

# ANNUAL REPORT 2022



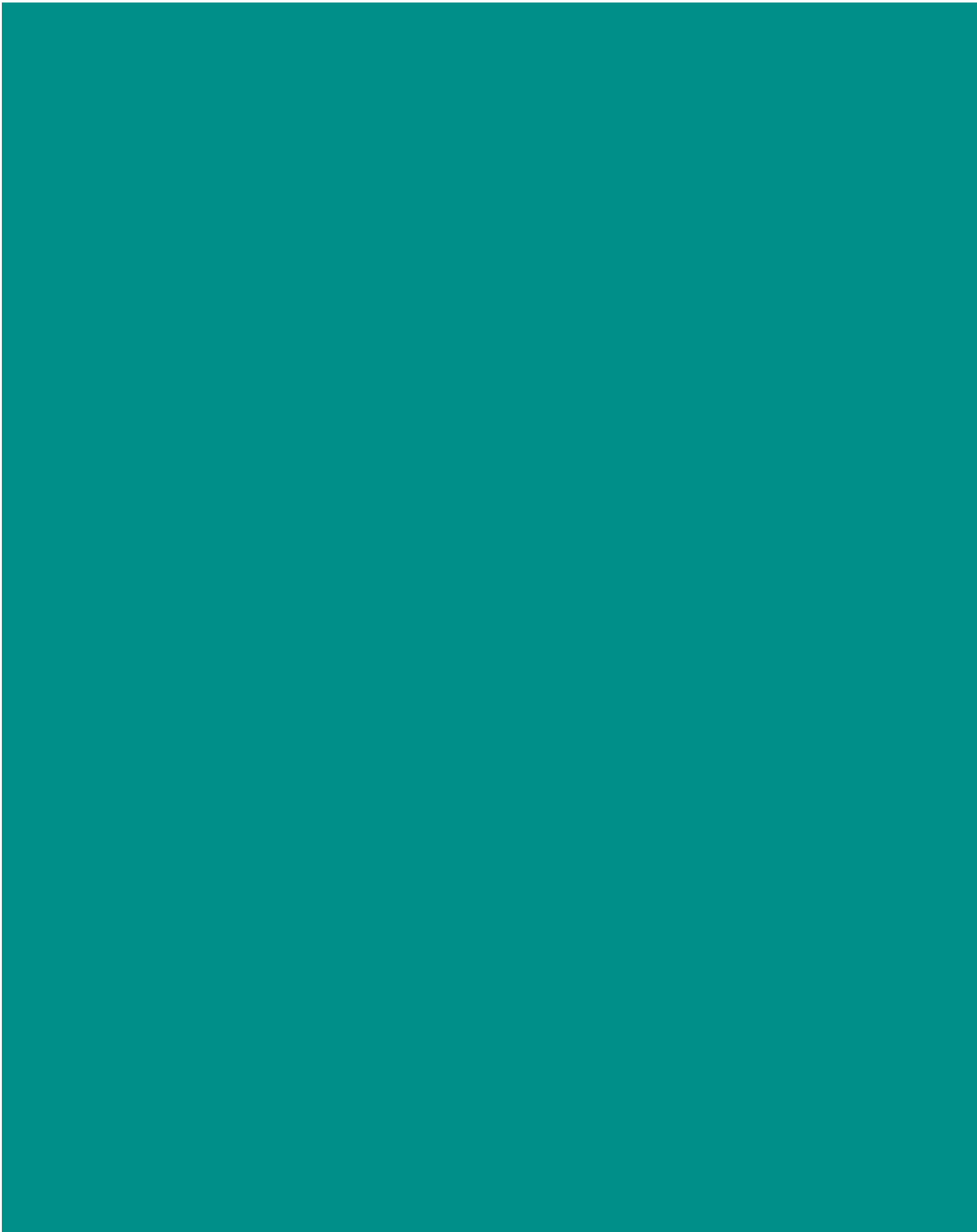
**VARIA**  
US PROPERTIES



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# 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.
- 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, all backed by a majoritarian non-executive, independent Board – allows Varia US Properties to successfully take advantages of the opportunities the US real estate market is offering.
- The Company's asset manager is Stoneweg SA, a Geneva-based, international real estate asset manager with over USD 6.5 billion of real estate assets transactions. In the US, Stoneweg US LLC is in charge of acquisitions, asset management and disposition of assets fitting with the Company strategy.

# PORTFOLIO SUMMARY

as of December 31, 2022

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## PORTFOLIO VALUE

2021: USD 1,412 million

USD million

**1,704**

## NUMBER OF PROPERTIES

2021: 43

**41**

## NUMBER OF UNITS

2021: 11,887

**11,042**

## AVERAGE MONTHLY RENT PER UNIT

2021: USD 932

USD

**1,134**

## LOAN-TO-VALUE

2021: 54.27%

**55.41%**

## GROSS POTENTIAL INCOME\*

2021: USD 147.4 million

USD million

**169.2**

## AVERAGE MARKET VALUE PER UNIT

2021: USD 118,786

USD

**154,297**

## OCCUPANCY RATE

2021: 94.6%

**93.1%**

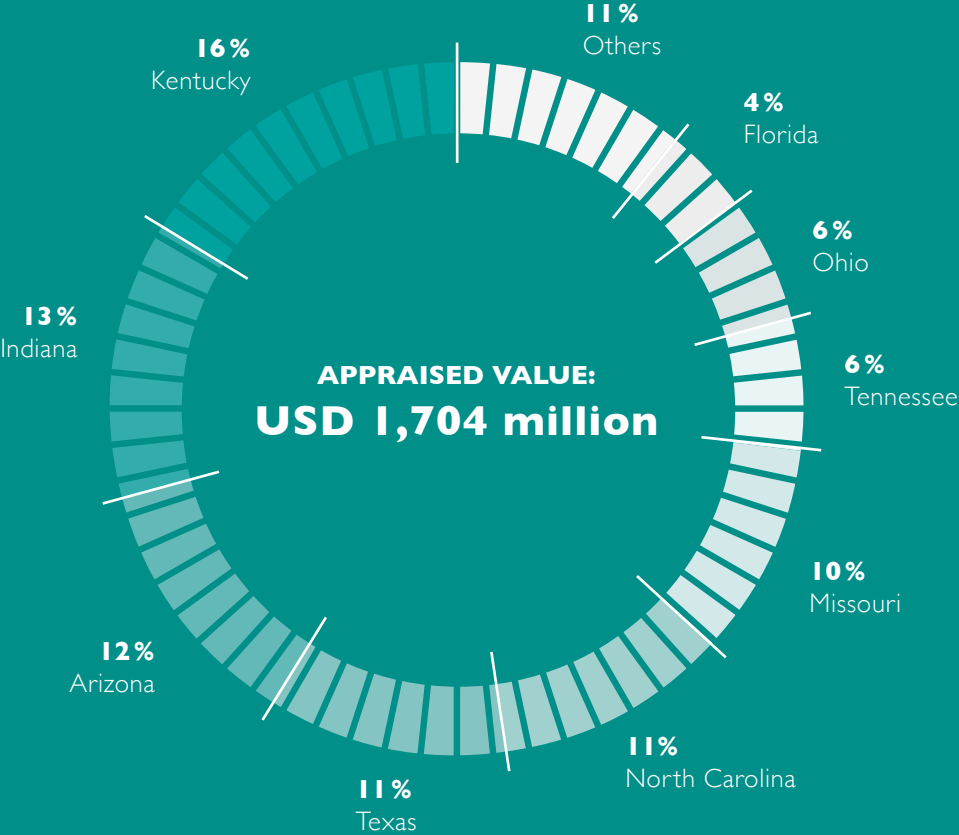
## EFFECTIVE GROSS INCOME\*

2021: USD 138.0 million

USD million

**158.1**

**GEOGRAPHIC BREAKDOWN**



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# **FINANCIAL YEAR 2022 AT A GLANCE**

## TOTAL INCOME

2021: USD 320.0 million

USD  
million

**297.7**

## FAIR VALUE PORTFOLIO ADJUSTMENT

2021: USD 197.4 million

USD  
million

**153.7**

## EBITDA

2021: USD 80.7 million

USD  
million

**88.2**

## PROFIT FOR THE PERIOD

2021: USD 156.0 million

USD  
million

**122.6**

## REPAIRS, MAINTENANCE AND MINOR REPLACEMENTS

2021: USD 8.7 million

USD  
million

**11.4**

## FFO

2021: USD 22.6 million

USD  
million

**22.9**

## EARNINGS PER SHARE

2021: USD 15.4

USD

**12.1**

## NAV PER SHARE

2021: USD 50.8

USD

**60.1**

## NAV PER SHARE (EXCLUDING DEFERRED TAXES)

2021: USD 58.8

USD

**70.8**

## SUMMARY PAGE OF KEY FIGURES

RESULT (For the Year Ended)	Unit	December 31, 2022	December 31, 2021	Change
Rental Income	USD mio	126.5	107.9	17.3%
Rental Income like for like*	USD mio	76.5	70.8	8.0%
Other Income and Insurance Proceeds	USD mio	17.5	14.7	19.2%
Total Realized Income (total income less unrealized valuation)	USD mio	188.4	163.6	15.2%
Realized Gains on disposal of properties	USD mio	44.4	41.0	8.3%
Unrealized Gains on revaluation of properties	USD mio	109.3	156.4	-30.1%
Net Gain (Loss) on revaluation of properties	USD mio	153.7	197.4	-22.1%
Revaluation of properties like for like*	USD mio	89.0	127.1	-30.0%
Total Income	USD mio	297.7	320.0	-6.9%
Operating Expenses	USD mio	100.2	82.9	20.9%
Operating Profit incl. revaluation	USD mio	197.6	237.1	-16.7%
Operating Margin	%	66.4	74.1	-7.8%
EBITDA (Operating Profit less unrealized revaluation)	USD mio	88.2	80.7	9.3%
EBITDA Margin	%	46.8	49.3	-2.6%
Normalized EBITDA (EBITDA less insurance proceeds)	USD mio	87.7	79.1	10.8%
Normalized EBITDA Margin	%	46.5	48.4	-1.8%
Net Profit before tax	USD mio	152.0	204.5	-25.7%
Net Profit	USD mio	122.6	156.0	-21.4%
Funds from Operations (FFO)	USD mio	22.9	22.6	1.3%
(net profit excluding fair value gain and transaction costs, tax effected)				
Normalized FFO (FFO less debt cost amortization, insurance proceeds and other non-cash items)	USD mio	25.7	22.1	16.3%

BALANCE SHEET (As of)	Unit	December 31, 2022	December 31, 2021	Change
Total Assets	USD mio	1,798.8	1,505.3	19.5%
Equity	USD mio	608.9	514.3	18.4%
Equity ratio	%	33.9	34.2	-0.3%
Return on Equity	%	20.1	30.3	-10.2%
Interest bearing Debt	USD mio	1,042.5	868.8	20.0%
Interest bearing Debt ratio	%	58.0	57.7	0.2%
Average interest of debt at the property level	%	4.5	3.4	1.1%
Average maturity of debt at the property level	years	7.1	6.7	5.4%

PORTFOLIO	Unit	December 31, 2022	December 31, 2021	Change
Properties	number	41	43	-4.7%
Units as of	number	11,042	11,887	-7.1%
Units Like for Like as of**	number	9,745	9,745	0.0%
Units Like for Like as of the Month Ending***	number	9,481	9,481	0.0%
Portfolio value	USD mio	1,703.8	1,412.0	20.7%
Portfolio Value Like for Like as of**	USD mio	1,381.3	1,229.1	12.4%
Market value per unit	USD	154,297	118,786	29.9%
Gross Potential Income (Market per Colliers)	USD mio	169.2	147.4	14.8%
Monthly rent per unit held for the full month ending	USD	1,134	932	21.7%
Monthly rent per unit Like for Like as of the Month Ending***	USD	1,098	979	12.2%
Occupancy rate as of	%	93.1%	94.6%	-1.5%
Occupancy rate Like for Like as of the Month Ending***	%	93.2%	94.7%	-1.5%

SHARE INFORMATION	Unit	2022	2021	Change
Market capitalization – December 31, 2022 and December 31, 2021	CHF mio	466.8	508.3	-8.2%
Earnings per share (EPS) – December 31, 2022 and 2021	USD / share	12.11	15.41	-21.4%
NAV – December 31, 2022 and December 31, 2021	USD / share	60.13	50.79	18.4%
NAV excluding deferred taxes – December 31, 2022 and December 31, 2021	USD / share	70.76	58.76	20.4%
NAV excluding distribution payable – December 31, 2022 and December 31, 2021	USD / share	61.22	51.89	18.0%
Share price – December 31, 2022 and December 31, 2021	CHF/ share	46.10	50.20	-8.2%
Funds from Operations (FFO) (net profit excluding fair value gain and transaction costs, tax effected) – December 31, 2022 and 2021	USD / share	2.26	2.23	1.3%
Normalized FFO (FFO less debt cost amortization, insurance proceeds and other non-cash items) – December 31, 2022 and 2021	USD / share	2.54	2.18	16.3%

\*Like for Like compares assets that were held for the full periods of 2021 and 2022.

\*\*Like for Like as of compares assets that were on hand on the last day of the period presented.

\*\*\*Like for Like as of the Month Ending compares assets that were held for the last full month of the period presented.

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



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# SHAREHOLDER LETTER

# DEAR SHAREHOLDERS,

The US real estate market has been very volatile in 2022. The year started at a multi-year high with a frenetic market and still low capitalization and interest rates. As the year progressed, the Federal Reserve increased interest rates at the fastest pace ever observed which drove greater and greater capitalization rate expansion and resulted in many fewer transactions in the marketplace.

Varia US Properties AG, the Company, made the best of these challenging times by securing a second credit facility with Freddie Mac (Varia US is the only entity to simultaneously hold one credit facility with each of the two primary US lending governmental agencies Fannie Mae and Freddie Mac), and by receiving 64 points from ESG benchmark organization GRESB for its first ever property portfolio submission which is an excellent result.

The Company also sold seven assets with a great average gross IRR at the property level of 25.3% and bought five newer assets in better locations in line with the Company's strategy of steadily improving portfolio quality.

The operating results of Varia US have been very good and the Board of Directors is pleased to present them to its shareholders.

In a nutshell, the Company generated total income of USD 297.7 million (2021: USD 320.0 million) and an EBITDA (Operating profit less unrealized revaluation) of USD 88.2 million (2021: USD 80.7 million). Our rent income has been very strong at USD 126.5 million (2021: USD 107.9 million), thanks to the efforts of our teams and of the property managers. The total value of the portfolio increased to USD 1.704 billion (2021: USD 1.412 billion) and it comprised 41 properties (2021: 43). The total assets of the Company are at USD 1.799 billion (2021: USD 1.505 billion).

These strong results are due to the quality of the portfolio and the effectiveness of its repositioning. It also demonstrates once more the solidity of the US workforce housing sector in the states where the Company invests.

For 2023, the Board expects to see a slow start of the year with further capitalization rate expansion and increasing interest rates, followed by a stabilization of interest rates and a slow compression of capitalization rates. Rents will continue to climb driven by strong underlying demand, yet at a lower pace than in 2021 and 2022 with NOI continuing to improve accordingly.

The Board anticipates a slight decrease of its portfolio valuation during 2023, but also anticipates strong operating results that will continue to benefit its investors. The Company will continue to pursue its repositioning strategy with a high ESG focus and it intends to be ready for new investment opportunities in a market that will likely include distressed assets.

The next ESG report of the Company will be published at the end of June 2023. It will be more detailed than the inaugural 2021 report and will be aligned with GRESB reporting standards favored by interested stakeholders. Some highlights of the Company's ESG progress are disclosed in this Varia US annual report.

Based on the good results presented above, the Company is in a position to propose to the forthcoming General Assembly on April 25, 2023 in Zurich to maintain its dividend for 2022 and to pay a true-up of CHF 1.20 per share in May. It will also propose to continue with the quarterly dividend payment of CHF 0.50 per share, as long as the number of issued shares does not change, bringing the total dividend to CHF 3.20 per share.

The Board of Directors of the Company is thankful for the confidence and trust of its investors. It will continue to serve them diligently and will work with the best outcome in mind for all stakeholders of the Company.

Sincerely yours,



**Manuel Leuthold**  
Chairman of the Board



**Jaume Sabater**  
Vice-Chairman of the Board

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# MANAGEMENT REPORT

## I. INTRODUCTION: A CHALLENGING YEAR

2022 started as 2021 finished, with historic low interest rates, historic low capitalization rates and historic high valuations. The market was hyperactive, the economy was booming and it was meant to never end.

However, during the year some cracks started to appear: inflation continued its raising trend, spearheaded by oil, gas, wages, rents and materials. To cool down the economy, the Federal Reserve started to increase interest rates at an unprecedented pace.

Consequently, debt became more expensive, capitalization rates started to expand and valuation started to go down. Q3 and Q4 experienced very limited new transactions and the market started to cool down.

Varia US has only been marginally impacted so far by this complete market shift, due to the quality of its assets and its large exposure to fixed rate debt. The closing of a new credit facility with Freddie Mac enhanced the flexibility of portfolio management mitigating the increase on interest service cost following a couple of planned refinancings and acquisitions. With capitalization rates expanding, appraisals began to moderate on a same store basis after Q3 of 2022.

Although manageable and limited, the impact of these changes will be more apparent in 2023. Fair value adjustments will likely be negative during the coming few quarters and the cost of debt will impact the profitability of the Company. However we expect operations will continue to drive positive results. According to budget, rents are expected to grow across the board through market increase and value-add implementation, and Net Operating Income is budgeted to increase as well limiting the impact of expanding capitalization rates.

For 2022, the Board of Directors is pleased to present solid results, in line with previous years.

- Total income less net gain from fair value adjustment reaching USD 144.1 million (2021: USD 122.6 million)
- Total income reaching USD 297.7 million (2021: 320.0 million)
- Earnings per share at USD 12.11 (2021: USD 15.41)
- Total assets at USD 1.799 billion (2021: USD 1.505 billion)
- NAV per share improved at USD 60.13 (2021: USD 50.79)
- EBITDA (operating profit less unrealized revaluation) amounts to USD 88.2 million (2021: USD 80.7 million)
- Normalized EBITDA is USD 87.7 million (2021: USD 79.1 million)
- FFO (net profit excluding fair value gain and transaction costs, tax effected) is USD 22.9 million (2021: 22.6 million)
- Normalized FFO is USD 25.7 million (2021: USD 22.1 million)
- Average Gross IRR of 25.32% and Gross Multiple of 2.24X on the 7 properties sold in 2022

Based on these results, and conscious of the current market environment, the Board of Directors decided to maintain the dividend paid in 2022 and to propose to the Shareholders the distribution of a true-up of CHF 1.20 per share to be paid in May 2023 for the year 2022. The Board of Directors will also propose to the Shareholders to maintain the distribution of a quarterly dividend of CHF 0.50 per share (as long as the number of shares is not modified), bringing the total dividend to CHF 3.20 per share.

## II. FINANCIAL AND OPERATING HIGHLIGHTS

The full year 2022 financial statements cover the period from January 1 to December 31, 2022. These statements are divided into two sections, the consolidated IFRS financial statements and the statutory financial statements. Both are discussed below.

### A. IFRS accounts

#### a) Income statement

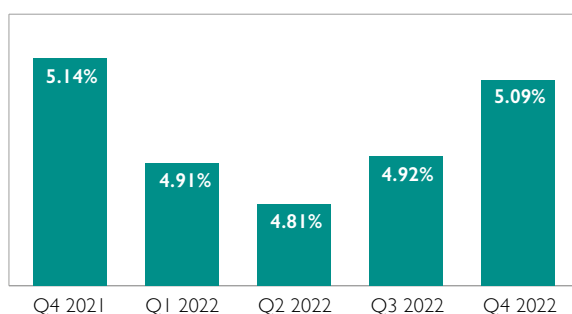
The income statement published in the IFRS financial statements includes realized and unrealized income as well as the ordinary and non-ordinary expenses.

Overall, the operating results and the proceeds from the sales executed in 2022 were excellent.

Without considering the gain on the properties sold in 2022, the Company generated a realized income of USD 144.1 million (2021: USD 122.6 million). This increase is mostly the result of better operations in assets with higher rents. Rental income like for like (same store) over the last year (2022 compared to 2021) improved by 8.0% (2021: 6.5%) year over year.

The net gain from fair value adjustment declines to USD 153.7 million (2021: USD 197.4 million), which includes USD 44.4 million realized gain from the properties sold in 2022 (2021: USD 41.0 million). This amount represents the change in valuation of the whole portfolio since January 1, 2022, and it includes the effect of capex invested throughout the reporting year. During this period, the weighted average capitalization rate touched its lowest and went down overall from 5.14% to 5.09%.

Cap rate variations total portfolio



The Company expects to see a further expansion of its average capitalization rate in the next few quarters.

The impact on the appraisals should be mitigated by improved Net Operating Income (NOI). However, the Company expects to see limited if not negative fair value adjustments in the quarters to come.

The Company supported total operating expenses of USD 100.2 million (2021: USD 82.9 million), of which USD 15.8 million are transaction costs (2021: USD 13.9 million).

The operating profit is down to USD 197.6 million (2021: USD 237.1 million) which represents an operating margin of 66.4% (2021: 74.1%), defined as the operating profit divided by total income of the Company. The difference between 2021 and 2022 is mostly due to the difference in fair value adjustments.

The profit for the reporting period is USD 122.6 million (2021: USD 156.0 million), taking into account the payment of debt interests for USD 44.0 million (2021: USD 30.0 million), and a lower income tax expense of USD 29.4 million (2021: USD 48.5 million). Debt defeasance expense has been reduced to USD 2.0 million (compared to USD 2.8 million in 2021). This is mostly due to the benefits of the credit facilities that allow the Company to swap assets. In 2022, the Company also had a gain on net foreign currency exchange of USD 462 thousand, compared to the USD 178 thousand gain in 2021.

The earnings per share (weighted average of number of shares during the period) is USD 12.11 (2021: USD 15.41), which equals CHF 11.18 as of December 31, 2022 (exchange rate applied 0.92321), representing a 24.3% ratio versus the year end share price (CHF 46.10).

Due to the sale proceeds, EBITDA increased by 9.3% to USD 88.2 million (2021: USD 80.7 million), EBITDA margin is down 2.6% to 46.8% (2021: 49.3%), and FFO is up 1.3% to USD 22.9 million (2021: USD 22.6 million).

#### b) Balance sheet

On the asset side of the balance sheet, the cash position at the end of the year is of USD 77.4 million (2021: USD 80.4 million).

The total value of the portfolio as of December 31, 2022, is USD 1.704 billion (2021: USD 1.412 billion). The variance between these two numbers includes the properties acquired in 2022 for USD 338.2 million, the

capital improvements invested (USD 28.4 million), the sales executed (USD 228.5 million) and the net gain from fair value adjustment (USD 153.7 million). The details can be found in note G.

On the liability side, the interest bearing loans and borrowings (including current maturities and liabilities associated with assets held for sale) amount to USD 1.042 billion (2021: USD 868.8 million). This number includes the two corporate bonds raised respectively in 2019 and 2021 of CHF 50 million each (see note I). This liability represents a leverage of 58.0% compared to the total assets of the company and of 61.2% compared to the total portfolio value.

As of December 31, 2022, the total assets of the Company amount to USD 1.799 billion (2021: USD 1.505 billion).

The Net Asset Value (NAV) per share (weighted average number of shares over the period) increased to USD 60.13 (2021: USD 50.79) and to USD 70.76 (2021: USD 58.76) 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 2022 for the statutory financial statements is CHF 54.45 million (2021: CHF 40.36 million). This income consists of interests paid by the blockers to the holding Company based on the intercompany loans as well as of revenues from investments.

The expenses of the Company on the Swiss side were limited to CHF 2.26 million (2021: CHF 1.99 million). These expenses include the board compensation, accounting, audit fees and legal fees as well as communication expenses.

The tax provision is CHF 2.43 million (2021: CHF 1.92 million), which leaves a total annual profit after tax of CHF 45.99 million or CHF 4.54 per share (2021: CHF 33.35 million or CHF 3.29 per share).

### b) Balance sheet

The total assets of the Company decreased to CHF 429.40 million (2021: CHF 450.66 million).

The current liabilities went up to CHF 63.66 million (2021: CHF 48.52 million). The difference is mostly due to reclassification from long term liabilities of the 2019 bond maturing in 2023 offset by a decrease in inter-company loans during the reporting year.

Total equity of the Company is CHF 315.74 million (2021: CHF 302.15 million) based on the statutory financial statements.

## III. WHAT HAPPENED IN 2022 AT PORTFOLIO LEVEL:

### A. Existing portfolio and 2022 specific evolution

In 2022, the Company continued to implement its strategy of improving the quality of the portfolio and of reducing risks related to location and vintage. Consequently, it sold more units than it acquired, but increased the overall value of the portfolio and its potential income.

At the end of 2022, the portfolio comprised 41 assets in 14 States (2021: 43 assets in 15 States).

In terms of geographical breakdown and based on appraised values by Colliers, the largest concentration are in Kentucky (16%), Indiana (13%) and Arizona (12%). This diversification is key to support the company's business during economic volatility, and it also represents an asset in terms of climate resilience. This theme is one of the key metrics we will measure and report on in our dedicated ESG report 2022.

The total value of the portfolio is USD 1.704 billion (2021: USD 1.412 billion). On a same store basis, the portfolio's value increased by 12.4% (2021: 20.7%).

The weighted average capitalization rate used by Colliers for the whole portfolio is slightly decreasing. On December 31, 2021, it was 5.14% and on December 31, 2022, it was down to 5.09%. As shown above, this slight decrease is the end result of a U shaped curve. The Board of Directors expects to see further expansion of the capitalization rates in the quarters to come. On

a same store basis, the weighted average capitalization rate as of December 31, 2021 was 5.14%, and by the end of the year 2022, it was 5.28%, an increase of 14 bps. The difference between these two figures is that newer assets push capitalization rates down, whereas on a same store basis, capitalization rates are expanding by 14 bps year over year.

These appraisal cap rates have to be compared to average market cap rates. According to Newmark, the average multifamily cap rate at the end of 2022 for non-major markets was 5.01%, down from 4.6% a year before (source: Newmark 2023).

As of December 31, 2022, the Company owned 29.85 million square feet of land (site size) (2021: 33.2 million square feet), which equals to 2.77 million m<sup>2</sup> or 277.1 hectares or 2.77 km<sup>2</sup> (2021: respectively 3.08 million m<sup>2</sup>, 308.4 hectares and 3.08 km<sup>2</sup>). The net rental area was 10.37 million square feet (2021: 10.88 million square feet), which equals to 963,420 m<sup>2</sup>.

The total number of units in the portfolio at December 31, 2022 was 11,042 (2021: 11,887) with a total potential gross income (PGI), according to Colliers International, of USD 169.24 million (2021: USD 147.38 million), a projected effective gross income (EGI) of USD 158.09 million (2021: USD 137.96 million) and a potential net operating income (NOI) of USD 86.74 million (2021: USD 72.54 million).

The average unit size is 939 square feet (2021: 915 square feet), the monthly effective gross income (EGI) projected per unit is USD 1,193 (2021: USD 967) and the average value per unit is USD 154,297 (2021: USD 118,786). This increased monthly EGI and value per unit reflect the better quality of the portfolio.

At the end of the reporting year, the Company owned 10,886 market units (2021: 11,268 market units) and 156 LIHTC (low income housing tax credits) units (2021: 619 LIHTC units). This number is going down proportionally, as no new LIHTC property was bought in 2022.

In 2022, the Company acquired five assets or 1,297 units, and sold seven properties or 2,142 units. The details of these transactions are given below:

#### i) Acquisitions:

In 2022, the Company acquired five properties in highly desired markets (classified as Metropolitan Statistical Markets, MSA), known for their population and job growth:

- 1 property in the Charlotte MSA (22, +1.53%)
- 1 property in the Houston MSA (5, +1.19%)
- 1 property in the Kansas City MSA (31, +0.34%)
- 1 property in the Cincinnati MSA (30, +0.14%)
- 1 property in the Dallas MSA (4, +1.60%)

The first number in brackets is the US MSA ranking (the smaller the number, the larger the MSA). The second number represents the population growth between 2020 and 2021.

Property	Amaze @ Noda	Ashford	Wild Oak	JRG Lofts	Varia at Highland Village	Total/Average
Area	Charlotte NC	Houston TX	Kansas City MS	Covington KY	Highland Village TX	
Units	298	312	348	178	161	1,297
Year of Construction	2019	2015	2000	2021	2015	2014
<b>Acquisition price (in USD)</b>	<b>90,890,000</b>	<b>65,500,000</b>	<b>64,410,000</b>	<b>62,000,000</b>	<b>51,000,000</b>	<b>333,800,000</b>
Price per unit (in USD)	305,000	209,936	185,086	348,315	316,770	257,363

**ii) Sales:**

On the sale side, the Company disposed of the following properties:

Except for the property in Tulsa, OK, all assets were located in areas with a crime score above average and

with limited growth potential after what was already accomplished within the Company's capex program. Eastwood Crossing is the property that was sold with the lowest IRR ever for the Company. The submarket did not improve as expected, despite significant capex invested in that property.

Property	Eastwood Crossings	Kings quarters	Cinnamon Tree	Bridge Hollow	Woodstone	Aspen Ridge*	Woodland Manor*	Total/Average
Location	Kansas City MO	Kansas City MO	Albuquerque NM	Fort Worth TX	Fort Worth TX	Albuquerque NM	Tulsa OK	
Year of recapitalization*/ Year of Purchase	2019	2019	2018	2017	2017	2018	2018	2018
Number of units	455	408	398	280	200	96	305	2,142
Acquisition price at recap (in USD)	31,100,000	31,975,000	21,500,000	17,600,000	11,500,000	6,921,646	17,450,000	138,046,646
<b>Disposition price (in USD)</b>	<b>42,500,000</b>	<b>48,500,000</b>	<b>42,000,000</b>	<b>35,000,000</b>	<b>25,000,000</b>	<b>9,000,000</b>	<b>26,500,000</b>	<b>228,500,000</b>
Price per unit (in USD)	93,407	118,873	105,528	125,000	125,000	93,750	86,885	106,676
<b>Gross IRR</b>	<b>6.02%</b>	<b>33.78%</b>	<b>35.02%</b>	<b>25.93%</b>	<b>24.88%</b>	<b>11.97%</b>	<b>28.94%</b>	<b>25.32%</b>
<b>Gross Multiple</b>	<b>1.17x</b>	<b>2.12x</b>	<b>3.32x</b>	<b>3.18x</b>	<b>3.05x</b>	<b>1.32x</b>	<b>2.93x</b>	<b>2.24x</b>

At property level, the average IRR for these sales is 25.3% and the average multiple is 2.24X.

Most of the proceeds of the sale have been reinvested in the new acquisitions listed above. The balance of solid distributions with an organic growth financed by dispositions offers high and regular returns for shareholders and long-term appreciation of the share value.

The Company intends to continue to dispose of about 10%–15% of its portfolio every year (based on opportunities), and to improve its quality and centrality.

**b) Value-add strategy implementation**

During the period under review, the Company invested USD 28.4 million (2021: USD 18.0 million) in capex projects, which are reflected in the current valuation of the Company.

About a third of these investments relates to unit renovations, fifty percent to outdoor and amenities maintenance, and the balance for interior maintenance.

ESG considerations drive most of these investments: Heating, Ventilation and Air Conditioning (HVAC) units and appliances are replaced with high energy efficiency models and electric vehicles charging stations are installed whenever there is an opportunity. Insulation is added when economically feasible when roofs or sidings are replaced and LED lighting is used every time a fixture or a bulb is replaced.

\* All deals were recapitalized in January 2018, when the Company bought out previous Non-Controlling Interests holder. All numbers above are based on the performance of the assets after January 2018.

#### IV. 2022 REVIEW AND 2023 OUTLOOK: A VERY SOLID MARKET WITH A TREND OF FLATTENING

##### A. Market

###### i. Real estate: roller coaster year

2022 started at a peak and ended up between 15% and 20% lower according to the main indicators and analysts. The same property sold at the beginning and at the end of the year lost probably almost a fifth of its value within 12 months.

Varia US's portfolio did not suffer such a big loss in 2022 mainly due to the increase of its Net Operating Income (NOI), which pushes values up.

2023 starts much slower and at a different price level in the market. There is still a certain level of uncertainty about interest rates, and sellers and buyers are still trying to determine where capitalization rates should be for fair pricing. However, one starts to see some interesting opportunities, priced at a level that makes sense in today's environment, especially with assumable debt. At the most recent real estate conference held at the end of January 2023 (NMHC), one could under-

stand that investors were back after almost six months of down time.

In the next few months, the market is expected to see some further capitalization rate expansion. However, certainty and clarity are slowly coming back, which will push investors to begin transacting again, and supporting the market.

###### ii. Interest rates and credit facility

In 2022, the Company closed its second credit facility with Freddie Mac, becoming the first and so far only borrowing entity in the US to have one credit facility with each of the governmental lending agencies (Fannie Mae and Freddie Mac). These facilities will be of great help in today's higher interest rates environment. They will allow the Company to swap deals and keep the same loan terms, which is a very desirable feature.

In 2022, interest rates increased more than analysts anticipated, starting the year for the 10 year treasury at 1.63% and ending at 3.88%, after having touched 4.25% on October 24. On average, the 10 year treasury was 2.9% (see chart below).

##### 10 year treasury rate



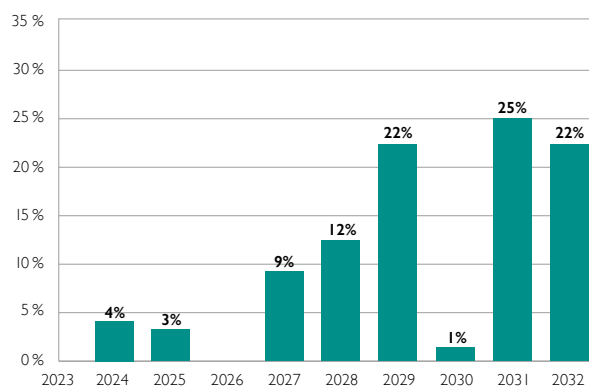
Mortgage rates went up from the high 2s and low 3s at the beginning of the year to the mid 5s at the end of the year. This shift is spectacular in its speed and changed all underwriting dramatically.

The average interest rate of Varia US went up from 3.4% at the end of 2021 to 4.5% at the end of 2022. On a billion dollar of debt, this represents an additional debt service charge of about USD 10 million.

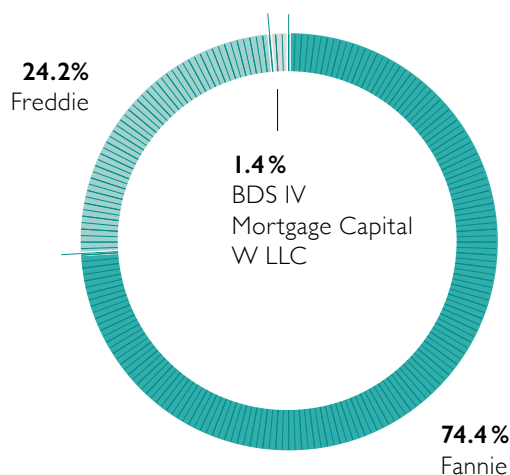
This limited increase in the Company's debt service is due to the fixed rates that did not change during the last twelve months. All variable rate loans that the company had were hedged with interest rate cap option contracts, which limited the increase of interests to be paid. The new debt that the Company raised during the year for new acquisitions and borrow-ups were priced at a lower level of the market thanks to the credit facilities in place.

The debt portfolio of the Company has an average maturity of 7.1 years (see chart below). Almost all loans are contracted with Fannie Mae or Freddie Mac, the two US governmental agencies that have a mission to support workforce housing (see chart below). The average interest rate is 4.46% (2021: 3.41%). The Company has therefore a very low risk profile with regards to interest rate evolution.

### Maturity breakdown



### Counterparty risk in %



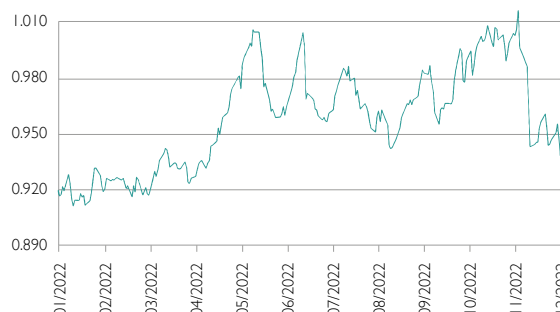
For future acquisitions, all new debt taken in the credit facility will be cross-collateralized and there will be a mix of short-term and long-term loans. Thereby, the Company increase its ability to exit deals opportunistically while minimizing the burden of prepayment penalties.

As these lines are printed, the market expects one more interest rate increase from the Fed, and then a stabilization of the rates with a slow decline of rates in the foreseeable future.

### iii. Currency

The dollar was more volatile during the year, but ended more or less where it started, gaining CHF 0.01 over the period. In the consolidated financial statements, the Company registered a small gain of USD 461,983 (2021: USD 178,192). In the statutory accounts, the Company recognized a loss of CHF 181,709 (2021: Loss of CHF 903,165).

### CHF/USD



Projections for 2023 and after are difficult to make. Experts expect to see the USD declining slightly against Swiss francs in 2023.

In these circumstances, the Company maintained its strategy not to hedge its equity and to distribute dividend on a quarterly basis to mitigate currency exchange risk. It also continued with its active hedging of its first corporate bond, but decided not to hedge the second bond.

#### iv. Stock price

The stock price started the year at CHF 50.20, gained more than 10% during the first quarter of the year with a highest at CHF 57 at the end of March, before starting to decline with the rest of the market, reaching a low at

CHF 43.00 in October. Over the last three months of the year, the stock improved again and ended the year at CHF 46.10, above the Swiss Performance Index (SPI) adjusted benchmark.



#### v. Market conclusion

In 2023, the market should continue to be a bit slow, at least during the first half of the year. The situation should gain some certainty with regard to interest rates and capitalization rates, which hopefully allow the start of a rebound.

It is expected that some borrowers will have difficulties paying the debt service or refinancing their debt. This will create more opportunities for investments in the months to come.

With regard more specifically to Varia US, the Company will continue its portfolio improvement strategy. It will continue to sell older assets located in sub-optimal locations and buy newer and larger assets in better locations. For this portfolio repositioning, the Company will stick to its workforce housing strategy in selecting the markets where job and population growth continues to be expected and focusing on low crime areas with good school scores.

For 2023, the Company faces again a large capex burden to maintain the existing portfolio and improve ESG performances. It also faces the repayment of its first corporate bond in June 2023. These liabilities and projects are currently expected to be paid mostly through additional sale proceeds. However, shall the corporate bond be rolled over, the sale proceeds will be used for distributions and new acquisitions.

The Company remains confident in its strategy and its positioning to face the current situation. Multifamily housing, especially the B segment, remains the most resilient real estate sector in the US alongside the industrial sector. The existing diversification of the portfolio and its superior return/risk ratio will continue to allow the Company to navigate successfully through these challenging times.

## B. Distribution

Since 2019, the Company has paid a quarterly dividend as approved by its Shareholders. This measure has been well perceived among investors and it helps mitigate currency risk. This policy was maintained in 2022 and will be again submitted for the approval of the Shareholder Meeting in April 2023.

As already announced, and based on the excellent operational results of the Company for the year 2022, the Board of Directors will propose to the Shareholder Meeting to be held on April 25, 2023 in Zurich to pay a true-up of CHF 1.20 per share for the year 2022. This true-up should be paid on May 10, together with the fourth quarterly dividend for the year 2022 for a total dividend of CHF 3.20 per share.

## C. Corporate activities

There are no additional corporate activities expected in 2023, other than the repayment or the refinancing of the corporate bond maturing this year.

## D. Operations

With respect to the operations side of the business, the asset managers have four key priorities for 2023:

- Continue the implementation of its ESG strategy (see below).
- Amplify the unit renovation program to support rent growth in all locations where the market allows.
- Optimize portfolio through thoughtful dispositions and acquisitions according to the Company's strategy towards a more institutional portfolio.
- Maintain an appropriate level of liquidity to face challenging times.

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. ESG program

In 2022, the Company submitted its whole portfolio to GRESB and got a solid 64-points result, which is a great result for a first participation.

The Company earned many awards for its sustainability initiatives and became Impact Sponsor for Freddie Mac. It certified many properties in its portfolio and launched a lot of new exciting initiatives that have already had

and will continue to have a significant impact for all the Company's stakeholders. The Company strongly believes that ESG and climate resilience investments not only benefit the residents and the community at large, but it also creates additional value for its shareholders.

In a separate chapter of this report, the Company publishes an update on the 2022 ESG achievements and a more detailed ESG report will be published at the end of July 2023.

## V. CONCLUSION

The asset manager of the Company, as well as its Board of Directors are looking forward to a challenging but successful 2023. With the team in place, the portfolio at hand and the 2023 outlook, the Company is positive about its future development and operating results. The Board and the asset manager of the Company will stay vigilant and adjust its strategy based on upcoming market conditions.

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



**Patrick Richard**

Delegate of the Board  
Founder and CEO of Stoneweg US LLC

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# ESG UPDATE

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) UPDATE

**Throughout 2022 Varia US continued to integrate best practices and through new partnerships strengthen the Company's commitment to its Environmental, Social, and Governance (ESG) work.**

2022 was a year of new partnerships, practices, and bringing focus to continuous improvement in terms of ESG for Varia US. We are pleased to present this summary update to highlight some of the Company's ESG progress, new activities, and accomplishments throughout 2022.

The Company believes its enduring commitment to a top-down as well as bottom-up approach to ESG, sustainability and responsible business practices appropriately manages risk and supports the overarching goal of protecting and growing the value of our investments.

Varia US is committed to appropriate transparency and disclosure across the Company's activities related to how we are addressing environmental, social, and governance challenges and how we are working to create positive impact for our stakeholders and the communities in which we operate. We are proud of the progress we have made, and we are dedicated to continuously improving our ESG performance in the years to come.

## ESG WEBPAGE

**Varia US is proud to announce the launch of a new section of the Company's website dedicated to Environmental, Social, and Governance (ESG) information.**

In 2022 Varia US added a new section to the Company's website dedicated to ESG activities. This new section showcases our commitment to ESG, sustainability and responsible business practices, and provides resources to our stakeholders who wish to learn more about Varia US' ESG work.



On the ESG page of the Company's website you'll find:

- Our ESG Vision & Strategy
- The Company's ESG Policy
- A listing of relevant ESG reporting
- An introduction to the Company's Board of Directors ESG Committee and their responsibilities.
- An introduction to the Company's Asset Level Sustainability Practices.

## ESG ACHIEVEMENTS

**In 2022 Varia US continued to build a strong momentum around the Company's ESG work and arrived at new milestones along our journey to integrate sustainability into the way we do business.**

Varia US is proud to share this high-level summary of accomplishments and milestones that illustrate 2022 was a strong year of progress toward our long-term ESG objectives.

The Company takes a dual approach (top-down and bottom-up) to our ESG work because we believe equal effort and support is required from the executive level as well as the teams tasked with routine daily operating activities to achieve our ESG objectives.

### GRESB Submission

In 2022 Varia US Properties participated for the first time in the leading real estate ESG assessment GRESB and achieved strong results in comparison with its peers. Read more about the Varia US 2022 GRESB submission in the next section of this report.

### ENERGY STAR® Performance Certifications:

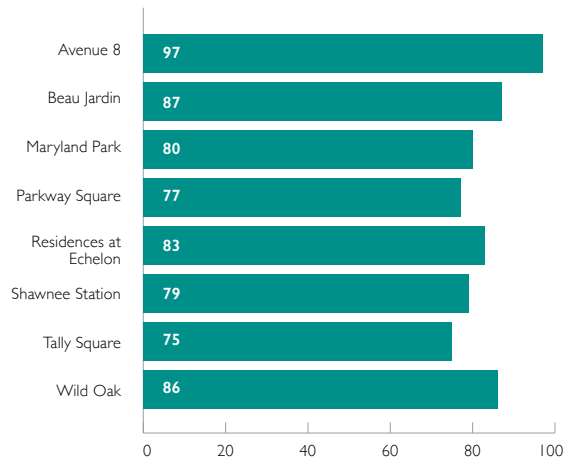
8 Communities received ENERGY STAR® Performance Certifications in 2022 demonstrating superior energy efficiency compared to similar buildings.



In order to receive the certification, the building must perform in the top 25% of similar buildings nationwide, demonstrating a commitment to reducing energy consumption and improving sustainability.

For multifamily investments, the ENERGY STAR® performance certification is a valuable recognition, as it not only helps to reduce energy costs and improve sustainability, but it can also attract environmentally conscious tenants, increase market value, and improve the building's overall competitiveness and liquidity in the market.

### 2022 ENERGY STAR® Performance Certifications



### ENERGY STAR® Certification Nation

To celebrate the 30<sup>th</sup> Anniversary of ENERGY STAR® in 2022, the U.S. Environmental Protection Agency (EPA) offered a special, one-time recognition to organizations like Stoneweg, on behalf of Varia US, that earned the US EPA's ENERGY STAR® performance certification for five or more buildings in 2022.

### 4 Green Globes Building Certifications Achieved in 2022!

For multifamily real estate investments, receiving a green building certification is significant and valuable as it demonstrates a commitment to environmental sustainability and energy efficiency. Green building certifications are awarded by independent organizations and assess a building's performance in areas such as energy and water efficiency, indoor environmental quality, and material and resource use.

### 2022 Green Globes Certification Locations

- JRG Lofts
- Varia at Highland Village
- West End at Fayetteville
- Wild Oak

### Recycling Expansion

At the end of 2021 we reported that 21% of Varia US owned apartment communities offered recycling as part of site-level waste management services. The Company's goal is that all locations offer a recycling solution to its residents by the end of 2023. In 2022 Varia US exceeded its annual interim goal and added recycling services at 22 communities bringing the number of locations that offer recycling to 55 % of locations.

### Freddie Mac – Impact Sponsor



Stoneweg, on behalf of Varia US, is pleased to share we have been named as a Freddie Mac Multifamily Impact Sponsor. The Impact Sponsor Award was established in 2021 to recognize sponsors who simultaneously move the needle on affordable housing and create value through tenant advancement. The 2022 Impact Sponsor cohort is comprised of sponsors who stand out amongst their peers by going above and beyond to promote affordability, green improvements, tenant supportive services, and more.

### Sustainable Leadership Award

Consistent with its work on behalf of Varia US, Stoneweg was recognized in 2022 by the St. Petersburg Downtown Partnership and the Environmental Defense Fund at its inaugural Sustainable Leadership Awards ceremony for sustainability best practices and initiatives in commercial real estate. This recognition is a true honor in light of both Varia US and Stoneweg's efforts to continuously and consciously weave sustainability throughout all facets of their respective business operations. We invite you to view the video that was shared at this ceremony featuring the two pillars paving the sustainability way for both companies, Stoneweg US CEO Patrick Richard and Director of Sustainability Tom Stanchak.



### 1<sup>st</sup> On-Site Renewable Energy System

With the acquisition of Wild Oak Apartments located in Kansas City, MO, Varia US has added its 1<sup>st</sup> on-site renewable source of energy in the form of a carport solar array. The solar array provides energy to support the operations of the community's clubhouse.

## GRESB

Varia US Properties demonstrated its continuing commitment to ESG transparency and improved ESG performance by participating in 2022 for the first time in the global ESG benchmark for the real estate industry, GRESB (Global Real Estate Sustainability Benchmark).

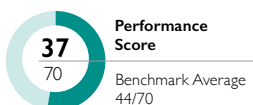
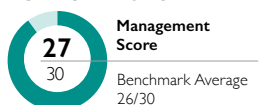


The annual GRESB assessment is guided by what investors and the industry consider to be material issues in the sustainability performance of asset investments and are aligned with international reporting frameworks, goals and emerging regulations. Patrick Richard, Delegate of the Board of Directors of Varia US, says: "We are very pleased with the strong results that we received in the 2022 GRESB ranking as you have to consider that the peer group consists of much larger stock-listed companies than Varia US and that we participated in this assessment for the first time. What differentiates Varia US from its GRESB peer group is our mission to serve the American workforce with safe, good-quality, and market-rate affordable apartment communities to call home."

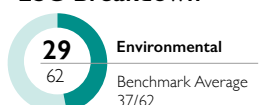
Varia US' detailed results indicate robust performance in terms of Management, Social and Governance dimensions of the 2022 GRESB assessment:



### GRESB Model



### ESG Breakdown



Peer Comparison: Ranked 8<sup>th</sup> out of 11, United States of America, Residential, Multi-Family, Listed

### 2022 GRESB Peer Group

- AIR (Apartment Income REIT Corp)
- Avalon Bay
- Bridge Real Estate Investments\*
- Camden
- Centerspace (Investors Real Estate Trust, irt)
- Equity Residential
- Essex
- MAA (Mid-America Apartment Communities)
- UDR, Inc.

\* Bridge Real Estate Investments submitted to GRESB on behalf of two funds.

GRESB data is used by hundreds of capital providers and thousands of asset managers worldwide to benchmark investments across portfolios and to better understand the opportunities, risks and choices that need to be made as the industry transitions to a more sustainable future. In 2022, GRESB grew to cover more than USD 6.4 trillion of assets under management, up from USD 5.3 trillion in 2021.

Manuel Leuthold, Chairman of the Board of Directors of Varia US, adds: "Varia US' relative ranking reflects our conscientious efforts to incorporate results-oriented best practices and the proven added value for all our stakeholders in terms of ESG. One of the ways Varia US is unique is our strategy to deliver value by integrating practical, proven and often innovative sustainability practices at every apartment community we invest."

Tom Idzal, Managing Director – Head of Americas at GRESB, comments: "The first participation of Varia US' multifamily workforce portfolio in our annual real estate assessment demonstrates asset-class leadership and strong commitment to ESG integration. It is inspiring to see such a high level of dedication from Varia US and its portfolio of American workforce apartment communities demonstrated by its inaugural assessment performance and its choice to be transparent with the reported results."

### Varia US provides moderate to medium income portfolio

Varia US is also contributing to ESG by investing in safe and quality apartment communities that are affordable for US workforce households with a moderate to medium income. During the first half of 2022 and as outlined in the Half Year 2022 report, Varia US ran an affordabil-

ity analysis of the portfolio to measure the affordability of its communities, based on specific location of each asset and the applicable Average Median Income (AMI) of the household of each unit. The result shows that Varia US has a moderate to medium income portfolio, trending to a workforce housing portfolio:



Within its portfolio, Varia US not only acts upon its energy consumption to reduce GHG emissions. It also works closely with community managers and residents to listen to their opinion, create a sense of community and provide access to resources to support residents in times of need. Varia US also works to improve governance in its management processes.

Some examples of these kinds of engagements are installing technology in our apartment community buildings like Mesa by Google Sustainability. Mesa is a low-cost, easy-install building control retrofit solution that reduces emissions, delivers cost savings and offers a greener, differentiated office and amenity space.



This technology includes a feature that incorporates occupant sentiment feedback in order to prioritize human comfort while reducing lighting load and mechanical system runtime.

“Our team is convinced that ESG today must be an integral part of a company's strategy. Our 2022 GRESB assessment results confirm our stance and is a great motivation. In doing so, we not only improve the ESG performance of our portfolio and contribute to a higher quality of life for our tenants, but also create added value for Varia's shareholders. We are therefore proud that Varia US is now also included in two ESG indices of the Swiss Stock Exchange”, Patrick Richard concludes.



GRESB Report



GRESB Interview

“We were motivated to participate in GRESB because we wanted to receive a relevant and unambiguous assessment of our ESG activities. In addition, stakeholders with a significant share interest in the company encouraged us to engage with the assessment.” Thomas Stan-chak, Director of Sustainability at Stoneweg US, LLC

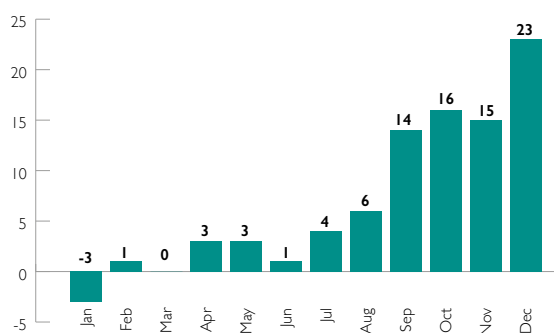
## ESG PROGRESS

**In 2022 Varia US demonstrated sustained focus on ESG, sustainability and corporate responsibility by integrating best practices and continuous improvement toward the Company's ESG Objectives.**

Varia US made significant progress in 2022 toward the Company's ESG objectives. The company's focus on ESG, sustainability and corporate responsibility is reflected in activities such as their 2022 GRESB submission, growing number of ENERGY STAR® Performance Certifications, and new partnerships outlined in a following sections of this update that include many well-respected groups that support ESG, sustainability and energy efficiency.

The Company implemented new energy-efficient technologies in their properties, introduced the use of on-site renewable energy sources into the portfolio, and demonstrated sustained improvement in terms of resident satisfaction.

### 2022 Resident NPS Survey Results



Resident survey NPS results by month January to December 2022. NPS or Net Promoter Score® is a cross-industry measurement of customer experience, and is used as an indicator of customer loyalty and retention. (NPS®).

Additionally, the Company strengthened governance practices and increased transparency through the publication of its first ESG Annual Report, as well as making other reports publicly available such as the GRESB Benchmark Report and TCFD Alignment Report.

These initiatives and efforts are contributing to the growing recognition that Varia US is emerging as a leader in sustainable real estate, and their continued commitment to promoting a more sustainable future.

## STEPS FORWARD

### BOD ESG Committee

**The Varia US Properties AG Board of Directors created a board-level ESG committee in 2022 to prioritize and address ESG issues.**

The Varia US Board level ESG Committee is comprised of a direct delegation of members from the Varia US Board of Directors and is supported to achieve its goals by the Company's Asset Manager Stoneweg.

This committee was formed in response to the growing importance of ESG initiatives and the increased stake-

holder demand for companies to adopt environmentally responsible practices and further strengthen corporate governance activities.

The formation of the ESG committee demonstrates Varia US Properties AG's commitment to sustainability and its role as a responsible corporate citizen.

### ESG Committee Members:

- Dany Roizman, Member of the Board
- Grégoire Baudin, Member of the Board
- Jaume Sabater, Vice Chairman of the Board

Varia US ESG Committee's responsibilities and functions:

### ESG Strategy



- Monitor the development of the Company's ESG strategy.
- Assess climate risks and transition paths and supervise relevant initiatives and activities.
- Review the ESG budget and submit it to the BOD for its approval.

### ESG Policies



- Review the Company's ESG policies and submit it to the Board of Directors for approval.
- Monitor the Company's ESG policies and their implementation.

### ESG Monitor and Review



- Monitor ESG reporting requirements.
- Monitor how all milestones and targets defined by ESG Strategy are reported to the Board of Directors and in the ESG Report.

### ESG Reporting



- Review the ESG report and submit it to the Board of Directors' approval.
- Report to the Board of Directors on a regular basis.
- Regular coordination with other Company's committees and with Stoneweg Group ESG Committee.

## NEW PARTNERSHIPS AND MEMBERSHIPS

### Better Buildings and Better Climate Challenges

The Better Buildings and Better Climate Challenges are voluntary, market-based platforms for organizations like Stoneweg on behalf of Varia US to set ambitious, portfolio-wide, operational energy efficiency and GHG emissions reduction goals and showcase how they are taking steps to address climate change.

By accelerating energy efficiency and other clean energy investments, reporting on progress, and sharing their plans and solutions for meeting their ambitious goals, partners like Stoneweg help pave the way for others.

United States Department of Housing and Urban Development (HUD) is partnering with United States Department of Energy (DOE) to support this transformative market leadership program in the multifamily sector. HUD will work with DOE to provide technical assistance, facilitate peer-to-peer learning opportunities, share the work of leaders, and highlight real-world replicable solutions.

Better Climate Challenge (BCC): Partners commit to reducing their greenhouse gas emissions by 50% within 10 years

Better Buildings Challenge (BBC): Partners commit to reducing their energy consumption by 20% within 10 years



### Utility Management Advisory

On behalf of Varia US, in 2022 Stoneweg joined the peer group known as the Utility Management Advisory (UMA). UMA is a professional assistance group for those working in the multifamily industry and involved in utility management or sustainability. UMA is a peer group / sounding board / think tank / place to hear about new technologies and regulations. UMA is operated by volunteers and is not-for-profit.

The UMA is a resource for those seeking collaboration with other professionals serving in similar capacities. Stoneweg on behalf of Varia US through the UMA co-operates with a diverse peer group to continue to bring efficiencies, new technologies, and new ideas to multifamily organizations.

### Multifamily Impact Council

In 2022, on behalf of Varia US, Stoneweg participated as a founding member of the Multifamily Impact Council (MIC). The MIC is a non-profit membership organization dedicated to establishing a framework of impact principles and reporting guidelines for the multifamily industry in the United States.

Stoneweg, on behalf of Varia US, is working with the MIC to create a consistent and transparent impact framework for the industry.

## ANNUAL ESG REPORT 2022 – PREVIEW

### Publication Schedule

#### Varia US Properties AG will publish its Annual ESG Report for 2022 mid-year 2023.

This will be the Company's 2<sup>nd</sup> Annual ESG Report and will provide greater and more complete insights into the company's environmental, social and governance performance for the year 2022. It will showcase the company's commitment towards continuous improvement in terms of sustainable operations, improving the resident experience and satisfaction as well as the adoption of responsible business practices in terms of governance.

### Improvement of Data Coverage

Data plays a crucial role in evaluating and monitoring the Environmental, Social and Governance (ESG) performance of companies. Accurate and up-to-date ESG data enables companies to identify areas for improvement, assess their impact on stakeholders, and track their progress over time. This data is also used by investors and stakeholders to make informed decisions about investment and engagement with companies.

Varia US is progressing well in collecting ESG data and building its performance metrics. The company has implemented robust data collection systems and processes to gather accurate and relevant information. This has enabled Varia US to gain a better understanding of its ESG performance and identify areas for improvement. The company's efforts in collecting ESG data and building performance metrics align with its commitment to responsible business practices and sustainable operations.

In terms of energy use and measuring energy efficiency, whole building data is the goal. Whole building data is achieved when all sources of energy used by a community are captured in their entirety and continuously for at least one year. With this valuable information important reporting metrics can be accurately reported such as Energy Use Intensity (EUI), and relative GHG Intensity.

At the end of 2021 Varia US was able to capture ~17% of the portfolio's whole building energy data. Through a sustained effort and adopting new best practices for utility data management, by the end of 2022 the Company is on track to capture >55% of the portfolio's whole building energy data. It is our goal to continue this momentum and further improve our energy use data results year over year.

**“ESG data is a complex challenge at scale for real estate investors. Reliable technologies and a comprehensive system of collecting data sets good intentions apart from proven results. Stoneweg US feels a sense of responsibility to always be working to get better and to do better with technology and data collection to prove out our ESG results.”**

Patrick Richard, Founder & CEO, Stoneweg US

In addition to its internal data collection efforts, Varia US also participates in activities such as ENERGY STAR® Portfolio Manager. This allows the company to measure its resource use efficiency performance against its peers and industry standards, providing a comprehensive view of its environmental impact. The company's participation in these initiatives reflects its commitment to transparency and accountability in its ESG performance.

Overall, Varia US Properties AG's efforts in collecting ESG data and building performance metrics demonstrate its commitment to responsible business practices and sustainable operations. The company's progress in this area will help it to effectively monitor its impact and make informed decisions that benefit its stakeholders.

### SASB Framework Reporting

Varia US will be incorporating the Sustainability Accounting Standards Board (SASB) framework in its 2022 ESG Annual Report. The SASB framework provides a standardized approach to sustainability reporting and provides a clear and consistent way for companies to communicate their ESG performance to stakeholders. By incorporating the SASB framework in its 2022 ESG Annual Report, Varia US will be able to demonstrate its commitment to transparency and accountability in its ESG performance, as well as improving upon its initial Annual ESG report with improved content that can be considered to be high-quality and investor grade material.

The use of the SASB framework will also provide stakeholders with a comprehensive and comparable view of the company's ESG performance, allowing them to make informed decisions about their engagement with the company.

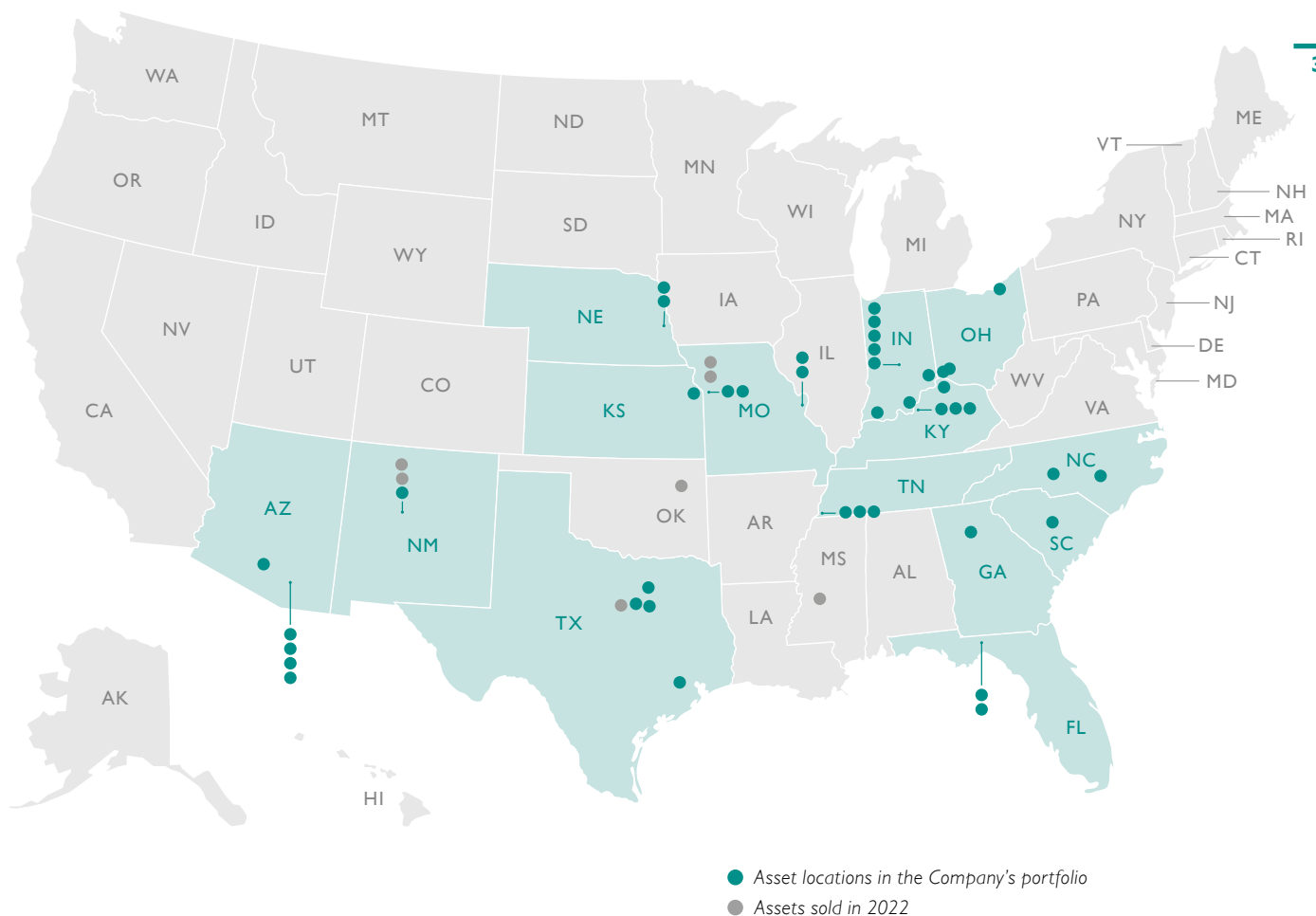


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# PORTFOLIO OVERVIEW

as of December 31, 2022

In 2022, Varia US Properties acquired 5 properties and sold 7 smaller properties. By the end of 2022, the portfolio comprised of 41 properties spread across 14 states and representing 11,042 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 almost quintupled to USD 1704.0 million since December 2016. This sustainable value increase is also based on ongoing renovation of the existing portfolio to improve its quality.





## 1 SHAWNEE STATION

ACQUISITION DATE	CITY	STATE
February 2016	Shawnee	Kansas
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
228	19,570 m <sup>2</sup>	3,463,525 USD



## 2 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 <sup>2</sup>	2,158,584 USD

34



## 3 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 <sup>2</sup>	1,370,529 USD



## 4 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 <sup>2</sup>	4,077,400 USD



## 5 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 <sup>2</sup>	3,836,560 USD



## 6 BRENT VILLAGE

ACQUISITION DATE	CITY	STATE
August 2016	Bellevue	Nebraska
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
180	13,738 m <sup>2</sup>	2,440,180 USD



## 7 WOOD HOLLOW APARTMENTS

ACQUISITION DATE	CITY	STATE
December 2016	Euless	Texas
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
346	23,378 m <sup>2</sup>	5,384,600 USD



## 8 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 <sup>2</sup>	4,410,760 USD



## 9 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 <sup>2</sup>	3,238,840 USD



## 10 RIDGE ON SPRING VALLEY

ACQUISITION DATE	CITY	STATE
February 2017	Dallas	Texas
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
207	15,440 m <sup>2</sup>	3,571,520 USD



## 11 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 <sup>2</sup>	2,440,320 USD



## 12 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 <sup>2</sup>	2,674,844 USD



## 13 ZONA VILLAGE

ACQUISITION DATE	CITY	STATE
June 2017	Tucson	Arizona
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
183	9,185 m <sup>2</sup>	2,118,540 USD



## 14 ROLLING HILLS

ACQUISITION DATE	CITY	STATE
July 2017	Louisville	Kentucky
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
400	46,883 m <sup>2</sup>	6,025,731 USD



## 15 MISSION PALMS

ACQUISITION DATE	CITY	STATE
July 2017	Tucson	Arizona
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
360	34,645 m <sup>2</sup>	6,060,960 USD



## 16 AVENUE 8

ACQUISITION DATE	CITY	STATE
September 2017	Mesa	Arizona
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
194	19,826 m <sup>2</sup>	3,617,400 USD



## 17 RIVER OAKS

ACQUISITION DATE	CITY	STATE
January 2018	Tucson	Arizona
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
300	19,702 m <sup>2</sup>	3,923,280 USD



## 18 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 <sup>2</sup>	4,576,365 USD



## 19 MEADOWS

ACQUISITION DATE	CITY	STATE
March 2018	Memphis	Tennessee
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
200	17,763 m <sup>2</sup>	2,647,199 USD



## 20 WOODRIDGE

ACQUISITION DATE	CITY	STATE
May 2018	Cincinnati	Ohio
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
336	23,658 m <sup>2</sup>	4,110,289 USD

**21 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 <sup>2</sup>	4,693,800 USD

**22 CORDOVA CREEK**

ACQUISITION DATE	CITY	STATE
August 2018	Memphis	Tennessee
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
196	19,885 m <sup>2</sup>	3,089,495 USD

38

**23 860 EAST**

ACQUISITION DATE	CITY	STATE
August 2018	Cincinnati	Ohio
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
223	19,666 m <sup>2</sup>	3,284,708 USD

**24 BROOKWOOD**

ACQUISITION DATE	CITY	STATE
December 2018	Tucson	Arizona
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
272	19,211 m <sup>2</sup>	3,606,600 USD

**25 LYNNFIELD PLACE**

ACQUISITION DATE	CITY	STATE
August 2019	Memphis	Tennessee
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
400	43,232 m <sup>2</sup>	5,542,704 USD



## 26 HARRISON POINT

ACQUISITION DATE	CITY	STATE
January 2020	Indianapolis	Indiana
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
342	26,575 m <sup>2</sup>	3,587,940 USD



## 27 BRECKINRIDGE SQUARE

ACQUISITION DATE	CITY	STATE
December 2020	Louisville	Kentucky
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
294	30,852 m <sup>2</sup>	4,377,450 USD



## 28 THE AURA

ACQUISITION DATE	CITY	STATE
January 2021	Indianapolis	Indiana
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
125	14,016 m <sup>2</sup>	1,845,820 USD



## 29 THE M CLUB

ACQUISITION DATE	CITY	STATE
January 2021	Indianapolis	Indiana
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
388	28,200 m <sup>2</sup>	4,381,360 USD



## 30 RETREAT NORTHWEST

ACQUISITION DATE	CITY	STATE
January 2021	Indianapolis	Indiana
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
336	32,295 m <sup>2</sup>	4,742,796 USD

**31 LOCHWOOD**

ACQUISITION DATE	CITY	STATE
June 2021	New Albany	Indiana
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
200	24,972 m <sup>2</sup>	2,524,920 USD

**32 WYLDE AT EAGLES CREEK**

ACQUISITION DATE	CITY	STATE
July 2021	Indianapolis	Indiana
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
256	18,766 m <sup>2</sup>	3,772,200 USD

40

**33 WEST END AT FAYETTEVILLE**

ACQUISITION DATE	CITY	STATE
September 2021	Fayetteville	North Carolina
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
360	39,557 m <sup>2</sup>	7,290,840 USD

**34 MALLARD CROSSING**

ACQUISITION DATE	CITY	STATE
October 2021	Louisville	Kentucky
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
600	54,601 m <sup>2</sup>	9,652,228 USD

**35 RESIDENCES AT ECHELON**

ACQUISITION DATE	CITY	STATE
November 2021	Lee's Summit	Missouri
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
243	21,880 m <sup>2</sup>	4,810,320 USD



### 36 BELLEVUE HILLS

ACQUISITION DATE	CITY	STATE
December 2021	Bellevue	Nebraska
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
264	22,665 m <sup>2</sup>	3,749,390 USD



### 37 AMAZE @ NODA

ACQUISITION DATE	CITY	STATE
June 2022	Charlotte	North Carolina
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
298	20,552 m <sup>2</sup>	6,172,400 USD



### 38 ASHFORD

ACQUISITION DATE	CITY	STATE
July 2022	Houston	Texas
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
312	24,234 m <sup>2</sup>	6,045,340 USD



### 39 WILD OAK

ACQUISITION DATE	CITY	STATE
September 2022	Kansas City	Missouri
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
348	30,239 m <sup>2</sup>	5,626,310 USD



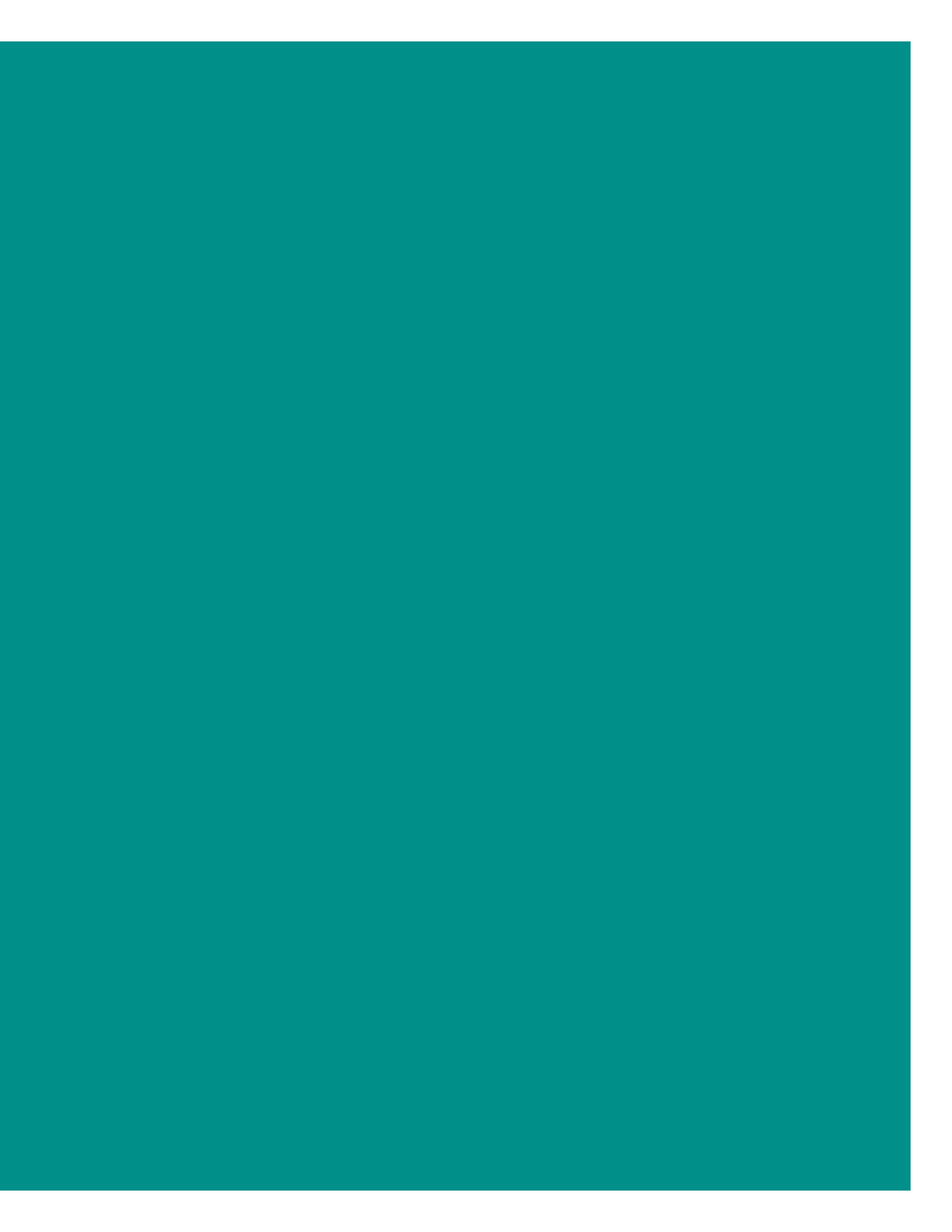
### 40 JRG LOFTS

ACQUISITION DATE	CITY	STATE
October 2022	Covington	Kentucky
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
178	12,221 m <sup>2</sup>	4,093,172 USD



## 41 VARIA AT HIGHLAND VILLAGE

ACQUISITION DATE	CITY	STATE
October 2022	Highland Village	Texas
NUMBER OF UNITS	NET RENTABLE AREA (NRA)	GROSS POTENTIAL INCOME
161	18,127 m <sup>2</sup>	4,198,060 USD



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# **CORPORATE GOVERNANCE REPORT**

This corporate governance report is written according to the Directive on Information relating to Corporate Governance entered into force on January 1, 2023, 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, 2022 was CHF 508.3 million. Its offices are located 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, 2022, the Company owned:

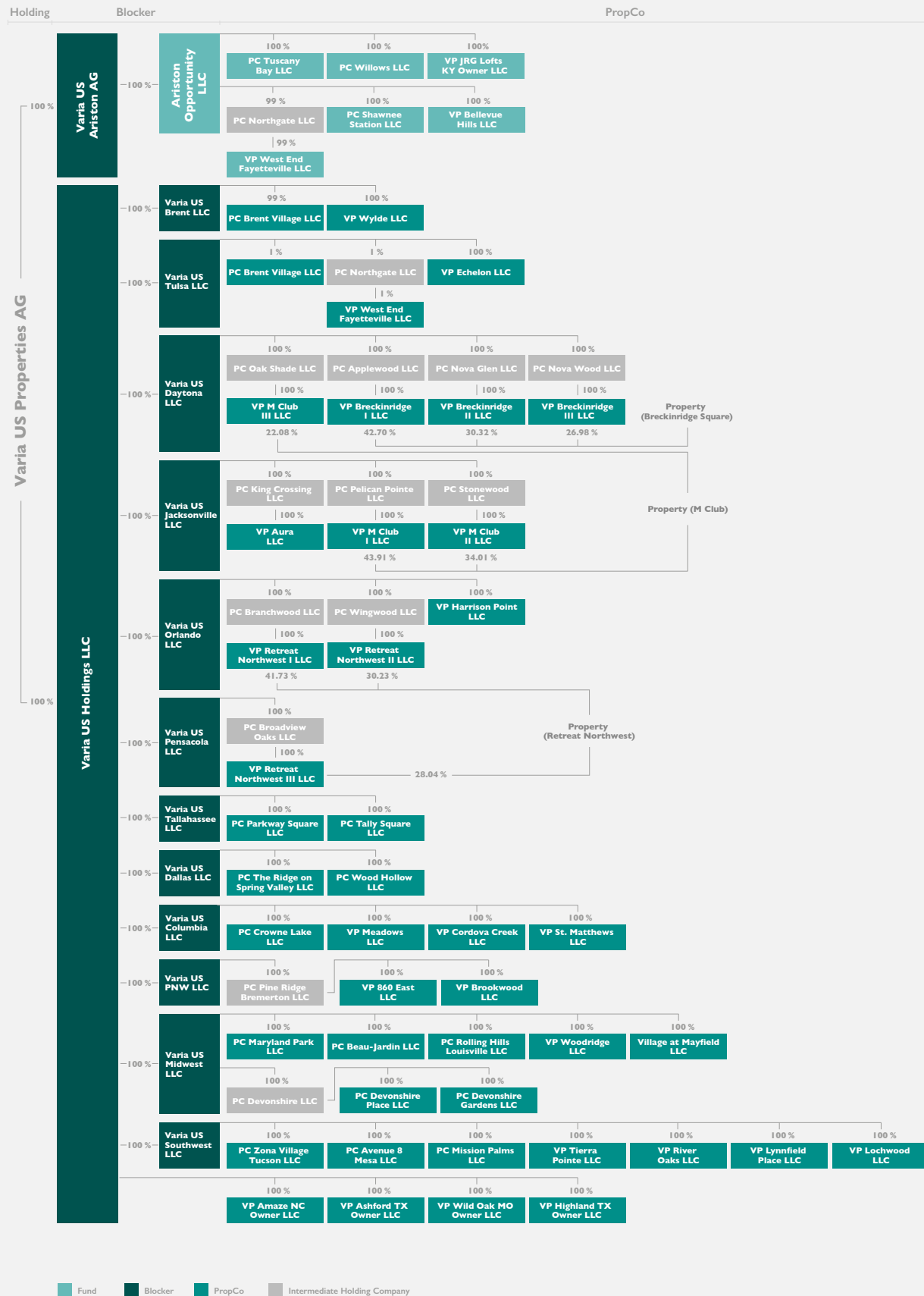
- 100% of shares of Varia US Ariston AG that owns 100% of the membership of Ariston Opportunity LLC, a Delaware entity, since November 30, 2022, due to reversed merger of the Ariston Opportunity Fund, into Ariston Opportunity LLC, being the surviving entity
- 100% of Varia US Holdings LLC that owns 100% of the units 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, 2022.

At the end of the period, Varia US Properties AG wholly owned 41 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.



### 1.2. Significant shareholders

On December 31, 2022, 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 40.3% of the issued shares.
- Philae Fund – MB Prime, a Luxembourg entity representing 7.1% 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 4,084,181 and 716,863 registered shares in their name on December 31, 2022.

The disclosures made during 2022 may be found at <https://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html?issuedBy=VARIA&dateFrom=20200211#/>.

### 1.3. Cross-shareholdings

Varia US Properties AG has no cross-shareholdings.

### 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 April 29, 2023 by a maximum amount of CHF 2,500,000 by issuance of a maximum of 2,500,000 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 2.e) below).

## 2. CAPITAL STRUCTURE

### a) Capital as of December 31, 2022

Type of capital	Number of shares	Value per share	Time limit if any
Ordinary capital	10,126,018	1.00	
Authorized capital (general purpose)	2,500,000	1.00	April 29, 2023
Conditional capital	None	NA	
Capital band	None	NA	

### 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 <sup>st</sup> capital increase (initial part)
18.01.2016	1,914,610	3,097,074	1.00	1 <sup>st</sup> capital increase (second part)
07.12.2016	3,097,074	6,194,148	1.00	2 <sup>nd</sup> capital increase (IPO initial part)
10.01.2017	464,562	6,658,710	1.00	2 <sup>nd</sup> capital increase (greenshoe option)
13.10.2017	542,105	7,200,815	1.00	3 <sup>rd</sup> capital increase
11.01.2018	1,800,203	9,001,018	1.00	4 <sup>th</sup> capital increase
01.12.2020	1,125,000	10,126,018	1.00	5 <sup>th</sup> 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	2023	Swiss	NE
Jaume Sabater	1979	Vice-Chairman	2015	2023	Swiss	E
Taner Alicehic	1974	Member, Member of the Audit and Risk Committee	2015	2023	Swiss	NE
Patrick Richard	1971	Delegate of the Board of Directors	2016	2023	Swiss	E
Dany Roizman	1972	Member	2015	2023	Brazil	NE
Beat Schwab	1966	Member, Chairman of the Audit and Risk Committee, Member of the Compensation Committee	2016	2023	Swiss	NE
Stefan Buser	1967	Member, Chairman of the Compensation Committee, Member of the Audit and Risk committee	2017	2023	Swiss	NE
Grégoire Baudin	1974	Member	2020	2023	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 CEO of Stoneweg US, LLC

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).

Taner Alicehic held an executive management position up until 30<sup>th</sup> June 2021. No other 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 of various entities, 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 the Banque Cantonale de Genève (BCGE)
- Chairman of compenswiss (Swiss Federal Social Security Fund), Berne
- Member of the Board of Clinique Générale Beaulieu Holding SA
- Chairman and Board member of various non-listed small and medium size enterprises



**TANER  
ALICEHIC**

### Professional background

- **2015:** Co-founder of Stoneweg SA
- **2017 – present:** Advisor at Stoneweg SA
- **2008 – present:** Founder and CEO of Real Estate Investment Solutions SA
- **1999 – 2008:** Banque Cantonale Vaudoise

### Education

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

### Other activities and interests

- Chairman of the Board of Varia Europe Properties AG



**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



**PATRICK  
RICHARD**

### Professional background

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

### Education

- Geneva Bar: Attorney at law
- University of Geneva: Law degree
- 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

#### 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 Chairman of Artemis Gestion SA
- **2012 – present:** Founder and owner 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

- Chairman of Artemis Gestion SA
- Board Member of Varia Europe Properties
- 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 2022, without considering the board trip to the US, the Board of Directors of the Company met three times in person, 4 conference calls were held and 3 resolutions were taken by circular resolution. The meetings (physical and conference calls) took place on March 23, April 1st, May 5th, May 30th, June 23, August 24 and November 28. They lasted on average 2 hours.

Except one time where a member of the Board of Directors was excused, all the Board of Directors members participated to all the physical meetings. Thus, total attendance to the physical meetings was 97%.

On March 2 2022, the Board of Directors went through a self-assessment exercise. Based on nine questions, the average result was 4.79 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 six non-executive members and two 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 three committees:

- The Audit and Risk Committee
- The Compensation Committee
- The ESG 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; and
- 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 2022, the Audit and Risk Committee met four times, that is on March 21, June 20, August 22 and November 28. Each of these meetings lasted on average for 1 hour and 45 minutes.

#### 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; and
- 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 2022, the Compensation Committee met twice, on March 21 and August 22. The meetings lasted on average 1 hour.

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.

### III. ESG Committee

The Board of Directors approved the creation of an ESG Committee in November 2022. The members of the ESG 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 ESG Committee consists of at least three members of the Board of Directors. Dany Roizman is chairman. Jaume Sabater and Grégoire Baudin are members of the ESG Committee.

The ESG Committee has the following general duties and competencies:

- Monitor the development of the Company's ESG strategy;
- Assess climate risks and transition paths and supervise relevant initiatives and activities;
- Review the ESG budget and the ESG policies to submit it to the Board of Directors for its approval;
- Monitor the Company's ESG policies and their implementation;
- Monitor ESG reporting requirements;
- Monitor how all milestones and targets defined by the ESG strategy are reported to the Board of Directors and in the ESG report; and
- Review the ESG report and submit it to the Board of Directors' approval.

The ESG 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.

#### 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 restated most recently on September 30, 2019. The Company supervises and controls its Asset Manager. 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 forty-four real estate professionals (including the principal) as of December 31, 2022.

For these activities, the Asset Manager or its affiliated 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 disinvestment. During 2022, the Asset Manager and its affiliates received transaction fees of USD 3.8 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 2022, the Asset Manager and its affiliates received management fees of USD 7.0 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	Amounts invoiced in 2022 in USD	Comment
<b>Asset Management fee</b>	6,981,216	0.97% of Dec-22 invested equity value (fee annualized)
<b>Transaction fee</b>	3,763,000	1% invoiced at closing of 5 acquisitions and 1 sale
<b>Promote fee</b>	12,038,996	Promote on the Sale of 6 assets
<b>Issue fee</b>	—	—
<b>Construction fee</b>	463,698	5% of construction costs
<b>Refinancing fee</b>	1,664,290	Refinancing of 12 loans
<b>Total</b>	<b>24,911,200</b>	

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 2022, the Asset Manager and its affiliates received a total amount of placement fee of CHF 0.00.

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 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, 2022.

Board of Directors member	Number of shares directly or indirectly held
Manuel Leuthold	7,500
Jaume Sabater	9,500
Taner Alicehic	25,508
Dany Roizman	35,290
Patrick Richard	50,000
Beat Schwab	5,316
Stefan Buser	5,562
Grégoire Baudin	46,591

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.

The Board of Directors members are submitted to two quiet periods per year starting each year on (i) December 31<sup>st</sup> until the release of the Annual Report and (ii) July 1<sup>st</sup> until the release of the Half-Year Report. During this time frame, it is strictly forbidden for them and their relatives, directly or indirectly, to trade any share of the Company.

## 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, provid-

ed it is covered by the total remuneration approved by the General Meeting.

The members of the Board of Directors are paid a fixed remuneration and other applicable elements of remuneration that are not dependent on performance.

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 2022, 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 33⅓, 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 33⅓ 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. Today's lead auditor took office in 2021. 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 2022 period, the following amount has been estimated concerning KPMG audit invoices:

Date	Expected invoiced in 2022 in CHF	Audit work
Q1 2022	85,958	Audit 2022
Q2 2022	83,883	Audit 2022
Q3 2022	81,531	Audit 2022
Q4 2022	86,618	Audit 2022

The total amount of fees for the audit by KPMG for 2022 are CHF 337,990. No other services were rendered in 2022.

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 to the Audit and Risk Committee on March 21st, 2022.

## 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](http://www.variausproperties.com) and the website of the SIX, [www.six-swiss-exchange.com](http://www.six-swiss-exchange.com).

Interested persons can register to receive regular news from the Company under [www.variausproperties.com](http://www.variausproperties.com).

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# 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 68).

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 21, 2022 session and its August 22, 2022 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 29, 2021 General Meeting of Shareholders to the April 29, 2022 General Meeting of Shareholders

The General Meeting of Shareholders of April 29, 2021 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 person 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 CHF approved by shareholders, the sum of 579,281 CHF was paid as per the detailed table below.

### Compensation paid for the financial year 2022

On April 29, 2022, 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:

- Maximum amount of CHF 800,000 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 40,000 for the compensation of the person 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:

- 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 June 2022, 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 attendance fees during the financial year 2022 were the following:

Compensation schedule		01.01.2022–31.12.2022			
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	75,833	25,500	7,321	108,654
Jaume Sabater	Vice-Chairman of the Board	45,833	19,125	4,600	69,558
Beat Schwab	Member of the Board Chairman of the audit and risk committee Member of the compensation committee	43,981 19,074 7,153	19,125	–	89,333
Taner Alicehic	Member of the Board Member of the audit and risk committee	45,833 15,000	19,125	5,810	85,768
Dany Roizman	Member of the Board	45,833	19,125	4,600	69,558
Stefan Buser	Member of the Board Chairman of the compensation committee Member of the audit and risk committee	45,833 15,000 10,000	19,125	–	89,958
Grégoire Baudin	Member of the Board	45,833	19,125	4,600	69,558
Patrick Richard	Member of the Board Executive member of the Board	49,167 40,833	–	–	90,000
		<b>505,208</b>	<b>140,250</b>	<b>26,931</b>	<b>672,389</b>

The Board of Directors attendance fees from the 2021 Annual General Meeting of Shareholders to the 2022 Annual General Meeting of Shareholders were the following:

Compensation schedule	2021 AGM to 2022 AGM (in CHF)
Fixed compensation	452,500
Share compensation	104,500
Social security contributions	22,281
<b>Total compensation</b>	<b>579,281</b>
<b>Max. amount approved by AGM</b>	<b>600,000</b>
<b>Remaining compensation</b>	<b>20,719</b>

## FULL BOARD OF DIRECTORS COMPENSATION DISCLOSURE

In the year 2022, 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 2022 financial year. Board of Directors expenses will be paid on top of the remuneration package proposed above, especially for Board of Directors members traveling from abroad to Switzerland for Board of Directors meetings or for Board of Directors members traveling to the US for Board of Directors meetings. The Board of Directors traveled to the US in September 2022 to visit properties in Charlotte and in Fayetteville. All Board of Directors were present. The Company expensed CHF 116,478 to cover travel and expenses.

## 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

## Report on the Audit of the Remuneration Report

### Opinion

We have audited the Remuneration Report of Varia US Properties AG (the Company) for the year ended 31 December 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) in the tables marked "audited" on page 61 to page 64 of the Remuneration Report.

In our opinion, the information on remuneration, loans and advances in the attached Remuneration Report complies with Swiss law and Art. 14-16 VegüV.

### Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Remuneration Report" section of our report. We are independent of the Company 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.

### Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked "audited" in the Remuneration Report, the consolidated financial statements, the financial statements and our auditor's reports thereon.

Our opinion on the Remuneration Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Remuneration Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the Remuneration Report 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.



#### **Board of Directors' Responsibilities for the Remuneration Report**

The Board of Directors is responsible for the preparation of a Remuneration Report 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 a Remuneration Report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

#### **Auditor's Responsibilities for the Audit of the Remuneration Report**

Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to Art. 14-16 VegÜV is 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 SA-CH 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 this Remuneration Report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the Remuneration Report, 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.



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 with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

KPMG SA

A handwritten signature in blue ink, appearing to read 'Philippe Ruedin'.

Philippe Ruedin  
Licensed Audit Expert  
Auditor in Charge

A handwritten signature in blue ink, appearing to read 'Bruno Beça'.

Bruno Beça  
Licensed Audit Expert

Geneva, 21 March 2023

# 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, 2022, Stoneweg employs 150 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 360 investments since inception for a total real estate value (including gross construction costs) over USD 6.5 bn.

For the Company portfolio, Stoneweg dedicates a team of 44 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 in relation to risk management and investor relations.

The team based in Florida includes 14 asset managers whose main task is to supervise property management activities and provide guidance according to the Company's strategy, 6 finance team members, 9 acquisitions team members, 5 people active in the legal/Debt department, 6 people for operations, 1 person in charge of sustainability, 1 human resource director 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

In reality the current policy of the remuneration is 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 value
- 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
- Construction fee: 5% of the construction costs

Fee type	Amounts invoiced in 2022 in USD	Comment
<b>Asset Management fee</b>	6,981,216	0.97% of Dec-22 invested equity value (fee annualized)
<b>Transaction fee</b>	3,763,000	1% invoiced at closing of 5 acquisitions and 1 sale
<b>Promote fee</b>	12,038,996	Promote on the Sale of 6 assets
<b>Issue fee</b>		—
<b>Construction fee</b>	463,698	5% of construction costs
<b>Refinancing fee</b>	1,664,290	Refinancing of 12 loans
<b>Total</b>	<b>24,911,200</b>	

The Compensation committee reviewed the remuneration of the Asset Manager in its March 2022 meeting.

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# CONSOLIDATED IFRS FINANCIAL STATEMENTS

December 31, 2022

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Varia US Properties AG and Subsidiaries

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS	Notes	December 31, 2022 in USD	December 31, 2021 in USD
<b>Current assets:</b>			
Cash and cash equivalents	E	77,354,907	80,385,011
Rent and other receivables	F	907,076	1,223,469
Income tax receivable		3,503,773	2,764,006
Prepaid expenses and other current assets		2,078,469	1,961,452
Assets held for sale	G	65,250,000	–
<b>Total current assets</b>		<b>149,094,225</b>	<b>86,333,938</b>
<b>Noncurrent assets:</b>			
Investment property	G	1,638,500,000	1,412,010,000
Escrow accounts	E	5,763,624	6,917,980
Other assets		50,205	12,660
Derivative financial instruments	O	5,424,697	–
<b>Total noncurrent assets</b>		<b>1,649,738,526</b>	<b>1,418,940,640</b>
<b>Total assets</b>		<b>1,798,832,751</b>	<b>1,505,274,578</b>

LIABILITIES AND EQUITY	Notes	December 31, 2022 in USD	December 31, 2021 in USD
<b>Current liabilities:</b>			
Current maturities of interest-bearing loans and borrowings	I	54,158,650	415,329
Trade and other payables	H	24,331,898	26,032,811
Distribution payable		10,968,229	11,101,275
Income tax payable		2,671,800	2,096,815
Rent received in advance		1,805,798	2,214,988
Liabilities associated with assets held for sale	G	29,022,000	–
<b>Total current liabilities</b>		<b>122,958,375</b>	<b>41,861,218</b>
<b>Non-current liabilities:</b>			
Interest-bearing loans and borrowings, net of current maturities	I	959,334,221	868,370,727
Deferred tax liability	M	107,623,154	80,693,472
<b>Total noncurrent liabilities</b>		<b>1,066,957,375</b>	<b>949,064,199</b>
<b>Total liabilities</b>		<b>1,189,915,750</b>	<b>990,925,417</b>
<b>Equity</b>			
Issued share capital	J	10,297,221	10,297,221
Share premium from capital contributions	J	226,123,836	242,762,909
Legal reserves	J	4,481,011	2,936,192
Revaluation reserves	J	5,247,327	–
Retained earnings	J	362,767,606	258,352,839
<b>Total equity</b>		<b>608,917,001</b>	<b>514,349,161</b>
<b>Total liabilities and equity</b>		<b>1,798,832,751</b>	<b>1,505,274,578</b>

Varia US Properties AG and Subsidiaries

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Notes	For the Year Ended December 31, 2022 in USD	For the Year Ended December 31, 2021 in USD
Rental income	G	126,548,336	107,920,005
Other income	G	16,912,347	13,065,619
Insurance proceeds	B	592,519	1,621,993
Net gain from fair value adjustment on investment property	G	153,693,947	197,371,103
<b>Total income</b>		<b>297,747,149</b>	<b>319,978,720</b>
Real estate operating expenses	K	36,309,177	30,442,109
Expenses for third party on-site workforces		16,852,418	14,917,521
Repairs, maintenance and minor replacements		11,362,587	8,713,022
Property management fees		4,293,439	3,745,534
Transaction costs	G	15,798,084	13,858,231
Other expenses	K	15,564,167	11,178,251
<b>Total operating expenses</b>		<b>100,179,872</b>	<b>82,854,668</b>
<b>Operating profit</b>		<b>197,567,277</b>	<b>237,124,052</b>
Interest expense	L	44,006,951	30,044,169
Debt defeasance	L	2,045,755	2,760,325
Net foreign currency exchange gains	L	(461,983)	(178,192)
<b>Total finance costs</b>	L	<b>45,590,723</b>	<b>32,626,302</b>
<b>Profit before income tax expense</b>		<b>151,976,554</b>	<b>204,497,750</b>
Income tax expense	M	29,377,894	48,490,042
<b>Profit for the year</b>		<b>122,598,660</b>	<b>156,007,708</b>
<b>Earnings per share:</b> Basic and diluted earnings, on profit for the year	J	<b>12.11</b>	<b>15.41</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedge	J	5,188,152	–
Cost of hedging	J	59,175	–
<b>Other comprehensive income for the year</b>		<b>5,247,327</b>	<b>–</b>
<b>Total comprehensive income for the year</b>		<b>127,845,987</b>	<b>156,007,708</b>

Varia US Properties AG and Subsidiaries

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Notes	Issued Share Capital in USD	Share Premium from Capital Contribution in USD	Legal Reserves in USD	Revaluation Reserves in USD	Retained Earnings in USD	Total Equity in USD
<b>Balance at December 31, 2020</b>		10,297,221	258,402,705	2,138,232	–	118,796,518	389,634,676
Profit for the year		–	–	–	–	156,007,708	156,007,708
Other comprehensive income		–	–	–	–	–	–
<b>Total comprehensive income</b>		–	–	–	–	<b>156,007,708</b>	<b>156,007,708</b>
Allocation to legal reserves	J	–	–	797,960	–	(797,960)	–
Share premium contributions adjustment	J	–	13,631	–	–	–	13,631
Capital and retained earnings distributions	J	–	(15,653,427)	–	–	(15,653,427)	(31,306,854)
<b>Balance at December 31, 2021</b>		<b>10,297,221</b>	<b>242,762,909</b>	<b>2,936,192</b>	<b>–</b>	<b>258,352,839</b>	<b>514,349,161</b>
<b>Balance at December 31, 2021</b>		10,297,221	242,762,909	2,936,191	–	258,352,839	514,349,160
Profit for the year		–	–	–	–	122,598,660	122,598,660
Changes in cash flow hedging reserve	J	–	–	–	5,188,152	–	5,188,152
Changes in cost of hedging reserve	J	–	–	–	59,175	–	59,175
<b>Other comprehensive income</b>		–	–	–	<b>5,247,327</b>	–	<b>5,247,327</b>
<b>Total comprehensive income</b>		–	–	–	<b>5,247,327</b>	<b>122,598,660</b>	<b>127,845,987</b>
Allocation to legal reserves	J	–	–	1,544,820	–	(1,544,820)	–
Capital and retained earnings distributions	J	–	(16,639,073)	–	–	(16,639,073)	(33,278,146)
<b>Balance at December 31, 2022</b>		<b>10,297,221</b>	<b>226,123,836</b>	<b>4,481,011</b>	<b>5,247,327</b>	<b>362,767,606</b>	<b>608,917,001</b>

Varia US Properties AG and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Notes	For the Year Ended December 31, 2022 in USD	For the Year Ended December 31, 2021 in USD
<b>Cash flows from operating activities:</b>			
Profit before income tax		151,976,554	204,497,750
<b>Adjustments to reconcile profit before income tax to net cash provided by operating activities:</b>			
Net gain from fair value adjustment on investment property	G	(153,693,947)	(197,371,103)
Finance costs	L	45,590,723	32,626,302
		<b>43,873,330</b>	<b>39,752,949</b>
<b>Working capital adjustments:</b>			
Decrease (increase) in rent and other receivables		316,393	(299,455)
(Increase) decrease in prepaid expenses and other current assets		(117,017)	310,166
Decrease in escrow accounts		1,154,356	3,467,562
(Increase) decrease in other assets		(37,545)	1,923,824
(Decrease) increase in trade and other payables		(3,264,590)	5,443,947
(Decrease) increase in rent received in advance		(409,190)	863,792
<b>Cash generated from operating activities</b>		<b>41,515,737</b>	<b>51,462,785</b>
Income taxes received		1,402,803	1,279,961
Income taxes paid		(4,091,507)	(8,667,366)
<b>Net cash provided by operating activities</b>		<b>38,827,033</b>	<b>44,075,380</b>
<b>Cash flows from investing activities:</b>			
Acquisition of investment property	G	(338,175,283)	(416,426,059)
Capital expenditure on investment property	G	(28,370,770)	(18,017,838)
Proceeds from sale of investment property	G	228,500,000	148,025,000
<b>Net cash used in investing activities</b>		<b>(138,046,053)</b>	<b>(286,418,897)</b>
<b>Cash flows from financing activities:</b>			
Payments of principal on interest bearing loans and borrowings	I	(264,813,883)	(70,823,317)
Proceeds from short-term note payable	I	–	5,500,000
Interest paid		(39,525,373)	(29,039,441)
Counterparty payments received on interest rate cap option contracts		120,948	–
Debt defeasance paid	L	(2,045,755)	(2,760,325)
Payments of debt and bond issuance costs	I	(6,028,630)	(3,932,207)
Proceeds from interest-bearing loans and borrowings	I	442,669,000	288,946,731
Proceeds from bond issuance	I	–	53,967,513
Payment of capital distribution and retained earnings		(33,316,543)	(29,934,321)
Proceeds from issued share capital		–	13,631
<b>Net cash provided by financing activities</b>		<b>97,059,764</b>	<b>211,938,264</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(2,159,256)</b>	<b>(30,405,253)</b>
Cash and cash equivalents at beginning of year		80,385,011	112,320,905
Exchange loss on cash and cash equivalents		(870,848)	(1,530,641)
<b>Cash and cash equivalents at end of year</b>		<b>77,354,907</b>	<b>80,385,011</b>

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. 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 consolidated 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, 2022, and has never employed any staff. Common shares are listed on the SIX Swiss Stock Exchange under the symbol VARN.

The accompanying consolidated financial statements of Varia US Properties AG and subsidiaries (collectively, the Group) as of December 31, 2022, and for the year then ended were authorized by the Board of Directors for issue on March 21, 2023, 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 open derivatives contracts that are measured at fair value 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, 2022 and 2021. 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 financial statements of the subsidiaries to align their accounting policies with the Group's accounting policies. All inter-company 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 financial statements. In particular, the Company has assessed the USD as the currency:

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

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

### Foreign currency

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. Nonmonetary 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. Nonmonetary 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:

<b>USD/CHF average exchange rate for the year ended December 31, 2022</b>	0.95305
<b>USD/CHF exchange rate at December 31, 2022</b>	0.92321
<b>USD/CHF average exchange rate for the year ended December 31, 2021</b>	0.91428
<b>USD/CHF exchange rate at December 31, 2021</b>	0.91214

### Currency overlay management program

In March 2020, the Company entered 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 issued on June 18, 2019, 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 consolidated statements of profit or loss and other comprehensive income.

### 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, any potential 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 (other than derivatives) 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.

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.

**Derivatives and Hedging Activities**

Derivatives are only used for economic hedging purposes and not as speculative investments. Interest rate cap option contracts are used to hedge future cash flows exposed to interest rate risk on variable rate borrowings. Short term currency forward contracts are used to hedge cash flows in USD against unfavorable appreciation of the CHF.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to fair value at the end of each reporting period. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The accounting

for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Company designates qualifying interest rate cap option contracts as hedging instruments (cash flow hedge) and applies hedge accounting under IFRS 9 as described below. Changes in the fair value of short term currency contracts which are not designated as hedging instruments are recorded in profit or loss for the period.

At inception of the cash flow hedge relationship, the Company documents the nature of the risk being hedged (interest rate risk) and the economic relationship between hedging instruments (interest rate cap option contracts) and hedged items (future cash flows exposed to interest rate risk on variable rate borrowings) including whether changes in the cash flows of the hedging instruments are expected to be effective in offsetting changes in the cash flows of hedged items (hedge effectiveness). Hedge effectiveness is periodically assessed on a prospective basis to ensure that an economic relationship continues to exist between the hedged item and hedging instrument. The Company also documents risk management objectives and strategy for undertaking cash flow hedge transactions.

The fair value of an interest rate cap option contract can be divided into two portions: the intrinsic value (which is determined as the present value of future expected cash flows indicated by the difference between the strike rate and the forward curve of the underlying index) and the time value (the remaining value of the option which reflects the volatility of the underlying index and the time remaining to maturity).

Where interest rate cap option contracts are used to hedge future cash flows exposed to interest rate risk on variable rate borrowings, the Company designates only the intrinsic value of the options as the hedging instrument. Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognized in other comprehensive income (OCI) and accumulated in the revaluation reserves within equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognized within OCI in the changes in cost of hedging reserve line within equity.

The amounts accumulated within equity relating to the effective portion of the interest rate cap contracts are recognized in profit or loss within interest expense in the same period as the interest expense on the hedged borrowings.

When a hedging instrument matures or is sold, or when the hedge no longer meets the criteria of IFRS 9, the amounts accumulated in the revaluation reserves remain in equity until the hedged cash flows affect the Consolidated Statements of Profit or Loss and Other Comprehensive Income. However, if a future cash flow is no longer expected to occur, the amount accumulated in equity is immediately released from revaluation reserves to the Consolidated Statements of Profit or Loss.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

### Investment property

Investment property comprises real estate that is held to earn rental income 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, and heating, ventilation, and air conditioning (HVAC) 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 enhance 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 593,000 and USD 1,622,000 for the years ended December 31, 2022 and 2021, respectively.

### Assets Held for Sale

The Company classifies assets, or disposal groups, as held for sale when it expects to recover their carrying amounts primarily through sale rather than through continuing use. To meet the criteria to be held for sale, the sale must be highly probable, and the assets or disposal groups must be available for immediate sale in their present condition, and must be actively marketed for sale at a price that is reasonable in relation to their current fair value. The Company must be committed to a plan to sell the assets or disposal group, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. The Company measures assets or disposal groups at fair value. Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro-rata basis. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss; however, gains are not recognized in excess of any cumulative impairment loss. Upon classifying asset or disposal groups as held for sale, the Company presents the assets separately as a single amount and the associated liabilities separately as a single amount on the Consolidated Statements of Financial Position. Comparative period balances are not restated. Assets held for sale are not depreciated, depleted, or amortized.

### 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 corporation 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 Swiss Federal Act on Tax Reform and AHV Financing (TRAF), the Company is subject to an effective corporate income tax of approximately 12%.

Income, including dividend income and capital gains from its subsidiaries, are subject 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 consolidated statement of profit or loss and other comprehensive income.

The amount of current income tax payable or receivable is the best estimate of the tax amount expected to be paid. It is measured using tax rates enacted or substantively enacted at the reporting date.

#### Deferred tax

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the 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.

**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 17	Insurance Contracts	January 1, 2023
IAS 1	Disclosure of Accounting Policies	January 1, 2023
IAS 8	Definition of Accounting Estimates	January 1, 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
IAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	January 1, 2024

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, 2021.

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

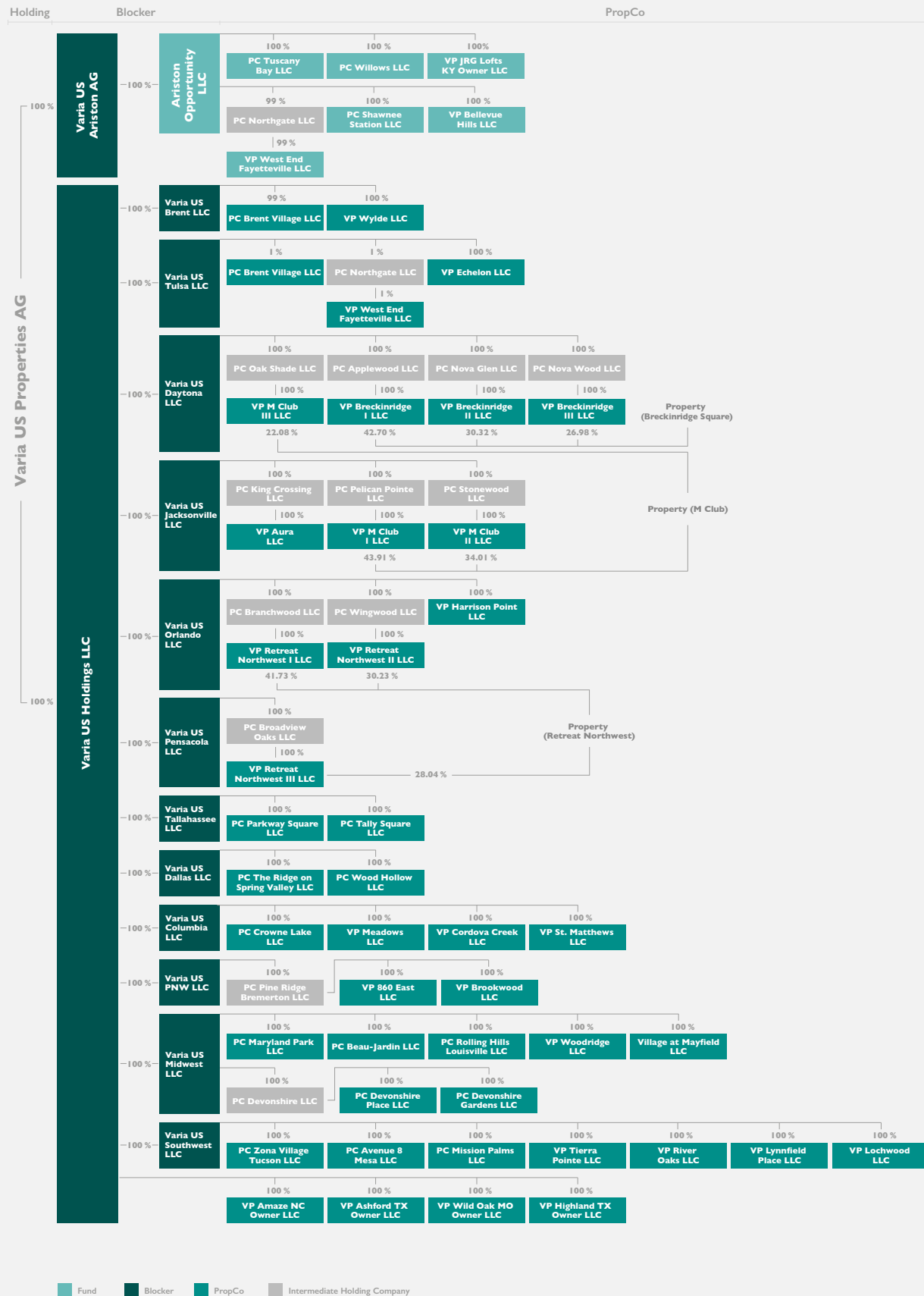
### **Fair value measurement of investment property**

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 held at the reporting date (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.



## 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 shown on the opposite page at December 31, 2022.

The business model of Varia is to fully own its direct holding investments by creating separate legal entities

(herein 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 United States.

On November 16, 2021, Varia US Holdings LLC (Varia HoldCo) was formed, and is wholly owned by Varia. On November 30, 2022, indirect subsidiary Ariston Opportunity Fund Ltd., a Bahamas limited company, was effectively liquidated via a reverse merger into Ariston Opportunity LLC, a Delaware limited liability company. These changes had no impact on amounts previously reported by the Company.

## NOTE E. CASH AND CASH EQUIVALENTS/ESCROW ACCOUNTS

At December 31, 2022 and 2021, cash and cash equivalents comprise cash in bank accounts in CHF and USD, of which USD 51,411,350 and USD 43,999,453, respectively, is at the full disposal of Varia, and USD 25,943,557 and USD 36,385,558, respectively, is at the property company level. Cash in banks totaled USD 77,354,907 and USD 80,385,011 at December 31, 2022 and 2021, 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, 2022 and 2021, rent and other receivables of USD 907,076 and USD 1,223,469, 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 credit 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, 2022:

Properties Held	Fair Value of Investment Property at December 31, 2021 in USD	Property Acquired Through Purchase of Investment Property (Purchase Price) 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, 2022 in USD
860 East Apartments and Townhomes	24,300,000	–	427,127	1,072,873	–	25,800,000
Amaze at NoDa	–	92,436,151	52,714	(3,588,865)	–	88,900,000
Ashford Apartments	–	66,224,381	255,753	(9,180,134)	–	57,300,000
Aspen Ridge	8,800,000	–	2,457	197,543	(9,000,000)	–
Aura	14,000,000	–	591,061	(891,061)	–	13,700,000
Avenue 8 Apartments	42,600,000	–	148,238	1,951,762	–	44,700,000
Beau-Jardin	19,800,000	–	365,321	234,679	–	20,400,000
Bellevue Hills	27,000,000	–	263,431	1,136,569	–	28,400,000
Breckinridge	36,700,000	–	1,184,327	315,673	–	38,200,000
Brent Village	16,600,000	–	303,751	2,396,249	–	19,300,000
Bridge Hollow Apartment Homes	26,300,000	–	248,156	8,451,844	(35,000,000)	–
Brookwood Apartment Homes	32,500,000	–	422,834	777,166	–	33,700,000
Cinnamon Tree Apartments	36,500,000	–	40,225	5,459,775	(42,000,000)	–
Cordova Creek	24,100,000	–	157,054	9,442,946	–	33,700,000
Devonshire Place and Gardens	16,800,000	–	285,775	2,914,225	–	20,000,000
Eastwood Crossing (Maple Hills)	31,300,000	–	78,018	11,121,982	(42,500,000)	–
Echelon	65,800,000	–	97,709	1,302,291	–	67,200,000
Harrison Point	22,700,000	–	540,906	4,859,094	–	28,100,000
JRG Lofts	–	62,679,698	55,986	(2,435,684)	–	60,300,000
King's Quarters	39,000,000	–	66,487	9,433,513	(48,500,000)	–
Lochwood	20,300,000	–	1,364,023	(964,023)	–	20,700,000
Lynnfield Place	44,200,000	–	2,860,532	(2,060,532)	–	45,000,000
M Club	39,300,000	–	736,413	4,363,587	–	44,400,000
Mallard Crossing at St. Matthews	105,400,000	–	3,037,632	5,762,368	–	114,200,000
Maryland Park	25,200,000	–	1,949,551	(1,549,551)	–	25,600,000
Mayfield Apartments	34,700,000	–	963,719	2,336,281	–	38,000,000
Mission Palms Apartment Homes	68,200,000	–	346,055	2,953,945	–	71,500,000
Parkway Square	29,600,000	–	188,510	4,261,490	–	34,050,000
Retreat at Northwest	38,900,000	–	1,682,935	5,517,065	–	46,100,000
Ridge on Spring Valley	27,500,000	–	666,035	4,333,965	–	32,500,000
River Oaks Apartments	40,200,000	–	643,390	(43,390)	–	40,800,000
Rolling Hills Apartments	43,000,000	–	1,041,348	8,158,652	–	52,200,000
Shawnee Station	25,400,000	–	1,031,171	4,468,829	–	30,900,000
Tally Square	26,500,000	–	431,178	4,268,822	–	31,200,000
The Meadows Apartment Homes	18,600,000	–	545,951	9,754,049	–	28,900,000
Tierra Pointe Apartments	44,800,000	–	411,754	7,588,246	–	52,800,000

Properties Held	Fair Value of Investment Property at December 31, 2021 in USD	Property Acquired Through Purchase of Investment Property (Purchase Price) 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, 2022 in USD
Tuscany Bay Apartments	9,610,000	–	127,675	662,325	–	10,400,000
Varia at Highland Village	–	51,666,612	13,945	(280,557)	–	51,400,000
Varia at Oakcrest	31,100,000	–	671,409	7,928,591	–	39,700,000
West End at Fayetteville	79,100,000	–	571,069	17,928,931	–	97,600,000
Wild Oak Apartments	–	65,168,441	53,420	(621,861)	–	64,600,000
Willows of Cumming	17,900,000	–	73,658	1,726,342	–	19,700,000
Wood Hollow	40,000,000	–	1,741,083	4,558,917	–	46,300,000
Woodland Manor	23,200,000	–	128,124	3,171,876	(26,500,000)	–
Woodridge Apartments	27,100,000	–	296,872	4,603,128	–	32,000,000
Woodstone	17,800,000	–	667,211	6,532,789	(25,000,000)	–
Wylde at Eagle Creek	31,000,000	–	425,769	2,274,231	–	33,700,000
Zona Village at Pima Foothills	18,600,000	–	113,008	1,086,992	–	19,800,000
	<b>1,412,010,000</b>	<b>338,175,283</b>	<b>28,370,770</b>	<b>153,693,947</b>	<b>(228,500,000)</b>	<b>1,703,750,000</b>

	in USD
<b>Investment property and assets held for sale at December 31, 2021</b>	<b>1,412,010,000</b>
Property acquired through purchase of investment property	338,175,283
Capital improvements	28,370,770
Sale of investment property	(228,500,000)
Net gain from fair value adjustment on investment property	153,693,947
Fair value of investment property at December 31, 2022	1,703,750,000
Investment property held for sale	(65,250,000)
<b>Investment property and assets held for sale at December 31, 2022</b>	<b>1,638,500,000</b>

For the year ended December 31, 2022, the Company incurred approximately USD 15.8 million in transaction costs in connection with the sale of seven investment properties, of which approximately USD 12.0 million was a promote fee paid to a related party (see Note N). As of December 31, 2022, the Company had approximately USD 1.6 million of contractual obligations related to repairs, maintenance, or enhancements. Additionally, two properties met all five IFRS assets held

for sale criteria as of December 31, 2022 with a total fair value of USD 65,250,000. Balances for these non-current investment properties and the associated non-current mortgage liabilities have been reclassified to assets held for sale and liabilities associated with assets held for sale as of December 31, 2022. The following table summarizes the recognized amounts of assets and liabilities held for sale as of December 31, 2022:

	in USD
Investment Property	65,250,000
<b>Total assets held for sale</b>	<b>65,250,000</b>
Interest bearing loans and borrowings	29,022,000
<b>Total liabilities associated with assets held for sale</b>	<b>29,022,000</b>

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 was the following at December 31, 2021:

Properties Held	Fair Value of Investment Property at December 31, 2020 in USD	Property Acquired Through Purchase of Investment Property (Purchase Price) 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, 2021 in USD
860 East Apartments and Townhomes	23,300,000	–	440,868	559,132	–	24,300,000
Altitude on 5 <sup>th</sup> (Northgate)	45,830,000	–	66,153	16,853,847	(62,750,000)	–
Aspen Ridge	7,500,000	–	39,995	1,260,005	–	8,800,000
Aura	–	13,381,696	417,078	201,226	–	14,000,000
Avenue 8 Apartments	31,300,000	–	355,599	10,944,401	–	42,600,000
Beau-Jardin	18,400,000	–	155,599	1,244,401	–	19,800,000
Bellevue Hills	–	27,296,906	25,762	(322,668)	–	27,000,000
Breckinridge	34,300,000	–	1,138,338	1,261,662	–	36,700,000
Brent Village	10,050,000	–	247,440	6,302,560	–	16,600,000
Bridge Hollow Apartment Homes	21,200,000	–	386,743	4,713,257	–	26,300,000
Brookwood Apartment Homes	25,900,000	–	411,765	6,188,235	–	32,500,000
Cinnamon Tree Apartments	24,600,000	–	132,989	11,767,011	–	36,500,000
Cordova Creek	22,200,000	–	335,233	1,564,767	–	24,100,000
Cottages of Topeka	4,720,000	–	9,364	2,270,636	(7,000,000)	–
Devonshire Place and Gardens	15,000,000	–	243,495	1,556,505	–	16,800,000
Eastwood Crossing (Maple Hills)	30,800,000	–	2,136,281	(1,636,281)	–	31,300,000
Echelon	–	66,149,215	6,586	(355,801)	–	65,800,000
Harrison Point	21,800,000	–	312,658	587,342	–	22,700,000
Highland Vista	8,200,000	–	16,196	3,158,804	(11,375,000)	–
King's Quarters	32,000,000	–	603,654	6,396,346	–	39,000,000
Lochwood	–	20,241,721	663,073	(604,794)	–	20,300,000
Lynnfield Place	37,900,000	–	1,306,625	4,993,375	–	44,200,000
M Club	–	37,213,656	287,846	1,798,498	–	39,300,000
Mallard Crossing at St. Matthews	–	106,080,008	58,135	(738,143)	–	105,400,000
Maryland Park	23,900,000	–	148,400	1,151,600	–	25,200,000
Mayfield Apartments	31,700,000	–	506,843	2,493,157	–	34,700,000
Mission Palms Apartment Homes	50,000,000	–	427,514	17,772,486	–	68,200,000
Parkview Apartments	5,600,000	–	31,777	2,618,223	(8,250,000)	–
Parkway Square	24,270,000	–	616,601	4,713,399	–	29,600,000
Reflections Senior Apartments (Ft. Collins)	5,740,000	–	27,629	2,632,371	(8,400,000)	–
Retreat Northwest	–	36,169,128	326,858	2,404,014	–	38,900,000
Ridge on Spring Valley	21,650,000	–	364,879	5,485,121	–	27,500,000
River Oaks Apartments	28,600,000	–	495,984	11,104,016	–	40,200,000
Rolling Hills Apartments	40,800,000	–	856,095	1,343,905	–	43,000,000
Shawnee Station	20,290,000	–	465,386	4,644,614	–	25,400,000
Tally Square	22,220,000	–	420,157	3,859,843	–	26,500,000
The Meadows Apartment Homes	15,200,000	–	367,243	3,032,757	–	18,600,000
The Woodlands	10,900,000	–	62,752	2,837,248	(13,800,000)	–
Tierra Pointe Apartments	30,900,000	–	140,567	13,759,433	–	44,800,000
Towne Square	14,980,000	–	31,668	7,238,332	(22,250,000)	–
Tuscany Bay Apartments	8,310,000	–	171,127	1,128,873	–	9,610,000

Properties Held	Fair Value of Investment Property at December 31, 2020 in USD	Property Acquired Through Purchase of Investment Property (Purchase Price) 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, 2021 in USD
Varia at Oakcrest	22,200,000	–	444,657	8,455,343	–	31,100,000
Washington Heights Senior Residence	3,610,000	–	5,424	834,576	(4,450,000)	–
West End at Fayetteville	–	79,331,866	75,771	(307,637)	–	79,100,000
Willows of Cumming	15,400,000	–	94,865	2,405,135	–	17,900,000
Wood Hollow	34,100,000	–	523,869	5,376,131	–	40,000,000
Woodbridge Senior Apartments (Elizabeth Street)	3,240,000	–	625	1,609,375	(4,850,000)	–
Woodland Manor	20,010,000	–	303,325	2,886,675	–	23,200,000
Woodridge Apartments	25,900,000	–	313,885	886,115	–	27,100,000
Woodstone	15,500,000	–	638,347	1,661,653	–	17,800,000
Wylde at Eagle Creek	–	30,561,863	218,663	219,474	–	31,000,000
Wyndham Place	4,000,000	–	182	899,818	(4,900,000)	–
Zona Village at Pima Foothills	14,200,000	–	139,270	4,260,730	–	18,600,000
	<b>928,220,000</b>	<b>416,426,059</b>	<b>18,017,838</b>	<b>197,371,103</b>	<b>(148,025,000)</b>	<b>1,412,010,000</b>

	in USD
<b>Investment property at December 31, 2020</b>	<b>928,220,000</b>
Property acquired through purchase of investment property	416,426,059
Capital improvements	18,017,838
Sale of investment property	(148,025,000)
Net gain from fair value adjustment on investment property	197,371,103
<b>Investment property at December 31, 2021</b>	<b>1,412,010,000</b>

The future minimum lease payments under noncancelable leases amount to approximately USD 70.0 million and USD 63.2 million at December 31, 2022 and 2021, 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 noncancelable leases greater than one year are immaterial.

Varia's other income amounted to USD 16.9 million and USD 13.1 million for the years ended December 31, 2022 and 2021, respectively. These consist of approximately USD 9.3 million and USD 7.0 million for monthly or one-time fees charged to tenants (such as garbage, pet, laundry, applications, late, early termination, etc.), and approximately USD 7.6 million and USD 6.1 million consist

of utility expenses passed through tenants for the years ended December 31, 2022 and 2021, 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:

	2022 in USD	2021 in USD
Net gain from fair value adjustment on investment property	153,693,947	197,371,103
Rental income (in accordance with IFRS 16)	126,548,336	107,920,005
Other income (revenues from contracts with customers):		
Monthly or one-time fees	9,339,271	6,970,288
Utility fees charged through to tenants	7,573,076	6,095,331
Total other income	16,912,347	13,065,619
<b>Total income related to investment properties</b>	<b>297,154,630</b>	<b>318,356,727</b>

## NOTE H. TRADE AND OTHER PAYABLES

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

	2022 in USD	2021 in USD
Accounts payable	1,400,486	2,039,149
Accrued interest	3,774,414	2,210,746
Accrued real estate and other taxes	7,304,207	9,177,083
Accrued expenses	8,724,765	4,217,011
Security deposits	3,128,026	2,888,822
Short-term note payable	–	5,500,000
	<b>24,331,898</b>	<b>26,032,811</b>

## 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. Mortgages are secured by investment properties including assets held for sale in the amount of USD 1,703,750,000 and USD 1,412,010,000 as of December 31, 2022 and 2021, respectively.

	in USD
<b>Balance of mortgages as of December 31, 2021</b>	<b>760,494,026</b>
<b>Cash movements:</b>	
Proceeds from new loans	442,669,000
Payments of principal on mortgages	(264,813,883)
Payments of debt issuance costs	(6,028,630)
<b>Noncash movements:</b>	
Amortization of debt issuance costs	2,729,569
Liabilities associated with assets held for sale	(29,022,000)
<b>Balance of mortgages as of December 31, 2022</b>	<b>906,028,082</b>
<b>Cash movements:</b>	
<b>Balance of bonds as of December 31, 2021</b>	<b>108,292,030</b>
Proceeds from bond issuance	–
Payments of debt issuance costs	–
<b>Noncash movements:</b>	
Amortization of debt issuance costs	486,659
Effect of foreign currency translation adjustment	(1,313,900)
<b>Balance of bonds as of December 31, 2022</b>	<b>107,464,789</b>
<b>Balance of interest-bearing loans and borrowings as of December 31, 2022</b>	<b>1,013,492,871</b>

	in USD
<b>Balance of mortgages as of December 31, 2020</b>	<b>544,522,251</b>
<b>Cash movements:</b>	
Proceeds from new loans	288,946,731
Payments of principal on mortgages	(70,823,317)
Payments of debt issuance costs	(2,848,607)
<b>Noncash movements:</b>	
Amortization of debt issuance costs	696,968
<b>Balance of mortgages as of December 31, 2021</b>	<b>760,494,026</b>
<b>Cash movements:</b>	
<b>Balance of bond as of December 31, 2020</b>	<b>56,267,127</b>
Proceeds from bond issuance	53,967,513
Payments of debt issuance costs	(1,083,600)
<b>Noncash movements:</b>	
Amortization of debt issuance costs	276,956
Effect of foreign currency translation adjustment	(1,135,966)
<b>Balance of bonds as of December 31, 2021</b>	<b>108,292,030</b>
<b>Balance of interest-bearing loans and borrowings as of December 31, 2021</b>	<b>868,786,056</b>

On December 18, 2020, the Company entered into a credit facility loan with Fannie Mae, which consists of both fixed and variable rate advances. The credit facility is secured by a collateral pool composed 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. Additionally, on October 12, 2022, the Com-

pany entered into a new credit facility loan with Freddie Mac. The first draw was for USD 125,000,000 with a fixed interest rate of 5.04%. This credit facility has similar characteristics and benefits as the Fannie Mae credit facility. At December 31, 2022 and 2021, the Company had total outstanding borrowings of USD 616,423,000 and USD 295,454,000, respectively, in total credit facility loans.

The fixed and variable advance terms are as follows as of December 31, 2022:

Credit Facility Loans	Lender	Interest Rate	Advance Amount in USD	Maturity Date
Fixed	Fannie Mae	2.44%	20,881,000	January 1, 2030
Fixed	Fannie Mae	2.95%	41,765,000	February 1, 2031
Variable	Fannie Mae	30 Day Average SOFR + 2.1%	10,000,000	January 1, 2030
Variable	Fannie Mae	30 Day Average SOFR + 2.45%	21,350,000	February 1, 2031
Variable	Fannie Mae	30 Day Average SOFR + 2.65%	7,085,000	May 1, 2031
Fixed	Fannie Mae	2.82%	15,990,000	August 1, 2028
Fixed	Fannie Mae	2.70%	43,540,000	September 1, 2028
Variable	Fannie Mae	30 Day Average SOFR + 2.14%	24,083,000	October 1, 2031
Variable	Fannie Mae	30 Day Average SOFR + 2.11%	68,250,000	November 1, 2031
Variable	Fannie Mae	30 Day Average SOFR + 2.18%	42,510,000	December 1, 2031
Fixed	Fannie Mae	3.06%	17,550,000	February 1, 2029
Fixed	Fannie Mae	4.40%	46,053,000	July 1, 2032
Fixed	Fannie Mae	4.90%	111,924,000	July 1, 2032
Fixed	Fannie Mae	5.45%	20,442,000	July 1, 2032
Fixed	Freddie Mac	5.04%	125,000,000	November 1, 2029

During the year ended December 31, 2022, the Company financed five new properties; two under the credit facility and three outside of the credit facility. Additionally, the Company refinanced 13 existing properties using the credit facilities discussed above. The new loans established long-term borrowings of approximately USD 442.7 million with fixed interest rates ranging from 3.06% to 5.61%.

On June 18, 2019, the Company issued in Switzerland an unsecured bond in a public offering with an initial aggregate principal amount of CHF 50,000,000 (USD 54,158,650 at December 31, 2022). The bond has an annual interest rate of 3.00% and is due on June 20, 2023, with semiannual interest payments. The bond is listed on the SIX Swiss Exchange.

On October 5, 2021, the Company issued in Switzerland an unsecured bond in a public offering with an initial aggregate principal amount of CHF 50,000,000 (USD 54,158,650 at December 31, 2022). The bond has

an annual interest rate of 2.875% and is due on October 7, 2025, with semiannual interest payments. The bond is listed on the SIX Swiss Exchange.

The bonds contain a covenant that financial indebtedness, less cash and cash equivalents, divided by total assets, is not to exceed 65% as of December 31 of each year. The Company is in compliance with the covenant as of December 31, 2022.

#### Unsecured Bond Summary

Origination date	June 18, 2019
Balance	CHF 50,000,000
Maturity/interest	CHF 50,000,000 due June 20, 2023 @ 3.000%

Origination date	October 5, 2021
Balance	CHF 50,000,000
Maturity/interest	CHF 50,000,000 due October 7, 2025 @ 2.875%

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, 2022:

Years Ending December 31,	in USD
2023	54,158,650
2024	40,107,000
2025	83,698,466
2026	1,107,679
2027	88,253,258
Thereafter	785,112,747
	<b>1,052,437,800</b>

Loan costs less accumulated amortization	(9,922,929)
Liabilities associated with assets held for sale	(29,022,000)
<b>Total interest bearing loans and borrowings</b>	<b>1,013,492,871</b>

## NOTE J. EQUITY

Shareholders' equity includes the following at December 31:

	2022 in USD	2021 in USD
Issued share capital	10,297,221	10,297,221
Share premium from capital contributions	226,123,836	242,762,909
	<b>236,421,057</b>	<b>253,060,130</b>

The share capital at December 31, 2022, is divided into 10,126,018 ordinary registered shares with a par value of CHF 1.00 each. All the shares are fully paid as of December 31, 2022. Capital and retained earnings distributions in the amount of USD 33,278,146 were declared during the year ended December 31, 2022, of which USD 10,968,229 are included in distributions payable at December 31, 2022.

	Share number	Share capital in USD	Share premium in USD
<b>Balance at December 31, 2021</b>	<b>10,126,018</b>	<b>10,297,221</b>	<b>242,762,909</b>
Distribution from capital reserves	—	—	(16,639,073)
<b>Balance at December 31, 2022</b>	<b>10,126,018</b>	<b>10,297,221</b>	<b>226,123,836</b>

The share capital at December 31, 2021, was divided into 10,126,018 of ordinary registered shares with a par value of CHF 1.00 each. All the shares were fully paid as of December 31, 2021. Capital and retained earnings

distributions in the amount of USD 31,306,854 were declared during the year ended December 31, 2021, of which USD 11,101,275 were included in distributions payable at December 31, 2021.

	Share number	Share capital in USD	Share premium in USD
<b>Balance at December 31, 2020</b>	<b>10,126,018</b>	<b>10,297,221</b>	<b>258,402,705</b>
Share premium contributions adjustment	—	—	13,631
Distribution from capital reserves	—	—	(15,653,427)
<b>Balance at December 31, 2021</b>	<b>10,126,018</b>	<b>10,297,221</b>	<b>242,762,909</b>

On April 29, 2021, the general meeting approved to extend the authorization to increase the share capital. Accordingly, the Board of Directors is authorized to increase the share capital at any time until April 29, 2023, by a maximum amount of CHF 2,500,000 by issuance of a maximum of 2,500,000 registered shares, of a par value of CHF 1.00 each, to be fully paid.

### Appropriation of available earnings

On April 29, 2021, the general meeting of the shareholders approved the appropriation of the available earnings at December 2020, comprising dividends for a total of USD 31,306,854 (CHF 28,577,646), out of

the share premium from capital contributions for USD 15,653,427 (CHF 14,288,823) and out of the retained earnings for USD 15,653,427 (CHF 14,288,823). A first dividend of CHF 8,325,610 (CHF 0.82 per share) was paid on May 12, 2021. The additional dividend of CHF 20,252,036 (CHF 2.00 per share) was payable in four quarterly installments. The installments were paid on August 11, 2021, November 11, 2021, February 11, 2022, and May 11, 2022.

On April 29, 2022, the general meeting of the shareholders approved an allocation to the general legal reserve of USD 1,544,820 (CHF 1,668,000) and the ap-

appropriation of the available earnings at December 31, 2021, comprising dividends for a total of USD 33,278,146 (CHF 32,403,258), out of the share premium from capital contributions for USD 16,639,073 (CHF 16,201,629) and out of the retained earnings for USD 16,639,073 (CHF 16,201,629). A first dividend of CHF 1.20 per share (CHF 12,151,222; USD 12,479,305) was paid on May 11, 2022. The additional dividend of CHF 2.00 per share (CHF 20,252,036; USD 20,798,841) is payable in four quarterly installments. The first installment was paid on August 10, 2022, the second installment was paid on November 10, 2022, the third installment was paid on February 10, 2023 and the fourth installment will be paid on May 10, 2023.

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, 2022 is detailed in the statutory financial statements. The proposition includes an allocation to the general legal reserve of CHF 2,300,000 and dividends amounting to CHF 32,403,258 respectively out the share premium from capital contributions for CHF 16,201,629 and out of the retained earnings for CHF 16,201,629. A first dividend installment of CHF 1.20 per share will be paid on May 10, 2023 for a total of CHF 12,151,222, and the additional dividend of CHF 20,252,036 (CHF 2.00 per share) will be paid in four quarterly installments on August 9, 2023, November 9, 2023, February 9, 2024 and May 9, 2024.

	from available earnings in CHF	from capital contributions in CHF	added up in CHF
<b>Retained earnings / Capital contributions carried forward</b>	<b>32,544,163</b>	<b>222,847,299</b>	<b>255,391,462</b>
Net profit for the year ended December 31, 2022	45,994,153	—	45,994,153
<b>Available earnings / capital contributions</b>	<b>78,538,316</b>	<b>222,847,299</b>	<b>301,385,615</b>

#### Proposed appropriation

Allocation to general legal reserve issued from net profit	2,300,000	—	2,300,000
Dividend distribution from each of (i) the available earnings and (ii) the reserve from capital contributions, payable on May 10th, 2023	6,075,611	6,075,611	12,151,222
Additional dividend, out of (i) the available earnings and (ii) from capital contribution reserves, payable in four quarterly installments on August 9th, 2023, November 9th, 2023, February 9th, 2024 and May 9th, 2024	10,126,018	10,126,018	20,252,036
<b>Balance to be carried forward</b>	<b>60,036,687</b>	<b>206,645,670</b>	<b>266,682,357</b>

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.

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

### Revaluation Reserves

Revaluation reserves included in equity relate to the following hedging instruments:

	Cost of Hedging Reserve in USD	Intrinsic Value of Interest Rate Cap Options in USD	Total Revaluation Reserves in USD
Opening balance January 1, 2022	–	–	–
Add: change in fair value of hedging instrument recognized in OCI	–	5,188,152	5,188,152
Add: Costs of hedging deferred and recognized in OCI	59,175	–	59,175
Add: counter party payments received from hedging instrument recognized in OCI	–	120,948	120,948
Less: counter party payments received from hedging instrument reclassified from OCI to profit or loss	–	(120,948)	(120,948)
<b>Closing balance December 31, 2022</b>	<b>59,175</b>	<b>5,188,152</b>	<b>5,247,327</b>

During the year ended December 31, 2022, counter-party payments received in the amount of USD 120,948 related to the interest rate cap option contracts were reclassified from the cash flow hedging reserve to the statement of profit or loss as a reduction of interest expense. The amount deferred in the costs of hedging reserve consists of a decrease in the fair value of the extrinsic (time-value) portion of the interest rate cap option contracts of USD 80,976 offset by amortization of the initial extrinsic (time-value) premium of the interest rate cap option contracts in the amount of USD 140,151. Amortization expense is reclassified from the costs of hedging reserve to the statement of profit and loss as an increase in interest expense. See Note O for further information on cash flow hedging activities.

### Major Shareholders

The following table indicates Varia's major shareholders holding shares and voting rights of 3% and more as of December 31, 2022 and 2021 (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	2022 Number of Shares	2022 Participation in %	2021 Number of Shares	2021 Participation in %
Varia SPC	Fund	4,084,581	40.34%	3,934,099	38.85%
Philae Fund MB Prime	Fund	716,863	7.08%	716,863	7.08%
Other shareholders with a participation below 3% individually	Banks, funds, pension funds, foundation and companies	5,324,574	52.58%	5,475,056	54.07%
		<b>10,126,018</b>	<b>100%</b>	<b>10,126,018</b>	<b>100%</b>

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 (20.1% as

of December 31, 2022 and 30.3% as of December 31, 2021) 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 50.00% to 66.67%. Deviations from this target ratio need to be limited to exceptional circumstances during a limited time frame. The gross loan-to-value ratio was 61.8% as of December 31, 2022 and 62.0% as of December 31, 2021.

### Earnings per share as of December 31:

	2022 in USD	2021 in USD
<b>Earnings per share attributable to equity holders for the period:</b>		
Profit for the period attributable to ordinary equity holders of the Company	122,598,660	156,007,708
<b>Calculation of weighted-average number of shares:</b>		
Shares outstanding December 31, 2021	10,126,018	10,126,018
Weighted-average number of ordinary shares outstanding – basic for the period	10,126,018	10,126,018
Weighted-average number of ordinary shares outstanding – fully diluted for the period	10,126,018	10,126,018
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)	12.11	15.41
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)	12.11	15.41
Equity attributable to Varia US Properties AG Shareholders	608,917,001	514,349,161
Number of shares	10,126,018	10,126,018
<b>NAV per share</b>	<b>60.13</b>	<b>50.79</b>
Equity attributable to Varia US Properties AG Shareholders (excluding deferred taxes)	716,540,155	595,042,633
Number of shares	10,126,018	10,126,018
<b>NAV per share (excluding deferred taxes)</b>	<b>70.76</b>	<b>58.76</b>

## 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, 2022 in USD	For the Year Ended December 31, 2021 in USD
Utility expenses	12,429,722	10,374,340
Property and other taxes	14,236,382	12,346,720
Property insurance	5,384,107	3,990,008
Contract services at property level	2,455,481	2,397,174
Advertising expenses	1,803,485	1,333,867
<b>Total real estate operating expenses</b>	<b>36,309,177</b>	<b>30,442,109</b>
Legal, audit, and accounting fees	1,312,705	1,555,118
Professional fees	1,226,328	1,024,375
Asset management fees	6,981,216	4,616,878
General and administrative	6,043,918	3,981,880
<b>Total other expenses</b>	<b>15,564,167</b>	<b>11,178,251</b>

## NOTE L. FINANCE COSTS

The finance costs for the years ended December 31, 2022 and 2021, amounted to approximately USD 45.6 million and USD 32.6 million, respectively, and include mainly interest paid and accrued on interest-bearing loans and borrowings of approximately USD 44.0 million and USD 30.0 million, respectively, and debt defeasance costs of approximately USD 2.0 million and USD 2.8 million, respectively and the foreign currency ex-

change net gain of USD 461,983 (gains of USD 3,479,044 less losses of USD 3,017,061) and USD 178,192 (gains of USD 2,238,680 less losses of USD 2,060,488) respectively, primarily resulting from the change of the exchange rate between the CHF and the USD currency rates on foreign currency bank accounts and the bonds which are payable in CHF.

## NOTE M. INCOME TAXES

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

	2022 in USD	2021 in USD
<b>Provision for income tax expense</b>		
Deferred U.S. federal and state income tax expense	26,929,681	42,407,168
Current U.S. federal and state income tax expense	(120,685)	4,029,449
Current Swiss federal, cantonal and communal income tax expense	2,568,898	2,053,425
	<b>29,377,894</b>	<b>48,490,042</b>

### 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 23.4% and 25% as of December 31, 2022 and 2021). For Swiss federal tax purposes, income tax at an effective tax rate of 12% is levied as of December 31, 2022 and 2021.

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:

	2022 in USD	2021 in USD
Profit before tax	151,976,554	204,497,750
Income tax using the weighted-average tax rate for the years ended December 31, 2022 and 2021 at 19.3%* and 23.7%, respectively	29,377,894	48,490,042
<b>Income tax expense</b>	<b>29,377,894</b>	<b>48,490,042</b>

\* Note: the weighted-average tax rate of 19.3% for the year ended December 31, 2022 is relatively low compared to previous years due to the impact of favorable state tax rate apportionment changes which lead to an increase in the valuation of state deferred tax assets. This increase in valuation of state deferred tax assets reduces overall tax expense for the year ended December 31, 2022.

### 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, 2022 and 2021, was USD 26,929,681 and USD 42,407,168, respectively.

The components of deferred tax assets (liabilities) at December 31, 2022, are as follows:

	Deferred Tax Assets (Liabilities) at December 31, 2021 in USD	Recognized in Profit or Loss in USD	Deferred Tax Assets (Liabilities) at December 31, 2022 in USD	Deferred Tax Assets in USD	Deferred Tax Liabilities in USD
Net operating loss carryforward	36,473,690	4,991,089	41,464,779	41,464,779	–
Investment property	(120,873,071)	(30,312,703)	(151,185,774)	–	(151,185,774)
Related-party interest	2,537,274	(1,037,220)	1,500,054	1,500,054	–
Miscellaneous other	1,168,635	(570,848)	597,787	2,383,369	(1,785,582)
<b>Tax assets (liabilities) before setoff</b>	<b>(80,693,472)</b>	<b>(26,929,682)</b>	<b>(107,623,154)</b>	45,348,202	(152,971,356)
			Set-off of tax	(45,348,202)	45,348,202
			<b>Net assets (liabilities)</b>	<b>–</b>	<b>(107,623,154)</b>

The components of deferred tax assets (liabilities) at December 31, 2021, are as follows:

	Deferred Tax Assets (Liabilities) at December 31, 2020 in USD	Recognized in Profit or Loss in USD	Deferred Tax Assets (Liabilities) at December 31, 2021 in USD	Deferred Tax Assets in USD	Deferred Tax Liabilities in USD
Net operating loss carryforward	23,338,020	13,135,670	36,473,690	36,473,690	–
Investment property	(64,228,204)	(56,644,867)	(120,873,071)	–	(120,873,071)
Related-party interest	1,639,451	897,823	2,537,274	2,537,274	–
Miscellaneous other	964,429	204,206	1,168,635	2,631,836	(1,463,201)
<b>Tax assets (liabilities) before setoff</b>	<b>(38,286,304)</b>	<b>(42,407,168)</b>	<b>(80,693,472)</b>	41,642,800	(122,336,272)
			Set-off of tax	(41,642,800)	41,642,800
			<b>Net assets (liabilities)</b>	<b>–</b>	<b>(80,693,472)</b>

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 45.3 million and USD 41.6 million for the years ended

December 31, 2022 and 2021, respectively. The amount of deferred tax liabilities are approximately USD 153.0 million and USD 122.3 million for the years ended December 31, 2022 and 2021, respectively.

No deferred taxes have been recognized for the tax effect of approximately USD 46.3 million and USD 32.1 million on unremitted earnings of approximately USD 308.7 million and USD 213.8 million for the Company's subsidiaries as the remittance is within the full control of the Group as of December 31, 2022 and 2021, respectively, and it is probable that any temporary differences will not reverse in the foreseeable future.

As of December 31, 2022 and 2021, the Group has approximately USD 180.7 million and USD 160.7 million of federal net operating loss carryforwards and approximately USD 124.9 and USD 144.6 million of state net operating loss carryforwards, which are available to offset future taxable income and are eligible to be rec-

ognized as deferred U.S. federal and state income tax. The utilization is limited to future taxable earnings of the Company. The federal net operating loss carryforwards begin to expire in 2037 and state net operating loss carryforwards begin to expire in 2031. 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) and its subsidiaries
- 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 year ended December 31, 2021, Stoneweg Asset Management SA has charged the Company about CHF 500,000 (USD 543,925) in capital increase fees that were accounted for against the reserves from capital contribution, and CHF 500,000 (USD 543,925) in bond issuance costs. There were no capital increase or bond issuance charges in 2022.

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:

	2022 in USD	2021 in USD
Asset management fees charged to Varia direct subsidiaries	6,981,216	4,616,878
Transaction fees invoiced for the periods	3,763,000	4,125,000
Promotion fee on sale of properties	12,038,996	8,398,063
Refinancing fees	1,664,290	394,180
Transaction fees paid in connection with bond issuance	–	543,925
Construction management fees	463,698	–

Outstanding amounts due to Stoneweg as of December 31, 2022 and 2021, represent USD 1,896,806 and USD 1,200,621, respectively.

### Key management compensation

The Board of Directors is considered as key management. In the year under consideration, expense in the amount of CHF 689,978 was paid or accrued as of December 31, 2022 (2021 – CHF 596,542), including CHF 140,250 (2021 – 104,500) related to the Directors' share plan.

There were no outstanding amounts due to the Board of Directors as of December 31, 2022 and 2021.

On June 1, 2021, Board members subscribed a total of 5,500 shares at a price of CHF 38.00 each, that were purchased in the market by Varia US and sold to the members at a 50% discounted price of CHF 19.00 for a total cost of CHF 104,500 for the Company. These shares are subject to a restriction period of four years, during which they cannot be sold, transferred, given, assigned or otherwise divested.

On June 1, 2022, Board members subscribed a total of 5,500 shares at a price of CHF 51.00 each, that were purchased in the market by Varia US and sold to the members at a 50% discounted price of CHF 25.50 for a total cost of CHF 140,250 for the Company. These shares are subject to a restriction period of 4 years during which they cannot be sold, transferred, given, assigned, or otherwise divested. There was no other compensation to the Board members for their role or for additional work, except for the Board members

paid by Stoneweg Asset Management 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 year and there were no such receivables outstanding as of December 31, 2022 and 2021.

## 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 United States through investment entities located in the United States.

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, 2022 and 2021, Varia has entered into interest-bearing liabilities and borrowing contracts with several lenders, two U.S. governmental agencies, amounting to USD 944.1 million and USD 766.3 million, respectively, and periodic reimbursements until their principal maturity dates spread out between 2024 and 2032. At December 31, 2022 and 2021, USD 186.5 million and USD 186.5 million, respectively, of these mortgages are subject to variable interest rates. Accordingly, (before considering the effect of any rate cap option contracts, see below) 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 approximately USD 1.9 million with a corresponding adjustment to the equity of the group by the same amount.

As of December 31, 2022, the Company has the following derivative financial instruments in the following line items in the balance sheet:

Non-current assets	in USD
Interest rate cap option contracts – cash flow hedges	5,424,697
<b>Total non-current derivative financial instrument assets</b>	<b>5,424,697</b>

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss.

The Company's accounting policy for its qualifying cash flow hedges is explained in Note B. A breakdown of movements in revaluation reserves related to cash flow hedges is disclosed in Note J. Further information about the derivative instruments used by the Company is provided below.

The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk. Company policy is to limit variable rate borrowings to a maximum of 50% of total outstanding borrowings. The Company hedges interest rate risk on variable rate borrowings through the use of interest rate cap option contracts which effectively limit the variable interest to a maximum rate during the option contract term.

The Company documents risk management objectives and strategy for undertaking cash flow hedge transactions. All derivatives must be entered into with counterparties with an investment grade credit rating.

Regarding interest rate cap option contracts, only the change in intrinsic value of the option contract is designated as the hedging instrument and hence included in the hedge relationship (i.e. the change in the time value of the option contract is excluded). The credit margin on the hedged debt is not included in the hedging relationship.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument. There was no hedge ineffectiveness recorded for the period.

The amounts accumulated within equity relating to the effective portion of the interest rate cap contracts are recognized in profit or loss within finance cost in the same period as the interest expense on the hedged borrowings.

The effects of the interest rate cap contracts on the Company's financial position and performance are as follows:

<b>Interest Rate Cap Option Contracts</b>	<b>2022</b> in USD	<b>2021</b> in USD
Carrying Amount (non-current asset)	5,424,697	—
Notional Amount	188,741,000	—
Maturity Dates	Jan 1 – Dec 1 2024	—
Hedge Ratio	1:1	—
Weighted average hedged rate for the year	5.31%	—

### 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 USD which is the currency of presentation of Varia consolidated financial statements. Fluctuations of the USD currency exchange rate with the CHF affect the net result and the equity in USD of the Group in its consolidated financial statements and, ultimately, the profits available for distributions. During the years ended December 31, 2022 and 2021, the Group entered into currency contracts to mitigate this currency risk. 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, 2022 and 2021, are predominately in USD as presented on the consolidated statements of financial position except for carried and to be settled in CHF as follows:

Assets	2022	2021
Cash and cash equivalents	1,219,982	6,373,298
Rent and other receivables	46,132	38,869
<b>Total assets</b>	<b>1,266,114</b>	<b>6,412,167</b>

Liabilities:		
Trade and other payables and interest bearing loans	3,825,219	3,155,006
Distribution payable	10,968,229	11,101,275
Bond borrowing	108,317,300	109,631,200
<b>Net liabilities</b>	<b>(121,844,634)</b>	<b>(117,475,314)</b>

### 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 United States of America. Appraisals of the properties by independent experts take place quarterly to determine 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 United States of America.

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 quarterly 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 asset values. The independent market value of the properties as of December 31, 2022 and 2021, was approximately USD 1.704 billion and USD 1.412 billion, 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-added 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. The 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, 2022:

	<b>Within 12 months in USD</b>	<b>From 2–5 Years in USD</b>	<b>Later than 5 years in USD</b>	<b>Total in USD</b>
Trade and other payables, less accrued real estate and other taxes	17,027,691	–	–	17,027,691
Distribution payable	10,968,229	–	–	10,968,229
Interest bearing loans and borrowings, including interest	42,899,066	320,783,813	893,853,279	1,257,536,158
Interest bearing bond, including interest	56,528,091	57,272,772	–	113,800,863
	<b>127,423,077</b>	<b>378,056,585</b>	<b>893,853,279</b>	<b>1,399,332,941</b>

The maturity analysis of financial liabilities, actual cash flows including interest, is as follows as of December 31, 2021:

	<b>Within 12 months in USD</b>	<b>From 2–5 Years in USD</b>	<b>Later than 5 years in USD</b>	<b>Total in USD</b>
Trade and other payables, less accrued real estate and other taxes	16,855,737	–	–	16,855,737
Distribution payable	11,101,275	–	–	11,101,275
Interest bearing loans and borrowings, including interest	27,231,993	262,550,950	726,838,202	1,016,621,145
Interest bearing bond, including interest	3,579,912	114,519,759	–	118,099,671
	<b>58,768,917</b>	<b>377,070,709</b>	<b>726,838,202</b>	<b>1,162,677,828</b>

### Credit risk

The Group enters into credit exposure only to established, creditworthy third parties for interest rate cap option contracts. 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 it 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 consolidated statements 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, 2022, Varia's investment properties and derivative financial assets 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, 2021	–	–	1,412,010,000	1,412,010,000
Purchase of investment property	–	–	338,175,283	338,175,283
Capital improvements	–	–	28,370,770	28,370,770
Net change in fair value (unrealized)	–	–	153,693,947	153,693,947
Investment property sold	–	–	(228,500,000)	(228,500,000)
Investment property held for sale	–	–	(65,250,000)	(65,250,000)
<b>Investment property at December 31, 2022</b>	<b>–</b>	<b>–</b>	<b>1,638,500,000</b>	<b>1,638,500,000</b>
Derivative financial instruments at December 31, 2021	–	–	–	–
Purchase of derivative financial instruments	–	441,500	–	441,500
Net change in fair value (unrealized)	–	5,107,176	–	5,107,176
Reclassification of counterparty payment receivable	–	(123,979)	–	(123,979)
<b>Derivative financial instruments at December 31, 2022</b>	<b>–</b>	<b>5,424,697</b>	<b>–</b>	<b>5,424,697</b>

At December 31, 2021, 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, 2020	–	–	928,220,000	928,220,000
Purchase of investment property	–	–	416,426,059	416,426,059
Capital improvements	–	–	18,017,838	18,017,838
Net change in fair value (unrealized)	–	–	197,371,103	197,371,103
Investment property sold	–	–	(148,025,000)	(148,025,000)
<b>Investment property at December 31, 2021</b>	<b>–</b>	<b>–</b>	<b>1,412,010,000</b>	<b>1,412,010,000</b>

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 multi-family apartment communities in the United States. In the income capitalization approach, an appraiser analyzes a property's capacity to generate future benefits and capitalizes the income into an indication of present value. The principle of anticipation is fundamental to this approach. Techniques and procedures from this approach are used to analyze comparable sales data and to measure obsolescence in the cost approach. The relationship between a single year's net operating income expectancy and the total property price or value is known as the capitalization rate. In addition, the independent valuer uses comparable sales analysis of recent transactions to derive market capitalization rates, as well as indicative sales prices of comparable asset sales. In the preparation of valuation analysis, the independent valuer typically relies on current rent rolls, year-to-date operating statements, historical operating statements (where available), operating budgets, and capital expenditure budgets. Based thereon, the independent valuer defines fair value consistent with the definition of market value as commonly applied in the United States.

The appraisal at fair value is based on the assumption that the most probable price for a property approximates a price determined in a competitive and open market under all conditions requisite to a fair sale, with the buyer and the seller each acting prudently, knowledgeably, and without 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, 2022, include:

<b>Future Rental Cash Inflows</b>	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.
<b>Estimated Occupancy Rates</b>	Based on current and expected future market conditions after expiry of any current lease. The occupancy rates applied range from 82.1% to 98.9%.
<b>Maintenance Costs</b>	Including necessary investments to maintain functionality of the property for its expected useful life.
<b>Capitalization Rates</b>	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 3.42% to 6.58%.

The valuation was determined using significant unobservable inputs. These inputs as of December 31, 2021, include:

<b>Future Rental Cash Inflows</b>	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.
<b>Estimated Occupancy Rates</b>	Based on current and expected future market conditions after expiry of any current lease. The occupancy rates applied range from 82.4% to 99.5%.
<b>Maintenance Costs</b>	Including necessary investments to maintain functionality of the property for its expected useful life.
<b>Capitalization Rates</b>	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 3.89% to 6.50%.

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, 2022 and 2021, with fair value as of the consolidated statement of financial position date of USD 1,703,750,000 and USD 1,412,010,000, respectively, an isolated increase in the capitalization rates by 50 basis points would lead to a decrease of approximately USD 155 million and USD 125 million, respectively, in value while a decrease in the capitalization rate by 50 points would lead to an increase of approximately USD 182 million and USD 152 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
4.6%	10.7 %	181,815,000	1,885,565,000
4.7%	8.3 %	141,696,000	1,845,446,000
4.8%	6.1 %	103,250,000	1,807,000,000
4.9%	3.9 %	66,372,000	1,770,122,000
5.0%	1.8 %	30,970,000	1,734,720,000
5.1% (valuation at December 31, 2022)	0.0 %	–	1,703,750,000
5.2%	(2.1) %	(35,750,000)	1,668,000,000
5.3%	(4.0) %	(67,222,000)	1,636,528,000
5.4%	(5.7) %	(97,528,000)	1,606,222,000
5.5%	(7.4) %	(126,732,000)	1,577,018,000
5.6%	(9.1) %	(154,893,000)	1,548,857,000

Average Capitalization Rate	Change in Fair Value %	Change in Fair Value in USD	Fair Value in USD
4.6%	10.8 %	152,233,000	1,564,243,000
4.7%	8.4 %	119,216,000	1,531,226,000
4.8%	6.2 %	87,564,000	1,499,574,000
4.9%	4.1 %	57,194,000	1,469,204,000
5.0%	2.0 %	28,029,000	1,440,039,000
5.1% (valuation at December 31, 2021)	0.0 %	–	1,412,010,000
5.2%	(1.9) %	(26,959,000)	1,385,051,000
5.3%	(3.7) %	(52,908,000)	1,359,102,000
5.4%	(5.5) %	(77,902,000)	1,334,108,000
5.5%	(7.2) %	(101,993,000)	1,310,017,000
5.6%	(8.9) %	(125,230,000)	1,286,780,000

#### Financial instruments not measured at fair value

Cash and cash equivalents, rent and other receivables, trade and other payables, and distribution payable are short-term in nature and therefore, the carrying amount is deemed to be fair value at December 31, 2022. 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, 2022.

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 2) 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 900 million and USD 799 million at December 31, 2022 and 2021, respectively. The fair value of the listed bonds is determined based on the price at SIX (Level 1) and amounts to USD 107.1 million and USD 110.1 million at December 31, 2022 and 2021, respectively.

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

As of December 31, 2022, the Company had approximately USD 1.6 million of contractual obligations related to repairs, maintenance, or enhancements. The Group had no contingencies and other off-balance-sheet transactions that would be required to be disclosed.

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

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**NOTE R.  
SUBSEQUENT EVENTS**

After the balance sheet date, eight additional properties were placed for sale with a total fair value of USD 195.2 million (1,978 units). One of these properties with a total fair value of USD 32.0 million (336 units) was under contract as of the date the financial statements were available to be issued.

The Board of Directors has evaluated the other events subsequent to the financial statements as of December 31, 2022 and through March 21, 2023, which was the date the financial statements were available to be issued. There were no other subsequent events which would require adjustment to or disclosure in the accompanying financial statements.

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**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.



**Property Portfolio as of December 31, 2022**

based on Colliers Figures  
(Unaudited Additional Information)

Property	Address	City	State	Zip Code	Fair Value in USD
<b>860 East Apartments and Townhouses</b>	860 Deerfield Boulevard	Cincinnati	Ohio	45245	25,800,000
<b>Amaze @ NoDa</b>	3750 Philemon Avenue	Charlotte	North Carolina	28206	88,900,000
<b>Ashford</b>	1200 North Dairy Ashford Road	Houston	Texas	77079	57,300,000
<b>Avenue 8 Apartments</b>	1050 West 8th Avenue	Mesa	Arizona	85210	44,700,000
<b>Beau Jardin</b>	10347 Sannois Drive	St. Louis	Missouri	63146	20,400,000
<b>Bellevue Hills Apartments</b>	11829 Amerado Boulevard	Bellevue	Nebraska	68123	28,400,000
<b>Breckinridge Square</b>	203 Breckinridge Square	Louisville	Kentucky	40220	38,200,000
<b>Brent Village</b>	1409 Buck Drive	Bellevue	Nebraska	68005	19,300,000
<b>Brookwood Apartments</b>	201 South Kolb Road	Tucson	Arizona	85710	33,700,000
<b>Cordova Creek</b>	7965 Humphrey Hill Drive	Memphis	Tennessee	38016	33,700,000
<b>Devonshire Place and Devonshire Gardens</b>	815 Erie Avenue & 1237 Devonshire Place	Evansville	Indiana	47715	20,000,000
<b>JRG Lofts</b>	437 West 6th Street	Covington	Kentucky	41011	60,300,000
<b>Harrison Point Apartments</b>	9093 Bourbon Street	Indianapolis	Indiana	46235	28,100,000
<b>Lochwood Apartments</b>	55 Lochwood Court	New Albany	Indiana	47150	20,700,000
<b>Lynnfield Place</b>	1400 Lynnfield Road	Memphis	Tennessee	38119	45,000,000
<b>Maryland Park</b>	2170 McKelvey Road	Maryland Heights	Missouri	63043	25,600,000
<b>Mayfield Apartments</b>	919 Aintree Park Drive	Mayfield	Ohio	44143	38,000,000
<b>Mission Palms Apartments</b>	951 West Orange Grove Road	Tucson	Arizona	85704	71,500,000
<b>Parkway Square</b>	2855 Apalachee Parkway	Tallahassee	Florida	32301	34,050,000
<b>Residences at Echelon Apartments</b>	3500 SW Hollywood Drive	Lee's Summit	Missouri	64082	67,200,000
<b>Retreat Northwest</b>	1130 Racquet Club North Drive	Indianapolis	Indiana	46260	46,100,000
<b>Ridge on Spring Valley</b>	5704 Spring Valley Road	Dallas	Texas	75254	32,500,000
<b>River Oaks Apartments</b>	7730 East Broadway Boulevard	Tucson	Arizona	85710	40,800,000
<b>Rolling Hills Apartments</b>	9100 Rainbow Springs	Louisville	Kentucky	40241	52,200,000
<b>Shawnee Station</b>	6405 Maurer Road	Shawnee	Kansas	66217	30,900,000
<b>St. Matthews Apartments</b>	400 Mallard Creek Road	Louisville	Kentucky	40207	114,200,000
<b>Tally Square</b>	1112 S. Magnolia Drive	Tallahassee	Florida	32301	31,200,000
<b>The Aura</b>	3035 West 39th Street	Indianapolis	Indiana	46228	13,700,000

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

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

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

4 As of December 31, 2022, 100 % of the lettable area of the properties was for residential use.

	Ownership Form	Year of Construction	Net Operating Income <sup>1</sup> in USD	Units	Occupancy Rate	Cap Rate	Gross Potential Income <sup>3</sup> in USD	Site Size in sq. ft.	Net Lettable Area <sup>4</sup> in sq. ft.
	Sole-Ownership	1988	1,611,443	223	95.50%	6.25%	3,284,708	827,248	211,684
	Sole-Ownership	2019	3,748,902	298	90.30%	4.22%	6,172,400	431,680	221,270
	Sole-Ownership	2015	2,580,361	312	93.60%	4.50%	6,045,340	135,579	260,852
	Sole-Ownership	1986	2,348,002	194	92.80%	5.25%	3,617,400	385,158	213,400
	Sole-Ownership	1965	1,173,206	182	96.70%	5.75%	2,440,320	470,012	159,520
	Sole-Ownership	1974	1,631,608	264	91.70%	5.75%	3,749,390	788,000	243,960
	Sole-Ownership	1970	1,812,465	294	91.50%	4.74%	4,377,450	695,261	332,090
	Sole-Ownership	1971	1,109,555	180	88.80%	5.75%	2,440,180	404,236	147,869
	Sole-Ownership	1973	1,855,197	272	92.60%	5.51%	3,606,600	432,586	206,784
	Sole-Ownership	1986	1,685,600	196	92.30%	5.00%	3,089,495	851,162	214,038
	Sole-Ownership	1978	1,249,623	245	93.50%	6.25%	2,674,844	464,629	237,460
	Sole-Ownership	2021	2,061,282	178	92.10%	3.42%	4,093,172	60,952	131,543
	Sole-Ownership	1974	1,548,098	342	96.80%	5.51%	3,587,940	1,116,159	286,050
	Sole-Ownership	1972	1,192,569	200	90.00%	5.76%	2,524,920	615,938	268,800
	Sole-Ownership	1974	2,363,696	400	89.30%	5.25%	5,542,704	1,263,545	465,350
	Sole-Ownership	1971	1,475,805	252	82.10%	5.76%	3,238,840	538,614	193,284
	Sole-Ownership	1966	2,500,726	252	90.90%	6.58%	4,693,800	778,194	275,575
	Sole-Ownership	1979	3,756,281	360	95.00%	5.25%	6,060,960	1,258,842	372,918
	Sole-Ownership	1975	2,080,194	277	94.90%	6.11%	4,077,400	574,121	224,330
	Sole-Ownership	2020	2,654,383	243	95.50%	3.95%	4,810,320	485,471	235,552
	Sole-Ownership	1973	2,418,387	336	93.20%	5.25%	4,742,796	2,044,532	347,620
	Sole-Ownership	1978	1,627,297	207	93.70%	5.01%	3,571,520	324,091	166,194
	Sole-Ownership	1982	2,246,525	300	96.00%	5.51%	3,923,280	448,958	212,074
	Sole-Ownership	1972	3,009,288	400	90.80%	5.76%	6,025,731	1,120,157	504,640
	Sole-Ownership	2001	1,545,821	228	92.50%	5.00%	3,463,525	673,873	210,648
	Sole-Ownership	1988 & 1991	5,426,206	600	91.70%	4.75%	9,652,228	1,571,035	587,718
	Sole-Ownership	1972	1,916,739	228	89.90%	6.14%	3,836,560	838,966	277,656
	Sole-Ownership	1970	718,868	125	96.80%	5.25%	1,845,820	327,859	150,867



Property	Address	City	State	Zip Code	Fair Value in USD
<b>The M Club</b>	7007 Courthouse Drive	Indianapolis	Indiana	46226	44,400,000
<b>The Meadows Apartment Homes</b>	2154 Meadow Glade Lane	Memphis	Tennessee	38134	28,900,000
<b>The Wylde at Eagle Creek</b>	6612 Eagle Pointe Drive North	Indianapolis	Indiana	46254	33,700,000
<b>Tierra Pointe Apartments</b>	6801 & 6901 Los Volcanes Road NW	Albuquerque	New Mexico	87121	52,800,000
<b>Tuscany Bay Apartments</b>	100 River Road	Lawrenceburg	Indiana	47025	10,400,000
<b>Varia at Oakcrest Apartments</b>	1310 Oakcrest Drive	Columbia	South Carolina	29223	39,700,000
<b>Varia at Highland Village</b>	120 Main Street	Highland Village	Texas	75077	51,400,000
<b>West End at Fayetteville</b>	3050 Plantation Garden Boulevard	Fayetteville	North Carolina	28303	97,600,000
<b>Wild Oaks</b>	7987 NE Flintlock Road	Kansas City	Missouri	64158	64,600,000
<b>Willows of Cumming</b>	225 Nancy Lane	Cumming	Georgia	30040	19,700,000
<b>Wood Hollow Apartments</b>	3875 Post Oak Boulevard	Fort Worth (Euless)	Texas	76040	46,300,000
<b>Woodridge Apartments</b>	3840, 3849, 3975 and 3977 Wo- odridge Boulevard and Providence Drive	Fairfield	Ohio	45014	32,000,000
<b>Zona Village</b>	2855 West Anklam Road	Tucson	Arizona	85745	19,800,000
<b>Total</b>					<b>1,703,750,000</b>

- 1 The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income but before mortgage debt service.
- 2 As percentage of the total gross potential income as calculated by Colliers.
- 3 Total potential rental revenue assuming the existing rents in place, as well as market rent values for all vacant units.
- 4 As of December 31, 2022, 100 % of the lettable area of the properties was for residential use.

	Ownership Form	Year of Construction	Net Operating Income <sup>1</sup> in USD	Units	Occupancy Rate	Cap Rate	Gross Potential Income <sup>3</sup> in USD	Site Size in sq. ft.	Net Lettable Area <sup>4</sup> in sq. ft.
	Sole-Ownership	1979	2,329,922	388	94.30%	5.25%	4,381,360	1,686,441	303,544
	Sole-Ownership	1986	1,446,350	200	97.00%	5.00%	2,647,199	625,522	191,200
	Sole-Ownership	1987	1,684,469	256	91.00%	5.00%	3,772,200	835,350	202,000
	Sole-Ownership	1985	2,772,615	352	92.60%	5.25%	4,576,365	521,784	211,720
	Sole-Ownership	1998	648,316	96	93.80%	6.23%	1,370,529	392,040	104,160
	Sole-Ownership	2000	1,688,275	272	95.60%	4.25%	4,410,760	838,351	299,102
	Sole-Ownership	2015	2,442,948	161	95.00%	4.75%	4,198,060	615,593	195,115
	Sole-Ownership	2012	4,880,812	360	94.70%	5.00%	7,290,840	1,870,902	425,784
	Sole-Ownership	2000	2,908,161	348	98.90%	4.50%	5,626,310	329,964	325,488
	Sole-Ownership	1996	1,130,958	156	97.40%	5.74%	2,158,584	554,519	147,148
	Sole-Ownership	1985	2,314,410	346	92.20%	5.00%	5,384,600	535,374	251,639
	Sole-Ownership	1985	2,000,618	336	93.80%	6.25%	4,110,289	864,495	254,650
	Sole-Ownership	1969	1,139,993	183	94.50%	5.76%	2,118,540	249,075	98,868
			<b>86,735,977</b>	<b>11,042</b>		<b>5.1%</b>	<b>169,235,278</b>	<b>29,846,270</b>	<b>10,370,164</b>

Varia US Properties AG and Subsidiaries  
**Consolidating Statement of Financial Position**  
For the Year Ended December 31, 2022  
(Unaudited Additional Information)

	Varia US Ariston AG in USD	Varia US Holdings LLC in USD	Varia US Properties AG in USD	Eliminations in USD	Consolidated in USD
<b>ASSETS</b>					
<b>Current assets</b>					
Cash And Cash Equivalents	14,093,812	60,946,847	2,314,248	–	77,354,907
Rent And Other Receivables	52,089	854,987	–	–	907,076
Income Tax Receivable	3,503,773	–	–	–	3,503,773
Prepaid Expenses And Other Current Assets	219,239	1,813,099	6,473,974	–6,427,842	2,078,469
Short Term Loans To Related Parties	–	16,457,277	–	–16,457,277	–
Due From Related Party	–184,201	–	–	184,201	–
Assets Held for Sale	–	65,250,000	–	–	65,250,000
<b>Total current assets</b>	<b>17,684,712</b>	<b>145,322,210</b>	<b>8,788,222</b>	<b>–22,700,918</b>	<b>149,094,225</b>
<b>Non-current assets</b>					
Investment Property	247,300,000	1,391,200,000	–	–	1,638,500,000
Investment in Subsidiaries	–	–	461,926,861	–461,926,861	–
Other Assets	50,205	–	–	–	50,205
Derivative Financial Instruments	–	5,424,697	–	–	5,424,697
Long-Term Loans	–	–	255,017,652	–255,017,652	–
Escrow Accounts	140,635	5,622,989	–	–	5,763,624
Deferred Tax Assets	2,108,544	43,239,657	–	–45,348,201	–
<b>Total non-current assets</b>	<b>249,599,384</b>	<b>1,445,487,343</b>	<b>716,944,513</b>	<b>–762,292,714</b>	<b>1,649,738,526</b>
<b>Total assets</b>	<b>267,284,096</b>	<b>1,590,809,553</b>	<b>725,732,735</b>	<b>–784,993,632</b>	<b>1,798,832,751</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Current Maturities Of Interest Bearing Loans and borrowings	–	–	54,158,650	–	54,158,650
Trade And Other Payables	2,014,621	27,571,919	1,173,196	–6,427,838	24,331,898
Distribution Payable	–	–	10,968,229	–	10,968,229
Income Tax Payable	–	30,770	2,641,030	–	2,671,800
Rent Received In Advance	151,620	1,654,178	–	–	1,805,798
Short Term Borrowing From Related Parties	16,457,277	–	–	–16,457,277	–
Due To Related Party	–	–	–184,200	184,200	–
Liabilities Held for Sale	–	29,022,000	–	–	29,022,000
<b>Total current liabilities</b>	<b>18,623,518</b>	<b>58,278,867</b>	<b>68,756,904</b>	<b>–22,700,914</b>	<b>122,958,375</b>
<b>Non-current liabilities</b>					
Interest Bearing Loans And Borrowings, Net Of Current Maturities	145,267,893	760,760,186	53,306,142	–	959,334,221
Loans From Member	–	255,017,652	–	–255,017,652	–
Deferred Tax Liability	27,389,233	125,582,123	–	–45,348,202	107,623,154
<b>Total non-current liabilities</b>	<b>172,657,126</b>	<b>1,141,359,961</b>	<b>53,306,142</b>	<b>–300,365,854</b>	<b>1,066,957,375</b>
<b>Total liabilities</b>	<b>191,280,644</b>	<b>1,199,638,828</b>	<b>122,063,046</b>	<b>–323,066,769</b>	<b>1,189,915,750</b>
<b>Equity attributable to equity holders of the parent</b>					
Issued Share Capital	–	–	10,297,221	–	10,297,221
Share Premium From Capital Contributions	18,178,901	143,769,122	226,123,836	–161,948,023	226,123,836
Reserves	–	5,247,327	4,481,011	–	9,728,338
Retained Earnings (Accumulated Deficit)	66,574,052	242,154,275	362,767,621	–308,728,341	362,767,606
Treasury Stock At Cost	–8,749,500	–	–	8,749,500	–
<b>Total equity</b>	<b>76,003,453</b>	<b>391,170,724</b>	<b>603,669,689</b>	<b>–461,926,864</b>	<b>608,917,001</b>
<b>Total liabilities and equity</b>	<b>267,284,097</b>	<b>1,590,809,552</b>	<b>725,732,736</b>	<b>–784,993,633</b>	<b>1,798,832,751</b>

Varia US Properties AG and Subsidiaries  
**Consolidating Statement of Profit or Loss**  
For the Year Ended December 31, 2022  
(Unaudited Additional Information)

	Varia US Ariston AG in USD	Varia US Holdings LLC in USD	Varia US Properties AG in USD	Eliminations in USD	Consolidated in USD
<b>Income</b>					
Rental Income	15,277,399	111,270,937	–	–	126,548,336
Equity In Earnings Of Subsidiaries	–	–	103,310,324	–103,310,324	–
Interest Income On Loans	–	–	25,501,765	–25,501,765	–
Other Income	1,746,267	15,152,949	13,135	–4	16,912,347
Insurance Proceeds	–	592,519	–	–	592,519
Net Gain (Loss) From Fair Value Adjustment On Investment Property	23,684,854	130,009,093	–	–	153,693,947
<b>Effective income</b>	<b>40,708,520</b>	<b>257,025,498</b>	<b>128,825,223</b>	<b>–128,812,093</b>	<b>297,747,149</b>
<b>Operating expenses</b>					
Third Party Salaries And Employees	–1,811,416	–14,316,756	–724,246	–	–16,852,418
Utilities	–1,307,962	–11,121,762	–	–	–12,429,724
General and Administrative	–916,924	–4,323,336	–803,699	40	–6,043,918
Advertising	–156,780	–1,646,705	–	–	–1,803,485
Repairs and Maintenance	–571,093	–6,708,749	–	–	–7,279,842
Contract Services	–284,896	–2,148,238	–22,346	–	–2,455,481
Real Estate And Other Taxes	–1,335,659	–12,900,723	–	–	–14,236,382
Property Insurance	–563,563	–4,793,764	–26,780	–	–5,384,107
Asset Management Fee	–810,195	–6,171,021	–	–	–6,981,216
Property Management Fees	–516,037	–3,777,401	–	–	–4,293,438
Legal/Audit/Accounting Fees	–73,907	–309,200	–929,597	–	–1,312,705
Professional Services	–631,168	–595,160	–	–	–1,226,328
Transaction Costs	–440,167	–15,357,917	–	–	–15,798,084
<b>Total operating expenses</b>	<b>–9,419,767</b>	<b>–84,170,732</b>	<b>–2,506,668</b>	<b>40</b>	<b>–96,097,127</b>
<b>Net operating income</b>	<b>31,288,753</b>	<b>172,854,766</b>	<b>126,318,555</b>	<b>–128,812,052</b>	<b>201,650,022</b>
<b>Other property expenses</b>					
Debt Interest	–4,312,210	–36,138,424	–3,556,317	–	–44,006,951
Debt Defeasance	–134,785	–1,910,970	–	–	–2,045,755
Capital Expenditures	–316,679	–3,766,066	–	–	–4,082,745
<b>Total other property expenses</b>	<b>–4,763,674</b>	<b>–41,815,460</b>	<b>–3,556,317</b>	<b>–</b>	<b>–50,135,451</b>
<b>Net property income</b>	<b>26,525,081</b>	<b>131,039,306</b>	<b>122,762,238</b>	<b>–128,812,052</b>	<b>151,514,571</b>
<b>Administrative expenses</b>					
Net Currency Foreign Exchange Gain	–1,943,352	–	2,405,335	–	461,983
Member Loan Interest	–	–25,501,767	–	25,501,767	–
<b>Total administrative expenses</b>	<b>–1,943,352</b>	<b>–25,501,767</b>	<b>2,405,335</b>	<b>25,501,767</b>	<b>461,983</b>
<b>Operating profit and loss</b>	<b>24,581,729</b>	<b>105,537,539</b>	<b>125,167,573</b>	<b>–103,310,285</b>	<b>151,976,554</b>
<b>Profit (loss) attributable to noncontrolling interests</b>	<b>24,581,729</b>	<b>105,537,539</b>	<b>125,167,573</b>	<b>–103,310,285</b>	<b>151,976,554</b>
<b>Profit (loss) attributable to equity holders of the parent before provision for income tax</b>	<b>24,581,729</b>	<b>105,537,539</b>	<b>125,167,573</b>	<b>–103,310,285</b>	<b>151,976,554</b>
Provision For Income Tax	–5,722,335	–21,086,661	–2,568,899	–	–29,377,894
Other Comprehensive Income	–	5,247,327	–	–	5,247,327
<b>Total comprehensive income for the year</b>	<b>18,859,394</b>	<b>89,698,205</b>	<b>122,598,674</b>	<b>–103,310,285</b>	<b>127,845,987</b>

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



### Statutory Auditor's Report

To the General Meeting of Varia US Properties AG, Zug

#### Report on the Audit of 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 2022 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 71 to 108) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended 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 Standards on Auditing (SA-CH). 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, together with the requirements of the Swiss audit profession, as well as the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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.



## VALUATION OF INVESTMENT PROPERTIES

### Key Audit Matter

Investment properties form a substantial part of the balance sheet and showed the following values as at 31 December 2022 (in USD):

- Investment properties USD 1'638'500'000

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 G – Investment Property.
- Note O – Financial Risk Management, sections "Fair Value Measurement" and "Valuation Method, Standards, and Principles".

### Our response

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 2022.

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



## COMPLETENESS, EXISTENCE AND ACCURACY OF DEFERRED TAX ASSETS AND LIABILITIES

### Key Audit Matter

As at 31 December 2022, deferred tax assets and liabilities amounted to:

- Deferred tax assets: USD 0
- Deferred tax liabilities: USD 107'623'154

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.

For further information on deferred taxes refer to the following:

- Note M – Income taxes

### 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.



### Other Information

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

Our opinion on the consolidated financial statements does not cover the other information 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 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.

### Board of Directors' Responsibilities 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 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 SA-CH 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.

As part of an audit in accordance with Swiss law, ISAs and SA-CH, 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, and 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, actions taken to eliminate threats or safeguards applied.

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.

### Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 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

Philippe Ruedin  
Licensed Audit Expert  
Auditor in Charge

Bruno Beça  
Licensed Audit Expert

Geneva, 21 March 2023



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# STATUTORY FINANCIAL STATEMENTS

December 31, 2022

Varia US Properties AG, Zug

**BALANCE SHEET AS OF DECEMBER 31, 2022**

(with comparative balance sheet as of December 31, 2021)

<b>ASSETS</b>	<b>Notes</b>	<b>December 31, 2022</b> in CHF	<b>December 31, 2021</b> in CHF
Cash and cash equivalents		2,151,642	19,451,019
Prepaid expenses		42,589	35,454
Prepaid expenses borrowing costs current	2.6	351,100	462,500
Accrued interests income	2.1	5,934,271	9,612,984
Short-term interest bearing loans related parties	2.4	170,057	–
<b>Current Assets</b>		<b>8,649,659</b>	<b>29,561,957</b>
Long-term loans	2.1	247,024,543	247,024,543
Investments	2.2	173,285,114	173,285,114
Prepaid expenses borrowing costs non-current	2.6	441,780	792,380
<b>Non-current assets</b>		<b>420,751,437</b>	<b>421,102,037</b>
<b>Total assets</b>		<b>429,401,096</b>	<b>450,663,994</b>

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<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>Notes</b>	<b>December 31, 2022</b> in CHF	<b>December 31, 2021</b> in CHF
Trade accounts payable	2.3	117,200	173,389
Short-term interest bearing borrowings related parties	2.4	–	35,512,402
Short-term interest bearing borrowing	2.6	50,000,000	–
Dividend payable	2.7	10,126,018	10,126,018
Accrued expenses	2.5	981,010	791,839
Provision for taxes		2,438,235	1,912,608
<b>Current liabilities</b>		<b>63,662,463</b>	<b>48,516,256</b>
Long-term interest bearing borrowing	2.6	50,000,000	100,000,000
<b>Non-current liabilities</b>		<b>50,000,000</b>	<b>100,000,000</b>
<b>Liabilities</b>		<b>113,662,463</b>	<b>148,516,256</b>
<b>Share capital</b>	2.7	<b>10,126,018</b>	<b>10,126,018</b>
General legal retained earnings	2.7	4,227,000	2,559,000
Reserves from capital contributions	2.7	222,847,299	239,048,928
<b>Legal capital reserves</b>		<b>227,074,299</b>	<b>241,607,928</b>
Retained earnings brought forward		32,544,163	17,067,338
Net profit for the year		45,994,153	33,346,454
<b>Voluntary retained earnings</b>		<b>78,538,316</b>	<b>50,413,792</b>
<b>Shareholders' equity</b>		<b>315,738,633</b>	<b>302,147,738</b>
<b>Total liabilities and shareholders' equity</b>		<b>429,401,096</b>	<b>450,663,994</b>

Varia US Properties AG, Zug

## PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

(with comparative profit and loss statement for the year ended December 31, 2021)

	Notes	For the year ended December 31, 2022 in CHF	For the year ended December 31, 2021 in CHF
Revenues from investments	2.2	29,400,000	20,462,618
Interest income on loans	2.1	25,049,598	19,900,654
<b>Net income</b>		<b>54,449,598</b>	<b>40,363,272</b>
Directors' fees and social charges	2.13	-549,728	-492,042
Directors' share plan	2.13	-140,250	-104,500
Third party rent		-10,856	-11,244
Communications, publicity and marketing		-293,880	-180,057
Travel and entertainment expenses		-118,411	-28,016
Accounting and administration expenses	2.8	-312,090	-443,035
Legal and other consulting fees	2.9	-431,208	-367,855
Audit fees		-341,757	-300,000
Insurances		-25,357	-21,105
IT costs		-21,180	-23,818
Other operating expenses		-10,846	-
Direct taxes on capital		-9,001	-18,372
<b>Operating expenses</b>		<b>-2,264,564</b>	<b>-1,990,044</b>
<b>Operating profit before non-operating result, financial result and income taxes</b>		<b>52,185,034</b>	<b>38,373,228</b>
Non-operating income		30,372	1,654
Financial income	2.10	146,086	168,144
Financial expenses	2.10	-3,874,169	-3,311,196
Prior year income	2.11	12,919	38,410
Prior year expenses	2.12	-76,854	-7,002
<b>Profit before income taxes</b>		<b>48,423,388</b>	<b>35,263,238</b>
Income taxes		-2,429,235	-1,916,784
<b>Net profit for the year</b>		<b>45,994,153</b>	<b>33,346,454</b>

Varia US Properties AG, Zug

## NOTES TO THE STATUTORY FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

### 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 to an effective corporate income tax of approximately 12%.

#### 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, 2022 are compared with the figures as of December 31, 2021 when the profit and loss statement figures for the year 2022 are compared with these for the year 2021.

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, 2022 were approved by the Board of Directors on March 21, 2023, and are subject to the approval of the shareholders meeting on April 25, 2023. The statutory financial statements of Varia US Properties AG for the year ended December 31, 2021 were approved by the Ordinary General Meeting of Shareholders on April 29, 2022.

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 realizable 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 0.9232 (31.12.2021: 0.9121). 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 its first long-term interest bearing bond 2019–2023 of CHF 50 million (in 2021: CHF 50 million, see Note 2.6) 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. Gains 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 Long-term loans – Accrued interests income – Interest income on loans

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 2021, the Company entered into three new long-term loans with:

- Varia US Brent LLC for CHF 8,236,020 (USD 8,950,000) to finance the acquisition of Wylde at Eagle Creek;

- Varia US Columbia LLC for CHF 27,205,513 (USD 29,300,000) to finance the acquisition of St. Matthews Apartments;
- Varia US Tulsa LLC for CHF 14,701,220 (USD 15,860,000) to finance the acquisition of Residences at Echelon Apartments.

During the year 2022, no loans were entered into or repaid.

## Loans to subsidiaries

Company name	Long term loans December 31, 2022 in CHF	Accrued interest December 31, 2022 in CHF	Interest income for the year 2022 in CHF
Varia US Daytona LLC	8,372,635	198,528	823,380
Varia US Jacksonville LLC	4,333,756	102,362	424,538
Varia US Orlando LLC	9,266,260	228,362	947,112
Varia US Pensacola LLC	10,285,377	240,671	998,163
Varia US Tulsa LLC	17,828,153	444,988	1,848,762
Varia US Tallahassee LLC	9,189,200	218,050	937,421
Varia US Brent LLC	10,710,969	266,542	1,105,461
Varia US Dallas LLC	21,951,030	508,308	2,439,318
Varia US Columbia LLC	44,955,965	1,099,701	4,559,644
Varia US PNW LLC	21,072,147	499,394	2,142,731
Varia US Midwest LLC	40,460,399	955,905	3,964,534
Varia US Southwest LLC	48,598,652	1,171,460	4,858,534
<b>Total</b>	<b>247,024,543</b>	<b>5,934,271</b>	<b>25,049,598</b>

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Company name	Long term loans December 31, 2021 in CHF	Accrued interest December 31, 2021 in CHF	Interest income for the year 2021 in CHF
Varia US Daytona LLC	8,372,635	196,148	783,347
Varia US Jacksonville LLC	4,333,756	101,136	412,577
Varia US Orlando LLC	9,266,260	225,625	920,429
Varia US Pensacola LLC	10,285,377	237,787	970,041
Varia US Tulsa LLC	17,828,153	233,555	464,562
Varia US Tallahassee LLC	9,189,200	854,723	902,193
Varia US Brent LLC	10,710,969	263,348	664,073
Varia US Dallas LLC	21,951,030	3,293,344	2,105,273
Varia US Columbia LLC	44,955,965	1,005,977	2,259,052
Varia US PNW LLC	21,072,147	1,099,472	2,021,034
Varia US Midwest LLC	40,460,399	944,448	3,806,566
Varia US Southwest LLC	48,598,652	1,157,421	4,591,507
<b>Total</b>	<b>247,024,543</b>	<b>9,612,984</b>	<b>19,900,654</b>

## 2.2 Investments

From its creation, the Company has developed its investments' portfolio by means of the establishment of newly created investments entities. The investments are the following as at December 31, 2022:

Investments	December 31, 2022 in CHF	December 31, 2021 in CHF
Varia US Ariston AG	34,000,928	34,000,928
Varia US Holdings LLC	139,284,186	139,284,186
<b>Total investments at acquisition costs</b>	<b>173,285,114</b>	<b>173,285,114</b>

As of December 31, 2022, the accumulated equity value of Varia US in its investments' equities – including the result for the year then ended – amounted to USD 467,174,177 million or CHF 431,301,516 million at USD/CHF closing exchange rate (December 31, 2021 – USD 388.9 million or CHF 354.7 million), presenting therefore a total value in excess of CHF 258,016,402 million (CHF 181.5 million) over the investments acquisition values.

On April 29, 2022, the General Annual Meeting of the Shareholders of Varia US Ariston AG decided a dividend distribution to the Company of CHF 29,400,000 that has been collected by compensation with the short-term interest bearing borrowing due by Varia US to its subsidiary (Note 2.4).

On November 30, 2022, Varia US Ariston AG proceeded to the liquidation of its direct subsidiary Ariston Opportunity Fund Ltd (Bahamas) by its absorption by its indirect subsidiary Ariston Opportunity LLC (Delaware USA).

In 2021, Varia US invested USD 25,766,796 in the capital of Varia US Tulsa LLC, Varia US Brent LLC and Varia US Columbia LLC (as disclosed in the table below) with also the issuance of the new 5-year loans (Note 2.2) to complete the financing of the acquisition of three properties for a Varia total investment of USD 75,909,550.

In addition, Varia US decided to reorganize the structure of its investments in the USA and established on November 16, 2021 a new subsidiary Varia US Holdings LLC, Delaware, USA.

Then on December 31, 2021 the Company transferred at book value all its interests in its direct US investments to Varia US Holding, as follows:

US direct investments	01.01.2021 in CHF	Investments 2021 in CHF	Transfer to Varia US Holding LLC in CHF	31.12.21 in CHF
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	–	–5,020,669	–
Varia US Pensacola LLC	5,681,596	–	–5,681,596	–
Varia US Tallahassee LLC	5,992,586	–	–5,992,586	–
Varia US Tulsa LLC	1,756,764	7,916,042	–9,672,806	–
Varia US Brent LLC	1,563,072	4,201,572	–5,764,644	–
Varia US Dallas LLC	14,032,746	–	–14,032,746	–
Varia US Columbia LLC	10,601,589	13,649,182	–24,250,771	–
Varia US PNW LLC	12,077,524	–	–12,077,524	–
Varia US Midwest LLC	22,639,342	–	–22,639,342	–
Varia US Southwest LLC	27,308,242	–	–27,308,242	–
Varia US Holdings LLC	–	–	139,284,186	139,284,186
<b>Total investment in Varia US Holding</b>	<b>113,517,390</b>	<b>25,766,796</b>	<b>–</b>	<b>139,284,186</b>

On May 27, 2021, the General Annual Meeting of the Shareholders of Varia US Ariston AG decided a dividend distribution to the Company of CHF 2,000,000 that has been collected by compensation with the short-term interest bearing borrowing due by Varia US to its subsidiary (Note 2.4).

On November 12, 2021, dividends were paid in cash to the Company by Varia US Southwest LLC for USD 5 million and Varia US Midwest LLC for USD 5 million, for a total of USD 10,000,000 or CHF 9,231,309. In addition, Varia US Southwest distributed a dividend of USD 10 million to the Company by compensation with its long-term loan due by Varia US (Note 2.4).

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

Company (directly held)	Domicile	31.12.22 Share in capital in %	31.12.22 Voting rights in %	Incorporation date
Varia US Ariston, AG	Zug, Switzerland	100.00	100.00	10.12.19
Varia US Holdings, LLC	Delaware, USA	100.00	100.00	16.11.21

Company (indirectly held)	Domicile	31.12.22 Share in capital in %	31.12.22 Voting rights in %	Incorporation date
Directly held by Varia US Holdings LLC				
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
Directly held by Varia US Ariston AG				
Ariston Opportunity LLC	Delaware, USA	100.00	100.00	27.08.13

Company (directly held)	Domicile	31.12.21 Share in capital in %	31.12.21 Voting rights in %	Incorporation date
Varia US Ariston, AG	Zug, Switzerland	100.00	100.00	10.12.19
Varia US Holdings, LLC	Delaware, USA	100.00	100.00	16.11.21

Company (indirectly held)	Domicile	31.12.21 Share in capital in %	31.12.21 Voting rights in %	Incorporation date
Directly held by Varia US Holdings LLC				
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
Directly held by Varia US Ariston AG				
Ariston Opportunity Fund, Ltd	Bahamas	100.00	100.00	01.01.16

Company (indirectly held)	Domicile	31.12.22 Share in capital in %	31.12.22 Voting rights in %
Indirectly held by subsidiaries of Varia US Holdings LLC			
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 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 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 Wingwood, LLC	Utah, USA	100.00	100.00
PC Wood Hollow, LLC	Delaware, USA	100.00	100.00
PC Zona Village Tucson 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 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 Lynnfield Place 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

Company (indirectly held)	Domicile	31.12.22 Share in capital in %	31.12.22 Voting rights in %
VP Harrison Point LLC	Delaware, USA	100.00	100.00
VP Wylde LLC	Delaware, USA	100.00	100.00
VP Echelon LLC	Delaware, USA	100.00	100.00
VP West End Fayetteville LLC	Delaware, USA	1.00	1.00
VP Aura LLC	Delaware, USA	100.00	100.00
VP St. Matthews LLC	Delaware, USA	100.00	100.00
VP Lochwood LLC	Delaware, USA	100.00	100.00
VP M Club I LLC	Delaware, USA	100.00	100.00
VP M Club II LLC	Delaware, USA	100.00	100.00
VP M Club III LLC	Delaware, USA	100.00	100.00
VP Retreat Northwest I LLC	Delaware, USA	100.00	100.00
VP Retreat Northwest II LLC	Delaware, USA	100.00	100.00
VP Retreat Northwest III LLC	Delaware, USA	100.00	100.00
VP Amaze NC Owner LLC	Delaware, USA	100.00	100.00
VP Ashford TX Owner LLC	Delaware, USA	100.00	100.00
VP Wild Oak MO Owner LLC	Delaware, USA	100.00	100.00
VP Highland TX Owner LLC	Delaware, USA	100.00	100.00

Company (indirectly held)	Domicile	31.12.21 Share in capital in %	31.12.21 Voting rights in %
Indirectly held by subsidiaries of Varia US Holdings LLC			
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 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 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 Tucson, 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
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

Company (indirectly held)	Domicile	31.12.21 Share in capital in %	31.12.21 Voting rights in %
VP Maple 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
VP Wylde, LLC	Delaware, USA	100.00	100.00
VP Echelon, LLC	Delaware, USA	100.00	100.00
VP West End Fayetteville, LLC	Delaware, USA	1.00	1.00
VP Aura, LLC	Delaware, USA	100.00	100.00
PC Kings Quarters, LLC	Delaware, USA	100.00	100.00
VP St. Matthews, LLC	Delaware, USA	100.00	100.00
VP Lochwood, LLC	Delaware, USA	100.00	100.00
VP M Club I, LLC	Delaware, USA	100.00	100.00
VP M Club II, LLC	Delaware, USA	100.00	100.00
VP M Club III, LLC	Delaware, USA	100.00	100.00
VP Retreat Northwest I, LLC	Delaware, USA	100.00	100.00
VP Retreat Northwest II, LLC	Delaware, USA	100.00	100.00
VP Retreat Northwest III, LLC	Delaware, USA	100.00	100.00

Company (indirectly held)	Domicile	31.12.22 Share in capital in %	31.12.22 Voting rights in %
Indirectly held by Ariston Opportunity LLC			
PC Northgate, LLC	Utah, USA	99.00	99.00
PC Shawnee Station, LLC	Utah, USA	100.00	100.00
PC Tuscany Bay, LLC	Utah, USA	100.00	100.00
PC Willows, LLC	Utah, USA	100.00	100.00
VP Bellevue Hills, LLC	Delaware, USA	100.00	100.00
VP JRG Lofts KY Owner LLC	Delaware, USA	100.00	100.00
VP West End Fayetteville, LLC	Delaware, USA	99.00	99.00

Company (indirectly held)	Domicile	31.12.21 Share in capital in %	31.12.21 Voting rights in %
Indirectly held by Ariston Opportunity Fund Ltd			
PC Aspen Ridge, LLC	Utah, USA	100.00	100.00
PC Northgate, LLC	Utah, USA	99.00	99.00
PC Shawnee Station, LLC	Utah, USA	100.00	100.00
PC Tuscany Bay, LLC	Utah, USA	100.00	100.00
PC Willows, LLC	Utah, USA	100.00	100.00
VP Bellevue Hills, LLC	Delaware, USA	100.00	100.00
VP West End Fayetteville, LLC	Delaware, USA	99.00	99.00

### 2.3 Trade accounts payable

	31.12.22 in CHF	31.12.21 in CHF
EDR currency overlay management fees	20,188	20,188
Accounting and tax fees	18,135	79,319
Professional fees	69,419	65,668
Other expenses	9,458	8,214
<b>Total</b>	<b>117,200</b>	<b>173,389</b>

## 2.4 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. These loans are generally granted for a 12-month period.

In 2021, the annual interests rates on the short-term loans were between 0.13% and 0.25%. In 2022, interest rate at 0.22% is charged on short-term borrowings granted by subsidiaries.

As at December 31, 2022, the borrowings were fully reimbursed.

In 2021, the loans due at year-end 2020 were reimbursed in cash to Varia US Midwest LLC, Varia US Jacksonville LLC and Varia US Orlando LLC, when the loan

from Varia US Southwest LLC was compensated with a dividend. A new loan was contracted with Varia US Brent LLC for a total amount of USD 6,555,000 at a rate of 0.22% from November 12, 2021.

In 2022, the loan due to Varia US Brent LLC at year-end 2021 was fully reimbursed in cash on November 3, 2022.

The Varia US Ariston AG short-term current account payable balance at year-end 2021 amounting to CHF 29,533,265 was reimbursed with the CHF 29.4 million dividend of Varia US Ariston (Note 2.2). As at December 31, 2022, the short-term current receivable balance of CHF 170,057 due by Varia US Ariston AG is shown in the current assets.

At year-end 2021, the borrowings were the followings:

Company name	Short-term borrowings 31.12.21 in USD	Short-term borrowings 31.12.21 in CHF	Accrued payable interest 31.12.21 in CHF
<b>Short-term interest bearing loans</b>			
Varia US Brent LLC	6,555,000	5,979,137	1,802
<b>Short-term current account with subsidiaries</b>			
Varia US Ariston AG	32,377,673	29,533,265	8,689
<b>Total</b>	<b>38,932,673</b>	<b>35,512,402</b>	<b>10,491</b>

## 2.5 Accrued expenses

	31.12.22 in CHF	31.12.21 in CHF
Audit fees	319,869	300,000
Accounting fees	87,180	45,800
Legal and other consulting fees	18,850	16,200
Directors' fees and social charges	6,418	–
VAT on acquisition of services abroad	21,719	10,873
Accrued interests	418,840	386,918
Other expenses	108,134	32,048
<b>Total</b>	<b>981,010</b>	<b>791,839</b>

## 2.6 Long term interest-bearing liabilities

	31.12.21 in CHF	Additions in CHF	Reimbursement in CHF	31.12.22 in CHF
<b>Short-term</b>				
Bond 3% 2019 – 2023 valor 47974437	50,000,000	–	–	50,000,000
<b>Long-term</b>				
Bond 2.875% 2021 – 2025 valor 55369581	50,000,000	–	–	50,000,000
<b>Total</b>	<b>100'000'000</b>	<b>–</b>	<b>–</b>	<b>100,000,000</b>

### Bond 3% 2019 – 2023 CHF 50,000,000

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 Asset Management SA placement fees.

#### **Bond 2.875% 2021 – 2025 CHF 50,000,000**

Based on the resolution of its Board of Directors on September 14, 2021, the Company issued and publicly offered on October 5, 2021 in Switzerland an aggregate principal amount of CHF 50,000,000 of 2.875% unsecured bonds due in 2025 divided into 10,000 bonds with denominations of CHF 5,000 and integral multiples thereof. The admission of the bonds for trading became effective on the closing date on October 7, 2021. The bonds are listed at the SIX Swiss Exchange under the valor 55369581 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) October 7, 2021 until October 7, 2025 at a rate of 2.875% of their principal amount per annum, payable semi-annually in arrear on April 7 and October 7 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 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 October 7, 2025 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 2021–2025 amounted to CHF 1,000,000. 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 430,000 for the underwriting, management and selling commission, a cosmofunding platform fee of CHF 20,000 and CHF 50,000 of out-of-pocket and other expenses paid to the Bank Vontobel as well as CHF 500,000 of Stoneweg Asset Management SA issue fees.

#### **Prepaid expenses borrowing costs**

At December 31, 2022, the Prepaid expenses borrowing costs are presented in the balance sheet as follows:

	<b>31.12.22</b>	<b>31.12.21</b>
	in CHF	in CHF
Bond 3% 2019 – 2023		
Bond borrowing issuance costs	850,000	850,000
Accumulated costs expensed	–748,900	–536,900
	<b>101,100</b>	<b>313,100</b>

#### **Bond 2.875% 2021 – 2025**

Bond borrowing issuance costs	1,000,000	1,000,000
Accumulated costs expensed	–308,220	–58,220
	691,780	941,780
<b>Total</b>	<b>792,880</b>	<b>1,254,880</b>

Current	351,100	462,500
Non-current	441,780	792,380
	<b>792,880</b>	<b>1,254,880</b>

## 2.7 Share capital | Reserves from capital contributions | General legal retained earnings

The share capital at December 31, 2022 was divided in 10,126,018 (December 31, 2021 – 10,126,018) 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
<b>Balance as of December 31, 2020</b>	<b>10,126,018</b>	<b>10,126,018</b>	<b>253,325,751</b>	<b>1,834,000</b>
Adjustment expense related to the ordinary share capital increase on December 1, 2020	–	–	12,000	–
Allocation to the general legal reserve on April 29, 2021	–	–	–	725,000
Dividend distribution of CHF 0.41 per share from the reserve from capital contributions paid on May 12, 2021	–	–	–4,162,805	–
Additional cash dividend, out of the capital contribution reserve to be paid in quarterly installments on August 11, 2021, November 11, 2021, February 11, 2022 and on May 11, 2022.	–	–	–10,126,018	–
<b>Balance as of December 31, 2021</b>	<b>10,126,018</b>	<b>10,126,018</b>	<b>239,048,928</b>	<b>2,559,000</b>
Allocation to the general legal reserve on April 29, 2021	–	–	–	1,668,000
Dividend distribution of CHF 0.60 per share from the reserve from capital contributions paid on May 11, 2022	–	–	–6,075,611	–
Additional cash dividend, out of the capital contribution reserve to be paid in quarterly installments on August 10, 2022, November 10, 2022, February 10, 2023 and on May 10, 2023.	–	–	–10,126,018	–
<b>Balance as of December 31, 2022</b>	<b>10,126,018</b>	<b>10,126,018</b>	<b>222,847,299</b>	<b>4,227,000</b>

On April 29, 2021, the general meeting of the shareholders approved the appropriation of the available earnings at December 2020, comprising the allocation to the general legal reserve of CHF 725,000 and the payments of a first dividend of CHF 0.41 per shares of CHF 4,162,805 and of an additional dividend of CHF 10,126,018 out of the reserve from capital contribution. This additional dividend was payable in four quarterly installments on or about August 11, 2021, November 11, 2021, February 11, 2022 and May 11, 2022.

In addition, the general meeting also approved on April 29, 2021 to extend the authorization to increase the share capital and to increase the amount of authorized capital. Accordingly, the board of directors is authorized to increase the share capital at any time until April 29, 2023 by a maximum amount of CHF 2,500,000 by issuance of a maximum of 2,500,000 registered shares, of a par value of CHF 1.00 each, to be fully paid.

On April 29, 2022, the general meeting of the shareholders approved the appropriation of the available earnings at December 2021, comprising the allocation to the general legal reserve of CHF 1,668,000 and the payments of a first dividend of CHF 0.60 per shares of CHF 6,075,611 and of an additional dividend of CHF 10,126,018 out of the reserve from capital contribution. This additional dividend is payable in four quarterly installments on or about August 10, 2022, November 10, 2022, February 10, 2023 and May 10, 2023.

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

### Major shareholders

The following tables indicate Varia's major shareholders holding shares and voting rights of 3% and more as of December 31, 2022 and 2021 (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, 2022:

Shareholders	Investor type	Number of shares	Participation in %
Varia SPC – Inv. Opportunities SP	Fund	4,084,581	40.34%
Philae Fund – MB Prime	Fund	716,863	7.08%
Other shareholders with a participation below 3% individually	Banks, funds, pension funds, foundation and companies	5,324,574	52.58%
<b>Total</b>		<b>10,126,018</b>	<b>100.00%</b>

The fund Varia SPC is representing approximately 35 different investors (December 31, 2021 – 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, 2021:

Shareholders	Investor type	Number of shares	Participation in %
Varia SPC – Inv. Opportunities SP	Fund	3,934,099	38.85%
Philae Fund – MB Prime	Fund	716,863	7.08%
Other shareholders with a participation below 3% individually	Banks, funds, pension funds, foundation and companies	5,475,056	54.07%
<b>Total</b>		<b>10,126,018</b>	<b>100.00%</b>

## 2.8 Accounting and administration expenses

	2022 in CHF	2021 in CHF
Accounting and tax compliance consultants fees	178,478	220,773
Banks custody and Market Making fees	72,204	134,330
Advisory services fees for US investments reorganisation	23,424	39,396
Other administrative charges	37,984	48,536
<b>Total</b>	<b>312,090</b>	<b>443,035</b>

## 2.9 Legal and other consulting fees

	2022 in CHF	2021 in CHF
Baker & McKenzie legal and advisory fees	283,287	116,240
Deloitte SA risk management consulting fees	–	19,118
Mazars SA tax and consulting fees	9,520	30,479
Green Initiative (ESG)	65,650	68,547
Legal fees for the subsidiaries master credit facility	–	42,741
Other legal and consulting fees	72,751	90,730
<b>Total</b>	<b>431,208</b>	<b>367,855</b>

## 2.10 Financial result

	2022 in CHF	2021 in CHF
<b>Financial income</b>		
Foreign currency exchange gains	146,086	168,144
<b>Total</b>	<b>146,086</b>	<b>168,144</b>
	2022 in CHF	2021 in CHF
<b>Financial expenses</b>		
Short-term borrowing interests related parties	50,162	19,887
Other interests	3,059	8,689
Bonds borrowing interests and issuance costs	3,400,562	2,104,980
Bank fees	11,840	24,134
Bank charges on overlay program	80,753	82,197
Foreign currency exchange losses	327,793	1,071,309
<b>Total</b>	<b>3,874,169</b>	<b>3,311,196</b>

The currency overlay management program Varia US entered into with the bank Edmond de Rothschild from March 2020 generated in 2022 a net positive result of CHF 96,658 (2021 – CHF 34,055 net negative result) in the foreign currency exchange gains and losses when

the related program management fees amounting to CHF 80,753 (2021 – CHF 82,197) are presented separately in the bank charges of the currency overlay management program.

## 2.11 Previous year income

	2022 in CHF	2021 in CHF
Previous years final taxations	12,919	27,910
Previous year income related to over-accrued KPMG audit fees 2020	–	9,060
Previous year other income	–	1,441
<b>Total</b>	<b>12,919</b>	<b>38,410</b>

## 2.12 Previous year expenses

	2022 in CHF	2021 in CHF
Prior year final taxations	46,429	5,421
Prior year expenses related to capital increase	–	1,292
Prior year expenses related to stamp duty on traded shares	–	288
Prior year other expenses	30,425	–
<b>Total</b>	<b>76,854</b>	<b>7,002</b>

### 2.13 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) and its subsidiaries
- 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 689,978 was paid or accrued as of December 31, 2022 (2021 – CHF 596,542), including CHF 140,250 (2021 – 104,500) related to the Directors' share plan.

In 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.

On June 1, 2021, Board members subscribed a total of 5,500 shares at a price of CHF 38.00 each, that were purchased in the market by Varia US and sold to the members at a 50% discounted price of CHF 19.00 for a total cost of CHF 104,500 for the Company.

On June 1, 2022, Board members subscribed a total of 5,500 shares at a price of CHF 51.00 each, that were purchased in the market by Varia US and sold to the members at a 50% discounted price of CHF 25.50 for a total cost of CHF 140,250 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 Asset Management 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, 2022.

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

VariaUSPropertiesAGenteredintoanAssetManagement Agreement with Stoneweg SA and Stoneweg US, LLC (Stoneweg) and their subsidiaries to manage the investments and the administration activities of the Company.

For the year ended on December 31, 2022, Stoneweg Asset Management SA has not charged any fees to the Company.

During the year ended December 31, 2021, Stoneweg Asset Management SA has charged the Company about CHF 500,000 in capital increase fees that were accounted for against the reserves from capital contribution, and CHF 500,000 in bond issuance costs and expenses recharges.

#### 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, 2022.

**Shareholding rights of Board of Directors members**

The following Board Members owned directly or indirectly shares of the Company as of December 31, 2022 as follows:

Name	Function	31.12.22 Shares	31.12.21 Shares
Manuel Leuthold	Non-executive member, Chairman of the Board of Directors	7,500	6,500
Jaume Sabater Martos	Executive member, Vice-Chairman of the Board of Directors	9,500	8,750
Patrick Richard	Executive Member, Delegate of the Board of Directors	50,000	50,000
Taner Alicehic	Non-executive Member, Member of the Audit and Risk Committee	25,508	24,575
Grégoire Baudin	Non-executive member	46,591	43,250
Stefan Buser	Non-executive member, Chairman of the Compensation Committee, Member of the Audit and Risk Committee	5,562	3,812
Dany Roizman	Non-executive member	35,290	27,170
Beat Schwab	Non-executive member, Chairman of the Audit and Risk Committee, Member of the Compensation Committee	5,316	4,566

**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, 2022 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.

The Company has no other contingencies and no other off-balance sheet transactions as of December 31, 2022 (2021 – 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**

The Board of Directors has evaluated the other events subsequent to the financial statements as of December 31, 2022 and through March 30, 2023, which was the date the financial statements were available to be issued. There were no other subsequent events which would require adjustment to or disclosure in the accompanying financial statements.

Varia US Properties AG, Zug

## PROPOSITION OF APPROPRIATION OF THE AVAILABLE EARNINGS

<b>Voluntary retained earnings at December 31, 2021</b>	in CHF
Retained earnings as at December 31, 2021	50,413,792
Decisions of the general shareholders meeting on April 29, 2022 (Note 2.7):	
Allocation to the general legal retained earning	-1,668,000
Dividend distribution of CHF 0.60 per share paid on May 11, 2022	-6,075,611
Cash dividend payable in quarterly installments on August 10, 2022, November 10, 2022, February 10, 2023 and on May 10, 2023	-10,126,018
<b>Retained earnings carried forward</b>	<b>32,544,163</b>
Net profit for the year ended December 31, 2022	45,994,153
<b>Available earnings</b>	<b>78,538,316</b>

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

<b>Proposition of appropriation</b>	in CHF
Allocation to the general legal reserve issued from net profit	2,300,000
Dividend distribution of CHF 0.60 per share payable on May 10, 2023	6,075,611
Additional cash dividend payable in quarterly installments on August 9, 2023, November 9, 2023, February 9, 2024, and May 9, 2024	10,126,018
Balance to be carried forward	60,036,687
<b>Total</b>	<b>78,538,316</b>

<b>Proposition of distribution of reserves from capital contributions</b>	in CHF
<b>Reserve from capital contributions as of December 31, 2021</b>	<b>239,048,928</b>
Dividend distribution of CHF 0.60 per share from the reserve from capital contributions paid on May 11, 2022	-6,075,611
Cash dividend, out of the capital contribution reserve payable in quarterly installments on August 10, 2022, November 10, 2022, February 10, 2023 and on May 10, 2023	-10,126,018
<b>Reserve from capital contributions as of December 31, 2022</b>	<b>222,847,299</b>

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

<b>Proposition of appropriation</b>	in CHF
Dividend distribution of CHF 0.60 per share from the reserve from capital contributions payable on May 10, 2023	6,075,611
Additional cash dividend, out of the capital contribution reserve payable in quarterly installments on August 9, 2023, November 9, 2023, February 9, 2024, and May 9, 2024	10,126,018
Balance to be carried forward	206,645,670
<b>Total</b>	<b>222,847,299</b>

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



### Statutory Auditor's Report

To the General Meeting of Varia US Properties AG, Zug

#### Report on the Audit of the Financial Statements

##### Opinion

We have audited the financial statements of Varia US Properties AG (the Company), which comprise the balance sheet as at 31 December 2022, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 123 to 145) 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 Standards on Auditing (SA-CH). 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 Company in accordance with the provisions of Swiss law, together with 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.

##### Key Audit Matters



##### 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.



## VALUATION OF INVESTMENTS

### Key Audit Matter

Varia US Properties AG developed its investment portfolio by means of the establishment of investment entities and the acquisition of shares of the Ariston Opportunity Fund Ltd ("investments"). During the reporting year the Company proceeded to the liquidation of its indirect subsidiary Ariston Opportunity Fund Ltd by its absorption by its indirect subsidiary Ariston Opportunity LLC.

At the balance sheet date, these investments amount to CHF 173.3 million CHF. The investments are valued at the lower of the historical cost and the recoverable amount. Management undertakes 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.

For further information on the valuation of investments refer to the following:

— Note 2.2 "Investments"

### Our response

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

Our procedures included the following:

- We reperformed 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.

### Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

### Board of Directors' Responsibilities 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 Company'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 Company 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 SA-CH 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.

As part of an audit in accordance with Swiss law and SA-CH, 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 the Company'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 Company'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 Company 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, actions taken to eliminate threats or safeguards applied.

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.



### Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 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

Philippe Ruedin  
Licensed Audit Expert  
Auditor in Charge

Bruno Beça  
Licensed Audit Expert

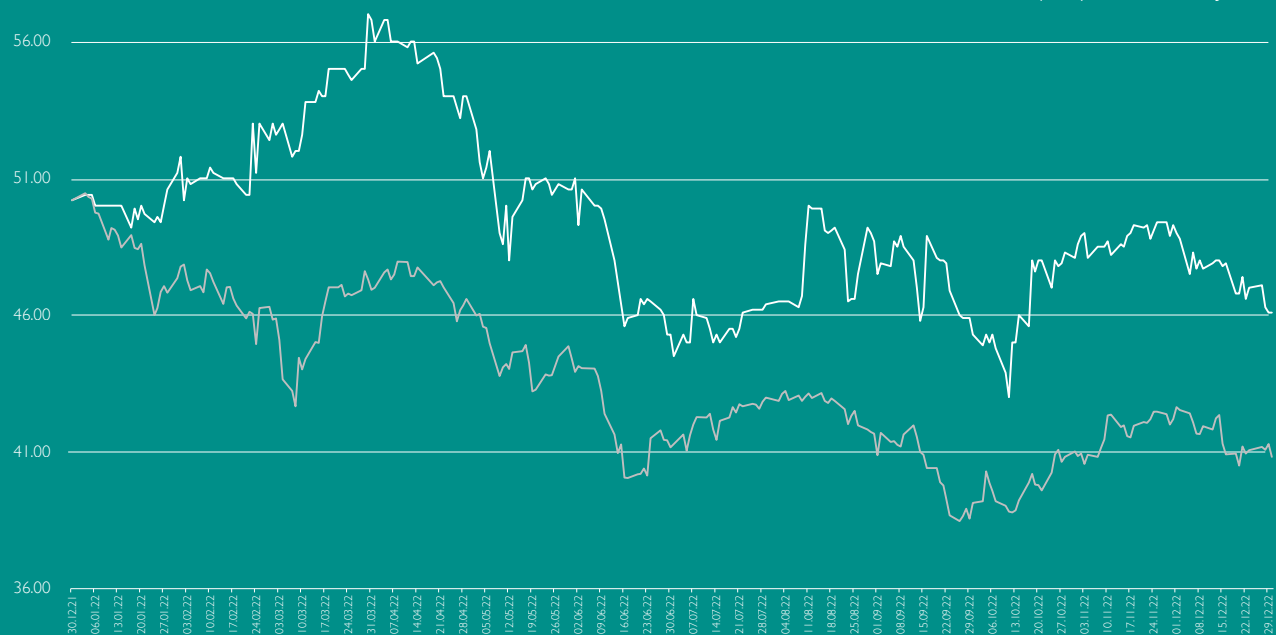
Geneva, 21 March 2023

# SHARE INFORMATION

## SHARE PRICE

December 2021 – December 2022

● VARN (CHF) ● SP Adjusted



## SINCE INCEPTION

● VARN (CHF)



## VARIA STOCK AND CAPITAL STRUCTURE

	2022
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	–
<b>Total voting rights</b>	<b>10,126,018</b>
Authorized share capital	2,500,000

## KEY STOCK EXCHANGE FIGURES PER SHARE

	2022
Share price high	CHF 57.00
Share price low	CHF 43.00
Closing rate	CHF 46.10
Average volume per trading day (number of shares)	6,009
Market capitalization per December 31	CHF 466,809,430

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 57.00. At the end of 2022, share price was at CHF 46.10. On December 31, 2022, market capitalization was CHF 466,809,430

## KEY FIGURES PER SHARE

	2022
Earnings per share – basic	USD 12.11
Earnings per share – diluted	USD 12.11
Operational cash flow per share	USD 4.26
Free cash flow per share	USD 1.46
Equity per share attributable to Varia	USD 60.13
Distribution per share	CHF 3.20

## SHAREHOLDER STRUCTURE

As of December 31, 2022, there were 766 shareholders entered in the share register. 27.08% of registered shareholders were domiciled in Switzerland, 72.92% outside Switzerland. The following shareholders held 3% or more of the outstanding share capital of Varia US Properties at year-end:

Name	31.12.2022
Varia SPC – Inv. Opportunities SP	40.34%
Philae Fund – MB Prime	7.08%

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# CONTACT

## Contact for Investors

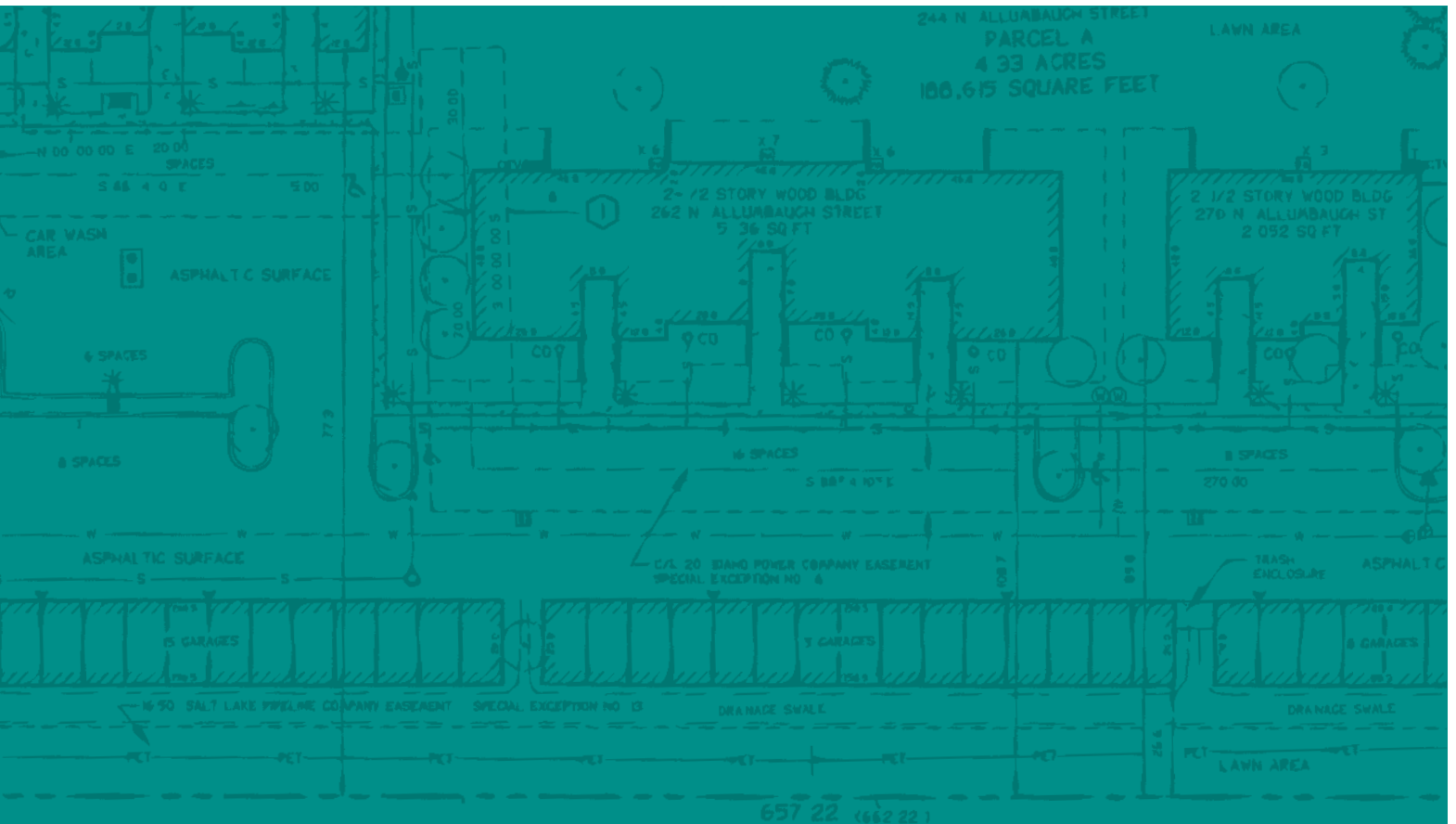
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