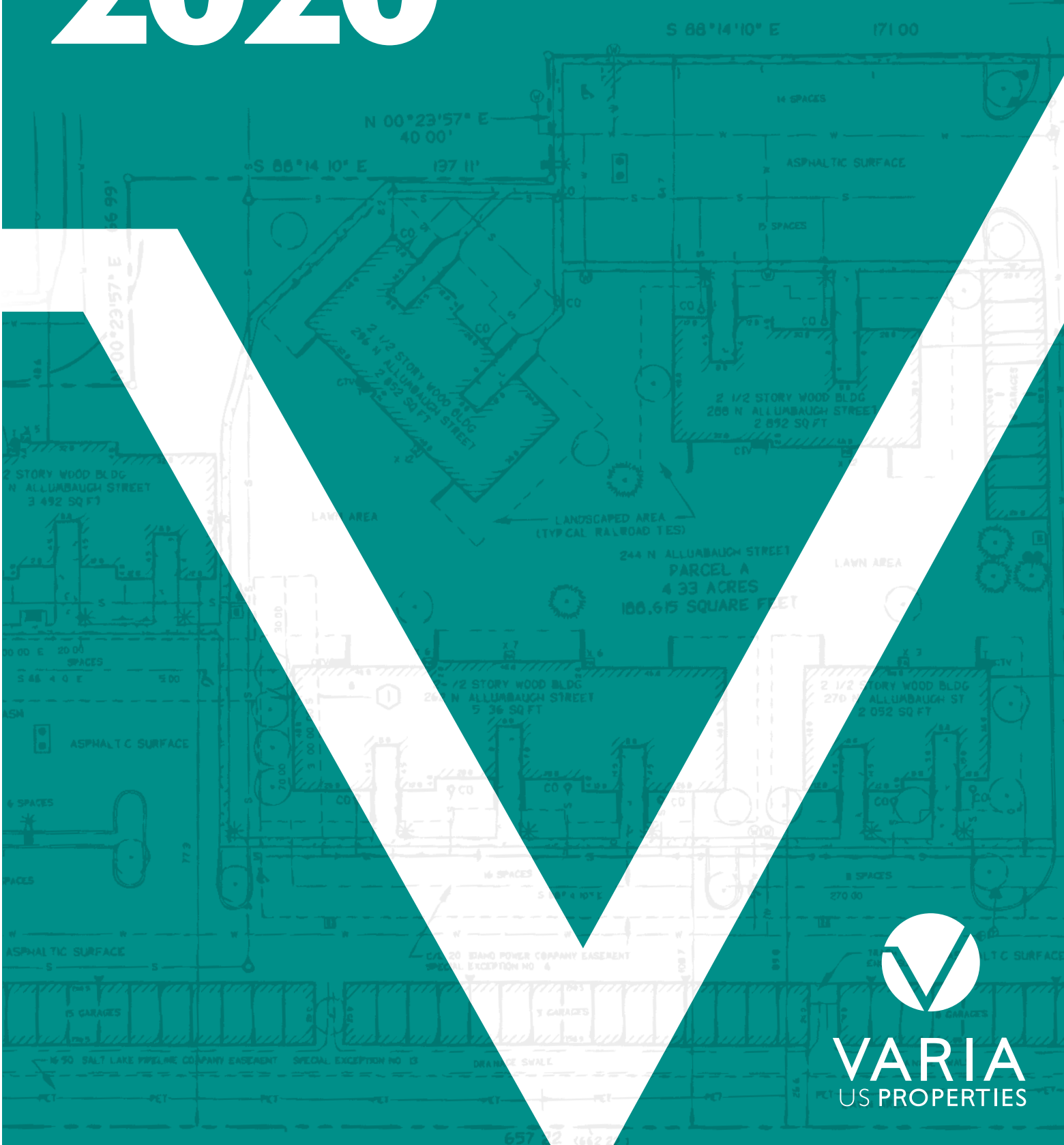


ANNUAL REPORT

2020



VARIA
US PROPERTIES



288095
NY PORTFOLIO LLC
31.52' (316.52)

2 STORY
244 N ALLU
3.452

2 1/2 STORY
288 N ALLU
2.892

WOOD BLDG
2000
SPACES
AS 40 E

ASPHALTIC SURFACE

244 N ALLU
PARCE
4.33
186.615 S

WOOD BLDG
LAUGH STREET
SQ FT

4 SPACES

C/L 20 DIAM POW
SPECIAL EXCEPTION

PRESENT SPECIAL EXCEPTION NO. 13

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**“THE INVESTMENT STRATEGY OF
VARIA US AND THE DIVERSIFICATION OF
ITS PORTFOLIO HAVE ALLOWED THE
COMPANY TO ADJUST TIMELY AND TO
PERFORM WITH REMARKABLE
SUCCESS IN THIS CHALLENGING YEAR.”**

Manuel Leuthold
Chairman

COMPANY PORTRAIT

- Varia US Properties AG is a Swiss-based real estate company, exclusively investing in the US multifamily market. It focuses on secondary and tertiary markets that are characterized by strong population and employment growth.
- The Company targets low to moderate income households and leases safe and quality apartments to the American workforce. Currently, 11% of Varia's units are benefitting from Low Income Housing Tax Credit (LIHTC).
- Established in September 2015 as a Swiss company, Varia US Properties AG offers an alternative to the Swiss real estate market. In addition to the attractive return perspectives of the US real estate market, investors also benefit from the US Swiss double tax treaty.
- Varia's unique setup – characterized by an experienced Swiss team, a dedicated US staff and a broad network of highly qualified local partners and backed by a mostly non-executive, independent Board – allows Varia US Properties to successfully navigate through the opportunities of the US real estate market.
- The Company's asset manager is Stoneweg SA, a Geneva-based international real estate asset manager with over CHF 4.5 billion of real estate assets transactions. In the US, Stoneweg US, LLC is in charge of acquisitions, asset management and disposition of the assets of the Company.

PORTFOLIO SUMMARY

as of December 31, 2020

6

PORTFOLIO VALUE

2019: USD 915.1 million

USD million **928.2**

NUMBER OF PROPERTIES

2019: 53

44

NUMBER OF UNITS

2019: 10,896

10,269

AVERAGE MONTHLY RENT PER UNIT

2019: USD 810*

USD **824**

LOAN-TO-VALUE

2019: 56.68%

59.06%

GROSS POTENTIAL INCOME*

2019: USD 117.6 million

USD million **114.4**

AVERAGE MARKET VALUE PER UNIT

2019: USD 83,989

USD **90,390**

OCCUPANCY RATE

2019: 95.3%

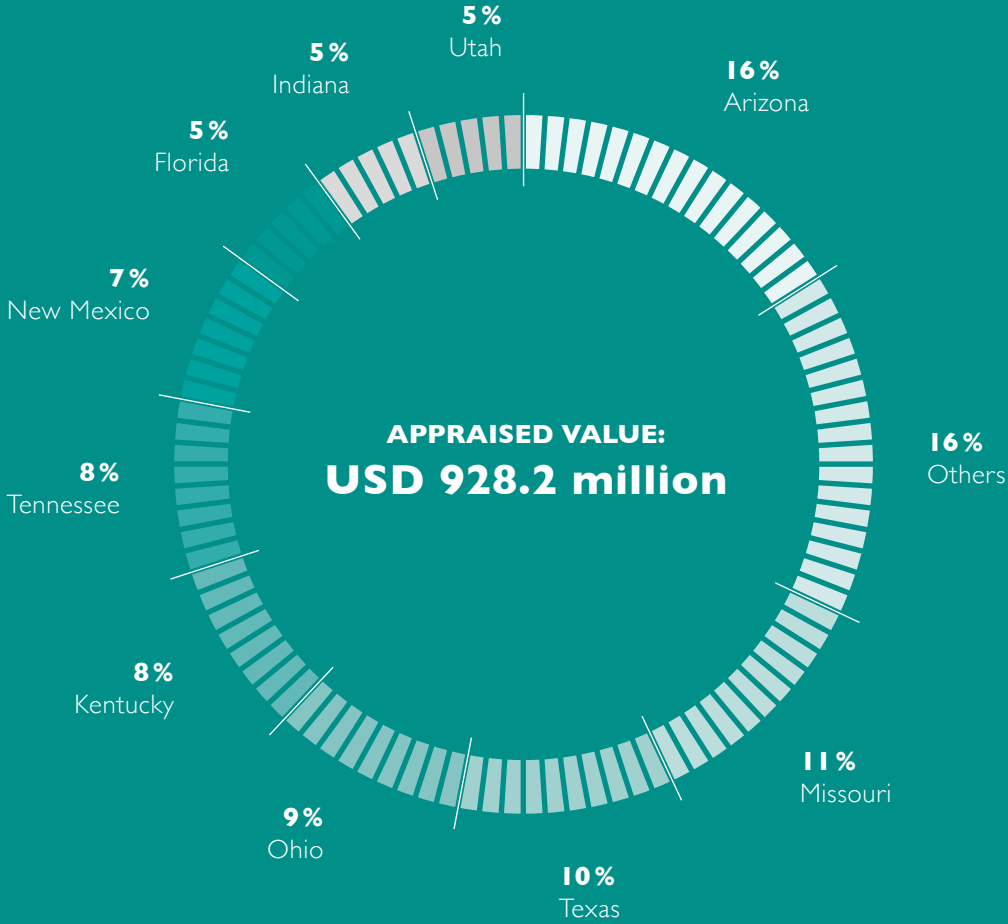
95.4%

EFFECTIVE GROSS INCOME*

2019: USD 109.2 million

USD million **106.8**

GEOGRAPHIC BREAKDOWN



FINANCIAL YEAR 2020 AT A GLANCE

- For the first time, Varia US's total assets exceed USD 1 billion at USD 1.058 billion.
- The pandemic had a limited impact on the Company's financial statements and most indicators are trending positive.
- On a same store basis, operations have improved at the portfolio level.
- Dispositions have been successful with the sale of the Cardinal portfolio (1,209 units, all in Florida) in December 2020, and a stunning 26% net IRR despite defeasance and deal costs above USD 12 million.
- Currency and share price have been under pressure in 2020.
- The Company issued 1,125,000 new shares in December 2020 thanks to a successful private placement that allowed a few more key investors to enter into the Company.
- The proposed 2020 dividend equals the one of 2019, but on a greater number of shares, allowing a total distribution of CHF 2.70 per share for those shares outstanding already at the last Shareholder Meeting and CHF 1.70 per share on those shares that were newly issued in December 2020.

**TOTAL
INCOME**

2019: USD 139.5 million

USD
million

152.4

**FAIR VALUE
PORTFOLIO
ADJUSTMENT**

2019: USD 40.0 million

USD
million

42.5

EBITDA*

2019: USD 40.9 million

USD
million

60.3

**PROFIT
FOR THE
PERIOD**

2019: USD 42.8 million

USD
million

35.5

**REPAIRS,
MAINTENANCE
AND MINOR
REPLACEMENTS**

2019: USD 8.2 million

USD
million

8.3

FFO

2019: USD 17.9 million

USD
million

35.8

**EARNINGS
PER SHARE**

2019: USD 4.75

USD

3.91

**NAV PER
SHARE**

2019: USD 37.36

USD

38.48

**NAV PER
SHARE
(EXCLUDING
DEFERRED TAXES)**

2019: USD 40.58

USD

42.26

* Defined as operating profit less unrealized revaluation

SUMMARY PAGE OF KEY FIGURES

RESULT (For the Year Ended December 31)	Unit	2020	2019	Change
Rental income	USD mio	98.4	88.9	10.6%
<i>Rental Income like for like*</i>	USD mio	78.2	74.8	4.6%
Other Income and insurance Proceeds	USD mio	11.5	10.5	9.2%
Total Income (less unrealized revaluation)	USD mio	129.7	100.3	29.3%
Realized Gains on disposal of properties	USD mio	19.9	0.9	2219.3%
Unrealized Gains on revaluation of properties	USD mio	22.7	39.2	-42.2%
Net Gain (Loss) on revaluation of properties	USD mio	42.5	40.0	6.3%
<i>Revaluation of properties like for like*</i>	USD mio	22.8	33.3	-31.5%
Total Income	USD mio	152.4	139.5	9.2%
Operating expenses	USD mio	69.4	59.4	16.8%
Operating profit incl. Revaluation	USD mio	83.0	80.1	3.6%
Operating margin	%	54.5	57.4	-3.0%
EBITDA (Operating Profit less unrealized revaluation)	USD mio	60.3	40.9	47.4%
EBITDA Margin	%	46.5	40.8	5.7%
Normalized EBITDA (EBITDA less insurance proceeds)	USD mio	60.0	40.1	49.5%
Normalized EBITDA Margin	%	46.2	40.0	6.2%
Net Profit Before tax	USD mio	45.4	55.3	-17.8%
Net Profit	USD mio	35.5	42.8	-17.0%
Funds from Operations (FFO) (EBITDA less Interest Expense)	USD mio	35.8	17.9	99.9%
Normalized FFO (FFO less debt cost amortization, insurance proceeds and other non-cash items)	USD mio	42.4	20.7	105.0%

BALANCE SHEET (as of December 31)	Unit	2020	2019	Change
Total Assets	USD mio	1,057.3	962.1	9.9%
Equity	USD mio	389.6	336.3	15.9%
Equity ratio	%	36.9	35.0	1.9%
Return on Equity	%	9.1	12.7	-3.6%
Interest bearing Debt	USD mio	600.8	566.7	6.0%
Interest bearing Debt ratio	%	56.8	58.9	56.2%
Average interest of debt at the property level	%	3.9	4.1	-0.2%
Average maturity of debt at the property level	years	7.0	7.5	-6.3%

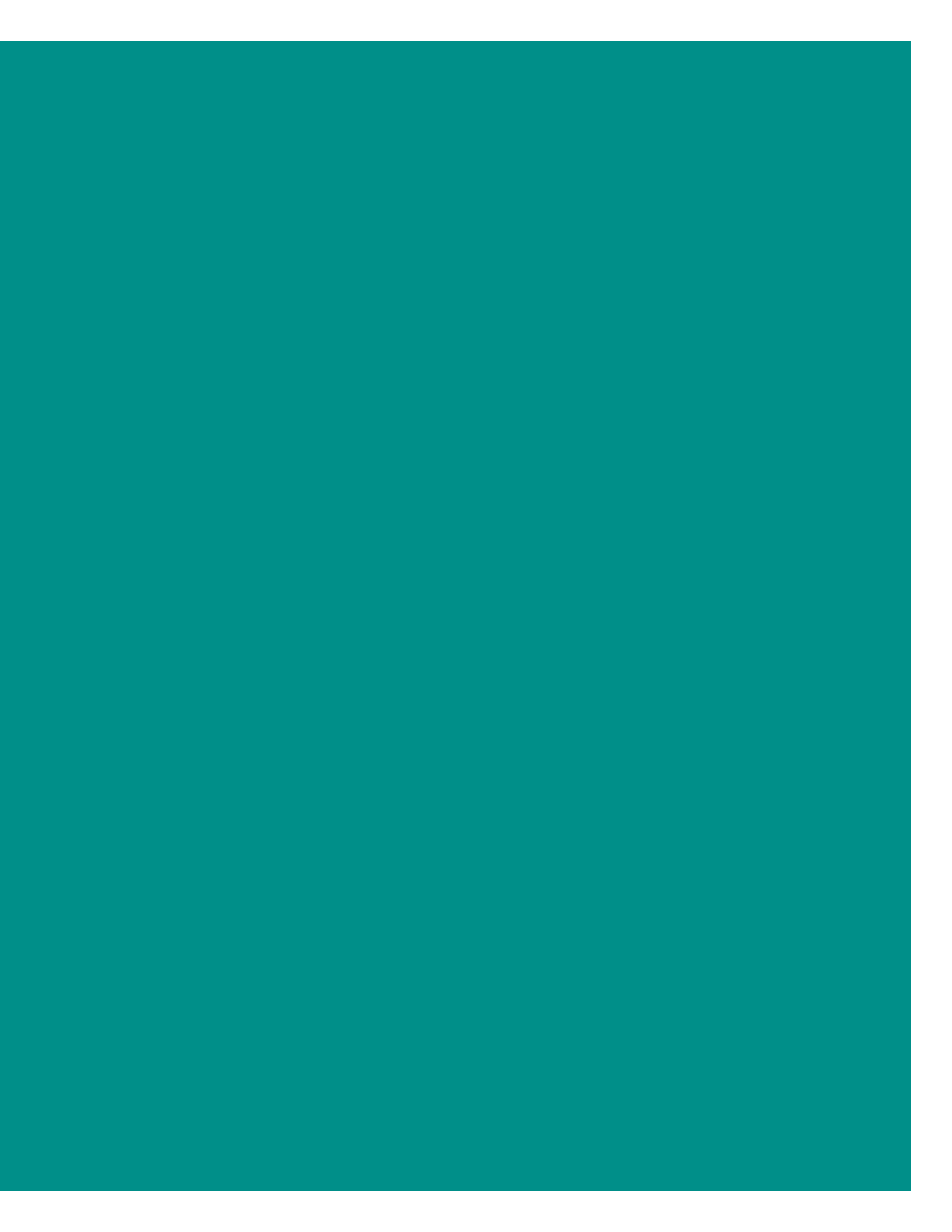
PORTFOLIO (as of December 31)	Unit	2020	2019	Change
Properties	number	44	53	-17.0%
Units	number	10,269	10,896	-5.8%
Portfolio value	USD mio	928.2	915.1	1.4%
<i>Portfolio Value Like for Like as of**</i>	USD mio	872.1	837.1	4.2%
Market value per unit	USD	90,390	83,989	7.6%
Gross Potential Rent (Market per Colliers)	USD mio	114.4	117.6	-2.7%
Monthly rent per unit	USD	824	810	1.6%
Monthly rent per unit Like for Like*	USD	841	823	2.2%
Occupancy rate	%	95.4	95.3	0.1%
<i>Occupancy rate Like for Like as of**</i>	%	95.3	93.0	2.3%

SHARE INFORMATION (as of December 31)	Unit	2020	2019	Change
Market capitalization	CHF mio	399.0	383.4	4.0%
Earnings per share (EPS)	USD / share	3.91	4.75	-17.7%
NAV	USD / share	38.48	37.36	3.0%
NAV excluding deferred taxes	USD / share	42.26	40.58	4.1%
NAV excluding distribution payable	USD / share	39.49	38.40	2.8%
Share price	CHF / share	39.40	42.60	-7.5%
Funds from Operations (FFO) (EBITDA less Interest Expense)	USD / share	3.53	1.99	77.7%
Normalized FFO (FFO less debt cost amortization, insurance proceeds and other non-cash items)	USD / share	4.19	2.30	82.3%

* Like for Like compares assets that were held for the full periods of 2020 and 2019.

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

Note: Some amounts above may not add due to rounding.



SHAREHOLDER LETTER

“THANKS TO SOLID RESULTS, THE COMPANY PROPOSES TO INCREASE ITS DISTRIBUTION BY CHF 2.9 MILLION IN 2020.

FOR THOSE SHARES ALREADY OUTSTANDING AT THE LAST SHAREHOLDER MEETING, A TOTAL DIVIDEND OF CHF 2.70 PER SHARE WILL BE PAID. AND CHF 1.70 PER SHARE WILL BE PAID FOR THOSE SHARES THAT WERE NEWLY ISSUED IN DECEMBER 2020.”

Manuel Leuthold
Chairman

DEAR SHAREHOLDERS

None of us got out of 2020 without having been impacted by the pandemic. Our lives, the lives of our beloved, families and friends, and our communities at large have been profoundly affected. Working habits have been disrupted. Looking back to this unique year, the Board of Directors of Varia US Properties AG is very grateful for your support and confidence in these troubled times. Our thoughts are with the ones we lost and with the ones that are in pain. Our focus has been and is on our residents, our employees and our shareholders. We will get through it all together, as long as we care for each other.

Despite these challenging circumstances, Varia US Properties AG has performed very well in 2020 and the Board is pleased with the results that are presented to you today: The Company generated a total income of USD 152.4 million (2019: USD 139.5 million) and an EBITDA (Operating profit less unrealized revaluation) of USD 60.3 million (2019: USD 40.9 million). Our rent collections have been much higher than expected (2020: USD 98.4 million, 2019: USD 88.9 million), thanks to the efforts of our teams and of the property managers. The total value of the portfolio increased to USD 928.2 million (2019: USD 915.1 million) and it comprised 44 properties (2019: 53) and the total assets of the Company exceed USD 1 billion at USD 1,057.3 million (2019: USD 962.1 million).

On the investment side, we executed the largest sale of the Company since its creation, with the successful exit of the Cardinal Portfolio (acquired in 2015) with a strong 26% net IRR. Two acquisitions were executed in 2020 very much in line with the Company's strategy: larger assets, closer to larger metropolitan areas, and in strongly targeted markets.

During 2020, the Company has demonstrated not only its resilience, but also its capacity to buy, manage and sell properties with performances that are far above average and also above the communicated targets. This strategy also appears, even more today than before the pandemic, to be right and successful. Multi-family is the sector, with logistic and warehousing, that withstands at best within the US real estate industry. Within our sector, B properties enjoyed the strongest collection rates and the best resistance to pressure on rents. Our markets (South East, Midwest, South West)

are the ones that receive the largest positive migration pattern and are the least impacted by the economic downturn.

We expect 2021 to be similar to what we have experienced in 2020. Some properties will require special attention, but we are very confident with the resilience of our overall strategy and with the portfolio day-to-day management. We also expect to continue identifying good investment opportunities throughout the year and anticipate a stronger rebound in the second semester.

Based on these good results, the Company is in a position to propose to the forthcoming General Assembly at the end of April 2021 to increase the total dividend paid for the 2020 exercise from CHF 23.4 million to CHF 26.3 million and to pay an average dividend per share of CHF 2.60 (2019: CHF 2.60). The shareholders that were invested in the Company since the last Shareholder meeting will have received, if the Board's proposition is accepted, a total amount of CHF 2.70 per share, whereas the new investor from December 2020 will have received a total distribution of CHF 1.70 per share.

The Board is strongly committed to pursue the success of Varia US and to continue offering to Swiss and international investors a strong and high yielding investment opportunity.

Sincerely yours,



Manuel Leuthold
Chairman



Jaume Sabater
Vice-Chairman



MANAGEMENT REPORT

I. INTRODUCTION: A VERY SUCCESSFUL YEAR IN A CHALLENGING ENVIRONMENT

In 2020, the world was hit by the most widespread and damageable pandemic since the Spanish flu a century ago. This pandemic not only caused enormous amount of pain and sufferance to the humanity at large, including the death of many people that were close to us. It also caused a total disruption of our lives and of our working habits, without mentioning the most profound economic crisis since the great Recession in 2008 or even the 1929 financial crisis.

Multifamily has been one of the most resilient real estate sector in the US. The positioning of Varia US Properties AG ("the Company") in the workforce housing segment turned out to be right, as this segment has been the best protected one during these difficult times. The Company has also greatly benefitted by its broad geographical diversification as well as by the support of public authorities.

2020 reinforced so many patterns that were appearing in recent years such as a much larger digitalization and virtualization of the real estate industry, the migration of large number of people from populated downtown districts to more suburban areas, from Northern to Southern States, from heavy tax States to lower tax States.

These fundamental changes supported at best the strategy adopted by the Company and translated in excellent results. Not only the Company performed very well on an operating and financial point of view, but it achieved significant milestones in terms of acquisitions and sales, as well as with respect to its ESG initiatives. Main achievements are summarized below and then detailed further hereunder:

- Strong financial results with total revenue reaching USD 109.8 million (2019: USD 99.4 million)
- Total income reaching USD 152.4 million (2019: 139.5 million)
- Cardinal portfolio sale with a stunning 26% net IRR
- Earnings per share at USD 3.91 (2019: USD 4.75)
- Total assets exceed one billion at USD 1.057 billion (2019: USD 0.962 billion)
- NAV per share improved at USD 38.48 (2019: USD 37.36)
- EBITDA (operating profit less unrealized revaluation) amounts to USD 60.3 million (2019: USD 40.9 million)
- Normalized EBITDA is USD 60.0 million (2019: USD 40.1 million)
- FFO (Funds from Operations or EBITDA less interest expense) is USD 35.8 million (2019: 17.9 million)
- Normalized FFO is USD 42.4 million (2019: USD 20.7 million)

Based on these results, the Board of Directors proposes at the Shareholders meeting in April 2021 to increase the total dividend paid for the 2020 exercise from CHF 23.4 million to CHF 26.3 million and to pay an average dividend per share of CHF 2.60 (2019: CHF 2.60). The shareholders that were invested in the Company since the last Shareholder meeting will have received, if the Board's proposition is accepted, a total amount of CHF 2.70 per share, whereas the new investor from December 2020 will have received a total distribution of CHF 1.70 per share. In other words, 9.0 millions of shares will benefit from a total paid dividend for the year 2020 after the April Shareholder Meeting of CHF 2.70 per share, whereas the remaining and new 1 million share, will benefit from a total dividend paid for the year 2020 of CHF 1.70 per share.

This average dividend of CHF 2.60 comprises a regular dividend of CHF 2.30 per share, as well as an additional dividend of CHF 0.30 per share that comes out of the gain realized on the 2020 property sales. Most of the proceeds from these sales were already reinvested in four properties bought in December 2020 and January 2021, which allows to postpone taxation on sale profit and to increase the investment amount.

This proposed CHF 2.60 distribution has already been partially paid with the quarterly distributions per share paid in August and November 2020 as well as in February 2021. In May, after the Shareholder Meeting approval, the Company will distribute the remaining portion of the distribution taking into account the new shares issued in December 2020. Details are as follows:

		Number of shares at the time of distribution	Distributed amount per share	Approved or to be approved by
Total number of shares as of 01.01.2020	9,001,018			
Total distribution per share for the 2019 exercise	CHF 2.60			
Total distributed for the 2019 exercise	CHF 23,402,647			
Total number of shares as of 31.12.2020	10,126,018			
Total distribution per share for the 2020 exercise	CHF 2.60			
Total distribution for the 2020 exercise	CHF 26,327,647			
Amount paid in August 2020	CHF 4,500,509	9,001,018	CHF 0.50	AGM in 2020
Amount paid in November 2020	CHF 4,500,509	9,001,018	CHF 0.50	AGM in 2020
Amount paid in February 2021	CHF 4,500,509	10,126,018	CHF 0.44	AGM in 2020
Amount to be paid in May 2021	CHF 12,826,120	10,126,018	CHF 1.26	AGM in 2021

II. FINANCIAL AND OPERATING HIGHLIGHTS:

BALANCE SHEET ABOVE USD 1 BILLION AND TOTAL INCOME FROM OPERATIONS ABOVE USD 110 MILLION.

The full year 2020 financial statements cover the period from January 1 to December 31, 2020. These statements are divided into two sections, the consolidated IFRS financial statements and the statutory financial statements. Both are commented below.

A. IFRS accounts

a) Income statement

The income statement published in the financial statements includes realized and unrealized income as well as the ordinary and unusual expenses.

Overall, the operating results and the proceeds from the sales executed in 2020 were very positive for the Company. The total performance have been impacted by three non-ordinary expenses, two of which are related to the executed dispositions (defeasance and transaction costs for a total of USD 12.8 million), and a net currency loss of USD 6.3 million.

Without considering the gain on the properties sold in 2020, the Company generated a realized income of USD 109.8 million (2019: USD 99.4 million). This in-

crease is mostly the result of better operations, despite the pandemic circumstances. Rental income like for like (same store) over the last two years improved by 4.6% (2019: 3.5%) year over year.

The net gain from fair value adjustment is USD 42.5 million (2019: USD 40.0 million), which includes USD 19.9 million realized gain from the properties sold in 2020. It represents the change of valuation for the whole portfolio since January 1, 2020, and it does not include the capex invested through the reporting year. During this period, the weighted average cap rate went down from 5.99% to 5.90% on a same store basis.

The Company supported total operating expenses of USD 69.4 million (2019: USD 59.4 million), including a non-ordinary charge of USD 6.1 million related to the transaction costs of the sale executed in 2020.

The operating profit is up to USD 83.0 million (2019: USD 80.0 million) which represents an operating margin of 54.5% (2019: 57.4%), defined as the operating profit divided by total income of the Company.

The total comprehensive income for the reporting period is USD 35.5 million (2019: USD 42.8 million), taking into account the payment of debt interests for USD 24.5 million (2019: USD 22.9 million), another non-ordinary expense of debt defeasance of USD 6.7 million related to the sales executed in 2020

	Dec 20 in USD	Dec 19 in USD	Dec 18 in USD	Change in USD	Change in %
Operating profit (Incl: Revaluation)	82,978,627	80,039,714	50,605,530		
Adjustments					
Net gain from fair value adjustment on investment property	(42,543,243)	(40,047,261)	(14,745,594)		
Realized Gain /(Loss)	19,878,937	857,141	3,005,035		
EBITDA (Operating Profit less unrealized revaluation)	60,314,321	40,849,594	38,864,971	19,464,727	47.6
EBITDA MARGIN (EBITDA/ Total income – unrealized gains)	46.5%	40.8%	43.6%		
Adjustments					
Insurance proceeds	(349,045)	(735,522)	(1,754,486)		
Normalized EBITDA	59,965,276	40,114,072	37,110,485	19,851,204	49.5
Normalized EBITDA margin	46.2%	40.0%	41.7%		
EBITDA (Operating Profit less unrealized revaluation)	60,314,321	40,849,594	38,864,971		
Adjustments					
Interest Expense	(24,540,048)	(22,983,247)	(17,989,436)		
Funds from Operations (FFO)	35,774,273	17,866,347	20,875,535	17,907,926	100.2
Adjustments					
Amortization of Debt Issuance costs	743,617	1,616,891	558,563		
Insurance proceeds	(349,045)	(735,522)	(1,754,486)		
Other - Non-Cash items	(20,931)	596,048	183,000		
Forex Charge	6,296,039	1,372,349	–		
Normalized FFO	42,443,953	20,716,113	19,862,612	21,727,840	104.9

(2019: USD 0.4 million), a currency exchange loss of USD 6.3 million (2019: USD 1.4 million) and the income tax expense of USD 9.9 million (2019: USD 12.5 million). This total comprehensive income represents a profit margin defined as the total comprehensive income divided by the total equity of the Company of 9.1% (2019: 12.7%).

The earnings per share (weighted average of number of shares during the period) is USD 3.91 (2019: USD 4.75), which equals CHF 3.45 as of December 31, 2020 (exchange rate applied 0.8830), representing a 8.8% ratio versus the year-end share price (CHF 39.40).

Due to the sale proceeds, EBITDA increased by 47.4% at USD 60.3 million, EBITDA margin is up 5.7% at 46.5%, and FFO is up 99.9% at USD 35.8 million. Without considering the proceeds of the sales in 2019 and 2020, the EBITDA for 2020 would be USD 46.5 million (2019: USD 40.5) and the FFO would be USD 22 million for 2020 (2019: USD 17.5 million)*.

* For this comparison, both the realized gain and the transaction cost included in the total operating expenses have been withdrawn.

b) Balance sheet

On the asset side of the balance sheet, the cash position of USD 112.3 million (2019: USD 31.8 million) is remarkably high due to the sale closed in December 2020 as well as due to the capital increase executed in the same month.

The total value of the portfolio as of December 31, 2020, is USD 928.2 million (2019: USD 915.1 million). The flows between these two numbers include the properties acquired in 2020 (USD 56.2 million), the capital improvements invested (USD 13.0 million), the sales executed (USD 98.7 million) and the net gain from fair value adjustment (USD 42.5 million). The details can be found in note G.

As of December 31, 2020, the total assets of the Company amount for the first time above USD 1 billion at USD 1,057.3 million (2019: USD 962.1 million).

The Net Asset Value (NAV) per share (weighted average number of shares over the period) increased to USD 38.48 (2019: USD 37.36) and to USD 42.26 (2019: USD 40.58) if the deferred taxes are excluded.

B. Statutory accounts

The statutory accounts represent the Swiss view of the business. They are expressed in Swiss francs and do not include the increased value of the portfolio. The recognized income is only based on the interests on the intercompany loans or dividends paid by the blockers to the parent company.

a) Income statement

Net income in 2020 for the statutory financial statements is CHF 17.76 million (2019: CHF 25.45 million). This income mostly consists of interests paid by the blockers to the holding Company based on the intercompany loans.

The expenses of the Company on the Swiss side were limited to CHF 1.89 million (2019: CHF 1.78 million). These expenses include the board compensation, accounting, audit fees and legal fees as well as communication expenses.

The tax provision is CHF 1.63 million (2019: CHF 1.14 million), which leaves a total annual profit after

tax of CHF 14.48 million or CHF 1.43 per share (2019: CHF 21.31 million or CHF 2.36 per share).

b) Balance sheet

The total assets of the Company increased to CHF 372.08 million (2019: CHF 340.02 million).

The current liabilities went up to CHF 24.72 million (2019: CHF 21.78 million). The difference is mostly due to additional intercompany loans occurring in the reporting year.

Total equity of the Company is CHF 297.37 million (2019: CHF 268.23 million) based on the statutory financial statements.

III. 2020: GROWING PORTFOLIO WITH IMPROVED PERFORMANCE

A. Existing portfolio and 2020 specific evolution

At the end of 2020, the portfolio comprised 44 assets in 19 States (2019: 53 assets in 19 States).

In terms of geographical breakdown and based on appraised values by Colliers, the largest concentration are in Arizona (16%), Missouri (11%) and Texas (10%). This valuable diversification proved even more strategic during the pandemic, allowing the asset managers to monitor what happened in the first States contaminated and to adjust its response to the COVID-19 impact.

The total value of the portfolio is USD 928.2 million (2019: USD 915.1 million). On a same store basis, the portfolio's value increased by 4.18% (2019: 7.2%).

The weighted average cap rate used by Colliers for the whole portfolio is slightly decreasing. On December 31, 2019, it was 6.11% and on December 31, 2020, it was 5.90%. This decrease is driven by the sale of more remote and smaller properties that had a higher cap rate. On a same store basis, the weighted average cap rate as of December 31, 2019 was 5.99%, and by the end of the year 2020, it was 5.90%.

These appraisal cap rates have to be compared to market cap rates. According to Newmark, the average multifamily cap rate at the end of 2020 for non-major mar-

kets was 5.25% (see Multifamily Capital Markets Report Q4/2020, p.14). This is 65 bps below Colliers average cap rate, which gives the Company some margin for continuous growth.

As of December 31, 2020, the Company owned 26.11 million sqft of land (site size) (2019: 28.27 million sqft), which equals to 2.42 million m² or 242.5 hectares or 2.42 km² (2019: respectively 2.62 million m², 262.6 hectares and 2.62 km²). The net rental area was 8.99 million sqft (2019: 9.11 million sqft), which equals to 836,023 m².

The total number of units in the portfolio at December 31, 2020 was 10,269 (2019: 10,896) with a total potential gross income (PGI), according to Colliers International, of USD 114.43 million (2019: USD 117.62 million), a projected effective gross income (EGI) of USD 106.76 million (2019: USD 109.22 million) and a potential net operating income (NOI) of USD 54.76 million (2019: USD 55.95 million). The slightly reduced amount for each of these indicators is due to the fact that the Cardinal portfolio was sold at year end, but most of the replacing properties were acquired in January 2021.

The average unit size is 876 square feet (2019: 837 sqft), the monthly effective gross income (EGI) projected per unit is USD 866 (2019: USD 835) and the average value per unit is USD 90,390 (2019: USD 83,989).

At the end of the reporting year, the Company owned 9,141 market units (2019: 9,173 market units) and 1,128 LIHTC (low income housing tax credits) units (2019: 1,723 LIHTC units). This number is going down proportionally, as no new LIHTC property was bought in 2020. This was not a strategy of the Company, but a market-driven fact: In 2020, the Company did not find any LIHTC assets that fits its global strategy.

In 2020, the Company acquired two assets and sold eleven properties. The details of these transactions are given below:

a) Acquisitions: entering the Indianapolis market

In 2020, the Company acquired two properties. One with a supplemental loan that was granted on one of the portfolio's property and one with the proceeds of the sale of the Cardinal portfolio. With the insecurity

related to the pandemic and thanks to historically low interest rates, these two properties offer above average pro-forma, and will greatly support the overall performance of the Varia US portfolio.

The first one is Harrison Point, located in the suburban East Side of Indianapolis, Indiana. It is the first acquisition by the Company in this market, a market that offers a great opportunity for future growth given the attractive in place yields at acquisition. Harrison Point comprises 342 units. Acquisition price was USD 21.7 million, which is USD 63,450 per unit. Conservatively underwritten, the cash-on-cash yield over a period of 10 years is expected to be close to 11% at 10.94%.



The second property is Breckinridge, located in Louisville, Kentucky, at a highway exit, close to Varia's other property Rolling Hills. The property contains 294 units and was acquired for USD 33.75 million, which is USD 114,796 per unit. The average cash-on-cash yield over a period of 10 years is estimated at 11.2%.

The interesting story about this deal is that the corner piece, which was an hotel, has been purchased shortly after our closing by a group of investors that will turn it into a medical facility. Once finalized and running, this compound will add significant value to our property as well as to our tenants living in Breckinridge.



b) Value-add strategy implementation

During the second semester of 2020, the Company sold its small and remote asset Stonegate located in Pueblo, Colorado. In December 2020, the Company made its so far largest divestment with the successful sale of the Cardinal Portfolio, a group of ten properties, all located in Florida, that the Company acquired in December 2015. The returns of these two transactions are stunning with a net 26% IRR and a 1.74 net multiple for the Cardinal portfolio, and with a 20% net IRR and a 1.32 net multiple for Stonegate.

Below, we summarize these two sales. IRR's and capital gains are calculated from January 2018, that is when the Company purchased the membership interests of its former sponsor and regained 100% ownership of the properties. The returns for the investors turned out to be far above expectations, due to the work done on these properties over the years and due to market conditions, especially the debt market.

The Company decided to reinvest most of the proceeds in a so called 1031 transaction, which allows to defer the payment of taxes on taxable gains. Part of the proceeds were used to close on Breckinridge, see above. The remaining of the 1031 was invested in a three properties portfolio in Indianapolis in January 2021.

With a 10 years hold strategy, the Company intends to continue to dispose of about 10% of its portfolio every year (based on opportunities), and to improve the quality and the centrality of its portfolio.

Reinvesting most of the proceeds of these transaction through a 1031 process allows the Company to grow its portfolio organically, as it redistributes most of its operating profits. The balance of strong distributions with an organic growth financed by dispositions offers solid and regular returns for shareholders and long-term appreciation of the share value.

B Value-add strategy implementation

The current portfolio of the Company can be split into three categories:

- The stabilized portfolio, composed mainly by the initial assets, where a proper maintenance strategy is implemented to support rents, favor renewals and preserve the asset value;
- The LIHTC portfolio in transition. The Company owns 15 LIHTC properties (1,128 units) at the end of 2020 and is working on transitioning the ones that may be offered on the market;
- The value-add portfolio, composed mainly of assets purchased since 2016, where the year 1 capex money is invested, both within and outside the units. This strategy allows the Company to increase rents and to add value to the properties.

DISPOSITION CASE STUDY	Cardinal Portfolio, FL 10 assets	Stonegate, CO
Year Acquired	(December 2015)/January 2018	(January 2016)/January 2018
Number of Units	1,209	55
Contributed equity	USD 30,635,616	USD 1,284,332
Disposition Price	USD 94,250,000	USD 4,400,000
Loan defeasance cost	USD 6,709,497	USD 295,469
Sale cost	USD 6,146,581	USD 159,981
Cash proceeds	USD 49,752,372	USD 1,694,740
Net IRR	26%	20%
Net multiple (all cash flow/equity)	1.74	1.32
Capital gain on contributed equity	USD 26,555,730	USD 410,408

These two deals were acquired respectively in December 2015 and January 2016, but they were recapitalized in January 2018, when the Company bought out previous Non Interest Equity holder. All numbers above are based on the performance of the assets after January 2018.

In 2020, all property improvements and renovation works were suspended between mid March and mid June. The Company restarted to proceed with limited value-add activities, mainly in line with maintenance works and with specific projects to increase the curb appeals of newly acquired properties. Varia US expects to be back to a low normal in 2021.

During the course of 2020, the Company invested USD 13.0 million (2019: USD 16.8 million) in capex projects, which are reflected in current valuation of the Company. About half of this amount (51.9%) is invested in the common areas and half of it (48.1%) is invested in unit restoring activities.

IV. 2021 OUTLOOK: A LOT OF UNCERTAINTIES BUT STRONG FUNDAMENTALS

A. Market

a) Real estate: best positioning in today's market

2020 has been one of the most challenging years – not only for the real estate industry, but for the world all together. No one could have predicted it, and every planning effort has been completely annihilated by the pandemic and its consequences.

As these lines are written down, the world is still in the middle of the turmoil. Vaccinations have started, but it is hard to measure its impact and the speed, if any, of the recovery. World economies are still facing huge hurdles, numerous countries and States are locked down, and every day, a new variant may surface and expose humanity to a new risk.

In these circumstances, it is hard to be sure of anything. However, based on last years' experience and on all what is currently claimed and heard, the following can be said: It looks like people are getting slowly accustomed to the new reality. It looks like more governmental support is on its way to continue supporting the economy and individuals. It looks like the pandemic is under a certain control, even if some spikes and critical situations are still happening.

The Company's base case is that multifamily compounds, especially middle class housing solutions, will continue to be a resilient and safe investment oppor-

tunity in 2021. Most of our residents will continue to be able to pay their rent or they will find solutions and support to do so. The economy will slowly re-open, supporting a slow but solid recovery. All efforts will be done to protect this fundamental need and right of anyone to live in a safe and sustainable place.

The Company believes that the situation should not drastically change from 2020 and that it will continue to perform well. It will monitor the situation on a daily basis and adjust its way of operating as soon as needed.

This cautious but positive outlook is shared by CBRE which stated in its Real Estate Market Outlook 2021: "The multifamily sector will have a steady recovery in market fundamentals and investment activity next year. Suburban submarkets and the Midwest and Southeast regions will continue to outperform and provide good investment opportunities. Urban submarkets, particularly in gateway cities, have been hardest hit by the pandemic but will provide longer term upside potential."

With regards to new acquisitions, the Company has a strong pipeline of high performing assets. Competition is tough. CBRE expects an increase by 33% of multifamily investments in 2021 to USD 148 billion. Varia US is well positioned, and can count on its excellent reputation in the market. It has also improved its closing capacity due to a new credit facility established in the fourth quarter of 2020 (see below).

b) Interest rates: new credit facility in place with Fannie Mae

At the end of 2020, the Company put in place an unlimited credit facility with Fannie Mae. This facility not only offers better loan terms, but it also allows more flexibility in Varia's debt portfolio, especially for exit and supplemental, and provides an exclusive closing advantage for new acquisitions, since the loan process is shortened significantly. This exciting new tool in Varia US's tool box will have a positive impact for investors with significant cost savings and better acquisition abilities.

In 2021, rates are expected to remain low with a tendency to increase slightly over time. There will be less political volatility and a stronger support to the economic recovery. Inflation will be tied to improving job market, and economic fundamentals couple with historic government stimulus related to supporting the negative impacts of the pandemic.

10 year treasury rate



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Whilst the Fed Fund rates remain at 0.25%, the 10-year Treasury rates did increase at a low level (see chart above) for the first two months of 2021. The 10 Year rate started the year at 0.93% and sits at 1.6% on March 8, 2021.

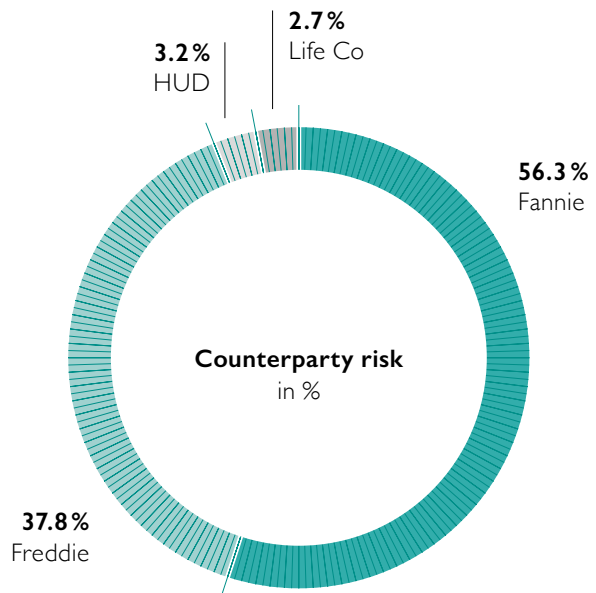
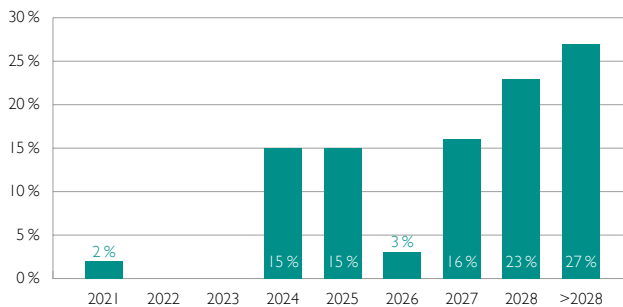
According to recently published news, Goldman Sachs estimates that the 10-year Treasury rate will be 1.5% by the end of 2021 and at 1.85% by the end of 2022.

The debt portfolio of the Company is mostly fix-rated with an average maturity of 7.03 years (see chart below). Most of the loans are contracted with Fannie Mae

and Freddie Mac, the two US governmental agencies that have a mission to support workforce housing (see chart below). The average interest rate is 3.94% (2019: 4.09%). The Company has therefore a very low risk profile with regards to interest rate evolution.

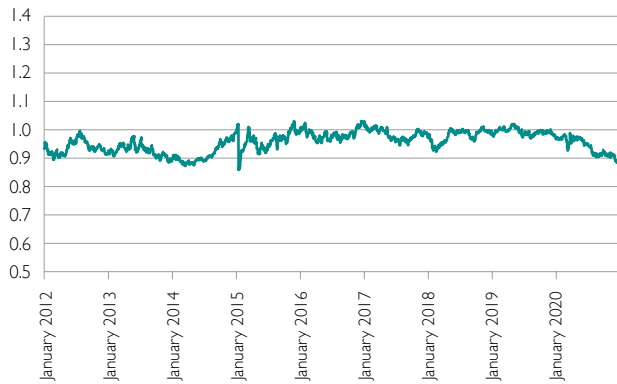
For future acquisitions, all new debt made in the credit facility will be cross-collateralized and there will be a mix of short-term and long-term loans. Thereby, the Company increase its ability to exit deals opportunistically while minimizing the burden of prepayment penalties.

Maturity breakdown



c) Currency

The dollar lost 8.8% of its value against the Swiss franc in 2020, starting the year at 0.9661 and finishing at 0.8803 with an average for the year of 0.9354. This sharp decline in the value of the currency explains the currency loss in the consolidated financial statements of USD 6.3 million.

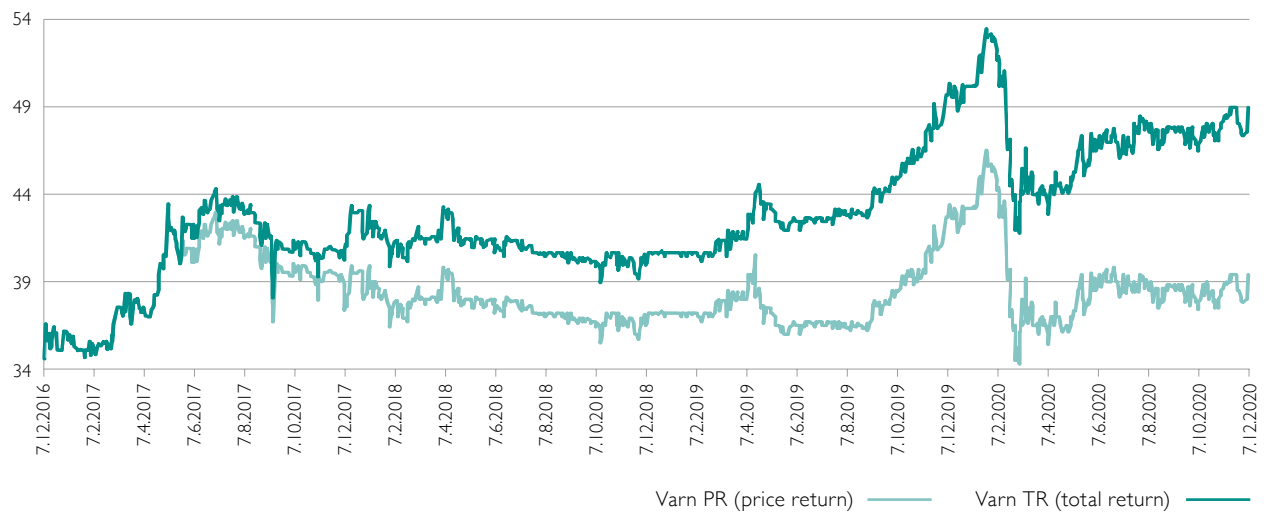


During the first two months of the year, the dollar was pretty stable between 0.88 and 0.90. With the spread of the Corona virus and the approval of significant stimulus packages, the dollar has weakened. At that stage, it is hard to say the long-term impact of this pandemic on the currency values. The new stimulus packages in the USA as well as the large US debts have the tendency to weaken the currency. If the interest rate spread with the Swiss franc should increase again, this could strengthen the dollar currency. Therefore, the Company implemented an active overlay solution to partially manage the currency risk for its bond. The currency risk for the equity remain unhedged (as previously disclosed).

c) Stock price

The stock price suffered significantly in line with the rest of the market at the beginning of the pandemic. After a highest at CHF 46.80 on February 11, 2020, the

share price dropped CHF 13.70 or 29% to CHF 33.10 on March 23, 2020. Since that time, the share price has slowly recovered, staying between CHF 38 and CHF 39 by the end of the year, ending 2020 at CHF 39.40.



d) Market conclusion

The Company remains confident in its strategy and its positioning to face the current situation. Multifamily housing, especially the B and C segments, remain the most resilient real estate sector in the US along with the industrial sector. The Company will continue to be very focused on the upcoming and to adjusting its ways of working depending on what will happen in the next few weeks and months. That said, the existing diversification of the portfolio and its superior return/risk ratio should continue to allow the Company to navigate successfully through these challenging times.

Post period, a new stimulus package has been announced and should be approved by the Congress. Eviction moratoriums should be extended, but relief to the residents in difficult situation should compensate.

For its future growth, the Company will stick to its workforce housing strategy, selecting the markets where job and population growth continues to be expected. It will keep its low-leverage policy.

The Company strongly believes that it is well equipped to face any type of situation in the future, thanks to the solidity and the strength of its portfolio as well as thanks to the team in place to manage the portfolio.

B. Distribution

Since 2019, the Company has started to pay a quarterly dividend as approved by its Shareholders. This measure has been well perceived among investors and it helps mitigating the currency risk. This policy was maintained in 2020 and will be again submitted for the approval of the Shareholder Meeting in April 2021.

As already announced and explained in details above, the Board of Directors proposes to the next Shareholder Meeting to distribute an average total dividend of CHF 2.60 per share for the year 2020. This dividend is composed of an ordinary dividend for CHF 2.30 per share and of an additional dividend for CHF 0.30 per share. This last one corresponds to part of the profit realized on the 2020 disposition. Most of these proceeds have been reinvested in new properties, in order to maximize investment amounts and postpone taxation.

The total distribution for 2020 will be CHF 26,327,647 (2019: CHF 23,402,647), an increase of 11.1% (without considering the exchange rate variation). Accordingly, between the 2020 and the 2021 Shareholder Meetings, total distribution per share will be CHF 2.70, whereas the new shareholders that participated in the December capital increase will receive a total dividend of CHF 1.70 per share between the issuance of the new shares and the 2021 Shareholder meeting.

C. Corporate activities

In terms of corporate activities, the Company increased the number of shares by 1,125,000 in December 2020, using half of the authorized capital approved by the 2020 Shareholder meeting. It proceeded through a private placement, instead of a full capital increase, due to travel and meeting restrictions.

D. Operations

With respect to the operations side of the business, the asset managers have three key priorities this year:

- Manage the portfolio through this second year of pandemic and improve operations where ever possible.
- Optimize portfolio through thoughtful dispositions and acquisitions according to the Company's strategy towards a more institutional portfolio.
- Prepare GRESB (Global Real Estate Sustainability Benchmark) reporting for 2022.

This program is ambitious, but achievable. Everyone at the Board level and within the asset management team is committed to work hard along these lines.

E. Green initiative

In 2020, the Company continued to work on its water and energy initiatives, reducing consumption with more LED lights installed, more leaks detected, and more low-flow hardware installed. At the same time, and as a main focus for the year, the Company committed a lot of time and energy to upload all its water, energy and waste invoices on a Schneider Electric electronic platform. The goal is to monitor consumption, to measure the impact of our green initiatives and to identify ways to improve performance. This project was put on hold during the first few months of the pandemic, but started again in July.

As these lines are written down, Schneider Electric is consolidating and proofing the data. This data will be the base of the Company's future sustainability activities.

In 2021, the Company will continue to invest in its water and energy saving initiatives. This results in benefits for residents and investors, as well as for the environment. Varia US will also continue to upload all of its utility bills to base further initiatives on hard, data driven facts and to monitor their impact through objective items.

The Company has also decided to partner with the Arbor Day Foundation (see www.arborday.org) and to plant 150,000 trees in Florida and Texas, in two longleaf pine restoration programs. To include the residents in the program, Varia US decided to dedicate 10 trees to each new lease signed and it will provide them with electronic certificate to recognize the trees planted on their behalf. Over the next 40 years, each tree will allow the sequestration of 1.28 metric ton of CO₂.

At last, but not at least, the Company hired the Green Building Initiative (see www.thegbi.org) to frame Varia US's ESG strategy, define targets and put structures in place, as well as to prepare reporting and GRESB base benchmarking.

V. CONCLUSION

Management is looking forward to 2021 being another successful year for Varia US Properties AG. With the team in place, the portfolio at hand and the 2021 outlook, the management as well as the Board of Directors are very positive about the future development and results of the Company.

It is our pleasure to serve you and to offer to our Swiss and international investors a strong investment opportunity with solid returns. Thanks to the Board members for their support. Thanks to the Stoneweg team for their work. And thanks to our investors for their trust and confidence.

Patrick Richard

Delegate of the Board
Founder and CEO of Stoneweg US LLC



THE INTERVIEW



Luz Bruscini
 ARM® CPM®
 Senior Vice President of Operations,
 MEB Management Services, Phoenix, AZ

Varia US has a strong presence in Arizona and New Mexico with 2,155 units in these two States and a valuation of USD 213 million. MEB is our regional property management company and Luz is in charge of our portfolio. They have performed extremely well since acquisition, and they have been outstanding during the pandemic. We wanted to give Luz the word and let her explain what is behind the scene.

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Q: In a few words, can you tell us who you are, what you do and where you operate?

My name is Luz Bruscini and I have been with MEB Management Services since 2006. As Senior Vice President I directly oversee MEB operations in New Mexico and Arizona and I am responsible for Varia's portfolio in these two States. I have been an Arizona broker for over 12 years and am a Certified Property Manager through the Institute of Real Estate Management (IREM). I am accountable for

the operational and financial performance of over USD 600 million in multi-family assets. I have 20 years of experience in the property management industry as well as past experience in financial accounting. Currently I serve on the Board of directors for the Arizona Multihousing Association and am proud to have served as President for the IREM Tucson-Southern Arizona Chapter.

Can you tell us what has been your experience in 2020? Especially with the pandemic?

While 2020 was very difficult for so many of our residents, our team persevered to provide the best possible customer service they could while taking extreme measures to protect and care for the integrity of the communities, amenities, offices, and residents homes. As a team we are passionate about our core purpose which is to “Enrich the Lives of Others”. Each team member had the opportuni-

ty to play an even more integral role in the lives of our residents in 2020. Things like bringing water, food and services to our residents and taking time to care for them, even at a distance. Listening to residents who had lost loved ones, or lost jobs was a heartbreaking responsibility but one that they took very seriously.

“As a team we are passionate about our core purpose which is to ‘Enrich the Lives of Others’.”

Luz Bruscini

Senior Vice President of Operations,
MEB Management Services, Phoenix, AZ

What happened in terms of operations?

Through aligned commitments with our clients we were able to outperform many in the market. This was rooted in focused care and support of our site team members, as well as, quickly pivoting our technologies, systems, and protocols to provide the best in class. Our resident's housing needs were at the forefront of all conversations. We focused even more energy, empathy, and tenacity into our residents living at the communities we managed. Virtual meetings became the way to meet operationally and virtual and self-touring became the prospects new and desired means to rent. The applications and leases went electronic and became the means for contract execution. Once reluctant residents and professionals welcomed the chance to engage from a safe distance, these adoptions forever impacted the operations of multi-family property management.

Can you list some specific success?

One of the greatest successes experienced was the launching of the "MEB Cares Team", led by three corporate trainers who quickly turned into our resident support team. They led with empathy, understanding, and the desire to support our clients through supporting residents. This team assisted over 2,300 residents beginning in April of 2020 to find resources for financial aid, job placement, utility assistance and much more. Beyond this support of resources, the operations teams mobilized to apply for and obtain assistance for our clients in support of delinquent residents, in excess of USD 545,000. Through these efforts, we were able to deliver revenue to our clients so that budgeted revenues were not heavily impacted. Rent collection and working with governmental and social service organizations to bring in rental assistance for residents became our priority in ways we never expected.



Mission Palms

How did you manage to have such a high rate of bad debt recovery?

Bad debt recovery was up across the Varia portfolio as a result of two key factors. The first is a strategic partnership that exists between MEB and our resident Insurance services vendor. This partnership decreased exposure for our clients for most turn expenses on move outs, and provided an avenue to recover on damages independent of the vacating resident. Additionally, MEB's continued efforts to work with prior residents maximized collections on past due amounts.



River Oaks



Mission Palms

Do you believe that the changes you just mentioned will be long lasting or just temporary?

It is believed that many of the functions used for distanced operations will be long lasting in our industry. These services and levels of connectivity are already showing to be preferred as a matter of convenience to much of our targeted demographics.

How were you able to help the residents?

We began in early April by reaching out to those who had fallen behind in rent. Our teams provided resources to those struggling and still provide those services today.

How did you adapt to the eviction moratorium?

The eviction moratorium stripped us of the last resort option in regaining possession of homes. This was off-putting at first, but has really pushed our on-site team members to further connect with residents. It provided a climate where hard conversations were had and humanity and humility allowed us to strengthen relationships with those residents who were hardest hit.

Were there differences between the markets you are responsible for?

One of the main differences is demographics. For example, in Albuquerque most of our residents are in the service industry which was greatly affected. The second difference is that each state receives funding along with the city and county. In New Mexico, the funding allocated to the state was much smaller than other areas of the country.



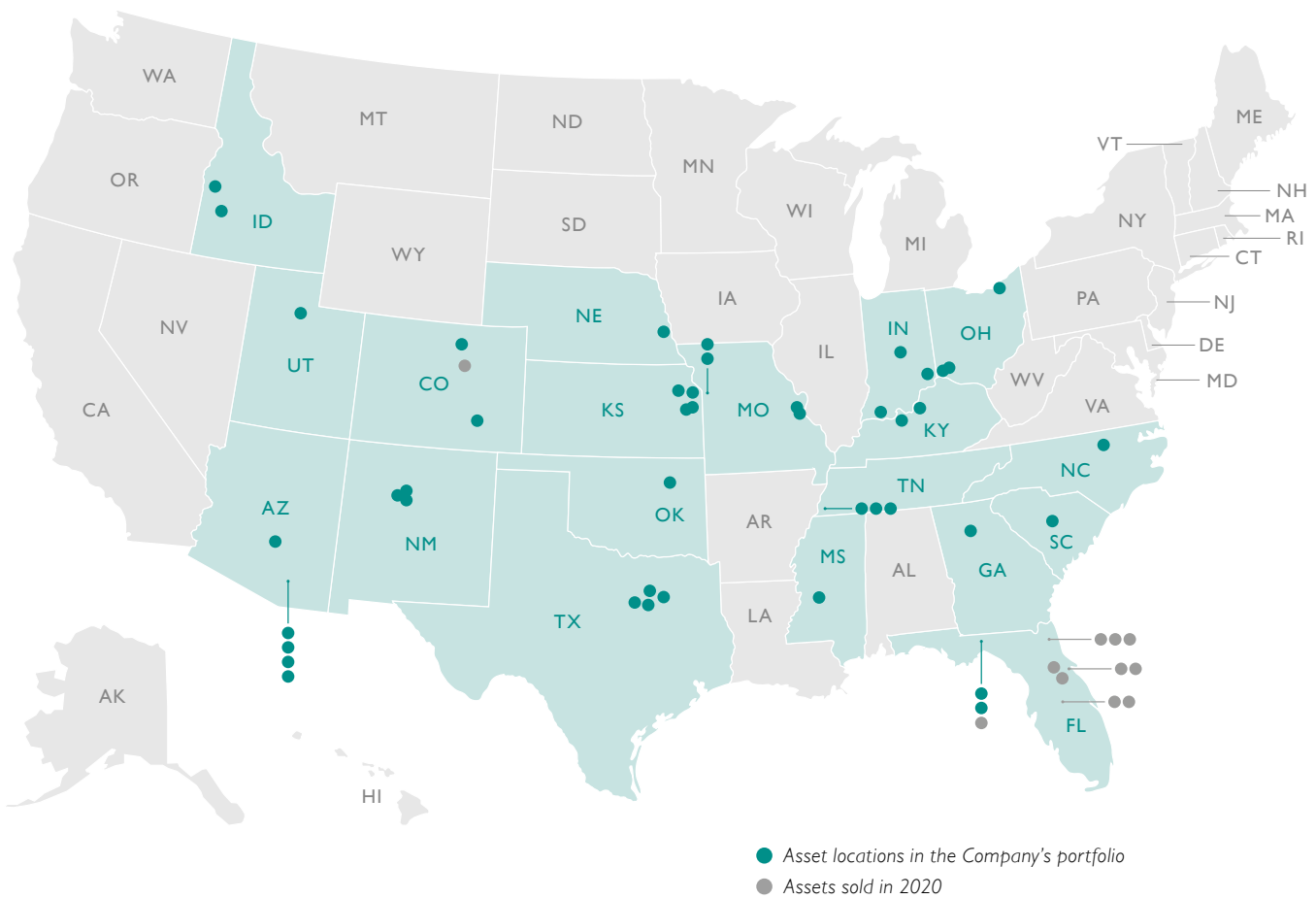
How do you see 2021 for the portfolio you manage for us?

We are cautiously optimistic for the coming year. While we hope to have the ability to pursue the option of evictions, we know there is still a very long road ahead. We look forward to continued growth in rental revenue. We intend to remain steadfast in the value-add projects that will allow the assets to provide another year of performance in spite of the small percentage of residents that we will likely be supporting until late summer or early fall.

PORTFOLIO OVERVIEW

as of December 31, 2020

In 2020, Varia US Properties acquired two large properties located in Indianapolis (IN) and Louisville (KY). It sold 11 smaller properties, 10 in Florida (Cardinal Portfolio) and one in Colorado (Stonegate). By the end of 2020, the portfolio comprised of 44 properties spread across 19 States and representing 10,269 units or apartments. Most of the new assets are located in markets where Varia had already a presence, are generally larger and closer to metropolitan areas. The total value of the portfolio has more than doubled to USD 928.2 million since December 2016. This sustainable value increase is also based on a ongoing renovation of the existing portfolio to improve its quality.





1 ALTITUDE ON 5TH

ACQUISITION DATE	CITY	STATE
February 2016	Salt Lake City	Utah
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
330	22,850 m ²	4,396,180 USD



2 ASPEN RIDGE

ACQUISITION DATE	CITY	STATE
February 2016	Albuquerque	New Mexico
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
96	9,523 m ²	981,068 USD



3 COTTAGES OF TOPEKA

ACQUISITION DATE	CITY	STATE
February 2016	Topeka	Kansas
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
72	6,134 m ²	746,580 USD



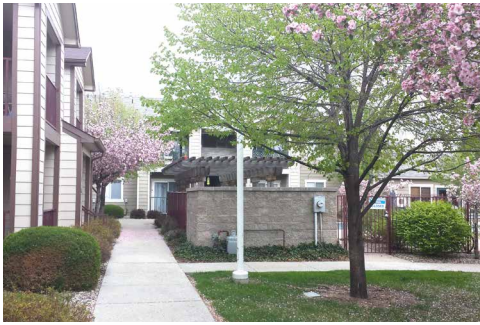
4 HIGHLAND VISTA

ACQUISITION DATE	CITY	STATE
February 2016	Creedmoor	North Carolina
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
86	7,031 m ²	1,046,290 USD



5 PARKVIEW APARTMENTS

ACQUISITION DATE	CITY	STATE
February 2016	Caldwell	Idaho
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
87	6,910 m ²	767,078 USD



6 REFLECTIONS SENIOR APARTMENTS

ACQUISITION DATE	CITY	STATE
February 2016	Fort Collins	Colorado
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
72	3,995 m ²	627,789 USD



7 SHAWNEE STATION

ACQUISITION DATE	CITY	STATE
February 2016	Shawnee	Kansas
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
228	19,550 m ²	2,731,000 USD



8 THE WOODLANDS

ACQUISITION DATE	CITY	STATE
February 2016	Jackson	Mississippi
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
200	16,199 m ²	1,876,520 USD



9 TOWNE SQUARE VILLAGE

ACQUISITION DATE	CITY	STATE
February 2016	Boise	Idaho
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
160	10,418 m ²	1,740,590 USD



10 TUSCANY BAY APARTMENTS

ACQUISITION DATE	CITY	STATE
February 2016	Lawrenceburg	Indiana
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
96	9,677 m ²	1,112,361 USD



11 WASHINGTON HEIGHTS SENIOR RESIDENCE

ACQUISITION DATE	CITY	STATE
February 2016	Kansas City	Kansas
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
48	3,084 m ²	487,475 USD



12 WILLOWS OF CUMMING

ACQUISITION DATE	CITY	STATE
February 2016	Cumming	Georgia
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
156	13,670 m ²	1,746,320 USD

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13 WOODBRIDGE SENIOR APARTMENTS

ACQUISITION DATE	CITY	STATE
February 2016	Fort Collins	Colorado
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
50	2,708 m ²	398,292 USD



14 WYNDAM PLACE

ACQUISITION DATE	CITY	STATE
February 2016	Shawnee	Kansas
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
48	3,084 m ²	520,480 USD



15 PARKWAY SQUARE APARTMENTS

ACQUISITION DATE	CITY	STATE
April 2016	Tallahassee	Florida
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
277	20,841 m ²	3,217,400 USD



16 TALLY SQUARE APARTMENTS

ACQUISITION DATE	CITY	STATE
April 2016	Tallahassee	Florida
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
228	25,795 m ²	2,893,880 USD



17 WOODLAND MANOR

ACQUISITION DATE	CITY	STATE
April 2016	Tulsa	Oklahoma
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
305	20,119 m ²	2,571,000 USD



18 BRENT VILLAGE

ACQUISITION DATE	CITY	STATE
August 2016	Bellevue	Nebraska
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
180	13,738 m ²	1,881,790 USD



19 WOOD HOLLOW APARTMENTS

ACQUISITION DATE	CITY	STATE
December 2016	Eules	Texas
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
346	23,384 m ²	4,267,860 USD



20 VARIA AT OAKCREST

ACQUISITION DATE	CITY	STATE
February 2017	Columbia	South Carolina
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
272	27,787 m ²	3,331,550 USD



21 MARYLAND PARK

ACQUISITION DATE	CITY	STATE
February 2017	St. Louis	Missouri
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
252	17,957 m ²	2,877,880 USD



22 RIDGE ON SPRING VALLEY

ACQUISITION DATE	CITY	STATE
February 2017	Dallas	Texas
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
208	15,440 m ²	2,712,880 USD

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23 BRIDGE HOLLOW

ACQUISITION DATE	CITY	STATE
March 2017	Fort Worth (Dallas)	Texas
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
280	19,384 m ²	3,198,600 USD



24 BEAU-JARDIN

ACQUISITION DATE	CITY	STATE
April 2017	St. Louis	Missouri
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
182	14,820 m ²	2,143,560 USD



25 DEVONSHIRE GARDEN & PLACE

ACQUISITION DATE	CITY	STATE
April 2017	Evansville	Indiana
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
245	22,061 m ²	2,286,112 USD



26 WOODSTONE

ACQUISITION DATE	CITY	STATE
April 2017	Fort Worth (Dallas)	Texas
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
200	12,558 m ²	2,260,560 USD



27 ZONA VILLAGE

ACQUISITION DATE	CITY	STATE
June 2017	Tucson	Arizona
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
183	9,185 m ²	1,640,380 USD



28 ROLLING HILLS

ACQUISITION DATE	CITY	STATE
July 2017	Louisville	Kentucky
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
400	46,883 m ²	5,154,366 USD



29 MISSION PALMS

ACQUISITION DATE	CITY	STATE
July 2017	Tucson	Arizona
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
360	34,645 m ²	4,622,560 USD



30 AVENUE 8

ACQUISITION DATE	CITY	STATE
September 2017	Mesa	Arizona
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
194	19,826 m ²	2,697,760 USD



31 RIVER OAKS

ACQUISITION DATE	CITY	STATE
January 2018	Tucson	Arizona
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
300	19,702 m ²	2,908,840 USD



32 TIERRA POINTE

ACQUISITION DATE	CITY	STATE
January 2018	Albuquerque	New Mexico
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
352	19,669 m ²	3,481,061 USD

40



33 CINNAMON TREE

ACQUISITION DATE	CITY	STATE
March 2018	Albuquerque	New Mexico
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
398	17,412 m ²	3,201,028 USD



34 MEADOWS

ACQUISITION DATE	CITY	STATE
March 2018	Memphis	Tennessee
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
200	17,763 m ²	2,030,320 USD



35 WOODRIDGE

ACQUISITION DATE	CITY	STATE
May 2018	Cincinnati	Ohio
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
336	23,653 m ²	3,437,566 USD



36 VILLAGE AT MAYFIELD

ACQUISITION DATE	CITY	STATE
June 2018	Cleveland	Ohio
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
252	25,602 m ²	3,972,480 USD



37 CORDOVA CREEK

ACQUISITION DATE	CITY	STATE
August 2018	Memphis	Tennessee
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
196	19,885 m ²	2,491,244 USD



38 860 EAST

ACQUISITION DATE	CITY	STATE
August 2018	Cincinnati	Ohio
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
223	19,666 m ²	2,806,896 USD



39 BROOKWOOD

ACQUISITION DATE	CITY	STATE
December 2018	Tucson	Arizona
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
272	19,211 m ²	2,748,920 USD



40 LYNNFIELD PLACE

ACQUISITION DATE	CITY	STATE
August 2019	Memphis	Tennessee
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
400	43,232 m ²	4,480,456 USD



41 EASTWOOD CROSSING

ACQUISITION DATE	CITY	STATE
August 2019	Kansas City	Missouri
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
455	42,277 m ²	4,766,890 USD



42 KINGS QUARTERS

ACQUISITION DATE	CITY	STATE
September 2019	Kansas City	Missouri
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
408	34,006 m ²	4,503,280 USD

42



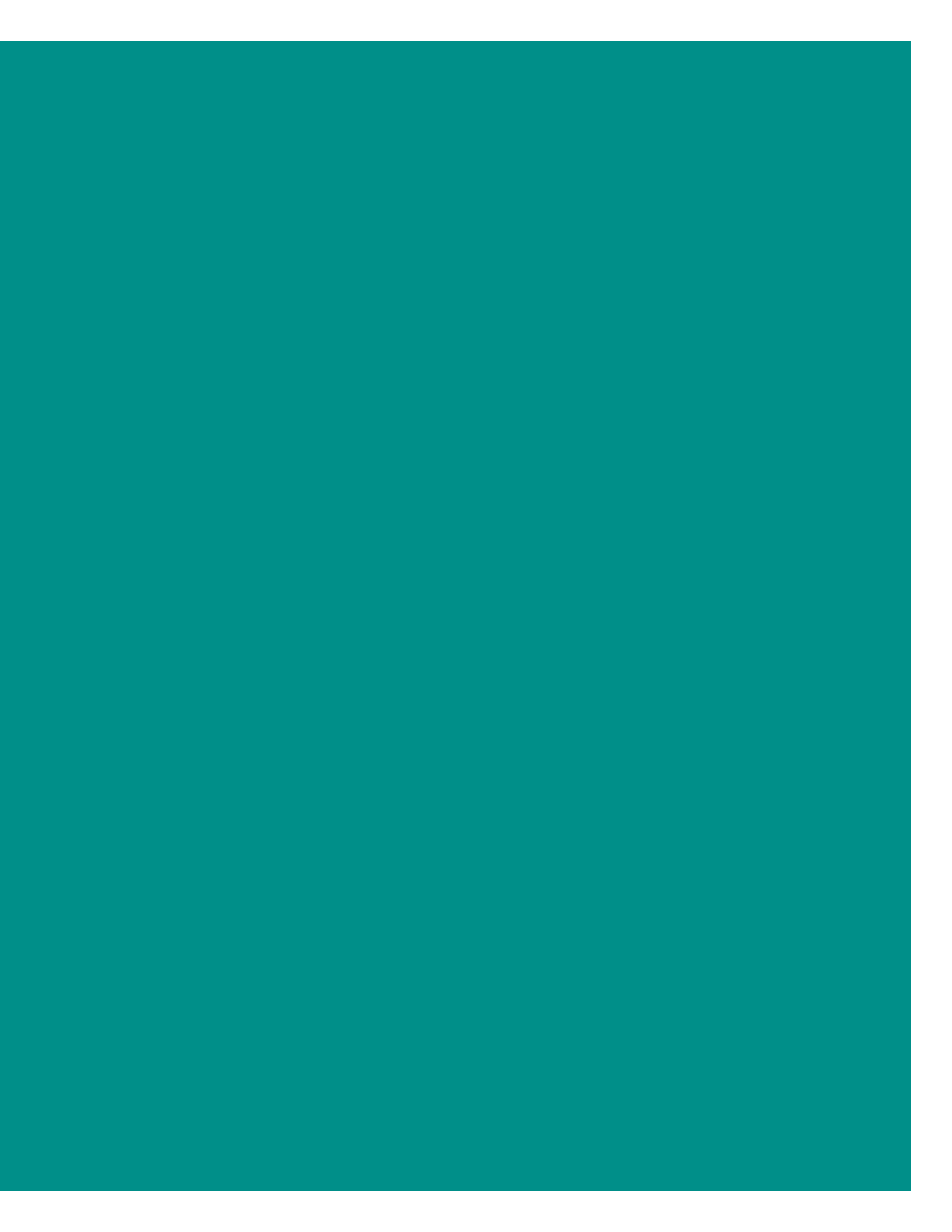
43 HARRISON POINT

ACQUISITION DATE	CITY	STATE
October 2020	Indianapolis	Indiana
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
342	26,621 m ²	2,796,280 USD



44 BRECKINRIDGE SQUARE

ACQUISITION DATE	CITY	STATE
December 2020	Louisville	Kentucky
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
294	30,852 m ²	3,868,971 USD





CORPORATE GOVERNANCE REPORT

This corporate governance report is written according to the Directive on Information relating to Corporate Governance entered into force on January 2, 2020 by SIX Swiss Exchange and more specifically according to the scheme of its Annex. The main corporate governance documents of Varia US, and in particular its Articles of Association, its Organizational Regulation and its Compensation Report may be downloaded on its website at <https://variausproperties.com/investors/corporate-governance/>.

I. GROUP STRUCTURE AND SHAREHOLDERS

I.1. Group structure

Varia US Properties AG is a Swiss listed real estate company according to Article 77 of the Listing Rules (ISIN CH 030 528 529 5, SSN 30 528 529). The Company's market capitalization as of December 31, 2020 was CHF 399.0 million. Its offices are located at Gubelstrasse 19, 6300 Zug.

The Company solely invests in the US residential real estate market and generates all of its income from these real estate investments.

It is the strategy of the Company to invest in secondary and tertiary markets, in B and C types of multifamily properties.

As of December 31, 2020, the Company owned:

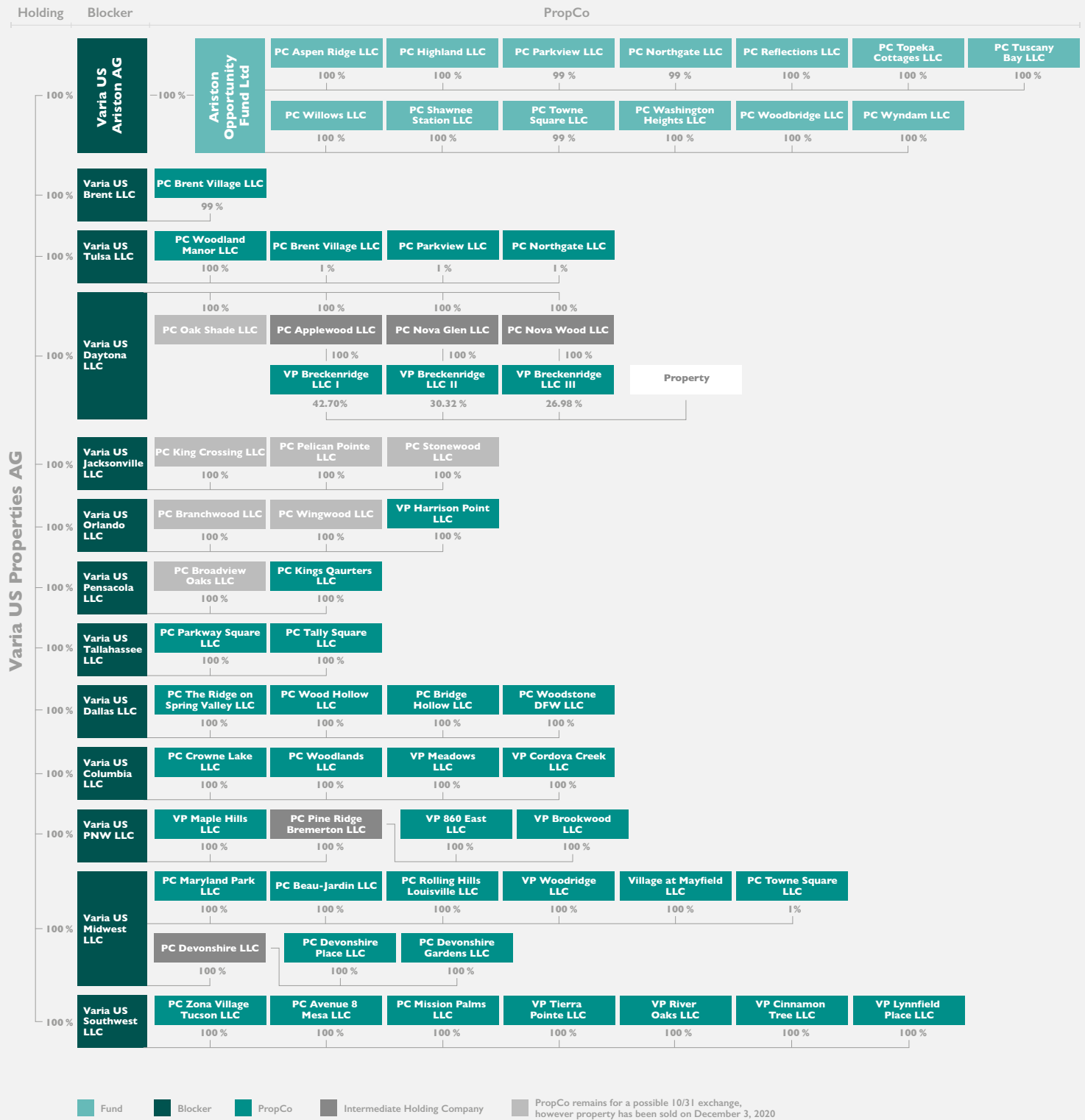
- 100% of shares of Varia US Ariston AG that owns 100% of the units of the Ariston Opportunity Fund, a Bahamas Fund purchased on February 23, 2016, with retroactive effect as of January 1, 2016.
- 100% of twelve limited liability companies called blockers.

The Fund as well as the blockers are equity members of property limited liability companies (propco), most of these companies being the owner of a property as of December 31, 2020.

At the end of the period, Varia US Properties AG wholly owned 44 properties through that structure.

All the propcos are managed by Stoneweg US LLC, an affiliate of Stoneweg SA, asset manager of Varia US Properties AG, part of the Stoneweg group ("Stoneweg").

On the following page is the list of all participations of the Company.



see pages 125–128 for subsidiaries country of domicile and place of administration

1.2. Significant shareholders

On December 31, 2020, the number of shares issued by Varia US Properties AG was 10,126,018. At that time, the main shareholders in the Company were:

- Varia SPC - Inv. Opportunities SP, major shareholder of a Cayman Island fund grouping approximately 35 nominee investors and representing 38.18% of the issued shares.
- Philae Fund – MB Prime, a Luxemburg entity representing 6.21% of the issued shares.

In Varia SPC, none of the shareholders represents more than 3% of the issued shares. Outside of Varia SPC, except Wolf Property Holding which represents 5.9% of the share capital, no other investor represents more than 3% of the issued shares. Both significant shareholders hold respectively 3,866,601 and 600,000 registered shares in their name on December 31, 2020.

The disclosures made during 2020 may be found at <https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html?issued-By=VARIA&dateFrom=20200211#/>.

1.3. Cross-shareholdings

Varia US Properties AG has no cross-shareholdings.

2. CAPITAL STRUCTURE

a) Capital as of December 31, 2020

Type of capital	Number of shares	Value per share	Time limit if any
Ordinary capital	10,126,018	1.00	
Authorized capital (general purpose)	1,125,000	1.00	June 26, 2022
Conditional capital	None	NA	

b) Authorized capital

According to Article 2.3 of the Articles of Association, the Board of Directors is authorized to increase the share capital at any time until June 26, 2022 by a maximum amount of CHF 1,125,000 by issuance of a maximum of 1,125,000 registered shares, of a par value of CHF 1.00 each, to be fully paid up.

Increases through firm underwriting or in partial amounts are permitted. The Board of Directors shall determine the issue price, the date from which the shares carry the right to dividends, and how the shares may be paid up.

The subscription as well as the acquisition of registered shares out of authorized share capital for general purposes and any further transfers of registered shares shall be subject to the transfer restrictions specified in Article 2.6 of the Articles of Association (see section 2.e of the Corporate Governance Report).

c) Changes in capital

Date of entry into daily register	Newly issued shares	Total Number of shares	Share nominal value	Comments
17.09.2015	100,000	100,000	1.00	Formation of the company
11.11.2015	1,082,464	1,182,464	1.00	1 st capital increase (initial part)
18.01.2016	1,914,610	3,097,074	1.00	1 st capital increase (second part)
07.12.2016	3,097,074	6,194,148	1.00	2 nd capital increase (IPO initial part)
10.01.2017	464,562	6,658,710	1.00	2 nd capital increase (greenshoe option)
13.10.2017	542,105	7,200,815	1.00	3 rd capital increase
11.01.2018	1,800,203	9,001,018	1.00	4 th capital increase
01.12.2020	1,125,000	10,126,018	1.00	5 th capital increase

Varia US Properties AG was formed on September 17, 2015 with an initial share capital of 100,000 registered shares.

A first capital increase was conducted at the end of 2015, beginning of 2016.

A second capital increase was conducted at the end of 2016, beginning of 2017. The Company went public after the December 2016 capital increase.

A third capital increase took place in October 2017 through the authorized capital previously approved by the General Meeting of Shareholders.

A fourth capital increase took place in January 2018.

A fifth capital increase took place in December 2020 through the authorized capital previously approved by the General Meeting of Shareholders.

d) Participation certificates and dividend-right certificates

Varia US Properties AG has neither participation certificate nor dividend-right certificates.

e) Limitation on transferability

According to Article 2.6 of the Articles of Association, the registration of acquirers of shares as shareholders with voting rights is in any case subject to the approval by the Board of Directors.

A person who has acquired registered shares will, upon application, be entered in the share register as shareholder with voting rights, provided that he or she expressly states that he or she has acquired the shares concerned in his or her own name for his or her own account. Any person not providing such statement will be registered as nominee into the share register only if he or she declares in writing that he or she is prepared to disclose the name, address and shareholding of any person for whose account he or she is holding shares or he or she immediately discloses this information in writing upon first demand. No nominees were entered into the share register during the period.

The Company may, after consulting with the affected shareholder, cancel entries in the share register if such entry was based on untrue information given by the acquirer. The acquirer shall be informed of the cancellation immediately.

Varia US Properties AG has implemented no other limitation on transferability during last fiscal year. The above limitations may be removed by a majority vote of the Annual General Meeting of Shareholders.

A change in the group control would have to be announced to the lenders in the US and would entail an estimated financial cost of 1% of the aggregate loan value.

f) Convertible bonds and options

At the end of the period, no convertible bonds and no options issued by the Company or by any of its subsidiaries on the Company's shares were outstanding.

3. BOARD OF DIRECTORS

a) Composition

The Board of Directors is composed of the following members:

Board of Directors member	Year of birth	Function	First appointed	End of term	Nationality	Executive (E) Non-Executive (NE)*
Manuel Leuthold	1959	Chairman	2016	2021	Swiss	NE
Jaume Sabater	1979	Vice-Chairman	2015	2021	Swiss	E
Taner Alicehic	1974	Member, Member of the Risk and Audit Committee	2015	2021	Swiss	E
Patrick Richard	1971	Delegate of the Board of Directors	2016	2021	Swiss	E
Dany Roizman	1972	Member	2015	2021	Brazil	NE
Beat Schwab	1966	Member, Chairman of the Risk and Audit Committee, Member of the Compensation Committee	2016	2021	Swiss	NE
Stefan Buser	1967	Member, Chairman of the Compensation Committee, Member of the Risk and Audit committee	2017	2021	Swiss	NE
Grégoire Baudin	1974	Member	2020	2021	Swiss	NE

* Executive members are those active for or within Stoneweg SA, which is the Asset Manager of Varia US Properties AG:

- Jaume Sabater is CEO of Stoneweg
- Patrick Richard is Head of US Investments for Stoneweg and CEO of Stoneweg US, LLC
- Taner Alicehic is in charge of investor relations for Stoneweg

For a description of the delegation of duties to the Asset Manager and to the Delegate of the Board of Directors, please refer to the Organizational Regulation of the Company (link to the Organizational Regulations provided at the beginning of the Corporate Governance Report).

None of the non-executive members held an operational management position at the Company or one of its subsidiaries during the last three years preceding the period under review.

None of the non-executive members has significant business connections with the Company or with any of its subsidiaries.

b) Professional background, education, other activities and interests



**MANUEL
LEUTHOLD**

Professional background

- 2016 – present: Independent board member, no full-time position
- 2012 – 2015: Edmond de Rothschild Group, Chief Administrative Officer
- 1984 – 2011: UBS SA, various positions, Member of the Swiss executive committee

Education

- University of Geneva: Master of Law
- University of Geneva: Master of Economics

Other activities and interests

- Chairman of Compenswiss (Swiss Federal Social Security Fund), Berne
- Board member of Clinique Générale Beaulieu Holding SA
- Board member of various non-listed banks and small and medium size enterprises



**TANER
ALICEHIC**

Professional background

- 2017 – present: Advisor at Stoneweg SA
- 2008 – present: Founder and CEO of Real Estate Investment Solutions SA
- 2000 – 2008: Banque Cantonale Vaudoise, various positions

Education

- EPFL: Master's degree in physics
- HEC Geneva: MBA

Other activities and interests

- Chairman of the board of Varia Europe Properties AG
- Member of the board of Varia Swiss Realtech Properties AG
- Member of the board of Brainvest Wealth Management SA
- Member of the board of SEG Suisse Estate Group SA



**JAUME
SABATER**

Professional background

- 2015 – present: Founding partner and CEO of Stoneweg SA
- 2003 – 2014: Edmond de Rothschild Group, various positions, Head of Real Estate Investments

Education

- Community of European Management Schools, St. Gallen University, and ESADE Barcelona: Master in international management

Other activities and interests

- Chairman of the board of Varia Swiss Realtech Properties AG
- Member of the board of Varia Europe Properties AG
- Member of the board of Stoneweg SA



**PATRICK
RICHARD**

Professional background

- 2016 – present: Head of US Investments for Stoneweg SA
- 2016 – present: Founder and CEO of Stoneweg US LLC
- 2007 – 2015: Co-founder and managing partner of Procimmo SA, a Swiss real estate asset manager
- 2015 – 2019: Chairman of the board of Procimmo SA

Education

- University of Geneva: Law degree
- Geneva Bar: Attorney at law
- Board education program: IMD, Swiss board Institute

Other activities and interests

none



DANY ROIZMAN

Professional background

- **2003 – present:** Founder and CEO of Brainvest Wealth Management SA
- **1996 – 2002:** JP Morgan (Sao Paulo, New York, Geneva)

Education

- PUC Sao Paulo: Bachelor in economics

Other activities and interests

- Board member of Funding Affordable Homes S.A., SICAV-SIF
- Advisory board member of Sweetwood Ventures SCSp – RAIF
- Advisory board member of Aina investment Fund, SICAV-SIF
- Advisory board member of YL Ventures III L.P.
- Board member of Ultima Capital AG.



STEFAN BUSER

Professional background

- **2017 – present:** Independent board member, no full time position
- **2016:** Tertianum Group, Head Integration Project and member of the Executive Board
- **2009 – 2015:** SENIOcare Group, CFO
- **2006 – 2009:** KPMG Switzerland, Head Risk & Sustainability Services

Education

- Expert Suisse: chartered accountant
- University of Zurich: MBA
- INSEAD: Certificate in Corporate Governance (IDP-C)

Other activities and interests

- Board member of various non listed small and medium size enterprises



BEAT SCHWAB

Professional background

- **2017 – present:** Independent board member, no full time position
- **2012 – 2017:** Credit Suisse, various positions, Head of Global Real Estate
- **2006 – 2012:** CEO of Wincasa AG
- **2004 – 2006:** Member of Executive management of ISS Switzerland
- **1999 – 2004:** Co-owner of Sevis AG Facility services

Education

- University of Bern: PhD in Economics
- Columbia University: MBA

Other activities and interests

- Chairman of the board of Zug Estates Holding
- Member of the board of CFF/SBB (Swiss national railway company)
- Member of the board of Raiffeisen Switzerland
- Board member of various non listed small and medium size enterprises



GRÉGOIRE BAUDIN

Professional background

- **2017 – present:** Founder and board member of Artemis Gestion SA
- **2012 – present:** Founder and board member of NP Consulting LLC
- **2008 – 2017:** First Vice-President of Dreyfus Sons & Co. Ltd
- **2004 – 2016:** Wealth Management, Finance and Equity Valuation Teacher at AZEK

Education

- Babson College: MBA
- AZEK: CIIA Financial Analyst and Wealth Manager
- AZEK: Expert in Finance and Investments
- EPFL: Master's degree in Environmental Sciences

Other activities and interests

- Board member of Artemis Gestion SA
- Board member of Varia Europe Properties AG
- Board member of various non listed small and medium sized companies

c) Number of authorized activities in accordance with Article 12, paragraph 1, item 1 OaEC

According to Article 4.7 of the Articles of Association, the members of the Board of Directors and the persons whom the Board of Directors has entrusted with the executive management shall not assume more than (i) 15 additional remunerated mandates, of which not more than five in companies listed at a stock exchange, and (ii) ten additional non-remunerated mandates, whereas a reimbursement of expenses is not considered remuneration.

A mandate as referred to in the Article 4.7 of the Articles of Association is a function in the most senior management and administrative bodies of other legal entities that are obliged to obtain an entry in the commercial register or a corresponding foreign register and which are not controlled by the Company. Mandates in different entities which belong to the same group are treated as one mandate. Mandates which are assumed by members of the Board of Directors or the persons whom the Board of Directors has entrusted with the executive management on instruction of the Company are not subject to the limitations set out in the Article 4.7 of the Articles of Association.

d) Elections and terms of office

According to Article 4.1 of the Articles of Association, the Board of Directors shall consist of a minimum of three and a maximum of nine members, who do not need to be shareholders. The Board of Directors organizes itself, subject to the election of the Chairman and the members of the Compensation Committee by the General Meeting of Shareholders. The Board of Directors may designate a Vice Chairman and a Secretary. The Secretary does neither have to be shareholder nor a member of the Board of Directors.

The members of the Board of Directors shall be elected by the General Meeting of Shareholders for a term of one year, beginning with the day of their election. Directors shall hold their offices until they are replaced or not re-elected, unless they retire or are removed earlier. If a director is replaced, his successor shall continue in office until the end of his predecessor's term

e) Internal organizational structure

On November 14, 2016, the Board of Directors approved the Organizational Regulations of Varia US Properties AG (link to the Organizational Regulations provided at the beginning of the Corporate Governance Report), which then entered into force on December 8, 2016. These regulations mainly contain provisions with regard to:

- General organization of the Board of Directors meetings
- Rights and duties of the members of the Board of Directors
- Duties of the Board of Directors and delegation to the Delegate of the Board of Directors
- Additional regulations for the chairman and the Delegate of the Board of Directors
- Provisions regarding the committees of the Board of Directors

In 2020, due to the world-wide pandemic, the Board of Directors of the Company never met in person, 9 conference calls were held and no resolution was taken by circular resolution. The 9 conference calls took place on March 23, April 14, May 11, May 26, June 24, August 24, October 1st, November 26 and December 4. They lasted on average 2 hours.

100% of the incumbent Board of Directors members participated in the meetings of March 23, April 14, May 11, May 26, June 24, August 24 and December 4. One member was excused for the meetings of October 1 and November 26. Thus, total attendance was 96%.

On March 3, 2020, the Board of Directors went through a self-assessment exercise. Based on nine questions, the average result was 4.81 out of 5, which the Chairman considered as a very good result.

Unless otherwise specifically accepted by the Board of Directors members, the Board of Directors is convened by its chairman, at least ten days prior to the meeting day. Supporting documentation is sent with the invitation or at least five days before the meeting. If a Board of Directors member cannot participate in person, a conference call or video conference will be organized in order to make participation possible. If a Board of Directors member is not available, he will speak with the Chairman before the meeting in order to make his

points known. In case of a strong disagreement, a decision may be postponed if needed.

Representatives of the Asset Manager always participate in the Board of Directors meetings as elected members of the Board of Directors. It has, however, been the will of the Company to have a majority of non-executive Board of Directors members. Currently, the Board of Directors counts five non-executive members and three executive members.

The agenda of the Board of Directors is discussed by the chairman and the executive members of the Board of Directors, in order to take into consideration all needed information and to comply with all relevant regulations.

Board of Directors resolutions shall be adopted by a majority vote of all members present. In case of a tie, the chairman shall have the casting vote.

In its duties, the Board of Directors is helped by two committees:

- The Audit and Risk Committee
- The Compensation Committee

I. Audit and Risk Committee:

The members of the Audit and Risk Committee are appointed by the Board of Directors for a term of office of up to one year ending at the next ordinary shareholders' meeting. The Audit and Risk Committee consists of at least one member of the Board of Directors. Beat Schwab is chairman. Stefan Buser and Taner Alicehic are members of the Audit and Risk Committee.

The Audit and Risk Committee has the following general duties and competencies:

- Assisting the Board of Directors in fulfilling its duties of supervision of management in organizing the accounting, financial control and financial planning activities;
- Reviewing the outcome of the annual accounts and audit with the external auditor as well as issuing the necessary proposals or recommendations to the Board of Directors;
- Examining and submitting proposals to the Board of Directors regarding the approval of the annual and interim accounts of the Company (including significant

off balance sheet positions);

- Clearing of any differences of opinion between the Asset Manager, the external real estate appraiser and the auditors which may evolve in connection with the preparation of the annual financial statements;
- Evaluating the external auditors with regard to the fulfilment of the necessary qualifications and independence according to the applicable legal provisions, and making proposals for the attention of the Board of Directors concerning the choice of the external auditors at the General Meeting of Shareholders;
- Assessing the work done by the external auditors in office and approving the budget submitted by the external auditors for the audit work;
- Assessing the work done by the Asset Manager and the external real estate appraiser;
- Approving the necessary non-auditing services provided by the external auditors;
- Examining, reviewing and approving the accounting policies and the external auditing plan;
- Reviewing the Company's compliance with financial laws, regulations, and reporting requirements;
- Setting the guidelines for the Company's risk management system and internal control system and assessing the effectiveness of the risk management system and the internal control system;
- Questioning the external auditor as to the significant risks, contingent liabilities and other fundamental obligations of the Company as well as assessing the measures taken by the Company to handle them;

The Audit and Risk Committee is entitled to conduct investigations in all matters of its competence. It may also request the services of independent advisors and experts to the extent required for the accomplishment of its duties.

In 2020, the Audit and Risk Committee met four times, that is on March 20, June 23, August 21 and November 17. Each of these meetings lasted on average for 2 hours.

II. Compensation Committee

The Compensation Committee consists of at least one member of the Board of Directors. Its chairman is Stefan Buser and Beat Schwab is a member of the Compensation Committee. All members of the Compensation

Committee are individually elected by the shareholders' meeting for terms of one year. Re-election is permitted. The chairman of the Compensation Committee is appointed by the Board of Directors.

The Compensation Committee assists the Board of Directors in remuneration-related matters, namely by:

- Presenting motions to the Board of Directors in view of the next ordinary General Meeting of Shareholders with respect to the remuneration of the members of the Board of Directors;
- Assisting the Board of Directors in the preparation of the remuneration report;
- Implementing the resolutions passed by the General Meeting of Shareholders with respect to the remuneration of the members of the Board of Directors;
- Assessing the principles of remuneration and presenting corresponding motions to the Board of Directors (in view of the next ordinary General Meeting of Shareholders);
- Making a summary assessment of the annual business expenses incurred by the members of the Board of Directors and the Asset Manager.
- Presenting motions to the Board of Directors regarding the issuance of compensation rules to be submitted to the General Meeting of Shareholders for approval.

The Compensation Committee is entitled to conduct investigations in all matters of its competence. In particular, it has full access, to the extent required for the accomplishment of its duties, to the employees, books and records of the Company and its subsidiaries. It may also request the services of independent advisors and experts to the extent required for the accomplishment of its duties

In 2020, the Compensation Committee met twice, on March 20 and August 21. The meetings lasted on average for 55 minutes.

Since the entry into force of the Organizational Regulations (link to the Organizational Regulations provided at the beginning of the Corporate Governance Report), the two committees have been involved in the preparation of the compensation report, as well as in the supervision of the preparation of the financial statements. They made recommendations to the Board of Directors for the preparation of the General Meeting of Shareholders.

f) Management contract relationship with Stoneweg SA

Stoneweg SA (UID: CHE-322.354.583, with address at boulevard Georges-Favon 8, 1204 Geneva) has been appointed by the Company as its exclusive Asset Manager according to a contract amended and stated most recently on September 30, 2019. Key elements regarding the monitoring of Stoneweg in its capacity as Asset Manager are summarized in Note O of the Consolidated IFRS Financial Statements. According to this contract, the Asset Manager's main missions are:

- Execute acquisitions and divestments according to the investment strategy fixed by the Board of Directors
- Manage the portfolio according to agreed targets
- Interact with local counterparts such as brokers, lenders, mortgage brokers, appraisers, local or regional asset managers, property managers, accounting firms, auditors, lawyers.
- Report to the Board of Directors and its committees.
- Investor relations
- Capital increase organization and coordination, equity financing

To help fulfil its mission, the Asset Manager delegated part of its duties to Stoneweg US, LLC, with offices in St Petersburg, Florida. This entity is led by Patrick Richard and comprises twenty real estate professionals (including the principal) as of December 31, 2020.

For these activities, the Asset Manager or its affiliates are entitled to a transaction fee of up to one percent (1%) of the purchase price of the acquisitions closed and sold, or alternatively to a performance fee in case of a divestment. During 2020, the Asset Manager and its affiliates received transaction fees of USD 0.60 million.

For its asset management activities, the Asset Manager or any of its affiliates will be entitled to a fee (the "Management Fee") per financial year (and so in proportion for any part of a financial year), which is calculated as one percent (1%) of the rolling equity value. The equity value is calculated every half-year as the addition of the NAV of the last two semesters divided by two. A semester shall be equal to six (6) months. During 2020, the Asset Manager and its affiliates received manage-

ment fees of USD 4 million. The Asset Manager has decided to charge the fee only on the equity invested and not on the full equity raised by the Company.

Fee type	Invoiced Amounts in 2020	Comments
Asset Management	CHF 4,004,148	90% of 2020 equity value of the company
Transaction	USD 604,500	Average 1%
Placement	CHF 404,438	Capital increase fees
Promote	USD 4,054,946	Further to the sale of 10 assets
Total	USD 9,118,601	

USD-CHF rate used 0.88886 (Dec. 10, 2020)

For its activities related to equity financing, the Asset Manager or any of its affiliates shall be entitled to a fee of up to one percent (1%) of new capital raised for the purpose of equity financing (the "Placement Fee"). In 2020, the Asset Manager and its affiliates received a total amount of placement fee of CHF 0.40 million.

Stoneweg SA is part of the Stoneweg group ("Stoneweg"), which is a Swiss-based international real estate platform serving various clients and managing investments, currently mainly located in Spain, Italy, Switzerland, Andorra, Ireland, United Kingdom and the US.

Stoneweg has offices in Geneva, Milano, Barcelona, London, Madrid, Andorre-la-Vieille, Dublin and St Petersburg (FL).

Jaume Sabater (Swiss) is founding partner and CEO of Stoneweg. The other members of the management team are Rui Inacio (Portuguese), Jean Golinelli (Swiss), Joaquin Castellvi (Spanish), Gregorio Perez (Spanish), and James Young (Swiss).

Patrick Richard (Swiss) is Head of US Investments for Stoneweg. He is also the founder and CEO of Stoneweg US, LLC, which is also part of the Stoneweg group.

None of the people involved in the US activities of Stoneweg US LLC or of Stoneweg SA has a political mandate or post and none has any other relevant activities other than the ones mentioned above.

4. COMPENSATION, SHAREHOLDINGS AND LOANS

The compensation of the Board of Directors, including the shareholding program, is detailed in the compensation report and the information regarding the compensation of the Asset Manager is provided above.

No loans or credit facilities were granted to any member of the Board of Directors or any member of the Asset Manager or other related parties during the period under review.

In terms of shareholdings, the table below indicates the number of shares directly or indirectly held by each member of the Board of Directors as of December 31, 2020.

Board of Directors	Number of shares directly or indirectly held
Manuel Leuthold	3,500
Jaume Sabater	8,000
Taner Alicehic	23,825
Dany Roizman	32,750
Patrick Richard	40,000
Beat Schwab	3,816
Stefan Buser	3,062
Grégoire Baudin	12,500

At the end of the reporting period, there was a shareholding program in place.

The Board of Directors members have a fixed compensation and are entitled to participate in a share compensation plan as further detailed in the Company's Compensation Report. That compensation is evaluated by the Compensation Committee based on compensation paid to Board of Directors Board members of Swiss listed and non-listed real estate companies of a similar size. The proposal of the Compensation Committee members is then submitted to the Board of Directors for discussion and approval. Finally, it is presented to the General Meeting of the shareholders. The fees paid to the Asset Manager are not variable, except for the performance fee, when applicable, which can vary depending on the performance of assets at the time of divestment.

5. COMPENSATION RULES

a) Statutory rule on compensation

According to Article 4.4 of the Articles of Association, the members of the Board of Directors and the persons whom the Board of Directors has entrusted with the executive management are entitled to remuneration commensurate with their activities. The remuneration may be paid by the Company or by a subsidiary, provided it is covered by the total remuneration approved by the General Meeting.

Remuneration of the persons whom the Board of Directors has entrusted with the executive management consists of a fixed compensation, which may be complemented by a variable component. The amount of the variable remuneration paid to the persons whom the Board of Directors has entrusted with the executive management depends on the qualitative and quantitative targets and parameters defined by the Board of Directors. The Board of Directors defines and assesses the targets and their achievement on an annual basis or delegates this task to the Compensation Committee respecting the same periodicity. Variable remuneration may be paid in cash or in the form of equity instruments, conversion or option rights or other rights to equity instruments.

The Board of Directors determines on an annual basis the respective amounts of remuneration within the remuneration framework approved by the General Meeting of Shareholders upon proposal by the Compensation Committee.

If the remuneration of the Board of Directors or of the persons whom the Board of Directors has entrusted with the executive management takes the form of shares, option rights or similar instruments, the Board of Directors shall set out the conditions and requirements that are to apply in one or more plans or regulations. These plans or regulations may stipulate the time of allocation, valuation, holding, vesting and exercise periods (including their alteration or revocation under certain circumstances), the maximum number of shares, option rights or other instruments that may be allocated, potential claw-back mechanisms and discounts at allocation.

Reimbursement of expenses does not qualify as remuneration.

The Company may pay members of the Board of Directors and the persons whom the Board of Directors has entrusted with the executive management a reimbursement for expenses in the form of and amount of lumpsum expenses recognized for tax purposes.

For members of executive management who are appointed by the Board of Directors after the annual total compensation has been approved, an additional amount per new member as defined by Article 19 of the Ordinance Against Excessive Compensation in Stock Companies of no more than 100% of the total annual compensation last approved for the persons whom the Board of Directors has entrusted with the executive management shall be available should the approved total compensation for the approval period in question prove to be insufficient.

In 2020, with the exception of the share compensation plan, neither variable component, nor special compensation, were paid to any member of the Board of Directors.

b) Loans and credit facilities

According to Article 4.6 of the Articles of Association, loans and credits in favor of a member of the Board of Directors or of persons whom the Board of Directors has entrusted with the executive management may only be granted at market conditions (at arm's length). The total amount of loans and credits granted directly or indirectly to members of the Board of Directors or persons whom the Board of Directors has entrusted with the executive management shall not exceed CHF 10 million.

c) Approval by the General Meeting of Shareholders

According to Article 3.7 of the Articles of Association, the General Meeting of Shareholders approves the proposals of the Board of Directors regarding the maximum amounts separately every year with binding effect as follows:

1. for the compensation of the Board of Directors for the term of office until the next General Meeting of Shareholders;
2. for the compensation of the persons whom the Board of Directors has entrusted with the executive management annually in advance until the next General Meeting of Shareholders or retroactively for the period described in the proposal of the Board of Directors.

No vote is required for the remuneration of the Asset Manager.

In case of a rejection of the compensation, the Board of Directors may make new proposals at the same General Meeting of Shareholders or call for an extraordinary meeting of shareholders for that purpose.

6. SHAREHOLDERS' PARTICIPATION RIGHTS

a) Vote and proxy

According to Article 3.4 of the Article of Association, each share entitles to one vote. Voting by proxy is permitted under a written proxy. The Board of Directors shall decide about closing time of the shareholder register before any General Meeting of Shareholders and whether a proxy is to be accepted.

The General Meeting of Shareholders shall elect an Independent Proxy, who may be an individual, a legal entity or a partnership. The independence of the Independent Proxy shall be construed in accordance with Article 728 CO. The term of the Independent Proxy shall end with the closing of the next ordinary General Meeting of Shareholders following the General Meeting of Shareholders that elected the Independent Proxy. Reelection is permissible. The Independent Proxy shall exercise his, her or its responsibilities in accordance with the provisions of the law. The Board of Directors

shall ensure that the shareholders have the opportunity to give instructions to the Independent Proxy with respect to each agenda point mentioned in the notice to the meeting. In addition, the shareholders shall be given the opportunity to give general instructions with respect to motions made at the meeting concerning an agenda item or with respect to an agenda item not previously announced in the invitation (Article 700 para. 3 CO). The Board of Directors shall ensure that the shareholders may give their proxy or instructions, also electronically, to the Independent Proxy until 4:00 p.m. (local time) on the second business day before date of the General Meeting. The Independent Proxy shall exercise the voting rights granted to him, her or it by the shareholders in accordance with their instructions. If no instructions have been given, the Independent Proxy shall abstain from voting.

Unless otherwise provided by law or the Articles of Incorporation, the General Meeting of Shareholders passes its resolutions with the absolute majority of the votes cast. If a resolution cannot be passed upon the first voting there shall be a second voting at which the relative majority shall decide, unless otherwise stipulated by law or the Articles of Incorporation.

b) Organization of the General Meeting of Shareholders

According to Article 3.5 of the Articles of Association, the General Meeting of Shareholders shall be chaired by the Chairman, or, in his/her absence, by another member of the Board of Directors or by a chairperson elected by the General Meeting of Shareholders. The Chairman designates a secretary for the minutes and a scrutineer for the counting of the votes who need not be a shareholder.

The Board of Directors is responsible for the keeping of the minutes which are to be signed by the Chairman and the secretary.

Unless otherwise provided by law or the Articles of Association, the General Meeting of Shareholders passes its resolutions with the absolute majority of the votes cast. If a resolution cannot be passed upon the first voting there shall be a second voting at which the relative majority shall decide, unless otherwise provided by law or the Articles of Association.

General Meetings of Shareholders are called by the Board of Directors and, if necessary, by the auditors. The liquidators are also entitled to call a General Meeting of Shareholders.

The Annual General Meeting of Shareholders shall be held within six months following the close of the business year; at least twenty days prior to the Annual General Meeting of Shareholders, the annual business report and the auditors' report must be submitted for examination by the shareholders at the Company's registered office. Any shareholder may request that a copy of these documents be immediately sent to him. The shareholders are to be notified hereof by letter.

A General Meeting of Shareholders is also to be called upon demand of one or more shareholders representing at least ten percent of the share capital. The demand to call a meeting shall be in writing and shall specify the items and the proposals to be submitted to the meeting.

The General Meeting of Shareholders shall be called not less than twenty days prior to the meeting. The notice shall be given in writing or by email.

The notice shall specify the place, date and time of the meeting, as well as the items and proposals of the Board of Directors and the shareholders who demanded that a General Meeting of Shareholders be called.

According to Article CO 699 al.3, shareholders together representing shares with a nominal value of 1 million francs or holding at least 10% of the share capital may demand that an item be placed on the agenda.

Shareholders or their proxies representing all shares issued may hold a meeting of shareholders without complying with the formalities required for calling a meeting unless objection is raised. At such meeting, discussion may be held and resolutions passed on all matters within the scope of the powers of a General Meeting of Shareholders for so long as the shareholders or proxies representing all shares issued are present.

7. ENTRIES IN THE SHARE REGISTER

Registered shareholders who are listed in the share register as shareholders with voting rights seven (7) days before the ordinary General Meeting of Shareholders will be allowed to participate to said ordinary General Meeting of Shareholders. No entries will be made in the share register between this date and the day of the General Meeting of Shareholders.

8. CHANGES OF CONTROL AND DEFENSE MEASURES

According to Article 2.7 of the Articles of Association, an acquirer of shares in the Company shall not be bound by the obligation to make a public takeover offer in accordance with Articles 135 and 163 of the Federal Act on Financial Market Infrastructures and Market Conduct on Securities and Derivatives Trading (Financial Market Infrastructure Act). No other clause on changes of control is included in the Articles of Association.

According to the shareholding program, in the case of a change in control of the Company, the Board of Directors, in its sole discretion, will decide whether the terms of all outstanding shares granted via the shareholding program shall be maintained or whether they shall be adjusted in the sense that they, notwithstanding the transferability restriction during 4 years from the acquisition date applicable to them, will be immediately transferable.

Such change in control shall be deemed to occur where: (I) any person or any group of persons, other than such persons or group of persons already holding more than 33.3 %, directly or indirectly purchases or otherwise becomes the beneficial owner or has the right to acquire such beneficial ownership (whether or not such right is exercisable immediately, with the passage of time, or subject to any condition) of voting securities representing 33.3 % or more of the combined voting power of all outstanding voting securities of the Company; or (II) the stockholders of the Company approve an agreement to merge or consolidate the Company with or into another corporation (and such other corporation also approves such agreement) as a result of which less than 50% of the outstanding voting securities of the surviving or resulting entity are or will be owned by the former stockholders of the Company; or (III) the stockholders of the Company approve the sale of all or substantially all of the Company's business and/or assets to a person or entity which is not a wholly-owned subsidiary of the Company.

9. AUDITORS

KPMG has been the auditor of the Company since its inception in 2015. At that time today's lead auditor also took office. The lead auditor of the Company must be replaced after a period of seven years as set forth in Article 730a(2) CO. The mandate of the auditor lasts from one General Meeting of Shareholders to the next one and has to be confirmed at each General Meeting of Shareholders.

For the 2020 period, the audit company has issued the following invoices:

Date	Amount in CHF	Work done
01.09.2020	161,550	Audit 2019
01.09.2020	102,315	Audit 2019
14.12.2020	4,847	Capital Increase
14.12.2020	80,775	Audit 2020

The total amount invoiced by KPMG and paid in 2020 is CHF 349,487.

The Board of Directors assesses the performance, payment and independence of the external auditors each year. This assessment is performed both by the Audit and Risk Committee as well as by the Board of Directors after each closing of the yearly period. The auditors attended the Audit and Risk Committee on March 20, 2020.

10. INFORMATION POLICY

The Company publishes half-year results within three months after the closing of the half-year period and a full-year report within four months after the closing of the yearly period. After the first and third quarter of each year, the Company publishes quarterly updates that content the latest activities of the Company.

Quarterly and half-year results are neither reviewed nor audited, whilst full-year reports are audited. Half year financial statements may be reviewed if needed for corporate activities.

The Company is subject to ad hoc publicity according to Article 53 of the Listing Rules.

All information as well as the schedule of publication dates and general assemblies are also available on the website www.variausproperties.com and the website of the SIX, www.six-swiss-exchange.com.

Interested persons can register to receive regular news from the Company under www.variausproperties.com.



COMPENSATION REPORT

Varia US Properties' sustainable development and its continued success as a business are built on a systematic and transparent compensation system. This report provides an overview of the Company's compensation principles and practices designed to support business goals and to align the interests of the leadership team with those of the Company's shareholders.

OVERVIEW

Varia US Properties AG (the Company) is a real estate holding company incorporated in Zug. The Company has a Board of Directors but no direct employees. The Company has retained Stoneweg group ("Stoneweg") as its exclusive Asset Manager and all operational tasks have been outsourced to that entity; details on the remuneration of the asset manager and its organization are provided in a separate section (page 66).

For that reason, the compensation report only relates to the compensation of the members of the Board of Directors and their roles in the different committees. Pursuant to article 4.4 of the Company's articles of association, the Board of Directors members receive a fixed remuneration that may be complemented by a variable component; reimbursement of expenses incurred on behalf of the Company may be paid to members, provided that they submit supporting documentation. The Board of Directors determines on an annual basis and at its discretion, the fixed remuneration to be paid to the individual members from the period from the next General Meeting of Shareholders to the following one. The remuneration is determined following the recommendations of the compensation committee and within the limits of the total amount approved by the General Meeting of Shareholders.

During its March 20, 2020 session and its August 21, 2020 session, the compensation committee looked at the remuneration of Swiss listed and non-listed real estate companies of similar size and concluded that the remuneration is in line with market standards. The committee also looked at the audit and risk committee members' compensation as well as of the compensation committee members' compensation. It confirmed that the members of each committee should be compensated 75% of the chair of the respective committee. The compensation committee also looked at the remuneration of the delegate that is determined on a discretionary basis, taking into account the fact that the delegate is also compensated and remunerated by Stoneweg for his US activities, and that the Board of Directors remuneration is linked to his duties in Switzerland for the Company, including coordination with Stoneweg's Swiss team members.

PURPOSE OF THE COMPENSATION REPORT

The compensation report meets the provisions of the Ordinance against Excessive Compensation in Listed Companies (art. 13 and ff) and is put to a consultative vote at the General Meeting of Shareholders.

COMPENSATION PAID

Compensation period from the April 30, 2019 General Meeting of Shareholders to the June 26, 2020 General Meeting of Shareholders

The General Meeting of Shareholders of April 30, 2019 approved the following compensation package:

- Maximum amount of CHF 600,000 for the compensation of the members of the Board of Directors for the term of office until the next ordinary General Meeting of Shareholders
- Maximum amount of CHF 35,000 for the compensation of the persons whom the Board of Directors has entrusted with the executive management of the Company for the compensation period until the next ordinary General Meeting of Shareholders
- Of the CHF 600,000 approved by shareholders, the sum of CHF 517,942 was paid as per the detailed table below.

- Maximum amount of CHF 600,000 for the compensation of the members of the Board of Directors for the term of office until the next ordinary General Meeting of Shareholders.
- Maximum amount of CHF 35,000 for the compensation of the persons whom the Board of Directors has entrusted with the executive management of the Company for the compensation period until the next ordinary General Meeting of Shareholders.

Share Purchase Plan

The Company's Board of Directors has implemented a share plan compensation to further align long term interests of Board of Directors members with the Company and its shareholders.

In addition to the fixed compensation received eligible Board of Directors members under the Company's share compensation plan are entitled to purchase shares ("Restricted Shares") at specific conditions as detailed below. With the exception of the Delegate of the Board of Directors, who is a US person, Board of Directors members are able to purchase each calendar year Restricted Shares up to:

Compensation paid for the financial year 2020

On June 26, 2020, the General Meeting of Shareholders of Varia US Properties AG took the following decisions:

1. It elected the following persons as Board of Directors members:
 - Manuel Leuthold, Chairman
 - Jaume Sabater, Vice-Chairman
 - Patrick Richard, Delegate of the Board of Directors*
 - Taner Alicehic, member
 - Dany Roizman, member
 - Beat Schwab, member
 - Stefan Buser, member
 - Grégoire Baudin, member
2. It elected Stefan Buser and Beat Schwab as members of the Compensation committee for the term of office until the next ordinary General Meeting of Shareholders.
3. It approved the following compensation package for the Board of Directors members according to article 3.7 of the Articles of Association:
 - A maximum of 1,000 shares for the Chairman of the Board of Directors.
 - A Maximum of 750 shares for other eligible members of the Board of Directors

The shares are acquired at the closing share price on the first trading day in June of the respective calendar year. The Company supports 50% of the acquisition amount as an additional remuneration to the Board of Directors members.

Restricted Shares purchased under this Board of Directors Member Share Plan may not be transferred during 4 years from the Transfer Date ("the Restriction Period") except by waiver of the Board of Directors or by provisions of inheritance law as well as in the case of disability by the Board of Directors Member. A termination, resignation or non-renewal of the mandate does not affect the terms and conditions of the Restricted Shares.

In July 2020, (instead of June due to the postponed Shareholder meeting that took place on June 26, 2020) all eligible Board of Directors members exercised their option to buy Restricted Shares for the maximum number permitted by the share compensation plan.

The Board of Directors fees during the financial year 2020 were the following:

Compensation schedule, January 1, 2020–December 31, 2020

Member	Function	Fixed compensation (cash) in CHF	Share compensation in CHF	Social security contributions in CHF	Total compensation in CHF
Manuel Leuthold	Chairman of the Board	70,000	19,350	6,774	96,124
Jaume Sabater	Vice-Chairman of the Board	40,000	14,513	4,039	58,552
Beat Schwab	Member of the Board Chairman of the risk and audit committee Member of the compensation committee	40,000 20,000 7,500	14,513	–	82,013
Taner Alicehic	Member of the Board Member of the risk and audit committee	40,000 15,000	14,513	5,289	74,802
Dany Roizman	Member of the Board	40,000	14,513	4,039	58,552
Patrick Richard	Member of the Board Executive member of the Board	40,000 35,000	–	–	75,000
Stefan Buser	Member of the Board Chairman of the Compensation committee Member of the risk and audit committee	40,000 15,000 10,000	14,513	–	79,513
Grégoire Baudin	Member of the Board	23,333	14,513	2,650	40,496
		435,833	106,428	22,790	565,051

The Board of Directors attendance fees from the 2019 Annual General Meeting of Shareholders to the 2020 Annual General Meeting of Shareholders were the following:

Board members' remuneration

Compensation schedule	2019 AGM to 2020 AGM (in CHF)
Fixed compensation	412,500
Share compensation	85,738
Social security contributions	19,704
Total compensation	517,942
Amount approved by 2019 AGM	600,000
Difference	82,058

FULL BOARD OF DIRECTORS COMPENSATION DISCLOSURE

In the year 2020, the Board of Directors members received the above-mentioned fixed compensation, and they were entitled to purchase the allocated restricted shares, with the exception of the Delegate of the Board of Directors. The Company does not have other performance related compensation. Therefore, none of the Board of Directors members received any additional performance related compensation in shares or other stocks and there was no performance related compensation for the Board of Directors members.

There was no additional compensation to the Board of Directors members for their role as Board of Directors member or for additional work, except for the Board of Directors members paid by Stoneweg that are involved in the asset management duties of the Company. No loans or credit facilities were granted to members of the Board of Directors or any other related parties in the 2020 financial year. Board of Directors expenses will be paid on top of the remuneration package proposed above, especially for Board of Directors members travelling from abroad to Switzerland for Board of Directors meetings or for Board of Directors members travelling to the US for Board of Directors meetings. Due to the pandemic situation, the Board of Directors did not travel to the US to attend a Board of Directors meeting in 2020. Hence the Company did not incur any travel expenses. In 2021, if the world health situation allows it, it is anticipated that the Board of Directors will hold one meeting in the US in September.

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF VARIA US PROPERTIES AG, ZUG



Report of the Statutory Auditor

To the General Meeting of Varia US Properties AG, Zug

We have audited the accompanying remuneration report of Varia US Properties AG for the year ended 31 December 2020.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report for the year ended 31 December 2020 of Varia US Properties AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG SA

Yvan Mermod
Licensed Audit Expert
Auditor in Charge

Bruno Beça
Licensed Audit Expert

Geneva, 26 March 2021

Enclosure:
- Remuneration report

KPMG SA, Esplanade de Pont-Rouge 6, CH-1211 Geneva 26

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A FEW WORDS ABOUT THE ASSET MANAGER: STONEWEG SA

1. GENERAL PRINCIPLES

Varia US Properties AG (the Company) entered into an Asset Management Agreement amended and restated most recently on September 30, 2019 with Stoneweg SA, part of the Stoneweg group (“Stoneweg”), a specialized real estate investment company based in Geneva, Switzerland.

Pursuant to this agreement, the Asset Manager is providing asset management services to the Company which include among others:

- Assist the Company in defining the overall strategy,
- Manage the real estate portfolio of the company including the identification of assets to invest
- Prepare cash flow models and budgets for the assets and the company
- Coordinate leasing and capex strategies and work
- Coordinate debt strategy on an asset by asset basis
- Coordinate third party contractors, including property managers and insurance companies
- Manage the cash of the company and its subsidiaries
- Coordinate and prepare annual audited financial statements and semi-annual accounts
- Manage investor relations and communication of the Company
- Support the Company in its capital raising efforts
- Conduct risk management and implement ICS
- Ensure legal and compliance services

The Asset Manager reports at least on a quarterly basis to the Board of Directors and the Audit and Risk Committee on the affairs of the Company, and at any time as the affairs require information to be provided to the Board of Directors or a decision should be taken by the Board of Directors.

2. THE ASSET MANAGER

Stoneweg is a Swiss-based international real estate investment platform for Swiss-based and international investors, created in 2015. As of December 31, 2020 Stoneweg employs 98 people based in 7 countries: Switzerland, USA, UK, Spain, Italy, Andorra and Ireland. Stoneweg is mainly active, apart from the US multifamily market and Varia US Properties AG, into:

- Spanish real estate development and bridge financing
- Italian opportunistic real estate and Non-Performing Loans backed by real estate assets
- Swiss commercial real estate.

Stoneweg has performed more than 290 investments since inception for a total real estate value (including gross construction costs) over CHF 4.5 billion.

For the Company portfolio, Stoneweg dedicates a team of 20 people in Florida, 2 full time people in Geneva, helped by 2 partially dedicated managers, including the corporate secretary of the Company. In addition, the team is assisted by Stoneweg resources with respect to risk management and investor relations.

The team based in Florida includes 5 asset managers whose main task is to supervise property management activities and provide guidance according to the Company's strategy, 5 finance team members, 3 acquisitions team members, 5 people active in the legal/Debt department and 1 office manager. The team is led by Patrick Richard, delegate member of the Board of Directors of the Company.

The team in Switzerland is mainly dedicated to the corporate activities of the Company, the cash management at the holding and its direct affiliates (the blockers) level, the risk management, the coordination of the valuation and audit works, the organization of the committees including Stoneweg internal investment committee dedicated to Varia US Properties AG and the consolidation of the Company budget.

3. REMUNERATION OF THE ASSET MANAGER

The Asset Management Agreement determines the remuneration of Stoneweg SA as asset manager of the Company as follows:

- Asset Management fee: 1% of the equity value of the company
- Transaction fee: maximum 1% of the acquisition/sale price of the asset
- Promote fee (performance fee): alternatively of the Transaction fee in case of a sale; variable 15% to 20% after a hurdle from 8% to 12%
- Placement fee: up to 1% of new capital raised
- Construction fee: up to 5% of the construction costs
- Refinancing fee: up to 1% of the principal amount of the new loan

Effectively the remuneration policy in 2020 was as follows:

- Asset Management fee: 1% of the invested equity value of the Company, to avoid charging fees on cash
- Transaction fee: 1% fee on acquisition price
- Promote fee: 20% over a 10% IRR hurdle on assets historically owned 100% since acquisition. This therefore excludes the assets that were concerned by the Non-Controlling Interest buy out
- Placement fee: 1% of the new capital raised

Fee type	Amount invoiced in 2020	Comments
Asset Management	USD 4,004,148	90% of 2020 equity value of the company
Transaction	USD 604,500	1% of transaction price
Placement	CHF 404,438	Capital increase fees
Promote	USD 4,054,946	Further to the sale of 10 assets
	USD 9,118,601	

USD-CHF rate used 0.88886 (Dec. 10, 2020)

The Compensation committee reviewed the remuneration of the Asset Manager in its March 2021 meeting.

CONSOLIDATED IFRS FINANCIAL STATEMENTS

December 31, 2020

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Varia US Properties AG and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS	Notes	December 31, 2020 in USD	December 31, 2019 in USD
Current assets			
Cash and cash equivalents	E	112,320,905	31,758,165
Rent and other receivables	F	924,014	1,191,537
Income tax receivable	M	1,237,500	1,237,500
Prepaid expenses and other current assets		2,271,618	1,142,044
Total current assets		116,754,037	35,329,246
Non-current assets			
Investment property	G	928,220,000	915,140,000
Escrow accounts	E	10,385,542	7,916,176
Deferred tax asset	M	–	1,777,947
Other assets		1,936,484	1,936,484
Total non-current assets		940,542,026	926,770,607
Total assets		1,057,296,063	962,099,853
LIABILITIES AND EQUITY	Notes	December 31, 2020 in USD	December 31, 2019 in USD
Current liabilities			
Current maturities of interest bearing loans and borrowings	I	8,373,487	2,118,333
Trade and other payables	H	15,088,873	15,733,514
Distribution payable	J	10,270,793	9,316,145
Income tax payable	M	1,874,842	2,021,849
Rent received in advance		1,351,196	1,325,239
Total current liabilities		36,959,191	30,515,080
Non-current liabilities			
Interest bearing loans and borrowings, net of current maturities	I	592,415,892	564,547,472
Deferred tax liability	M	38,286,304	30,717,220
Total non-current liabilities		630,702,196	595,264,692
Total liabilities		667,661,387	625,779,772
Issued share capital	J	10,297,221	9,053,794
Share premium from capital contributions	J	258,402,705	225,077,866
Legal reserves	J	2,138,232	1,034,911
Retained earnings		118,796,518	101,153,510
Total equity		389,634,676	336,320,081
Total liabilities and equity		1,057,296,063	962,099,853

Varia US Properties AG and Subsidiaries

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the Year Ended December 31, 2020 in USD	For the Year Ended December 31, 2019 in USD
Rental income	B	98,364,527	88,884,355
Other income	G	11,119,320	9,807,451
Insurance proceeds	B	349,045	735,522
Net gain from fair value adjustment on investment property	G	42,543,243	40,047,261
Total income		152,376,135	139,474,589
Real estate operating expenses	K	28,433,051	24,993,884
Expenses for third party onsite workforces		14,358,998	13,313,116
Repairs, maintenance and minor replacements	B	8,346,590	8,242,314
Property management fees		3,440,637	3,009,642
Transaction costs	G	6,108,690	515,251
Other expenses	K	8,709,542	9,360,668
Total operating expenses		69,397,508	59,434,875
Operating Profit		82,978,627	80,039,714
Interest expense		24,540,048	22,983,247
Debt defeasance		6,709,497	416,596
Net foreign currency exchange losses		6,296,039	1,372,349
Total finance costs	L	37,545,584	24,772,192
Profit before income tax		45,433,043	55,267,522
Income tax expense	M	9,917,649	12,510,707
Profit for the period		35,515,394	42,756,815
Other comprehensive income		–	–
Total comprehensive income for the period		35,515,394	42,756,815
Earnings per share: Basic and diluted earnings, on profit for the period	J	3.91	4.75

Varia US Properties AG and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

		Equity Attributable to Varia US Properties AG Shareholders				
	Notes	Issued Share Capital in USD	Share Premium from Capital Contribution in USD	Legal reserves in USD	Retained Earnings in USD	Total Equity in USD
Balance at December 31, 2018		9,053,794	265,850,530	302,964	59,128,642	334,335,930
Profit for the period		–	–	–	42,756,815	42,756,815
Other comprehensive income		–	–	–	–	–
Total comprehensive income		–	–	–	42,756,815	42,756,815
Allocation to legal reserves	J	–	–	731,947	(731,947)	–
Capital distributions	J	–	(40,772,664)	–	–	(40,772,664)
Balance at December 31, 2019		9,053,794	225,077,866	1,034,911	101,153,510	336,320,081
Profit for the period		–	–	–	35,515,394	35,515,394
Other comprehensive income		–	–	–	–	–
Total comprehensive income		–	–	–	35,515,394	35,515,394
Allocation to legal reserves	J	–	–	1,103,321	(1,103,321)	–
Allocation to capital contribution	J	–	4,658,078	–	(4,658,078)	–
Ordinary share capital increases – Dec. 1, 2020	J	1,243,427	40,777,748	–	–	42,021,175
Capital distributions	J	–	(12,110,987)	–	(12,110,987)	(24,221,974)
Balance at December 31, 2020		10,297,221	258,402,705	2,138,232	118,796,518	389,634,676

Varia US Properties AG and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	For the Year Ended December 31, 2020 in USD	For the Year Ended December 31, 2019 in USD
Cash flows from operating activities			
Profit before income tax		45,433,043	55,267,522
Adjustments to reconcile profit before income tax to net cash provided by operating activities			
Net gain from fair value adjustment on investment property	G	(42,543,243)	(40,047,262)
Finance costs	L	37,545,584	23,847,526
		40,435,384	39,067,786
Working capital adjustments			
Decrease (increase) in rent and other receivables		267,523	(495,696)
(Increase) decrease in prepaid expenses and other current assets		(1,129,574)	1,461,945
Increase in escrow accounts	E	(2,469,366)	(3,371,257)
(Decrease) Increase in trade and other payables	H	(630,952)	2,387,718
Decrease in rent received in advance		25,957	325,252
Cash generated from operating activities		36,498,972	39,375,748
Income taxes received		1,211,587	414,476
Income taxes paid	M	(1,929,212)	(1,479,995)
Net cash provided by operating activities		35,781,347	38,310,229
Cash flows from investing activities			
Acquisition of investment property	G	(56,203,210)	(99,069,906)
Capital expenditure on investment property	G	(12,983,547)	(16,772,832)
Proceeds from sale of investment property	G	98,650,000	8,250,000
Net cash provided by (used in) investing activities		29,463,243	(107,592,738)
Cash flows from financing activities			
Payments of principal on interest bearing loans and borrowings	I	(40,529,796)	(13,313,388)
Interest paid	I	(24,051,155)	(20,460,713)
Debt defeasance paid		(6,709,497)	(416,596)
Payments of debt and bond issuance costs	I	(861,856)	(1,565,202)
Proceeds from interest-bearing loans and borrowings	I	69,963,500	73,612,000
Proceeds from bond issuance	I	–	50,740,450
Payment of capital distribution and retained earnings	J	(24,994,693)	(31,456,519)
Proceeds from issued share capital	D	42,021,175	–
Net cash (used in) provided by financing activities		14,837,678	57,140,032
Net increase (decrease) in cash and cash equivalents		80,082,268	(12,142,477)
Cash and cash equivalents at beginning of year	E	31,758,165	44,262,934
Exchange gain (loss) on cash and cash equivalents		480,472	(362,292)
Cash and cash equivalents at end of period	E	112,320,905	31,758,165

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.

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 adjusted 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. In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern and accordingly to use the going concern basis of accounting. Varia has no employees as of December 31, 2020 and has never employed any staff.

The accompanying consolidated financial statements of Varia US Properties AG and subsidiaries (collectively, the Group) as of December 31, 2020 and for the year then ended were authorized by the board of directors for issue on March 26, 2021 and are subject to the approval of the shareholders meeting.

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 and, if any, open derivatives contracts 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 December 31, 2020 and 2019. 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 based on their relative fair values at the date of acquisition. Such transactions or events do not give rise to goodwill.

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

- 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

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 currency 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.

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

CHF/USD average exchange rate for the year ended December 31, 2020	0.93536
CHF/USD exchange rate at December 31, 2020	0.88028
CHF/USD average exchange rate for the year ended December 31, 2019	0.99393
CHF/USD exchange rate at December 31, 2019	0.96617

Currency overlay management program

In March 2020, the Company entered into a currency overlay management program with the bank Edmond de Rothschild (Suisse) SA to mitigate the risk of currency losses in USD when the CHF is strengthening against the USD and for the impact it could have on the long-term interest bearing bond of CHF 50 million (see Note I) when converted in USD for the consolidated financial statements.

The program uses short-term foreign currency forward contracts to hedge cash flows in USD against the risk of the CHF strengthening based on the trend in the market. As a result, the Company is entering each quarter into multiple short-term currency transactions, which are settled on the last day of the quarter (value date). Any currency open contract at the end of the period or year is presented at fair value and accounted for in the consolidated financial position at the closing date. Gain and losses on financial instruments are recorded in the profit or loss statement.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other 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. While they are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial and, therefore, no valuation allowance for expected losses has been recognized.

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. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

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 initially 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 which is assumed to be fair value. Such assets are subsequently measured at either amortized cost or fair value depending on their classification.

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

Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Information about the Group's exposure to credit and market risks, and impairment losses for financial assets is included in Note O.

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 USD 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 (remeasured to the fair value at the date of disposal) is recognized in profit or loss in the period of derecognition.

Insurance proceeds represent amounts received from third parties for damages to investment property and are approximately USD 349,000 and USD 736,000 for the years ended December 31, 2020 and 2019, respectively.

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 statements 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. Late payment and early lease termination fees are also accounted for to other income as earned. The revenue is recognized in other income as these services are provided.

Operating expenses

Operating expenses are recognized in the consolidated statements 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.

Following the enactment on January 1, 2020, of the new Swiss Federal Act on Tax Reform and AHV Financing (TRAF), the preferential holding company tax status is no longer granted to Varia US Properties AG. The abolishment of the privileged tax status entails that the Company will be subject from now on to an ordinary taxation and will not benefit from the exemption of taxation at the Zug cantonal and communal levels. Taxable profits are subject from January 1, 2020, to an effective corporate income tax of approximately 12%, including the direct federal tax (12%- 2020 and 7.8% –2019).

Income, including dividend income and capital gains from its subsidiaries, are subject from 2020 fiscal year to taxation at the Swiss federal and Zug cantonal and communal levels. The Company is subject to capital taxes that are included in operating expenses in the consoli-

dated 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 consolidated financial statements 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.

Reclassifications

Amounts relating to debt defeasance and transaction costs in the accompanying 2019 consolidated financial statements have been reclassified to conform to the 2020 presentation. These reclassifications had no effect on previously reported change in net assets.

New standards, amendments and interpretations

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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 1	Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021
IFRS 2018–2020	Annual improvements to IFRS Standards 2018–2020	January 1, 2022
IAS 37	Onerous Contracts- Costs of Fulfilling a Contract (Amendments to IAS 37)	January 1, 2022
IAS 16	Property Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	January 1, 2022
IFRS 3	Reference to the Conceptual Framework (Amendments to IFRS 3)	January 1, 2022
IFRS 17	Insurance Contracts	January 1, 2023
IAS 1	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2023

All new and 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 JUDGEMENTS 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, 2020 and 2019.

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

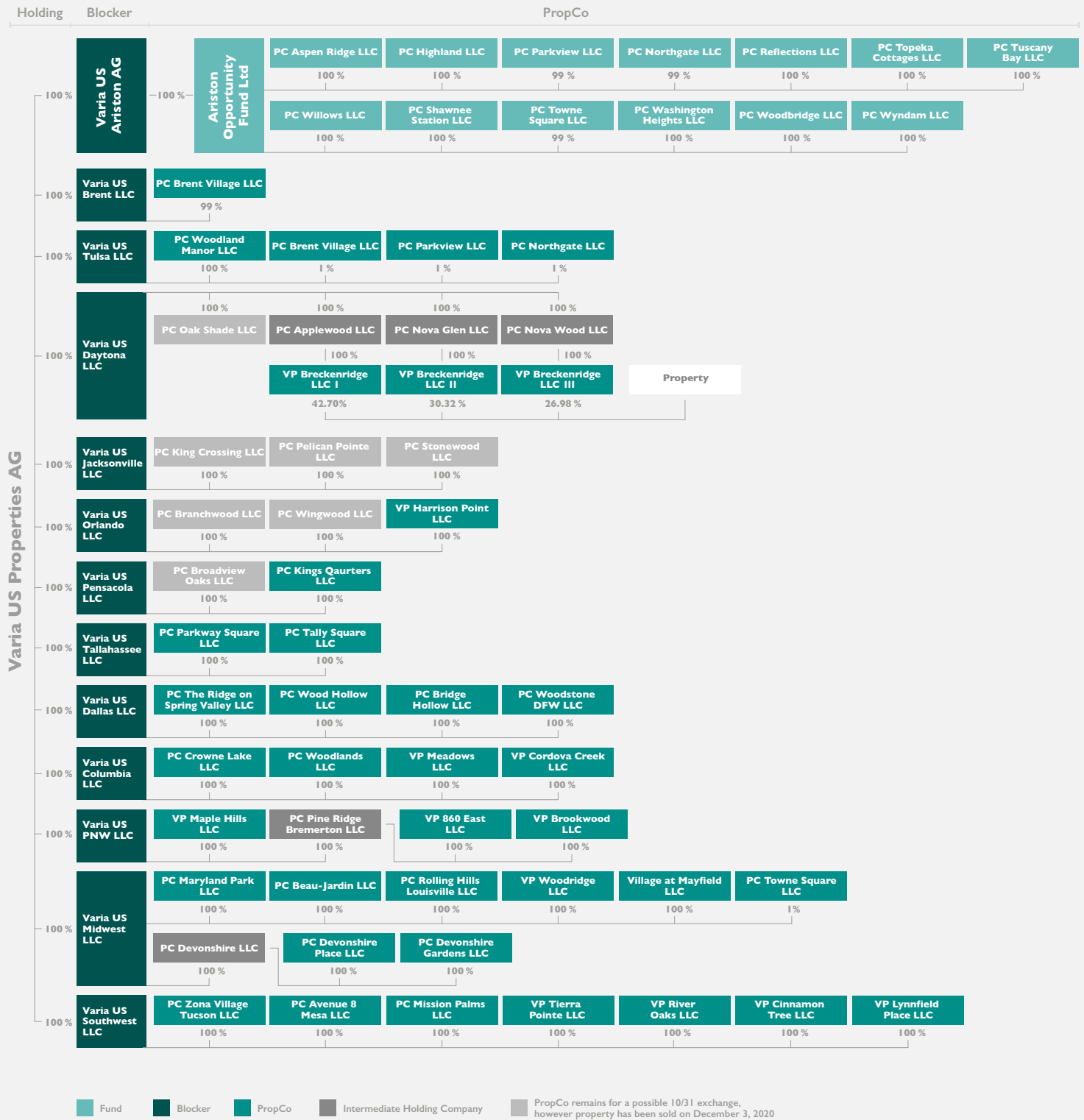
Fair value measurement of investment property

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 variables. Accordingly, Varia's subsidiaries obtain independent property appraisals for determining the fair value of each investment property (see Notes G and O).

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 long-term nature 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 liabilities 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.



Above figures relate to percentage of interests – Underlying property is always fully owned.

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% of the 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 December 31, 2020 as shown on the opposite page.

The business model of Varia is to fully own its direct holding investments by creating separate legal entities (here-in referred to as "blockers") between Varia and the Limited Liability Companies which hold its investment properties for the purpose of acquiring multifamily properties in different regions in the U.S.

NOTE E CASH AND CASH EQUIVALENTS / ESCROW ACCOUNTS

At December 31, 2020 and 2019, cash and cash equivalents comprise cash in bank accounts in Swiss francs and USD, of which USD 29,567,153 and USD 4,871,077, respectively, is at the full disposal of Varia, and USD 82,753,752 and USD 26,887,088, respectively, is at the property company level. Cash in banks totaled USD 112,320,905 and USD 31,758,165 at December 31, 2020 and 2019, 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 December 31, 2020 and 2019, rent and other receivables of USD 924,014 and USD 1,191,537, respectively, generally relate to amounts owed to the Group's operating subsidiaries from lessees under lease agreements associated with its investment properties. The Com-

pany has elected to apply the simplified approach to evaluating expected credit losses under IFRS 9 Financial Instruments in regards to lease receivables. No valuation allowance has been recognized since the expected losses are immaterial.

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 the following at December 31, 2020:

Properties Held	City	Fair Value of Investment Property at December 31, 2019 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	Sale of Investment Property in USD	Fair Value of Investment Property at December 31, 2020 in USD
860 East	Cincinnati	22,840,000	–	115,269	344,731	–	23,300,000
Altitude on 5th (Northgate)	Salt Lake City	44,300,000	–	407,155	1,122,845	–	45,830,000
Applewood	Deland	9,220,000	–	33,402	3,261,598	(12,515,000)	–
Aspen Ridge	Albuquerque	7,100,000	–	42,144	357,856	–	7,500,000
Avenue 8	Mesa	27,200,000	–	162,222	3,937,778	–	31,300,000
Beau-Jardin	St. Louis	18,100,000	–	120,873	179,127	–	18,400,000
Branchwood	Winter Park	9,530,000	–	85,281	1,729,719	(11,345,000)	–
Breckinridge	Louisville	–	34,222,148	3,665	74,187	–	34,300,000
Brent Village	Bellevue	9,960,000	–	279,690	(189,690)	–	10,050,000
Bridge Hollow	Fort Worth	20,800,000	–	115,458	284,542	–	21,200,000
Broadview Oaks	Pensacola	5,700,000	–	27,644	1,896,856	(7,624,500)	–
Brookwood	Tucson	22,400,000	–	230,024	3,269,976	–	25,900,000
Cinnamon Tree	Albuquerque	22,900,000	–	153,581	1,546,419	–	24,600,000
Cordova Creek	Memphis	22,900,000	–	243,607	(943,607)	–	22,200,000
Cottages of Topeka	Topeka	4,590,000	–	9,876	120,124	–	4,720,000
Devonshire Place and Gardens	Evansville	14,900,000	–	148,742	(48,742)	–	15,000,000
Eastwood Crossing	Kansas City	31,200,000	–	3,105,891	(3,505,891)	–	30,800,000
Harrison Point	Indianapolis	–	21,981,062	22,812	(203,874)	–	21,800,000
Highland Vista	Creedmoor	7,600,000	–	20,238	579,762	–	8,200,000
King's Quarters	Kansas City	32,700,000	–	725,521	(1,425,521)	–	32,000,000
Lynnfield Place	Memphis	36,200,000	–	1,856,954	(156,954)	–	37,900,000
Maryland Park	Maryland Heights	23,500,000	–	202,007	197,993	–	23,900,000
Mayfield	Mayfield	30,200,000	–	158,452	1,341,548	–	31,700,000
Mission Palms	Tucson	46,700,000	–	250,488	3,049,512	–	50,000,000
Nova Glen	Daytona Beach	8,870,000	–	95,333	1,034,667	(10,000,000)	–
Nova Wood II	Daytona Beach	6,760,000	–	72,309	1,268,691	(8,101,000)	–
Oak Shade	Orange City	5,130,000	–	50,232	819,768	(6,000,000)	–
Parkview	Caldwell	5,350,000	–	23,674	226,326	–	5,600,000
Parkway Square	Tallahassee	24,600,000	–	70,138	(400,138)	–	24,270,000
Pelican Pointe I & II	Jacksonville	8,740,000	–	71,406	3,118,594	(11,930,000)	–
Reflections Senior	Fort Collins	5,620,000	–	31,831	88,169	–	5,740,000
Ridge on Spring Valley	Dallas	20,850,000	–	165,423	634,577	–	21,650,000
River Oaks	Tucson	24,700,000	–	440,106	3,459,894	–	28,600,000

Properties Held	City	Fair Value of Investment Property at December 31, 2019 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	Sale of Investment Property in USD	Fair Value of Investment Property at December 31, 2020 in USD
Rolling Hills	Louisville	39,700,000	–	759,711	340,289	–	40,800,000
Shawnee Station	Shawnee	19,980,000	–	316,539	(6,539)	–	20,290,000
Stonegate Village	Bellevue	3,410,000	–	–	990,000	(4,400,000)	–
Stonewood	Jacksonville	7,070,000	–	67,438	2,101,562	(9,239,000)	–
Tally Square	Tallahassee	22,700,000	–	162,122	(642,122)	–	22,220,000
The Meadows	Memphis	14,700,000	–	96,577	403,423	–	15,200,000
The Woodlands	Jackson	9,400,000	–	192,700	1,307,300	–	10,900,000
Tierra Pointe	Albuquerque	27,900,000	–	278,412	2,721,588	–	30,900,000
Towne Square	Boise	13,230,000	–	147,889	1,602,111	–	14,980,000
Tuscany Bay	Lawrenceburg	7,780,000	–	51,974	478,026	–	8,310,000
Varia at Oakcrest	Columbia	24,000,000	–	178,328	(1,978,328)	–	22,200,000
Villas at Kings Crossing	Jacksonville	7,090,000	–	186,287	1,998,713	(9,275,000)	–
Washington Heights	Kansas City	3,600,000	–	8,924	1,076	–	3,610,000
Willows of Cumming	Cumming	13,400,000	–	6,978	1,993,022	–	15,400,000
Wingwood	Orlando	6,500,000	–	61,731	1,658,769	(8,220,500)	–
Wood Hollow	Fort Worth (Euless)	33,800,000	–	242,838	57,162	–	34,100,000
Woodbridge Senior	Fort Collins	3,130,000	–	4,900	105,100	–	3,240,000
Woodland Manor	Tulsa	18,600,000	–	20,414	1,389,586	–	20,010,000
Woodridge	Fairfield	25,390,000	–	160,479	349,521	–	25,900,000
Woodstone	Fort Worth	16,000,000	–	393,328	(893,328)	–	15,500,000
Wyndham Place	Shawnee	3,900,000	–	27,175	72,825	–	4,000,000
Zona Village	Tuscon	12,700,000	–	77,355	1,422,645	–	14,200,000
		915,140,000	56,203,210	12,983,547	42,543,243	(98,650,000)	928,220,000

	in USD
Investment property at December 31, 2019	915,140,000
Property acquired through purchase of investment property	56,203,210
Capital improvements	12,983,547
Sale of investment property	(98,650,000)
Net gain from fair value adjustment on investment property	42,543,243
Investment property at December 31, 2020	928,220,000

For the year ended December 31, 2020, the Company incurred approximately USD 6.1 million in transaction costs in connection with the sale of ten investment properties of which approximately USD 4.1 million was a promote fee paid to a related party (see Note N).

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, 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	Sale of Investment Property in USD	Fair Value of Investment Property at December 31, 2019 in USD
860 East	Cincinnati	22,070,000	–	716,975	53,025	–	22,840,000
Altitude on 5th (Northgate)	Salt Lake City	41,300,000	–	217,101	2,782,899	–	44,300,000
Applewood	Deland	8,800,000	–	95,221	324,779	–	9,220,000
Aspen Ridge	Albuquerque	7,000,000	–	188,240	(88,240)	–	7,100,000
Avenue 8	Mesa	23,400,000	–	275,717	3,524,283	–	27,200,000
Beau-Jardin	St. Louis	16,890,000	–	161,497	1,048,503	–	18,100,000
Branchwood	Winter Park	9,000,000	–	57,418	472,582	–	9,530,000
Brent Village	Bellevue	9,320,000	–	717,373	(77,373)	–	9,960,000
Brentwood Oaks	Fredericksburg	5,600,000	–	92,835	907,165	(6,600,000)	–
Bridge Hollow	Fort Worth	19,600,000	–	613,279	586,721	–	20,800,000
Broadview Oaks	Pensacola	5,100,000	–	68,262	531,738	–	5,700,000
Brookwood	Tucson	21,100,000	–	417,150	882,850	–	22,400,000
Cinnamon Tree Apartments	Albuquerque	21,500,000	–	486,969	913,031	–	22,900,000
Cordova Creek	Cordova	20,200,000	–	339,702	2,360,298	–	22,900,000
Cottages of Topeka	Topeka	4,180,000	–	24,547	385,453	–	4,590,000
Devonshire Place and Gardens	Evansville	14,000,000	–	267,410	632,590	–	14,900,000
Eagles Nest	Rifle	1,690,000	–	10,024	(50,024)	(1,650,000)	–
Eastwood Crossing	Kansas City	–	31,493,775	1,565,556	(1,859,331)	–	31,200,000
Highland Vista	Creedmoor	7,000,000	–	364,509	235,491	–	7,600,000
King's Quarters	Kansas City	–	32,383,186	81,524	235,290	–	32,700,000
Lynnfield Place	Memphis	–	35,192,945	178,444	828,611	–	36,200,000
Maryland Park	Maryland Heights	20,640,000	–	323,981	2,536,019	–	23,500,000
Mayfield Apartments	Mayfield	28,700,000	–	551,556	948,444	–	30,200,000
Mission Palms	Tucson	38,700,000	–	336,277	7,663,723	–	46,700,000
Nova Glen	Daytona Beach	8,400,000	–	12,126	457,874	–	8,870,000
Novawood II	Daytona Beach	6,100,000	–	90,835	569,165	–	6,760,000
Oak Shade	Orange City	4,900,000	–	41,398	188,602	–	5,130,000
Parkview	Caldwell	4,930,000	–	672,247	(252,247)	–	5,350,000
Parkway Square	Tallahassee	24,300,000	–	542,274	(242,274)	–	24,600,000
Pelican Pointe I & II	Jacksonville	7,610,000	–	49,918	1,080,082	–	8,740,000
Reflections Senior	Fort Collins	5,330,000	–	13,871	276,129	–	5,620,000
Ridge on Spring Valley	Dallas	20,350,000	–	412,545	87,455	–	20,850,000
River Oaks	Tucson	21,000,000	–	617,128	3,082,872	–	24,700,000
Rolling Hills	Louisville	37,920,000	–	1,084,789	695,211	–	39,700,000
Shawnee Station	Shawnee	19,650,000	–	539,756	(209,756)	–	19,980,000
Stonegate Village	Bellevue	3,750,000	–	24,879	(364,879)	–	3,410,000
Stonewood	Jacksonville	6,100,000	–	90,032	879,968	–	7,070,000
Tally Square	Tallahassee	22,400,000	–	436,783	(136,783)	–	22,700,000
The Meadows	Memphis	14,200,000	–	412,034	87,966	–	14,700,000
Tierra Pointe	Albuquerque	26,000,000	–	749,578	1,150,422	–	27,900,000
Towne Square	Boise	12,390,000	–	93,218	746,782	–	13,230,000

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	Sale of Investment Property in USD	Fair Value of Investment Property at December 31, 2019 in USD
Tuscany Bay	Lawrenceburg	7,330,000	–	113,838	336,162	–	7,780,000
Varia at Oakcrest	Columbia	24,100,000	–	265,680	(365,680)	–	24,000,000
Villas at Kings Crossing	Jacksonville	5,380,000	–	205,886	1,504,114	–	7,090,000
Washington Heights	Kansas City	3,340,000	–	94,208	165,792	–	3,600,000
Willows of Cumming	Cumming	13,100,000	–	134,016	165,984	–	13,400,000
Wingwood	Orlando	6,200,000	–	33,401	266,599	–	6,500,000
Wood Hollow	Fort Worth	33,700,000	–	411,712	(311,712)	–	33,800,000
Woodbridge Senior	Fort Collins	3,040,000	–	76,940	13,060	–	3,130,000
Woodland Manor	Tulsa	18,000,000	–	56,843	543,157	–	18,600,000
Woodlands	Jackson	9,100,000	–	460,795	(160,795)	–	9,400,000
Woodridge	Fairfield	24,060,000	–	452,880	877,120	–	25,390,000
Woodstone	Fort Worth	14,200,000	–	256,343	1,543,657	–	16,000,000
Wyndam Place	Shawnee	3,630,000	–	9,133	260,867	–	3,900,000
Zona Village	Tucson	11,200,000	–	166,180	1,333,820	–	12,700,000
		767,500,000	99,069,906	16,772,833	40,047,261	(8,250,000)	915,140,000

	in USD
Fair value of investment property at December 31, 2018	767,500,000
Property acquired through purchase of investment property	99,069,906
Capital improvements	16,772,833
Net gain from fair value adjustment on investment property	40,047,261
Sale of investment property	(8,250,000)
Fair value of investment property at December 31, 2019	915,140,000

The future minimum lease payments under non-cancellable leases amount to approximately USD 49.2 and USD 51.6 million at December 31, 2020 and 2019, respectively. The majority of operating leases on investment properties entered into by Varia as lessor are usually for a period of one year. The future minimum lease payments under non-cancellable leases greater than one year are immaterial.

Varia's other income amounted to USD 11.1 and USD 9.8 million for the years ended December 31, 2020 and 2019, respectively. These consist of approximately USD 5.9 and USD 5.6 million for monthly or one-time fees charged to tenants (such as garbage, pet, laundry, applications, late, early termination, etc.), and approximately

USD 5.2 and USD 4.2 million consist of utility expenses passed through tenants for the years ended December 31, 2020 and 2019, respectively. The Company recognizes revenues for other income as these services are provided.

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

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

The components of income related to investment properties are as follows for the years ended December 31:

	2020 in USD	2019 in USD
Rental income (in accordance with IFRS 16)	98,364,527	88,884,355
Other income (revenues from contracts with customers)		
Monthly one-time fees	5,872,040	5,592,433
Utility fees charged through to tenants	5,247,280	4,215,018
Total other income	11,119,320	9,807,451
Total income related to investment properties	109,483,847	98,691,806

NOTE H TRADE AND OTHER PAYABLES

Trade and other payables consist of the following at December 31:

	2020 in USD	2019 in USD
Accounts payable	999,913	1,432,376
Accrued interest	1,748,028	1,734,339
Accrued real estate and other taxes	5,865,920	6,439,174
Accrued expenses	3,003,646	2,301,815
Security deposits	2,335,331	2,610,100
Other accrued expenses	1,136,035	1,215,710
	15,088,873	15,733,514

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 USD 3,652,027 as follows as of December 31, 2020:

Property	Rate	Structure	Maturity Date	Original Balance in USD	Balance as of December 31, 2020 in USD	Deferred Loan Costs in USD	Carrying amount as of December 31, 2020 in USD
860 East	4.41%	Fixed	01.09.28	\$14,114,000	\$14,114,000	\$98,699	\$14,015,301
Altitude on 5th (Northgate)	4.00%	Fixed	01.01.25	27,680,000	26,249,314	-	26,249,314
Aspen Ridge	4.51%	Fixed	01.06.25	4,680,000	4,680,000	77,106	4,602,894
Avenue 8	3.78%	Fixed	01.10.24	13,780,000	13,780,000	164,689	13,615,311
Avenue 8 - Supplementary	4.75%	Fixed	01.10.24	4,782,000	4,782,000	-	4,782,000
Beau Jardin	4.32%	Fixed	01.05.27	10,465,000	10,465,000	68,667	10,396,333
Breckinridge	2.36%	Fixed & Variable	01.01.31	22,295,000	22,295,000	204,952	22,090,048
Brent Village	3.48%	Fixed	01.08.47	5,936,800	5,097,044	9,845	5,087,199
Bridge Hollow	4.32%	Fixed	01.04.24	11,440,000	11,440,000	40,792	11,399,208
Brookwood	4.48%	Fixed	01.01.29	13,650,000	13,650,000	117,005	13,532,995
Cinnamon Tree	4.06%	Fixed	01.04.25	13,975,000	13,975,000	82,072	13,892,928
Cordova Creek	4.39%	Fixed	01.09.28	12,350,000	12,350,000	90,957	12,259,043
Cottages of Topeka	4.11%	Fixed	01.03.26	2,880,000	2,795,266	-	2,795,266
Crowne Lake	4.45%	Fixed	01.03.27	15,340,000	15,340,000	62,969	15,277,031
Devonshire Garden	4.14%	Fixed	01.05.24	4,771,000	4,771,000	14,713	4,756,287
Devonshire Place	4.14%	Fixed	01.05.24	3,431,000	3,431,000	9,868	3,421,132
Harrison Point	2.47%	Fixed	01.10.30	14,105,000	14,105,000	133,350	13,971,650
Highland Vista	4.16%	Fixed	01.03.21	3,620,000	3,163,813	-	3,163,813
Kings Quarters	3.19%	Fixed	01.10.29	20,800,000	20,800,000	154,808	20,645,192
Lynnfield Place	3.50%	Fixed	01.09.29	22,457,000	22,457,000	135,243	22,321,757
Maple Hills	3.52%	Fixed	01.09.29	20,215,000	20,215,000	154,924	20,060,076

Property	Rate	Structure	Maturity Date	Original Balance in USD	Balance as of December 31, 2020 in USD	Deferred Loan Costs in USD	Carrying amount as of December 31, 2020 in USD
Maryland	4.45%	Fixed	01.03.27	12,512,500	12,512,500	56,459	12,456,041
Meadows	4.56%	Fixed	01.04.28	8,775,000	8,775,000	51,005	8,723,995
Mission Palms	4.09%	Fixed	01.08.24	24,212,500	24,212,500	205,338	24,007,162
Mission Palms - Supplementary	4.75%	Fixed	01.08.24	6,993,500	6,993,500	-	6,993,500
Parkview	2.36%	Fixed & Variable	01.01.31	3,640,000	3,640,000	114,093	3,525,907
Parkway Square	4.34%	Fixed	01.05.25	15,112,000	15,112,000	83,526	15,028,474
Reflections Senior	4.66%	Fixed	01.04.24	2,640,000	2,337,577	-	2,337,577
Ridge on Spring Valley	4.57%	Fixed	01.03.27	11,895,000	11,895,000	55,046	11,839,954
River Oaks	4.09%	Fixed	01.02.28	13,325,000	13,325,000	182,018	13,142,982
River Oaks - Supplementary	4.09%	Fixed	01.02.28	4,210,000	4,210,000	-	4,210,000
Rolling Hills	3.73%	Fixed	01.08.27	24,115,000	24,115,000	74,212	24,040,788
Shawnee Station	3.27%	Fixed	01.07.52	13,849,800	12,222,442	-	12,222,442
Tally Square	4.34%	Fixed	01.05.25	13,910,000	13,910,000	78,652	13,831,348
Tierra Pointe	3.96%	Fixed	01.02.28	16,900,000	16,900,000	223,855	16,676,145
Tierra Pointe - Supplementary	4.09%	Fixed	01.02.28	5,151,000	5,151,000	-	5,151,000
Towne Square	4.28%	Fixed	01.12.24	7,992,000	7,440,661	-	7,440,661
Tuscany Bay	4.28%	Fixed	01.05.21	4,320,000	3,801,124	-	3,801,124
Village at Mayfield	3.51%	Fixed	01.02.27	15,000,000	15,000,000	86,946	14,913,054
Washington Heights Senior	2.36%	Fixed & Variable	01.01.31	2,346,000	2,346,000	80,789	2,265,211
Willows of Cumming	4.05%	Fixed	01.05.29	10,140,000	10,140,000	154,947	9,985,053
Wood Hollow	4.47%	Fixed	01.03.24	18,655,000	18,655,000	132,027	18,522,973
Woodbridge Senior	4.66%	Fixed	01.04.24	1,440,000	1,275,042	-	1,275,042
Woodland Manor	4.09%	Fixed	01.04.26	12,207,000	12,207,000	56,008	12,150,992
Woodlands	4.23%	Fixed	01.09.25	6,438,000	6,306,496	34,496	6,272,000
Woodridge	4.49%	Fixed	01.06.28	15,288,000	15,288,000	213,264	15,074,736
Woodridge - Supplementary	4.08%	Fixed	01.06.28	3,841,000	3,841,000	-	3,841,000
Woodstone	4.21%	Fixed	01.05.24	7,475,000	7,475,000	26,479	7,448,521
Wyndam Place Senior	2.36%	Fixed & Variable	01.01.31	2,600,000	2,600,000	84,735	2,515,265
Zona Village	4.09%	Fixed	01.07.24	6,532,000	6,532,000	37,473	6,494,527
				554,282,100	548,174,279	3,652,027	544,522,252

Mortgages are secured by investment properties in the amount of USD 928,220,000 as of December 31, 2020.

On December 18, 2020, the Company entered into a USD 30,881,000 credit facility loan, which consists of a fixed advance of USD 20,881,000 and a variable advance of USD 10,000,000. The credit facility is secured by a collateral pool comprised of the mortgaged investment properties under this credit facility. The Company is able to request future advances made in connection with the addition of additional mortgaged properties and the amount of the advances will be determined at the time of the request. Future advances can be requested as either a fixed advance or variable advance. At December 31, 2020, the Company had outstanding borrowings of USD 30,881,000 and payments are to start in February 2021. The fixed advance has an annual

interest rate of 2.44% and a maturity date of January 1, 2031. The variable advance has an initial adjustable interest rate of 2.179% per annum and a maturity date of January 1, 2031.

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 (USD 56,799,650 at December 31, 2020). The bond has an annual interest rate of 3.00% and is due on June 20, 2023 with semi-annual interest payments. The bond is listed on the SIX Swiss Exchange.

The bond contains a covenant to not exceed financial indebtedness of 65% of total assets as of December 31st of each year.

Unsecured Bond Summary

Origination date	20.6.2019
Balance	CHF 50,000,000
Maturity/interest	CHF 50,000,000 due 20.6.2023 @ 3.00%

	in USD
Balance of mortgages as of December 31, 2019	515,663,581
Cash movements	
Proceeds from 2020 new loans	69,963,500
Payments of principal on mortgages	(40,529,796)
Payments of debt issuance costs	(861,856)
Non cash movements	
Amortization of debt issuance costs	286,822
Balance of mortgages as of December 31, 2020	544,522,252

Cash movements	
Balance of bonds as of December 31, 2019	51,002,223
Non cash movements	
Amortization of bond issuance costs	215,760
Effect of foreign currency translation adjustment	5,049,144
Balance of bond as of December 31, 2020	56,267,127

Balance of interest bearing loans and borrowings as of December 31, 2020	600,789,379
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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 USD 3,076,993 as follows as of December 31, 2019:

Property	Rate	Structure	Maturity Date	Original Balance in USD	Balance as of December 31, 2019 in USD	Deferred Loan Costs in USD	Carrying amount as of December 31, 2019 in USD
860 East	4.41 %	Fixed	9/1/2028	14,114,000	14,114,000	111,598	14,002,402
Altitude on 5 th (Northgate)	4.00%	Fixed	1/1/2025	27,680,000	26,756,371	–	26,756,371
Applewood	4.51 %	Fixed	1/1/2026	4,522,000	4,384,688	24,487	4,283,832
Aspen Ridge	4.51 %	Fixed	6/1/2025	4,680,000	4,680,000	94,987	4,585,013
Avenue 8	3.78%	Fixed	10/1/2024	13,780,000	13,780,000	64,618	13,715,382
Beau Jardin	4.32%	Fixed	5/1/2027	10,465,000	10,465,000	79,537	10,385,463
Branchwood	4.51 %	Fixed	1/1/2026	5,075,000	4,835,187	26,169	4,809,018
Brent Village	3.48%	Fixed	8/1/2047	5,936,800	5,211,115	10,216	5,200,899
Bridge Hollow	4.32%	Fixed	4/1/2024	11,440,000	11,440,000	53,369	11,386,631
Broadview Oaks	4.04%	Variable	1/1/2026	2,054,000	1,949,323	15,469	1,933,854
Brookwood	4.48%	Fixed	1/01/2029	13,650,000	13,650,000	131,656	13,518,344
Cinnamon Tree	4.06%	Fixed	4/1/2025	13,975,000	13,975,000	101,427	13,873,573
Cordova Creek	4.39%	Fixed	9/1/2028	12,350,000	12,350,000	102,843	12,247,157
Cottages of Topeka	4.11 %	Fixed	3/1/2026	2,880,000	2,844,536	–	2,844,536
Crowne Lake	4.45 %	Fixed	3/1/2027	15,340,000	15,340,000	73,207	15,266,793
Devonshire Garden	4.14%	Fixed	5/1/2024	4,771,000	4,771,000	19,138	4,751,862
Devonshire Place	4.14%	Fixed	5/1/2024	3,431,000	3,431,000	12,836	3,418,164
Highland Vista	4.16%	Fixed	3/1/2021	3,620,000	3,239,670	–	3,239,670
Kings Quarters	3.19%	Fixed	10/1/2029	20,800,000	20,800,000	172,536	20,627,464
Lynnfield Place	3.50%	Fixed	9/1/2029	22,457,000	22,457,000	150,878	22,306,122
Eastwood Crossings	3.52%	Fixed	9/1/2029	20,215,000	20,215,000	172,833	20,042,167
Maryland Park	4.45 %	Fixed	3/1/2027	12,512,500	12,512,500	65,639	12,446,861
Meadows	4.56%	Fixed	4/1/2028	8,775,000	8,775,000	58,055	8,716,945
Mission Palms	4.09%	Fixed	8/1/2024	24,212,500	24,212,500	77,945	24,134,555
Nova Glen	4.51 %	Fixed	1/1/2026	4,550,000	4,334,996	24,469	4,310,527
Novawood	4.51 %	Fixed	1/1/2026	3,107,000	2,960,183	19,241	2,940,942
Oak Shade	4.51 %	Fixed	1/1/2026	2,400,000	2,286,591	16,648	2,269,943
Parkview	4.60%	Fixed	1/1/2021	1,360,000	1,222,486	–	1,222,486
Parkway Square	4.34%	Fixed	5/1/2025	15,112,000	15,112,000	101,245	15,010,755
Pelican Pointe	4.51 %	Fixed	1/1/2026	3,648,000	3,475,618	21,805	3,453,813
Reflections Senior	4.66%	Fixed	4/1/2024	2,640,000	2,389,043	–	2,389,043
Ridge on Spring Valley	4.57%	Fixed	3/1/2027	11,895,000	11,895,000	63,996	11,831,004
River Oaks	4.09%	Fixed	2/1/2028	13,325,000	13,325,000	91,975	13,233,025
Rolling Hills	3.73%	Fixed	8/1/2027	24,115,000	24,115,000	85,510	24,029,490
Shawnee Station	3.27%	Fixed	7/1/2052	13,849,800	12,440,007	–	12,440,007
Stonegate Village	4.21 %	Fixed	3/1/2026	2,344,000	2,315,697	–	2,315,697
Stonewood	4.51 %	Fixed	1/1/2026	3,850,000	3,668,073	21,901	3,646,172
Tally Square	4.34%	Fixed	5/1/2025	13,910,000	13,910,000	95,694	13,649,528
Tierra Pointe	3.96%	Fixed	2/1/2028	16,900,000	16,900,000	115,315	16,784,685

Property	Rate	Structure	Maturity Date	Original Balance in USD	Balance as of December 31, 2019 in USD	Deferred Loan Costs in USD	Carrying amount as of December 31, 2019 in USD
Towne Square	4.28%	Fixed	12/1/2024	7,992,000	7,586,895	–	7,586,895
Tuscany Bay	4.28%	Fixed	5/1/2021	4,320,000	3,889,557	–	3,889,557
Village at Mayfield	3.51%	Fixed	2/1/2027	15,000,000	15,000,000	101,261	14,898,739
Villas at King's Crossing	4.51%	Fixed	1/1/2026	2,064,000	1,966,468	15,564	1,950,904
Washington Heights Senior	4.60%	Fixed	1/1/2021	1,360,000	1,222,486	–	1,222,486
Willows of Cumming	4.05%	Fixed	5/1/2029	10,140,000	10,140,000	173,584	9,966,416
Wingwood	4.51%	Fixed	1/1/2026	3,395,000	3,234,574	20,212	3,214,362
Wood Hollow	4.47%	Fixed	3/1/2024	18,655,000	18,655,000	173,828	18,481,172
Woodbridge Senior	4.66%	Fixed	4/1/2024	1,440,000	1,303,114	–	1,303,114
Woodland Manor	4.09%	Fixed	4/1/2026	12,207,000	12,207,000	66,702	12,140,298
Woodlands	4.23%	Fixed	9/1/2025	6,438,000	6,411,958	41,902	6,370,056
Woodridge	4.49%	Fixed	6/1/2028	15,288,000	15,288,000	124,051	15,163,949
Woodstone	4.21%	Fixed	5/1/2024	7,475,000	7,475,000	34,441	7,440,559
Wyndam Place Senior	4.60%	Fixed	1/1/2021	1,520,000	1,366,308	–	1,366,308
Zona Village	4.09%	Fixed	7/1/2024	6,532,000	6,532,000	48,206	6,483,794
				525,567,600	518,740,575	3,076,993	515,663,582

Interest bearing liabilities and borrowings are secured by investment properties in the amount of USD 915,140,000 as of December 31, 2019.

	in USD
Balance of mortgages as of December 31, 2018	455,012,706
Cash movements	
Proceeds from mortgages	73,612,000
Payments of principal on mortgages	(13,313,387)
Payments of debt issuance costs	(700,126)
Non cash movements	
Amortization of debt issuance costs	1,052,389
Balance of mortgages as of December 31, 2019	515,663,582
Cash movements	
Proceeds from bond issuance	50,740,450
Payments of bond issuance costs	(865,077)
Non cash movements	
Amortization of bond issuance costs	116,793
Effect of foreign currency translation adjustment	1,010,057
Balance of bonds as of December 31, 2019	51,002,223
Balance of interest bearing loans and borrowings as of December 31, 2019	566,665,805

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 December 31, 2020:

Period ending December 31,	in USD
2021	8,373,486
2022	1,535,809
2023	58,574,541
2024	114,012,539
2025	78,453,957
Thereafter	344,023,597
	604,973,929

NOTE J EQUITY

Shareholders' equity includes the following at December 31:

	2020 in USD	2019 in USD
Issued share capital	10,297,221	9,053,794
Share premium from capital contributions	258,402,705	225,077,866
	268,699,926	234,131,660

The share capital at December 31, 2020 is divided into 10,126,018 ordinary registered shares of a par value of CHF 1.00 each. All the shares are fully paid as of December 31, 2020. Capital and retained earnings distributions in the amount of USD 24,221,974 were declared during the year ended December 31, 2020 of which USD 10,270,793 are included in distributions payable at December 31, 2020.

	Share number	Share capital in USD	Share premium in USD
Balance at December 31, 2019	9,001,018	9,053,794	225,077,866
Ordinary share capital increases	1,125,000	1,243,427	40,777,748
Allocation from retained earnings to share premiums from capital contributions	–	–	4,658,078
Distribution from capital reserves	–	–	(12,110,987)
Balance at December 31, 2020	10,126,018	10,297,221	258,402,705

The share capital at December 31, 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 December 31, 2019. Distributions in the amount of USD

40,772,664 were declared during the year ended December 31, 2019 of which USD 9,316,145 is payable at December 31, 2019.

	Share number	Share capital in USD	Share premium in USD
Balance at December 31, 2018	9,001,018	9,053,794	265,850,530
Capital distributions	–	–	(40,772,664)
Balance at December 31, 2019	9,001,018	9,053,794	225,077,866

The shareholders' meeting on June 26, 2020 approved a new authorized capital of 2,250,000 registered shares to be fully paid up (at nominal value of CHF 1.00 each). The board of directors is therefore authorized to increase the share capital at any time until June 26, 2022 by a maximum amount of CHF 2,250,000. On December 1, 2020, the board of directors used 50% of the authorized capital to issue 1,125,000 new shares as described below. At December 31, 2020, the residual authorized capital is limited to 1,125,000 shares.

On December 1, 2020, the Board of Directors of Varia US proceeded to a capital increase out of the authorized capital decided by the shareholder's meeting of June 26, 2020 by way of a rights offering of 1,125,000 new shares (with nominal value of CHF 1.00) at a price of CHF 35.50 per share bringing the Company total number of shares to 10,126,018 for an equivalent share capital of CHF 10,126,018.

Appropriation of available earnings

On April 30, 2019, during the annual general meetings, the shareholders approved the appropriation of the available earnings at December 31, 2018 comprising the allocation to the general legal reserve of USD 731,947. Also during the annual general meeting, the shareholders approved a quarterly distribution of CHF 0.50 per share payable in August 2019, November 2019, February 2020 and May 2020 out of the capital contribution reserves with two payments remaining as of December 31, 2019.

On June 26, 2020, the general meeting of the shareholders approved the appropriation of the available earnings at December 2019, comprising the allocation to the general legal reserve of USD 1,103,321; an allocation of USD 4,658,078 from retained earnings to the share premium from capital contributions; and dividends out of the share premium from capital contributions for USD 12,110,987 and out of the retained earnings for USD 12,110,987. The first dividend installment of CHF 0.60 per share amounting to USD 5,589,684 was paid August 12, 2020, when the additional dividend of USD 18,632,290 (CHF 2.00 per share) was/is payable in four quarterly installments on August 12, 2020, November 12, 2020, February 12, 2021 and on May 12, 2021. The allocation from retained earnings to the share

premium from capital contributions relates to the dividend payments on February 10, 2020 and May 10, 2020. Due to the Swiss tax reform which became effective on January 1, 2020 listed companies are limited in the amount of tax free dividends that can be distributed from the share premium.

The Board of Directors proposition to the general meeting of the shareholders for the appropriation of the retained earnings and of the Share premium capital contributions as at December 31, 2020 is detailed in the statutory financial statements on page 137. The proposition includes an allocation to the general legal reserve of CHF 725,000 and dividends amounting to CHF 28,577,646, respectively out the share premium from capital contributions for CHF 14,288,823 and out of the retained earnings for CHF 14,288,823. A first dividend installment of CHF 0.82222 per share will be paid on May 12, 2021 for a total of CHF 8,325,610, when the additional dividend of CHF 20,252,036 (CHF 2.00 per share) will be paid in four quarterly installments on August 11, 2021, November 11, 2021, February 11, 2022 and on May 11, 2022.

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 December 31, 2020 and 2019 (number of shares according to the public disclosures of shareholdings at SIX; Swiss Exchange voting rights) and in aggregate the other shareholders:

Shareholders	Investor type	2020	2020	2019	2019
		Number of shares	Participation	Number of shares	Participation
Varia SPC	Fund	3,866,601	38.19%	3,920,525	43.56%
Wolf Property Holdings	Company	–	–	600,000	6.67%
Philae Fund MB Prime	Fund	629,000	6.21%	–	–
Other shareholders with a participation below 3% individually	Banks, funds, pension funds, foundation and companies	5,630,417	55.60%	4,480,493	49.77%
		10,126,018	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.

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 at fixed and variable interest rates. The Company shall employ 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 66.67%. Deviations from this target ratio need to be limited to exceptional circumstances during a limited timeframe.

Earnings per Share

	December 31, 2020	December 31, 2019
	in USD	in USD
Earnings per share attributable to equity holders for the period		
Profit for the period attributable to ordinary equity holders of the Company	35,515,394	42,756,815
Calculation of weighted average number of shares		
Shares outstanding December 31, 2019	9,001,018	9,001,018
Effect of Capital increase on December 1, 2020	92,466	–
Weighted average number of ordinary shares outstanding – basic for the period	9,093,484	9,001,018
Weighted average number of ordinary shares outstanding – fully diluted for the period	9,093,484	9,001,018
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 above)	3.91	4.75
Profit per share attributable to the ordinary equity holders of the Company from continuing operations – fully diluted (calculated on the weighted average number ordinary shares outstanding, see above)	3.91	4.75
Equity attributable to Varia US Properties AG Shareholders	389,634,676	336,320,081
Number of shares	10,126,018	9,001,018
NAV per share	38.48	37.36
Equity attributable to Varia US Properties AG Shareholders (excluding deferred taxes)	427,957,980	365,259,354
Number of shares	10,126,018	9,001,018
NAV per share (excluding deferred taxes)	42.26	40.58

NOTE K REAL ESTATE OPERATING AND OTHER EXPENSES

Real estate operating expenses and other expenses consist of the following for the years ended December 31:

	For the Year Ended December 31, 2020 in USD	For the Year Ended December 31, 2019 in USD
Utility expenses	9,483,898	8,557,070
Property and other taxes	11,495,981	11,008,469
Property insurance	3,397,285	2,189,992
Contract services at property level	2,890,378	2,606,998
Advertising expenses	1,165,509	1,146,606
Total real estate operating expenses	28,433,051	25,509,135
Legal, audit, and accounting fees	1,593,323	1,076,020
Professional fees	954,655	1,087,393
Asset management fees	4,004,148	3,559,293
General and administrative	2,157,416	3,637,962
Total other expenses	8,709,542	9,360,668

NOTE L FINANCE COSTS

The finance costs for the years ended December 31, 2020 and 2019 amounted to approximately USD 37.5 and USD 24.8 million, respectively, and include mainly interest paid and accrued on interest bearing loans and borrowings of approximately USD 24.5 million and USD 23.4 million, respectively, and debt defeasance costs of approximately USD 6.7 million and USD 417,000, respectively and the foreign currency ex-

change net loss of approximately USD 6.3 million (losses of USD 8,168,208 less gains of USD 1,872,169) and USD 1.4 million (losses of USD 1,609,608 less gains of USD 371,240) respectively, resulting from the change of the exchange rate between the CHF and the USD currency rates on foreign currency bank accounts and the bond which is payable in CHF.

NOTE M INCOME TAXES

Income taxes are comprised of the following for the years ended December 31:

	2020 in USD	2019 in USD
Provision for income tax expense:		
Deferred U.S. federal and state income tax expense	9,336,207	11,593,296
Current U.S. federal and state income tax benefit	–	(267,258)
Current Swiss federal income tax expense	581,442	1,184,669
	9,917,649	12,510,707

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 December 31, 2020 and 2019). For Swiss federal tax purposes, income tax at an effective tax rate of 12% and 7.8% is levied as of December 31, 2020 and 2019.

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 years ended December 31:

	2020 in USD	2019 in USD
Profit before tax	45,433,043	55,267,522
Income tax using the weighted average tax rate for the years ended December 31, 2020 and 2019 23.9% and 22.6%, respectively	9,917,649	12,510,707
Income tax expense	9,917,649	12,510,707

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 years ended December 31, 2020 and 2019 was USD 9,336,207 and USD 11,593,296, respectively.

The components of deferred tax assets (liabilities) at December 31, 2020 are as follows:

	Deferred Tax Assets (Liabilities) at December 31, 2019 in USD	Recognized in Profit or Loss in USD	Deferred Tax Assets (Liabilities) at December 31, 2020 in USD	Deferred Tax Assets in USD	Deferred Tax Liabilities in USD
Net operating loss carryforward	21,373,336	1,964,684	23,338,020	23,338,020	–
Investment property	(52,284,479)	(11,943,725)	(64,228,204)	–	(64,228,204)
Related party interest	3,301,243	(1,661,792)	1,639,451	1,639,451	–
Section 163j interest limitation	(1,328,945)	1,328,945	–	–	–
Miscellaneous other	(428)	964,857	964,429	964,429	–
Tax assets (liabilities) before set-off	(28,939,273)	(9,347,031)	(38,286,304)	25,941,900	(64,228,204)
			Set-off of tax	(25,941,900)	25,941,900
			Net assets (liabilities)	–	(38,286,304)

The components of deferred tax assets (liabilities) at December 31, 2019 are as follows:

	Deferred Tax Assets (Liabilities) at December 31, 2018 in USD	Recognized in Profit or Loss in USD	Deferred Tax Assets (Liabilities) at December 31, 2019 in USD	Deferred Tax Assets in USD	Deferred Tax Liabilities in USD
Net operating loss carryforward	9,457,707	11,915,629	21,373,336	21,373,336	–
Investment property	(33,626,120)	(18,658,359)	(52,284,479)	–	(52,284,479)
Related party interest	1,370,568	1,930,675	3,301,243	3,301,243	–
Section 163j interest limitation	5,037,001	(6,365,946)	(1,328,945)	–	(1,328,945)
Miscellaneous other	414,867	(415,295)	(428)	449,002	(449,430)
Tax assets (liabilities) before set-off	(17,345,977)	(11,593,296)	(28,939,273)	25,123,581	(54,062,854)
			Set-off of tax	(23,345,634)	23,345,634
			Net assets (liabilities)	1,777,947	(30,717,220)

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. The Group has the ability to offset deferred tax assets and liabilities in the same period. The amount of deferred tax assets set-off against deferred tax liabilities are approximately USD 25.9 and USD 23.3 million for the years ended December 31, 2020 and 2019, respectively.

No deferred taxes have been recognized for the tax effect of approximately USD 14.0 and USD 10.0 million on unremitted earnings of approximately USD 93.6 and USD 66.6 million for the Company's subsidiaries as the remittance is within the full control of the Group.

As of December 31, 2020, the Group has approximately USD 98.9 and USD 109 million of federal and state net operating loss carryforwards, which are eligible to be recognized as deferred U.S. federal and state income tax. The utilization is limited to future taxable earnings of the Company. The federal and state NOL carryforwards begin to expire in 2036 and 2030. 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)
- Stoneweg US LLC

Transactions of Varia US with Stoneweg SA, Stoneweg US, LLC and Real Estate Investment Solutions AG:

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.

During the years ended December 31, 2020 and 2019, Stoneweg SA has charged the Company CHF 404,438 (USD 454,973) and CHF 288,829 (USD 296,106), respectively for 2020 in capital increase fees that were accounted for against the reserves from capital contribution, and for 2019 in bond issuance costs (CHF 250,000) and expense recharges.

During the reporting year, ended December 31, 2020, Real Estate Investment Solutions SA (REIS) has charged the Company an amount of CHF 542,700 as placing agent fees for the capital increase that have been accounted for as transaction costs against the share premium proceeds.

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.

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 December 31:

	2020 in USD	2019 in USD
Asset management fees charged to Varia direct subsidiaries	4,004,148	3,544,393
Transaction fees invoiced for the periods	604,500	1,058,750
Transaction fees paid in connection with bond issuance	–	256,191
Promotion fee on sale of properties	4,054,946	–

Outstanding amounts due to Stoneweg as of December 31, 2020 and 2019 represent USD 412,500 and USD 956,841, respectively.

Key management compensation

The Board of Directors is considered as key management. In the year under consideration, expense in the amount of CHF 566,457 was paid or accrued as of December 31, 2020 (2019 - CHF 563,648), including CHF 106,425 (2019 - 85,738) related to the Directors' share plan.

On June 2019, the Company established a Board member share plan that entitles Board members to purchase on a voluntary basis Varia US's shares at a discount subject to certain selling restrictions and within the limits decided by the Board. The chairperson is authorized to purchase up to 1,000 shares when the other members are limited to 750 shares, in each case per year between one annual general meeting to the next year meeting. In June 2019, Board members subscribed a total of 4,750 shares that were purchased in the market by Varia US on July 23, 2019 at a price of CHF 36.10 each and sold to the members at a 50% discounted price of CHF 18.05 for a total cost of CHF 85,738 for the company.

On July 1, 2020, Board members subscribed a total of 5,500 shares at a price of CHF 38.70 each, that were purchased in the market by Varia US and sold to the members at a 50% discounted price of CHF 19.35 for a total cost of CHF 106,425 for the company. These shares are subject to a restriction period of 4 years during which they can not be sold, transferred, given, assigned, or otherwise divested.

No other compensation to the Board members for their role or for additional work, except for the Board members paid by Stoneweg SA that are involved in the asset management duties of the Company. In particular, no performance related compensation and no compensation in shares or other stocks were allocated to Board

members aside of the Board member share plan. No loans or credit facilities were granted to any member of the Board or related parties during the period and there were no such receivable outstanding as at December 31, 2020.

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 December 31, 2020 and 2019, Varia has entered into interest bearing liabilities and borrowing contracts with several lenders, three U.S. governmental agencies, amounting to USD 548.2 million and USD 518.7 million, respectively, and periodic reimbursements until their

principal maturity dates spread out between 2021 and 2052. At December 31, 2020 and 2019, USD 10 million and USD 2 million, respectively, of these mortgages 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 USD 100,000 with a corresponding adjustment to the equity of the group by the same amount.

Currency Risk

The net asset value per share (see Note J) 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 distributions. During the period ended December 31, 2020, the Group entered into currency contracts to mitigate this currency risk. The Group did not enter into any such currency contracts during the period ended December 31, 2019. The Group constantly monitors this risk and may enter into additional currency contracts in the future, as needed.

The Group's currency positions at December 31, 2020 and 2019 are predominately in USD as presented on the statement of financial position except for carried and to be settled in CHF as follows:

Assets	2020	2019
Cash and cash equivalents	21,544,453	2,414,937
Rent and other receivables	4,258	22,172
Total assets	21,548,711	2,437,109
Liabilities		
Trade and other payables and interest bearing loans	3,110,066	2,822,863
Distribution Payable	10,270,793	9,316,145
Bond borrowing	56,799,650	51,750,507
Net assets	(48,631,798)	(61,452,406)

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, market rents, and Low Income Housing Tax Credit (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 December 31, 2020 and 2019 was approximately USD 928.2 million and USD 915.1 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, sale of portfolio properties, 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 of value-add and opportunity assets in the U.S. multifamily real estate portfolio, with average holding periods between five to 10 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 December 31, 2020:

	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	9,222,953	–	–	9,222,953
Distribution payable	10,270,793	–	–	10,270,793
Interest bearing loans and borrowings, including interest	29,944,197	179,499,435	476,466,778	685,910,410
Interest bearing bond, including interest	1,507,281	53,257,262	–	54,764,543
	50,945,224	232,756,697	476,466,778	760,168,699

The maturity analysis of financial liabilities, actual cash flows including interest, is as follows as of December 31, 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	9,294,340	–	–	9,294,340
Distribution payable	9,316,145	–	–	9,316,145
Interest bearing loans and borrowings, including interest	23,619,541	80,056,301	562,550,162	666,226,004
Interest bearing bond, including interest	1,507,281	54,764,543	–	56,271,824
	43,737,307	134,820,844	562,550,162	741,108,313

Credit Risk

The Group enters into credit exposure only to established, creditworthy third parties for interest bearing loans and borrowings. 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 sig-

nificant 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 December 31, 2020, 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 December 31, 2019	–	–	915,140,000	915,140,000
Purchase of investment property	–	–	56,203,210	56,203,210
Capital improvements	–	–	12,983,547	12,983,547
Net change in fair value (unrealized)	–	–	42,543,243	42,543,243
Investment property sold	–	–	(98,650,000)	(98,650,000)
Investment property at December 31, 2020	–	–	928,220,000	928,220,000

At December 31, 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 December 31, 2018	–	–	767,500,000	767,500,000
Purchase of investment property	–	–	99,069,906	99,069,906
Capital improvements	–	–	16,772,834	16,772,834
Net change in fair value (unrealized)	–	–	40,047,260	40,047,260
Investment property sold	–	–	(8,250,000)	(8,250,000)
Investment property at December 31, 2019	–	–	915,140,000	915,140,000

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 investment properties are derived based on independent appraisals. 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 an-

alyzes 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 expen-

diture 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 Fair Value Measurement. The property values determined correspond to the market value (Fair Value) consistent with 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.

The valuation was determined using significant unobservable inputs. These inputs as of December 31, 2020 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 3.0% to 11.0%.
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% to 7.25%.

The valuation was determined using significant unobservable inputs. These inputs as of December 31, 2019 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 3.0%–16.0%.
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 5.25% to 7.85%.

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 of 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 December 31, 2020 and 2019, with fair value as of the statement of financial position date of USD 928,220,000 and USD 915,140,000, respective-

ly, an isolated increase in the capitalization rates by 50 basis points would lead to a decrease of approximately USD 73 million and USD 69 million, respectively in value while a decrease in the capitalization rate by 50 points would lead to an increase of approximately USD 86 million and USD 82 million, respectively as illustrated by the following table in increments of 10 basis points:

Average capitalization rate	Change in fair value	Change in fair value in USD	Fair value in USD
5.40%	9.30%	85,945,000	1,014,165,000
5.50%	7.30%	67,506,000	995,726,000
5.60%	5.40%	49,725,000	977,945,000
5.70%	3.50%	32,569,000	960,789,000
5.80%	1.70%	16,004,000	944,224,000
5.90% (Valuation as of December 31, 2020)	–	–	928,220,000
6.00%	–1.70%	(15,470,000)	912,750,000
6.10%	–3.30%	(30,433,000)	897,787,000
6.20%	–4.80%	(44,913,000)	883,307,000
6.30%	–6.30%	(58,934,000)	869,286,000
6.40%	–7.80%	(72,516,000)	855,704,000
5.6%	8.9%	81,503,000	996,643,000
5.7%	7.0%	64,062,000	979,202,000
5.8%	5.2%	47,220,000	962,360,000
5.9%	3.4%	30,948,000	946,088,000
6.0%	1.7%	15,216,000	930,356,000
6.1% (Valuation as of December 31, 2019)	–	–	915,140,000
6.2%	–1.6%	(14,727,000)	900,413,000
6.3%	–3.2%	(28,987,000)	886,153,000
6.4%	–4.7%	(42,803,000)	872,337,000
6.5%	–6.1%	(56,194,000)	858,946,000
6.6%	–7.6%	(69,181,000)	845,959,000

Financial instruments not measured at fair value

Cash and cash equivalents, rent and other receivables, and trade and other payables are either short-term in nature or denominated in USD, therefore, the carrying amount is deemed to be fair value at December 31, 2020. Escrow accounts consist of cash accounts held by third-party lenders in USD and therefore, the carrying amount is deemed to be fair value at December 31, 2020.

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.

The fair value (level two) of interest bearing loans and borrowings, based on the risk free rate at the end of the period using the Daily Treasury Yield rates published by the United States Treasury based on the remaining term of the loan and applying the interest rate spread at inception of the loan, is approximately USD 586 and USD 535 million at December 31, 2020 and 2019, respectively. The fair value of the listed bond is determined based on the price at SIX (level one) and amounts to USD 55.5 million and USD 51.9 million at December 31, 2020 and December 31, 2019.

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

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic in recognition of its rapid spread across the globe, with many countries affected. The coronavirus and actions taken to mitigate the spread are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be on the Company. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, impacted in the near term as a result of these conditions.

The Group had no other 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

Subsequent to December 31, 2020, the Company acquired properties with a value of approximately USD 86.8 million. The acquisition of these properties was funded with long-term borrowings of approximately USD 55.6 million and with the remaining proceeds from the 1031 exchange transaction in the fourth quarter of 2020.

The Board of Directors has evaluated other events subsequent to the consolidated statements of financial position date as of December 31, 2020 and through March 30, 2021, which was the date the consolidated financial statements were available to be issued. There were no other subsequent events which would require adjustment to or disclosure in the accompanying consolidated financial statements.

Property Portfolio as of December 31, 2020

based on Colliers figures

Property	Address	City	State	Zip Code	Fair Value in USD
860 East Apartments and Townhomes	860 Deerfield Boulevard	Cincinnati	Ohio	45245	23,300,000
Altitude On Fifth	135 South 500 West	Salt Lake City	Utah	87108	45,830,000
Aspen Ridge Apartments	820 Louisiana Boulevard SE	Albuquerque	New Mexico	87108	7,500,000
Avenue 8 Apartments	1050 West 8th Avenue	Mesa	Arizona	85210	31,300,000
Beau Jardin	10347 Sannois Drive	St. Louis	Missouri	63146	18,400,000
Breckinridge Square	I and 145 Breckinridge Square	Louisville	Kentucky	40220	34,300,000
Brent Village	1409 Buck Drive	Bellevue	Nebraska	68005	10,050,000
Bridge Hollow Apartment Homes	5801 Bridge Street	Fort Worth	Texas	76112	21,200,000
Brookwood Apartment Homes	201 South Kolb Road	Tucson	Arizona	85710	25,900,000
Cinnamon Tree Apartments	7220 Central Avenue SE	Albuquerque	New Mexico	87108	24,600,000
Cordova Creek	7965 Humphrey Hill Drive	Memphis	Tennessee	38016	22,200,000
Cottages of Topeka	620 Northwest Lyman Road	Topeka	Kansas	66608	4,720,000
Devonshire Place and Devonshire Gardens	815 Erie Avenue and 1237 Devonshire Place	Evansville	Indiana	47715	15,000,000
Eastwood Crossings	7000 Crabapple Lane	Kansas City	Missouri	64129	30,800,000
Harrison Point Apartments	9093 Bourbon Street	Indianapolis	Indiana	46235	21,800,000
Highland Vista	320 Hidden Valley Drive	Creedmoor	North Carolina	27522	8,200,000
Lynnfield Place	1400 Lynnfield Road	Memphis	Tennessee	38119	37,900,000
Maryland Park	2170 McKelvey Road	Maryland Heights	Missouri	63043	23,900,000
Mayfield Apartments	919 Aintree Park Drive	Mayfield	Ohio	44143	31,700,000
Mission Palms Apartment Homes	951 West Orange Grove Road	Tucson	Arizona	85704	50,000,000
Parkview Apartments	415 Sunset Court	Caldwell	Idaho	83605	5,600,000
Parkway Square	2855 Apalachee Parkway	Tallahassee	Florida	32301	24,270,000
Reflections Senior Apartments	321 East Troutman Parkway	Fort Collins	Colorado	80525	5,740,000
Ridge on Spring Valley	5704 Spring Valley Road	Dallas	Texas	75254	21,650,000
River Oaks Apartments	7730 East Broadway Boulevard	Tucson	Arizona	85710	28,600,000
Rolling Hills Apartments	9100 Rainbow Springs	Louisville	Kentucky	40241	40,800,000
Shawnee Station	6405 Maurer Road	Shawnee	Kansas	66217	20,290,000
Tally Square	1112 S. Magnolia Drive	Tallahassee	Florida	32301	22,220,000
The Kings Apartments	11330-11420 Colorado Avenue	Kansas City	Missouri	61137	32,000,000
The Meadows Apartment Homes	2154 Meadow Glade Lane	Memphis	Tennessee	38134	15,200,000
The Willows of Cumming	225 Nancy Lane	Cumming	Georgia	30040	15,400,000
The Woodlands	2119 Woodland Way	Jackson	Mississippi	39209	10,900,000
Tierra Pointe Apartments	6901 Los Volcanes Road NW	Albuquerque	New Mexico	87121	30,900,000

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 rent 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 December 31, 2020, 100% of the lettable area of the properties was for residential use.

	Ownership form	Year of construction	Year of renovation	Net Operating Income ¹ in USD	Units	Vacancy Rate ²	Cap Rate	Gross Potential Rents ³ in USD	Site Size in sq.ft.	Net Lettable Area ⁴ in sq.ft.
	Sole Ownership	1988	N/A	1,455,523	223	5.00%	6.25%	2,806,896	827,248	211,684
	Sole Ownership	2002	2015	2,412,437	330	5.50%	5.26%	4,396,180	251,341	245,955
	Sole Ownership	2001	N/A	430,084	96	5.50%	5.73%	981,068	268,839	102,504
	Sole Ownership	1986	N/A	1,640,833	194	6.00%	5.24%	2,697,760	385,158	213,400
	Sole Ownership	1965	N/A	1,110,286	182	5.00%	6.03%	2,143,560	470,012	159,520
	Sole Ownership	1970	2017	1,715,838	294	6.00%	5.00%	3,868,971	695,261	332,090
	Sole Ownership	1971	N/A	712,100	180	6.50%	7.09%	1,881,790	404,236	147,875
	Sole Ownership	1984	2012	1,172,893	280	7.50%	5.53%	3,198,600	435,602	208,648
	Sole Ownership	1973	N/A	1,492,300	272	5.50%	5.76%	2,748,920	432,586	206,784
	Sole Ownership	1986	N/A	1,503,179	398	8.50%	6.11%	3,201,028	541,168	187,426
	Sole Ownership	1986	N/A	1,282,879	196	5.00%	5.78%	2,491,244	851,162	214,044
	Sole Ownership	1999	N/A	332,461	72	10.70%	7.04%	746,580	484,851	66,024
	Sole Ownership	1978	N/A	1,012,357	245	7.00%	6.75%	2,286,112	464,629	237,460
	Sole Ownership	1969	N/A	1,966,759	455	8.50%	6.39%	4,766,890	1,768,267	455,067
	Sole Ownership	1974	N/A	1,360,353	342	4.50%	6.24%	2,796,280	1,116,159	286,550
	Sole Ownership	1997	N/A	577,366	86	7.00%	7.04%	1,046,290	704,478	75,686
	Sole Ownership	1974	N/A	2,373,370	400	5.00%	6.26%	4,480,456	1,263,545	465,350
	Sole Ownership	1971	N/A	1,500,421	252	5.00%	6.28%	2,877,880	538,614	193,284
	Sole Ownership	1966	2014	2,136,764	252	6.00%	6.74%	3,972,480	778,194	275,575
	Sole Ownership	1979	N/A	2,629,890	360	5.50%	5.26%	4,622,560	1,258,842	372,918
	Sole Ownership	1999	N/A	321,859	87	4.00%	5.75%	767,078	207,233	74,379
	Sole Ownership	1975	N/A	1,517,404	277	9.00%	6.25%	3,217,400	574,121	224,330
	Sole Ownership	2000	N/A	358,923	72	3.00%	6.25%	627,789	118,265	43,002
	Sole Ownership	1978	N/A	1,140,740	208	6.50%	5.27%	2,712,880	324,091	166,194
	Sole Ownership	1982	N/A	1,507,987	300	6.00%	5.27%	2,908,840	448,958	212,074
	Sole Ownership	1972 and 1975	N/A	2,550,221	400	5.00%	6.25%	5,154,366	1,120,157	504,640
	Sole Ownership	2001	N/A	1,217,626	228	6.00%	6.00%	2,731,000	673,873	210,431
	Sole Ownership	1972	2016	1,391,451	228	9.00%	6.26%	2,893,880	838,966	277,656
	Sole Ownership	1975	2016	1,918,228	408	8.50%	5.99%	4,503,280	963,991	336,040
	Sole Ownership	1986	N/A	954,876	200	6.50%	6.28%	2,030,320	625,522	191,200
	Sole Ownership	1996	N/A	883,935	156	5.50%	5.74%	1,746,320	554,519	147,148
	Sole Ownership	2000	2014	680,020	200	11.00%	6.24%	1,876,520	522,720	174,368
	Sole Ownership	1985	N/A	1,774,882	352	6.00%	5.74%	3,481,061	521,784	211,720

Property	Address	City	State	Zip Code	Fair Value in USD
Towne Square Village	244 North Allumbaugh Street	Boise	Idaho	83704	14,980,000
Tuscany Bay Apartments	100 River Road	Lawrenceburg	Indiana	47025	8,310,000
Varia at Oakcrest (Crown Lake)	1310 Oakcrest Drive	Columbia	South Carolina	29223	22,200,000
Washington Heights Senior Residence	7701 Armstrong Avenue	Kansas City	Kansas	66112	3,610,000
Wood Hollow Apartments	3875 Post Oak Boulevard	Fort Worth (Euless)	Texas	76040	34,100,000
Woodbridge Senior Apartments	1508 West Elizabeth Street	Fort Collins	Colorado	80521	3,240,000
Woodland Manor Apartments	8641 East 61st Street	Tulsa	Oklahoma	74133	20,010,000
Woodridge Apartments	3840, 3849, 3975 and 3977 Woodridge Boulevard and Providence Drive ¹	Fairfield	Ohio	45014	25,900,000
Woodstone Apartment Homes	6051 Bridge Street	Fort Worth	Texas	76112	15,500,000
Wyndam Place Senior Apartments	15510 West 63rd Street	Shawnee	Kansas	66217	4,000,000
Zona Village	2855 West Anklam Road	Tucson	Arizona	85745	14,200,000
Total					928,220,000

- 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 rent 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 December 31, 2020, 100% of the lettable area of the properties was for residential use.

	Ownership form	Year of construction	Year of renovation	Net Operating Income ¹ in USD	Units	Vacancy Rate ²	Cap Rate	Gross Potential Rents ³ in USD	Site Size in sq.ft.	Net Lettable Area ⁴ in sq.ft.
	Sole Ownership	1990	N/A	884,539	160	3.50%	5.90%	1,740,590	338,374	112,142
	Sole Ownership	1998	N/A	602,753	96	7.00%	7.25%	1,112,361	392,040	104,160
	Sole Ownership	2000	N/A	1,224,559	272	7.00%	5.52%	3,331,550	838,349	299,102
	Sole Ownership	2001	N/A	216,812	48	5.80%	6.01%	487,475	231,335	33,200
	Sole Ownership	1985	N/A	1,794,540	346	6.00%	5.26%	4,267,860	535,374	251,705
	Sole Ownership	2001	N/A	202,208	50	3.00%	6.24%	398,292	83,842	29,150
	Sole Ownership	1997	N/A	1,203,235	305	6.50%	6.01%	2,571,000	678,096	216,560
	Sole Ownership	1985	N/A	1,685,471	336	5.00%	6.51%	3,437,566	864,495	254,600
	Sole Ownership	1984	N/A	859,999	200	7.50%	5.55%	2,260,560	273,638	135,168
	Sole Ownership	2000	N/A	240,051	48	5.00%	6.00%	520,480	190,683	33,200
	Sole Ownership	1969	N/A	815,408	183	7.50%	5.74%	1,640,380	249,075	98,868
				54,765,820	10,269			114,430,393	26,109,693	8,998,881

Varia US Properties AG and Subsidiaries
Consolidating Statement of Financial Position
 December 31, 2020

	Varia US Ariston AG 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	10,244,384	371,886	6,660,776	17,481,936	11,101,622	7,667,450	1,319,389
Rent and other receivables	163,512	9,504	126,168	45,700	46,496	62,288	33,019
Income tax receivable	1,237,500	-	-	-	-	-	-
Prepaid expenses and other current assets	174,159	38,132	75,039	22,793	56,778	32,315	29,542
Short-term loans to related parties	-	-	-	560,000	690,000	-	-
Due from related party	2,418,222	-	-	-	29,000	-	-
Total current assets	14,237,777	419,522	6,861,983	18,110,429	11,923,896	7,762,053	1,381,950
Non-current assets							
Investment property	147,420,000	10,050,000	34,300,000	-	21,800,000	32,000,000	46,490,000
Investment in subsidiaries	-	-	-	-	-	-	-
Escrow accounts	1,329,674	323,091	303,402	-	296,394	156,694	116,839
Deferred tax asset	2,023,040	623,492	568,115	154,331	975,250	1,854,953	3,227,808
Other assets	1,936,484	-	-	-	-	-	-
Long-term loans	-	-	-	-	-	-	-
Total non-current assets	152,709,198	10,996,583	35,171,517	154,331	23,071,644	34,011,647	49,834,647
Total assets	166,946,975	11,416,105	42,033,500	18,264,760	34,995,540	41,773,700	51,216,597
LIABILITIES AND EQUITY							
Current liabilities							
Current maturities of interest bearing loans and borrowings	8,009,993	118,105	-	-	-	-	-
Trade and other payables	1,619,833	627,056	428,395	197,658	582,600	579,240	1,541,813
Distribution Payable	-	-	-	-	-	-	-
Income tax payable	-	-	-	-	-	-	-
Rent received in advance	154,790	25,562	60,680	-	24,166	18,595	83,520
Short term borrowing from related parties	-	-	-	-	-	-	-
Total current liabilities	9,784,616	770,723	489,075	197,658	606,766	597,835	1,625,333
Non-current liabilities							
Interest bearing loans and borrowings, net of current maturities	74,169,576	4,969,094	22,090,048	-	13,971,650	20,645,192	28,859,822
Loans from member	-	2,504,303	8,531,504	4,398,873	9,813,559	10,342,526	9,370,432
Deferred tax liability	17,887,382	939,093	2,811,159	2,935,457	2,545,970	2,531,056	3,573,304
Total non-current liabilities	92,056,958	8,412,490	33,432,711	7,334,330	26,331,179	33,518,774	41,803,558
Total liabilities	101,841,574	9,183,213	33,921,786	7,531,988	26,937,945	34,116,609	43,428,891
Issued share capital	-	-	-	-	-	-	-
Share premium from capital contributions	41,403,431	1,608,674	4,593,886	2,373,783	5,324,654	5,739,460	6,219,450
Reserves	-	-	-	-	-	-	-
Retained earnings (accumulated deficit)	32,451,470	624,218	3,517,828	8,358,989	2,732,941	1,917,631	1,568,256
Treasury stock at cost	(8,749,500)	-	-	-	-	-	-
Equity attributable to equity holders of the parent	65,105,401	2,232,892	8,111,714	10,732,772	8,057,595	7,657,091	7,787,706
Non-controlling interest (NCI)	-	-	-	-	-	-	-
Total equity	65,105,401	2,232,892	8,111,714	10,732,772	8,057,595	7,657,091	7,787,706
Total liabilities and equity	166,946,975	11,416,105	42,033,500	18,264,760	34,995,540	41,773,700	51,216,597

	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
	799,517	2,134,144	2,184,242	3,869,316	7,446,331	17,250,169	23,789,743	-	112,320,905
	11,741	208,047	46,031	34,231	46,980	90,297	-	-	924,014
	-	-	-	-	-	-	-	-	1,237,500
	53,252	225,684	77,718	68,670	1,248,590	164,688	7,062,117	(7,057,859)	2,271,618
	-	-	-	-	1,000,000	10,000,000	-	(12,250,000)	-
	-	-	-	-	-	-	(2,447,222)	-	-
	864,510	2,567,875	2,307,991	3,972,217	9,741,901	27,505,154	28,404,638	(19,307,859)	116,754,037
	20,010,000	92,450,000	70,500,000	80,000,000	155,700,000	217,500,000	-	-	928,220,000
	-	-	-	-	-	-	242,220,372	(242,220,372)	-
	239,320	2,085,055	591,325	429,819	1,230,995	3,282,934	-	-	10,385,542
	899,831	2,625,566	3,222,777	3,144,696	2,518,395	4,103,646	-	(25,941,900)	-
	-	-	-	-	-	-	-	-	1,936,484
	-	-	-	-	-	-	200,907,652	(200,907,652)	-
	21,149,151	97,160,621	74,314,102	83,574,515	159,449,390	224,886,580	443,128,024	(469,069,924)	940,542,026
	22,013,661	99,728,496	76,622,093	87,546,732	169,191,291	252,391,734	471,532,662	(488,377,783)	1,057,296,063
	134,538	-	110,851	-	-	-	-	-	8,373,487
	223,435	5,729,634	2,301,877	2,116,522	2,363,835	2,599,610	1,235,224	(7,057,859)	15,088,873
	-	-	-	-	-	-	10,270,793	-	10,270,793
	-	-	-	-	-	-	1,874,842	-	1,874,842
	6,837	39,388	128,449	148,316	317,378	343,515	-	-	1,351,196
	-	-	-	-	-	-	12,250,000	(12,250,000)	-
	364,810	5,769,022	2,541,177	2,264,838	2,681,213	2,943,125	25,630,859	(19,307,859)	36,959,191
	12,016,454	49,210,656	42,421,218	47,608,372	88,899,371	131,287,312	56,267,127	-	592,415,892
	3,262,807	21,843,885	17,958,210	21,460,821	41,078,750	50,341,982	-	(200,907,652)	-
	1,814,145	3,955,343	3,326,116	3,298,742	5,235,102	13,375,335	-	(25,941,900)	38,286,304
	17,093,406	75,009,884	63,705,544	72,367,935	135,213,223	195,004,629	56,267,127	(226,849,552)	630,702,196
	17,458,216	80,778,906	66,246,721	74,632,773	137,894,436	197,947,754	81,897,986	(246,157,411)	(667,661,387)
	-	-	-	-	-	-	10,297,221	-	10,297,221
	1,839,500	13,987,271	10,854,398	12,355,833	22,960,720	28,105,687	258,402,701	(157,366,743)	258,402,705
	-	-	-	-	-	-	2,138,232	-	2,138,232
	2,715,945	4,962,319	(479,026)	558,126	8,336,135	26,338,293	118,796,522	(93,603,129)	118,796,518
	-	-	-	-	-	-	-	8,749,500	-
	4,555,445	18,949,590	10,375,372	12,913,959	31,296,855	54,443,980	389,634,676	(242,220,372)	389,634,676
	-	-	-	-	-	-	-	-	-
	4,555,445	18,949,590	10,375,372	12,913,959	31,296,855	54,443,980	389,634,676	(242,220,372)	389,634,676
	22,013,661	99,728,496	76,622,093	87,546,732	169,191,291	252,391,734	471,532,662	(488,377,783)	1,057,296,063

Varia US Properties AG and Subsidiaries
Consolidating Statement of Profit or Loss
 For the Year Ended December 31, 2020

	Varia US Ariston AG 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	15,350,166	1,467,692	3,806,220	2,873,007	2,457,580	4,025,665	4,880,272
Equity in earnings of subsidiaries	-	-	-	-	-	-	-
Interest income on loans	-	-	-	-	-	-	-
Other income	1,083,286	297,464	547,025	405,768	2,477,86	628,625	481,935
Insurance proceeds	126,014	79,555	-	-	2,09	-	-
Net gain (loss) from fair value adjustment on investment property	7,730,703	(189,690)	6,458,911	7,218,869	3,184,614	471,335	(1,042,260)
Effective income	24,290,169	1,655,021	10,812,156	10,497,644	5,890,189	5,125,625	4,319,947
Operating expenses							
Third party salaries and employees	(2,138,982)	(234,238)	(698,354)	(561,078)	(431,652)	(625,013)	(681,312)
Utilities	(1,408,915)	(136,549)	(436,159)	(248,494)	(202,873)	(434,566)	(378,869)
General and administrative	525,730	(41,751)	(105,837)	(88,268)	(53,975)	(148,967)	(106,079)
Advertising	(157,361)	(23,701)	(21,463)	(19,907)	(13,716)	(73,896)	(110,510)
Repairs and maintenance	(521,117)	(87,079)	(163,913)	(116,216)	(89,551)	(320,135)	(374,904)
Contract services	(457,119)	(76,187)	(91,254)	(87,368)	(50,526)	(141,549)	(96,854)
Real estate and other taxes	(1,375,328)	(156,221)	(295,048)	(241,743)	(150,117)	(279,949)	(588,684)
Property Insurance	(471,265)	(66,116)	(187,277)	(139,197)	(89,729)	(176,766)	(157,949)
Asset management fee	(572,166)	(43,894)	(146,934)	(125,246)	(78,616)	(178,704)	(165,122)
Property management fee	(505,721)	(50,382)	(162,409)	(118,894)	(94,918)	(159,983)	(158,463)
Legal, audit and accounting	(190,964)	(22,781)	(29,351)	(16,634)	(2,683)	(2,334)	(17,767)
Professional fees	(383,087)	(21,475)	(50,150)	(35,186)	(40,849)	(25,106)	(50,653)
Transaction costs	(125,610)	-	(1,732,108)	(2,445,305)	(1,059,278)	(746,389)	-
Total operating expenses	(7,781,905)	(960,374)	(4,120,257)	(4,243,536)	(2,358,483)	(3,313,357)	(2,887,166)
Net operating income	16,508,264	694,647	6,691,899	6,254,108	3,531,706	1,812,268	1,432,781
Other property expenses							
Debt interest	(3,424,687)	(207,971)	(602,002)	(384,309)	(431,878)	(771,025)	(1,315,308)
Debt Defeasance	(414,139)	-	(2,806,476)	(1,841,746)	(1,621,631)	(25,505)	-
Capital expenditures	(537,872)	(81,491)	(172,736)	(180,489)	(77,465)	(221,473)	(154,694)
Total other property expenses	(4,376,698)	(289,462)	(3,581,214)	(2,406,544)	(2,130,974)	(1,018,003)	(1,470,002)
Net property income	12,131,566	405,185	3,110,685	3,847,564	1,400,732	794,265	(37,221)
Administrative expenses							
Net currency foreign exchange gain	-	-	-	-	-	-	-
Member loan interest	-	(251,116)	(855,488)	(441,093)	(516,898)	(1,081,765)	(939,610)
Total administrative expenses	-	(251,116)	(855,488)	(441,093)	(516,898)	(1,081,765)	(939,610)
Exceptional expenses							
Non recurring repairs and maintenance expenses	(1)	-	(173)	(936)	(1)	(433)	-
Total exceptional expenses	(1)	-	(173)	(936)	(1)	(433)	-
Operating profit (loss)	12,131,565	154,069	2,255,024	3,405,535	883,833	(287,933)	(976,831)
Profit (loss) attributable to equity holders of the parent before provision for income tax	12,131,565	154,069	2,255,024	3,405,535	883,833	(287,933)	(976,831)
Provision for income tax	(3,318,619)	(65,153)	(331,278)	(791,526)	(253,279)	(25,267)	42,807
Profit (loss) attributable to equity holders of the parent	8,812,946	88,916	1,923,746	2,614,009	630,554	(313,200)	(934,024)

	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
	2,233,587	9,448,355	8,407,174	7,279,443	16,687,762	19,447,604	-	-	98,364,527
	-	-	-	-	-	-	26,999,126	(26,999,126)	-
	-	-	-	-	-	-	19,678,662	(19,678,662)	-
	84,243	1,504,293	563,424	1,045,956	1,920,893	2,353,301	-	(44,679)	11,119,320
	-	-	-	-	-	143,267	-	-	349,045
	1,389,586	82,953	(1,211,212)	108,816	2,359,736	15,980,882	-	-	42,543,243
	3,707,416	11,035,601	7,759,386	8,434,215	20,968,391	37,925,054	46,677,788	(46,722,467)	152,376,135
	(273,422)	(1,370,976)	(1,120,298)	(970,577)	(2,180,313)	(2,448,738)	(624,045)	-	(14,358,998)
	(207,553)	(1,107,076)	(778,761)	(950,409)	(1,758,434)	(1,435,240)	-	-	(9,483,898)
	(140,767)	(349,917)	(192,813)	(180,511)	(391,047)	(428,792)	(454,422)	-	(2,157,416)
	(21,874)	(95,734)	(102,572)	(141,050)	(166,026)	(217,699)	-	-	(1,165,509)
	(35,272)	(512,464)	(436,688)	(370,487)	(769,852)	(717,673)	-	-	(4,515,351)
	(57,649)	(300,681)	(206,549)	(419,092)	(373,103)	(517,109)	(15,338)	-	(2,890,378)
	(235,361)	(2,111,153)	(1,398,571)	(858,676)	(2,112,018)	(1,693,112)	-	-	(11,495,981)
	(140,733)	(339,812)	(253,649)	(249,764)	(461,568)	(645,342)	(18,118)	-	(3,397,285)
	(63,266)	(380,670)	(279,012)	(332,976)	(699,590)	(937,952)	-	-	(4,004,148)
	(69,652)	(382,554)	(290,608)	(251,335)	(549,195)	(646,523)	-	-	(3,440,637)
	(42,141)	(13,644)	(3,954)	(62,601)	(70,177)	(5,360)	(1,112,932)	-	(1,593,323)
	(21,771)	(81,871)	(52,350)	(33,765)	(77,580)	(80,812)	-	-	(954,655)
	-	-	-	-	-	-	-	-	(6,108,690)
	(1,309,461)	(7,046,552)	(5,115,825)	(4,821,243)	(9,608,903)	(9,774,352)	(2,224,855)	-	(65,566,269)
	2,397,955	3,989,049	2,643,561	3,612,972	11,359,488	28,150,702	44,452,933	(46,722,467)	86,809,866
	(518,281)	(2,294,115)	(1,961,899)	(2,023,399)	(3,657,622)	(4,887,494)	(2,060,058)	-	(24,540,048)
	-	-	-	-	-	-	-	-	(6,709,497)
	(53,268)	(553,144)	(399,735)	(238,806)	(506,895)	(651,429)	-	-	(3,829,497)
	(571,549)	(2,847,259)	(2,361,634)	(2,262,205)	(4,164,517)	(5,538,923)	(2,060,058)	-	(35,079,042)
	1,826,406	1,141,790	281,927	1,350,767	7,194,971	22,611,779	42,392,875	(46,722,467)	51,730,824
	-	-	-	-	-	-	(6,296,039)	-	(6,296,039)
	(327,175)	(2,190,373)	(1,800,742)	(2,151,962)	(4,119,129)	(5,047,990)	-	19,723,341	-
	(327,175)	(2,190,373)	(1,800,742)	(2,151,962)	(4,119,129)	(5,047,990)	(6,296,039)	19,723,341	(6,296,039)
	(1)	(195)	1	(1)	(1)	(1)	-	-	(1,742)
	(1)	(195)	1	(1)	(1)	(1)	-	-	(1,742)
	1,499,230	(1,048,778)	(1,518,814)	(801,196)	3,075,841	17,563,788	36,096,836	(26,999,126)	45,433,043
	1,499,230	(1,048,778)	(1,518,814)	(801,196)	3,075,841	17,563,788	36,096,836	(26,999,126)	45,433,043
	(334,627)	510,761	341,275	243,709	(579,674)	(4,775,336)	(581,442)	-	(9,917,649)
	1,164,603	(538,017)	(1,177,539)	(557,487)	2,496,167	12,788,452	35,515,394	(26,999,126)	35,515,394



**STATUTORY AUDITOR'S REPORT
TO THE GENERAL MEETING OF VARIA US PROPERTIES AG, ZUG
REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**



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**Report on the Audit of the Consolidated Financial Statements to the General Meeting
Varia US Properties AG, Zug**

Report of the Auditor on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Varia US properties AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 69 to 101) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended 31 December 2020 in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters



Valuation of investment properties



Completeness, existence and accuracy of deferred tax assets and liabilities

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Varia US Properties AG
 Report of the Auditor
 on the Consolidated Financial Statements
 to the General Meeting



Valuation of investment properties

Key Audit Matter

Our response

Investment properties form a substantial part of the balance sheet and showed the following values as at 31 December 2020 (in USD):

- Investment properties USD 928'228'000

The Group's total investment properties portfolio is valued at fair value as at the balance sheet date.

The valuation is based on the external valuation expert's report. For the purpose of determining the fair value, the appraiser considered each of the three commonly accepted valuation approaches including the cost, sales comparison, and income approaches. In deriving the market value of the Subject Properties, the appraiser utilized the direct capitalization method of the income approach.

The fair value estimates are significantly influenced by assumptions and estimates with regard, in particular, to the expected future income and expenses and the capitalization rate used for each property depending on its individual rewards / circumstances for the income approach and the choice of the peer group for the sales comparison approach.

For further information on the valuation of investment properties refer to the following:

- Note B – Basis of Preparation and Significant Accounting Policies, section "Investment Property"
- Note C – Critical Accounting Judgments and Key Source of Estimation, section "Fair Value Measurement of Investment Property"
- Note D – Company Structure, section "Transaction with Non-Controlling Interest Holders"
- Note G – Investment Property
- Note O – Financial Risk Management, sections "Fair Value Measurement" and "Valuation Method, Standards, and Principles"

In the course of our audit, we assessed the external valuation expert's competence and independence. We inquired with management about the valuation methodology. We involved our own real estate valuation specialists to support our audit procedures.

For all investment properties, we performed, amongst others, the following audit procedures:

- Assessing the reasonableness of the methodology and selected key assumptions used;
- Assessing the reasonableness of the fair value estimates as of 31 December 2020.

We also considered the appropriateness of disclosures in the consolidated financial statements.



Varia US Properties AG
 Report of the Auditor
 on the Consolidated Financial Statements
 to the General Meeting



Completeness, existence and accuracy of deferred tax assets and liabilities

Key Audit Matter

As at 31 December 2020, deferred tax assets and liabilities amounted to:

- Deferred tax assets: USD 0
- Deferred tax liabilities: USD 38'286'304

Deferred taxes arise due to temporary differences between the values in the tax accounts and the consolidated balance sheet. The calculation of deferred taxes takes into account the expected point in time when, and the manner in which, the assets and liabilities are expected to be realized or settled. The applied tax rates correspond to those that are enacted or substantively enacted at the balance sheet date. Deferred taxes primarily result from valuation differences between the fair values of investment properties and their values for tax purposes.

In the calculation of the deferred taxes, assumptions and estimates must be made with regards to the fiscally relevant investment costs and the fair values of the properties as well as the tax rates applicable at the time the tax differences are realized.

In assessing the deferred tax assets, management considers the extent to which it is probable that sufficient taxable profit will be available to allow the benefit of part or all of those deferred tax assets. The ultimate realization of deferred tax assets relating to temporary differences is dependent upon the generation of future taxable profit 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.

Our response

In the course of our audit, we critically assessed the calculation of deferred taxes on investment properties with the support of our tax specialists.

Based on the overall portfolio, we performed, amongst others, the following audit procedures:

- Evaluating the calculation method used to determine deferred tax assets and liabilities;
- Critically assessing the reasonableness of the income tax rates used;

For a sample identified based on quantitative and qualitative factors, we performed, amongst others, the following audit procedures:

- Test the mathematical accuracy of the amounts used in the calculation and agree the calculated amounts to the recorded general ledger balances and reconcile the significant permanent differences to underlying support;
- Agree individual temporary differences and the total of the temporary differences included on the current provision schedule to the corresponding gross change in temporary differences presented on the deferred tax provision schedules;
- Assessing the reasonableness of the basis difference of investment properties, by performing testing overs book versus tax investment property difference.



Varia US Properties AG
Report of the Auditor
on the Consolidated Financial Statements
to the General Meeting

For further information on deferred taxes refer to the following:

- Note M – Income Taxes

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS, Article 17 of the Directive on Financial Reporting (Directive Financial Reporting, DFR) of SIX Swiss Exchange and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



Varia US Properties AG
 Report of the Auditor
 on the Consolidated Financial Statements
 to the General Meeting

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Varia US Properties AG
Report of the Auditor
on the Consolidated Financial Statements
to the General Meeting

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG SA

Yvan Mermód
Licensed Audit Expert
Auditor in Charge

Bruno Beça
Licensed Audit Expert

Geneva, 26 March 2021

STATUTORY FINANCIAL STATEMENTS

December 31, 2020

Varia US Properties AG, Zug

BALANCE SHEET AS OF DECEMBER 31, 2020

(with comparative balance sheet as of December 31, 2019)

ASSETS	Notes	December 31, 2020 in CHF	December 31, 2019 in CHF
Cash and cash equivalents		20,941,805	2,597,415
Short-term receivables from related parties	2.1	–	22,233
Prepaid expenses		3,748	21,424
Prepaid expenses borrowing costs current	2.7	212,500	212,500
Accrued interests income	2.2	6,212,943	6,970,942
Current Assets		27,370,996	9,824,514
Long-term loans	2.2	196,881,789	191,139,347
Investments	2.3	147,518,318	138,527,647
Prepaid expenses borrowing costs non-current	2.7	312,600	524,600
Non-Current Assets		344,712,707	330,191,594
Total Assets		372,083,703	340,016,108

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LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	December 31, 2020 in CHF	December 31, 2019 in CHF
Trade accounts payable	2.4	–	164,750
Short-term interest bearing borrowings related parties	2.5	12,937,775	10,060,173
Dividend payable	2.8	9,001,018	9,001,018
Accrued expenses	2.6	1,127,581	505,765
Provision for taxes		1,650,399	2,051,968
Current liabilities		24,716,773	21,783,674
Long-term interest bearing borrowing	2.7	50,000,000	50,000,000
Non-Current liabilities		50,000,000	50,000,000
Liabilities		74,716,773	71,783,674
Share capital	2.8	10,126,018	9,001,018
General legal retained earnings	2.8	1,834,000	768,000
Reserves from capital contributions	2.8	253,325,751	223,597,962
Legal capital reserves		255,159,751	224,365,962
Retained earnings brought forward	2.8	17,597,622	13,550,972
Net profit for the year		14,483,539	21,314,482
Voluntary retained earnings		32,081,161	34,865,454
Shareholders' equity		297,366,930	268,232,434
Total Liabilities and Shareholders' equity		372,083,703	340,016,108

Varia US Properties AG, Zug

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

(with comparative balance sheet as of December 31, 2019)

	Notes	For the year ended December 31, 2020 in CHF	For the year ended December 31, 2019 in CHF
Revenues from investments	2.3	–	6,902,216
Interest income on loans	2.2	17,763,496	17,089,966
Gain on investments	2.3	–	1,458,773
Net income		17,763,496	25,450,955
Directors' fees and social charges	2.14	–460,032	–477,911
Directors' share plan	2.14	–106,425	–85,738
Third party rent		–11,008	–10,856
Communications, publicity and marketing		–242,526	–192,944
Travel and entertainment expenses		–1,654	–92,262
Contributions		–	–3,781
Accounting and administration expenses	2.9	–370,086	–298,407
Legal and other consulting fees	2.10	–312,241	–269,101
Audit fees		–326,775	–310,415
Insurances		–17,868	–11,520
IT costs		–14,590	–11,514
Other operating expenses		–9,501	–2,879
Direct taxes on capital		–24,403	–11,948
Operating expenses		–1,897,109	–1,779,276
Operating profit before non-operating result, financial result and income taxes		15,866,387	23,671,679
Non-operating expenses		–3,300	–2,850
Financial income	2.11	2,169,109	730,367
Financial expenses	2.11	–2,967,347	–1,946,490
Prior year income	2.12	1,111,196	–
Prior year expenses	2.13	–66,448	–
Profit before income taxes		16,109,595	22,452,706
Income taxes		–1,626,056	–1,138,224
Net profit for the year		14,483,539	21,314,482

Varia US Properties AG, Zug

NOTES TO THE STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

I PRINCIPLES

I.1 General information

Varia US Properties AG ("Varia" or "the Company") was created on September 17, 2015 and registered with the Zug Commercial register on September 28, 2015 under UID number CHE-320.748.468. The Company is a Swiss company limited by shares established under the relevant provisions of the Swiss code of obligations ("SCO"). Its address is Gubelstrasse 19, 6300 Zug, Switzerland.

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

On December 8, 2016, the Company proceeded to its initial public offering ("IPO") and listed its shares on the SIX Swiss Exchange in Zürich (Switzerland). Subsequently in 2017, in 2018 and in 2020 Varia US carried out additional capital increase transactions.

Varia' shares are traded under the ticker symbol VARN.

Following the enactment on January 1, 2020 of the new Swiss Federal Act on Tax Reform and AHV Financing ("TRAF"), the preferential holding company tax status is no longer granted to Varia US Properties AG. The abolishment of the privileged tax status entails that the Company is subject from now on to an ordinary taxation and will not more benefit of the exemption from taxation at the Zug cantonal and communal levels. Taxable profits are subject from January 1, 2020 to an effective corporate income tax of approximately 12%, including the direct federal tax (2019 – 7.8%).

I.2 General aspects

These financial statements were prepared in accordance with the Swiss accounting legislation (32nd title of the Code of Obligations). The balance sheet figures as of December 31, 2020 are compared with the figures as of December 31, 2019 when the profit and loss statement figures for the year 2020 are compared with these for the year 2019.

The board of directors of the Company is ultimately responsible for the policies, the valuations, and the management of the activities. In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern and accordingly to use the going concern basis of accounting.

The statutory financial statements for the year ended December 31, 2020 were approved by the Board of Directors on March 26, 2021, and are subject to the approval of the shareholders meeting. The statutory financial statements of Varia US Properties AG for the year ended December 31, 2019 were approved by the Ordinary General Meeting of Shareholders on June 26, 2020.

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

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

I.3 Financial assets

Financial assets include loans. Loans granted in foreign currencies are translated into Swiss francs (CHF) using the exchange rate prevailing on the dates of the transactions. At the balance sheet date, the long-term loans are valued on the historical cost basis, as these loans have an equity nature.

1.4 Investments

Investments include subsidiaries. The acquisitions in foreign currencies are translated into Swiss francs (CHF) using the exchange rate prevailing on the dates of the transactions. At the balance sheet date, the investments are valued at the lower of the historical cost basis or net realisable value if permanently impaired.

1.5 Foreign currency items

The Company prepares and presents its statutory financial statements in Swiss franc (CHF) in accordance with the article 958d alinea 3 of SCO. The separate group consolidated financial statements are prepared in accordance with the International Financial Reporting Standards in US dollar (USD).

Short-term monetary assets and liabilities in foreign currencies are converted at the exchange rate on the balance sheet date. For the translation of the balances in USD in CHF, the closing rate applied at the end of the year is 0.8803 (31.12.2019: 0.9662). Non-monetary assets as well as equity items are presented at historical rate.

During the year, the transactions in foreign currencies are translated at the exchange rate on the day the transaction takes place. Profit and loss statements transactions are also translated in CHF at the exchange rate on the day the transaction took place.

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

1.6 Currency overlay management program

In March 2020, the Company enters into a currency overlay management program with the bank Edmond de Rothschild to mitigate the risk of currency losses in USD when the CHF is strengthening against the USD and for the impact it could have on the long-term interest bearing bond of CHF 50 million (Note 2.7) when converted in USD in the group consolidated financial statements.

The program uses short term foreign currency forward contracts to hedge cash flows in USD against the risk of the strengthening of the CHF based on the trend in the market. As a result, the Company is entering each quarter into multiple short term currency transactions, which are settled on the last day of the quarter (value date). Any currency open contract at the end of the period or year is presented at fair value and accounted for in the financial statements at the closing date. Gain and losses on financial instruments are recorded in the profit and loss statement.

2 INFORMATION ON BALANCE SHEET AND PROFIT AND LOSS STATEMENT BALANCES

2.1 Short-term receivables from related parties

At December 31, 2020, the Company had collected all the short-term receivables from its related parties. As at December 31, 2019, the short-term receivables from related parties of CHF 22,233 related to expenses to be reimbursed by two subsidiaries and from a board member for its acquisition of share plan shares.

2.2 Long term loans – Accrued interests income

The company is financing partially the operations of its subsidiaries through long term loans by mean of promissory notes contracts for periods less than 5 years bearing interests at 10% per annum. At the end of the year, interests not due were accounted for in accrued interests income.

During the year 2019, the company entered in long term loan increases with three of its subsidiaries for a total of CHF 30,546,279 (USD 31,212,210) to finance their acquisitions of real estate properties. The related promissory notes amounts were amended accordingly. As well, three subsidiaries decided on July 1, 2019 the distribution of dividends to Varia US Properties for a total amount of CHF 6,902,216 (USD 7,031,080) that were carried out by increasing the long term loans.

During the year 2020, the company entered into a new long-term loan with Varia US Orlando LLC for CHF 5,742,442 (USD 6,222,928) to finance the acquisition of the Harrison Point Apartments (Note 2.3).

Loans to subsidiaries

Company name	Long term loans 31.12.20 in CHF	Accrued interest 31.12.20 in CHF	Interest income for the year 2020 in CHF
Varia US Daytona LLC	8,372,635	189,298	784,177
Varia US Jacksonville LLC	4,333,756	97,603	399,381
Varia US Orlando LLC	9,266,260	217,743	465,038
Varia US Pensacola LLC	10,285,377	229,480	953,557
Varia US Tulsa LLC	3,126,932	72,396	296,235
Varia US Tallahassee LLC	9,189,200	967,456	777,441
Varia US Brent LLC	2,474,949	441,505	190,795
Varia US Dallas LLC	21,951,030	2,399,790	1,861,592
Varia US Columbia LLC	17,750,452	1,017,313	1,578,683
Varia US PNW LLC	21,072,147	580,357	1,952,123
Varia US Midwest LLC	40,460,399	–	3,822,359
Varia US Southwest LLC	48,598,652	–	4,682,113
Total	196,881,789	6,212,943	17,763,496

Company name	Long term loans 31.12.19 in CHF	Accrued interest 31.12.19 in CHF	Interest income for the year 2019 in CHF
Varia US Daytona LLC	8,372,635	316,621	629,826
Varia US Jacksonville LLC	4,333,756	–	444,076
Varia US Orlando LLC	3,523,818	95,522	409,364
Varia US Pensacola LLC	10,285,377	258,364	355,207
Varia US Tulsa LLC	3,126,932	–	330,203
Varia US Tallahassee LLC	9,189,200	1,026,887	906,428
Varia US Brent LLC	2,474,949	519,093	237,943
Varia US Dallas LLC	21,951,030	1,532,132	2,154,383
Varia US Columbia LLC	17,750,452	1,210,632	1,773,584
Varia US PNW LLC	21,072,147	399,320	1,339,774
Varia US Midwest LLC	40,460,399	821,763	4,159,551
Varia US Southwest LLC	48,598,652	790,608	4,349,627
Total	191,139,347	6,970,942	17,089,966

2.3 Investments

From its creation, the Company has developed its investments' portfolio by means of the establishment of newly created investments entities and the acquisition of the shares of the Ariston Opportunity Fund Ltd on February 23, 2016 (effective January 1, 2016). The investments are the following as at December 31, 2020:

Investments	31.12.20 in CHF	31.12.19 in CHF
Varia US Ariston AG	34,000,928	34,000,928
Varia US Daytona LLC	4,505,215	4,505,215
Varia US Jacksonville LLC	2,338,046	2,338,046
Varia US Orlando LLC	5,020,669	1,935,745
Varia US Pensacola LLC	5,681,596	5,530,166
Varia US Tallahassee LLC	5,992,586	4,950,395
Varia US Tulsa LLC	1,756,764	1,665,550
Varia US Brent LLC	1,563,072	1,338,066
Varia US Dallas LLC	14,032,746	12,050,802
Varia US Columbia LLC	10,601,589	9,546,037
Varia US PNW LLC	12,077,524	11,387,184
Varia US Midwest LLC	22,639,342	21,971,271
Varia US Southwest LLC	27,308,242	27,308,242
Total investments at acquisition costs	147,518,318	138,527,647

As of December 31, 2020, the accumulated equity value of Varia US in its investments' equities - including the result for the year then ended - amounted to USD 242.2 million or CHF 213.2 million at USD/CHF closing exchange rate (December 31, 2019 - USD 205.2 million or CHF 198.3 million), presenting therefore a total value in excess of CHF 65.7 million (CHF 59.8 million) over the investments acquisition values.

On December 6, 2019, the Company created Varia US Ariston AG, a Swiss subsidiary with a fully paid share-capital of CHF 100,000 (100,000 ordinary registered shares of a par value of CHF 1.00 each), registered in the canton of Zug on December 10, 2019. On December 18, 2019, Varia US contributed without consideration its full investor shares in Ariston Opportunity Fund Ltd to Varia US Ariston AG as equity reserves at book value for CHF 33,900,928. These transactions are part of an internal restructuring involving certain of the Company subsidiaries.

During 2019, Varia US contributed also to the capital of Varia US Pensacola LLP for USD 5,053,469, of Varia US PNW for USD 5,760,960 and of Varia US Southwest for USD 5,992,150 for the acquisition of additional properties.

In 2019, Ariston Opportunity Fund Ltd proceeded to redemptions of 17,659.43 shares for a total value of CHF 4,048,765 (USD 4,050,000). The three redemptions resulted in a gain of CHF 1,458,773 (USD 1,440,798) recognized in the profit and loss statement.

Distributions of dividends to the Company by Varia US Daytona LLC for USD 4.5 million, Varia US Orlando LLC for USD 1.9 million, and Varia US Midwest LLC for USD 0.6 million - for a total of USD 7,031,080 or CHF 6,902,216 - took place on July 1, 2019 and reduced accordingly these subsidiaries equity. These dividends were not paid in cash by rather used to increase the long-term loans with the related subsidiaries (Note 2.2).

In 2020, Varia US invested USD 3,350,807 in the capital of Varia US Orlando LLC with also the issuance of the new 5-year loan (Note 2.2) to complete the financing of the acquisition of Harrison Point apartments for a Varia total investment of USD 9,573,735.

During 2020, the Company increased also its investments in other subsidiaries for a total amount of USD 6,630,000 to finance buildings' improvements and renovations.

The investments directly held by Varia US or indirectly through its subsidiaries are the following:

Company (directly held)	Domicile	31.12.20 Share in capital in %	31.12.20 Voting rights in %	Incorporation date
Varia US Ariston, AG	Zug, Switzerland	100.00	100.00	10.12.19
Varia US Daytona, LLC	Delaware, USA	100.00	100.00	19.11.15
Varia US Jacksonville, LLC	Delaware, USA	100.00	100.00	19.11.15
Varia US Orlando, LLC	Delaware, USA	100.00	100.00	19.11.15
Varia US Pensacola, LLC	Delaware, USA	100.00	100.00	19.11.15
Varia US Tallahassee, LLC	Delaware, USA	100.00	100.00	17.03.16
Varia US Tulsa, LLC	Delaware, USA	100.00	100.00	01.03.16
Varia US Brent LLC	Delaware, USA	100.00	100.00	17.03.16
Varia US Dallas LLC	Delaware, USA	100.00	100.00	27.10.16
Varia US Columbia LLC	Delaware, USA	100.00	100.00	28.10.16
Varia US PNW LLC	Delaware, USA	100.00	100.00	17.11.16
Varia US Midwest LLC	Delaware, USA	100.00	100.00	07.12.16
Varia US Southwest LLC	Delaware, USA	100.00	100.00	10.04.17

Company (directly held)	Domicile	31.12.19 Share in capital in %	31.12.19 Voting rights in %	Incorporation date
Varia US Ariston, AG	Zug, Switzerland	100.00	100.00	10.12.19
Varia US Daytona, LLC	Delaware, USA	100.00	100.00	19.11.15
Varia US Jacksonville, LLC	Delaware, USA	100.00	100.00	19.11.15
Varia US Orlando, LLC	Delaware, USA	100.00	100.00	19.11.15
Varia US Pensacola, LLC	Delaware, USA	100.00	100.00	19.11.15
Varia US Tallahassee, LLC	Delaware, USA	100.00	100.00	17.03.16
Varia US Tulsa, LLC	Delaware, USA	100.00	100.00	01.03.16
Varia US Brent LLC	Delaware, USA	100.00	100.00	17.03.16
Varia US Dallas LLC	Delaware, USA	100.00	100.00	27.10.16
Varia US Columbia LLC	Delaware, USA	100.00	100.00	28.10.16
Varia US PNW LLC	Delaware, USA	100.00	100.00	17.11.16
Varia US Midwest LLC	Delaware, USA	100.00	100.00	07.12.16
Varia US Southwest LLC	Delaware, USA	100.00	100.00	10.04.17

Company (indirectly held) Indirectly held by Ariston Opportunity Fund Ltd	Domicile	31.12.20 Share in capital in %	31.12.20 Voting rights in %
PC Aspen Ridge, LLC	Utah, USA	100.00	100.00
PC Cottages of Topeka, LLC	Utah, USA	100.00	100.00
PC Highland, LLC	Utah, USA	100.00	100.00
PC Northgate, LLC	Utah, USA	99.00	99.00
PC Parkview, LLC	Utah, USA	99.00	99.00
PC Reflections, LLC	Utah, USA	100.00	100.00
PC Shawnee Station, LLC	Utah, USA	100.00	100.00
PC Towne Square, LLC	Utah, USA	99.00	99.00
PC Tuscany Bay, LLC	Utah, USA	100.00	100.00
PC Washington Heights, LLC	Utah, USA	100.00	100.00
PC Willows, LLC	Utah, USA	100.00	100.00
PC Woodbridge, LLC	Utah, USA	100.00	100.00
PC Wyndam, LLC	Utah, USA	100.00	100.00
PC Wyndam, LLC	Utah, USA	100.00	100.00
PC Woodbridge, LLC	Utah, USA	100.00	100.00
PC Wyndam, LLC	Utah, USA	100.00	100.00

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Company (indirectly held) Indirectly held by Ariston Opportunity Fund Ltd	Domicile	31.12.19 Share in capital in %	31.12.19 Voting rights in %
PC Aspen Ridge, LLC	Utah, USA	100.00	100.00
PC Cottages of Topeka, LLC	Utah, USA	100.00	100.00
PC Highland, LLC	Utah, USA	100.00	100.00
PC Northgate, LLC	Utah, USA	99.00	99.00
PC Parkview, LLC	Utah, USA	99.00	99.00
PC Reflections, LLC	Utah, USA	100.00	100.00
PC Shawnee Station, LLC	Utah, USA	100.00	100.00
PC Stonegate, LLC	Utah, USA	99.00	99.00
PC Towne Square, LLC	Utah, USA	99.00	99.00
PC Tuscany Bay, LLC	Utah, USA	100.00	100.00
PC Washington Heights, LLC	Utah, USA	100.00	100.00
PC Willows, LLC	Utah, USA	100.00	100.00
PC Woodbridge, LLC	Utah, USA	100.00	100.00
PC Wyndam, LLC	Utah, USA	100.00	100.00
PC Woodbridge, LLC	Utah, USA	100.00	100.00
PC Wyndam, LLC	Utah, USA	100.00	100.00

Company (indirectly held) Indirectly held by other Varia US subsidiaries	Domicile	31.12.20 Share in capital in %	31.12.20 Voting rights in %
PC Applewood, LLC	Delaware, USA	100.00	100.00
PC Avenue 8 Mesa LLC	Delaware, USA	100.00	100.00
PC Beau-Jardin LLC	Delaware, USA	100.00	100.00
PC Branchwood, LLC	Utah, USA	100.00	100.00
PC Brent Village, LLC	Delaware, USA	100.00	100.00
PC Bridge Hollow LLC	Delaware, USA	100.00	100.00
PC Broadview Oaks, LLC	Utah, USA	100.00	100.00
PC Crowne Lake, LLC	Delaware, USA	100.00	100.00
PC Devonshire Gardens, LLC	Delaware, USA	100.00	100.00
PC Devonshire Place, LLC	Delaware, USA	100.00	100.00
PC Devonshire, LLC	Delaware, USA	100.00	100.00
PC King Crossing, LLC	Utah, USA	100.00	100.00
PC Maryland Park, LLC	Delaware, USA	100.00	100.00
PC Mission Palms LLC	Delaware, USA	100.00	100.00
PC Northgate, LLC	Utah, USA	1.00	1.00
PC Nova Glen, LLC	Utah, USA	100.00	100.00
PC Nova Wood, LLC	Utah, USA	100.00	100.00
PC Oak Shade, LLC	Utah, USA	100.00	100.00
PC Parkview, LLC	Utah, USA	1.00	1.00
PC Parkway Square, LLC	Delaware, USA	100.00	100.00
PC Pelican Pointe, LLC	Utah, USA	100.00	100.00
PC Pine Ridge Bremerton, LLC	Delaware, USA	100.00	100.00
PC Rolling Hills Louisville LLC	Delaware, USA	100.00	100.00
PC Stonewood, LLC	Utah, USA	100.00	100.00
PC Tally Square, LLC	Delaware, USA	100.00	100.00
PC The Ridge on Spring Valley, LLC	Delaware, USA	100.00	100.00
PC Towne Square, LLC	Utah, USA	1.00	1.00
PC Wingwood, LLC	Utah, USA	100.00	100.00
PC Wood Hollow, LLC	Delaware, USA	100.00	100.00
PC Woodland Manor, LLC	Delaware, USA	100.00	100.00
PC Woodstone DFW LLC	Delaware, USA	100.00	100.00
PC Zona Village Tuscon LLC	Delaware, USA	100.00	100.00
VP Tierra Pointe LLC	Delaware, USA	100.00	100.00
VP River Oaks LLC	Delaware, USA	100.00	100.00
VP Cinnamon Tree LLC	Delaware, USA	100.00	100.00
PC Woodlands, LLC	Delaware, USA	100.00	100.00
VP Meadows LLC	Delaware, USA	100.00	100.00
VP Woodridge LLC	Delaware, USA	100.00	100.00
Village at Mayfield LLC	Delaware, USA	100.00	100.00
VP Cordova Creek LLC	Delaware, USA	100.00	100.00
VP 860 East LLC	Delaware, USA	100.00	100.00
VP Brookwood LLC	Delaware, USA	100.00	100.00
VP Mapple Hills LLC	Delaware, USA	100.00	100.00
VP Lynnfield Place LLC	Delaware, USA	100.00	100.00
VP Kings Quarters LLC	Delaware, USA	100.00	100.00
VP Breckinridge I LLC	Delaware, USA	100.00	100.00
VP Breckinridge II LLC	Delaware, USA	100.00	100.00
VP Breckinridge III LLC	Delaware, USA	100.00	100.00
VP Harrison Point LLC	Delaware, USA	100.00	100.00

Company (indirectly held) Indirectly held by other Varia US subsidiaries	Domicile	31.12.19 Share in capital in %	31.12.19 Voting rights in %
PC Applewood, LLC	Delaware, USA	100.00	100.00
PC Avenue 8 Mesa LLC	Delaware, USA	100.00	100.00
PC Beau-Jardin LLC	Delaware, USA	100.00	100.00
PC Branchwood, LLC	Utah, USA	100.00	100.00
PC Brent Village, LLC	Delaware, USA	100.00	100.00
PC Bridge Hollow LLC	Delaware, USA	100.00	100.00
PC Broadview Oaks, LLC	Utah, USA	100.00	100.00
PC Crowne Lake, LLC	Delaware, USA	100.00	100.00
PC Devonshire Gardens, LLC	Delaware, USA	100.00	100.00
PC Devonshire Place, LLC	Delaware, USA	100.00	100.00
PC Devonshire, LLC	Delaware, USA	100.00	100.00
PC King Crossing, LLC	Utah, USA	100.00	100.00
PC Maryland Park, LLC	Delaware, USA	100.00	100.00
PC Mission Palms LLC	Delaware, USA	100.00	100.00
PC Northgate, LLC	Utah, USA	1.00	1.00
PC Nova Glen, LLC	Utah, USA	100.00	100.00
PC Nova Wood, LLC	Utah, USA	100.00	100.00
PC Oak Shade, LLC	Utah, USA	100.00	100.00
PC Parkview, LLC	Utah, USA	1.00	1.00
PC Parkway Square, LLC	Delaware, USA	100.00	100.00
PC Pelican Pointe, LLC	Utah, USA	100.00	100.00
PC Pine Ridge Bremerton, LLC	Delaware, USA	100.00	100.00
PC Rolling Hills Louisville LLC	Delaware, USA	100.00	100.00
PC Stonegate, LLC	Utah, USA	1.00	1.00
PC Stonewood, LLC	Utah, USA	100.00	100.00
PC Tally Square, LLC	Delaware, USA	100.00	100.00
PC The Ridge on Spring Valley, LLC	Delaware, USA	100.00	100.00
PC Towne Square, LLC	Utah, USA	1.00	1.00
PC Wingwood, LLC	Utah, USA	100.00	100.00
PC Wood Hollow, LLC	Delaware, USA	100.00	100.00
PC Woodland Manor, LLC	Delaware, USA	100.00	100.00
PC Woodstone DFW LLC	Delaware, USA	100.00	100.00
PC Zona Village Tuscon LLC	Delaware, USA	100.00	100.00
VP Tierra Pointe LLC	Delaware, USA	100.00	100.00
VP River Oaks LLC	Delaware, USA	100.00	100.00
VP Cinnamon Tree LLC	Delaware, USA	100.00	100.00
PC Woodlands, LLC	Delaware, USA	100.00	100.00
VP Meadows LLC	Delaware, USA	100.00	100.00
VP Woodridge LLC	Delaware, USA	100.00	100.00
Village at Mayfield LLC	Delaware, USA	100.00	100.00
VP Cordova Creek LLC	Delaware, USA	100.00	100.00
VP 860 East LLC	Delaware, USA	100.00	100.00
VP Brookwood LLC	Delaware, USA	100.00	100.00
VP Mapple Hills LLC	Delaware, USA	100.00	100.00
VP Lynnfield Place LLC	Delaware, USA	100.00	100.00
VP Kings Quarters LLC	Delaware, USA	100.00	100.00

2.4 Trade accounts payable

At the end of the year, all trade invoices were paid. At December 31, 2019, trade accounts payable amounted to only CHF 164,750 related mainly to Board directors' fees of CHF 126,996 and accounting and advisory services of CHF 33,110.

2.5 Short-term interest bearing borrowings related parties

Varia US is entering from time to time into short-term borrowing contracts with its subsidiaries to finance capital for the acquisitions of real estate properties or other short term cash needs. There loans are generally granted for a 12-month period.

In 2019, the annual interests rates on the short term loans were at 1.85% and 2.42%. In 2020, the new loans with the subsidiaries were at interest rates between 0.14% and 1.5%.

As at December 31, 2020, the borrowings are the followings.

Company name	Short term borrowings 31.12.20 in USD	Short term borrowings 31.12.20 in CHF	Accrued payable interest 31.12.20 in CHF
Short-term interest bearing loans			
Varia US Southwest LLC	10,000,000	8,802,870	3,208
Varia US Midwest LLC	1,000,000	880,289	10,274
Varia US Jacksonville LLC	560,000	492,961	340
Varia US Orlando LLC	690,000	607,398	460
Short-term current account with subsidiaries			
Varia US Ariston AG	2,418,222	2,128,729	–
Varia US Orlando LLC	29,000	25,528	–
Total	14,697,222	12,937,775	14,281

At year-end 2019, the borrowings were the followings:

Company name	Short term borrowings 31.12.19 in USD	Short term borrowings 31.12.19 in CHF	Accrued payable interest 31.12.19 in CHF
Varia US Southwest LLC	8,000,000	7,729,394	41,136
Varia US Midwest LLC	2,412,380	2,330,779	12,404
Total	10,412,380	10,060,173	53,540

2.6 Accrued expenses

	31.12.20 in CHF	31.12.19 in CHF
Audit fees	246,000	225,000
Accounting fees	97,950	30,031
Legal and other consulting fees	5,800	93,296
Directors' fees and social charges	40,229	50,631
VAT on acquisition of services abroad	10,873	2,879
Capital increase fees and other costs	598,411	–
Accrued interests	55,948	95,206
Other expenses	72,369	8,722
Total	1,127,581	505,765

2.7 Long term interest-bearing liabilities

Based on the resolution of its board of directors on June 14, 2019, the Company issued and publicly offered on June 18, 2019 in Switzerland an initial aggregate principal amount of CHF 50,000,000 of 3% unsecured bond due 2023 divided into 10,000 bonds with denomination of CHF 5,000 and integral multiples thereof. The admission of the bonds for trading became effective on the closing date on June 20, 2019. The bonds are listed at the SIX Swiss Exchange under the valor 47974437 and have been fully subscribed by Bank Vontobel AG, as lead manager and principal paying agent, at a price of 100%.

The bonds bear interest from (but excluding) June 20, 2019 until June 23, 2023 at a rate of 3.0% of their principal amount per annum, payable semi-annually in arrear on December 20 and June 20 of each year.

Varia has the right to reopen and increase the aggregate principal amount at any time and without prior consultation of or permission of the holders of the bonds through the issuance of further bonds which will be fungible with the actual bonds.

Varia or any subsidiary may, either directly or indirectly, at any time purchase bonds at any price in the open market or otherwise. These bonds may be held, resold or, at the option of the Varia surrendered to the principal paying agent for cancellation. All bonds which are redeemed or surrendered to Bank Vontobel shall be immediately cancelled and cannot be reissued or resold.

A redemption could occur also at the option of the bonds' holders upon a change of control and in accordance with the terms and conditions of the prospectus.

The management of Varia expects to redeem all outstanding bonds at par at maturity on June 23, 2023 in accordance with the terms and conditions of the prospectus. Nevertheless, Varia has the option to redeem the bonds at any time between the issue and maturity dates, in whole, but not in part only, at par, if 85% or more of the aggregate principal amount have been redeemed or purchased and cancelled at the time of the notice period (not less than 30 nor more than 60 days prior notice of the principal paying agent).

The costs for the issuance and the listing of the bond borrowing 2019-2023 amounted to CHF 850,000. They are recognized as prepaid expenses borrowing costs in the balance sheet and expensed on a straight-line basis over the 4 year duration of the bonds within the financial expenses along with the bonds interests.

These costs comprised the commission of CHF 500,000 for the underwriting, management and selling commission and CHF 100,000 of out-of-pocket and other expenses paid to the Bank Vontobel as well as CHF 250,000 of Stoneweg SA placement fees.

At December 31, 2020, the Prepaid expenses borrowing costs are presented in the balance sheet as follows:

	31.12.20 in CHF	31.12.19 in CHF
Bond borrowing issuance costs	850,000	850,000
Accumulated costs expensed	–324,900	–112,900
	525,100	737,100
Current	212,500	212,500
Non-current	312,600	524,600
	525,100	737,100

2.8 Share capital | Reserves from capital contributions | General legal retained earnings

The share capital at December 31, 2020 was divided in 10,126,018 (December 31, 2019 – 9,001,018) ordinary registered shares of a par value of CHF 1.00 each, fully paid.

	Number of shares	Share capital in CHF	Reserves from capital contributions in CHF	General legal Retained earnings in CHF
Balance as of December 31, 2018	9,001,018	9,001,018	264,102,543	151,000
Dividend distribution of CHF 2.50 per share from the reserve from capital contributions on April 30, 2019	–	–	–22,502,545	–
Additional cash dividend, out of the capital contribution reserve on April 30, 2019, paid in quarterly installments on August 7, 2019, November 10, 2019, February 12, 2020 and to be paid on or about May 10, 2020.	–	–	–18,002,036	–
Allocation to the general legal reserve on April 30, 2019	–	–	–	617,000
Balance as of December 31, 2019	9,001,018	9,001,018	223,597,962	768,000
Allocation to the general legal reserve on June 26, 2020	–	–	–	1,066,000
Allocation from Retained earnings to Capital contributions on June 26, 2020	–	–	4,500,509	–
Dividend distribution of CHF 0.30 per share from the reserve from capital contributions paid on August 12, 2020	–	–	–2,700,305	–
Additional cash dividend, out of the capital contribution reserve paid in quarterly installments on August 12, 2020, November 12, 2020, February 12, 2021 and on May 12, 2021.	–	–	–9,001,018	–
Ordinary share capital increase on December 1, 2020	1,125,000	1,125,000	36,928,603	–
Balance as of December 31, 2020	10,126,018	10,126,018	253,325,751	1,834,000

On May 24, 2018 the general meeting of the shareholders approved a new authorized capital of 900,000 shares. As a result, the Board of directors was authorized to increase the share capital at any time until May 23, 2020 by a maximum amount of CHF 900,000 by issuance of a maximum of 900,000 new registered shares (at a nominal value of CHF 1.00 each) to be fully paid up. That option has not been used.

On April 30, 2019, the general meeting of the shareholders approved the appropriation of the available earnings at December 2018, comprising the allocation to the general legal reserve of CHF 617,000 and the payments of a first dividend of CHF 2.50 per shares of CHF 22,502,545 and of an additional dividend of CHF

18,002,036 out of the reserve from capital contribution. This additional dividend was payable in four quarterly installments on or about August 10, 2019, November 10, 2019, February 10, 2020 and May 10, 2020.

On June 26, 2020, the general meeting of the shareholders approved the appropriation of the available earnings at December 2019, comprising the allocation to the general legal reserve of CHF 1,066,000 and the payments of a first dividend of CHF 0.30 per share of CHF 2,700,305 and of an additional dividend of CHF 9,001,018 out of the reserve from capital contribution. This additional dividend is payable in four quarterly installments on August 12, 2020, November 12, 2020, February 12, 2021 and on May 12, 2021.

During the general meeting on June 26, 2020, the shareholders also approved an allocation of CHF 4,500,509 from the retained earnings to the capital contributions resulting from the reclassification of dividend out of the capital contribution reserve decided on April 30, 2019 into dividend out of the voluntary retained earnings due to the entry in force on January 1, 2020 of the Swiss tax reform and to the dividend payments on February 10 and May 10, 2020.

The shareholders' meeting on June 26, 2020 approved a new authorized capital of 2,250,000 registered shares to be fully paid up (at nominal value of CHF 1.00 each). The board of directors is therefore authorized to increase the share capital at any time until June 26, 2022 by a maximum amount of CHF 2,250,000. On December 1, 2020, the board of directors used 50% of the authorized capital to issue 1,125,000 new shares as described below. At December 31, 2020, the residual authorized capital is limited to 1,125,000 shares.

On December 1, 2020, the board of directors of Varia US proceeded to a capital increase - out of the authorized capital decided by the shareholder's meeting of June 26, 2020 - by way of a rights offering of 1,125,000 new shares (with nominal value of CHF 1.00) at a price of CHF 35.50 per share bringing the Company total number of shares to 10,126,018 for an equivalent share capital of CHF 10,126,018.

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

On December 17, 2019, the Swiss federal tax authorities confirmed the amount of the reserves from capital contributions as of December 31, 2018 of CHF 264,102,543 in the sense of article 20 paragraph 3 of the Federal Income Tax Act.

Major shareholders

The following tables indicate Varia's major shareholders holding shares and voting rights of 3% and more as of December 31, 2020 and 2019 (number of shares according to the public disclosures of shareholdings at SIX: Swiss Exchange voting rights) and in aggregate the other shareholders:

As at December 31, 2020:

Shareholders	Investor type	Number of shares	Participation in %
Varia SPC – Inv. Opportunities SP	Fund	3,866,601	38.18
Philae Fund - MB Prime	Fund	629,000	6.21
Other shareholders with a participation below 3% individually	Banks, funds, pension funds, foundation and companies	5,630,417	55.61
Total		10,126,018	100.00

The fund Varia SPC is representing approximately 35 different investors (December 31, 2019 - 35 investors) ultimately holding the fund directly or indirectly. In Varia SPC, none of the shareholders represents more than 3% of the issued shares.

As at December 31, 2019:

Shareholders	Investor type	Number of shares	Participation in %
Varia SPC – Inv. Opportunities SP	Fund	3,920,525	43.56
Wolf Property Holdings	Company	600,000	6.67
Other shareholders with a participation below 3% individually	Banks, funds, pension funds, foundation and companies	4,480,493	49.77
Total		9,001,018	100.00

2.9 Accounting and administration expenses

	2020 in CHF	2019 in CHF
Accounting and tax compliance consultants fees	184,936	102,582
Banks custody and Market Making fees	133,441	188,171
Other administrative charges	51,709	7,654
Total	370,086	298,407

2.10 Legal and other consulting fees

	2020 in CHF	2019 in CHF
Baker & McKenzie legal and advisory fees	25,053	83,224
Deloitte SA risk management consulting fees	44,694	17,232
DLA Piper consulting fee	–	434
Mazars SA tax and consulting fees	60,983	112,738
Legal fees for the subsidiaries master credit facility	127,580	–
Other legal and consulting fees	53,930	55,473
Total	312,241	269,101

2.11 Financial result

Financial income	2020 in CHF	2019 in CHF
Interests revenues	–	76,707
Foreign currency exchange gains	2,169,109	653,660
Total	2,169,109	730,367

Financial expenses	2020 in CHF	2019 in CHF
Short-term borrowing interests related parties	178,517	130,517
Other interests	6,720	5,161
Bonds borrowing interests and issuance costs	1,712,000	904,567
Bank fees	17,139	18,949
Bank charges on overlay program	63,897	–
Foreign currency exchange losses	989,074	887,296
Total	2,967,347	1,946,490

The financial expenses for the year include in the foreign currency exchanges losses, the net negative result of CHF 134,984 of the currency overlay management program Varia US entered into with the bank Edmond de Rothschild from March 2020 when the related program management fees amounting to CHF 63,897 are presented separately in the bank charges of the currency overlay management program.

2.12 Previous year income

	2020 in CHF	2019 in CHF
Previous years final taxations	1,111,196	–
Total	1,111,196	–

In 2019, Varia filed a request to the tax authorities to obtain the recognition of the deductibility of the capital increases costs, incurred by the Company from its establishment, from the profits taxed previously. On this basis, these expenses are deductible from taxable net income even if accounted for in net in equity with the Reserve from capital contributions. The tax authorities agreed on such deductibility in 2020 and, accordingly, the Company has recognized these related tax savings in the year ended December 31, 2020.

2.13 Previous year expenses

	2020 in CHF	2019 in CHF
Previous year expenses related to the US tax at source on Varia US Orlando LLC dividends	27,583	–
Previous year expenses related to KPMG – Audit fees 2019	38,865	–
Total	66,448	–

In 2019, Varia received dividends from three subsidiaries including a portion subject to definite US tax at source of 5%. That tax at source at the expense of Varia will be reimbursed to Varia US Orlando.

2.14 Related party transactions

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

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

Board of Directors

The Board of Directors is considered as key management. In the year under consideration, expense in the amount of CHF 566,457 was paid or accrued as of December 31, 2020 (2019 – CHF 563,648), including CHF 106,425 (2019 – 82,738) related to the Directors' share plan.

On June 2019, the Company established a Board member share plan that entitles Board members to purchase on a voluntary basis Varia US's shares at a discount subject to certain selling restrictions and within the limits decided by the Board. The chairperson is authorised to purchase up to 1,000 shares when the other members are limited to 750 shares, in each case per year between one annual general meeting to the next year meeting.

In June 2019, Board members subscribed a total of 4,750 shares that were purchased in the market by Varia US on July 23, 2019 at a price of CHF 36.10 each and sold to the members at a 50% discounted price of CHF 18.05 for a total cost of CHF 85,738 for the company.

In July 1, 2020, Board members subscribed a total of 5,500 shares at a price of CHF 38.70 each, that were purchased in the market by Varia US and sold to the members at a 50% discounted price of CHF 19.35 for a total cost of CHF 106,425 for the company.

These shares are subject to a restriction period of 4 years during which they can not be sold, transferred, given, assigned, or otherwise divested.

No other compensation to the Board members for their role or for additional work, except for the Board members paid by Stoneweg SA that are involved in the asset management duties of the Company. In particular, no performance related compensation and no compensation in shares or other stocks were allocated to Board members aside of the Board member share plan. No loans or credit facilities were granted to any member of the Board or related parties during the period and there were no such receivable outstanding as at December 31, 2020.

No other compensation to the Board members for their role or for additional work, except for the Board members paid by Stoneweg SA that are involved in the asset management duties of the Company. In particular, no performance related compensation and no compen-

sation in shares or other stocks were allocated to Board members aside of the Board member share plan. No loans or credit facilities were granted to any member of the Board or related parties during the period and there were no such receivable outstanding as at December 31, 2020.

Transactions of Varia US with Stoneweg SA, Stoneweg US, LLC and Real Estate Investment Solutions AG

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.

During the years ended December 31, 2020 and 2019, Stoneweg SA has charged the Company about CHF 404,438 and CHF 288,829, respectively, for 2020 in capital increase fees that were accounted for against the reserves from capital contribution, and for 2019 in bond issuance costs (CHF 250,000) and expenses recharges.

During the reporting year, ended December 31, 2020, Real Estate Investment Solutions SA (REIS) has charged the Company an amount of CHF 542,700 as placing agent fees for the capital increase that have been accounted for as transaction costs against the share premium proceeds.

Transactions of Varia US subsidiaries with Stoneweg SA and Stoneweg US, LLC

Stoneweg remuneration fees for the services provided to Varia subsidiaries and underlying investments during the reporting period are disclosed in note N to Varia US Properties AG consolidated financial statements for the year ended December 31, 2020.

Shareholding rights of Board of Directors members

The following Board Members owned directly or indirectly shares of the Company as of December 31, 2020 as follows:

	Function	31.12.20 Shares	31.12.19 Shares
Manuel Leuthold	Chairman of the Board, Non-executive	3,500	2,500
Jaume Sabater Martos	Vice-Chairman of the Board, Executive member	8,000	7,250
Patrick Richard	Executive Member, Delegate of the Board of Directors	40,000	40,000
Taner Alicehic	Executive Member, Member of the Audit and Risk Committee	23,825	33,075
Grégoire Baudin	Member, Non-executive	12,500	–
Stefan Buser	Member, Non-executive, Chairman of the compensation committee, Member of the Audit and Risk Committee	3,062	2,312
Dany Roizman	Member, Non-executive	32,750	22,000
Beat Schwab	Member, Non-executive, Chairman of the Audit and Risk Committee, Member of the compensation committee	3,816	3,066

3 OTHER INFORMATION

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

Varia US Properties AG has no employees at December 31, 2020 and has never employed any staff.

3.2 Contingent liabilities and tax uncertainties

As of December 31, 2016, the Company had signed a tenancy agreement for the Company office in Zug which started on January 1, 2017 and requires monthly rental payments of CHF 840. This rent can be terminated with a six month notice at the end of each quarter.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic in recognition of its rapid spread across the globe, with many countries affected. The coronavirus and actions taken to mitigate the spread are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be on the Company. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, impacted in the near term as a result of these conditions.

The Company has no other contingencies and no other off-balance sheet transactions as of December 31, 2020 (2019 – nil) that would be required to be disclosed.

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

3.3 Significant events occurring after the balance sheet date

Subsequent to December 31, 2020, the subsidiaries of the Company acquired properties with a value of approximately USD 86.8 million. The acquisition of these properties was funded with long-term borrowings of approximately USD 55.6 million and with the remaining proceeds of properties exchange transactions in the fourth quarter of 2020.

Since the balance sheet date as of December 31, 2020, there were no subsequent event which would require adjustment to or disclosure in the accompanying financial statements.

Varia US Properties AG, Zug

PROPOSITION OF APPROPRIATION OF THE AVAILABLE EARNINGS

Voluntary retained earnings at December 31, 2020	in CHF
Retained earnings as at December 31, 2019	34,865,454
Decisions of the general shareholders meeting on June 26, 2020 (Note 2.8)	
Allocation to the General legal retained earning	-1,066,000
Allocation from Retained earnings to Capital contributions on June 26, 2020	-4,500,509
Dividend distribution of CHF 0.30 per share paid on August 12, 2020	-2,700,305
Additional cash dividend paid in quarterly installments on August 12, 2020, November 12, 2020, February 12, 2021 and on May 12, 2021	-9,001,018
Retained earnings carried forward	17,597,622
Net profit for the year ended December 31, 2020	14,483,539
Available earnings	32,081,161

The Board of Directors of Varia US Properties AG proposes to the annual general meeting the following appropriation of the accumulated profits:

Proposition of appropriation	in CHF
Allocation to the general legal reserve issued from net profit	725,000
Dividend distribution of CHF 0.4111 per share paid on May 12, 2021	4,162,805
Cash dividend payable in quarterly installments on August 11, 2021, November 11, 2021, February 11, 2022 and on May 11, 2022	10,126,018
Balance to be carried forward	17,067,338
Total	32,081,161

Proposition of distribution of reserves from capital contributions	in CHF
Reserve from capital contributions as of December 31, 2019	223,597,962
Allocation from Retained earnings to Capital contributions on June 26, 2020	4,500,509
Dividend distribution of CHF 0.30 per share from the reserve from capital contributions paid on August 12, 2020	-2,700,305
Additional cash dividend, out of the capital contribution reserve paid in quarterly installments on August 12, 2020, November 12, 2020, February 12, 2021 and on May 12, 2021	-9,001,018
Contributions from the Ordinary share capital increase on December 1, 2020	36,928,603
Reserve from capital contributions as of December 31, 2020	253,325,751

The Board of Directors of Varia US Properties AG proposes to the annual general meeting the following appropriation from the Reserve from capital contributions:

Proposition of appropriation	in CHF
Dividend distribution of CHF 0.4111 per share from the reserve from capital contributions paid on May 12, 2021	4,162,805
Cash dividend, out of the capital contribution reserve payable in quarterly installments on August 11, 2021, November 11, 2021, February 11, 2022 and on May 11, 2022	10,126,018
Balance to be carried forward	239,036,928
Total	253,325,751

**STATUTORY AUDITOR'S REPORT
TO THE GENERAL MEETING OF VARIA US PROPERTIES AG, ZUG
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**



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**Report on the Audit of the Financial Statements to the General Meeting
Varia US Properties AG, Zug**

Report of the Statutory Auditor on the Financial Statements

Opinion

We have audited the financial statements of Varia US Properties AG, which comprise the balance sheet as at 31 December 2020, and the income statement for the year then ended 31 December 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 118 to 137) for the year ended 31 December 2020 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



Valuation of Investments

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Varia US Properties AG
 Report of the Statutory Auditor
 on the Financial Statements
 to the General Meeting



Valuation of Investments

Key Audit Matter

Our response

Varia US Properties AG (hereafter “the Company”) developed its investment portfolio by means of the establishment of investment entities and the acquisition of shared of the Ariston Opportunity Fund (“investments”). At the balance sheet date, these investments amount to CHF 147.5 million CHF. The investments are valued at the lower of the historical cost and the recoverable amount. Management undertake an annual impairment assessment to compare the book values to their recoverable amount. That recoverable amount is determined by the net assets of each investment.

As part of our audit, we challenged management’s assessment of investments and the valuation methodology used.

Our procedures included the following:

- We reformed impairment tests on the basis of the net assets according to audited financial information of investments;
- If the recoverable amount of an investment was less than the carrying amount, we tested that a corresponding impairment loss was recognized.

For further information on the valuation of investments, refer to note 2.3 “Investments”.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company’s articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



Varia US Properties AG
Report of the Statutory Auditor
on the Financial Statements
to the General Meeting

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Varia US Properties AG
Report of the Statutory Auditor
on the Financial Statements
to the General Meeting

Report on Other Legal and Regulatory Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG SA

Yvan Mermod
Licensed Audit Expert
Auditor in Charge

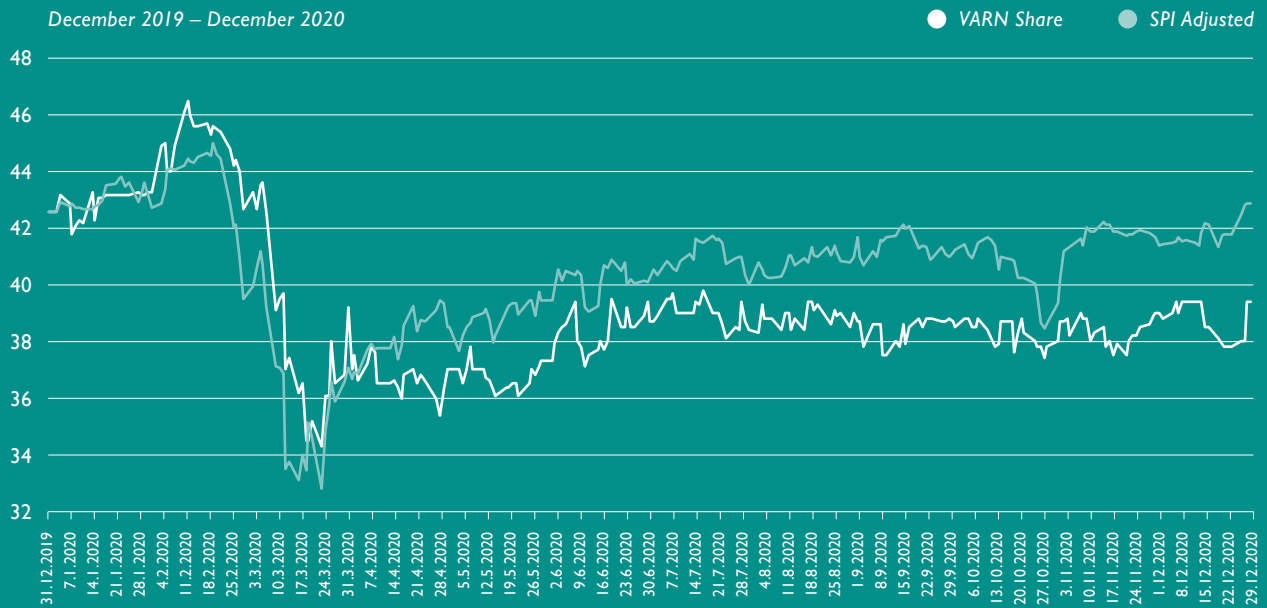
Bruno Beça
Licensed Audit Expert

Geneva, 26 March 2021

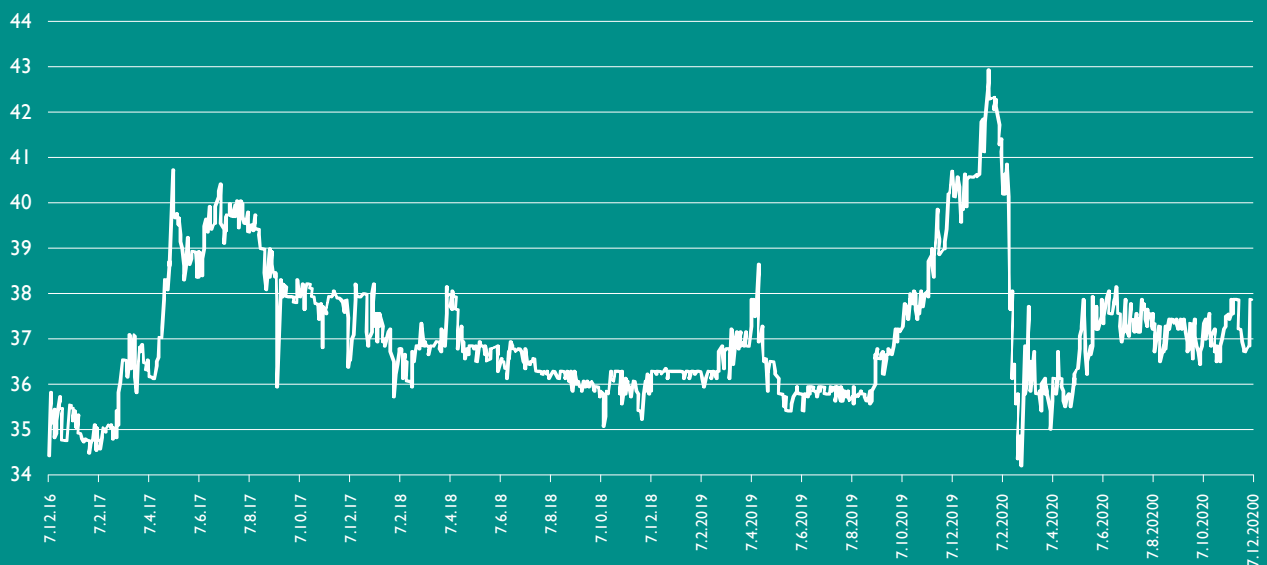
SHARE INFORMATION

SHARE PRICE

December 2019 – December 2020



SINCE INCEPTION



VARIA STOCK AND CAPITAL STRUCTURE

	2020
Listing	SIX Swiss Exchange (standard for Real Estate Companies)
Ticker symbol	VARN
Swiss security number	30 528 529
ISIN	CH 030 528 529 5
Nominal value per share (CHF)	CHF 1.00 per registered share
Total registered shares	10,126,018
Registered share capital	10,126,018
Conditional share capital	-
Total voting rights	10,126,018
Authorized share capital	1,125,000

KEY STOCK EXCHANGE FIGURES PER SHARE

	2020
Share price high	CHF 46.80
Share price low	CHF 33.10
Closing rate	CHF 39.40
Average volume per trading day (number of shares)	4,441
Market capitalization per December 31	CHF 398,965,109

KEY FIGURES PER SHARE

	2020
Earnings per share – basic	USD 3.91
Earnings per share – diluted	USD 3.91
Operational cash flow per share	USD 3.53
Free cash flow per share	USD 2.25
Equity per share attributable to Varia	USD 38.48
Distribution per share	CHF 2.60

Varia US Properties shares are listed on the Swiss Stock Exchange (SIX) since December 8, 2016. The shares have been issued at the offer price of CHF 35.00 per share. The all-time high in the reporting year was CHF 46.80. At the end of 2020, share price was at CHF 39.40. On December 31, 2020, market capitalization was CHF 398,965,109

SHAREHOLDER STRUCTURE

As of December 31, 2020, there were 665 shareholders entered in the share register. 25.30% of registered shareholders were domiciled in Switzerland, 74.70% outside Switzerland. The following shareholders held 3% or more of the outstanding share capital of Varia US Properties at year-end:

Name	31.12.2020
Varia SPC – Inv. Opportunities SP	38.18%
Philae Fund – MB Prime	6.21%

CONTACT

Contact for Investors

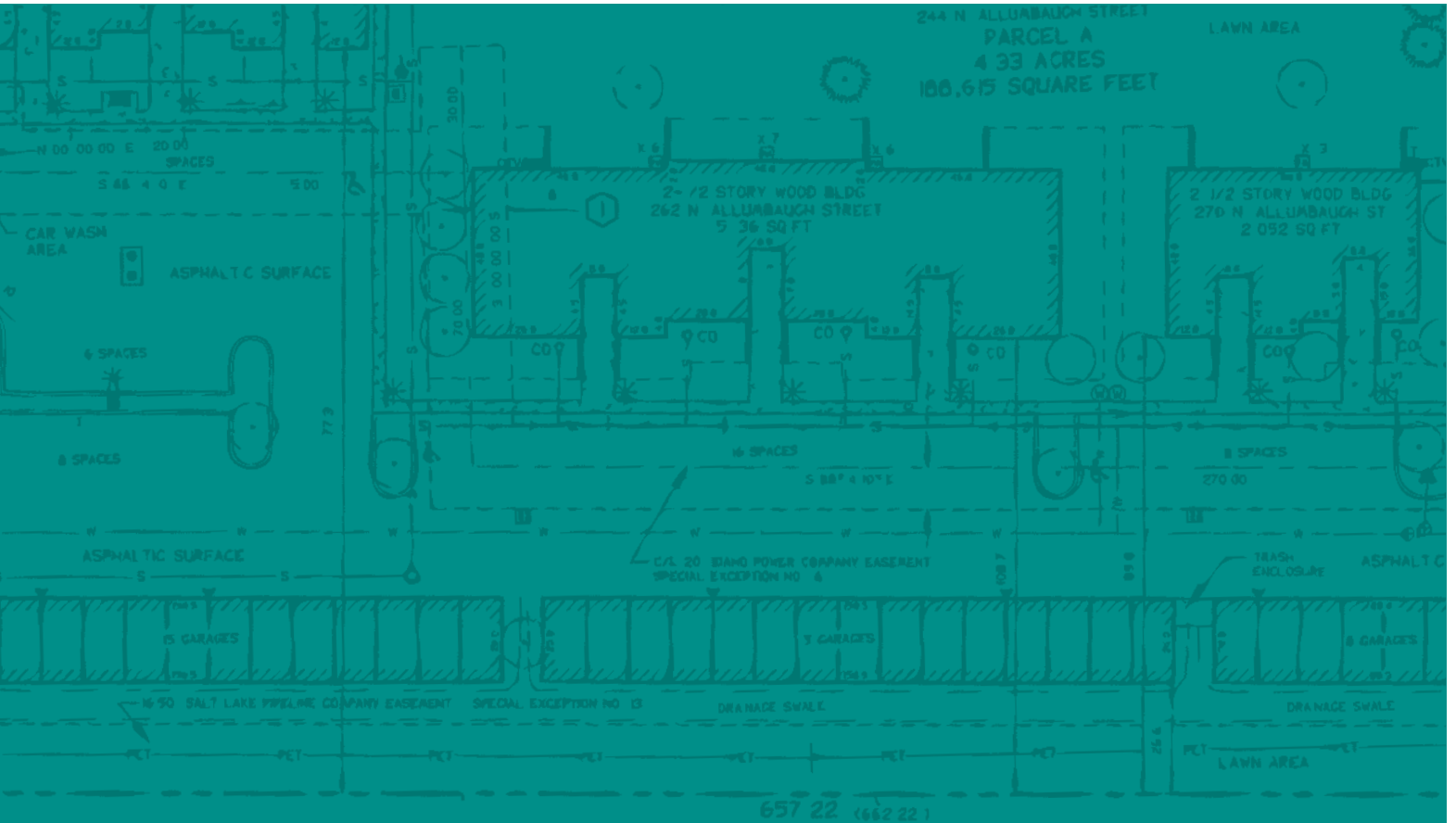
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