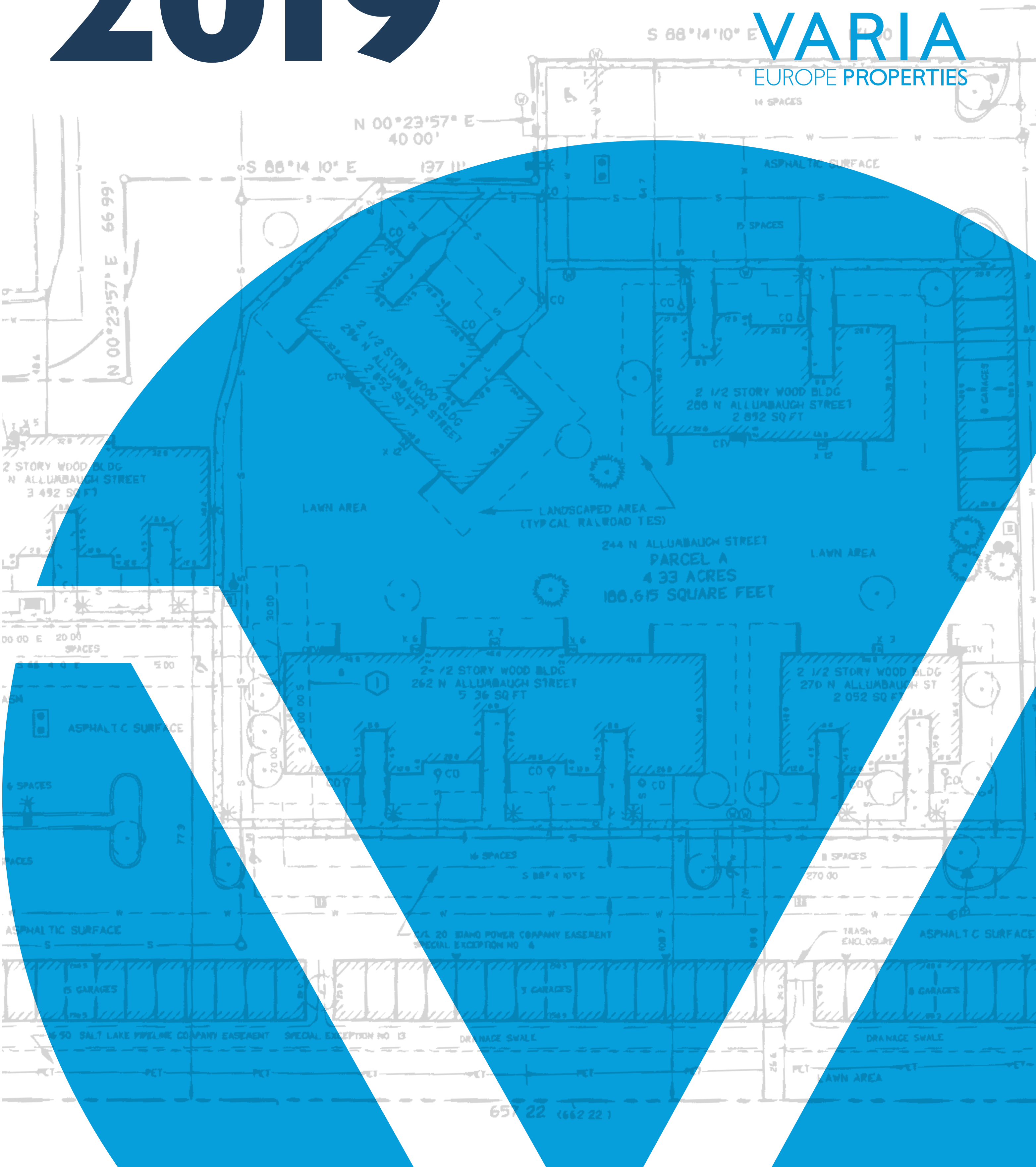
INTERIM REPORT
2019

VARIA
EUROPE PROPERTIES



COMPANY PORTRAIT

- Varia Europe Properties AG ("Varia Europe") is a Swiss based company tailoring investment strategies to the European real estate market. The investment approach is to build a portfolio of real estate and real estate backed assets, with an initial focus in Italy and Spain.

- The Company is managed by a Board of Directors with strong experience within international real estate markets and our strategies are backed by the knowledge and expertise of Stoneweg SA ("Stoneweg"), the advisor within the investment structure and asset manager of the underlying investments.

- Our Ambition is to maintain best in class asset allocation by establishing a diversified pool of real estate, and real estate backed, investment assets which are expected to provide capital value growth and income potential. We have a dynamic bottom-up approach to project selection

- Through our dedicated Luxembourg compartment, VSO Europe Properties, Varia Europe invests into income generating value-added properties, real estate assets in distressed situations, bridge financing backed by real estate assets, residential developments, as well as break-up and sale strategies.

- With dedicated teams in our core markets of Italy and Spain, Stoneweg are responsible for sourcing and securing the opportunities in which we invest and for managing these projects through the entire investment lifecycle, including active asset management and subsequent disposal.

- As the value of the equity pool increases in size and the assets under management also develops, it is our ambition to gain greater exposure to individual investment opportunities and enter new markets.

PORTFOLIO SUMMARY

as at June 30, 2019

PORTFOLIO VALUE
2018: EUR 17.0 million

EUR million **16.5**

APPROVED DISTRIBUTION
2018: EUR 0.0 million

EUR million **0.8**

NUMBER OF PORTFOLIO PROJECTS
2018: 14

15

CAPITAL / INCOME ALLOCATION
2018: 62 % Capital / 38 % Income

Capital **69%**

Income **31%**

COUNTRY ALLOCATION
2018: 61 % Spain / 39 % Italy

Spain **53%**

Italy **47%**

BRIDGE LOAN ALLOCATION
2018: 24 %

19%

DEVELOPMENT ALLOCATION
2018: 50 %

46%

INCOME ASSETS ALLOCATION
2018: 14 %

12%

DISTRESSED SITUATIONS ALLOCATION
2018: 12 %

9%

BREAK-UP AND SALE ALLOCATION
2018: 0 %

14%

SHAREHOLDER LETTER

DEAR SHAREHOLDERS

It is with great pleasure that we present to you the 2019 Interim Report for Varia Europe Properties AG ("Varia Europe"), encompassing the mid-year financial statements to June 2019. This letter intends to provide you with the highlights of the financial performance, detailed information regarding the previous six months of activity and our plans for the Company for the remainder of the year.

FINANCIAL STATEMENTS, COMPANY REPORTING AND CURRENCY IMPACT

Within the 2018 Annual Report we expressed the intention to continue to monitor and explore options for managing currency / exchange rate risk. A key reason behind the desire for this review had been the impact on Company NAV and economic performance given that the operational and functional currency of the Company is the Euro (EUR), while the official reporting currency of the Company, for that period, was the Swiss Franc (CHF).

Net profit for the year 2018 were EUR 778.7k (or CHF 887.5k using the December 31, 2018 rate of 1.1269) when the Company's economic performance is measured and calculated in Euro terms. The economic profits which were official published based on a Swiss Franc reporting currency were CHF 400.2k (or EUR 355.1k based on the same exchange rate).

Given this currency exchange impact, with the Company NAV and economic performance derived from Euro based investments, as a first step in exploring the necessary steps to manage this risk, the Company has taken the decision to present the Swiss GAAP FER financial statements in Euro terms for this and all future periods. The official reporting currency of the Company, as demonstrated within the Statutory Financial Statements, will remain in Swiss Franc terms.

Since the inception of the Company, the company accountants have maintained the accounts in Euros and Swiss Francs, this has eased the process of translating the performance within the enclosed Swiss GAAP FER financial statements.

As a commentary of Company performance to June 30, 2019, within the financial statements contained in this report, the Euro profits are EUR 297.9k (or CHF 330.8k using the period closing rate of 1.1105), against a comparative Swiss Franc performance of CHF 87.2k (or EUR 78.5k with that periods closing rate). The weakening of the Euro against the Swiss Francs from 1.1269 to 1.1105 during the period, and continuing that trend subsequently, economic performance will continue to be impacted by currency fluctuations.

INVESTOR DISTRIBUTION AND SHAREHOLDER EQUITY

At the Annual General Meeting held on June 28, 2019, the shareholders approved a distribution of CHF 958,566, or CHF 0.08 per share, back to investors; the equivalent of a total Euro distribution of EUR 833,403. In Euro terms, the shareholders' equity at December 31, 2018 was EUR 17,051,242 with shareholders' equity of EUR 16,515,741 at June 30, 2019 after the distribution of EUR 833,403.

RISK MANAGEMENT

In addition to the change in reporting currency for the financial statements from CHF to EUR, the Company is exploring further options for protecting the Company NAV and economic performance from further erosion should the Euro continue to weaken against the Swiss Franc.

The Company continues to build a systematic risk matrix for managing company level transaction, valuation, accounting, budgeting and cash management processes. Greater detail relating to the outcomes of this review and implementation will be disclosed within the Annual Report 2019.

MARKET TRENDS

Stoneweg, as investment advisor within the investment structure and asset manager of the underlying investments, is looking to have first-mover advantage within any market in which it operates; that is particularly relevant and apparent within Italy and Spain where the company was an early entrant within that economic and market cycle recovery. While these two countries are considered key economic centers of Southern Europe, since 2015 they have neither converged in terms of their structural reforms, or economic performance.

Spain has been a powerhouse of European growth, setting the standards for structural reforms and economic growth which has surpassed both Germany and France to drive Eurozone performance. The economy added six hundred thousand additional jobs in the 12 months to the end of March 2019, resulting in 19.5 million people in employment, representing an unemployment rate of 14.7%. The service sector drove that employment gain, with an additional four hundred and thirty thousand additional jobs.

The residential market in Spain has seen increasing confidence return to the mortgage market, though at comparatively modest levels since the great recession, there is continued room for expansion and growth in this sector, particularly in regards total volumes. Madrid is still the key residential market, with considerable undersupply, short selling times and a steady increase in prices based on local demand; the central city and metropolitan areas have lagged behind other Spanish regions in terms of construction stock.

Within Italy, on a macroeconomic level, government debt still remains at a substantial level at 133% of government debt to GDP, while the unemployment rates stand at 9.9%. Domestic consumption and demand continue to be the primary drivers contributing to economic performance, with foreign demand and inventories having no significant impact on growth. Industrial sectors and construction activities are key to economic performance; recent stockpiling by British-based companies stabilized exports. Despite recent government fiscal initiatives in relation to economic performance, the economy has slowed, with a tepid economic growth of 0.3% forecast for 2019.

From a market perspective, current trends and obstacles have been associated with the limited availability of assets; this has been the case over and above other obstacles to include pricing, political instability or, indeed, low market transparency. Logistics and the hospitality sectors have seen the yield curves moving in during 2018 and 2019, which has resulted in increased competition within these sectors. There has been record transaction volumes within the NPL / ULP areas, a record investment of EUR 100 billion from an ever-expanding investor base. The secondary market is also experiencing significant growth as a result of these volumes.

It is important to note, however, warning signs on the economic horizon on a macro level within Europe, the USA and China. The UK and Germany both experienced negative economic growth in Q2 of 2019, while the yield-curve inversion within the USA, whereby the shorter-term bond yields are higher than those of longer-term bond-yields (say the 3-months, or 2-year Treasury notes versus 10-year or 30-year note rate) is a commonly seen predictor of a future US recessions.

Short-term economic boosts from stockpiling of goods as a response to BREXIT will likely only be short-lived should there be a detrimental impact from a no-deal BREXIT from the European Union. Additionally, continued political-economic trade tensions between the US and China are only likely to exacerbate global economic conditions.

INVESTMENT ACTIVITY

The key investment transaction for H1 has been the allocation into Porta Vittoria for EUR 2.0 million. Considerable cash had been held over the year-end in order to process this transaction which is a mixed-use complex to include residential, hospitality, office, retail and proposed gym facilities.

This is a Milan based distressed asset, being brought out of bankruptcy proceedings by the group of investors in partnership with the original, principal, lender. Having been completed in 2015, the asset has never been occupied, or sold since the original developer went into financial difficulty.

Market Data: Instituto Nacional de Estadisctica, Oxford Economics, Financial Times, C&W, CBRE, Caixa Bank Research

Spanning over 45k sqm of accommodation, some CAPEX to the external public facilities within the grounds of the project are required before the break-up and sale exit strategy can commence. In order to take control of the asset, the pool of investors acquired, at substantial discounts to the original investment value, debtors-claims and interests in the property. Having taken control of the asset, the investors have negotiated a profit waterfall agreement with the principal lending bank.

Stoneweg are responsible for ensuring the completion of the capital works, take-up of lettable space and orderly sale of the asset. In terms of that approach, this is the first break-up and sale strategy within the portfolio and the exit is through individual unit and block sale (to institutional investors) of the residential accommodation, as well as, the pre-let and sale of the commercial / hospitality areas.

OUTLOOK

In reviewing the construction of the invested portfolio, there are two distinct types of asset classes based on income generating assets and capital gain orientated projects; these constitute approximately 31% and 69% of the portfolio respectively. These classifications provide a broad indication of the timeframe in which Varia Europe would anticipate achieving cash returns and economic profits. Broadly, income assets are more likely to produce cash evenly over the investment period, typically 12-36 months, while capital gain strategies are most likely back-weighted in terms of cash generation over a 24 to 48-month timeframe.

Bridge financing projects, 19% of portfolio weight, are strategies with a cash-distribution and target profit profile based on distributions back to Varia Europe after the initial 12-month investment period and up to 36 months. Varia Europe therefore anticipates achieving cash income and profits through the investment period between 1 and 3 years on a relatively even basis.

Income producing assets, such as office buildings in occupation, in which Varia Europe has invested have often been acquired in distressed situations (in Italy), whereby the asset requires some form of repositions (either through additional CAPEX to achieve rental uplift, or re-negotiation of leasing terms) in order to achieve an advantageous exit. The aim of these projects is for the actual rental income to cover loan servicing costs during the investment period and for the profits to be achieved through asset sale; resulting in a back-weighted cash return profile.

Non-performing loans (NPLs, which constitute 9% of the portfolio weight) have a similar, if not even shorter, investment time horizon than those of bridge financing and income assets, depending on the nature of the loans, collateral assets and borrowers. Varia Europe anticipates achieving cash returns and profits within an 18 to 24-month timeframe, though this can be as long as 36 months depending on the investment type. In general, for classification purposes, NPLs are considered as part of our capital gain strategies, though the investment periods are anticipated to be relatively short in nature, in comparison to other capital gain strategies.

Development projects constitute 46% of portfolio weight with exposure in both Spain and Italy and a typical four-year investment commitment period, though depending on the nature of the underlying projects, cash and profit generation could be from 24 months onwards. A further 14% of portfolio weight has been allocated to the break-up and sale of Porta Vittoria, a substantial new project in the center of Milan, with cash flow generation and profits in a 24 to 36-month investment horizon.

CONCLUSION

In conclusion, we are satisfied with the progress of the investment portfolio during the first half of 2019, where the principal new investment has been into a capital gain project, Porta Vittoria. We continue to be in an early phase of establishing the portfolio and maintain the ambition to increase exposure within the core countries, as well as expand into new markets as and when those opportunities present themselves.

Sincerely yours,

Taner Alicehic
Chairman & Executive Member

INVESTMENT APPROACH

The Company is a real estate investment company investing in residential and commercial real estate and real estate backed assets in Europe (other than in Switzerland), with an initial focus on Italy and Spain. The investment approach is based on identifying prospective markets and optimizing performance with tailor-made investment strategies.

The Company participates in real estate investments through participation in VSO compartments. VSO is a public limited company incorporated under the laws of the Grand Duchy of Luxembourg, organized as a securitization company.

VSO has different compartments with distinct real estate investment strategies in which the Company participates as a noteholder of these VSO compartments. The proceeds from the issuance of notes by the VSO compartments are used to carry out the investment strategies via special purpose vehicles created for each asset of the compartment with the sole purpose to implement the relevant investment strategy for the respective asset at the local level.

The investment edge of the Company offers Shareholders is the capacity to tailor investment strategies to the cycles within the real estate market by creating a diversified portfolio of real estate and real estate backed assets. We pursue a mid- to long-term investment perspective through the following individual strategies:

We have the capacity to combine these investment strategies into a balanced portfolio, with a diversified risk base and to develop new strategies within the core markets of Italy and Spain.

Key Strengths

The Company has a dedicated Board of Directors consisting of individuals with in-depth and extensive, long-standing, experience in real estate, banking, investment finance and investment structuring. The Company leverages this expertise when implementing the investment approach, given their established, broad, networks in Switzerland, Italy, Spain and across Europe.

The approach to project selection is purely bottom-up; regardless of market, or economic conditions, the Board of Directors only invest in attractive opportunities based on their acquisition, active asset management and exit strategy with defined return targets. The Board only acts upon investment recommendations whereby the underlying assumptions and data are based on property level fundamentals.

Income Generating Assets *with* **Value-Added Strategies**	**Distressed Situations**
Bridge Financing *backed by* **Real Estate Assets**	**Real Estate Developments** *with a focus on* **Residential**

With Stoneweg SA acting as the advisor within the investment structure and asset manager of the underlying investments. Prior to any investment being presented to the committee it will have already been through a comprehensive review process, to include opportunity analysis, initial review, due diligence, executive summary, senior management review, investment memorandum, followed by approval by the Stoneweg strategy specific investment committee and execution of the transaction.

We benefit from the structuring know-how of Stoneweg, leveraging on this know-how, allows the Company to choose the right appropriate investment structure for managing the investment portfolio.

INVESTMENT STRATEGIES

Value-Add, Income Generating Assets

The Company seeks good quality, high-yielding commercial assets with the potential to achieve capital uplift by engaging in pro-active asset management initiatives through improvement works, with resulting increase in capital values, or negotiation with tenants to extend lease lengths. The aim of both initiatives is to attract institutional investors to acquire the asset at an increased re-sale value. The key market for this type of product is Italy, where it is possible to acquire attractive commercial office assets in key economic centers, with tenants of strong covenants and providing net yields in excess of other key city markets in Europe.

The strategic aim of the Company is to re-finance projects at a lower cost than the current income yield of the asset, releasing initially invested equity while the rental income cover costs, including interest servicing and other financing costs, during the investment period; the approach to the acquisitions is to realize profits through capital value increases at the point of disposal.

The Company intends to improve the standard of the asset by value adding measures. Such measures may include cosmetic improvements of the asset as well as carrying out limited refurbishment and renovation works at optimized costs, but only based on pre-agreed, or likely, advantageous improvements in leasing terms (to include lease lengths and rental income). This strategy focuses on generating stable and secure cash flows prior to selling the asset and thus maximizing the realization of increased value through sales.

Assets in Distressed Situations

The Company aims to acquire portfolios of non-performing loans backed by real estate assets on a collateralization basis. Banking institutions are actively looking to reduce their exposure to these claims and the Company is fortunate as an investor in being able to work with these banks in two ways: buying from the bank non-performing loans at a discount to the GBV or partnering with the bank and taking control of the underlying asset.

When acquiring a portfolio of claims outright, banks will likely attempt to collate one prime collateral asset, with others inferior collateral assets, in order to find an exit, through disposal, of these less-desirable assets. The Company is selective in its approach to the acquisition of portfolios of claims, taking into consideration all relevant risk factors to ensure a clear path for active asset negotiation and exit, and that any claim purchased can be exited in a timely fashion with an appropriate level of risk / return. The target is to realise the initial invested equity within 12 months of the original purchase and for profits to be realized within 24 – 36 months.

As the holder of a claim, the Company has a negotiating position over the borrower in two ways. The first is the possibility of the borrower to negotiate to pay off the original debt at a discount to the stated GBV, but at a substantial profit for the Company in comparison to the claims original acquisition price. The second is the threat of a judicial process to take control of the underlying asset for subsequent re-structuring and re-sale. The potential for such action against the borrower provides considerable leverage vis-à-vis the counterparty, in terms of negotiating a settlement, as in such circumstances it may be possible for other creditors of the borrower to initiate bankruptcy proceedings, creating difficulty for the borrower to access capital markets and additional lines of credit.

In acquiring non-performing loans, the focus is on the purchase of first lien collateralization as the basis of any acquisition. Given that the most beneficial exits are based on a successful negotiation with the borrower, when there is sufficient comfort the Company may participate in the acquisition of loans secured by subsequent liens in order to strengthen the negotiating position vis-à-vis the borrower. The Company has also participated in the acquisition of additional liens of collateralization when that benefits a strategic aim of managing and take control of judicial processes.

The Company's most active market for non-performing loans, with a dedicated strategy, is in Italy with an anticipated investment time horizon of three to four years. From time to time development opportunities in Spain are also presented as a result of the sale of a non-performing loan which the VSO subsequently restructures in order to develop the underlying property. This is exercised on a case by case basis and the investment dynamics are anticipated to be of a similar order to standard Spanish residential projects with a period of three to four years investment horizon.

Bridge financing backed by real estate assets

The Board of Directors looks to have first-mover advantage when undertaking new strategies, detecting signs where there is a clear under-supply of a specific product, with resulting upward pricing pressures, or the ability to achieve advantages returns that would not be achieved in other locations, or markets. Spanish bridge financing backed by real estate assets is an example of an allocation based on this approach, whereby, given current institutional financial constraints and attitudes there is considerable demand for short-term bridge financing.

Loans are made on a first lien collateralization basis, aligned with a portfolio target of 50% LTV against the underlying asset with maturities available between 12 and 36 months, anticipated to average approximately 20 months across the portfolio. The range of loans values is expected to be between 40% to 70% of asset values depending on the attractiveness of the location, the quality of the asset and the covenant strength of the corporate borrower. The gross level of interest paid ranges from 13% to 15%, with the frequency of interest payments from the borrower dependent on a combination of factors including whether the asset is income producing and the planned exit strategy for repayment of original principal.

Stoneweg, as the local asset manager responsible for sourcing the opportunities, estimates that there is currently the capacity to deploy EUR 40 million per quarter in bridge financing. The Company takes comfort in the quality of assets held within the claims, the moderate level of LTV and the strength of the regular income streams this strategy generates.

Development of properties with a focus on residential assets

The Company develops properties with a focus on residential assets within major cities and key urban centers. The development market is highly cyclical in nature and the approach taken by the Board of Directors in their asset allocation to these opportunities will be dependent on their view of market timing, as well as the prospects for continued demand for such products. This is a capital gain orientated strategy with an anticipated investment lifecycle typically between three and your years. Both Italy and Spain present opportunities within this space, while the Company seeks to de-risk their investment during the development phase through pre-sales and the collection of non-refundable deposits.

In Spain and Italy, pricing dynamics have resulted in a buying opportunity in a growing economy and recovering real estate market in key urban centers to include Barcelona, Madrid and the Mediterranean coast, for Spain as well as Milan in Italy. The Company takes a positive view of the market based on economic fundamentals, demand / supply drivers and real estate pricing shifts which have taken place over the last two to three years.

The Spanish real estate market is highly fragmented, and it is only through an extensive network of contacts through Stoneweg, that the Company has the capacity to secure attractive development opportunities through off-market transactions and a consistent deal flow. There are a number of under-capitalized private owners and developers actively disposing of assets and seeking investment partners.

The Company actively seeks additional investment opportunities through a broad network of banking and financial institutions disposing of real estate development assets at discounts which have resulted from the desire to clear books of non-performing loans backed by these assets. This is the source of opportunities within both countries, where the projects result in the acquisition of assets at a substantial discount to GBV and subsequent restructuring in order to develop and realize the opportunity.

PORTFOLIO OVERVIEW

BREAKDOWN OF THE PORTFOLIO AS AT JUNE 30, 2019

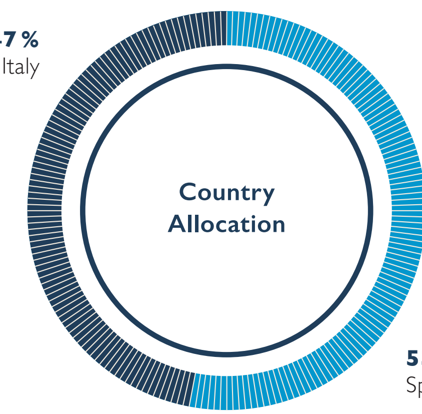
During the first half of 2018 the portfolio remained relatively stable in terms of the size, with steady growth in the EUR NAV during the period. The EUR shareholders equity in December 31, 2018 was EUR 17.0 million, with a value of EUR 16.5 million as at June 30, 2019, after a distribution of EUR 0.8 million had taken place.

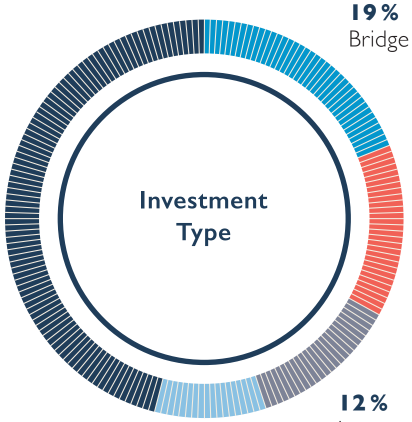
Cash which had been held for investment purposes were allocated into Porta Vittoria, a substantial mixed used asset, with control being secured through management of the bankruptcy proceedings; this brought the total number of investments up to 15, from a previous year-end close of 14. The project is anticipated to have a three-year investment horizon with the principal cashflows commencing in 2021. Given the size of the project, we will continue to monitor the CAPEX and sales process during the ownership period.

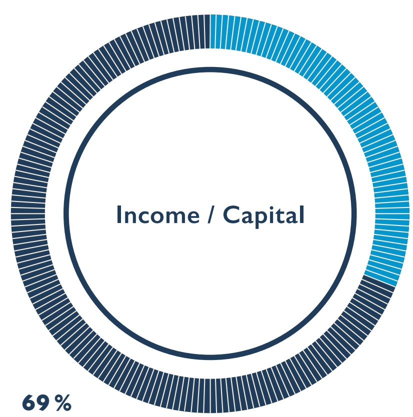
Given the size of this investment allocation within the portfolio, there has been an increase in exposure to the Italian markets from 39% to 47%, with Spain moving from 61% to 53%; this is the highest allocation to the Italian market that the portfolio has held. The allocation between these two countries will continue to evolve, depending on individual project selection, as well as when additional new markets (through Stoneweg) open-up for investment purposes.

Capital gain projects continue to form the majority of the invested portfolio. The individual strategies within this category, however, have increased with the inclusion of residential developments, NPLs and, going forward, break-up and sale strategies. This has evolved from a capital / income split of 62% to 38% at year-end to 69%/31% respectively at June 30, 2019.

Varia Europe is invited to participate in each and any European (ex Switzerland) based project which is managed by Stoneweg. As the markets and pool of investable opportunities increases, the Company will look to continue to growth both the breadth and depth of the portfolio. It is likely that within the second-half of 2019 the company will be presented within additional country allocations, increasing the geographical split of the portfolio.







PORTFOLIO ALLOCATION JUNE 30, 2019

Transaction	Country	Investment Description	Return Strategy	Estimated Duration
Albatros/Guaraldi	Italy	Book of 18 NPL claims	Income/Capital	3 Years
Preziosi	Italy	ABB building (Genova), residence (Como)	Income/Capital	3 Years
Medio	Italy	Book of 10 NPL claims	Capital	3 Years
Compagnoni 12	Italy	Residential development (Milan)	Capital	3 Years
ENI	Italy	ENI building (Milan)	Income	4 Years
DELA	Italy	Book of 3 NPL claims	Capital	1, 3 & 5 Years
Niccolini	Italy	Residential development (Milan)	Capital	4 Years
Barigello/Dinosaur	Italy	2 Bridge loans	Income	12–18 Months
VSO V Bridge Loans	Spain	5 bridge loans	Income	12–30 Months
Iberia Income I	Spain	Portfolio of bridge loans	Income	12–36 Months
Iberia Income II	Spain	Portfolio of bridge loans	Income	12–36 Months
Spanish Phoenix II	Spain	Portfolio of residential developments	Capital	3–4 Years
Spanish Phoenix CAT	Spain	Portfolio of residential developments	Capital	3–4 Years
Project Skyline	Spain	Residential development (Madrid)	Capital	3–4 Years
Project Vittoria	Italy	Break-up & Sale	Capital	3 Years

Project Start Date	Target IRR (Project)	Current Total Project Equity (in million €)	Current Varia Europe Equity (in million €)	Varia Ownership
Q4 2017	15%–20%	6.8	0.3	5.0%
Q4 2017	15%–20%	13.9	1.6	11.5%
Q4 2017	10%–15%	17.4	0.5	3.1%
Q2 2018	15%–20%	12.1	1.1	8.9%
Q2 2017	15%–20%	48.2	0.2	0.5%
Q1 2017	25%–30%	11.3	0.4	3.8%
Q4 2016	15%–20%	14.1	0.2	1.8%
Q4 2018	11%–13%	8.2	0.5	6.1%
Q1 2017	11%–13%	3.5	0.2	3.2%
Q3 2017	11%–13%	57.9	1.2	2.0%
Q3 2018	11%–13%	161.6	1.0	0.6%
Q4 2017	15%–20%	41.9	2.5	5.9%
Q4 2017	15%–20%	28.9	2.0	6.9%
Q4 2018	15%–20%	80.0	1.0	1.2%
Q1 2019	15%–20%	65.0	2.0	3.1%

CURRENCY FLUCTUATIONS

During the first half of 2019, there was a further weakening of the EUR against the Swiss Franc with a closing rate of 1.1105 in June 30, 2019 against 1.1269 for December 31, 2018. This also compares to the closing rates of 1.1702 and 1.1569 for the ending periods of December 31, 2017 and June 30, 2018 respectively.

This overview is not intended to act as a detailed summary of the reasons behind such movements, nor as a forecast of future foreign exchange rates. It is highlighted to demonstrate the risks associated with currency fluctuations and the impact these can have on Company level performance.

Key Company items impacted by currency

- Financial Statements year end close December 31, 2017 at 1.1702
- Capital increase one, transfer to EUR account February 13, 2018 at 1.1538
- Interim Report 2018 close of June 30, 2018 at 1.1569
- Capital increase two, transfer to EUR account December 12, 2018 at 1.1266
- Financial Statements year end close December 31, 2018 at 1.1269
- Interim Report 2019 close of June 30, 2019 at 1.1105

EUR / CHF Rate Fluctuations

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019
Prepared in accordance with Swiss GAAP FER
Expressed in EUR

Varia Europe Properties AG, Zug

INTERIM BALANCE SHEET AS OF JUNE 2019

ASSETS	Notes	June 30, 2019 in EUR	December 31, 2018 in EUR
Cash and cash equivalents		1,001,261	402,975
Prepaid expenses		7,575	1,592
Current assets		**1,008,837**	**404,567**
Investments at fair value	2.1	16,547,941	17,124,365
Non-current assets		**16,547,941**	**17,124,365**
Total assets		**17,556,777**	**17,528,932**

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	June 30, 2019 in EUR	December 31, 2018 in EUR
Trade accounts payable to third parties		44,209	45,690
Dividend to be paid	2.4	833,403	–
Accrued expenses	2.2	76,145	334,858
Accrued taxes	2.3	12,067	13,550
Current liabilities		**965,823**	**394,098**
Deferred tax liabilities	2.3	75,213	83,592
Non-current liabilities		**75,213**	**83,592**
Liabilities		**1,041,036**	**477,690**
Share capital	2.4	**10,478,078**	**10,478,078**
Reserves from capital contributions	2.4	5,106,949	5,940,352
Legal capital reserves		**5,106,949**	**5,940,352**
Retained earnings brought forward		632,813	–145,844
Net profit for the year/period		297,901	778,656
Voluntary retained earnings		**930,714**	**632,812**
Shareholders' equity		**16,515,741**	**17,051,242**
Total Liabilities and Shareholders' equity		**17,556,777**	**17,528,932**

The notes on pages 25–32 form an integral part of these financial statements.

Varia Europe Properties AG, Zug

INTERIM PROFIT AND LOSS STATEMENT FOR THE PERIOD FROM JANUARY 1, 2019 THROUGH JUNE 30, 2019

	Notes	For the period ended June 30, 2019 in EUR	For the period ended June 30, 2018 in EUR
Gain on redemption of notes		729	0
Loss on redemption of notes		–6,523	–144
Gain on investments fair value adjustment		409,369	498,964
Loss on investments fair value adjustment		–	–11,071
Revenues		**403,574**	**487,749**
Directors' fees and social charges		–15,759	–6,483
Communications, publicity and marketing		–12,866	–12,398
Membership fees		–730	–650
Accounting and administration expenses		–34,960	–22,126
Legal and other consulting fees		–31,022	–85,081
Audit fees		–26,194	–6,564
Insurances		–2,817	–
Other operating expenses		–98	–657
Direct taxes on capital	2.3	–6,540	–5,349
Operating expenses		**–130,986**	**–139,308**
Operating profit before financial result, prior years income and income taxes		**272,588**	**348,441**
Financial income	2.6	3,204	60,622
Financial expenses	2.6	–4,018	–22,399
Prior year income	2.7	17,748	–
Profit before income taxes		**289,522**	**386,664**
Deferred income tax expense	2.3	8,379	–49,875
Net profit for the year/period		**297,901**	**336,789**
Earnings per share (EPS)			
Basic earnings per share	2.5	0.0249	0.0363
Diluted earnings per share	2.5	0.0249	0.0363

The notes on pages 25–32 form an integral part of these financial statements.

Varia Europe Properties AG, Zug

CASH FLOW STATEMENT FOR THE PERIOD FROM JANUARY 1, 2019 TO JUNE 30, 2019

	Notes	For the period ended June 30, 2019 in EUR	For the period ended June 30, 2018 in EUR
Operation activities			
Net profit for the year/period		297,901	336,789
Gain on redemption of notes		–729	144
Loss on redemption of notes		6,523	0
Gain on investments fair value adjustment	2.1	–409,369	–498,964
Loss on investments fair value adjustment	2.1	0	11,071
Currency loss on share capital increase		0	–9,275
Change in prepaid expenses		–5,983	0
Change in liabilities to third parties		–1,481	24,583
Change in accrued expenses	2.2	–258,713	105,149
Change in accrued taxes	2.3	–1,484	5,349
Change in deferred taxes	2.3	–8,379	49,875
Cash flow from operating activities		**–381,713**	**24,722**
Investing activities			
Investment notes acquisition	2.1	–	–12,916,000
Investment notes redemption	2.1	979,998	41,318
Cash flow from investing activities		**979,998**	**–12,874,682**
Financing activities			
Proceeds from ordinary share capital increase	2.4	–	12,790,495
Cash flow from financing activities		**–**	**12,790,495**
Change in cash and cash equivalents for the year/period		**598,286**	**–59,465**
Cash at the beginning of year		402,975	60,077
Cash and cash equivalents at the end of the year/period		1,001,261	611
Change in cash and cash equivalents for the year/period		**598,286**	**–59,465**

The notes on pages 25–32 form an integral part of these financial statements.

Varia Europe Properties AG, Zug

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM JANUARY 1, 2019 TO JUNE 30, 2019

	Notes	Share capital in EUR	Reserves from capital contributions in EUR	Voluntary retained earnings in EUR	Total equity in EUR
Incorporation share capital	2.4	186,393	–	–	**186,393**
Ordinary share capital increase on June 28, 2017	2.4	1,226,876	601,558	–	**1,828,433**
Net loss for the p eriod from April 20, 2017 to December 31, 2017		–	–	-145,844	**-145,844**
Balance at December 31, 2017	2.4	**1,413,269**	**601,558**	**-145,844**	**1,868,983**
Ordinary share capital increase on January 29, 2018	2.4	7,997,413	4,783,807	–	**12,781,220**
Ordinary share capital increase on November 30, 2018	2.4	1,067,396	554,987	–	**1,622,383**
Net profit for the year		–	–	778,656	**778,656**
Balance at December 31, 2018	2.4	**10,478,078**	**5,940,352**	**632,812**	**17,051,242**
Dividend distribution from reserves from capital contributions	2.4	–	–833,403	–	**–833,403**
Net profit for the period		–	–	297,901	**297,901**
Balance at June 30, 2019	2.4	**10,478,078**	**5,106,949**	**930,713**	**16,515,740**

RECONCILIATION OF THE EQUITY CONVERSION FROM CHF IN EUR AT DECEMBER 31, 2018 (NOTE 1.2)	**Notes** 1.2	in CHF	in CHF	in CHF	in CHF
Incorporation share capital	2.4	200,000	–	–	**200,000**
Ordinary share capital increase on June 28, 2017	2.4	1,333,336	653,234	–	**1,986,570**
Net profit for the period from April 20, 2017 to December 31, 2017		–	–	513	**513**
Balance at December 31, 2017	2.4	**1,533,336**	**653,234**	**513**	**2,187,083**
Ordinary share capital increase on January 29, 2018	2.4	9,240,909	5,550,284		**14,791,193**
Ordinary share capital increase on November 30, 2018	2.4	1,207,700	628,904		**1,836,604**
Net profit for the year				400,164	**400,164**
Balance at December 31, 2018	2.4	**11,981,945**	**6,832,422**	**400,676**	**19,215,044**
		in EUR	in EUR	in EUR	in EUR
Balance converted in EUR at closing rate on December 31, 2018	2.4	**10,632,661**	**6,063,025**	**355,556**	**17,051,242**
Difference resulting from the application in the financial statements of the accumulated historical rates principles for the equity rather than the closing CHF/EUR rate on December 31, 2018		–154,583	-122,673	277,256	**0**
Balance at December 31, 2018 in EUR (above)		**10,478,078**	**5,940,352**	**632,812**	**17,051,242**

The notes on pages 25–32 form an integral part of these financial statements.

Varia Europe Properties AG, Zug

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1, 2019 TO JUNE 30, 2019

1 PRINCIPLES

1.1 General information

Varia Europe Properties AG ("Varia" or "the Company") was created on March 8, 2017 and registered with the Zug Commercial register on April 20, 2017 under UID number CHE—342.208.571. The Company is a Swiss stock corporation 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 participate in real estate investments in Europe (other than in Switzerland), through notes issued in Varia Structured Opportunities SA ("VSO") compartments. VSO is a public limited company incorporated under the laws of the Grand Duchy of Luxembourg, organized as a securitization company. VSO has different compartments (or programmes) with distinct real estate investment strategies. The Company is a noteholder of VSO compartments, allowing it to participate indirectly in the underlying investments. As a noteholder Varia invests in a debt instrument (notes) allowing it to participate in the underlying assets returns through variable yield.

Investment decisions in VSO programmes are taken by the Board depending on the individual strategy of each VSO programme. The allocations are done with the objective to participate in Spain and Italy, with 4 different strategies:

1 Developments: participation in real estate constructions with a special focus on residential for sale developments.
2 Bridge Loans: participation in real estate loans backed by 1st lien mortgages, with a 12 to 36 months maturity.
3 Income Assets: participation in real estate commercial assets with existing tenants.
4 Non Performing Loans: participation in non performing loans sold by banks at 40% to 60% discount to Gross Book Value and backed by real estate assets.

As a noteholder, Varia has no direct influence on the management and investment decision of VSO programmes themselves and the exit of the investments is dependent on the realisation of the underlying assets. VSO programmes and underlying assets owned by VSO programmes are advised and managed by Stoneweg group entities.

1.2 General aspects

These financial statements were prepared in accordance with all of the existing guidelines and reporting recommendations of the Swiss generally accepted accounting principles (Swiss Gaap FER). The Company is listed at the BX Bern eXchange in Switzerland. As a result, the Board of directors has decided to apply the Swiss GAAP FER, in accordance in particular with Swiss GAAP FER 31.

The Board of directors of the Company is ultimately responsible for the policies, the valuations, and the management of the activities. The statutory financial statements for the period ended December 31, 2018 were approved by the Annual General Meeting of Shareholders on June 28, 2019.

These accompanying interim financial statements of Varia for the 6 months period ended June 30, 2019 were approved by the Board of directors for issue on August 28, 2019. They should be read in conjunction with the company's last annual financial statements as of December 31, 2018 and for the year then ended.

In June 7, 2019 the Board of Directors decided that with effect from January 1, 2019, the Company will change the currency in which it presents its financial statement from Swiss franc to Euro. This is principally as a result of the Company's assessment that this change will help provide a clearer understanding of the Company's financial performance and the Euro reflects better the economic substance of the underlying events and circumstances relevant to the Company. The comparative figures have been restated as if the Company had always presented its financial statements in Euro. A reconciliation of the impact of the change in the presentation currency has been disclosed in the statement of change in equity.

Accordingly the interim financial statements are presented in Euro (EUR) and all values are rounded to the nearest EUR.

1.3 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise petty cash, cash at bank and short-term deposits with an original maturity of three months or less. They are recorded at their nominal value. In the cash flow statement, cash and cash equivalents consist of the cash and cash equivalents as defined above, less current account overdrafts ("Net Cash").

1.4 Investments

At the balance sheet date, the investments are valued at fair value.

The fair value of investments are calculated by a third party entity, in charge of the corporate services of Varia Structured Opportunities SA ("VSO"), the Luxembourg securitization company where Varia invests it's assets. For the annual financial statements, fair value is based on the audited net asset values of the different VSO compartments. Net asset values of VSO compartments are determined depending on the underlying asset type; it is based on paid and accrued interest regarding bridge loan strategies and non performing loan strategies; for assets under construction and existing assets it is determined with a net present value approach. The gains and losses of valuation are recognized in the profit and loss statement.

Each VSO programme has a different strategy and therefore the fair value of each VSO is determined with a tailored different valuation method:

1 For assets under construction and assets generating cash flow, an external valuation by Cushman & Wakefield is performed annually at year-end using the red book guidelines for market rent and market value. This valuation is then taken into account to value VSO's investments, adjusted for tax and performance fee provisions.
2 For bridge loans the fair value is determined by the nominal value of the loans plus accrued and paid interest. Nominal value can be adjusted down should VSO's Board of directors estimate that there is a risk of non recovery of the amount.
3 For non performing loans the fair value is determined by the acquisition cost plus accrued interest. The acquisition value can be adjusted down should VSO's Board of directors estimate that there is a risk of non recovery of the amount.

VSO compartments are not listed and do not provide any redemption feature, therefore reducing the liquidity of the investment. VSO compartments are to be seen as private equity investments with a limited life span. Notes can be sold to other investors. Redemptions are made on a mandatory basis, each time there is sufficient cash to provide to Noteholders.

The revenue recognition principles related to the investments are disclosed in note 1.6.

1.5 Foreign currency items

"The Company's functional currency is the Euro (EUR) and from January 1, 2019, the Company's reporting and presentation currency for its Swiss GAAP FER financial statements is in Euro (EUR). Previously they were presented in Swiss francs (CHF).

Short-term monetary assets, financial assets and liabilities in foreign currencies are converted at the exchange rate on the balance sheet date. Other non-monetary assets as well as equity items are presented at historical rates. Transactions in foreign currencies are translated at the exchange rate on the day the transaction takes place.

Foreign exchange profits and losses are recorded in the profit and loss statement.

For the translation of CHF into EUR, the closing rate applied at the end of the period is 1.1105 (31.12.2018: 1.1269).

1.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Revenue resulting from the redemption of notes are recognized at the time of the transaction. It corresponds to the gain or the loss resulting from the difference between the redemption proceeds net of expenses and the acquisition value of the notes.

1.7 Income taxe

The tax expense for the year comprises current income taxes and deferred taxes. Tax is recognized in the profit and loss statement.

Current income tax liabilities and assets for the current year are measured at the amount expected to be paid to or recovered from the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred tax is recognized in full, using the balance sheet approach, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is determined using tax regulations and rates that have been enacted or substantively enacted at the balance sheet date and are expected to apply. No income taxes were paid during the year ended June 30, 2019 (31.12.2018 – nil).

2 INFORMATION ON BALANCE SHEET AND PROFIT AND LOSS STATEMENT BALANCES

2.1 Investments

From its creation, the Company has developed its investments' portfolio by investing in notes of compartments of an investment vehicle based in Luxembourg, named Varia Structured Opportunities ("VSO"). The investments are done through subscription into notes issued by the relevant compartments; these notes do not provide voting rights and have to be seen as a debt instrument issued by the relevant compartment. Therefore a consolidation, even in cases of majority of notes held by Varia, is not required as the notes do not provide a control over the investments made by the compartments. For the preparation of the financial statements, valuations of the underlying assets were performed as per Note 1.4.

As a noteholder, the Company invests in debt instruments (notes) allowing it to participate in the underlying assets' returns through variable yields. The result is that the notes participate fully in the investment as if the Company had invested into equity (without any voting or related rights). The notes are linked to the assets confined exclusively to the respective VSO compartment.

As at June 30, 2019, the Company owned notes of 6 different compartments as per the below explanation and table:

Compartments	Acquisition value 31.12.2018 in EUR	Redemption at sale price for the year in EUR	Realized gain/ loss on redemption for the year in EUR	Acquisition / reinvestment for the year in EUR	Fair value adjustment as of 30.06.2019 in EUR	Fair value 30.06.2019 in EUR
VSO V	178,648	–29,414	729	–	56,518	206,481
VSO VII	106,693	–	–	–	92,023	198,715
VSO X	229,500	–	–	–	63,540	293,040
VSO Spanish Phoenix II	482,000	–	–	–	12,628	494,628
VSO XX	96,000	–	–	–	4,685	100,685
VSO Europe Properties	15,000,000	–950,584	25,438	–	1,211,499	15,286,352
Total	**16,092,841**	**–979,998**	**26,167**	**–**	**1,440,892**	**16,579,902**

As at December 31, 2018, the Company owned notes of 6 different compartments as per the below explanation and table:

Compartments	Fair value 31.12.2017 in EUR	Redemption at sale price for the year in EUR	Realized gain / loss on redemption for the year in EUR	Acquisition / reinvestment for the year in EUR	Fair value adjustment as of 31.12.2018 in EUR	Fair value 31.12.2018 in EUR
VSO V	375,281	–185,040	10,689	–	24,965	225,895
VSO VII	312,299	–151,308	–	–	23,346	184,338
VSO X	272,423	–	–	–	9,835	282,258
VSO XI	280,070	–430,940	107,930	16,000	26,940	0
VSO Spanish Phoenix II	482,000	–	–	–	5,485	487,485
VSO XX	136,000	–40,000	–	–	2,239	98,239
VSO Europe Properties	–	–	–	15,000,000	846,150	15,846,150
Total	**1,858,073**	**-807,288**	**118,618**	**15,016,000**	**938,960**	**17,124,365**

Some proceeds of the redemption of notes have been immediately reinvested into others compartments without cash transactions. Accordingly, these transactions for an amount of EUR 302,000, for the year ending December 31, 2018 are not shown in the cash flow statement, except for the currency gain and loss on reinvestment.

The investments of Varia in the VSO notes are the following at the end of the year:

Compartments	Domicile	Country of investments	Strategy	Number of Notes held by Varia (30.06.2019)	Percentage held by Varia of total outstanding notes value (30.06.2019)
VSO V	Luxembourg	Spain	Bridge Loans	165	3.2%
VSO VII	Luxembourg	Italy	Non Performing Loans	133	3.0%
VSO X	Luxembourg	Italy	Income assets	225	1.6%
VSO Spanish Phoenix II	Luxembourg	Spain	Development	482	2.2%
VSO XX	Luxembourg	Italy	Non Performing Loans	96	2.0%
VSO Europe Properties	Luxembourg	Spain & Italy	Diversified	14,094	100.0%

For operational ease, all new investments since February 23, 2018 have been made through a dedicated Luxembourg compartment, VSO Europe Properties, of which Varia is the sole noteholder. VSO Europe Properties is investing either as a noteholder into another compartment, or in the underlying SPV through VSO RE, a securitization company. At the end of the year, VSO Europe Properties is a noteholder in the following underlying VSO compartments:

Underlying VSO Compartments	Domicile	Country of investments	Strategy	Percentage held by VSO Europe Properties of total outstanding notes value (30.06.2019)
VSO RE: SPV Bramante	Luxembourg	Italy	Development	3.7%
VSO VII	Luxembourg	Italy	Non Performing Loans	6.7%
VSO XXIX	Luxembourg	Italy	Bridge Loans	9.1%
VSO RE: SPV Carimate / Teras	Luxembourg	Italy	Income assets	23.0%
VSO RE: SPV Hollandia (Medio)	Luxembourg	Italy	Non Performing Loans	8.5%
VSO RE: SPV Hollandia (Albatros)	Luxembourg	Italy	Non Performing Loans	6.3%
VSO RE: SPV Immobiliare CMC	Luxembourg	Italy	Development	18.5%
VSO Iberia Income Opportunity	Luxembourg	Spain	Bridge Loans	2.1%
VSO Iberia Income Opportunity II	Luxembourg	Spain	Bridge Loans	0.6%
VSO Spanish Phoenix II	Luxembourg	Spain	Development	7.4%
VSO Spanish Phoenix CAT	Luxembourg	Spain	Development	10.2%
VSO II Skyline	Luxembourg	Spain	Development	5.9%
VSO Vittoria	Luxembourg	Italy	Break-up and Sale	16.3%

The investments of Varia in the VSO notes were the following at December 31, 2018:

Underlying VSO Compartments	Domicile	Country of investments	Strategy	Percentage held by VSO Europe Properties of total outstanding notes value (31.12.2018)
VSO RE: SPV Bramante	Luxembourg	Italy	Development	3.7%
VSO VII	Luxembourg	Italy	Non Performing Loans	6.7%
VSO XXIX	Luxembourg	Italy	Bridge Loans	6.1%
VSO RE: SPV Carimate / Teras	Luxembourg	Italy	Income assets	22.9%
VSO RE: SPV Hollandia (Medio)	Luxembourg	Italy	Non Performing Loans	8.5%
VSO RE: SPV Hollandia (Albatros)	Luxembourg	Italy	Non Performing Loans	5.0%
VSO RE: SPV Immobiliare CMC	Luxembourg	Italy	Development	17.9%
VSO Iberia Income Opportunity	Luxembourg	Spain	Bridge Loans	2.0%
VSO Iberia Income Opportunity II	Luxembourg	Spain	Bridge Loans	1.9%
VSO Spanish Phoenix II	Luxembourg	Spain	Development	9.1%
VSO Spanish Phoenix CAT	Luxembourg	Spain	Development	14.1%
VSO II Skyline	Luxembourg	Spain	Development	7.4%

2.2 Accrued expenses

	30.06.2019 in EUR	31.12.2018 in EUR
Audit fees	20,672	35,496
Accounting fees	13,107	23,960
Legal fees	14,567	–
Capital increase expenses	–	252,362
Other expenses	27,800	23,041
Total	**76,145**	**334,858**

2.3 Accrued taxes

The accrued taxes consist on provisions for the capital tax and deferred taxes related to the year.

As at June 30, 2019, the deferred tax provision consisted of deferred tax liabilities for an amount of EUR 128,771 (31.12.2018-EUR 115,539) related to the fair value adjustments of the investments and of deferred tax assets for an amount of EUR 54,030 (31.12.2018-EUR 31,946) related to the unused deductible loss.

The effective income tax rate for 2018 and 2019 are respectively 14.51% and 14.35% in the canton of Zug.

	30.06.2019 in EUR	31.12.2018 in EUR
Capital tax provision	12,067	13,550
Deferred tax provision	51,440	83,592
Balance at the end of the year/period	**63,507**	**97,143**

2.4 Share capital Reserves from capital contributions

The share capital at June 30, 2019 is divided in 11,981,945 ordinary registered shares of a par value of CHF 1.00 each, fully paid.

	Number of shares	Share capital in EUR	Reserves from capital contributions in EUR
Share capital at date of incorporation	200,000	186,393	–
Ordinary share capital increase on June 28, 2017	1,333,336	1,226,876	601,558
Balance as of December 31, 2017	**1,533,336**	**1,413,269**	**601,558**
Ordinary share capital increase on January 29, 2018	9,240,909	7,997,413	4,783,807
Ordinary share capital increase on November 30, 2018	1,207,700	1,067,396	554,987
Balance as of December 31, 2018	**11,981,945**	**10,478,078**	**5,940,352**
Dividend distribution from the reserves from capital	-	-	–833,403
Balance as of June 30, 2019	**11,981,945**	**10,478,078**	**5,106,949**

The Company was established on March 8, 2017 with an initial capital of EUR 186'393 divided into 200'000 shares issued at their nominal value. There are no preferential rights attributed to the shares.

The Company made three subsequent capital increases on June 28, 2017, on January 29, 2018 and on November 30, 2018 raising net proceeds and premium of respectively EUR 1,828,433, EUR 12,781,220 and EUR 1,622,383.

For these capital increases, the related transaction costs amounting to respectively EUR 11,880, EUR 395,962 and EUR 277,582 were deducted from the share premium recorded in the Reserves from capital contributions in accordance with the Swiss code of obligations.

As of December 31, 2018, the net asset value of Varia based on shareholders' equity was EUR 17,051,243 while the net asset value per share, based on the existing number of shares at that date (11,981,945) amounted to EUR 1.42. As of June 30, 2019 the net asset value of Varia based on shareholders' equity was EUR 16,515,741 while the net asset value per share, based on the existing number of shares at that date (11,981,945) amounted to EUR 1.38 after the dividend approved by the Annual General Meeting of Shareholders of Varia on June 28, 2019 of EUR 833,403 (CHF 958,566) or EUR 0.07 per share from the reserve of capital contributions.

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

On June 19, 2019, the Swiss federal tax authorities confirmed their agreement for the capital contributions as of December 31, 2017 for a maximum amount of EUR 600,710 in the sense of article 20 paragraph 3 of the Federal Income Tax Act. Varia filed in June 28, 2019 the form to request the confirmation of the authorities for the capital contributions received in 2018 for a total amount of EUR 5,338,794.

2.5 Earnings per share (EPS)

	30.06.2019 in EUR	31.12.2018 in EUR
Net profit of the year/period	297,901	778,656
Average of ordinary shares outstanding	11,981,945	10,130,480
Basic earnings per share	**0.0249**	**0.0769**
Diluted earnings per share	**0.0249**	**0.0769**

There is no dilutive effect on shares at June 30, 2019 (31.12.2018 – nil).

2.6 Financial result

	30.06.2019 in EUR	30.06.18 in EUR
Financial income		
Foreign currency exchange gains	3,204	60,622
Total	**3,204**	**60,622**
Financial expenses		
Bank interests	–	1,038
Bank fees	223	131
Foreign currency exchange losses	3,795	21,230
Total	**4,018**	**22,399**

2.7 Prior year income

Prior year income of EUR 17,748 is related to the decision of the Board of directors to renounce to the payment of their fees for the year 2018.

2.8 Segment reporting

The Company is investing its funds in investments mostly related to real estate properties that are presenting similar features even if related to compartments set up for different geographical regions and/or countries. Management has determined that the Company is operating only in the sole investments property sector in Europe and accordingly the profit and loss statement presents a result of this sole segment.

2.9 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 include:

- Board of Directors of Varia Europe Properties AG
- Board of Directors of Varia Structured Opportunities SA, Luxembourg
- Stoneweg SA, Geneva (Switzerland) and its subsidiaries.

Board of Directors

The Board of Directors is considered as key management. In the period into consideration, expense in the amount of EUR 15,759 was accrued (31.12.2018 - EUR 17,748 reversed in 2019 Note 2.6).

No other compensation to the Board members for their role or for additional work. In particular, no performance related compensation and no compensation in shares or other stocks were allocated to Board members. 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 June 30, 2019.

Transactions of Varia with Stoneweg SA and its subsidiaries

During the period ended June 30, 2019 and the year 2018, the activities of Varia were administered and managed by Stoneweg SA, which was also acting as investment advisor to Varia Structured Opportunities SA (VSO). Stoneweg has not received any direct remuneration from Varia for its work during the period and the year 2018. This decision has been taken due to the fact that Stoneweg is indirectly remunerated from it's work as advisor of the VSO compartments and asset manager of the local entities holding the real estate assets.

During the year 2018, Real Estate Investment Solutions AG (REIS) has charged the Company approximately 265,000 EUR in placement and capital increase fees that have been accounted for as transaction costs against the share premium proceeds. An amount of EUR 82,527 was additionally accrued for the capital increase of November 2018 and also accounted against the share premium proceeds. In 2018, VSO Europe Properties paid on behalf of Varia an amount of EUR 44,391 which were reimbursed.

Shareholding rights of Board of Directors members

The following Board Members owned directly or indirectly shares of the Company as follows:

Name	Function	Shares 30.06.2019	Shares 31.12.2018
Taner Alicehic	Chairman	166,667	166,667
Jaume Sabater Martos	Member	166,667	166,667
Pierre Grégoire Baudin	Member	219,697	219,697
	Total	**553,031**	**553,031**

3 OTHER INFORMATION

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

Varia Europe Properties AG has no employees at June 30, 2019 and has never employed any staff.

3.2 Contingent liabilities

As of June 30, 2019, the Company had no contingencies and other off-balance sheet transactions that would have to be disclosed herein.

The operations of the Company may be affected by 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

Since the balance sheet date as of June 30, 2019, there have been no other further events that would have a material impact on the financial statements and related disclosure.

CONTACT

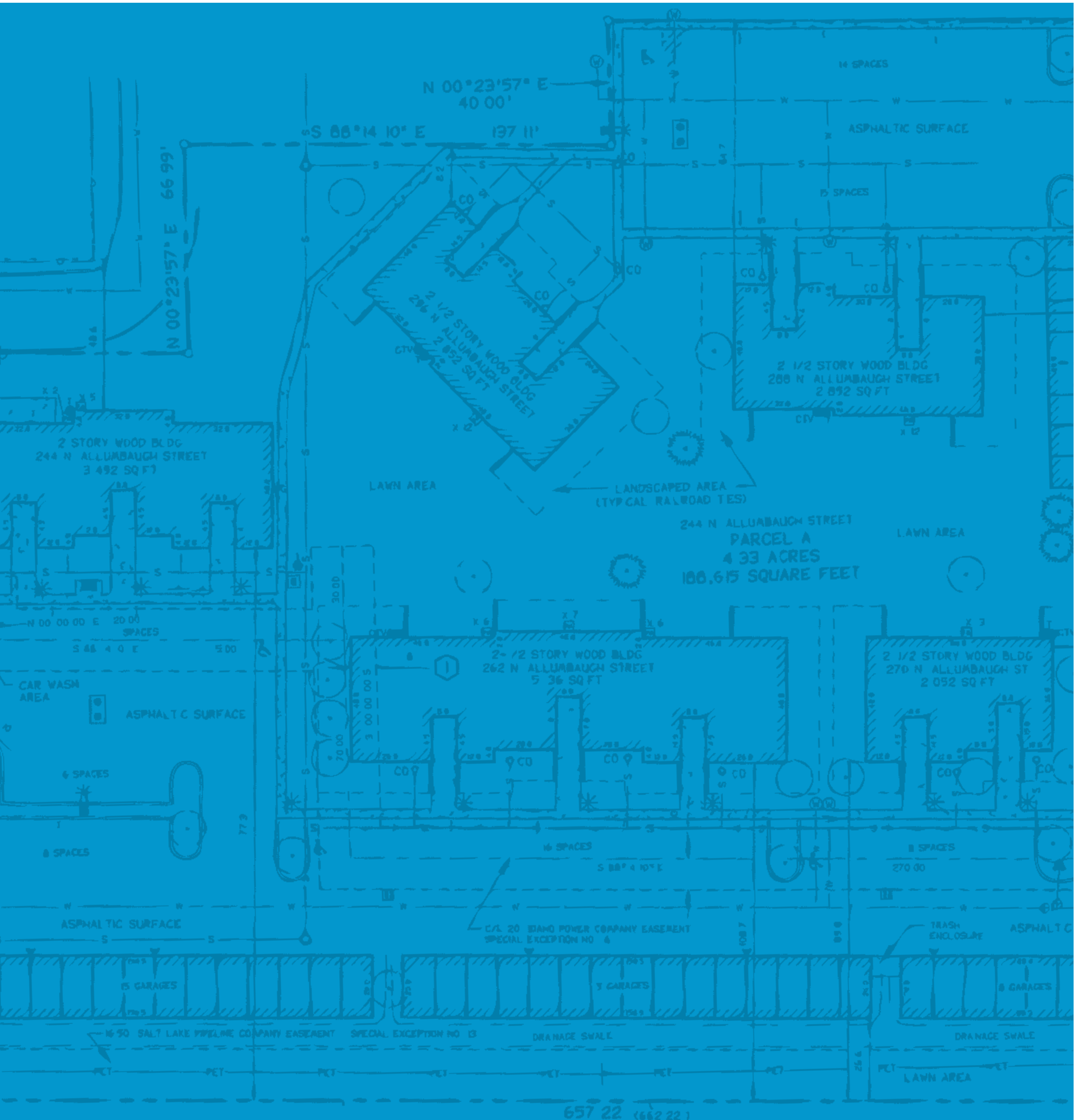
Contact for Investors

Stuart McCallum
c/o Stoneweg SA
Bvd. Georges – Favon 8
1204 Geneva
Switzerland
Phone +41 22 552 40 30
info@variaeuropeproperties.com

IMPRINT
VARIA EUROPE PROPERTIES AG

DESIGN AND TYPESETTING
M3, WETZIKON

PRINTING
SPRÜNGLI DRUCK AG, VILLMERGEN



VARIA EUROPE PROPERTIES AG
Gubelstrasse 19
6300 Zug
Switzerland
Phone CH +41 (0)22 552 40 30
info@variaeuropeproperties.com
variaeuropeproperties.com

MANAGED BY STONEWEG