

Media release – Ad hoc announcement pursuant to Art 53. LR

Zug, 31 August 2023

Varia US Properties: Considerable increase of rental income in H1 2023 – lower portfolio valuation overshadows strong ongoing operative performance

- Rental income up 8.1% to USD 67.0 million (H1 2022: USD 62.0 million)
- Total realized income at USD 85.3 million (H1 2022: USD 91.1 million)
- Total income was USD 22.4 million (H1 2022: USD 248.9 million)
- EBITDA was lower at USD 27.9 million (H1 2022: USD 45.5 million)
- Net Loss of USD 57.2 million on revaluation of properties (H1 2022: Net Gain of USD 178.4 million)
- Operating result (incl. revaluation) of USD -35.1 million (H1 2022: USD 203.4 million)
- Portfolio value at USD 1.460 billion (as per end of 2022: USD 1.704 billion)
- NAV per share USD 51.87 (as per end of 2022: USD 60.13)
- Earnings per share of USD -4.64 (H1 2022: USD 14.37)

Manuel Leuthold, Chairman of the Board of Directors of Varia US Properties AG, said: *“The first half of 2023 was characterized by rising interest rates, elevated inflation despite some moderation, a robust job market, and an overall economy that exceeded initial expectations. On an operational level, it was a successful period for the Company, reflected particularly in the increased rental income. The reduced leverage and the repayment of the 2019 bond also contributed positively to the H1 2023 results. As expected, Varia US’ portfolio was effected by a reduced valuation. At the same time, the portfolio was further improved by the sale of eight non-strategic assets, creating a strong foundation for further growth”.*

After many years of a booming real estate market, the US multifamily housing sector is resetting. Higher interest rates, inflation and insurance market disruption drove cap rates up and valuations down. They also slowed the market with a limited number of transactions being completed. Hence, the fundamentals of the market remain indeed solid: The US economy is strong despite warnings of an imminent recession and the demand for rental housing is high, as many cannot afford to buy a house in today’s rate environment. Also, the supply of attainable housing solutions been reduced due to higher construction and financing costs. Therefore, the Board of Directors of Varia US Properties is confident the Company is well positioned to navigate these challenging times.

Financial development – increased rental income offsets inflationary pressure

Varia US achieved an increase of the rental income by 8.1% to USD 67 million in the first six months of 2023, thereby offsetting inflationary pressure (H1 2022: USD 62 million) and rental income like-for-like increased by 7.2% to USD 47.3 million (USD 44.1 million as per end of June

2022). The average rent per unit continued to increase thanks to the improvement of its quality, reaching USD 1,192/month at the end of the period (USD 1,134/month as of 31 December 2022).

The fair value loss of USD 57.2 million incurred for the reporting period (H1 2022: gain of USD 178.4 million) includes a realized gain of USD 5.8 million on disposal of properties (as per end of June 2022: USD 20.6 million). The Company ends H1 2023 with a loss of USD 46.9 million (H1 2022: profit of USD 145.5 million), which translates into a loss per share of USD 4.64 (as per end of June 2022: earnings per share of USD 14.37); this year-over-year development is mainly due to the net loss from fair value adjustment on investment properties.

Portfolio development – sale process of three non-strategic assets ongoing

In the reporting period, the Company sold, as already communicated, eight non-strategic assets in line with its strategy to improve the quality of the portfolio. With the sale proceeds, Varia US paid back its 2019 corporate bond, further reduced leverage of variable rate loans and reserved some money for future CAPEX needs including property improvements and its ESG commitments. As per end of June 2023, the disposition of additional three assets were pending, one in Memphis (TN) and two in St Louis (MO). Closing of those transactions are expected for Q3 and Q4 2023.

As a result of this asset disposals, the real estate value appraised by Colliers International went down to USD 1.460 billion as of 30 June 2023 (as of end of 2022: USD 1.704 billion). On a like-for-like basis, this represents a slight decrease of 3.2%.

Consequently, at the end of H1 2023, the portfolio comprised 33 properties with 9,170 units in 13 States (compared to 41 properties with 11,042 in 14 States as per end of 2022). Most of the assets are located in Kentucky (17%), Arizona (14%), Texas (13%), Missouri and North Carolina (12% each). This diversification not only supports the implementation of Varia US' corporate strategy in times of economic volatility but is also an advantage in terms of the climate resilience of its portfolio.

The physical occupancy rate was slightly down to 92.3% on average (93.1% as of 31 December 2022).

ESG achievements – second GRESB results expected in October

In the reporting period, Varia US continued to improve the quality and the efficiency of its properties, which should impact positively the operating costs and supports a higher market valuation of the assets in the longterm. This was rewarded by gathering three “Green Globes” sustainable building certifications as well as five „Energy Star” building performance certifications. The Company also completed its second annual submission to the “Global Real Estate Sustainability Benchmark” (GRESB) and expects results for October 2023. To further support ESG efforts Stoneweg on behalf of Varia US also joined the United Nations-supported

Principles for Responsible Investment (PRI) this Spring as a signatory and will start to report accordingly later this year.

The Company started the installation of solar projects at two of its premises, one in Tucson (AZ) at one in Fayetteville (NC). In addition, Varia US implemented a programmatic program to replace Heating, Ventilation, and Air Conditioning (HVAC) systems with significantly more energy efficient heat pump systems in Tucson and Phoenix (AZ). This pilot seeks to pair building performance data collection with our extensive building attribute inventory to make strategic improvements.

Key financial figures H1 2023

| In USD million | As of 30 June 2023 | As of 30 June 2022 | Δ in % |
|---|--------------------|--------------------|--------|
| Rental income | 67.0 | 62.0 | 8.1 |
| Total income | 22.4 | 248.9 | -91.0 |
| Effective gross income (total income less unrealized revaluation) | 85.3 | 91.1 | -6.8 |
| Net (Loss) Gain from fair value adjustment on investment property | (57.2) | 178.4 | -132.0 |
| Operating (Loss) Profit incl. revaluation | (35.1) | 203.4 | -117.2 |
| EBITDA (operating profit less unrealized revaluation) | 27.9 | 45.5 | -38.8 |
| EBITDA margin | 32.7% | 50.0% | -17.3 |
| Net (Loss) Profit for the period | (46.9) | 145.5 | -132.3 |
| Funds from operations (FFO; net profit excluding fair value gain and transaction costs, tax effected) | 6.3 | 13.7 | -54.2 |
| Normalized FFO (FFO less debt cost amortization, insurance proceeds, foreign exchange gain or loss, and other non-cash items) | 7.9 | 9.2 | -14.6 |
| Earnings per share (in USD) | -4.64 | 14.37 | -132.3 |
| NAV per share (in USD – as of 30 June 2023 and 31 December 2022) | 51.87 | 60.13 | -13.7 |
| NAV per share excluding deferred taxes (in USD – as of 30 June 2023 and 31 December 2022) | 60.72 | 70.76 | -14.2 |

2023 Outlook – sustainable assets as drivers of further value creation

Patrick Richard, Executive Member of the Board of Directors of Varia US Properties, commented: *“The Board of Directors continues to expect a slow market until the end of the year. As a result, valuations will likely continue to come down. At the same time, we expect to continue seeing further operational progress like the increase in rental income that we achieved in H1 2023. The further improved ESG-balance will also be a key driver for further value creation. The Board confirms that dividend payments decided by the last AGM will be paid as per the defined quarterly payment dates.”*

Additional information

Varia US' Half Year 2023 Report and the H1 2023 investor presentation as well as a leaflet summarizing the report in German are available for download on the Company's website at <https://variausproperties.com/investors/financial-statements/>.

Key dates

| | |
|----------------------------------|----------------------------------|
| Q3 2023 Update | 27 November 2023 |
| Annual Report 2023 | 28 March 2024 |
| Ordinary General Meeting 2024 | 24 April 2024 |
| Next quarterly dividend payments | 9 November 2023, 9 February 2024 |

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About Varia US Properties AG

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

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