

# QUARTERLY REPORT Q3 2023



**VARIA**  
US PROPERTIES



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## KEY FIGURES Q3/2023

**RENTAL  
INCOME**

Q3 2022: USD 93.5 million

USD  
million**95.7****TOTAL  
INCOME**

Q3 2022: USD 313.6 million

USD  
million**-5.8****EFFECTIVE  
GROSS  
INCOME (EGI)<sup>1</sup>**

Q3 2022: USD 147.6 million

USD  
million**112.9****FAIR VALUE  
PORTFOLIO  
ADJUST-  
MENT**

Q3 2022: USD 207.2 million

USD  
million**-120.0****OPERATING  
(LOSS) PROFIT**(including revaluation)  
Q3 2022: USD 237.0 millionUSD  
million**-86.2****(LOSS) PROFIT  
FOR THE  
PERIOD**

Q3 2022: USD 163.9 million

USD  
million**-91.9****NORMALIZED  
FFO PER  
SHARE**

Q3 2022: USD 1.34

USD

**1.00****EARNINGS  
PER SHARE**

Q3 2022: USD 16.18

USD

**-9.08****NAV PER  
SHARE<sup>4</sup>**

December 31, 2022: USD 60.13

USD

**47.37****EBITDA<sup>2</sup>**

Q3 2022: USD 71.0 million

USD  
million**32.6****EBITDA  
MARGIN**(without revaluation)  
Q3 2022: 48.1%**28.8%****NORMALIZED  
FFO<sup>3</sup>**

Q3 2022: USD 13.5 million

USD  
million**10.1**<sup>1</sup> EGI defined as total income less unrealized revaluation.<sup>2</sup> EBITDA defined as operating profit less unrealized revaluation.<sup>3</sup> Normalized FFO defined as FFO less debt cost amortization, insurance proceeds, foreign exchange gain or loss, and other non-cash items.<sup>4</sup> NAV excluding distribution payable is USD 49.01 at September 30, 2023, USD 61.22 at December 31, 2022.

## SUMMARY PAGE OF KEY FIGURES

RESULTS (For the Period Ended)	Unit	September 30, 2023	September 30, 2022	Change
Rental Income	USD mio	95.7	93.5	2.4%
Rental Income like for like*	USD mio	68.4	64.1	6.7%
Other Income and Insurance Proceeds	USD mio	18.4	12.9	42.3%
Total Realized Income (total income less unrealized valuation)	USD mio	112.9	147.6	-23.5%
Realized Gains on disposal of properties	USD mio	-1.2	41.2	-103.0%
Unrealized (Losses) Gains on revaluation of properties	USD mio	-118.7	166.0	-171.5%
Net (Loss) Gain on revaluation of properties	USD mio	-120.0	207.2	-157.9%
Revaluation of properties like for like*	USD mio	-95.6	138.5	-169.0%
Total Income	USD mio	-5.8	313.6	-101.9%

Operating Expenses	USD mio	80.3	76.6	4.9%
Operating (Loss) Profit incl. revaluation	USD mio	-86.2	237.0	-136.3%
Operating Margin <sup>1</sup>	%	N/A	75.6	N/A
EBITDA (Operating Profit less unrealized revaluation)	USD mio	32.6	71.0	-54.2%
EBITDA Margin	%	28.8	48.1	-19.3%
Normalized EBITDA (EBITDA less insurance proceeds)	USD mio	29.8	70.8	-57.9%
Normalized EBITDA Margin	%	26.4	48.0	-21.6%
Net (Loss) Profit before tax	USD mio	-124.5	213.1	-158.4%
Net (Loss) Profit	USD mio	-91.9	163.9	-156.1%
Funds from Operations (FFO) (net profit excluding fair value gain or loss and transaction costs, tax effected)	USD mio	9.3	20.3	-54.2%
Normalized FFO (FFO less debt cost amortization, insurance proceeds, foreign exchange gain or loss, and other non-cash items)	USD mio	10.1	13.5	-25.4%

BALANCE SHEET (As of)	Unit	September 30, 2023	December 31, 2022	Change
Total Assets	USD mio	1,474.3	1,798.8	-18.0%
Equity	USD mio	479.6	608.9	-21.2%
Equity ratio	%	32.5	33.9	-1.3%
Interest bearing Debt	USD mio	875.5	1,042.5	-16.0%
Interest bearing Debt ratio	%	59.4	58.0	1.4%
Average interest of debt at the property level	%	4.6	4.5	0.1%
Average maturity of debt at the property level	years	6.7	7.1	-5.6%

PORTFOLIO	Unit	September 30, 2023	December 31, 2022	Change
Properties	number	32	41	-22.0%
Units as of	number	8,770	11,042	-20.6%
Units Like for Like as of**	number	8,770	8,770	0.0%
Units Like for Like as of the Month Ending***	number	8,770	8,770	0.0%
Portfolio value	USD mio	1,364.2	1,703.8	-19.9%
Portfolio Value Like for Like as of**	USD mio	1,364.2	1,463.5	-6.8%
Market value per unit	USD	155,547	154,297	0.8%
Gross Potential Income (Market per Colliers)	USD mio	144.1	169.2	-14.9%
Monthly rent per unit held for the full month ending	USD	1,212	1,134	6.8%
Monthly rent per unit Like for Like as of the Month Ending***	USD	1,212	1,164	4.1%
Occupancy rate as of	%	92.7%	93.1	-0.4%
Occupancy rate Like for Like as of the Month Ending***	%	92.7%	93.1	-0.4%

SHARE INFORMATION	Unit	2023	2022	Change
Market capitalization – September 30, 2023 and December 31, 2022	CHF mio	377.7	466.8	-19.1%
Earnings per share (EPS) – September 30, 2023 and 2022	USD / share	-9.08	16.18	-156.1%
NAV – September 30, 2023 and December 31, 2022	USD / share	47.37	60.13	-21.2%
NAV excluding deferred taxes – September 30, 2023 and December 31, 2022	USD / share	54.38	70.76	-23.2%
NAV excluding distribution payable – September 30, 2023 and December 31, 2022	USD / share	49.01	61.22	-19.9%
Share price – September 30, 2023 and December 31, 2022	CHF/ share	37.30	46.10	-19.1%
Funds from Operations (FFO) (net profit excluding fair value gain and transaction costs, tax effected) – September 30, 2023 and 2022	USD / share	0.92	2.01	-54.2%
Normalized FFO (FFO less debt cost amortization, insurance proceeds, foreign exchange gain or loss, and other non-cash items) – September 30, 2023 and 2022	USD / share	1.00	1.34	-25.4%

<sup>1</sup> Operating Margin is calculated as Operating Profit (Loss) including revaluation divided by Total Income. Operating Margin for the nine months ended September 30, 2023 is not applicable as an operating loss was incurred during the first three quarters of the year.

\* Like for Like compares assets that were held for the full periods of Q1–Q3 2022 and Q1–Q3 2023.

\*\* 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.

## PORTFOLIO SUMMARY

as of September 30, 2023

### PORTFOLIO VALUE\*

December 31, 2022: USD 1,703.8 million

USD  
million **1,364.2**

### NUMBER OF PROPERTIES

December 31, 2022: 41

**32**

### NUMBER OF UNITS

December 31, 2022: 11,042

**8,770**

6

### AVERAGE MONTHLY RENT PER UNIT

December 31, 2022: USD 1,134

USD **1,212**

### INTEREST- BEARING DEBT RATIO

December 31, 2022: 58.0%

**59.4%**

### GROSS POTENTIAL INCOME\*

December 31, 2022: USD 169.2 million

USD  
million **144.1**

### MARKET VALUE PER UNIT

December 31, 2022: USD 154,297

USD **155,547**

### OCCUPANCY RATE

December 31, 2022: 93.1%

**92.7%**

### EFFECTIVE GROSS INCOME\*

December 31, 2022: USD 158.1 million

USD  
million **134.8**

# DEAR SHAREHOLDERS,

The Company continues to present positive operational results in Q3 2023 despite a very challenging macro-economic environment where the increased interest rates, expansion of cap rates and liquidity constraints contrast drastically with the previous years for the multifamily market.

The higher cap rates negatively affected the Company portfolio valuation leading to an overall negative result at the end of the quarter.

However, as indicated, the operations continue to positively reflect the company strategy and actions over the last months with rents increasing by 6.7% or USD 4.3 million on a like for like basis for the first nine months of the year compared to the same period in 2022. On the expense side, operating expenses have increased by 4.9%, or USD 3.7 million during the first nine months of the year compared to the same period in 2022. Most of that difference can be explained by an additional USD 2.2 million spent in insurance premiums, and an additional USD 1 million spent on property taxes (two non-controllable expenses).

Normalized Funds from Operations ascends to USD 10.1 million for the first nine months of the year (USD 13.5 as of September 30, 2022). The main driver of this decrease in normalized FFO is the increase in interest expense.

Since the beginning of 2023, valuations decreased by 6.8% or USD 99.3 million on a like for like basis. The portfolio was appraised at the end of September 2023 at USD 1.364 billion.

The total loss per share for the first nine months of the year amounts to USD 9.08 (earnings of USD 16.18 as of September 30, 2022).

During the first nine months of the year, nine properties were sold at their appraised value at the time of their sale. Among these, one was sold during the third quarter of the year. The blended gross IRR at the property level for these sales is 17.5% and the blended gross multiple is 1.82.

With the sale proceeds generated and after reducing the debt exposure with the repayment of the Bond earlier this year, the Board of Directors decided to propose to an extraordinary shareholder meeting the distribution of a special dividend of CHF 3.00 per share. This dividend was paid on November 9<sup>th</sup>, 2023, at the same time as the additional CHF 0.50 per share of the regular distribution.

On the sustainability side, Varia US scored 4 stars and achieved 83 points on its second GRESB submission, ranking 4<sup>th</sup> among its peer group which is composed of 10 large US publicly traded multifamily companies and REITs. This is an excellent outcome that demonstrates a strong positioning in sustainability initiatives. Our investments in ESG have three main benefits for all our stakeholders: i) maintains the quality of the buildings while improving their performance and ensuring long term valuation stability; ii) reduces operating expenses and therefore increases net operating income which supports a higher valuation assuming a constant cap rate; and iii) improves the resident's experience and quality of life thereby improving our capacity to attract new residents and support our retention rate which also increases our net operating income.

## Outlook

At the time of publication of this report, inflation remains significantly above the 2% threshold targeted by the Federal Reserve Bank. Interest rates remain high with the 10-year treasury trading between 4.5% and 5%. Political uncertainties are omnipresent at the national and international levels. There is a continuous mismatch between sellers' expectations and buyers' expected acquisition price which explains the large decrease of transaction volume as investors are waiting to see more stability in the market before re-entering it.

Varia US expects to see further decreases in portfolio value over the coming quarters due to continuous cap rate expansion, slower rent increases and higher operating expenses. Wages will likely continue to increase in 2024 and insurance remains the biggest unknown at this point. After a 70% increase in insurance costs for 2023, the market expects a smaller increase in 2024. Varia US budgeted an increase of 25% year over year, but we will have to wait until the time of renewal in March 2024 to know exactly what the situation for next year will be.

On the capex side, Varia US intends to continue executing a wide renovation program that drives improvements in unit performance and supports rent increases. The Company also budgeted a solid investment to maintain its older buildings in order to avoid obsolescence and preserve intrinsic values.

## Conclusion

The Board of Directors is confident in the capacity of this portfolio to weather these more challenging times as it has been proving through 2023. It expects to see a return to normal market conditions by the end of 2024 or early 2025 and would like to be ready to take advantage of the opportunities expected to appear on the US multifamily market.

We thank you for your trust and confidence.

Sincerely yours,

Manuel Leuthold  
Chairman  
of the Board

Jaume Sabater  
Vice-Chairman  
of the Board

Patrick Richard  
Executive Member  
of the Board



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# CONSOLIDATED IFRS FINANCIAL STATEMENTS

September 30, 2023

**CONSOLIDATED  
IFRS FINANCIAL  
STATEMENTS**

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**NOTES TO  
CONSOLIDATED  
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Varia US Properties AG and Subsidiaries

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

### SEPTEMBER 30, 2023 AND DECEMBER 31, 2022

ASSETS	Notes	September 30, 2023 in USD	December 31, 2022 in USD
<b>Current assets:</b>			
Cash and cash equivalents		88,709,345	77,354,907
Rent and other receivables		1,389,803	907,076
Current portion of derivative financial instruments	8	483,564	–
Income tax receivable		829,696	3,503,773
Prepaid expenses and other current assets		4,263,378	2,078,469
Assets held for sale	1	65,700,000	65,250,000
<b>Total current assets</b>		<b>161,375,786</b>	<b>149,094,225</b>
<b>Noncurrent assets:</b>			
Investment property	1	1,298,450,000	1,638,500,000
Escrow accounts		10,523,410	5,763,624
Other assets		50,443	50,205
Derivative financial instruments	8	3,850,661	5,424,697
<b>Total noncurrent assets</b>		<b>1,312,874,514</b>	<b>1,649,738,526</b>
<b>Total assets</b>		<b>1,474,250,300</b>	<b>1,798,832,751</b>
<b>LIABILITIES AND EQUITY</b>	<b>Notes</b>	<b>September 30, 2023 in USD</b>	<b>December 31, 2022 in USD</b>
<b>Current liabilities:</b>			
Current maturities of interest-bearing loans and borrowings	2	–	54,158,650
Trade and other payables		25,835,050	24,331,898
Distribution payable	8	16,642,115	10,968,229
Income tax payable		4,048,935	2,671,800
Rent received in advance		1,569,612	1,805,798
Liabilities associated with assets held for sale	1	37,440,891	29,022,000
<b>Total current liabilities</b>		<b>85,536,603</b>	<b>122,958,375</b>
<b>Noncurrent liabilities:</b>			
Interest-bearing loans and borrowings, net of current maturities	2	838,087,853	959,334,221
Deferred tax liability		70,996,547	107,623,154
<b>Total noncurrent liabilities</b>		<b>909,084,400</b>	<b>1,066,957,375</b>
<b>Total liabilities</b>		<b>994,621,003</b>	<b>1,189,915,750</b>
Issued share capital		10,297,221	10,297,221
Share premium from capital contributions		207,953,714	226,123,836
Legal reserves		6,764,557	4,481,011
Revaluation reserves	3	4,201,966	5,247,327
Retained earnings		250,411,839	362,767,606
<b>Total equity</b>		<b>479,629,297</b>	<b>608,917,001</b>
<b>Total liabilities and equity</b>		<b>1,474,250,300</b>	<b>1,798,832,751</b>

The notes on pages 16 to 29 form an integral part of these financial statements.

Varia US Properties AG and Subsidiaries

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME THREE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

	Three Months Ended September 30, 2023 in USD	Three Months Ended September 30, 2022 in USD
Rental income	28,768,963	31,527,726
Other income	5,062,773	4,397,631
Insurance proceeds	744,497	–
Net (loss) gain from fair value adjustment on investment property	(62,791,803)	28,768,055
<b>Total income</b>	<b>(28,215,570)</b>	<b>64,693,412</b>
Real estate operating expenses	9,502,357	9,183,091
Expenses for third-party on-site workforces	3,839,133	4,482,327
Repairs, maintenance and minor replacements	2,831,305	3,171,349
Property management fees	952,910	1,077,786
Transaction costs	1,209,239	9,232,596
Other expenses	4,552,655	3,882,641
<b>Total operating expenses</b>	<b>22,887,599</b>	<b>31,029,790</b>
<b>Operating (loss) profit</b>	<b>(51,103,169)</b>	<b>33,663,622</b>
Interest expense	10,702,088	9,863,064
Debt defeasance	(7,109)	1,111,541
Net foreign currency exchange gains	(688,763)	(2,763,913)
<b>Total finance costs</b>	<b>10,006,216</b>	<b>8,210,692</b>
<b>(Loss) profit before income tax expense</b>	<b>(61,109,385)</b>	<b>25,452,930</b>
Income tax (benefit) expense	(16,142,765)	7,092,403
<b>(Loss) profit for the quarter</b>	<b>(44,966,620)</b>	<b>18,360,527</b>
<b>Earnings per share: Basic and diluted earnings, on (loss) profit for the quarter</b>	<b>(4.44)</b>	<b>1.81</b>
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedge	(604,094)	2,147,489
Cost of hedging	(79,144)	(473,545)
<b>Other comprehensive income for the quarter</b>	<b>(683,238)</b>	<b>1,673,944</b>
<b>Total comprehensive (loss) income for the quarter</b>	<b>(45,649,858)</b>	<b>20,034,471</b>

Varia US Properties AG and Subsidiaries

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

	Notes	Nine Months Ended September 30, 2023 in USD	Nine Months Ended September 30, 2022 in USD
Rental income	I	95,740,268	93,508,378
Other income	I	15,621,306	12,707,484
Insurance proceeds		2,767,193	215,490
Net (loss) gain from fair value adjustment on investment property	I	(119,954,592)	207,199,771
<b>Total income</b>		<b>(5,825,825)</b>	<b>313,631,123</b>
Real estate operating expenses	6	29,935,375	27,257,213
Expenses for third party on-site workforces		12,707,803	12,586,328
Repairs, maintenance and minor replacements		8,714,177	8,445,589
Property management fees		3,217,493	3,180,555
Transaction costs		13,122,444	13,686,629
Other expenses	6	12,637,536	11,434,613
<b>Total operating expenses</b>		<b>80,334,828</b>	<b>76,590,927</b>
<b>Operating (loss) profit</b>		<b>(86,160,653)</b>	<b>237,040,196</b>
Interest expense	4	36,492,183	30,137,168
Debt defeasance	4	652,135	1,874,784
Net foreign currency exchange losses (gains)	4	1,205,325	(8,103,264)
<b>Total finance costs</b>		<b>38,349,643</b>	<b>23,908,688</b>
<b>(Loss) profit before income tax expense</b>		<b>(124,510,296)</b>	<b>213,131,508</b>
Income tax (benefit) expense	5	(32,608,197)	49,264,785
<b>(Loss) profit for the period</b>		<b>(91,902,099)</b>	<b>163,866,723</b>
<b>Earnings per share: Basic and diluted earnings, on (loss) profit for the period</b>	3	<b>(9.08)</b>	<b>16.18</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedge reserve	3	(1,018,000)	3,379,667
Cost of hedging reserve	3	(27,361)	72,971
<b>Other comprehensive (loss) income for the period</b>		<b>(1,045,361)</b>	<b>3,452,638</b>
<b>Total comprehensive (loss) income for the period</b>		<b>(92,947,460)</b>	<b>167,319,361</b>

Varia US Properties AG and Subsidiaries

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

	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, 2021</b>		10,297,221	242,762,909	2,936,191	–	258,352,839	514,349,160
Profit for the period		–	–	–	–	163,866,723	163,866,723
Changes in cash flow hedging reserve		–	–	–	3,379,667	–	3,379,667
Changes in cost of hedging reserve		–	–	–	72,971	–	72,971
<b>Other comprehensive income</b>		–	–	–	<b>3,452,638</b>	–	<b>3,452,638</b>
<b>Total comprehensive income</b>		–	–	–	<b>3,452,638</b>	<b>163,866,723</b>	<b>167,319,361</b>
Allocation to legal reserves		–	–	1,544,820	–	(1,544,820)	–
Capital and retained earnings distributions		–	(16,639,073)	–	–	(16,639,073)	(33,278,146)
<b>Balance at September 30, 2022</b>		<b>10,297,221</b>	<b>226,123,836</b>	<b>4,481,011</b>	<b>3,452,638</b>	<b>404,035,669</b>	<b>648,390,375</b>
<b>Balance at December 31, 2022</b>		10,297,221	226,123,836	4,481,011	5,247,327	362,767,606	608,917,001
Loss for the period	3	–	–	–	–	(91,902,099)	(91,902,099)
Changes in cash flow hedging reserve	3	–	–	–	(1,018,000)	–	(1,018,000)
Changes in cost of hedging reserve	3	–	–	–	(27,361)	–	(27,361)
<b>Other comprehensive loss</b>		–	–	–	<b>(1,045,361)</b>	–	<b>(1,045,361)</b>
<b>Total comprehensive loss</b>		–	–	–	<b>(1,045,361)</b>	<b>(91,902,099)</b>	<b>(92,947,460)</b>
Allocation to legal reserves	3	–	–	2,283,546	–	(2,283,546)	–
Capital and retained earnings distributions	3	–	(18,170,122)	–	–	(18,170,122)	(36,340,244)
<b>Balance at September 30, 2023</b>		<b>10,297,221</b>	<b>207,953,714</b>	<b>6,764,557</b>	<b>4,201,966</b>	<b>250,411,839</b>	<b>479,629,297</b>

Varia US Properties AG and Subsidiaries

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

	Notes	Nine Months Ended September 30, 2023 in USD	Nine Months Ended September 30, 2022 in USD
<b>Cash flows from operating activities:</b>			
(Loss) profit before income tax		(124,510,296)	213,131,508
<b>Adjustments to reconcile profit before income tax to net cash provided by operating activities:</b>			
Net loss (gain) from fair value adjustment on investment property	1	119,954,592	(207,199,771)
Finance costs	4	38,349,643	23,908,688
		<b>33,793,939</b>	<b>29,840,425</b>
<b>Working capital adjustments:</b>			
(Increase) decrease in rent and other receivables		(482,727)	298,613
Increase in prepaid expenses and other current assets		(2,184,909)	(6,833,485)
Increase in escrow accounts		(4,759,786)	(1,037,634)
Increase in other assets		(238)	(34,644)
Increase (Decrease) in trade and other payables, excluding accrued interest		1,764,028	(382,311)
Decrease in rent received in advance		(236,186)	(281,101)
<b>Cash generated from operating activities</b>		<b>27,894,121</b>	<b>21,569,863</b>
Income taxes received		3,379,064	10,925
Income taxes paid		(3,396,809)	(1,928,764)
<b>Net cash provided by operating activities</b>		<b>27,876,376</b>	<b>19,652,024</b>
<b>Cash flows from investing activities:</b>			
Acquisition of investment property		–	(223,828,973)
Capital expenditure on investment property	1	(22,679,592)	(17,476,256)
Proceeds from sale of investment property	1	242,325,000	202,000,000
<b>Net cash provided by (used in) investing activities</b>		<b>219,645,408</b>	<b>(39,305,229)</b>
<b>Cash flows from financing activities:</b>			
Payments of principal on interest bearing loans and borrowings		(220,075,112)	(165,413,012)
Interest paid		(36,866,719)	(28,619,667)
Counterparty payments received on interest rate cap option contracts		2,353,502	–
Counterparty payments received on sale of rate cap option contracts		75,000	–
Debt defeasance paid	4	(652,135)	(1,874,784)
Payments of debt issuance costs	2	(2,090,989)	(3,103,378)
Proceeds from interest-bearing loans and borrowings	2	50,323,391	265,910,000
Payment of capital distribution and retained earnings		(30,573,072)	(28,178,591)
<b>Net cash (used in) provided by financing activities</b>		<b>(237,506,134)</b>	<b>38,720,568</b>
<b>Net increase in cash and cash equivalents</b>		<b>10,015,650</b>	<b>19,067,363</b>
Cash and cash equivalents at beginning of year		77,354,907	80,385,011
Exchange gain (loss) on cash and cash equivalents		1,338,788	(506,736)
<b>Cash and cash equivalents at end of period</b>		<b>88,709,345</b>	<b>98,945,638</b>

The notes on pages 16 to 29 form an integral part of these financial statements.

Varia US Properties AG and Subsidiaries

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### Organization and Activities

Varia US Properties AG (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, valuations, and management of the Company's activities. In preparing the condensed consolidated interim 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 September 30, 2023, and has never employed any staff. Common shares are listed on the SIX Swiss Stock Exchange under the symbol: VARN. The accompanying condensed consolidated interim financial statements of Varia US Properties AG and subsidiaries (collectively, the Group) as of September 30, 2023, and for the nine months then ended were authorized by the Board of Directors for issue on November 22, 2023. These condensed consolidated interim financial statements are presented in U.S. dollars (USD) and all values are rounded to the nearest dollar, except when otherwise indicated.

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 period January 1, 2023 to September 30, 2023</b>	0.90206
<b>USD/CHF exchange rate at September 30, 2023</b>	0.91269
<b>USD/CHF average exchange rate for the period January 1, 2022 to September 30, 2022</b>	0.94988
<b>USD/CHF exchange rate at September 30, 2022</b>	0.98082

### Basis of Preparation and Significant Accounting Policies

The condensed consolidated interim financial statements for the interim reporting period as of September 30, 2023 and for the nine months then ended have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) Interim Financial Reporting and the Directive on Financial Reporting (“DFR”) of the SIX Swiss Exchange. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report as of December 31, 2022, and for the year then ended and any public announcements made by Varia US Properties AG during the interim reporting period. The preparation of condensed consolidated interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The critical accounting estimates and judgments have been set out in detail in Note C of the Company's audited consolidated annual financial statements for the year ended December 31, 2022. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. No new accounting standards relevant for Varia US Properties AG came into force as of January 1, 2023.

## NOTE I INVESTMENT PROPERTY

No investment properties were acquired and nine were disposed during the nine months ended September 30, 2023:

Property	Location	Fair Value of Investment Property at December 31, 2022 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 September 30, 2023 in USD
<b>860 East Apartments and Townhomes</b>	Cincinnati, OH	25,800,000	201,198	2,998,802	(29,000,000)	—
<b>Aura</b>	Indianapolis, IN	13,700,000	99,806	800,194	(14,600,000)	—
<b>Devonshire Place and Gardens</b>	Evansville, IN	20,000,000	18,497	(418,497)	(19,600,000)	—
<b>Harrison Point</b>	Indianapolis, IN	28,100,000	84,973	1,565,027	(29,750,000)	—
<b>Lynnfield Place</b>	Memphis, TN	45,000,000	2,610,374	(6,985,374)	(40,625,000)	—
<b>Parkway Square</b>	Tallahassee, FL	34,050,000	48,513	(1,348,513)	(32,750,000)	—
<b>Tally Square</b>	Tallahassee, FL	31,200,000	122,328	(1,322,328)	(30,000,000)	—
<b>Tuscany Bay Apartments</b>	Lawrenceburg, IN	10,400,000	30,020	3,319,980	(13,750,000)	—
<b>Woodridge Apartments</b>	Fairfield, OH	32,000,000	82,679	167,321	(32,250,000)	—
		<b>240,250,000</b>	<b>3,298,388</b>	<b>(1,223,388)</b>	<b>(242,325,000)</b>	<b>—</b>

Total investment property at fair value, including assets held for sale, decreased from USD 1,703,750,000 as of December 31, 2022 to USD 1,364,150,000 as of September 30, 2023. The components of changes in value related to investment properties are as follows as of September 30, 2023:

	in USD
Investment property and assets held for sale at December 31, 2022	1,703,750,000
Capital improvements	22,679,592
Sale of investment property	(242,325,000)
Net loss from fair value adjustment on investment property	(119,954,592)
Fair value of investment property at September 30, 2023	1,364,150,000
Investment property held for sale	(65,700,000)
<b>Investment property excluding assets held for sale at September 30, 2023</b>	<b>1,298,450,000</b>

As of September 30, 2023, the Company had approximately USD 3.7 million of contractual obligations related to repairs, maintenance, or enhancements to its investment properties. None of the contractual obligations were with related parties. Additionally, there were no contractual obligations to purchase, construct or develop investment property.

The valuation of investment properties as of September 30, 2023 was carried out by Colliers International Valuation & Advisory Services. The external valuations were used to calculate the net loss from fair value adjustment on investment property for the nine months ended September 30, 2023. See NOTE 8 – FINANCIAL RISK MANAGEMENT for additional information on valuation techniques and inputs.

### 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. The Company must be committed to a plan to sell the assets or disposal group, the asset or disposal group must be actively marketed for sale at a price that is reasonable in relation to their current fair value, an active program to find a buyer must be initiated, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, and there should be no significant changes to the plan that might impact the sale.

Three properties met all five IFRS assets held for sale criteria as of September 30, 2023 with a total fair value of USD 65.7 million. 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, respectively, as of September 30, 2023. Management assessed the related assets for impairment upon classification as assets held for sale and determined that no impairment losses were required to be recorded as the carrying amounts are expected to be recovered through sale.

The following table summarizes the recognized amounts of assets and liabilities held for sale as of September 30, 2023:

	in USD
Investment Property	65,700,000
<b>Total assets held for sale</b>	<b>65,700,000</b>
Interest bearing loans and borrowings	37,440,891
<b>Total liabilities associated with assets held for sale</b>	<b>37,440,891</b>

### Income Related to Investment Properties

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

	<b>Nine Months Ended September 30, 2023</b> in USD	<b>Nine Months Ended September 30, 2022</b> in USD
Rental income (in accordance with IFRS 16)	95,740,268	93,508,378
Net (loss) gain from fair value adjustment on investment property	(119,954,592)	207,199,771
<b>Other income (revenues from contracts with customers):</b>		
Monthly and one-time fees	8,501,159	7,100,155
Utility fees charged through to tenants	6,166,476	5,607,329
Interest Income	953,671	–
Total other income	15,621,306	12,707,484
<b>Total income related to investment properties</b>	<b>(8,593,018)</b>	<b>313,415,633</b>

## NOTE 2 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 1,364,150,000 as of September 30, 2023. During the nine months ended September 30, 2023, the Company refinanced two existing properties and disposed of nine properties (see NOTE 1 – INVESTMENT PROPERTY). These transactions resulted in USD 50 million of new loan proceeds and USD 164 million of principal payments.

During the period ending September 30, 2023, the Company repaid bond VAR19 (ISIN: CH 047 974 437 4) with an initial aggregate principal amount of CHF 50 million (USD 56.1 million at the time of repayment). Bond VAR21 (ISIN: CH0553695815) remains outstanding with a principal amount of CHF 50 million (USD 54.8 million) and matures on October 7, 2025.

	in USD
<b>Balance of mortgages as of December 31, 2022, including liabilities associated with assets held for sale</b>	<b>935,050,082</b>
<b>Cash movements:</b>	
Proceeds from new loans	50,323,391
Payments of principal on mortgages	(163,954,312)
Payments of debt issuance costs	(2,090,989)
<b>Noncash movements:</b>	
Amortization of debt issuance costs	1,963,660
<b>Balance of mortgages as of September 30, 2023, including liabilities associated with assets held for sale</b>	<b>821,291,832</b>
<b>Balance of bonds as of December 31, 2022</b>	<b>107,464,789</b>
<b>Cash movements:</b>	
Payment of bond	(56,120,800)
<b>Noncash movements:</b>	
Amortization of debt issuance costs	306,070
Effect of foreign currency translation adjustment	2,586,853
<b>Balance of bonds as of September 30, 2023</b>	<b>54,236,912</b>
<b>Balance of interest-bearing loans and borrowings as of September 30, 2023</b>	<b>875,528,744</b>

The fixed and variable advance terms on the credit facilities are as follows as of September 30, 2023:

Credit Facility Loans	Lender	Interest Rate	Advance Amount in USD	Maturity Date
Fixed	Fannie Mae	2.44%	20,881,000	January 1, 2031
Fixed	Fannie Mae	2.95%	41,765,000	February 1, 2031
Variable	Fannie Mae	30 Day Average SOFR + 2.10%	10,000,000	January 1, 2031
Variable	Fannie Mae	30 Day Average SOFR + 2.45%	12,215,688	February 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	Fannie Mae	5.09%	31,549,000	November 1, 2032
Fixed	Freddie Mac	5.04%	125,000,000	November 1, 2029
Fixed	Freddie Mac	4.76%	29,000,000	July 1, 2028
Fixed	Freddie Mac	5.52%	20,110,000	September 1, 2028

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 September 30, 2023:

Years Ending September 30,	in USD
2024	14,463,391
2025	288,018
2026	55,837,075
2027	36,018,606
2028	161,653,511
Thereafter	617,012,327
<b>Total future scheduled principal payments</b>	<b>885,272,928</b>
Loan costs and accumulated amortization	(9,744,184)
Liabilities associated with assets held for sale	(37,440,891)
<b>Total interest bearing loans and borrowings</b>	<b>838,087,853</b>

<sup>1</sup> One loan with outstanding principal of USD 14,463,391 is maturing within one year and is collateralized by an investment property held for sale. Therefore, the related loan balance is included in liabilities associated with assets held for sale on the Consolidated Statement of Financial Position.

### NOTE 3 EQUITY

Changes to equity during the nine months ended September 30, 2023 compared to the 2022 annual report include a change in revaluation reserves related to the interest rate cap derivatives, a decrease in retained earnings due to the net loss for the nine months ended September 30, 2023, and a decrease in both retained

earnings and the share premium from capital contributions for dividends declared on April 25, 2023.

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, 2023	59,175	5,188,152	5,247,327
Change in fair value of hedging instrument recognized in OCI	—	(955,895)	(955,895)
Reclassification of missed forecast transactions from OCI to (profit) or loss		(62,105)	(62,105)
Costs of hedging deferred and recognized in OCI	(27,361)	—	(27,361)
Counter party payments accrued or received from hedging instrument recognized in OCI		2,537,963	2,537,963
Counter party payments accrued or received from hedging instrument reclassified from OCI to profit or loss		(2,537,963)	(2,537,963)
<b>Closing Balance September 30, 2023</b>	<b>31,814</b>	<b>4,170,152</b>	<b>4,201,966</b>

For the nine months ended September 30, 2023, counterparty payments accrued or received in the amount of USD 2,537,963 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. Additionally, one rate cap option contract was sold (notional USD 7,085,000), and one rate cap option contract was partially unwound and sold (notional USD 9,134,312) which resulted in a reclassification of USD 62,105 from OCI to the statement of

profit or loss. The related mortgage loans totaling USD 7,085,000 and USD 9,134,312 were paid off in connection with the disposition of two properties. See NOTE 8 – FINANCIAL RISK MANAGEMENT for further information on cash flow hedging.

Earnings per share as of September 30:	2023 in USD	2022 in USD
Earnings per share attributable to equity holders for the period:		
(Loss) profit for the period attributable to ordinary equity holders of the Company	(91,902,099)	163,866,723
Calculation of weighted-average number of shares:		
Shares outstanding December 31, 2022	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
(Loss) 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)	(9.08)	16.18
(Loss) 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)	(9.08)	16.18
NAV per share:	as of September 30, 2023 in USD	as of December 31, 2022 in USD
Equity attributable to Varia US Properties AG Shareholders	479,629,297	608,917,001
Number of shares	10,126,018	10,126,018
NAV per share	47.37	60.13
Equity attributable to Varia US Properties AG Shareholders (excluding deferred taxes)	550,625,844	716,540,155
Number of shares	10,126,018	10,126,018
NAV per share (excluding deferred taxes)	54.38	70.76

#### NOTE 4 FINANCE COSTS

Finance costs for the nine months ended September 30, 2023 and 2022 amounted to approximately USD 38.3 million and USD 23.9 million, respectively. Finance costs include interest paid and accrued on interest-bearing loans and borrowings of approximately USD 36.5 million and USD 30.1 million, respectively, debt defeasance costs of approximately USD 0.7 million and USD 1.9 million, respectively, and the foreign exchange loss of

USD 1.2 million (gains of USD 2,546,319 less losses of USD 3,751,644) and foreign exchange net gain of USD 8.1 million (gains of USD 10,457,325 less losses of USD 2,354,061), respectively, resulting primarily from changes in the exchange rate between CHF and USD currency rates on foreign currency bank accounts and bonds payable in CHF.

## NOTE 5 INCOME TAX

Income taxes are composed of the following:

	Nine Months Ended September 30, 2023 in USD	Nine Months Ended September 30, 2022 in USD
<b>Provision for income tax (benefit) expense:</b>		
Deferred U.S. federal and state income tax (benefit) expense	(36,621,993)	47,210,861
Current U.S. federal and state income tax expense	2,498,000	–
Current Swiss federal, cantonal and communal income tax expense	1,515,796	2,053,924
<b>Total income tax (benefit) expense</b>	<b>(32,608,197)</b>	<b>49,264,785</b>

Income tax expense is recognized based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for US federal and state income tax expense is 25% for the nine months ended September 30, 2023 and September 30, 2022. Due to the net loss incurred during the nine months ended September 30, 2023, which was driven by the fair value loss on investment property, the Company realized approximately USD 34.1 million of US fed-

eral and state income tax benefits on the Consolidated Statement of Profit or Loss and Other Comprehensive Income (USD 36.6 million of deferred tax benefits less USD 2.5 million of current tax expense). For the nine months ended September 30, 2022, USD 47.2 million of US federal and state income tax expense was deferred and there was no current US federal and state income tax expense. All Swiss income taxes are current for the nine months ended September 30, 2023 and 2022.

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## NOTE 6 REAL ESTATE OPERATING AND OTHER EXPENSES

Real estate operating expenses and other expenses consist of the following for the nine months ended September 30:

	Nine Months Ended September 30, 2023 in USD	Nine Months Ended September 30, 2022 in USD
Utility expenses	8,606,322	9,377,853
Property and other taxes	11,700,426	10,697,283
Property insurance	6,261,457	4,021,729
Contract services at property level	1,590,985	1,886,625
Advertising expenses	1,776,185	1,273,723
<b>Total real estate operating expenses</b>	<b>29,935,375</b>	<b>27,257,213</b>
Legal, audit, and accounting fees	1,600,168	799,600
Professional fees	733,410	883,940
Asset management fees	5,186,864	5,084,411
General and administrative	5,117,094	4,666,662
<b>Total other expenses</b>	<b>12,637,536</b>	<b>11,434,613</b>

## NOTE 7 RELATED-PARTY TRANSACTIONS

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

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

Stoneweg remuneration fees for services provided to Varia subsidiaries and underlying investments during the reporting periods were as follows for the nine months ended September 30:

For the nine months ended September 30:	2023 in USD	2022 in USD
Asset management fees charged to Varia direct subsidiaries	5,186,864	5,084,411
Transaction fees	552,250	2,633,000
Promotion fee on sale of properties	8,272,657	10,379,962
Refinancing fees	491,100	851,790
Construction management fees	518,065	19,766

Varia US Properties AG is party to an Asset Management Agreement with Stoneweg SA and Stoneweg US, LLC (Stoneweg) to manage the investments and administration activities of the Company. Outstanding amounts due to Stoneweg as of September 30, 2023 and December 31, 2022, are comprised of accrued asset management fees of USD 1,671,776 and USD 1,896,806, respectively.

**Key management compensation:** The Board of Directors is considered key management. Expense in the amount of CHF 526,663 was paid or accrued as of September 30, 2023 (as of September 30, 2022: CHF 517,677), including CHF 101,200 (as of September 2022: CHF 140,250) related to the Directors' share plan. There were no outstanding amounts due to the Board of Directors as of September 30, 2023 and December 31, 2022.

## NOTE 8 FINANCIAL RISK MANAGEMENT

The Group's currency positions at September 30, 2023 and December 31, 2022, are predominately in USD as presented on the Consolidated Statements of Financial Position except for those carried and to be settled in CHF as follows:

Assets	September 30, 2023 in USD	December 31, 2022 in USD
Cash and cash equivalents	1,681,049	1,219,982
Rent and other receivables	40,111	46,132
<b>Total assets</b>	<b>1,721,160</b>	<b>1,266,114</b>

Liabilities	September 30, 2023 in USD	December 31, 2022 in USD
Trade and other payables and interest bearing loans	3,043,705	3,825,219
Distribution payable	16,642,115	10,968,229
Bond borrowing	54,783,350	108,317,300
<b>Net liabilities</b>	<b>(72,748,010)</b>	<b>(121,844,634)</b>

The maturity analysis of financial liabilities, actual cash flows including interest, is as follows as of September 30, 2023:

	Within 12 Months in USD	From 1–4 Years in USD	Later Than 5 Years in USD	Total in USD
Trade and other payables, less accrued real estate and other taxes and accrued interest	11,883,192	–	–	11,883,192
Distribution payable	16,642,115	–	–	16,642,115
Interest bearing loans and borrowings, including interest	53,072,464	350,934,239	700,685,436	1,104,692,139
Interest bearing bond, including interest	1,575,021	57,145,882	–	58,720,903
	<b>83,172,792</b>	<b>408,080,121</b>	<b>700,685,436</b>	<b>1,191,938,349</b>

#### Derivative financial instruments utilized for hedging of interest rate risk on variable borrowings

The Company has the following derivative financial instruments in the following line items in the balance sheet:

	September 30, 2023 in USD	December 31, 2022 in USD
<b>Current assets</b>		
Interest rate cap option contracts – cash flow hedges	483,564	–
<b>Non-current assets</b>		
Interest rate cap option contracts – cash flow hedges	3,850,661	5,424,697
<b>Total derivative financial instrument assets</b>	<b>4,334,225</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 amounts accumulated within equity relating to the effective portion of the interest rate cap contracts are recognized in profit or loss within finance costs in the same period as the interest expense on the hedged borrowings. The Company's accounting policy for its qualifying cash flow hedges is explained in the Basis of Preparation and Significant Accounting Policies note in the annual report. A breakdown of movements in the revaluation reserves related to cash flow hedges is disclosed in NOTE 3 – EQUITY.

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

Interest Rate Cap Option Contracts	September 30, 2023 in USD	December 31, 2022 in USD
Carrying Amount	4,334,225	5,424,697
Notional Amount	172,521,688	188,741,000
Maturity Dates	Jan I – Dec I 2024	Jan I – Dec I 2024
Hedge Ratio	1:1	1:1
Weighted average hedged rate for the period	5.13%	5.31%

#### Valuation Methods, Standards and Principles

The properties are valued using the income capitalization approach (direct capitalization). Derivative financial instruments (interest rate cap option contracts) are valued using options pricing models (e.g., Black-Scholes model). The same valuation methods, standards and principles described on pages 105–107 of the 2022 annual report were applied as of September 30, 2023.

### Fair Value

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:

- 1) **Level 1:** Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- 2) **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
- 3) **Level 3:** Inputs are unobservable inputs for the asset or the liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

Derivative financial instruments (interest rate cap option contracts) are valued using options pricing models (e.g., Black Scholes model) and are included in level 2 of the fair value hierarchy.

At September 30, 2023, Varia's investment properties and derivative financial instrument 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 including assets held for sale at December 31, 2022	–	–	1,703,750,000	1,703,750,000
Purchase of investment property	–	–	–	–
Capital improvements	–	–	22,679,592	22,679,592
Net change in fair value (unrealized)	–	–	(119,954,592)	(119,954,592)
Investment property sold	–	–	(242,325,000)	(242,325,000)
Investment property held for sale	–	–	(65,700,000)	(65,700,000)
<b>Investment property at September 30, 2023</b>	<b>–</b>	<b>–</b>	<b>1,298,450,000</b>	<b>1,298,450,000</b>
Derivative financial instruments at December 31, 2022	–	5,424,697	–	5,424,697
Sale of derivative financial instruments	–	(75,000)	–	(75,000)
Net change in fair value	–	1,522,491	–	1,522,491
Reclassification of counterparty payments earned	–	(2,537,963)	–	(2,537,963)
<b>Derivative financial instruments at September 30, 2023</b>	<b>–</b>	<b>4,334,225</b>	<b>–</b>	<b>4,334,225</b>

There were no transfers between Levels 1 and 2 and Level 3. The investment property valuations were determined using significant unobservable inputs. These inputs as of September 30, 2023, 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 88.2% to 99.4%.
<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 4.50% to 6.26%.
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On the basis of a sensitivity analysis of investment real estate as of September 30, 2023 with fair value of USD 1,364,150,000, an isolated increase in the capitalization rates by 50 basis points would lead to a decrease of approximately USD 116 million in value while a decrease in the capitalization rate by 50 basis points would lead to an increase in value of approximately USD 140 million 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
4.9%	10.3	139,991,000	1,504,141,000
5.0%	8.0	109,741,000	1,473,891,000
5.1%	5.9	80,683,000	1,444,833,000
5.2%	3.9	52,749,000	1,416,899,000
5.3%	1.9	25,874,000	1,390,024,000
5.4% (valuation at September 30, 2023)	0.0	–	1,364,150,000
5.5%	(1.8)	(24,928,000)	1,339,222,000
5.6%	(3.6)	(48,962,000)	1,315,188,000
5.7%	(5.3)	(72,148,000)	1,292,002,000
5.8%	(6.9)	(94,531,000)	1,269,619,000
5.9%	(8.5)	(116,152,000)	1,247,998,000

The sensitivity analysis below reflects the change in fair value as of September 30, 2023 resulting from changes in both stabilized net operating income (NOI) and changes in the capitalization rate.

As of September 30, 2023	Stabilized NOI, Decrease 1% in USD	Stabilized NOI, As Reported in USD	Stabilized NOI, Increase 1% in USD
Capitalization rate, decrease 50 bps	124,950,000	139,991,000	155,033,000
Capitalization rate, decrease 40 bps	95,002,000	109,741,000	124,480,000
Capitalization rate, decrease 30 bps	66,235,000	80,683,000	95,131,000
Capitalization rate, decrease 20 bps	38,580,000	52,749,000	66,918,000
Capitalization rate, decrease 10 bps	11,974,000	25,874,000	39,774,000
Capitalization rate, as reported	(13,641,000)	–	13,642,000
Capitalization rate, increase 10 bps	(38,321,000)	(24,928,000)	(11,536,000)
Capitalization rate, increase 20 bps	(62,114,000)	(48,962,000)	(35,810,000)
Capitalization rate, increase 30 bps	(85,068,000)	(72,148,000)	(59,228,000)
Capitalization rate, increase 40 bps	(107,228,000)	(94,531,000)	(81,835,000)
Capitalization rate, increase 50 bps	(128,632,000)	(116,152,000)	(103,672,000)

#### Financial instruments not measured at fair value

Cash and cash equivalents, rent and other receivables, and trade and other payables are either short-term in nature or denominated in USD, therefore, the carrying amount is deemed to be fair value at September 30, 2023. 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 September 30, 2023. 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 775.0 million and USD 900 million at September 30, 2023 and December 31, 2022, respectively. The fair value of the listed bond is determined based on the price at SIX (Level 1) and amounts to USD 54.8 million as of September 30, 2023 and USD 53.7 million as of December 31, 2022. The fair value of total bonds as of December 31, 2022 was USD 107.1 million, and one bond (VAR19) was repaid at maturity on June 20, 2023.

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**NOTE 9**  
**SUBSEQUENT EVENTS**

On November 3, 2023, an Extraordinary General Meeting of the shareholders approved an additional appropriation of the available earnings at December 31, 2022, comprising an extraordinary dividend totaling USD 33,789,509 (CHF 30,378,054), out of the share premium from capital contributions for USD 16,894,755 (CHF 15,189,027) and out of the retained earnings for USD 16,894,755 (CHF 15,189,027). The extraordinary dividend (CHF 3.00 per share) was paid in full on November 9, 2023, in addition to the next regular quarterly dividend distribution of CHF 0.50 per share which was approved at the Ordinary General Meeting of the shareholders on April 25, 2023.

Additionally, after the balance sheet date, one property held for sale with a fair value of USD 25.5 million as of September 30, 2023 and totaling 252 units was placed under contract to be sold.

There were no other subsequent events which would require adjustment to or disclosure in the accompanying condensed consolidated interim financial statements.

**Property Portfolio as of September 30, 2023**

based on Colliers figures

Property	Address	City	State	Zip Code	Fair Value in USD
<b>Amaze @ NoDa</b>	3750 Philemon Avenue	Charlotte	North Carolina	28206	76,300,000
<b>Ashford</b>	1200 North Dairy Ashford Road	Houston	Texas	77079	55,400,000
<b>Avenue 8 Apartments</b>	1050 West 8th Avenue	Mesa	Arizona	85210	39,300,000
<b>Beau Jardin</b>	10347 Sannois Drive	St. Louis	Missouri	63146	20,100,000
<b>Bellevue Hills Apartments</b>	11829 Amerado Boulevard	Bellevue	Nebraska	68123	29,200,000
<b>Breckinridge Square</b>	203 Breckinridge Square	Louisville	Kentucky	40220	32,200,000
<b>Brent Village</b>	1409 Buck Drive	Bellevue	Nebraska	68005	17,400,000
<b>Brookwood Apartments</b>	201 South Kolb Road	Tucson	Arizona	85710	28,900,000
<b>Cordova Creek</b>	7965 Humphrey Hill Drive	Memphis	Tennessee	38016	29,000,000
<b>JRG Lofts</b>	437 West 6th Street	Covington	Kentucky	41011	59,500,000
<b>Lochwood Apartments</b>	55 Lochwood Court	New Albany	Indiana	47150	20,100,000
<b>Maryland Park</b>	2170 McKelvey Road	Maryland Heights	Missouri	63043	25,500,000
<b>Mayfield Apartments</b>	919 Aintree Park Drive	Mayfield	Ohio	44143	39,900,000
<b>Mission Palms Apartments</b>	951 West Orange Grove Road	Tucson	Arizona	85704	67,100,000
<b>Residences at Echelon Apartments</b>	3500 SW Hollywood Drive	Lee's Summit	Missouri	64082	62,800,000
<b>Retreat Northwest</b>	1130 Racquet Club North Drive	Indianapolis	Indiana	46260	45,600,000
<b>Ridge on Spring Valley</b>	5704 Spring Valley Road	Dallas	Texas	75254	32,000,000
<b>River Oaks Apartments</b>	7730 East Broadway Boulevard	Tucson	Arizona	85710	35,500,000
<b>Rolling Hills Apartments</b>	9100 Rainbow Springs	Louisville	Kentucky	40241	51,700,000
<b>Shawnee Station</b>	6405 Maurer Road	Shawnee	Kansas	66217	32,750,000
<b>St. Matthews Apartments</b>	400 Mallard Creek Road	Louisville	Kentucky	40207	104,100,000
<b>The M Club</b>	7007 Courthouse Drive	Indianapolis	Indiana	46226	41,600,000
<b>The Meadows Apartment Homes</b>	2154 Meadow Glade Lane	Memphis	Tennessee	38134	23,700,000
<b>The Wylde at Eagle Creek</b>	6612 Eagle Pointe Drive North	Indianapolis	Indiana	46254	31,500,000
<b>Tierra Pointe Apartments</b>	6801 & 6901 Los Volcanes Road NW	Albuquerque	New Mexico	87121	44,600,000
<b>Varia at Oakcrest Apartments</b>	1310 Oakcrest Drive	Columbia	South Carolina	29223	38,500,000
<b>Varia at Highland Village</b>	120 Main Street	Highland Village	Texas	75077	47,300,000
<b>West End at Fayetteville</b>	3050 Plantation Garden Boulevard	Fayetteville	North Carolina	28303	85,100,000
<b>Wild Oaks</b>	7987 NE Flintlock Road	Kansas City	Missouri	64158	63,900,000
<b>Willows of Cumming</b>	225 Nancy Lane	Cumming	Georgia	30040	21,600,000
<b>Wood Hollow Apartments</b>	3875 Post Oak Boulevard	Fort Worth (Euless)	Texas	76040	44,200,000
<b>Zona Village</b>	2855 West Anklam Road	Tucson	Arizona	85745	17,800,000
<b>Total</b>					<b>1,364,150,000</b>

	Ownership Form	Year of Construction	Net Operating Income <sup>1</sup> in USD	Units	Occupancy Rate <sup>2</sup>	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	2019	3,433,500	298	89.90%	4.50%	5,940,220	431,680	221,215
	Sole-Ownership	2015	2,772,366	312	92.00%	5.00%	6,430,100	135,579	260,852
	Sole-Ownership	1986	2,259,488	194	94.30%	5.75%	3,657,320	385,158	213,400
	Sole-Ownership	1965	1,253,568	182	96.20%	6.24%	2,645,800	470,012	159,520
	Sole-Ownership	1974	1,824,184	264	95.10%	6.25%	4,005,485	788,000	243,960
	Sole-Ownership	1970	1,850,402	294	92.50%	5.75%	4,587,716	695,261	332,040
	Sole-Ownership	1971	1,085,644	180	91.10%	6.24%	2,578,985	404,236	147,875
	Sole-Ownership	1973	1,736,744	272	90.40%	6.01%	3,495,320	432,586	206,784
	Sole-Ownership	1986	1,669,147	196	94.90%	5.76%	3,297,892	851,162	214,038
	Sole-Ownership	2021	2,826,250	178	94.40%	4.75%	4,203,849	60,952	131,543
	Sole-Ownership	1972	1,258,096	200	94.50%	6.26%	2,725,888	615,938	268,800
	Sole-Ownership	1971	1,596,424	252	92.50%	6.26%	3,588,880	538,614	193,284
	Sole-Ownership	1966	2,492,234	252	93.70%	6.25%	4,960,200	778,194	275,505
	Sole-Ownership	1979	3,860,236	360	94.70%	5.75%	6,301,960	1,258,842	372,918
	Sole-Ownership	2020	2,826,000	243	95.50%	4.50%	4,880,745	485,471	235,474
	Sole-Ownership	1973	2,623,714	336	90.80%	5.75%	5,180,356	2,044,532	347,620
	Sole-Ownership	1978	1,598,427	207	96.10%	5.00%	3,690,480	324,091	166,194
	Sole-Ownership	1982	2,040,988	300	91.70%	5.75%	3,891,560	448,958	212,074
	Sole-Ownership	1972	2,975,051	400	92.80%	5.75%	6,274,496	1,120,157	504,640
	Sole-Ownership	2001	1,719,415	228	88.20%	5.25%	3,600,585	673,873	210,648
	Sole-Ownership	1988 & 1991	4,950,342	600	90.20%	4.76%	9,906,227	1,571,035	587,803
	Sole-Ownership	1979	2,289,242	388	95.10%	5.50%	4,608,340	1,686,441	303,544
	Sole-Ownership	1986	1,362,935	200	92.00%	5.75%	2,762,812	625,522	191,200
	Sole-Ownership	1987	1,734,199	256	93.80%	5.51%	3,891,980	835,350	202,000
	Sole-Ownership	1985	2,675,830	352	91.20%	6.00%	4,839,421	521,784	211,720
	Sole-Ownership	2000	1,926,843	272	95.20%	5.00%	4,807,500	838,351	299,102
	Sole-Ownership	2015	2,248,695	161	91.90%	4.75%	4,260,208	615,593	195,115
	Sole-Ownership	2012	4,682,342	360	93.90%	5.50%	7,328,760	1,870,902	425,784
	Sole-Ownership	2000	3,036,826	348	93.10%	4.75%	5,613,675	1,047,182	325,488
	Sole-Ownership	1996	1,243,339	156	99.40%	5.76%	2,317,896	554,519	147,148
	Sole-Ownership	1985	2,319,951	346	91.30%	5.25%	5,667,760	535,374	251,639
	Sole-Ownership	1969	1,113,359	183	96.20%	6.25%	2,114,440	249,075	98,868
			<b>73,285,781</b>	<b>8,770</b>			<b>144,056,856</b>	<b>23,894,424</b>	<b>8,157,795</b>

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

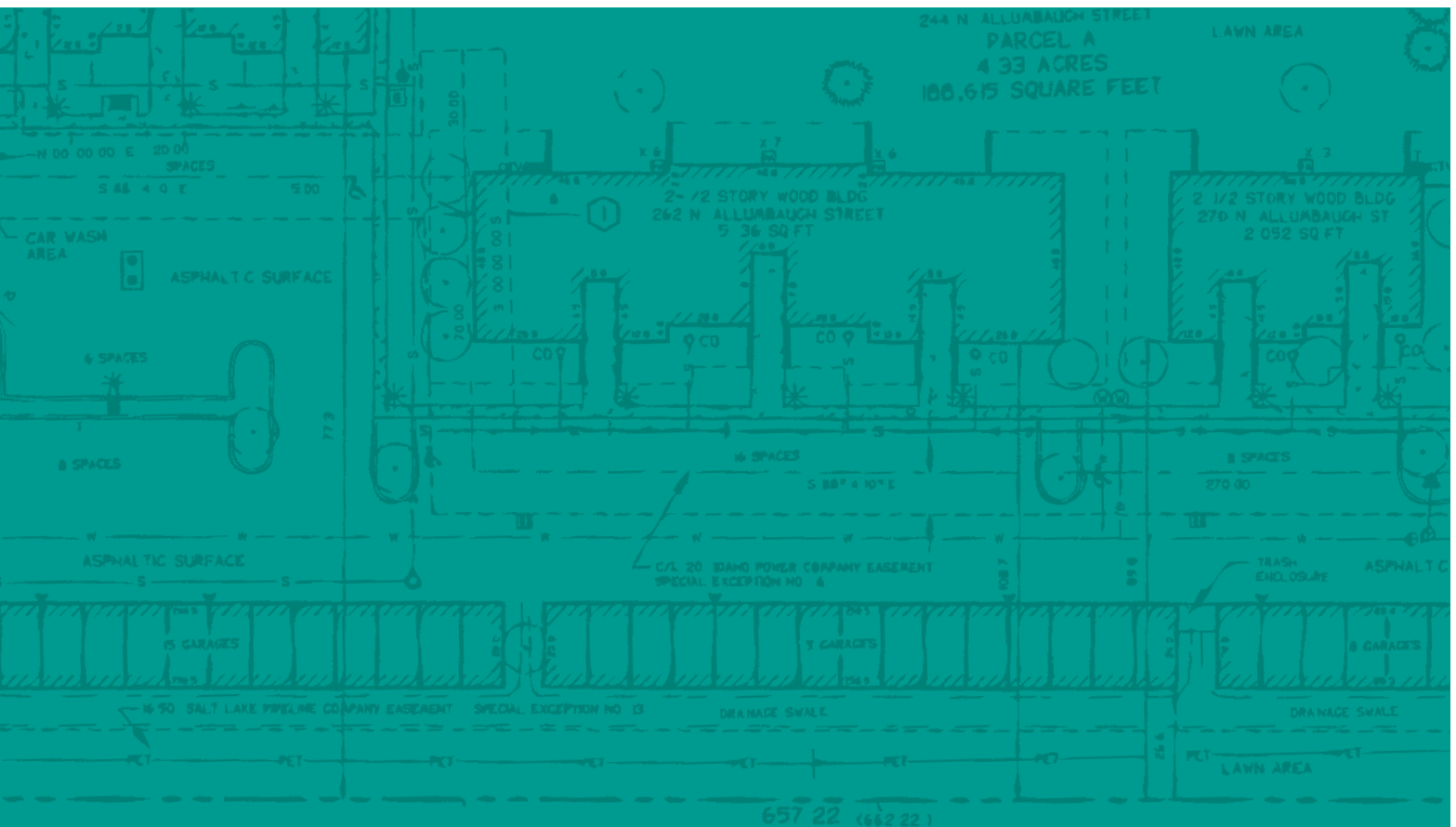
<sup>2</sup> As percentage of the total gross potential income as calculated by Colliers.

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

<sup>4</sup> As of September 30, 2023, 100% of the lettable area of the properties was for residential use.

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