	Bellevue	8,890,000	–	700,492	(270,492)	–	9,320,000
Brentwood Oaks	Fredericksburg	5,600,000	–	71,921	(71,921)	–	5,600,000
Bridge Hollow	Fort Worth	19,200,000	–	304,296	95,704	–	19,600,000
Broadview Oaks	Pensacola	4,750,000	–	8,271	341,729	–	5,100,000
Brookwood	Tucson	–	21,287,797	–	(187,799)	–	21,100,000
Cinnamon Tree Apartments	Albuquerque	–	21,773,823	145,445	(419,268)	–	21,500,000
Cordova Creek	Cordova	–	19,339,670	23,835	836,495	–	20,200,000
Cottages of Norman*	Norman	5,380,000	–	–	–	(5,380,000)*	–
Cottages of Topeka	Topeka	4,000,000	–	13,490	166,510	–	4,180,000
Countryside*	Daytona Beach	11,000,000	–	–	–	(11,000,000)*	–
Devonshire Place and Gardens	Evansville	13,800,000	–	256,388	(56,388)	–	14,000,000
Eagles Nest	Rifle	1,650,000	–	–	40,000	–	1,690,000
Highland Vista	Creedmoor	6,500,000	–	8,007	491,993	–	7,000,000
Maryland Park	Maryland Heights	20,500,000	–	258,096	(118,096)	–	20,640,000
Mayfield Apartments	Mayfield	–	27,490,150	617,748	592,102	–	28,700,000
Mission Palms	Tucson	37,500,000	–	726,956	473,044	–	38,700,000
Nova Glen	Daytona Beach	8,220,000	–	132,014	47,986	–	8,400,000
Novawood II	Daytona Beach	5,950,000	–	209,810	(59,810)	–	6,100,000
Oak Shade	Orange City	4,575,000	–	27,838	297,162	–	4,900,000
Parkview	Caldwell	4,350,000	–	1,002,742	(422,742)	–	4,930,000
Parkway Square	Tallahassee	23,000,000	–	84,336	1,215,664	–	24,300,000
Pelican Pointe I & II	Jacksonville	7,100,000	–	28,315	481,685	–	7,610,000
Pine Ridge	Bremerton	18,300,000	–	194,965	3,005,035	(21,500,000)	–
Reflections Senior	Fort Collins	4,980,000	–	23,162	326,838	–	5,330,000
Ridge on Spring Valley	Dallas	19,750,000	–	304,314	295,686	–	20,350,000
River Oaks	Tucson	–	20,854,442	634,415	(488,857)	–	21,000,000
Rolling Hills	Louisville	37,380,000	–	779,237	(239,237)	–	37,920,000
Shawnee Station	Shawnee	19,320,000	–	53,083	276,917	–	19,650,000
Sky Pines I & II*	Orlando	5,350,000	–	–	–	(5,350,000)*	–
South Hills*	Pueblo West	4,900,000	–	–	–	(4,900,000)*	–
Stonegate Village	Bellevue	3,520,000	–	18,250	211,750	–	3,750,000
Stonewood	Jacksonville	5,900,000	–	10,583	189,417	–	6,100,000
Sundance Pointe*	Jacksonville	17,200,000	–	–	–	(17,200,000)*	–
Tally Square	Tallahassee	21,250,000	–	75,040	1,074,960	–	22,400,000
The Meadows	Memphis	–	13,744,369	288,048	167,583	–	14,200,000
Tierra Pointe	Albuquerque	–	26,353,460	288,421	(641,881)	–	26,000,000
Towne Square	Boise	11,680,000	–	46,356	663,644	–	12,390,000

Properties Held	City	Fair Value of Investment Property at December 31, 2017 in USD	Property Acquired through purchase of Investment Property in USD	Capital Improvements in USD	Net Gain (Loss) From Fair Value Adjustment on Investment Property in USD	Transfer to NCI and Sale of Investment Property in USD	Fair Value of Investment Property at December 31, 2018 in USD
Tuscany Bay	Lawrenceburg	6,370,000	–	167,293	792,707	–	7,330,000
Varia at Oakcrest	Columbia	23,700,000	–	369,927	30,073	–	24,100,000
Villas at Kings Crossing	Jacksonville	5,100,000	–	94,676	185,324	–	5,380,000
Volusia Crossing*	Daytona Beach	8,500,000	–	–	–	(8,500,000)*	–
Washington Heights	Kansas City	3,010,000	–	18,452	311,548	–	3,340,000
Willows of Cumming	Cumming	12,800,000	–	38,705	261,295	–	13,100,000
Wingwood	Orlando	5,680,000	–	50,970	469,030	–	6,200,000
Wood Hollow	Fort Worth	32,300,000	–	174,546	1,225,454	–	33,700,000
Woodbridge Senior	Fort Collins	2,970,000	–	14,268	55,732	–	3,040,000
Woodland Manor	Tulsa	17,450,000	–	43,426	506,574	–	18,000,000
Woodlands	Jackson	9,100,000	–	186,686	(186,686)	–	9,100,000
Woodridge	Fairfield	–	23,840,454	148,065	71,481	–	24,060,000
Woodstone	Fort Worth	12,810,000	–	281,225	1,108,775	–	14,200,000
Wyndam Place	Shawnee	3,450,000	–	81,197	98,803	–	3,630,000
Zona Village	Tucson	10,680,000	–	728,973	(208,973)	–	11,200,000
		617,965,000	196,694,957	11,924,449	14,745,594	(73,830,000)	767,500,000

	in USD
Investment Property at December 31, 2017	617,965,000
Property acquired through purchase of investment property	196,694,957
Capital improvements	11,924,449
* Transferred to non-controlling interests	(52,330,000)
Net gain from fair value adjustment on investment property	14,745,594
Sale of investment property	(21,500,000)
Fair value of investment property at December 31, 2018	767,500,000

The future minimum lease payments receivable under non-cancellable leases for a period of one year amount to approximately USD 45 million at June 30, 2019 and December 31, 2018, respectively. The operating lease terms on investment properties entered into by Varia as lessor are usually for a period of one year.

The components of income related to investment properties are as follows:

The Group records expenditures for major additions and improvements that materially extend the useful lives of investment property, typically in the initial year of acquisition, as capital improvements.

The valuation of investment properties was carried out by Colliers International Valuation & Advisory Services (see Note O).

	Six months ended June 30, 2019 in USD	Six months ended June 30, 2018 in USD
Rental income (in accordance with IFRS 16)	42,384,710	35,342,703
Other income (revenue from contracts with customers)		
Monthly one-time fees	2,538,513	2,104,463
Utility fees charged through to tenants	2,003,009	1,540,255
Total other income	4,541,522	3,644,718
Total income related to investment properties	46,926,232	38,987,421

NOTE H TRADE AND OTHER PAYABLES

Trade and other payables consist of the following at:

	June 30, 2019 in USD	Dec 31, 2018 in USD
Accounts payable	1,429,246	1,324,001
Accrued interest	1,359,745	1,305,653
Accrued real estate and other taxes	5,720,241	5,284,971
Accrued expenses	1,640,613	1,544,731
Security deposits	2,690,688	2,594,907
Other accrued expenses	1,301,067	862,847
	14,141,600	12,917,110

NOTE I INTEREST BEARING LOANS AND BORROWINGS

The Company's subsidiaries maintain mortgages with various financial institutions against investment property, collateralized by the investment property and net of debt issuance costs of \$3,510,769 as of June 30, 2019 are as follows:

Property	Rate	Structure	Maturity Date	Original Balance in USD	Balance as of June 30, 2019 in USD	Deferred Loan Costs in USD	Carrying amount as of June 30, 2019 in USD
860 East	4.41 %	Fixed	1.9.2028	14,114,000	14,114,000	128,862	13,985,138
Altitude on 5th (Northgate)	4.00%	Fixed	1.1.2025	27,680,000	27,002,284	–	27,002,284
Applewood	4.51 %	Fixed	1.1.2026	4,522,000	4,346,666	32,478	4,314,189
Aspen Ridge	4.51 %	Fixed	1.6.2025	4,680,000	4,680,000	122,328	4,557,672
Avenue 8	3.78%	Fixed	1.10.2024	13,780,000	13,780,000	70,909	13,709,091
Beau Jardin	4.32%	Fixed	1.5.2027	10,465,000	10,465,000	100,900	10,364,010
Branchwood	4.51 %	Fixed	1.1.2026	5,075,000	4,878,224	34,709	4,843,516
Brent Village	3.48%	Fixed	1.8.2047	5,936,800	5,266,681	9,312	5,257,369
Brentwood Oaks	4.21 %	Fixed	1.3.2026	3,360,000	3,346,751	59,570	3,287,181
Bridge Hollow	4.32%	Fixed	1.4.2024	11,440,000	11,440,000	61,022	11,378,978
Broadview Oaks	4.77%	Variable	1.1.2026	2,054,000	1,966,821	20,517	1,946,304
Brookwood	4.48%	Fixed	1.1.2029	13,650,000	13,650,000	146,667	13,503,333
Cinnamon Tree	4.06%	Fixed	1.4.2025	13,975,000	13,975,000	136,487	13,838,513
Cordova Creek	4.39%	Fixed	1.9.2028	12,350,000	12,350,000	119,339	12,230,661
Cottages of Topeka	4.11 %	Fixed	1.3.2026	2,880,000	2,868,411	67,531	2,800,880
Crowne Lake	4.45%	Fixed	1.3.2027	15,340,000	15,340,000	93,304	15,246,696
Devonshire Garden	4.14%	Fixed	1.5.2024	4,771,000	4,771,000	20,346	4,750,654
Devonshire Place	4.14%	Fixed	1.5.2024	3,431,000	3,431,000	13,646	3,417,354
Eagles Nest	–	–	–	No Loan	No Loan	No Loan	No Loan
Highland Vista	4.16%	Fixed	1.5.2021	3,620,000	3,276,415	–	3,276,415
Maryland	4.45%	Fixed	1.3.2027	12,512,500	12,512,500	83,782	12,428,718
Meadows	4.56%	Fixed	1.4.2028	8,775,000	8,775,000	70,575	8,704,425
Mission Palms	4.09%	Fixed	1.8.2024	24,212,500	24,212,500	89,947	24,122,553
Nova Glen	4.51 %	Fixed	1.1.2026	4,550,000	4,373,580	32,452	4,341,129
Novawood	4.51 %	Fixed	1.1.2026	3,107,000	2,986,531	19,072	2,967,459
Oak Shade	4.51 %	Fixed	1.1.2026	2,400,000	2,306,944	22,082	2,284,862
Parkview	4.60%	Fixed	1.1.2021	1,360,000	1,235,553	–	1,235,553
Parkway Square	4.34%	Fixed	1.5.2025	15,112,000	15,112,000	283,390	14,828,610
Pelican Pointe	4.51 %	Fixed	1.1.2026	3,648,000	3,506,554	28,920	3,477,634
Reflections Senior	4.66%	Fixed	1.4.2024	2,640,000	2,413,877	–	2,413,877

Property	Rate	Structure	Maturity Date	Original Balance in USD	Balance as of June 30, 2019 in USD	Deferred Loan Costs in USD	Carrying amount as of June 30, 2019 in USD
Ridge on Spring Valley	4.57%	Fixed	1.3.2027	11,895,000	11,895,000	68,094	11,826,906
River Oaks	4.09%	Fixed	1.2.2028	13,325,000	13,325,000	114,363	13,210,638
Rolling Hills	3.73%	Fixed	1.8.2027	24,115,000	24,115,000	107,628	24,007,372
Shawnee Station	3.27%	Fixed	1.7.2052	13,849,800	12,546,154	–	12,546,154
Stonegate Village	4.21%	Fixed	1.3.2026	2,344,000	2,334,757	–	2,344,757
Stonewood	4.51%	Fixed	1.1.2026	3,850,000	3,700,722	29,048	3,671,674
Tally Square	4.34%	Fixed	1.5.2025	13,910,000	13,910,000	259,685	13,650,315
Tierra Pointe	3.96%	Fixed	1.2.2028	16,900,000	16,900,000	143,148	16,756,852
Towne Square	4.28%	Fixed	1.12.2024	7,992,000	7,657,664	–	7,657,664
Tuscany Bay	4.28%	Fixed	1.5.2021	4,320,000	3,932,353	–	3,932,353
Village at Mayfield	3.51%	Fixed	1.2.2027	15,000,000	15,000,000	142,837	14,857,163
Villas at King's Crossing	4.51%	Fixed	1.1.2026	2,064,000	1,983,971	20,644	1,963,327
Washington Heights Senior	4.60%	Fixed	1.1.2021	1,360,000	1,235,553	–	1,235,553
Willows of Cumming	4.05%	Fixed	1.5.2029	10,140,000	10,140,000	143,645	9,996,355
Wingwood	4.51%	Fixed	1.1.2026	3,395,000	3,263,364	26,808	3,236,556
Wood Hollow	4.47%	Fixed	1.3.2024	18,655,000	18,655,000	185,317	18,469,683
Woodbridge Senior	4.66%	Fixed	1.4.2024	1,440,000	1,316,660	–	1,316,660
Woodland Manor	4.09%	Fixed	1.4.2026	12,207,000	12,207,000	88,026	12,118,974
Woodlands	4.23%	Fixed	1.9.2025	6,438,000	6,438,000	74,273	6,363,727
Woodridge	4.49%	Fixed	1.6.2028	15,288,000	15,288,000	147,448	15,140,552
Woodstone	4.21%	Fixed	1.5.2024	7,475,000	7,475,000	37,496	7,437,504
Wyndam Place Senior	4.60%	Fixed	1.1.2021	1,520,000	1,380,912	–	1,380,912
Zona Village	4.09%	Fixed	1.7.2024	6,532,000	6,532,000	54,073	6,477,927
				465,455,600	459,615,400	3,510,769	456,104,631

Interest bearing liabilities and borrowings are secured by investment properties in the amount of \$792,150,000 and \$765,810,000 as of June 30, 2019 and December 31, 2018, respectively.

On June 18, 2019, the Company issued in Switzerland an unsecured bond in a public offering with an initial aggregate principal amount of Swiss francs of 50,000,000 (50,242,700 in USD). The bond has an annual interest rate of 3.00% and is due on June 20, 2023 with semi-annual interest payments.

Unsecured Bond Summary

Origination date	20.6.2019
Balance	USD 50,242,700
Maturity (due 20.6.2023)	USD 50,242,700
Interest	3.00%

The following is a summary of interest bearing loans from December 31, 2018 to June 30, 2019:

	in USD
Balance of interest bearing loans and borrowings as of December 31, 2018	455,012,706
Proceeds from interest bearing loans and borrowings	10,140,000
Payments of principal on interest bearing loans and borrowings	(8,966,560)
Proceeds from unsecured bond issuance	50,242,700
Bond issuance costs	(865,105)
Net increase in interest bearing loans and borrowing issuance costs	(81,513)
Balance of interest bearing loans and borrowings as of June 30, 2019	505,482,228

The Company's subsidiaries maintain mortgages with various financial institutions against investment property, collateralized by the investment property and net

of debt issuance costs of \$3,429,254, as follows as of December 31, 2018:

Property	Rate	Structure	Maturity Date	Original Balance in USD	Balance as of Dec 31, 2018 in USD	Debt Issuance Costs in USD	Carrying amount as of Dec 31, 2018 in USD
860 East	4.41 %	Fixed	1.9.2028	14,114,000	14,114,000	128,862	13,985,138
Altitude on 5th (Northgate)	4.00%	Fixed	1.1.2025	27,680,000	27,246,244	–	27,246,244
Applewood	4.51 %	Fixed	1.1.2026	4,522,000	4,384,688	32,478	4,352,210
Aspen Ridge	4.51 %	Fixed	1.6.2025	4,680,000	4,680,000	122,328	4,557,672
Avenue 8	3.78%	Fixed	1.10.2024	13,780,000	13,780,000	77,771	13,702,229
Beau Jardin	4.32%	Fixed	1.5.2027	10,465,000	10,465,000	100,990	10,364,010
Branchwood	4.51 %	Fixed	1.1.2026	5,075,000	4,920,896	34,709	4,886,187
Brent Village	3.48%	Fixed	1.8.2047	5,936,800	5,321,290	9,312	5,311,978
Brentwood Oaks	4.21 %	Fixed	1.3.2026	3,360,000	3,360,000	59,570	3,300,430
Bridge Hollow	4.32%	Fixed	1.4.2024	11,440,000	11,440,000	67,008	11,372,992
Broadview Oaks	4.69%	Variable	1.1.2026	2,054,000	1,983,202	20,517	1,962,685
Brookwood	4.48%	Fixed	1.1.2029	13,650,000	13,650,000	146,667	13,503,333
Cinnamon Tree	4.06%	Fixed	1.4.2025	13,975,000	13,975,000	136,487	13,838,513
Cordova Creek	4.39%	Fixed	1.9.2028	12,350,000	12,350,000	119,339	12,230,661
Cottages of Topeka	4.11 %	Fixed	1.3.2026	2,880,000	2,880,000	67,531	2,812,469
Devonshire Garden	4.14%	Fixed	1.5.2024	4,771,000	4,771,000	22,854	4,748,146
Devonshire Place	4.14%	Fixed	1.5.2024	3,431,000	3,431,000	15,329	3,415,671
Eagles Nest	N/A	N/A	N/A	No Loan	No Loan	No Loan	No Loan
Highland Vista	4.16%	Fixed	1.3.2021	3,620,000	3,312,769	–	3,312,769
Maryland Park	4.45%	Fixed	1.3.2027	12,512,500	12,512,500	83,782	12,428,718
Meadows	4.56%	Fixed	1.4.2028	8,775,000	8,775,000	70,575	8,704,425
Mission Palms	4.09%	Fixed	1.8.2024	24,212,500	24,212,500	96,809	24,115,691
Nova Glen	4.51 %	Fixed	1.1.2026	4,550,000	4,411,838	32,452	4,379,386
Novawood	4.51 %	Fixed	1.1.2026	3,107,000	3,012,655	19,072	2,993,583
Oak Shade	4.51 %	Fixed	1.1.2026	2,400,000	2,327,123	22,082	2,305,041
Parkview	4.60%	Fixed	1.1.2021	1,360,000	1,248,475	–	1,248,475
Parkway Square	4.34%	Fixed	1.5.2025	15,112,000	15,112,000	284,207	14,827,793
Pelican Pointe	4.51 %	Fixed	1.1.2026	3,648,000	3,537,227	28,920	3,508,307
Reflections Senior	4.66%	Fixed	1.4.2024	2,640,000	2,438,442	–	2,438,442
Ridge on Spring Valley	4.57%	Fixed	1.3.2027	11,895,000	11,895,000	72,584	11,822,416
River Oaks	4.09%	Fixed	1.2.2028	13,325,000	13,325,000	114,363	13,210,637
Rolling Hills	3.73%	Fixed	1.8.2027	24,115,000	24,115,000	107,628	24,007,372
Shawnee Station	3.27%	Fixed	1.7.2052	13,849,800	12,650,581	–	12,650,581
Stonegate Village	4.21%	Fixed	1.3.2026	2,344,000	2,344,000	–	2,344,000
Stonewood	4.51 %	Fixed	1.1.2026	3,850,000	3,733,093	29,048	3,704,045
Tally Square	4.34%	Fixed	1.5.2015	13,910,000	13,910,000	260,472	13,649,528
Tierra Pointe	3.96%	Fixed	1.2.2028	16,900,000	16,900,000	143,148	16,756,852
Towne Square	4.28%	Fixed	1.12.2024	7,992,000	7,727,819	–	7,727,819
Tuscany Bay	4.28%	Fixed	1.5.2021	4,320,000	3,974,697	–	3,974,697
Varia at Oakcrest	4.45%	Fixed	1.3.2027	15,340,000	15,340,000	93,304	15,246,696
Village at Mayfield	3.51 %	Fixed	1.2.2027	15,000,000	15,000,000	142,837	14,857,163

Property	Rate	Structure	Maturity Date	Original Balance in USD	Balance as of Dec 31, 2018 in USD	Debt Issuance Costs in USD	Carrying amount as of Dec 31, 2018 in USD
Villas at King's Crossing	4.51 %	Fixed	1.1.2026	2,064,000	2,001,326	20,644	1,980,682
Washington Heights Senior	4.60 %	Fixed	1.1.2021	1,360,000	1,248,475	–	1,248,475
Willows of Cumming	4.52 %	Fixed	1.7.2024	8,332,000	8,011,797	–	8,011,797
Wingwood	4.51 %	Fixed	1.1.2026	3,395,000	3,291,910	26,808	3,265,102
Wood Hollow	4.47 %	Fixed	1.3.2024	18,655,000	18,655,000	208,308	18,446,692
Woodbridge Senior	4.66 %	Fixed	1.4.2024	1,440,000	1,330,059	–	1,330,059
Woodland Manor	4.09 %	Fixed	1.4.2026	12,207,000	12,207,000	88,026	12,118,974
Woodlands	4.23 %	Fixed	1.9.2025	6,438,000	6,438,000	74,270	6,363,730
Woodridge	4.49 %	Fixed	1.6.2028	15,288,000	15,288,000	147,448	15,140,552
Woodstone	4.21 %	Fixed	1.5.2024	7,475,000	7,475,000	41,730	7,433,270
Wyndam Place Senior	4.60 %	Fixed	1.1.2021	1,520,000	1,395,354	–	1,395,354
Zona Village	4.09 %	Fixed	1.7.2024	6,532,000	6,532,000	58,985	6,473,015
Devonshire Garden	4.14 %	Fixed	1.5.2024	4,771,000	4,771,000	27,871	4,743,129
Devonshire Place	4.14 %	Fixed	1.5.2024	3,431,000	3,431,000	18,693	3,412,307
Maryland Park	4.45 %	Fixed	1.3.2027	12,512,500	12,512,500	83,782	12,428,718
Rolling Hills	3.73 %	Fixed	1.8.2027	24,115,000	24,115,000	113,293	24,001,707
Pine Ridge	4.64 %	Fixed	1.3.2027	10,660,000	10,660,000	75,978	10,584,022
Zona Village	4.09 %	Fixed	1.7.2024	6,532,000	6,532,000	67,425	6,464,575
				463,647,600	458,441,960	3,429,254	455,012,706

Interest bearing liabilities and borrowings are secured by investment properties in the amount of \$765,810,000

and \$609,215,000 as of December 31, 2018 and 2017, respectively.

	in USD
Balance as of December 31, 2017	342,377,299
Proceeds from interest bearing loans and borrowings, net of debt issuance costs	126,359,692
Payments of principal on interest bearing loans and borrowings	(14,282,848)
Amortization of debt issuance costs	558,563
Balance of interest bearing loans and borrowings as of December 31, 2018	455,012,706

Future scheduled principal payments based upon contractual amounts owed under the term notes, excluding any additional payments that may be required, consist of the following as of June 30, 2019:

Period ending June 30,	in USD
2020	2,100,678
2021	12,823,843
2022	2,263,137
2023	52,659,872
2024	51,763,312
Thereafter	388,247,258
	509,858,100

NOTE J SHAREHOLDERS' EQUITY

Shareholders' equity includes the following at June 30:

	2019 in USD	2018 in USD
Issued share capital	9,053,794	9,053,794
Share premium	225,077,866	265,850,530
	234,131,660	274,904,324

The share capital at June 30, 2019 is divided into 9,001,018 ordinary registered shares of a par value of CHF 1.00 each. All the shares are fully paid as of June 30, 2019. Distributions in the amount of \$40,772,664 were declared during the six months ended June 30, 2019 of which \$ 18,447,838 is payable at June 30, 2019.

	Share number	Share capital in USD	Share premium in USD
Balance at Dec 31, 2018	9,001,018	9,053,794	265,850,530
Distribution from capital reserves	–	–	(40,772,664)
Balance at June 30, 2019	9,001,018	9,053,794	225,077,866

The share capital at June 30, 2018 is divided into 9,001,018 ordinary registered shares of a par value of CHF 1.00 each. All the shares are fully paid as of June 30, 2018.

Shareholders	Investor type	2019		2018	
		Number of shares	Participation in %	Number of shares	Participation in %
Varia SPC	Fund	4,107,290	45.63	4,489,087	49.87
Wolf Property Holdings	Company	600,000	6.67	600,000	6.67
Other shareholders with a participation below 3% individually	Banks, funds, pension funds, foundation and companies	4,293,728	47.70	3,911,931	43.46
		9,001,018	100	9,001,018	100

The Varia SPC fund represents approximately 35 different investors who are directly or indirectly holders of the fund's units.

	Share number	Share capital in USD	Share premium in USD
Balance at Dec 31, 2017	7,200,815	7,187,200	204,382,481
Ordinary share capital increases	1,800,203	1,866,594	61,468,049
Balance at June 30, 2018	9,001,018	9,053,794	265,850,530

The Company proceeded to capital increases during 2018 raising net proceeds in capital and premium on January 15, 2018.

On April 30, 2019, during the general meetings, the shareholders approved the appropriation of the available earnings at December 31, 2018 comprising the allocation to the general legal reserve of \$731,947. On May 24, 2018, during the general meetings, the shareholders approved the appropriation of the available earnings at December 31, 2017 comprising the allocation to the general legal reserve of \$261,345.

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

Major Shareholders

The following table indicates Varia's major shareholders holding shares and voting rights of 3% and more as of June 30, 2019 and 2018 (number of shares according to the public disclosures of shareholdings at SIX; Swiss Exchange voting rights) and in aggregate the other shareholders:

Capital Management

The Group's policy is to maintain a strong equity base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on equity as well as the level of dividends to ordinary shareholders.

The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound equity position.

The Company and its subsidiaries holding the properties may acquire short-term and long-term debt capital at fixed and variable interest rates. The Company shall

aim a financing strategy customized to each property to optimize the costs and benefits. It may obtain (re-) financing through loans and credit facilities by governmental agencies, banks, insurance companies and other financial institutions. It may contract with mortgage brokers to arrange loans. It may mortgage real estate properties to secure loans. As a general principle, the Group targets a gross loan-to-value ratio (defined as outstanding loan over the appraised value of all properties without considering any available cash) of 50 to 66⅔%. Deviations from this target ratio need to be limited to exceptional circumstances during a limited timeframe.

Earnings per Share

	June 30, 2019	June 30, 2018
Earnings per share attributable to equity holders for the period (USD)		
Profit per share attributable to the ordinary equity holders of the Company from continuing operations – basic (calculated on the weighted average number of ordinary shares outstanding, see below)	2.47	1.38
Profit per share attributable to the ordinary equity holders of the Company from continuing operations – fully diluted (calculated on the weighted average number of ordinary shares outstanding, see below)	2.47	1.38
Net profit for the period attributable to ordinary equity holders of the Company	22,219,229	12,188,054
Calculation of weighted average number of shares		
Shares outstanding December 31, 2017	7,200,815	7,200,815
Effect of capital increase on January 15, 2018	1,800,203	1,660,187
Weighted average number of ordinary shares outstanding – basic for the period	9,001,018	8,861,002
Weighted average number of ordinary shares outstanding – fully diluted for the period	9,001,018	8,861,002
Equity attributable to Varia US Properties AG Shareholders (USD)	315,782,495	322,456,355
Number of shares	9,001,018	9,001,018
NAV per share (USD)	35.08	35.82
Equity attributable to Varia US Properties AG Shareholders (excluding deferred taxes) (USD)	338,507,101	334,712,858
Number of shares	9,001,018	9,001,018
NAV per share (excluding deferred taxes) (USD)	37.61	37.19

NOTE K REAL ESTATE OPERATING EXPENSES AND OTHER EXPENSES

Real estate operating expenses and other expenses consist of the following:

	Six months ended June 30, 2019 in USD	Six months ended June 30, 2018 in USD
Utility expenses	4,048,434	3,500,830
Property and other taxes	5,307,114	3,798,649
Contract services at property level	1,014,107	995,132
Property insurance	1,232,619	955,322
Advertising expenses	520,305	364,324
Total real estate operating expenses	12,122,579	9,614,257

42

Legal, audit, and accounting fees	508,694	620,870
Professional fees	241,734	251,500
Asset management fees	1,624,164	1,396,851
General and administrative	1,688,657	1,623,710
Total other expenses	4,063,249	3,892,931

Variation of current balances compared to prior period is mostly due to the transition from year of acquisition

to year of full service for most properties, as well as to an increase in the total number of properties.

NOTE L FINANCE COSTS

The finance costs for the six months ended June 30, 2019 and 2018 amounted to \$10,358,614 and \$8,480,770, respectively, and include mainly interest paid and accrued on interest bearing loans and borrowings of approximately \$10.6 million and \$8.3 million, respectively, and the foreign currency exchange net gain of \$266,841 (gains of \$791,839 less losses of \$524,998) and net loss of \$163,091 (gains of \$845,671 less losses of \$1,008,762),

respectively, resulting from the change of the exchange rate between the CHF and the USD currency rates on foreign currency bank accounts.

A prepayment penalty of approximately \$862,000 was incurred in connection with the refinancing of Willows of Cumming and is included in interest expense above for the six months ended June 30, 2019.

NOTE M INCOME TAXES

Income taxes are comprised of the following:

	Six months ended June 30, 2019 in USD	Six months ended June 30, 2018 in USD
Provision for income tax expense		
Deferred U.S. federal and state income tax	5,378,629	2,498,000
Current U.S. federal and state income tax	(160,233)	125,042
Current Swiss federal income tax	577,147	493,444
	5,795,543	3,116,486

Current Taxes

The provision for current taxes payable on net income earned by Varia is calculated and recorded based on the applicable tax rate in Switzerland and for Varia subsidiaries in the U.S. based on the applicable federal and state tax rates (approximately 25% as of June 30, 2019 and 2018). For Swiss federal tax purposes, income tax at an effective tax rate of 7.8% is levied.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate on the applicable profit of the consolidated companies as follows for the six months ended June 30:

	Six months ended June 30, 2019 in USD	Six months ended June 30, 2018 in USD
Profit before tax	28,014,772	15,304,540
Income tax using the Group's weighted average U.S. income tax rate of 25%, respectively	7,003,693	3,826,135
Effect of different tax rate	(1,047,917)	(819,878)
Other reconciling items	(160,233)	110,229
Income tax expense	5,795,543	3,116,486

Deferred Taxes

Deferred income taxes reflect the effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred income tax expense for the six months ended June 30, 2019 and 2018 was \$5,378,629 and \$2,498,000, respectively.

The components of deferred tax assets (liabilities) at June 30, 2019 are as follows:

	Deferred Tax Assets (Liabilities) at Dec 31, 2018 in USD	Recognized In Profit Or Loss in USD	Total in USD	Deferred Tax Assets in USD	Deferred Tax Liabilities in USD
Net operating loss carry-forward	9,457,707	2,143,478	11,601,185	11,601,185	–
Investment property	(33,626,120)	(6,774,609)	(40,400,729)	–	(40,400,729)
Related party interest	1,370,568	1,348,570	2,719,138	2,719,138	–
Section 163j limitation	5,037,001	(1,474,407)	3,562,594	3,562,594	–
Miscellaneous other	414,867	(621,661)	(206,794)	286,314	(493,108)
Tax assets (liabilities) before set-off	(17,345,977)	(5,378,629)	(22,724,606)	18,169,231	(40,893,837)
			Set-off of tax	(16,739,058)	16,739,058
			Net assets (liabilities)	1,430,173	(24,154,779)

The components of deferred tax assets (liabilities) at December 31, 2018 are as follows:

	Deferred Tax Assets (Liabilities) at Dec 31, 2017 in USD	Recognized In Profit Or Loss in USD	Recognized in Equity in USD	Total in USD	Deferred Tax Assets in USD	Deferred Tax Liabilities in USD
Net operating loss carryforward	9,837,215	(379,508)	–	9,457,707	9,457,707	–
Investment property	(22,109,672)	(10,415,548)	(1,100,900)	(33,626,120)	–	(33,626,120)
Related party interest	2,399,479	(1,028,911)	–	1,370,568	1,370,568	–
Section 163j limitation	–	5,037,001	–	5,037,001	5,037,001	–
Miscellaneous other	114,475	300,392	–	414,867	473,209	(58,342)
Tax assets (liabilities) before set-off	(9,758,503)	(6,486,574)	(1,100,900)	(17,345,977)	16,338,485	(33,684,462)
				Set-off of tax	(13,665,352)	13,665,352
				Net assets (liabilities)	2,673,133	(20,019,110)

In assessing the deferred tax assets, the Group's management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

No deferred taxes have been recognized for the tax effect of approximately \$8.8 million on unremitted earnings of approximately \$58.6 million for the Company's subsidiaries as the remittance is within the full control of the Group.

As of June 30, 2019, the Group has approximately \$46.4 million of net operating loss carryforwards, which are recognized as deferred U.S. federal and state income tax assets. The utilization of this benefit is limited to future taxable earnings of the Company. The carryforwards begin to expire in 2033. A deferred tax asset has been recognized for all loss carryforwards.

NOTE N RELATED PARTY TRANSACTIONS

Related parties include the following parties that have the ability, directly or indirectly, to control or to exercise significant influence over the other party in making financial and operating decisions.

- Board of Directors of Varia US Properties AG
- Stoneweg SA, Geneva (Switzerland)

Transactions with Stoneweg SA and Stoneweg US, LLC

Varia US Properties AG entered into an Asset Management Agreement with Stoneweg SA and Stoneweg US, LLC (Stoneweg) to manage the investments and the administration activities of the Company.

Per agreement, Stoneweg and its affiliates are entitled to an acquisition fee of 1 % maximum of the purchase price; an asset management fee of 1 % of the equity invested; and a disposal fee of 1 % maximum of the sale price. By contract, the disposal fee could be replaced by a promote fee.

During the six-month periods ended June 30, 2019 and 2018, Stoneweg SA has charged the Company approximately \$256,191 in connection with the bond issuance that have been accounting for as bond issuance costs and \$333,000, in placement and capital increase fees that have been accounted for as transaction costs against the share premium proceeds, respectively.

Stoneweg remuneration fees for the other services provided to Varia subsidiaries and underlying investments during the reporting periods were as follows for the years ended June 30:

	Period ended June 30, 2019 in USD	Period ended June 30, 2018 in USD
Asset management fees charged to Varia direct subsidiaries	1,624,164	1,396,661
Transaction fees invoiced for the periods	–	1,219,000
Transaction fees paid in connection with NCI transfer	–	637,872

Outstanding amounts due to Stoneweg as of June 30, 2019 and 2018 represent \$812,084 and \$737,287, respectively.

Key Management Compensation

The board of directors is considered as key management. In the period under consideration, expense in the amount of 222,396 CHF and 242,583 CHF, of which 189,583 CHF and 79,084 CHF was incurred and paid to the board of directors as compensation for the periods ended June 30, 2019 and 2018, respectively.

NOTE O FINANCIAL RISK MANAGEMENT

Risk Management Strategy

The investment objective of the Group is to realize long-term capital appreciation, investment income or both in USD by assembling a portfolio of investment property in the U.S. multifamily real estate market. The investments are diversified among the geographical states in the U.S. through investment entities located in the U.S.

Varia's activities expose the Group to a variety of financial risks, namely market risk (including interest rate risk, currency risk and other price risks), liquidity risk and credit risk. The Group observes and manages these risks. The risks could result ultimately in a reduction of the Group's net assets.

Varia seeks to minimize these risks and adverse effects by considering potential impacts from the financial and the U.S. real estate markets. The Group manages these risks, where necessary, via collaboration with service partners that are market leaders in their respective area of expertise. Additionally, the Group has internal guidelines and policies in place to ensure that transactions are effected in a consistent and diligent manner.

Interest Rate Risk

Varia property companies are subject to cash flow interest rate risk due to fluctuations in the U.S. real estate market interest rates. Changes in interest rates affect mainly the interest-bearing liabilities and borrowings.

At June 30, 2019 and 2018, Varia has issued publicly traded bonds and entered into interest bearing liabilities, borrowing contracts with several lenders, three U.S. governmental agencies, amounting to \$509.9 million and \$429.9 million, respectively, and periodic reimbursements until their principal maturity dates spread out between 2021 and 2052. At June 30, 2019 and 2018, only \$2.0 million of these obligations are subject to variable interest rates. Accordingly, an increase or decrease of these variable rates of 1 % would affect in aggregate the net total annual profit or loss of the real estate companies by only approximately \$20,000 with a corresponding adjustment to the equity of the group by the same amount.

Currency Risk

The net asset value per share is calculated in USD, the presentation currency of the Group and the functional currency of the Company. The Group's investments are mainly denominated in USD.

Varia is exposed to a certain degree of currency risk towards the CHF, which can adversely affect performance in that currency which is the currency of presentation of Varia statutory financial statements. Fluctuations of the USD currency exchange rate with the CHF affect the net result and the equity in CHF of the Group in its statutory financial statements and, ultimately, the profits available for distribution of dividends. During the periods ended June 30, 2019 and 2018, the Group did not enter into currency contracts to mitigate this currency risk. The Group is assessing the risk and may enter into such currency contracts in the future, when needed. A reasonable possible change in exchange rates would only have an insignificant impact on profit or loss.

The Group's currency positions at June 30, 2019 and December 31, 2018 are predominately in USD as presented on the statement of financial position except for carried and to be settled in CHF as follows:

	June 30, 2019 in USD	Dec 31, 2018 in USD
Cash and cash equivalents	40,182,819	10,360,615
Rent and other receivables	94,504	26,434
Total assets	40,277,323	10,387,049

Liabilities	June 30, 2019 in USD	Dec 31, 2018 in USD
Trade and other payables	2,567,016	1,589,779
Unsecured bond	50,242,700	–
Net assets (liabilities)	(12,532,393)	8,797,270

Other Price Risks

Other price risks (i.e. changes in market prices other than from interest rate risks or currency risk) may affect the value of the investment property held by Varia's subsidiaries.

The Group is exposed to price risk other than in respect of financial instruments, mainly property price risk but also property rentals risk.

Varia's asset manager monitors, on a monthly basis, the performance of the real estate companies by analyzing regular reports and through direct contact with its real estate partner and service providers in the USA. Appraisal of the properties by independent experts take place every six months to determine ultimately the fair value of the investment properties as described in Note G. The board of directors reviews and subsequently approves the valuations.

The Company attempts to minimize the property price risk incurred at the level of its investments through effective due diligence prior to investing in real estate properties, and monitors on a permanent basis their activities and performances directly with its Asset manager or indirectly with its services partners in the USA.

The Company also mitigates these risks by investing in a diversified real estate portfolio, spreading its investments through different regions, size of assets, and typology of multifamily asset (senior housing, free rent, LIHTC rents). The diversification of the real estate portfolio also relies on a multitude of operating leases entered into by Varia as lessor, none of which is individually significant (less than 1 % of rental income).

One of the main risks for Varia is ultimately the value of the properties held in the portfolio of the property companies. The value of these properties is dependent on a multitude of factors. These factors are mainly the balance between supply and demand on the U.S. multifamily real estate market, financing conditions, level of rents, and vacancies.

The Group values its properties every six months by external independent valuations to determine the potential proceeds to be received in the case of selling all the portfolio and the unrealized profit or loss impacting the property companies' net assets values. The independent market value of the properties as of June 30, 2019 and December 31, 2018 was approximately \$793.7 million and \$767.5 million respectively.

Liquidity Risk

Due to the nature of the real estate equity companies in which the Group invests, through its investments, immediate and full investment of assets is not always possible. Additional investments by Varia are triggered by the availability of cash resulting mainly from new share capital increases, cash resulting from loan interest payments and paid dividends from its subsidiaries, or subsidiaries loans or capital reimbursements. The Group manages its cash at every level of the structure on a monthly basis and has the ability to increase borrowings under interest-bearing loans, if needed.

Varia pursues a long-term investment strategy with a mixture value-add and opportunity assets in the U.S. multifamily real estate portfolio, with average holding periods between five to ten years and one to five years, respectively, before the properties are divested. Actual strategy of Varia is to reinvest the net proceeds resulting from the sales of either the shares of the underlying investment property or of properties they own.

The maturity analysis of financial liabilities, actual cash flows including interest, is as follows as of June 30, 2019:

	Within 12 months in USD	From 1–4 Years in USD	Later than 5 years in USD	Total in USD
Trade and other payables, less accrued real estate and other taxes	26,869,196	–	–	26,869,196
Interest bearing loans and borrowings, including interest	21,602,969	74,247,969	500,482,589	596,333,527
Interest bearing bond, including interest	1,507,281	54,764,543	–	56,271,824
	49,979,446	129,012,512	500,482,589	679,474,547

The maturity analysis of financial liabilities, actual cash flows including interest, is as follows as of June 30, 2018:

	Within 12 months in USD	From 1–4 Years in USD	Later than 5 years in USD	Total in USD
Trade and other payables, less accrued real estate and other taxes	5,067,873	–	–	5,067,873
Interest bearing loans and borrowings, including interest	20,166,231	90,992,477	458,276,662	569,435,370
	25,234,104	90,992,477	458,276,662	574,503,243

Credit Risk

The Group enters in credit exposure only to established, creditworthy third parties, so that no collateralization is required. Receivables are monitored continuously. The board of directors monitors credit risk on a regular basis.

The Company holds the majority of its cash with multiple international or known financial institutions which have an investment grade rating. Varia monitors, on a regular basis, the standing of the financial institutions in which is entering or has business directly or indirectly through its subsidiaries and underlying investments.

The maximum credit risk exposure for cash and cash equivalents, rent and other receivables and escrow accounts is the amount recognized on the statement of financial position. Cash and cash equivalents, rent and other receivables and the escrow accounts are not past due.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date, regardless of whether that price is directly observable or based on another estimated valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to fair value measurements are observable and the significance of the inputs to fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs, other than quoted prices included in within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or the liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is

significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

At June 30, 2019, Varia's investment properties are measured at fair value on a recurring basis by the above fair value hierarchy level as follows:

	Level 1 in USD	Level 2 in USD	Level 3 in USD	Total in USD
Investment property at Dec 31, 2018	–	–	767,500,000	767,500,000
Capital improvements	–	–	7,178,959	7,178,959
Net change in fair value (unrealized)	–	–	18,971,041	18,971,041
Investment property at June 30, 2019	–	–	793,650,000	793,650,000

At December 31, 2018, Varia's investment properties are measured at fair value on a recurring basis by the above fair value hierarchy level as follows:

	Level 1 in USD	Level 2 in USD	Level 3 in USD	Total in USD
Investment property at Dec 31, 2017	–	–	617,965,000	617,965,000
Purchase of investment property	–	–	196,694,957	196,694,957
Capital improvements	–	–	11,924,449	11,924,449
Transferred to non-controlling interests	–	–	(52,330,000)	(52,330,000)
Net change in fair value (unrealized)	–	–	14,745,594	14,745,594
Investment property sold	–	–	(21,500,000)	(21,500,000)
Investment property at Dec 31, 2018	–	–	767,500,000	767,500,000

There was no transfer between Levels 1 and 2 and Level 3. See Note G for a reconciliation from the opening to the ending balance of investment property.

Valuation Method, Standards, and Principles

Level 3 investments consist of the investment in properties. These are by nature unquoted. The fair values of these entities are derived based on independent appraisals of the underlying investment property. The appraisals are reviewed and approved internally.

The properties are generally valued by using the income capitalization approach (direct capitalization), which is the most common methodology employed in valuing multifamily apartment communities in the United States. In the income capitalization approach, an appraiser analyzes a property's capacity to generate future benefits

and capitalizes the income into an indication of present value. The principle of anticipation is fundamental to this approach. Techniques and procedures from this approach are used to analyze comparable sales data and to measure obsolescence in the cost approach. The relationship between a single year's net operating income expectancy and the total property price or value is known as the capitalization rate. In addition, the independent valuer uses comparable sales analysis of recent transactions to derive market capitalization rates, as well as indicative sales prices of comparable asset sales. In the preparation of valuation analysis, the independent valuer typically relies on current rent rolls, year-to-date

operating statements, historical operating statements (where available), operating budgets, and capital expenditure budgets. Based thereon, the independent valuer defines fair value consistent with the definition of market value as commonly applied in the United States.

The appraisal at fair value is based on the assumption that the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably, and assuming that the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (i) buyer and seller are typically motivated; (ii) both parties are well-informed or well-advised, and acting in what they consider their own best interests; (iii) a reasonable time is allowed for exposure in the open market; (iv) payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and (v) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The market value (fair value) makes no allowance for cost of sale oriented expenses indicative of a net realizable value, nor does it consider any outstanding liens or delinquent property taxes should they exist.

The independent valuer performs the appraisals in accordance with national and international standards and guidelines in particular with the International Valuation Standards (IVS and RICS/Red Book), as well as in accordance with the requirements of IFRS 13. The property values determined correspond to the market value (Fair Value) consistent with IFRS Standard according to IFRS as it relates to fair market value. The definition of fair value in IFRS is generally consistent with market value, which are discussed in IVS 300 Valuations for Financial Reporting.

Level 3 investments consist of the investment in properties. These are by nature unquoted. The fair value of these entities is derived based on independent appraisals of the underlying investment property.

The valuation was determined using significant unobservable inputs. These inputs as of June 30, 2019 and December 31, 2018 include:

Future Rental Cash Inflows	Based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties.
Estimated Vacancy Rates	Based on current and expected future market conditions after expiry of any current lease. The vacancy rates applied range from 2.5%–14.5%.
Maintenance Costs	Including necessary investments to maintain functionality of the property for its expected useful life.
Capitalization Rates	Based on actual location, size and quality of the properties and taking into account market data at the valuation date. The capitalization rates range from 5.49%–8.25%.

Fair value increases (decreases) with lower (higher) capitalization rates and vacancies and with higher (lower) market rents and sales prices. The economic environment can be considered as exerting the greatest influence on input factors, and the factors outlined above are influenced to varying degrees by market developments. Any intensification on pressure on market rents by negative economic sentiments is usually accompanied by a rise in property vacancy rates. At the same time, a lower capitalization rate may prevail in such market circumstances and to a certain extent, the changes of input factors offset each other.

On the basis of a sensitivity analysis of investment real estate as of June 30, 2019 and December 31, 2018, with fair value as of the statement of financial position date of \$793,650,000 and \$767,500,000, respectively, an isolated increase in the capitalization rates by 50 basis points would lead to a decrease of approximately \$59 million and \$57 million, respectively, in value while a decrease in the capitalization rate by 50 points would lead to an increase of approximately \$69 million and \$66 million, respectively as illustrated by the following table in increments of 10 basis points:

June 30, 2019 Average capitalization rate	Change in fair value %	Change in fair value in USD	Fair value in USD
5.7%	8.7%	69,225,000	862,875,000
5.8%	6.9%	54,430,000	848,080,000
5.9%	5.1%	40,135,000	833,785,000
6.0%	3.3%	26,313,000	819,963,000
6.1%	1.6%	12,942,000	806,592,000
6.2% (valuation at June 30, 2019)	–	–	793,650,000
6.3%	–1.6%	(12,533,000)	781,117,000
6.4%	–3.1%	(24,677,000)	768,973,000
6.5%	–4.6%	(36,448,000)	757,202,000
6.6%	–6.0%	(47,865,000)	745,785,000
6.7%	–7.4%	(58,942,000)	734,708,000

December 31, 2018 Average capitalization rate	Change in fair value %	Change in fair value in USD	Fair value in USD
5.8%	8.6%	66,277,000	833,777,000
5.9%	6.8%	52,121,000	819,621,000
6.0%	5.0%	38,438,000	805,938,000
6.1%	3.3%	25,205,000	792,705,000
6.2%	1.6%	12,399,000	779,899,000
6.3% (valuation at December 31, 2018)	–	–	767,500,000
6.4%	–1.6%	(12,011,000)	755,489,000
6.5%	–3.1%	(23,651,000)	743,849,000
6.6%	–4.6%	(34,939,000)	732,561,000
6.7%	–6.0%	(45,889,000)	721,611,000
6.8%	–7.4%	(56,516,000)	710,984,000

Financial Instruments Not Measured at Fair Value

Cash and cash equivalents, rent and other receivables, escrow accounts, and trade and other payables are short-term in nature and, therefore, the carrying amount is deemed to be fair value at June 30, 2019.

Interest-bearing loans and borrowings are initially measured at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans are measured at amortized cost and are categorized as follows as of June 30, 2019:

	Level 1 in USD	Level 2 in USD	Level 3 in USD	Total in USD
Interest bearing loans and borrowings	–	459,615,400	–	459,615,400
Interest bearing bond borrowings	–	50,242,700	–	50,242,700
	–	509,858,100	–	509,858,100

Interest-bearing loans and borrowings are initially measured at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans are

measured at amortized cost and are categorized as follows as of December 31, 2018:

	Level 1 in USD	Level 2 in USD	Level 3 in USD	Total in USD
Interest bearing loans and borrowings	–	458,441,960	–	458,441,960

The fair value of interest bearing loans and borrowings is approximately \$528 million and \$415 million at

June 30, 2019 and December 31, 2018, respectively.

**NOTE P
COMMITMENTS, CONTINGENCIES,
AND OTHER OFF-BALANCE SHEET
TRANSACTIONS**

The Group had no contingencies and other off-balance sheet transactions that would be required to be disclosed.

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

**NOTE Q
SEGMENT REPORTING**

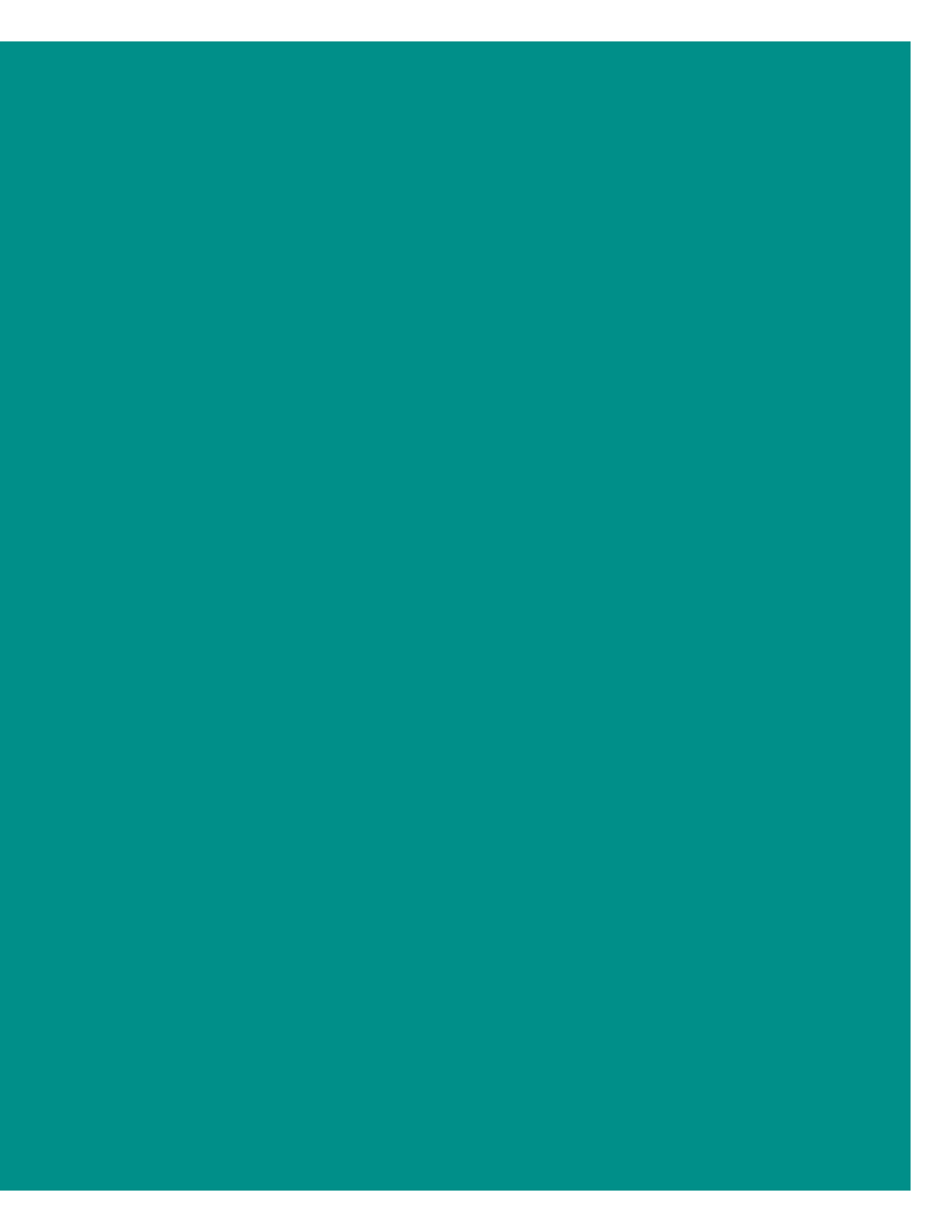
The Group has determined that Varia and its subsidiaries and underlying investments operate in the sole segment of investment property in the U.S. multifamily real estate market.

**NOTE R
SUBSEQUENT EVENTS**

On June 7, 2019, the Company signed Purchase and Sale Agreements to acquire a 455 unit property called Maple Hills in Kansas City, Missouri for \$31.1 million and a 400 unit property called Lynnfield Place in Memphis, Tennessee for \$34.5 million. Both of these transactions closed on August 13, 2019. Both transactions were funded through a combination of cash and third-party, interest-bearing loans and borrowings.

On July 22, 2019 the Company signed a purchase and sale agreement to acquire a 408 unit property called Kings Quarters in Kansas City, Missouri at a price of \$32.0 million. This transaction is expected to close in September 2019 and will be funded through a combination of cash and third-party, interest-bearing loans and borrowings.

The board of directors has evaluated events subsequent to the consolidated statement of financial position date of June 30, 2019 and through August 26, 2019, which was the date the consolidated financial statements were available to be issued. Other than as disclosed above, there were no subsequent events which would require adjustment to or disclosure in the accompanying consolidated financial statements.



Varia US Properties AG and Subsidiaries
Consolidating Statement of Financial Position
 As of June 30, 2019

	Ariston Opportunity Fund Ltd in USD	Varia US Brent LLC in USD	Varia US Daytona LLC in USD	Varia US Jacksonville LLC in USD	Varia US Orlando LLC in USD	Varia US Pensacola LLC in USD	Varia US Tallahassee LLC in USD
ASSETS							
Current assets							
Cash and cash equivalents	4,480,681	(128,737)	619,125	631,436	845,814	218,506	285,205
Rent and other receivables	81,906	428,463	86,660	20,636	16,780	18,415	82,899
Income tax receivable	–	–	–	–	–	–	–
Prepaid expenses and other non-current assets	291,392	68,733	146,095	61,411	45,270	10,737	134,396
Total current assets	4,853,979	368,459	851,880	713,483	907,863	247,657	502,499
Non-current assets							
Investment property	147,520,000	9,580,000	29,380,000	21,570,000	15,490,000	5,300,000	46,800,000
Investment in subsidiaries	–	–	–	–	–	–	–
Other assets	1,936,484	–	–	–	–	–	–
Long-term loans	–	–	–	–	–	–	–
Escrow accounts	1,665,687	297,668	424,420	431,603	236,294	79,856	511,401
Deferred tax asset	4,917,184	675,520	748,133	708,585	205,080	150,305	2,508,880
Total non-current assets	156,039,356	10,553,188	30,552,553	22,710,188	15,931,375	5,530,161	49,820,282
Total assets	160,893,335	10,921,647	31,404,433	23,423,671	16,839,238	5,777,818	50,322,781
LIABILITIES AND EQUITY							
Current liabilities							
Current maturities of interest bearing loans and borrowings	1,316,943	112,106	250,128	164,052	145,317	33,925	–
Trade and other payables	2,429,219	598,553	587,174	489,106	233,898	64,161	1,638,098
Distribution payable	–	–	–	–	–	–	–
Income tax payable	–	–	–	–	–	–	–
Rent received in advance	58,079	11,994	24,387	53,175	12,167	2,365	35,686
Total current liabilities	3,804,241	722,653	861,689	706,333	391,381	100,450	1,673,784
Non-current liabilities							
Interest bearing loans and borrowings, net of current maturities	83,657,326	5,145,263	13,657,510	8,948,583	7,934,755	1,912,379	28,478,925
Loans from member	–	2,504,303	3,911,578	4,398,873	1,629,422	957,513	9,370,432
Deferred tax liability	16,013,871	719,245	2,558,387	2,319,869	1,341,228	614,340	3,214,690
Total non-current liabilities	99,671,197	8,368,811	20,127,475	15,667,325	10,905,405	3,484,232	41,064,047
Total liabilities	103,475,438	9,091,464	20,989,164	16,373,658	11,296,786	3,584,682	42,737,831
Issued share capital	–	–	–	–	–	–	–
Share premium from capital contributions	44,470,540	1,353,674	4,593,886	2,373,783	1,973,845	515,986	5,049,450
Reserves	–	–	–	–	–	–	–
Retained earnings (accumulated deficit)	21,696,857	476,508	5,821,383	4,676,230	3,568,607	1,677,150	2,535,500
Treasury stock at cost	(8,749,500)	–	–	–	–	–	–
Equity attributable to equity holders of the parent	57,417,897	1,830,182	10,415,269	7,050,013	5,542,452	2,193,136	7,584,950
Non-controlling interest (NCI)	–	–	–	–	–	–	–
Total equity	57,417,897	1,830,182	10,415,269	7,050,013	5,542,452	2,193,136	7,584,950
Total liabilities and equity	160,893,335	10,921,647	31,404,433	23,423,671	16,839,238	5,777,818	50,322,781

	Varia US Tulsa LLC in USD	Varia US Dallas LLC in USD	Varia US Columbia LLC in USD	Varia US PNW LLC in USD	Varia US Midwest LLC in USD	Varia US Southwest LLC in USD	Varia US Properties AG in USD	Eliminations in USD	Consolidated in USD
	525,041	1,758,861	2,475,397	3,611,541	8,297,905	7,918,739	41,230,410	-	72,769,925
	9,712	176,937	62,595	2,986	30,236	100,907	-	-	1,119,132
	-	-	-	-	-	-	-	-	-
	69,001	308,375	231,111	66,953	358,453	215,148	5,039,339	(5,068,295)	1,978,118
	603,755	2,244,174	2,769,104	3,681,480	8,686,594	8,234,794	46,269,749	(5,068,295)	75,867,175

	18,600,000	88,370,000	68,200,000	44,010,000	147,830,000	151,000,000	-	-	793,650,000
	-	-	-	-	-	-	183,454,761	(183,454,761)	-
	-	-	-	206,827	-	370,000	9,000	-	2,522,312
	-	-	-	-	-	-	156,441,434	(156,441,434)	-
	291,757	895,777	969,453	194,941	676,175	225,689	-	-	6,900,721
	658,146	2,047,411	1,429,903	592,833	1,738,084	1,781,806	-	(16,731,697)	1,430,173
	19,549,903	91,313,188	70,599,356	45,004,600	150,244,259	153,377,495	339,905,195	(356,627,892)	804,503,207

	20,153,657	93,557,361	73,368,460	48,686,081	158,930,853	161,612,289	386,174,944	(361,696,187)	880,370,382
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	-	-	78,207	-	-	-	-	-	2,100,678
	296,792	2,977,841	2,285,118	668,190	3,307,774	2,718,287	1,065,741	(5,218,352)	14,141,600
	-	-	-	-	-	-	18,447,838	-	18,447,838
	-	-	-	-	-	-	1,501,275	-	1,501,275
	4,678	134,180	107,365	41,056	171,347	203,687	-	-	860,167
	301,471	3,112,020	2,470,690	709,246	3,479,121	2,921,975	21,014,854	(5,218,352)	37,051,558

	12,118,974	49,113,071	42,467,301	27,488,471	84,965,823	88,115,574	49,377,595	-	503,381,550
	3,262,807	21,843,885	17,958,210	10,761,907	40,478,750	39,213,699	-	(156,291,379)	-
	1,226,172	3,471,096	1,285,681	1,398,247	3,252,332	3,471,318	-	(16,731,697)	24,154,779
	16,607,953	74,428,052	61,711,192	39,648,625	128,696,905	130,800,591	49,377,595	(173,023,076)	527,536,329
	16,909,423	77,540,072	64,181,883	40,357,871	132,176,026	133,722,566	70,392,449	(178,241,428)	564,587,887

	-	-	-	-	-	-	9,053,794	-	9,053,794
	1,739,500	11,762,271	9,669,398	5,819,873	22,210,720	22,113,537	225,077,866	(133,646,463)	225,077,866
	-	-	-	-	-	-	1,034,911	-	1,034,911
	1,504,734	4,255,018	(482,821)	2,508,336	4,544,107	5,776,186	80,615,924	(58,557,796)	80,615,924
	-	-	-	-	-	-	-	8,749,500	-
	3,244,234	16,017,289	9,186,577	8,328,209	26,754,827	27,889,723	315,782,495	(183,454,759)	315,782,495

	3,244,234	16,017,289	9,186,577	8,328,209	26,754,827	27,889,723	315,782,495	(183,454,759)	315,782,495
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	20,153,657	93,557,361	73,368,460	48,686,081	158,930,853	161,612,289	386,174,944	(361,696,187)	880,370,382
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Varia US Properties AG and Subsidiaries
Consolidating Statement of Profit or Loss
 For the Six Months Ended June 30, 2019

	Ariston Opportunity Fund Ltd in USD	Varia US Brent LLC in USD	Varia US Daytona LLC in USD	Varia US Jacksonville LLC in USD	Varia US Orlando LLC in USD	Varia US Pensacola LLC in USD	Varia US Tallahassee LLC in USD
Income							
Rental income	7,811,200	674,544	1,876,412	1,493,482	952,538	362,947	2,099,864
Equity in earnings of subsidiaries	–	–	–	–	–	–	–
Interest income on loans	–	–	–	–	–	–	–
Other income	496,903	80,189	276,445	221,735	117,344	44,848	191,829
Insurance proceeds	–	–	147,848	–	19,635	–	–
Net gain (loss) from fair value adjustment on investment property	3,390,234	(363,656)	975,426	2,285,805	234,159	150,267	(214,483)
Effective income	11,698,337	391,077	3,276,132	4,001,022	1,323,676	558,062	2,077,210
Operating expenses							
Third party salaries and employees	(1,179,905)	(114,727)	(303,777)	(270,756)	(141,382)	(49,689)	(319,452)
Utilities	(761,115)	(59,090)	(228,001)	(127,730)	(72,852)	(22,181)	(171,244)
General and administrative	(138,961)	1,713	(113,918)	(45,004)	(27,613)	(1,282)	(109,008)
Advertising	(73,524)	(7,071)	(15,765)	(13,943)	(5,351)	(3,633)	(42,920)
Repairs and maintenance	(243,215)	(30,500)	(85,300)	(79,518)	(23,358)	(4,537)	(186,554)
Contract services	(245,957)	(40,442)	(75,144)	(47,501)	(21,937)	(10,248)	(45,223)
Real estate and other taxes	(726,991)	(74,372)	(141,577)	(111,178)	(72,464)	(24,066)	(306,574)
Property Insurance	(177,890)	(36,518)	(70,980)	(47,930)	(22,680)	(10,641)	(75,536)
Asset management fee	(278,289)	(22,841)	(66,265)	(47,494)	(33,764)	(14,664)	(87,251)
Property management fee	(250,210)	(24,897)	(65,062)	(51,318)	(32,083)	(12,234)	(68,738)
Legal, audit, and accounting	(35,808)	(11,158)	(564)	(1,250)	(500)	(250)	(500)
Professional fees	(628,028)	(4,087)	(23,167)	(22,513)	(13,741)	(7,119)	(13,284)
Total operating expenses	(4,739,893)	(423,991)	(1,189,520)	(866,136)	(467,723)	(160,545)	(1,426,283)
Net operating income	6,958,444	(32,914)	2,086,612	3,134,885	855,953	397,517	650,927
Other property expenses							
Debt interest	(2,614,834)	(103,959)	(318,924)	(209,621)	(185,286)	(47,880)	(631,381)
Capital expenditures	(300,211)	(44,816)	(155,332)	(108,554)	(47,344)	(14,410)	(201,443)
Total other property expenses	(2,915,045)	(148,775)	(474,255)	(318,176)	(232,630)	(62,291)	(832,824)
Net property income	4,043,399	(181,690)	1,612,357	2,816,710	623,323	335,226	(181,897)
Administrative expenses							
Net currency foreign exchange gain	–	–	–	–	–	–	–
Unsecured bond interest	–	–	–	–	–	–	–
Member loan interest	–	(124,185)	(201,412)	(218,136)	(80,802)	(47,482)	(464,671)
Total administrative expenses	–	(124,185)	(201,412)	(218,136)	(80,802)	(47,482)	(464,671)
Exceptional expenses							
Non recurring repairs and maintenance expenses	(34,169)	–	–	–	–	–	–
Total exceptional expenses	(34,169)	–	–	–	–	–	–
Operating profit (loss)	4,009,229	(305,875)	1,410,945	2,598,574	542,521	287,744	(646,568)
Profit (loss) attributable to noncontrolling interests	–	–	–	–	–	–	–
Profit (loss) attributable to equity holders of the parent before provision for income tax	4,009,229	(305,875)	1,410,945	2,598,574	542,521	287,744	(646,568)
Provision for income tax	(999,329)	72,020	(337,313)	(648,745)	(123,785)	(70,269)	151,794
Profit (loss) attributable to equity holders of the parent	3,009,900	(233,855)	1,073,632	1,949,829	418,736	217,475	(494,774)

	Varia US Tulsa LLC in USD	Varia US Dallas LLC in USD	Varia US Columbia LLC in USD	Varia US PNW LLC in USD	Varia US Midwest LLC in USD	Varia US Southwest LLC in USD	Varia US Properties AG in USD	Eliminations in USD	Consolidated in USD
	1,106,508	4,869,072	3,972,045	2,101,506	7,954,425	7,110,168	–	–	42,384,710
	–	–	–	–	–	–	15,667,725	(15,667,725)	–
	–	–	5,835	–	59,021	13,711	7,757,781	(7,836,348)	–
	45,438	568,380	297,276	318,530	917,286	937,276	28,043	–	4,541,522
	–	–	–	–	10,117	–	–	–	177,601
	576,375	(408,745)	(341,903)	383,286	4,216,340	8,087,936	–	–	18,971,041
	1,728,322	5,028,706	3,933,253	2,803,323	13,157,189	16,149,091	23,453,549	(23,504,073)	66,074,874
	(162,531)	(689,084)	(544,131)	(259,649)	(1,020,993)	(1,016,470)	(234,363)	–	(6,306,909)
	(100,963)	(425,176)	(362,012)	(206,502)	(853,948)	(657,619)	–	–	(4,048,434)
	40,168	(94,857)	(81,102)	(37,878)	(107,175)	(173,196)	(171,524)	–	(1,059,637)
	(10,683)	(50,285)	(57,942)	(28,432)	(85,562)	(125,194)	–	–	(520,305)
	(9,665)	(213,732)	(158,413)	(112,995)	(441,878)	(305,843)	–	–	(1,895,508)
	(30,423)	(124,301)	(119,822)	(46,165)	(190,460)	(227,562)	(7,435)	–	(1,232,619)
	(130,170)	(988,289)	(722,173)	(315,882)	(1,159,928)	(533,449)	–	–	(5,307,114)
	(27,822)	(111,549)	(88,346)	(40,913)	(172,702)	(125,456)	(5,145)	–	(1,014,107)
	(29,664)	(191,535)	(137,496)	(93,539)	(319,318)	(302,044)	–	–	(1,624,164)
	(37,110)	(163,834)	(128,470)	(72,447)	(264,512)	(230,627)	–	–	(1,401,542)
	(6,207)	(20,239)	(1,800)	(500)	(1,439)	(1,500)	(426,980)	–	(508,694)
	(7,105)	(49,092)	(20,963)	(14,080)	(35,206)	(32,369)	–	–	(870,754)
	(512,175)	(3,121,972)	(2,422,670)	(1,228,981)	(4,653,121)	(3,731,329)	(845,447)	–	(25,789,787)
	1,216,146	1,906,734	1,510,582	1,574,342	8,504,068	12,417,762	22,608,102	(23,504,073)	40,285,087
	(251,020)	(1,136,966)	(953,901)	(620,401)	(1,742,781)	(1,808,501)	–	–	(10,625,455)
	(43,130)	(257,890)	(118,618)	(76,487)	(239,946)	(223,457)	–	–	(1,831,639)
	(294,150)	(1,394,856)	(1,072,519)	(696,888)	(1,982,727)	(2,031,958)	–	–	(12,457,094)
	921,996	511,878	438,064	877,453	6,521,341	10,385,804	22,608,102	(23,504,073)	27,827,993
	–	–	–	–	–	–	266,841	–	266,841
	–	–	–	–	–	–	–	–	–
	(161,800)	(1,083,217)	(890,530)	(533,673)	(2,007,302)	(1,944,570)	(78,567)	7,836,347	–
	(161,800)	(1,083,217)	(890,530)	(533,673)	(2,007,302)	(1,944,570)	188,274	7,836,347	266,841
	–	(24,532)	–	–	(11,815)	(9,546)	–	–	(80,063)
	–	(24,532)	–	–	(11,815)	(9,546)	–	–	(80,063)
	760,196	(595,871)	(452,466)	343,780	4,502,224	8,431,688	22,796,376	(15,667,726)	28,014,772
	–	–	–	–	–	–	–	–	–
	760,196	(595,871)	(452,466)	343,780	4,502,224	8,431,688	22,796,376	(15,667,726)	28,014,772
	(185,961)	150,203	98,419	(85,946)	(1,132,358)	(2,107,126)	(577,147)	–	(5,795,543)
	574,235	(445,668)	(354,047)	257,834	3,369,866	6,324,562	22,219,229	(15,667,726)	22,219,229

Property Portfolio as of June 30, 2019

based on Colliers figures

Property	Address	City	State	Zip Code	Fair Value
					in USD
Applewood Apartments	101 East New Hampshire Avenue	DeLand	Florida	32724	8,980,000
Branchwood	7785 Branchwood Lane	Winter Park	Florida	32792	9,170,000
Broadview Oaks	6101 College Parkway	Pensacola	Florida	32504	5,300,000
Nova Glen	1000 South Nova Road	Daytona Beach	Florida	32114	8,780,000
Nova Wood II	1220 South Nova Road	Daytona Beach	Florida	32114	6,630,000
Oak Shade	2317 South Volusia Avenue	Orange City	Florida	32763	4,990,000
Pelican Pointe I & II	1333 Dunn Avenue	Jacksonville	Florida	32218	8,420,000
Stonewood Apartments	8300 Old Kings Road South	Jacksonville	Florida	32217	6,640,000
Villas at Kings Crossing	7241 Old Kings Road South	Jacksonville	Florida	32217	6,510,000
Wingwood Apartments	5749 St. Charles Prado	Orlando	Florida	32822	6,320,000
Altitude on Fifth	135 South 500 West	Salt Lake City	Utah	84101	43,800,000
Aspen Ridge Apartments	820 Louisiana Boulevard SE	Albuquerque	New Mexico	87108	7,000,000
Brentwood Oaks	604 S. Eagle Street	Fredericksburg	Texas	78624	5,600,000
Cottages of Topeka	620 Northwest Lyman Road	Topeka	Kansas	66608	4,470,000
Eagle's Nest	1041 West 24th Street	Rifle	Colorado	81650	1,500,000
Highland Vista	320 Hidden Valley Drive	Creedmoor	North Carolina	27522	7,300,000
Parkview Apartments	415 Sunset Court	Caldwell	Idaho	83605	4,970,000
Reflections Senior Apartments	321 East Troutman Parkway	Fort Collins	Colorado	80525	5,500,000
Shawnee Station	6405 Maurer Road	Shawnee	Kansas	66217	19,690,000
Stonegate Village	393 East Spaulding Avenue	Pueblo West	Colorado	81007	3,750,000
The Woodlands	2119 Woodland Way	Jackson	Mississippi	39209	9,200,000
Towne Square Village	244 North Allumbaugh Street	Boise	Idaho	83704	12,810,000
Tuscany Bay Apartments	100 River Road	Lawrenceburg	Indiana	47025	7,380,000
Washington Heights Senior Residence	7701 Armstrong Avenue	Kansas City	Kansas	66112	3,530,000
The Willows of Cumming	225 Nancy Lane	Cumming	Georgia	30040	13,300,000
Woodbridge Senior Apartments	1508 West Elizabeth Street	Fort Collins	Colorado	80521	3,070,000
Wyndham Place Senior Apartments	15510 West 63rd Street	Shawnee	Kansas	66217	3,850,000
Parkway Square	2855 Apalachee Parkway	Tallahassee	Florida	32301	24,300,000
Tally Square	1112 S. Magnolia Drive	Tallahassee	Florida	32301	22,500,000
Woodland Manor Apartments	8641 East 61st Street	Tulsa	Oklahoma	74133	18,600,000
Brent Village	1409 Buck Drive	Bellevue	Nebraska	68005	9,580,000
Wood Hollow Apartments	3875 Post Oak Boulevard	Fort Worth (Euless)	Texas	76040	33,400,000
Varia at Oakcrest (Crown Lake)	1310 Oakcrest Drive	Columbia	South Carolina	29223	24,000,000
Maryland Park	2170 McKelvey Road	Maryland Heights	Missouri	63043	21,970,000
Ridge on Spring Valley	5704 Spring Valley Road	Dallas	Texas	75254	20,570,000
Bridge Hollow Apartment Homes	5801 Bridge Street	Fort Worth	Texas	76112	19,800,000

1 The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income but before mortgage debt service

2 As percentage of the total gross potential income as calculated by Colliers

3 Total potential rental revenue assuming the existing rents in place, as well as market rent values for all vacant units.

4 As of June 30, 2018, 100% of the lettable area of the properties was for residential use.

	Ownership form	Year of construction	Net Operating Income ¹ in USD	Units	Occupancy Rate ²	Cap Rate	Gross Potential Income ³ in USD	Site Size in sq.ft.	Net Lettable area ⁴ in sq.ft.
	Sole-Ownership	1982	702,804	161	95.0%	7.83%	1,477,540	493,535	99,936
	Sole-Ownership	1980	737,588	117	98.3%	8.04%	1,300,940	482,109	64,512
	Sole-Ownership	1985	397,683	90	96.7%	7.50%	834,840	209,959	46,080
	Sole-Ownership	1984	658,240	143	95.8%	7.50%	1,369,300	538,530	88,704
	Sole-Ownership	1980	500,826	119	92.4%	7.55%	1,133,040	436,135	73,152
	Sole-Ownership	1985	379,403	82	97.6%	7.60%	735,120	303,505	51,264
	Sole-Ownership	1987	631,268	160	93.8%	7.50%	1,416,308	472,011	81,504
	Sole-Ownership	1980	481,471	117	93.2%	7.25%	1,023,544	264,055	67,680
	Sole-Ownership	1984	487,886	133	99.2%	7.49%	1,183,356	368,082	82,500
	Sole-Ownership	1980	508,927	86	97.7%	8.05%	940,800	211,126	47,808
	Sole-Ownership	2002	2,406,418	330	93.9%	5.49%	4,329,784	251,341	246,414
	Sole-Ownership	2001	424,492	96	95.8%	6.06%	941,547	268,839	102,504
	Sole-Ownership	1998	375,605	74	95.0%	6.71%	801,220	220,370	74,578
	Sole-Ownership	1999	313,013	72	98.6%	7.00%	709,620	484,851	66,024
	Sole-Ownership	2000	97,549	30	100.0%	6.50%	263,300	256,131	27,115
	Sole-Ownership	1997	526,851	86	95.3%	7.22%	995,210	704,478	75,686
	Sole-Ownership	1999	298,020	87	96.6%	6.00%	725,896	207,346	74,379
	Sole-Ownership	2000	343,881	72	100.0%	6.25%	606,236	118,265	43,002
	Sole-Ownership	2001	1,230,864	228	96.1%	6.25%	2,694,365	673,873	210,431
	Sole-Ownership	2000	252,969	55	100.0%	6.75%	506,980	190,357	59,958
	Sole-Ownership	2000	597,556	200	92.0%	6.50%	1,814,448	522,720	174,368
	Sole-Ownership	1990	768,887	160	96.9%	6.00%	1,541,836	338,374	112,142
	Sole-Ownership	1998	535,235	96	91.7%	7.25%	1,030,218	392,040	104,160
	Sole-Ownership	2001	229,367	48	95.8%	6.50%	478,125	231,038	33,200
	Sole-Ownership	1996	832,096	156	100.0%	6.26%	1,736,552	554,519	147,148
	Sole-Ownership	2001	191,652	50	100.0%	6.24%	381,136	83,842	29,150
	Sole-Ownership	2001	240,496	48	100.0%	6.25%	484,735	190,357	33,200
	Sole-Ownership	1975	1,581,414	277	91.0%	6.51%	3,150,224	574,121	224,330
	Sole-Ownership	1972	1,459,686	228	89.9%	6.49%	2,851,600	838,966	277,656
	Sole-Ownership	1997	1,212,069	305	93.8%	6.52%	2,482,220	678,096	218,040
	Sole-Ownership	1971	694,354	180	86.7%	7.25%	1,624,000	404,236	147,875
	Sole-Ownership	1985	1,837,594	346	91.0%	5.50%	4,246,520	535,374	251,705
	Sole-Ownership	2000	1,380,919	272	95.2%	5.75%	3,357,980	838,349	299,102
	Sole-Ownership	1971	1,373,254	252	98.0%	6.25%	2,931,447	538,614	193,284
	Sole-Ownership	1978	1,182,934	208	93.8%	5.75%	2,669,860	324,091	166,194
	Sole-Ownership	1984	1,139,170	280	93.2%	5.75%	3,060,320	435,602	208,648

Property	Address	City	State	Zip Code	Fair Value
					in USD
Beau Jardin	10347 Sannois Drive	St. Louis	Missouri	63146	17,900,000
Devonshire Place and Gardens	1237 Devonshire Place & 815 Erie Avenue	Evansville	Indiana	47715	14,700,000
Woodstone Apartment Homes	6051 Bridge Street	Fort Worth	Texas	76112	14,600,000
Zona Village	2855 West Anklam Road	Tucson	Arizona	85745	12,100,000
Rolling Hills Apartments	9100 Rainbow Springs	Louisville	Kentucky	40241	38,820,000
Mission Palms Apartment Homes	951 West Orange Grove Road	Tucson	Arizona	85704	42,500,000
Avenue 8 Apartments	1050 West 8th Avenue	Mesa	Arizona	85210	25,100,000
River Oaks	7730 East Broadway Boulevard	Tucson	Arizona	85710	23,300,000
Tierra Pointe Apartments	6901 Los Volcanes Road NW	Albuquerque	New Mexico	87121	26,200,000
Cinnamon Tree Apartments	7220 Central Avenue SE	Albuquerque	New Mexico	87108	21,800,000
The Meadows Apartment Homes	2154 Meadow Glade Lane	Memphis	Tennessee	38134	14,500,000
Woodridge Apartments	3840, 3849, 3975 and 3977 Woodridge Boulevard and Providence Drive	Fairfield	Ohio	45014	24,640,000
Mayfield Apartments	919 Aintree Park Drive	Mayfield	Ohio	44143	29,800,000
Cordova Creek	7965 Humphrey Hill Drive	Cordova	Tennessee	38016	20,500,000
860 East Apartments and Townhomes	860 Deerfield Boulevard	Cincinnati	Ohio	45245	22,510,000
Brookwood Apartment Homes	201 South Kolb Road	Tucson	Arizona	85710	21,500,000
Total					793,650,000

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- 4 As of June 30, 2018, 100% of the lettable area of the properties was for residential use.

	Ownership form	Year of construction	Net Operating Income ¹ in USD	Units	Occupancy Rate ²	Cap Rate	Gross Potential Income ³ in USD	Site Size in sq.ft.	Net Lettable area ⁴ in sq.ft.
	Sole-Ownership	1965	1,073,745	182	99.5%	6.00%	2,118,270	470,012	159,520
	Sole-Ownership	1977	993,749	245	95.9%	6.76%	2,209,897	464,472	237,460
	Sole-Ownership	1984	842,014	200	94.5%	5.77%	2,252,080	273,638	135,168
	Sole-Ownership	1969	754,224	183	95.6%	6.23%	1,531,920	249,075	98,868
	Sole-Ownership	1972 and 1975	2,426,261	400	97.5%	6.25%	4,859,055	1,120,157	504,640
	Sole-Ownership	1979	2,444,273	360	95.8%	5.75%	4,383,480	1,258,842	372,918
	Sole-Ownership	1986	1,379,297	194	96.9%	5.50%	2,477,600	385,158	186,240
	Sole-Ownership	1982	1,283,720	300	93.7%	5.51%	2,673,560	448,958	212,074
	Sole-Ownership	1985	1,572,570	352	95.5%	6.00%	3,170,316	521,784	211,720
	Sole-Ownership	1986	1,375,921	398	92.7%	6.31%	3,063,716	541,168	187,426
	Sole-Ownership	1986	872,450	200	95.0%	6.02%	1,927,003	625,522	191,200
	Sole-Ownership	1985	1,601,783	336	95.5%	6.50%	3,261,940	864,495	254,600
	Sole-Ownership	1966	2,012,373	252	96.4%	6.75%	3,862,460	778,194	275,575
	Sole-Ownership	1986	1,177,117	196	92.9%	5.74%	2,412,868	851,162	214,044
	Sole-Ownership	1988	1,406,717	223	91.9%	6.25%	2,736,323	827,248	211,684
	Sole-Ownership	1973	1,234,892	272	93.8%	5.74%	2,506,780	432,586	206,784
			49,463,547	9,737			103,277,435	24,747,709	7,963,354

CONTACT

Contact for Investors

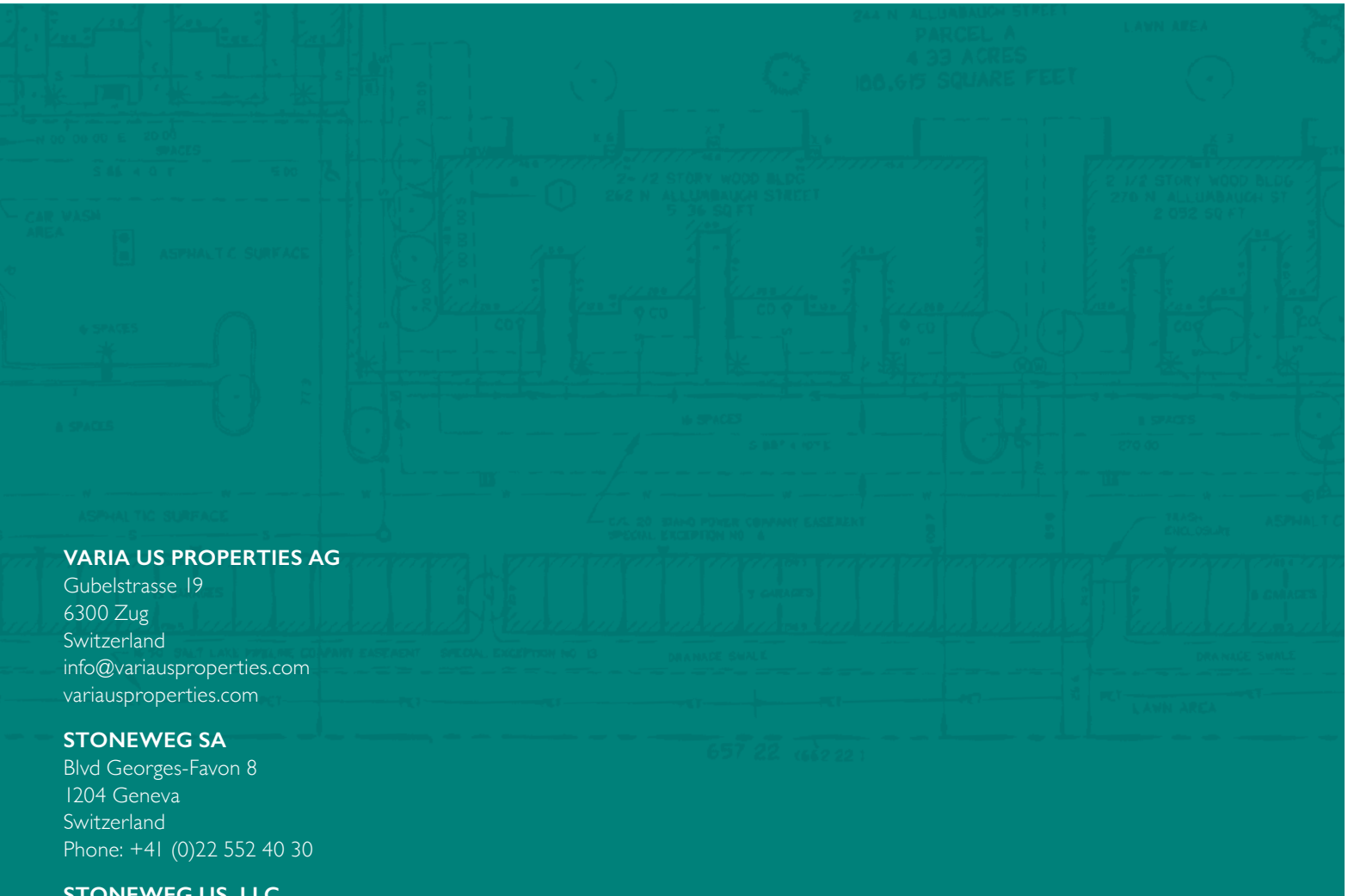
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