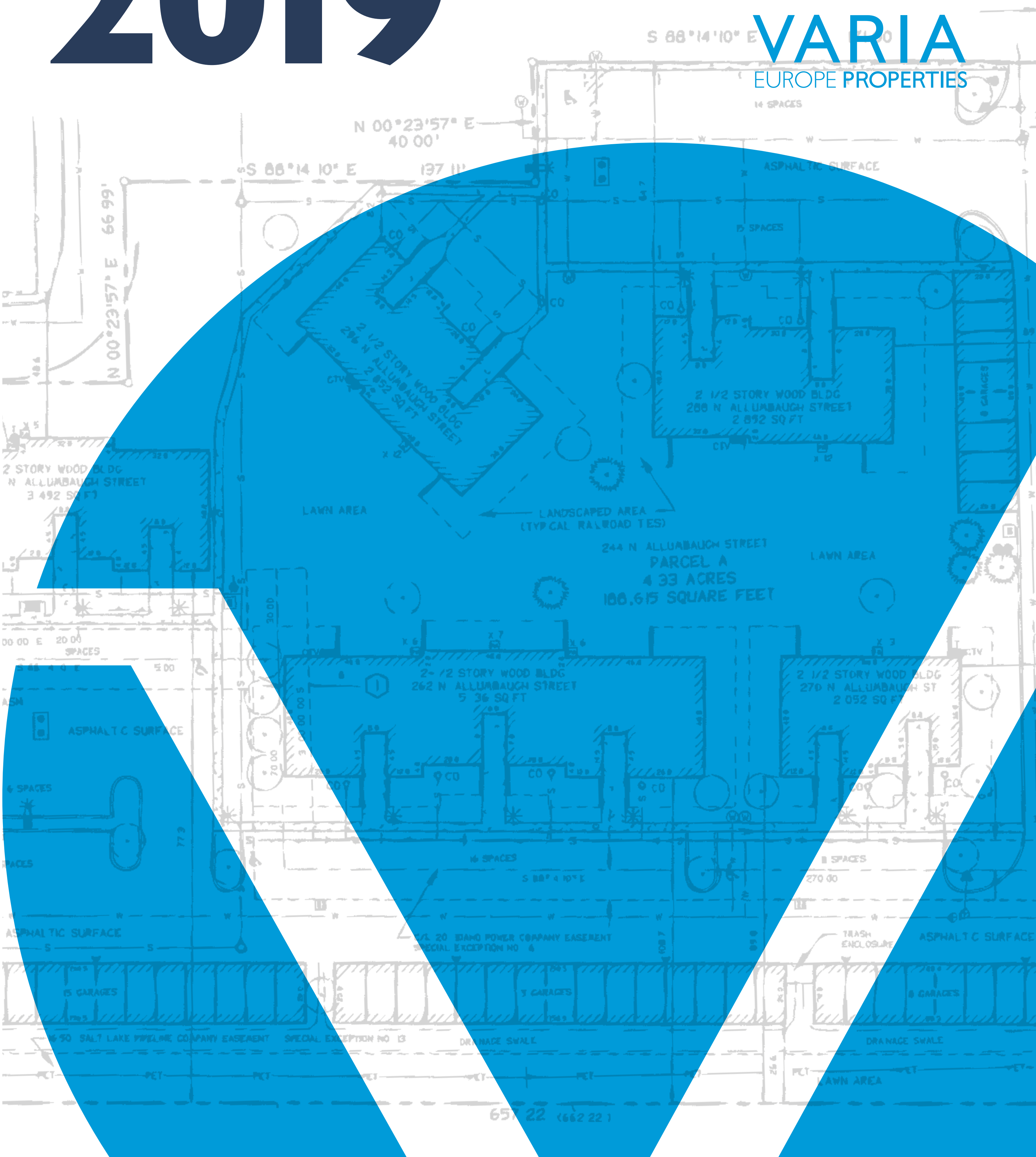
ANNUAL REPORT
2019

VARIA
EUROPE PROPERTIES



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"2019 has been a year for consolidating the Company and portfolio, with achievements in distributing to shareholders raising capital through additional shareholders subscriptions and increasing both the breadth and depth of the portfolio.

It is through these steps of consolidating the foundation for our future that we look forward with anticipation to continuing to build and grow the Company as we move into 2020."

Taner Alicehic
Chairman of the Board

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 AM 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 steady capital value growth and income potential. We have a purely 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 and the development of residential properties in key urban centers.

- 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 managing these 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.

PORTFOLIO SUMMARY

as at December 31, 2019

PORTFOLIO VALUE

2018: EUR 17.12 million

EUR million **41.3**

NUMBER OF PROJECTS

2018: 14

17

NUMBER OF EXITS

2018: 1

0

CAPITAL / INCOME ALLOCATION

2018: 62% capital / 38% income

Capital **61%**

Income **39%**

COUNTRY ALLOCATION

2018: 61% spain / 39% italy

Spain **68%**

Italy **32%**

BRIDGE LOAN/NPL ALLOCATION

2018: 36%

16%

INCOME ASSETS ALLOCATION

2018: 14%

8%

DEVELOPMENT ALLOCATION

2018: 50%

55%

VALUE ADD ALLOCATION

2018: 0%

21%

SHAREHOLDER LETTER

"In 2019, the Company saw positive returns across all strategies and markets, with a portfolio of greater depth and breadth.

Shareholder equity increased from EUR 17.05 million to EUR 42.39 million, while the NAV per share increased from EUR 1.42 in December 2018 to EUR 1.49 at year end 2019. This includes a distribution to shareholders of CHF 0.13 / share.

Our aim is to continue in our efforts to establish greater investment depth within the core markets and a continuity in our distributions to shareholders as we move into 2020."

	December 31, 2019	December 31, 2018
NAV per Share (EUR)	1.49	1.42
Shareholders Equity (EUR)	42.39 M	17.05 M
Number of Shares	28,512,619	11,981,945
EUR / CHF Rate	1.0854	1.1269

**The average of ordinary shares outstanding as at December 31, 2019 was 12,887,735*

DEAR SHAREHOLDERS

It is with great pleasure that we present to you the 2019 Annual Report for Varia Europe Properties AG ("Varia Europe"). The intention of this letter is to provide an overview of the evolution of the portfolio during the year, as well as the financial performance and general activities of the Company over the last twelve months.

The Board of Directors of Varia EU Properties AG ("The Company" or "Varia Europe") is pleased to present to its investors the year end results of 2019. The Company generated a total revenues of EUR 0.76 M (2018: EUR 1.03 M) and total retained earnings of EUR 1.19 M for the year 2019 (2018: EUR 0.6 M). 2019 was a very successful period for the Company, and the Board is very satisfied with the results achieved. The initiatives have been broadly appreciated and welcomed by all stakeholders. The Company is committed to continue the strategic plan.

The Company strategy is to invest into real estate and real estate backed assets in Europe (excluding Switzerland), with an initial focus in Italy and Spain. Key investment segments include value-add commercial income properties, bridge financing backed by real estate assets, real estate assets in distressed situations and residential developments in key urban centers.

Varia Europe is invited to participate in each project sourced and secured through the formal investment processes of Stoneweg Asset Management SA ("Stoneweg"), the advisor within the investment structure and asset manager of the underlying investments.

At the end of 2019 the Company went through a capital increase of EUR 26 M (net proceeds), allowing to diversify the portfolio into new projects and strategies during 2020, and diversifying our shareholder basis. It is the goal of the Company to continue to grow its shareholder base and size with further diversification of its portfolio allocation.

Our initial investments are starting to mature and allowed The Company to distribute to its investors CHF 0.13 / share during the year 2019.

For 2020, new markets and strategies will be added in the portfolio. We are investing in Ireland with a focus on residential development, in a market with a strong imbalance between offer and demand for residential units (for sale and to rent); In Spain we are moving our exposure to PRS (Private Rental Sector), with a long term view, as the younger generations tend more and more to rent rather than to buy their apartments. More opportunistic investments in Logistics, student housing or hospitality are also under review as we publish this report.

PORTFOLIO

Starting the year with 14 underlying investments, in 2019 the Company invested into 3 additional new opportunities while increasing the portfolio allocation into 4 existing projects and decreasing it allocation into 6 existing projects, bringing the total invested portfolio to 17 projects by year end.

The allocation to the Bridge Loan / NPL strategy decreased from 36% in 2018 to 16% in 2019 and Income Assets from 14% to 8% while Development projects increased from 50% in 2018 to 55% 2019. Finally, exposure to value added assets accounts for 21% in 2019.

Indeed, Varia Europe, increased significantly its allocation, through VSO Europe vehicle, on development projects with the investment of € 5.2m in the Strategy PRS (13%) in 2019.

Overall, Varia Europe increased it positions in every strategy already existing in 2018 and diversified it even more in 2019 by investing in value-add strategies.

New projects invested during the year included an allocation to:

- Project Vittoria: a large development complex in the East part of Milan with 45,000 sqm including residential, retail, hotel and a sports center. The project was in bankruptcy and our Asset Manager was able, with a strong partner, to buy out the debt from the banks taking ownership of the site and finalize the project.
- Spanish PRS: a new strategy in Spain where Stoneweg is implementing a portfolio of residential development to rent in major cities, 2 investments were already secured by year end in a portfolio which is expected to grow up to 1 bn EUR size
- Gran Turia: a participation in a retail shopping mall in Valencia, where capex and repositioning of the asset is needed to reposition it to better face the structural changes of the retail sector.

By year end the portfolio has allocated 68% in Spain and 32% in Italy (62%–38% in 2018).

During 2019, no full exit was realized, but the Company received several repayments. The bridge loan allocation repaid 18% and 6% of initial investment (respectively in Iberia Income 1 and Iberia Income 2); In Italy the allocation to the Dela Non-Performing Loan was fully reimbursed but we are still expecting a last repayment during 2020.

For 2020 we expect the bridge loan allocation to repaid between 25% and 50% of initial allocation, and our investment in ENI asset to be full repaid regarding the 1st tranche.

Finally, in December 2019, thanks to the capital increase, Varia Europe allocated approximately EUR 25M in VSO Europe Properties in order to finance the new projects discussed earlier and new investment projects.

PERFORMANCE

Being registered and domiciled in Switzerland, the reference currency for the Company is the Swiss franc (CHF), while the operational and investment currency is the Euro (EUR), based on the jurisdictions in which the Company invests (namely Italy and Spain). This difference in currency, between the Company level and underlying investments, leaves open the potential for currency risk, including currency fluctuations which may be affecting on a positive and/or negative way the performance of the portfolio.

During the period, there was a negative EUR/CHF currency impact on the performance of the portfolio based on the depreciation of the CHF against EUR; the currency moved from 1.1269 (December 31, 2018) to 1.0854 (December 31, 2019), or equivalent to a decrease of 3.68% during the period.

In 2019, Varia Europe recorded a total revenue of EUR 0.76m (EUR 1.03M total revenue in 2018) with a realized gain of EUR 0.12M and an unrealized gain of EUR 0.64m. On the other hand, operating expenses increased from EUR 0.2m in 2018 to EUR 0.34M in 2019 leading to an EBITDA value of EUR 0.4M in 2019 (representing a decrease of 49% compared to 2018).

However, the total net profit of 2019 is EUR 0.56M while it was at EUR 0.78M in 2018 (–28%).

Regarding the NAV evolution of Varia Europe Properties, it increased from EUR 1.42/shares in 2018 to EUR 1.49/shares in 2019.
This evolution in the NAV can be explained thanks to several factors:

- Varia Europe retained earnings profits increased from EUR 0.6m in 2018 to EUR 1.19M in 2019
- Its capital increase on December 12, 2019 where a total of 16,530,674 shares were issued at an issue price of CHF 1.80 per share resulting in a capital increase of EUR 26.13M
- Two distributions reducing the capital of EUR 1.35M. One distribution occurred on June 28, 2018 (CHF 0.08/shares dividend distributions) and the other one on October 7, 2019 (CHF 0.05/shares dividend distributions)

From a market share price point of view, the realized profit of the company was reduced during the period. Alongside the higher average number of shares in circulation on the secondary market due to the capital increase of 2019, this induced a reduction of the earning per shares from EUR 0.0769 in 2018 to EUR 0.0435 during the period. However, new projects invested in 2020 in the continuity of Varia Europe overall strategy will induce an increase of the redemptions of the underlying vehicles including the recent investments financed at VSO Europe through the December 2019 capital increase.

At year-end 2019, the Company had total shareholder equity of EUR 42,385,804, including voluntary retained earnings of EUR 1,192,917 recorded within the Swiss GAAP FER Financial Statements, with basic earnings per share of EUR 0.0435 The average ordinary shares outstanding consisted 12,887,735 shares for the year.

In summary, 2019 has been a year for consolidating the Company and portfolio, with achievements in distributing to shareholders, raising capital through additional shareholder subscriptions and increasing both the breadth and depth of the portfolio of projects. It is through these steps of consolidating the foundation for our future that we look forward with anticipation to continuing to build and grow the Company as we move into 2020.

Sincerely yours,

Taner Alicehic
Chairman & Executive Member

MANAGEMENT REPORT

PORTFOLIO OVERVIEW

A BREAKDOWN OF THE PORTFOLIO AS AT DECEMBER 31, 2019

During 2019 the portfolio increased dramatically in size with total shareholder equity moving from EUR 17.15 million to EUR 42.4 million at the close of the year. This created the backdrop from which the Board increased both the breadth and depth of the portfolio, with the total number of projects increasing from 14 to 17 opportunities.

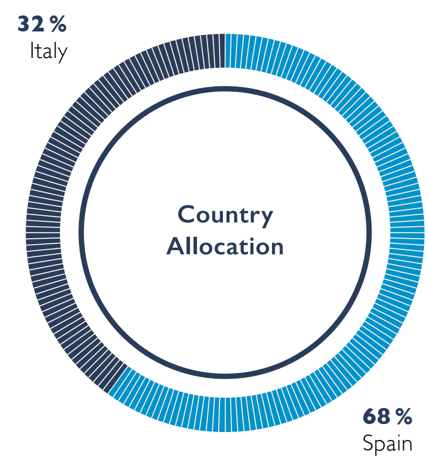
The portfolio moved its allocation to income generating projects, from 62% capital and 38% income based at December 31, 2018 to 61% capital and 39% income-based opportunities at year end 2019. The country allocation moved from 61% Spain, 39% Italy, to 68% Spain and 32% Italy within the same period.

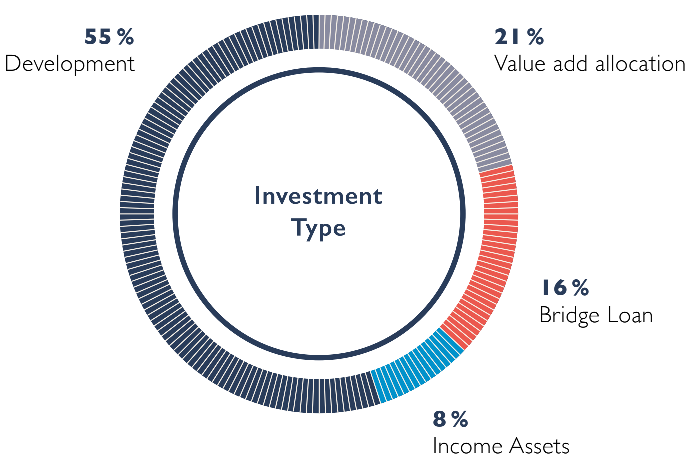
Within the four principal strategies, the allocation evolved from year end 2018 to year end 2019 as follows: The allocation to the Bridge Loan/ NPL strategy decreased from 36% in 2018 to 16% in 2019 and Income Assets from 15% to 8% while Development projects increased from 49% in 2018 to 55% in 2019. Finally, exposure to value added assets accounts for 21% in 2019.

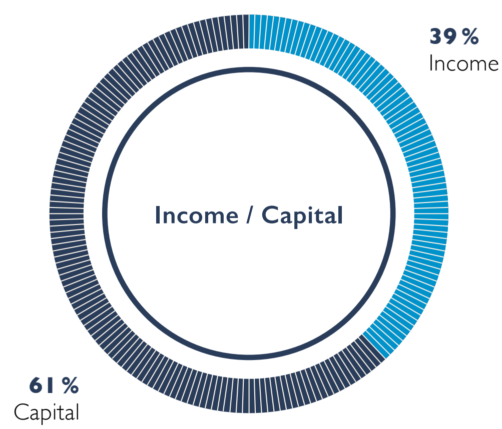
One of the key strategies initiated this year is the Private Rental Sector (PRS) Strategy in Spain. This strategy aims to develop and hold a portfolio of residential properties to rent in Spain with a focus on Madrid and Barcelona. It currently includes a 26,000sqm in development with Skyline project in Madrid and 44,000 sqm in developments with Cosmetoda and Mataro projects in Barcelona. The equity allocation from Varia Europe to the project is EUR 5.2 million and we expect it to be increased in 2020.

Another key investment executed this year is the project Gran Turia, a 58,000 sqm shopping mall to be refurbished. The asset is located in an urban area of Valencia. This is a capital gain opportunity with a value-add strategy.

Finally, in the continuity of Iberia Income Opportunity I&II, Varia Europe will allocate equity in Iberia Income opportunity III (IIO III) in 2020. With the success of the two previous bridge loan funds, IIO III aims to invest up EUR 150 million following the same strategy as Iberia Income Opportunity I & II.







PORTFOLIO ALLOCATION DECEMBER 31, 2019

Transaction	Country	Investment Description	Return Strategy	Estimated Duration
Albatros	Italy	Book of 18 NPL claims	Income / Capital	2 Years
Preziosi	Italy	ABB building (Genova), residence (Como)	Income / Capital	2 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 / Dino	Italy	2 Bridge loans	Income	12–18 Months
Porta Vittoria*	Italy	Mixed-use break up strategy (Milan)	Capital	4 Years
VSO V Bridge Loans	Spain	5 bridge loans	Income	12–24 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
VSO II PRS	Spain	Development	Income	7 Years
VSO II Gran Turia	Spain	Refurbishment/Development: Commercial	Capital	3 Years

Allocation executed in Q1 2019.

Project Start Date	Target IRR (Project)	Current Varia Europe Equity (in million €)	Varia Ownership
Q4 2017	14%	0.34	3.1%
Q4 2017	15%–20%	1.9	12.4%
Q4 2017	10%–12%	0.64	3.3%
Q2 2018	15%–20%	1.3	9.0%
Q2 2017	13%–15%	0.3	0.5%
Q1 2017	15%–20%	0.3	3.7%
Q4 2016	15%–20%	0.32	3.1%
Q4 2018	11%–13%	0.6	6.0%
Q1 2019	15%–20%	3.3	5.3%
Q1 2017	11%–13%	0.09	4.7%
Q3 2017	11%–13%	1.5	2.5%
Q3 2018	11%–13%	1.1	6.7%
Q4 2017	15%–20%	3.07	4.9%
Q4 2017	15%–20%	4.62	11.6%
Q4 2018	15%–20%	1.0	1.3%
Q1 2020	10%–12%	5.2	100%
Q1 2020	20%–25%	2.5	100%

PORTFOLIO PROJECTS

PROJECT ALBATROS / GUARALDI

Investment Overview

Strategy	Distressed Situations: Book of 18 NPLs
Location	Italy: various
Structuring	VSO Europe Properties through VSO RE into the SPV
Acquisition Price	€ 15.9 million
Acquisition Date	December 2017
Varia Europe Equity (Current)	€ 335 K
Varia Europe Ownership	3.1 %
Investment Horizon	4 Years
Target IRR	14 %

Investment / Project Description

The investment comprises of a portfolio of eighteen non-performing loans with a nominal gross book value of €45.9 million, purchased from a pool of Italian banks at a discount of 65 % of GBV vis-à-vis three separate entities, ultimately controlled by the same individual. The loans are collateralized by various real estate assets (office, retail and residential), to include highly secure government rented office assets.

Investment strategy envisages a restructuring of the sponsor (no additional injection of equity) with a subsequent monetization of the underlying assets. The focus of the process is the monetization of receivables mainly through the sale of real estate collateral, with negotiations ongoing with the borrower to define the exit calendar. Current negotiations include a full repayment plan and extension of personal guarantees.

The structure is based on a mix of 1st lien, 2nd lien mortgages (on the same properties) and personal guarantees from the individual controlling borrowing entities. There are fourteen assets directly attributed to the claims, with a further two assets through the personal guarantees from the individual controlling borrowing entities. Proceeds will be secured through negotiation with the borrowers, the current total expected recoverable amount is € 27.0 million, with € 3.4 million collected up to now; this is against an original total GBV of € 45.9 million and price paid of € 15.9 million.

Summary Update

Current standing relating to the five borrowers is as follows:

Futura Construzioni (Residential) was acquired for € 6.5 million with a total expected recovery of € 9.6 million, against an original GBV of € 19.2 million. The total collections to date were € 2.6 million and settlement negotiations are ongoing. Futura Construction (Office) had an original GBV of € 0.6 million, was acquired for € 0.2 million and has an expected recovery of and collection of € 0.4 million.

Immobiliare Fiordaliso (office) was acquired at a price of € 4.1 million, with an expected recovery of € 7.8 million, against an original GBV of € 11.7 million; the final settlement agreement is under negotiation. Immobiliaire Fiordaliso (Retail) had a GBV of € 7.7 million at the point it was acquired for € 2.7 million, with a current expected recovery of € 5.4 million.

The settlement has been signed with repayment at latest by 31 December 2021 with interest rate set to 14 % IRR for the Lender.

There is an additional personal guarantee with an original GBV of € 6.7 million, price paid was € 2.3 million and an expected recovery of € 3.8 million; the settlement for this agreement is under negotiation.

PROJECT PREZIOSI

Investment Overview

Strategy	Income Asset/Value-Add: Commercial Offices / Residential
Location	Italy: Genova / Como
Structuring	VSO Europe Properties through VSO RE into the SPV
Acquisition Price	€ 23.4 million
Acquisition Date	March 2018
Varia Europe Equity (Current)	€ 1.9 million
Varia Europe Ownership	12.4%
Investment Horizon	3 Years
Target IRR	15%–20%

Investment/Project Description

The investment comprises of an acquisition and share deal for two assets: a luxury residential real estate asset in Carimate (Como) and 100% share deal for the acquisition of an office building next to SS1 highway/Genova Airport, currently occupied by ABB. The acquisition price of the deal consists of € 23.4 million for the two assets, the ABB office asset for € 20.5 million and € 2.9 million for the residential in Carimate. The asset vendor was a private individual in need of debt restructuring. The preliminary share purchase agreement was signed in December 2017, with final deed of transfer in Q1 2018; € 12.0 million of financing was achieved as part of a financial package for acquisition, with the assets pledged as security for the loan. The asset management and exit strategies for the two assets are differentiated.

Key profits from this acquisition come from the active asset management and subsequent disposal of the ABB asset, while the anticipation for the Carimate asset is a sale based on minimal efforts to cover administrative costs and some profits.

The office building in Genova was designed and built for ABB, who have been in occupation since completion of the asset and currently let on a passing rent of €1.9 million. The Company's strategy is to concentrate on their core business activities and, as a result, are not looking to own the asset directly; prior to the acquisition, they indicated their desire for continued occupation. Key to a successful disposal process is the signing of a new lease, creating increased security for institutional investors to acquire the asset. Such negotiations will likely include some form of incentive for ABB, either in the form favourable rental terms, or some contribution to capital expenditure. Both scenarios were forecasted as part of the investment acquisition processes.

With an initial acquisition price of € 23.4 million, and release of € 12.0 million through financing against the assets, the current LTV is 50% of total investment value.

Summary Update

Genova Office Asset: tenant agreement with ABB has been agreed in principal, with all terms negotiated; final sign-off due in 2020 at ABB board level. New rent at €1.75 million on a 6 + 6 year term and a capital contribution in the range of € 150 K–€ 200 K.

Carimate Residential: a mandate has been assigned to a local team to sell the asset, with an asking price of € 1.7 million.

PROJECT MEDIO

Investment Overview

Strategy	Distressed Situations: Book of 10 NPLs
Location	Italy: various
Structuring	Varia Europe into VSO XX (Medio) *and* VSO Europe Properties through VSO RE into the SPV
Acquisition Price	€ 36.0 million
Acquisition Date	December 2017
Varia Europe Equity (Current)	€ 0.6 million
Varia Europe Ownership	3.3%
Investment Horizon	3 Years
Target IRR	10%–12%

Investment/Project Description

The investment comprises of a portfolio of eleven non-performing loans with a nominal gross book value of € 58.2 million purchased from Mediocredito Italiano at a discount of 61% of GBV vis-à-vis seven borrowers, secured by mortgages on real estate assets. The collateral consists of eight 1st lien mortgages, two 2nd lien mortgages and one 3rd lien mortgage. The exit strategy envisages the negotiation of settlement agreement with the underlying borrowers, through both the collection of equity and sale of underlying assets. The total expected recovery is anticipated to be € 48.3 million.

Collateral assets are of mixed use in various locations across Italy and include: hotel, retail, office, industrial and residential assets. The investment strategy envisages two scenarios: (i) monetization of the secured amount through judicial enforcement of the security package of the loans and sale of assets in a competitive process, or (ii) extrajudicial settlement agreement with the borrowers. Two settlements worth € 6.4 million have already been agreed, with the total collected amount of € 2.7 million received.

Summary Update

Trabattoni: The Trabattoni loan was acquired for € 8.0 million, with a GBV of € 11.0 million and expected recovery of € 11.0 million. As the borrower did not respect the settlement agreement, the judicial recovery is ongoing. Potential bidders have demonstrated interest for the collateral at €14.2 million purchase price, implying 100% of GBV repayment for the lending vehicle. The next hearing is expected in September 2020 as part of the judicial recovery process.

Iniziative Industriali: The claim has been fully repaid as of December 2019 with effective repayment completed on the 31st of January 2020 for a total of € 5.2 million. Mediterranea/Archi: Mediterranea and Archi were acquired for a blended price of €11.2 million. There are ongoing negotiations for a buyback from the original seller at a price of € 11.0 million. Pucci claims: Pucci Via Veneto had an original GBV of € 10.3 million when acquired for € 7.7 million and it is anticipated that the recovery value of this transaction will be € 10.3 million. Hollandia (the lending vehicle) has informally accepted repayment of € 9.0 million for the outright acquisition of the loan. Collection is expected to be finalized by September 2020. Immobiliare Pontaccio: the settlement agreement was agreed at € 3.0 million, based on an original GBV of € 3.2 million and a price of € 2.4 million paid; there is an ongoing judicial process against this asset. The judicial recovery is still ongoing.

Immobiliare Alpina: the settlement agreement was agreed at € 3.0 million, based on an original GBV of € 3.2 million and a price of € 2.4 million paid; there is an ongoing judicial process against this asset. The judicial recovery is still ongoing.

PROJECT COMPAGNONI

Investment Overview

Strategy	Development: Residential Asset
Location	Italy: Milan
Structuring	VSO Europe Properties through VSO RE into the SPV
Acquisition Price	€ 14.8 million *(including fiscal liability)*
Acquisition Date	July 2018
Varia Europe Equity (Current)	€ 1.3 million
Varia Europe Ownership	9.0%
Investment Horizon	3 Years
Target IRR	15%–20%

Investment / Project Description

The investment consisted in the acquisition of 100% shares of an Italian limited liability company Immobiliare CMC S.r.l., the owner of the real estate asset in Milano Via Compagnoni 12, with 8,719 sqm gross floor area (GFA) with historical planning approval by the Municipality of Milan. The business plan consists the demolition of the current light industrial units and the development of a new residential building, construction taking the same shape as the pre-existing municipality approvals which will reduce development timings and minimize development risk.

The project is strategically positioned within the city of Milan between the airport and the city center. The neighborhood is primarily residential in nature, close to the Corso XXII Marzo, the second main shopping street within central Milan. Preliminary project development plans maintain the external size and shape of the approved development, with three different blocks of accommodation envisaged. Revised preliminary architectural plans foresee a modification of the internal layout and design, to maximize revenues, with the development of 75 residential units, divided over 6 floors above ground, with a total surface of 11,200 sqm internal area, plus 120 parking places and 70 storage units located on below ground floor areas.

The acquisition included the asset plus assignment of fiscal liability at a cost of €14.8 million (€ 12.0 million and € 2.8 million respectively). Total capital expenditure on the site is anticipated to be € 35.0 million, of which a capex facility in anticipated to draw € 23.3 million over the life of the development project (equivalent of 67% LTC of the capital expenditure). The project targets a three-year investment lifecycle.

Summary Update

The demolition as well as remediation works have been completed and we are now waiting for the certificate on completed remediation to start the construction phase. The pollution test has also been run successfully.

The marketing campaign is quite successful with 74% of the units pre-sold. Effective construction works are starting within Q2 2020 (slightly behind schedule due to Covid–19 restrictions and limited access to building sites).

VSO X: PROJECT ENI

Investment Overview

Strategy	Income Asset: Commercial
Location	Italy: Milan
Structuring	Varia Europe into VSO X
Acquisition Price	€ 166.0 million
Acquisition Date	June 2017
Varia Europe Equity (Current)	€ 0.3 million
Varia Europe Ownership	0.5 %
Investment Horizon	4 Years
Target IRR	13 %–15 %

Investment / Project Description

The investment comprises an asset deal consisting in the acquisition of an office asset located in San Donato Milanese, which has a total indicative surface of 66,400 sqm currently let to Eni SpA with an original passing rent of €10.6 million. The lease agreement with Eni states that the passing rent will increase up to €13.1 million upon execution and completion of a capex plan of €20.0 million, with refurbishments due in 2020. The current lease started on January 1, 2016, with an expiry on December 31, 2032.

Located next to the Crown Plaza Hotel Milano Linate in the south-east of the city of Milan, the tenant, Eni SpA, is a multinational oil and gas company considered one of the global supermajors. Eni is an Italian company which is headquartered in Rome and operates in 79 countries; it is currently the world's 11th largest industrial company with a market capitalization of € 50.0 billion at the end of December 2018.

The original investment strategy envisaged an acquisition with a 70 / 30 debt-equity split, with the primary function of the rental income to cover debt servicing and other costs during the ownership of the asset, with the final exit creating the realization of profits through a subsequent capital gain. The capital gain coming as a direct result of the capex works, which trigger the additional rental income. The current LTV of the asset is 68 %.

Summary Update

A binding offer has been received in 2019 from an Italian Insurance company for buyout of 51 % of the underlying structure owning the asset, based on an asset valuation of €199.0 million. The transaction has been successfully closed on 14 May 2020. A binding offer has also been received on the remaining 49 %. Exit is planned in June 2020 based on asset valuation of €185.0 million.

Usage	Office
Passing rent	€ 10.6 million
Gross Yield on Cost	6.4 %
NOI Exp. 2018	€ 8.7 million
Net Yield on Cost	5.2 %

VSO VII: PROJECT DELA

Investment Overview

Strategy	Distressed Situations: Book of 3 NPLs
Location	Italy: various
Structuring	Varia Europe into VSO VII *and* VSO Europe Properties into VSO VII
Acquisition Price	€ 26.9 million
Acquisition Date	March 2017
Varia Europe Equity (Current)	€ 0.3 million
Varia Europe Ownership	2.4% (VSO Europe) + 1.3% (Varia Europe) = 3.7%
Investment Horizon	1, 3 & 5 years
Target IRR	15%–20%

Investment/Project Description

The investment comprised the acquisition of a portfolio of non-performing loans backed by four underlying assets. This is a typical Italian non-performing loan portfolio investment story, whereby there is one prime asset which consumes the greatest part of the acquisition price, creating the greatest profit potential, and two additional small claims which can be sold relatively quickly at an adequate return on cost.

Within this transaction there is a book of four non-performing loans: three 1st lien collateralization claims, backed by three underlying assets and an additional (subsequent) 2nd lien claim against the principal asset claim, acquired in order to strengthen the asset managers negotiating position, vis-à-vis the borrower. The total acquisition price was € 26.9 million (including the additional 2nd lien claim which cost € 1.4 million against a GBV of € 4.72 million) and closed in March 2017 (April 2018 for the additional 2nd lien claim).

The claims consist of: (i) a claim over a residential asset in Rome (respective non-performing loan has been acquired for € 4.5 million, with GBV of € 16.9 million; this claim was sold in December 2017 for € 5.0 million), (ii) a claim over two office buildings in Perugia (respective non-performing loan has been acquired for € 1.0 million, with GBV of € 10.8 million. Exit is anticipated at a similar value, plus expenses), (iii) a claim over a Luxury five-star hotel in Capri (respective non-performing loan has been acquired for € 21.7 million, GBV of € 40.0 million. A settlement agreement has been reached for a minimum recovery of € 30.3 million, € 2.7 million already collected, with expected to close in 2019 based on an agreement reached with the borrower in relation to the 1st lien claim.

Summary Update

The claim over Hotel Tiberio Srl has been fully recovered in April 2019. Release of the proceeds is realized gradually through the structure mechanics in place and all recoveries should be collected by end of 2020.

Borrower	GBV 1st Lien (in million €)	GBV 2nd Lien (in million €)	Price Paid (in million €)	Expected Recovery (in million €)	Total Collected Amount (in million €)	Settlement Agreement
Hotel Tiberio Srl	35.3	4.8	21.7	30.3	30.3	Recovered in Apr19 at Italian level
Peonia Srl	10.8	–	1.0	1.1	–	
Total collections on outstanding claims	**46.0**	**4.8**	**22.9**	**31.3**	**30.3**	
Acero Srl	16.9	–	4.5	5.0	5.0	Claim sold
Overall collections				**31.3**	**35.3**	

VSO RE – SPV BRAMANTE: PROJECT NICCOLINI

Investment Overview

Strategy	Development: Residential
Location	Italy: Milan
Structuring	VSO Europe Properties to VSO RE
Acquisition Price	€13.0 million
Acquisition Date	December 2016
Varia Europe Equity (Current)	€ 316 K
Varia Europe Ownership	3.1 %
Investment Horizon	4 Years
Target IRR	15 %–20 %

Investment / Project Description

The transaction consisted a share deal, with the acquisition of 60 % of shares of an Italian limited liability Company; the Company being the ultimate owner of a dilapidated former guesthouse. The original business plan consisted the demolition, construction and the break-up sale of a newly build residential asset. Acquired in December of 2016, the asset is located in the central-eastern part of Milan, near the Arena Civica and Parco Sempione.

Acquired for € 13.0 million, the plans are for a seven-story building comprising 73 new apartments with a total capital expenditure of € 19.5 million and anticipated exit price of € 52.0 million. There are excellent communications to the center and surrounded by hospitals and schools; a key factor in considering this project is the recovering central demand for apartments and a low supply of newly built assets.

80 % of the CAPEX for this project is planned to be financed by a bank loan, with financing approved by banca UBI and closed in 2019. Target exit pricing constitutes € 5,500 per sqm on the residential area, plus € 3.5 million on the parking spaces, which allows for the achieving of the total target exit at € 52.0 million.

€ 40.0 million in revenues has been booked, with some bookings already transferring to preliminary sales of € 2.9 million, with the remaining anticipated to execute in 2019. Pre-sales campaign is successful with 83 % of the apartments sold as of 4Q 2019.

Summary Update

Demolition works have been completed with the Convenzione Urbanistica to be signed with the Municipality of Milan in early January 2019. The urban planning agreement was signed in December 2018, with building permit obtained mid–2019. Works are expected to be finalized by Q2–Q3 2021.

VSO XXIX: PROJECT BARIGELLO / DINOSAUR

Investment Overview

Strategy	Bridge Financing backed by Real Estate Assets
Location	Italy: various
Structuring	VSO Europe Properties to VSO XXIX
Varia Europe Entry Date	December 2018
Original Investment	€ 0.5 million
Varia Europe Equity (Current)	€ 0.6 million
Varia Europe Ownership	6.0%
Anticipated Exit Date	June 2020
Target IRR	11%–13%

Investment / Project Description

Project Barigello / Project Dinosaur is the first venture by Varia Europe into the Italian bridge financing market, based on the sourcing and securing of two bridge loans against a pool of assets. This was not an asset allocation into a broad portfolio of assets, but rather an allocation to a specific transaction being created and managed at VSO level.

As per the strategy which exists within Spain, this investment was into senior secured short-term loans backed by real estate assets, across Italy; the target was of the same order and magnitude with a strategic aim of 11%–13% target net IRR to the investor.

The loans were granted to two sponsors, the first requiring short-term liquidity for a PropCo / OpCo restructuring, while the second sponsor needed short-term liquidity to finance a property acquisition. There is a combined collateral valuation, on a conservative basis, of € 31.0 million which includes five trophy assets. The first collateral pool consists substantial agricultural land, including farm, forest, olive cultivation and numerous farm residences in Umbria (€ 16.0 million) as well as a luxury villa in Cortina (€ 10.0 million).

The second pool of collateral assets consists luxury apartments and five secured parking spaces in Florence (€ 3.5 million) as well as a hotel in the same city (€ 5.5 million TEV, € 1.5 million NAV). The loans were broken-down between €5.5 million for the first, with 12% net annual coupon for 18 months and € 2.7 million for the second, also with a 12% net annual coupon, but this time over 12 months. The combined aggregate LTV was less than 30%.

Summary Update

Project Dinosaur initial reimbursement date of 19.12.2019 has been extended for two months. The final reimbursement occurred on 19.12.2020 with interests running until extended maturity. Project Barigello is expected to repay timely in June 2020.

VSO V

Investment Overview

Strategy	Bridge Financing backed by Real Estate Assets
Location	Spain: various
Structuring	Noteholder of VSO V
Acquisition Price	April 2017
Acquisition Date	€ 370,000 (370 notes)
Varia Europe Equity (Current)	€ 93,000
Varia Europe Ownership	4.7 %
Investment Horizon	July 2019
Target IRR	11 %–13 %

Investment / Project Description

Allocation by the Company into an underlying pool of assets. This is an asset allocation approach, whereby the project selection within the underlying VSO is performed by the Spanish bridge financing investment committee of Stoneweg. The VSO V portfolio was created on a Friends and Family basis as a result of Stoneweg's desire to acquire a development site, which the advisor did not action as a result of entry pricing, though short-term liquidity financing was granted to the developing party. This approach then grew into a broader strategy / portfolio.

The original program size for this portfolio of bridge loans was € 11.5 million, with a total of 5 loans made during the deployment period.

The compartment only had one defaulted loan left as of December 2019 (La Macarrona) and purchased the company owning the asset the 31/12/2019 to avoid going through a lengthy foreclosure procedure. The remaining loan correspond to € 2,037,000 of nominal. Final distribution and profit will depend on the sale of the remaining asset.

VSO IBERIA INCOME I

Investment Overview

Strategy	Bridge Financing backed by Real Estate Assets
Location	Spain: various
Structuring	Noteholder of VSO Europe Properties into VSO Iberia Income
Acquisition Price	March 2018
Acquisition Date	€ 2.0 million (2,000 notes)
Varia Europe Equity (Current)	€ 1.5 million (1,561 notes at cost)
Varia Europe Ownership	2.5 %
Investment Horizon	December 2020
Target IRR	11 %–13 %

Investment / Project Description

AIberia Income Opportunity 1 is a bridge loan strategy vehicle; loans are all 1st lien with a real estate collateral; duration ranges from 12 to 36 months with average LTV around 50 %. The vehicle reimburses it's investors every time a loan is reimbursed.

Current nominal of loans stands at € 58.4 million following cumulated distributions of € 47 million by the vehicle, equivalent to 48 % of initial size. The portfolio has a weighted average coupon of 13.7 % gross for an LTV of 50.3 %. It is expected that majority of equity is redistributed to investors within the next 12 months as underlying loans mature.

VSO IBERIA INCOME II

Investment Overview

Strategy	Bridge Financing backed by Real Estate Assets
Location	Spain: various
Structuring	Noteholder of VSO Europe Properties into VSO Iberia Income II
Acquisition Price	October 2018
Acquisition Date	€ 1.0 million (1,000 notes)
Varia Europe Equity (Current)	€ 1.05 million
Varia Europe Ownership	0.7 %
Investment Horizon	December 2021
Target IRR	11 %–13 %

Investment / Project Description

Iberia Income Opportunity I is a bridge loan strategy vehicle; loans are all 1st lien with a real estate collateral; duration ranges from 12 to 36 months with average LTV around 50 %. The vehicle reimburses it's investors every time a loan is reimbursed.

Current nominal of loans stands at € 157.4 million following cumulated distributions of € 12 million by the vehicle, equivalent to 7 % of initial size. The portfolio has a weighted average coupon of 13.95 % gross for an LTV of 51.9 %. The vehicle is expected to repay 20 to 25 % of its initial size during the next 12 months.

VSO SPANISH PHOENIX & VSO SPANISH PHOENIX CAT

Investment Overview

Strategy	Development: Residential
Location	Spain: various
Structuring	Varia Europe into VSO Spanish Phoenix II *and* VSO Europe into VSO Spanish Phoenix II *and* VSO Europe into VSO Spanish Phoenix CAT
Entry Date	May 2017, March 2018
Original Investment	€ 2.5 million Spanish Phoenix II / € 4.5 million Spanish Phoenix CAT
Varia Europe Equity (Current)	€ 3.1 million Spanish Phoenix II / € 4.6 million Spanish Phoenix CAT
Varia Europe Ownership	4.9% Spanish Phoenix II / 11.6% Spanish Phoenix CAT
Investment Horizon	4 Years
Target IRR	15%–20%

Investment / Project Description

VSO Spanish Phoenix II and Spanish Phoenix CAT are vehicles investing in residential developments in Spain (Catalunya region exclusively for CAT vehicle). All projects focus on developments to sell individual units. The portfolio is allocated to 9 different projects in Madrid and Barcelona areas. It is expected that the exits of the portfolios start to occur in 2021.

Portfolio summary

Project	Location	Units	Total Project Investment (in million €)	Max Equity Invested (in million €)	Expected IRR Q4 2018 (in %)	Current Sales (in %)	Expected Construction Start Date
Carriles	Opportunistic	n/a	24.7	24.7	20–25	n/a	n/a
Badalona Torres	Barcelona	282	90.3	27.4	15–20	19	Q1 2019
Badalona Marina II	Barcelona	129	33.4	10.4	20–25	–	Q4 2019
Kodak	Madrid	78	28.7	10.2	15–20	–	Q4 2019
Mostoles Acr Av ONU	Madrid	198	40.6	7.9	15–20	16	Q1 2019
Skyline	Madrid	602	219.9	6.0	15–20	–	Q4 2019
Hospitalet Cosmetoda	Barcelona	276	68.4	18.3	15–20	2	Q2 2019
Marqués de Zafra	Barcelona	19	7.5	2.5	15–20	68	Q1 2019
Llull	Marcelona	38	18.0	9.5	15–20	–	Q3 2019
Total		**1,622**	**531.5**	**116.9**			

VSO II – SKYLINE: PROJECT SKYLINE

Investment Overview

Strategy	Development: Residential
Location	Spain: Madrid
Structuring	Varia Europe into VSO II Varia Skyline
Acquisition Price	€ 119.0 million
Acquisition Date	November 2018
Varia Europe Equity (Current)	€ 1.0 million
Varia Europe Ownership	1.3 %
Investment Horizon	42 months
Target IRR	15 %–20 %

Investment / Project Description

Skyline is a large residential development comprising 2 towers with 57,363 sqm in Valdeacederas, the district of Tetuan, part of a new urban plan which is upgrading this area of Madrid center.

The project is has both a development to sell individual units, and a development to rent (to be sold to institutional buyer). Total plot surface is 4,624 sqm, with 44,125 sqm of built area and 57,363 sqm of total space to include terraces and common areas. With an original acquisition price of € 119.0 million and project CAPEX of € 80.8 million, the total investment into the project is € 219.9 million, equivalent to € 3,834 per sqm total cost.

Financing comprises 50 % of the land purchase price, 100 % of the CAPEX, with 40 % of sales required in order to activate the CAPEX mortgage. Total sales are anticipated to be € 287.5 million, giving an average sale price per sqm of € 5,011. The exit strategy consists two elements, the phased sale of individual units on a retail basis and the block sale of individual towers, on a forward-sale basis, to institutional investors looking to enter the private rental sector (PRS).

Summary Update

The sales plan constitutes the retail sale of 367 residential units at a price averaging € 4,891 per sqm, which consists 93 % of retail sales. The remaining 7 % of retail sales are generated from the sale of 411 parking spaces with a total of € 27,871 per slot; the average for the entire site is € 5,261 per sqm.

In regards the forward sale of tower blocks to institutional investors, there are a total of 312 residential units with an average sales price of € 4,718 per square meter, which comprises 100 % of the revenues for these blocks. The 351 parking spaces are included within that price. Binding offer for the tower has been received in December 2019 (forward purchase) for a sale price of € 120.8 million.

PROJECT PRS

Investment Overview

Strategy	Private Rental Sector
Location	Spain
Structuring	VSO Europe Properties via VSO II PRS
Acquisition Price	Acquisitions in 2020
Acquisition Date	Acquisitions in 2020
Varia Europe Equity (Current)	€ 5.2 million
Varia Europe Ownership	100%
Investment Horizon	7 years
Target IRR	10%–12%

Investment/Project Description

The PRS (Private Rental Sector) strategy aims at developing and holding a portfolio of residential properties to rent in Spain. The strategy focuses geographically on Madrid and Barcelona with a target of minimum 60% of the portfolio located in these two major areas, with benefit anticipated from entry yield differential and institutionalization of the sector in Spain. Expected IRR is 10%–12% range with a 5%–6% gross entry yield.

The opportunity is promising as the number of households is expected to grow significantly over the next 15 years. The trend is accelerated by great dynamics with abundant demand coming from millennials combined with still limited quality supply (77% of the current household stock has been built before 2000) and anticipated valuation is quite attractive with yields at 280 to 300bps higher than the Spanish 10-year bond.

Summary Update

The strategy is effectively launching in 2020 with the acquisition of three assets: one of the Skyline towers located in Madrid CBD, Cosmetoda with five design towers with terraces located in Hospitalet, Barcelona, and Mataro, located 30 minutes north of Barcelona, consisting in a 25-floor building that will have 2,500 sqm for retail and coworking and 16,299 sqm for residential (192 units). with entry yield on cost of 4.66% and anticipated exit cap rate of 3.75%

	Skyline	Cosmetoda	Mataro
Entry yield on cost	4.66%	4.9%	6.1%
Levered IRR	11.0%	10.2%	13.4%

PROJECT GRAN TURIA – VSO II

Investment Overview

Strategy	Refurbishment/Development: Commercial
Location	Spain: Valencia
Structuring	VSO Europe into VSO II Gran Turia
Acquisition Price	€ 5.0 million
Acquisition Date	January 2020
Varia Europe Equity (Current)	€ 2.5 million
Varia Europe Ownership	100%
Investment Horizon	3 years
Target IRR	20%–25%

Investment/Project Description

The investment opportunity consists in a shopping mall located in an urban area of Valencia (catchment area of 655,000 inhabitants within 10 minutes' drive). The footfall is approximately 4 million visitors. The mall opened in 1993.

The deal comprises the acquisition of 20,574 sqm of the asset for a purchase price of € 5.0 million from Klépierre, representing 37% of the asset. The other co-owners are Carrefour (53%), cinemas (5%) and other owners (5%).

According to Stoneweg Due Diligence, assuming no new leases are signed, and some contracts are cancelled, the stabilized entry yield on price would be of 15.0%. The business plan assumes a refurbishment with focus on leisure.

Summary Update

Acquisition was realized on 8 January 2020. A re-assessment of the overall plan is in progress with Covid–19 breakout consequences to be taken into account.

INVESTMENT STRUCTURING

INVESTMENT STRUCTURING

The Company participates in real estate investments through participations 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. The Company is a noteholder (notes are issued in registered form) of VSO compartments. The notes are not tradable instruments and not listed at any exchange or the like.

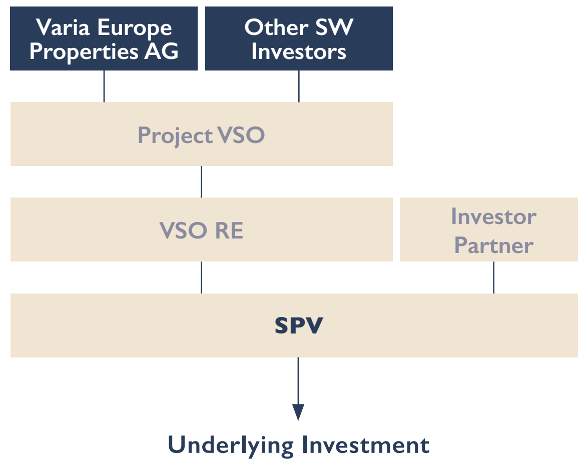
As a noteholder the Company invests in debt instruments (notes) allowing it to participate in the underlying assets' returns through variable yields. The result is that the notes participate fully in the investment as if the Company had invested into equity (without any voting or related rights). The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

The Company only decides to invest into a specific VSO compartment or program, while the investment decisions in the VSO compartments are taken by the VSO board depending on the individual strategy of each VSO compartment. The allocations are done with the objective to participate in different investment strategies.

The proceeds from the issuance of notes by the VSO compartment 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 Company has no direct influence on the management and investment decision of VSO compartments themselves and the exit of the investments is dependent on the realization of the underlying assets. VSO compartments and underlying assets owned by VSO compartments are advised and managed by Stoneweg group entities.

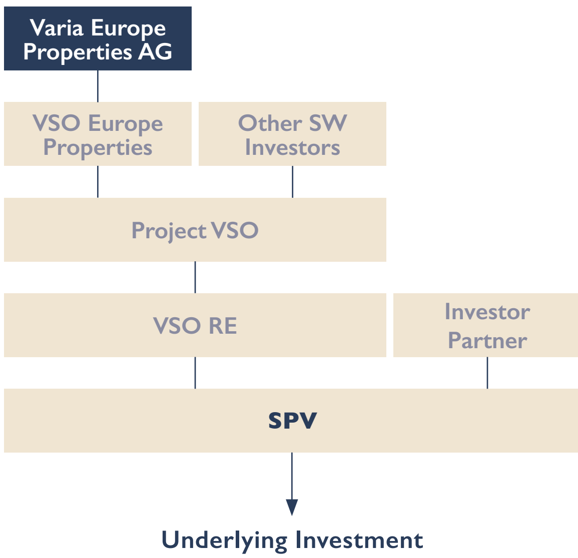
Example 1 – The following graphics depict a typical investment structures for real estate assets



For real estate assets, as an explanation of the above, the Company is a noteholder in an underlying project VSO compartment of Varia Structured Opportunities SA. The VSO compartment is the level where Stoneweg investors participate in pooling equity resources for a specific project or strategy. The VSO compartment holds tracking shares which have been issued by Varia Structured Opportunities Real Estate (VSO RE) a private limited liability company under the laws of the Grand Duchy of Luxembourg, in relation to that specific project.

At SPV level, as a tool for incentivizing local partners, the SPV will be jointly owned by VSO RE and an investor partner, helping to manage the risk / return profile of the local project.

Example 2 – Varia Europe Properties AG into VSO Europe Properties:

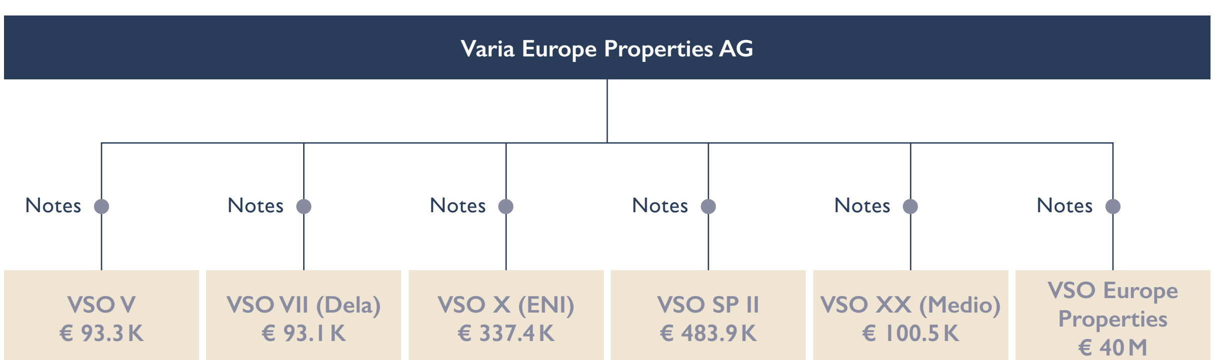


For operational ease, a dedicated VSO compartment, VSO Europe Properties, has been created from February 23, 2018, in which all future Company transactions will be held and processed. For Spanish related projects, VSO Europe Properties will typically become a noteholder of the relevant project level VSO.

Example 3 – VSO Europe Properties invested directly to VSO RE:

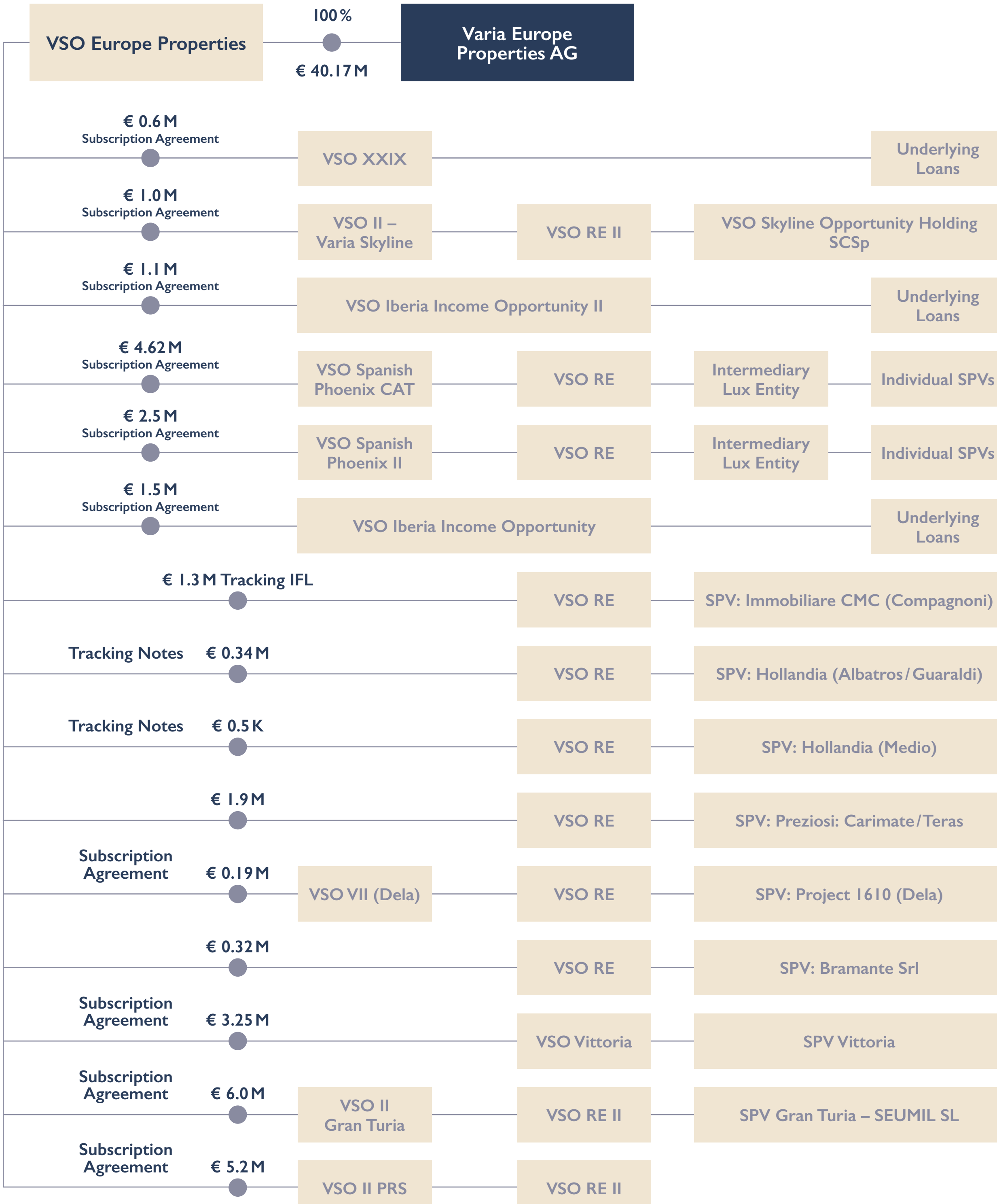
VSO Europe Properties can invest directly through VSO RE, rather than as a noteholder of another Project VSO. In this case the link is between VSO Europe Properties and VSO RE. This is typically the case for Italian projects.

As at 31 December 2019, the Company held the allocation* into VSO notes:



Allocated Capital at NAV 31.12.2019

As at 31 December 2019, VSO Europe Properties had allocated capital* in the following manner:



Allocated Capital at NAV 31.12.2019

COMPENSATION REPORT

The development and successes of Varia Europe Properties AG as a business are sustained through a systematic, transparent compensation system. This report provides an overview of the Company's compensation principles and practices designed to support business goals and to align the interests of the leadership team with those of the Company's shareholders.

OVERVIEW

Varia Europe Properties AG is a real estate holding company incorporated in Zug. The Company has a Board of Directors but no direct employees. The Company has retained Real Estate Investment Solutions AG ("REIS") as the Company's Strategic Advisor, while Stoneweg Asset Management SA ("Stoneweg") acts as the advisor within the investment structure and asset manager of the underlying investments. All operational tasks have been outsourced to these entities.

For this reason, the compensation report only relates to the compensation of the members of the Board of Directors.

Pursuant to article 4.4 of the Company's articles of association, the Board of Directors members receive a fixed remuneration that may be complemented by a variable component for executive members of the Board of Directors; reimbursement of expenses incurred on behalf of the Company may be paid to members, provided that they submit supporting documentation.

The Board of Directors determines on an annual basis and at its discretion the fixed remuneration to be paid to the individual members from the annual general meeting of shareholders to the following one. The remuneration is determined following the recommendations of the Compensation committee and within the limits of the total amount approved by the general meeting of shareholders.

During the meeting on April 30th, 2020, the Compensation committee and the Board of directors looked at the remuneration of Swiss listed and non-listed real estate companies of similar size and concluded that the remuneration is in line with market standards.

The Compensation committee also looked at the remuneration of the members of the Board of Directors and the persons the Board of Directors has entrusted with the executive management of the Company. This remuneration is determined on a discretionary basis within the amount approved by the Board of Director's meeting, taking into account the fact that delegates are also compensated and remunerated by Stoneweg and REIS for their activities, and that the remuneration paid by the Company is linked to their duties in Switzerland for the Company, including coordinating with Stoneweg's Swiss team members.

PURPOSE OF THE COMPENSATION REPORT

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

DECISION OF THE 2019 GENERAL ASSEMBLY

On June 28, 2019, the General Assembly of Varia Europe Properties AG took the following decisions:

1. It elected the following persons as Board members
   - Taner Alicehic, Chairman
   - Jaume Sabater Martos, member
   - Pierre Grégoire Baudin, member

2. It elected Jaume Sabater Martos as members of the Compensation committee for the term of office until the next ordinary general meeting.

3. It approved the following compensation package for the Board members according to article 3.7 of the Articles of Association:
   - Maximum amount of CHF 30,000 for the compensation of the members of the Board of Directors for the term of office until the next ordinary general meeting.
   - Maximum amount of CHF 5,000 for the compensation of the persons whom the Board of Directors has entrusted with the executive management of the Company for the compensation period until the next ordinary general meeting.

In its circular resolution of the Board of directors dated November 28, 2019, the Board of directors confirmed the following decisions:

1. Constitution of the Risk and Audit Committee and election of:
   - Pierre Grégoire Baudin, Chairman of the committee and sole member
2. Are members of the Compensation committee::
   - Jaume Sabater Martos, Chairman of the committee and sole member

Compensation Paid in the financial year 2018 and 2019

The members of the Board of directors were eligible for a total compensation during the financial year 2019 amounting to CHF 30,000 and, in addition, CHF 5,000 for the executive member.

The Board of Directors is considered as key management. In the year under consideration, no expenses were paid nor accrued. The accrued fees for the year 2018 of CHF 20,000 were not paid and reversed to the 2019 profit and loss statement.

Full Board Compensation Disclosure

No cash compensation was paid to Board members in the year 2019.

At this stage of the Company's development, it is not intended to have any payment in kind or performance-related compensation. Therefore, none of the Board members received any compensation in shares or other stocks and there was no performance related compensation for the Board members.

There was no additional compensation to the Board members for their role as board member or for additional work, except for Board members paid by REIS that are involved in the asset management duties of this company.

During the reporting year ended December 31, 2019, Real Estate Investment Solutions AG (REIS) and Stoneweg Asset Management SA, have charged the Company approximately CHF 595,000 and CHF 298,000 respectively in placement and capital increase fees that have been accounted for as transaction costs against the share premium proceeds.

In 2018, Real Estate Investment Solutions AG (REIS) charged the Company approximately CHF 305,000 in placement and capital increase fees that were accounted for as transaction costs against the share premium proceeds. An amount of CHF 93,000 was additionally accrued for the capital increase of November 2018 and accounted against the share premium proceeds. In 2018, VSO Europe Properties paid on behalf of Varia an amount of CHF 51,356 which were reimbursed.

Stoneweg has not received any other direct remuneration from Varia for its work during the years 2019 and 2018. This decision has been taken due to the fact that Stoneweg is indirectly remunerated from its work as advisor of the VSO compartments and asset manager of the local entities holding the real estate assets.

No loans or credit facilities were granted to members of the Board of Directors, executive member of the board of directors or related parties in the 2019 financial year, and there were no such receivables outstanding as at December 31, 2019.

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

Report of the statutory auditor

to the General Meeting of Varia Europe Properties AG

Zug

We have audited the accompanying remuneration report of Varia Europe Properties AG for the year ended 31 December 2019.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the remuneration report of Varia Europe Properties AG for the year ended 31 December 2019 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers SA

Jean-Sébastien Lassonde	Anthony Estevez
Audit expert Auditor in charge	

Genève, 23 June 2020

Enclosure:

- Remuneration report

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SWISS GAAP FER FINANCIAL STATEMENTS

December 31, 2019

Varia Europe Properties AG, Zug

BALANCE SHEET AS OF DECEMBER 31, 2019

ASSETS	Notes	December 31, 2019 in EUR	December 31, 2018 in EUR
Cash and cash equivalents		1,253,533	402,975
Prepaid expenses		10,693	1,593
Current assets		**1,264,226**	**404,568**
Investments at fair value	2.1	41,282,663	17,124,365
Deferred tax assets	2.3	82,663	–
Non-current assets		**41,365,327**	**17,124,365**
	Total assets	**42,629,553**	**17,528,933**

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	December 31, 2019 in EUR	December 31, 2018 in EUR
Trade accounts payable to third parties		102,960	45,690
Accrued expenses	2.2	106,442	334,858
Accrued taxes	2.3	34,347	13,550
Current liabilities		**243,749**	**394,098**
Deferred tax liabilities	2.3	–	83,592
Non-current liabilities		**–**	**83,592**
Total liabilities		**243,749**	**477,690**
Share capital	2.4	**512,433**	**10,478,078**
Reserves from capital contributions	2.4	40,680,454	5,940,352
Legal capital reserves		**40,680,454**	**5,940,352**
Retained earnings (deficit) brought forward		632,812	–145,844
Net profit for the year		560,104	778,657
Voluntary retained earnings		**1,192,917**	**632,813**
Total shareholders' equity		**42,385,804**	**17,051,243**
	Total liabilities and shareholders' equity	**42,629,553**	**17,528,933**

The notes on pages 44–53 form an integral part of these financial statements.

Varia Europe Properties AG, Zug

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

	Notes	For the year ended December 31, 2019 in EUR	For the year ended December 31, 2018 in EUR
Gain on redemption of notes	2.1	121,076	47,980
Gain on investments fair value adjustment	2.1	656,700	986,253
Loss on investments fair value adjustment	2.1	–19,346	–2,961
Revenues		**758,430**	**1,031,272**
Directors' fees and social charges	2.8	–	–17,748
Communications, publicity and marketing		–15,597	–12,379
Membership fees		–730	–650
Accounting and administration expenses		–95,036	–55,152
Legal and other consulting fees		–51,617	–48,739
Audit fees		–51,588	–66,068
Insurances		–6,067	–133
Share capital reduction expenses		–93,823	–
Other operating expenses		–166	–1,350
Direct taxes on capital	2.3	–28,820	–12,183
Operating expenses		**–343,445**	**–214,402**
Operating profit before financial results, prior year income and income taxes		**414,985**	**816,870**
Financial income	2.6	24,627	72,665
Financial expenses	2.6	–63,511	–27,287
Prior year income	2.8	17,748	–
Profit before income taxes		**393,849**	**862,248**
Deferred income tax benefit (expense)	2.3	166,256	–83,592
Net profit for the year		**560,104**	**778,657**
Earnings per share (EPS): Basic and diluted earnings, per share	2.5	**0.0435**	**0.0769**

The notes on pages 44–53 form an integral part of these financial statements.

Varia Europe Properties AG, Zug

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

	Notes	For the year ended December 31, 2019 in EUR	For the year ended December 31, 2018 in EUR
Operating activities			
Net profit for the year		560,104	778,657
Gain on redemption of notes	2.1	–121,076	–47,980
Gain on investments fair value adjustment	2.1	–656,700	–986,253
Loss on investments fair value adjustment	2.1	19,346	2,961
Change in prepaid expenses		–9,100	–1,593
Change in trade accounts payable to third parties		57,272	45,690
Change in accrued expenses	2.2	–228,416	287,058
Change in accrued taxes	2.3	20,795	12,183
Change in deferred taxes	2.3	–166,255	83,592
Cash flow from operating activities		**–524,030**	**174,314**
Investing activities			
Investment notes acquisition	2.1	–24,999,945	–14,714,168
Investment notes redemption	2.1	1,600,076	479,149
Cash flow from investing activities		**–23,399,869**	**–14,235,019**
Financing activities			
Proceeds from ordinary share capital increase	2.4	26,128,737	14,403,603
Dividend distributions from reserves from capital contributions	2.4	–1,354,280	0
Cash flow from financing activities		**24,774,457**	**14,403,603**
Change in cash and cash equivalents for the year		**850,558**	**342,898**
Cash at the beginning of year		402,975	60,077
Cash and cash equivalents at the end of the year		1,253,533	402,975
Change in cash and cash equivalents for the year		**850,558**	**342,898**

The notes on pages 44–53 form an integral part of these financial statements.

Varia Europe Properties AG, Zug

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 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 period 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		–	–	778,657	**778,657**
Balance at December 31, 2018	2.4	**10,478,078**	**5,940,352**	**632,813**	**17,051,243**
Dividend distribution of CHF 0.08 per share on June 28, 2019 from reserves from capital contributions	2.4	–	–833,403	–	**–833,403**
Reduction of the nominal value from CHF 1.00 to CHF 0.02 on October 7, 2019	2.4	–10,268,516	10,268,516	–	**–**
Extraordinary dividend distribution of CHF 0.05 per share on October 7, 2019 from reserves from capital contributions	2.4	–	–520,877	–	**–520,877**
Ordinary share capital increase on December 12, 2019	2.4	302,871	25,825,866	–	**26,128,737**
Net profit for the year		–	–	560,104	**560,104**
Balance at December 31, 2019	2.4	**512,433**	**40,680,454**	**1,192,917**	**42,385,805**

The notes on pages 44–53 form an integral part of these financial statements.

Varia Europe Properties AG, Zug

RECONCILIATION OF THE EQUITY CONVERSION FROM CHF IN EUR AT DECEMBER 31, 2018 (NOTE 1.2)

	Notes	**Share capital** in CHF	**Reserves from capital contributions** in CHF	**Voluntary retained earnings** in CHF	**Total equity** in CHF
Incorporation share capital		200,000	–	–	**200,000**
Ordinary share capital increase on June 28, 2017		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		**1,533,336**	**653,234**	**513**	**2,187,083**
Ordinary share capital increase on January 29, 2018		9,240,909	5,550,284	–	**14,791,193**
Ordinary share capital increase on November 30, 2018		1,207,700	628,904	–	**1,836,604**
Net profit for the year		–	–	400,164	**400,164**
Balance at December 31, 2018		**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 (Closing rate as at 31.12.2018)		**10,632,661** (1.1269)	**6,063,025** (1.1269)	**355,556** (1.1269)	**17,051,242** (1.1269)
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	–
Balance at December, 31 2018 in EUR (above)		**10,478,078**	**5,940,352**	**632,812**	**17,051,242**

The notes on pages 44–53 form an integral part of these financial statements.

Varia Europe Properties AG, Zug

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

(prepared in accordance with Swiss GAAP FER)

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. The Company is listed on the BX Bern eXchange in 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 by 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 are taken by the Board of directors depending on the individual investment and strategies with the objective to participate in Spain and Italy, with 4 different investments' main 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 commercial real estate 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 Asset Management 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 on 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, valuations, and management of the activities. The statutory financial statements for the year ended December 31, 2019 were approved by the Board of directors on June 18, 2020. The statutory financial statements for the year ended December 31, 2018 were approved by the Annual General Meeting of Shareholders on June 28, 2019.

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 Swiss GAAP FER financial statements 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 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. The gains and losses on investments fair value adjustment are recognized in the profit and loss statement.

Each VSO programme has a different strategy and therefore the fair value of the investments held by 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 by the notes' holders, 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 by decisions of the VSO boards, 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 the 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. For the translation of CHF into EUR, the closing rate applied at the end of the year is 1.0854 (31.12.2018 : 1.1269). Other non-monetary assets as well as equity items are presented at their historical exchange rates.

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

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

1.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Interest income 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 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 December 31, 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.

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 in the respective VSO compartment.

As at December 31, 2019, the Company owned notes of different compartments as per the below table:

Compartments	Fair 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 31.12.2019 in EUR	Fair value 31.12.2019 in EUR
VSO V	225,895	–142,010	18,010	–	–8,594	93,300
VSO VII	184,338	–121,896	37,896	–	–7,219	93,119
VSO X	282,258	–	–	–	55,140	337,398
VSO Spanish Phoenix II	487,485	–	–	–	–3,533	483,952
VSO XX	98,239	–	–	–	2,295	100,534
VSO Europe Properties	15,846,150	–1,336,170	65,170	24,999,945	599,265	40,174,360
Total	**17,124,365**	**–1,600,076**	**121,076**	**24,999,945**	**637,354**	**41,282,663**

As at December 31, 2018, the Company owned notes of different compartments as per the below 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	21,040	–	14,614	225,895
VSO VII	312,299	–125,000	–	–	–2,961	184,338
VSO X	272,423	–	–	–	9,835	282,258
VSO XI	280,070	–430,940	26,940	16,000	107,930	–
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**	**–780,980**	**47,980**	**15,016,000**	**983,292**	**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 around 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 (31.12.19)	Percentage held by Varia of total outstanding notes value (31.12.19)
VSO V	Luxembourg	Spain	Bridge Loans	65	3.2%
VSO VII	Luxembourg	Italy	Non Performing Loans	49	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	36,560	100.0%

For operational ease, all new investments since February 23, 2018 are 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 other VSO compartments, or through VSO RE, a holding company regrouping the ownership rights in the underlying SPV's on behalf of VSO compartments. At the end of the year, VSO Europe Properties is a noteholder in the following underlying VSO compartments:

Underlying compartments	Domicile	Country of investments	Strategy	Percentage held by VSO Europe Properties of total outstanding notes value (31.12.2019)
VSO RE: SPV Niccolini	Luxembourg	Italy	Development	3.9 %
VSO VII	Luxembourg	Italy	Non Performing Loans	6.7 %
VSO XXIX	Luxembourg	Italy	Bridge Loans	9.1 %
VSO RE: SPV Preziosi / Carimate / Teras	Luxembourg	Italy	Income assets	25.0 %
VSO RE: SPV Medio Securitization Notes	Luxembourg	Italy	Non Performing Loans	9.4 %
VSO RE: SPV Boulevard / Guaraldi	Luxembourg	Italy	Non Performing Loans	6.2 %
VSO RE: SPV Compagnoni	Luxembourg	Italy	Development	18.1 %
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	8.2 %
VSO Spanish Phoenix CAT	Luxembourg	Spain	Development	17.9 %
VSO II Skyline	Luxembourg	Spain	Development	5.9 %
VSO RE: Vittoria	Luxembourg	Italy	Added Value	17.9 %
VSO PRS	Luxembourg	Spain	Development	100.0 %
VSO Gran Turia	Luxembourg	Spain	Added Value	100.0 %

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

Compartments	Domicile	Country of investments	Strategy	Number of Notes held by Varia (31.12.18)	Percentage held by Varia of total outstanding notes value (31.12.18)
VSO V	Luxembourg	Spain	Bridge Loans	189	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	15,000	100.0 %

At December 31, 2018, VSO Europe Properties was a noteholder in the following underlying VSO compartments:

Underlying 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

	31.12.2019 in EUR	31.12.2018 in EUR
Audit fees	46,066	35,496
Accounting fees	42,009	23,960
Share capital increase expenses	–	252,362
Other expenses	18,367	23,041
Total	**106,442**	**334,858**

2.3 Accrued taxes

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

	31.12.2019 in EUR	31.12.2018 in EUR
Accrued taxes		
Capital tax provision	**34,347**	**13,550**
Deferred taxes		
Deferred tax assets	278,537	31,946
Deferred tax liabilities	–195,873	–115,538
Net tax assets and liabilities	**82,663**	**–83,592**
Deferred tax assets	**82,663**	**0**
Deferred tax liabilities	**0**	**–83,592**

As at December 31, 2019, the deferred tax provision consisted of deferred tax liabilities for an amount of EUR 195,873 (31.12.2018 - EUR 115,538) related to the fair value adjustments of the investments and of deferred tax assets for an amount of EUR 278,537 (31.12.2018 - EUR 31,946) related to the unused deductible loss.

Deferred tax assets and liabilities were calculated with the tax rate of 12 % applicable from January 1, 2020 following the enactement of the TRAF (note 3.3).

2.4 Share capital
Reserves from capital contributions

The share capital at December 31, 2019 is divided in 28,512,619 ordinary registered shares of a par value of CHF 0.02 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 of CHF 0.08 per share from the reserves from capital contributions on June 28, 2019	–	–	–833,403
Reduction of the share capital by diminution of the nominal value per share from CHF 1.00 to CHF 0.02 on October 7, 2019. Capital contribution of the proceed from the reduction of capital to the Reserves from capital contributions.	–	–10,268,516	10,268,516
Extraordinary dividend distribution of CHF 0.05 on October 7, 2019 from reserves from capital contributions	–	–	–520,877
Ordinary share capital increase on December 12, 2019	16,530,674	302,871	25,825,866
Balance as of December 31, 2019	**28,512,619**	**512,433**	**40,680,454**

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.

In 2018 and 2019, the Company made three subsequent capital increases on January 29, 2018, on November 30, 2018 and on December 12, 2019 raising net proceeds and premium of respectively EUR 12,781,220, EUR 1,622,383 and EUR 26,128,737.

For these capital increases, the related transaction costs – amounting to respectively EUR 395,962 and EUR 277,582 in 2018 and to EUR 967,615 in 2019 – were deducted from the share premium recorded in the Reserves from capital contributions in accordance with the Swiss code of obligations. The costs related to the reduction of capital on October 7, 2019 were recognized in the profit and loss statement for a total of EUR 93,823.

On June 28, 2019 the Annual General Meeting of Shareholders of Varia approved a distribution of CHF 0.08 per share from the reserves from capital contributions for a total amount of CHF 958,556 (EUR 833,403).

On October 7, 2019, the Extraordinary Shareholders' meeting of Varia approved the reduction of the nominal value of the shares from CHF 1.00 to CHF 0.02 and a distribution from reserves from capital contributions of CHF 0.05 per share for a total amount of CHF 599,097 (EUR 520,877) . The reduction of the nominal value of CHF 11,742,306 (EUR 10,268,516) was contributed to the Reserves from capital contributions.

As of December 31, 2018, the net asset value of Varia based on shareholders' equity was EUR 17,051,242 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 per share. As of December 31, 2019 the net asset value of Varia based on shareholders' equity was EUR 42,385,804 while the net asset value per share, based on the existing number of shares at that date (28,512,619) amounted to EUR 1.49 per share.

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

On September 3, 2019, the Swiss federal tax authorities confirmed their agreement for the capital contributions as of December 31, 2018 for a maximum amount of CHF 6,831,502 (EUR 6,056,127) in the sense of article 20 paragraph 3 of the Federal Income Tax Act. The 2019 increases in the reserves from capital contributions have not been approved yet.

2.5 Earnings per share (EPS)

	31.12.2019 in EUR	31.12.2018 in EUR
Net profit of the year	560,104	778,657
Average of ordinary shares outstanding	12,887,735	10,130,480
Basic earnings per share	**0.0435**	**0.0769**
Diluted earnings per share	**0.0435**	**0.0769**

There is no dilutive effect on shares at December 31, 2019 (31.12.2018 – nil).

2.6 Financial result

	31.12.2019 in EUR	31.12.2018 in EUR
Financial income		
Foreign currency exchange gains	24,627	72,665
Total	**24,627**	**72,665**
Financial expenses		
Bank interests	–	1,038
Bank fees	–	194
Foreign currency exchange losses	63,511	26,055
Total	**63,511**	**27,287**

2.7 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 and risk profile within the real estate asset class. 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.

2.8 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 Asset Management SA, Geneva (Switzerland) and its subsidiaries.

Board of Directors

The Board of Directors is considered as key management. In the year under consideration, no expenses were paid nor accrued. The accrued fees for the year 2018 of EUR 17,748 (CHF 20,000) were not paid and reversed in the 2019 profit and loss statement.

No other compensation was paid 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 members of the Board or related parties during the year and there were no such receivables outstanding as at December 31, 2019.

Transactions of Varia with Stoneweg Asset Management SA, its subsidiaries and Real Estate Investment Solutions AG

During the year, the activities of Varia were administered and managed by Stoneweg Asset Management SA and its subsidiaries ("Stoneweg"), which is also acting as advisor to Varia Structured Opportunities SA (VSO). Stoneweg has not received any direct regular remuneration from Varia for its work during the years 2019 and 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 assets.

Nevertheless, Stoneweg Asset Management SA and Real Estate Investment Solutions AG (REIS) have charged the Company in 2019 with placement and capital increase fees for approximately EUR 271,800 and EUR 543,700, respectively, that were accounted for as transaction costs and deducted from the share premium proceeds recorded in the Reserves from capital contributions.

In 2018, Real Estate Investment Solutions AG (REIS) charged the Company approximately CHF 305,000 (EUR 265,000) in placement and capital increase fees that were accounted for as transaction costs against the share premium proceeds. An amount of CHF 93,000 (EUR 82,527) was additionally accrued for the capital increase of November 2018 and accounted against the share premium proceeds. In 2018, VSO Europe Properties paid on behalf of Varia an amount of CHF 51,356 (EUR 44,661) to cover transactions costs which was reimbursed.

During the reporting year, ended December 31, 2018, Real Estate Investment Solutions AG (REIS) has charged the Company approximately CHF 305,000 in placement and capital increase fees that have been accounted for as transaction costs against the share premium proceeds. An amount of CHF 93,000 was additionally accrued for the capital increase of November 2018 and also accounted against the share premium proceeds.

During the year VSO Europe Properties paid on behalf of Varia an amount of CHF 51,356 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 31.12.2019	Shares 31.12.2018
Taner Alicehic	Chairman	215,667	166,667
Jaume Sabater Martos	Member	306,667	166,667
Pierre Grégoire Baudin	Member	219,697	219,697
	Total	**742,031**	**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 December 31, 2019 and has never employed any staff.

3.2 Contingent liabilities and tax uncertainties

As of December 31, 2019, the Company had no contingencies and other off-balance sheet transactions that would have to be disclosed herein.

The Swiss tax authorities in Zug have still not taxed definitively the company for the years from the first period of 2017/2018 but have requested additional information and documents in 2019 and 2020. Uncertainties exist with respect to the interpretation of certain tax regulations. The final output of these on-going procedures may result in differences arising between the actual results and the assumptions made, that could necessitate future adjustments to tax income and expenses already recorded. On basis of actual information, the Company estimate that the output of the final taxations would mostly be in favour of Varia Europe Properties AG and, accordingly, has not recognized any specific tax provision at year-end 2019 for possible negative consequences.

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

3.3 Significant events occurring after the balance sheet date

Following the enactment on January 1, 2020 of the new Swiss Federal Act on Tax Reform and AHV Financing ("TRAF"), any preferential tax status is no longer granted to companies. Taxable profits are subject from January 1, 2020 to an effective corporate income tax of approximately 12%, including the direct federal tax.

On March 11, 2020, the World Health Organization declared the Coronavirus (COVID–19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 200 countries now affected. Many federal and state governments are taking increasingly stringent steps to help contain, and in many jurisdictions, now delay, the spread of the virus. Currently, there is a significant increase in economic uncertainty for the short-term and long term as events are changing daily. For the Company's December 31, 2019 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Company cannot reasonably estimate the impact these events will have on the Company's financial position, results of operations or cash flows in the future.

Since the balance sheet date as of December 31, 2019, there have been no other further events that would have a material impact on the financial statements and related disclosure.

STATUTORY AUDITOR'S REPORT
TO THE GENERAL MEETING OF VARIA EUROPE PROPERTIES AG, ZUG
REPORT ON THE AUDIT OF THE SWISS GAAP FER FINANCIAL STATEMENTS

Report of the statutory auditor

to the General Meeting of Varia Europe Properties AG

Zug

Report on the audit of the (Swiss GAAP FER) financial statements

Opinion

We have audited the financial statements of Varia Europe Properties AG (the entity), which comprise the balance sheet as at 31 December 2019 and the profit and loss statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 39 to 53) give a true and fair view of the financial position of the entity as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with Swiss GAAP FER.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

In accordance with art. 12.7 of the BX Swiss AG's listing rules we draw attention to note 1.4 and 2.1 of the financial statements. As indicated in note 1.4 the financial statements include unquoted investments at their fair value of EUR 41.3 million. Because of the inherent uncertainty associated with the valuation of such investments and the absence of a liquid market, these fair values may differ from their realizable values, and the difference could be material.

The determination of the fair values of these investments is the responsibility of the Board of Directors. The valuation procedures used are disclosed in note 1.4 of the financial statements. We have reviewed the procedures applied by the Board of Directors in valuing such investments and the underlying documentation. While in the circumstances the procedures appear to be reasonable and the documentation appropriate, the determination of fair values involves subjective judgment. Our opinion is not modified in respect of this matter.

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Our audit approach

Overview

Overall materiality: EUR 426'000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

Valuation of investments

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	EUR 426'000
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is the benchmark against which the performance of a real estate investment company that does not engage in operating activities is most commonly measured.

We agreed with the Board of Directors that we would report to them misstatements above EUR 42'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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

Valuation of investments

Key audit matter	How our audit addressed the key audit matter
The purpose of the entity is to participate in real estate investments in Europe (other than in Switzerland), through investments in compartments of Varia Structured Opportunities SA ("VSO"). VSO is a public limited company incorporated under the laws of the Grand Duchy of Luxembourg, organized as a securitization company. The investments are done through subscription of notes, which are issued by the relevant compartments. As a noteholder, the entity is invested in debt instruments and participates in the underlying assets' returns through variable yields. The investments in VSO compartments represent EUR 41.3 million of the total assets of EUR 42.6 million. We consider the valuation of investments in VSO a key audit matter due to the magnitude of the line item. Refer to note 2.1 (Investments).	The audit procedures we performed in order to evaluate the valuation of investments included, amongst others, the following: - We obtained an independent confirmation of the number of notes held and the net asset value for each of the underlying VSO compartments as at 31 December 2019. We agreed the confirmation details to the accounting records used for the valuation of each investment. - For material investments in VSO compartments, we obtained an ISA 805 audit report from Deloitte Luxembourg, auditors of VSO. We reconciled the net asset value as per the ISA 805 report to the net asset value used to value the VSO compartments held by Varia Europe Properties AG as at 31 December 2019. For the other compartments, we obtained an independent confirmation from the VSO's administrator and reconciled the net asset value as per the independent confirmation to the net asset value used to value these VSO compartments held by Varia Europe Properties AG as at 31 December 2019. - We read the independent auditors' reports included within the ISA 805 report to ensure there were no modifications to the report. Based on our audit procedures, we consider Management's accounting, presentation and disclosure of VSO compartments to be reasonable.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers SA

Jean-Sébastien Lassonde

Audit expert
Auditor in charge

Anthony Estevez

Genève, 23 June 2020

Enclosure:

- Financial statements (balance sheet, profit and loss statement, statement of changes in equity, cash flow statement and notes)

SWISS CO FINANCIAL STATEMENTS

December 31, 2019

Varia Europe Properties AG, Zug

BALANCE SHEET AS OF DECEMBER 31, 2019

ASSETS	Notes	December 31, 2019 in CHF	December 31, 2018 in CHF
Cash and cash equivalents		1,360,584	454,112
Prepaid expenses		11,606	1,795
Current Assets		**1,372,190**	**455,907**
Investments	2.1	44,231,130	18,498,737
Non-Current Assets		**44,231,130**	**18,498,737**
Total Assets		**45,603,320**	**18,954,644**

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	December 31, 2019 in CHF	December 31, 2018 in CHF
Trade accounts payable to third parties		111,753	51,488
Accrued expenses	2.2	115,532	377,351
Accrued taxes	2.3	37,583	15,270
Current liabilities		**264,868**	**444,109**
Total liabilities		**264,868**	**444,109**
Share capital	2.4	**570,252**	**11,981,945**
Reserves from capital contributions	2.4	45,382,573	6,832,422
Legal capital reserves		**45,382,573**	**6,832,422**
Retained earnings brought forward		–303,832	–45,994
Net loss for the year		–310,541	–257,838
Accumulated deficit		**–614,373**	**–303,832**
Total shareholders' equity		**45,338,452**	**18,510,535**
Total Liabilities and Shareholders' equity		**45,603,320**	**18,954,644**

The notes on pages 61–70 form an integral part of these financial statements.

Varia Europe Properties AG, Zug

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

	Notes	For the year ended December 31, 2019 in CHF	For the year ended December 31, 2018 in CHF
Gain on redemption of notes		136,160	54,946
Loss on redemption of notes		–62,673	–14,149
Impairment on investments	2.1	–25,652	–8,198
Revenues		**47,835**	**32,599**
Directors' fees	2.6	–	–20,000
Communications, publicity and marketing		–17,413	–14,307
Membership fees		–818	–754
Accounting and administration expenses		–104,021	–62,292
Legal and other consulting fees		–57,387	–33,841
Audit fees		–55,912	–74,239
Share capital reduction expenses	2.4	–102,694	–
Insurances		–6,870	–150
Other operating expenses		–184	–1,566
Direct taxes on capital	2.3	–31,409	–13,670
Operating expenses		**–376,708**	**–220,819**
Operating loss before financial and extraordinary result		**–328,873**	**–188,220**
Financial income	2.5	5,006	1,798
Financial expenses	2.5	–6,674	–50,230
Extraordinary expenses related to prior years		–	–21,186
Extraordinary income related to prior years	2.6	20,000	–
Net loss for the year		**–310,541**	**–257,838**

The notes on pages 61–70 form an integral part of these financial statements.

Varia Europe Properties AG, Zug

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 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. The Company is listed on the BX Bern eXchange in 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 by 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 are taken by the Board of Directors depending on the individual investment and strategies with the objective to participate in Spain and Italy, with 4 different investments' main 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 commercial real estate 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 Asset Management group entities.

1.2 General aspects

These financial statements were prepared in accordance with the Swiss accounting legislation (32nd title of the Code of Obligations). The balance sheet figures as of December 31, 2019 are compared with the figures as of December 31, 2018 when the profit and loss statement figures for the year 2019 are compared with these for the year 2018.

The Board of Directors of the Company is ultimately responsible for the policies, valuations, and management of the activities. The statutory financial statements for the year ended December 31, 2019 were approved by the Board of Directors on June 18, 2020. The statutory financial statements of Varia Europe Properties AG for the period ending December 31, 2018 were approved by the Ordinary General Meeting of the Shareholders on June 28, 2019.

The financial statements are presented in Swiss francs (CHF) and all values are rounded to the nearest CHF.

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

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.

1.4 Investments

At the balance sheet date, the investments are valued at the lower of the historical cost or net realisable value if permanently impaired.

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

1.5 Foreign currency items

T"The Company prepares and presents its statutory financial statements in Swiss franc (CHF) in accordance with the article 958d alinea 3 of the Swiss Code of Obligations.

Short-term monetary assets and liabilities in foreign currencies are converted at the exchange rate on the balance sheet date. For the translation of EUR into CHF, the closing rate applied at the end of the year is 1.0854 (31.12.2018 : 1.1269), except for the investments valued at their acquisition's historical exchange rate.

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

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

1.6 Revenue recognition

RRevenue is measured at the fair value of the consideration received or receivable. Interest income 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

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

Current income tax liabilities and assets for the 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.

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.

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 in the respective VSO compartment.

As at December 31, 2019, the Company owned notes of different compartments as per the below table:

Compartments	Acquisition value as of 31.12.2018 in CHF	Redemption at acquisition value for the year in CHF	Acquisition / reinvestment of the year in CHF	Impairment as of 31.12.19 in CHF	31.12.19 in CHF
VSO V	217,236	–142,526	–	–	74,711
VSO VII	152,870	–96,550	–	–	56,321
VSO X	263,788	–	–	–	263,788
VSO Spanish Phoenix II	555,239	–	–	–29,957	525,282
VSO XX	113,011	–	–	–3,892	109,119
VSO Europe Properties	17,204,790	–1,457,820	27,454,940	–	43,201,910
Total at acquisition costs	**18,506,935**	**–1,696,895**	**27,454,940**	**–33,849**	**44,231,130**

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

Compartments	Acquisition value as of 31.12.2017 in CHF	Redemption at acquisition value for the year in CHF	Acquisition / reinvestment of the year in CHF	Impairment as of 31.12.2018 in CHF	31.12.2018 in CHF
VSO V	405,738	–188,502	–	–	217,237
VSO VII	296,545	–143,675	–	–	152,870
VSO X	263,789	–	–	–	263,788
VSO XI	446,401	–464,814	18,413	–	–
VSO Spanish Phoenix II	555,239	–	–	–5,892	549,347
VSO XX	160,099	–47,088	–	–2,306	110,705
VSO Europe Properties	–	–	17,204,790	–	17,204,790
Total at acquisition costs	**2,127,810**	**–844,078**	**17,223,203**	**–8,198**	**18,498,737**

Reinvestments are redemptions of notes that have been immediately reinvested into others compartments without cash transactions.

As of December 31, 2019, the net asset value of Varia in the VSO compartments amounted to EUR 41.28 million (31.12.2018: EUR 17.12 million) or CHF 44.81 million (31.12.2018: CHF 19.29 million) at EUR/CHF closing exchange rate, presenting therefore a total value in excess of CHF 0.58 million (31.12.2018 : CHF 0.79 million) over the investments acquisition value of CHF 44.23 million (2018: CHF 18.5 million).

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 (31.12.2019)	Percentage held by Varia of total outstanding notes value (31.12.2019)
VSO V	Luxembourg	Spain	Bridge Loans	65	3.2%
VSO VII	Luxembourg	Italy	Non Performing Loans	49	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	36,560	100.0%

For operational ease, all new investments since February 23, 2018 were 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 other VSO compartments, or through VSO RE, a holding company regrouping the ownership rights in the underlying SPV's on behalf of VSO compartments. At the end of the year, VSO Europe Properties is a noteholder in the following underlying VSO compartments:

Underlying compartments	Domicile	Country of investments	Strategy	Percentage held by VSO Europe Properties of total outstanding notes value (31.12.2019)
VSO RE: SPV Niccolini	Luxembourg	Italy	Development	3.9%
VSO VII	Luxembourg	Italy	Non Performing Loans	6.7%
VSO XXIX	Luxembourg	Italy	Bridge Loans	9.1%
VSO RE: SPV Preziosi/Carimate/Teras	Luxembourg	Italy	Income assets	25.0%
VSO RE: SPV Medio Securitization Notes	Luxembourg	Italy	Non Performing Loans	9.4%
VSO RE: SPV Boulevard/Guaraldi	Luxembourg	Italy	Non Performing Loans	6.2%
VSO RE: SPV Compagnoni	Luxembourg	Italy	Development	18.1%
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	8.2%
VSO Spanish Phoenix CAT	Luxembourg	Spain	Development	17.9%
VSO II Skyline	Luxembourg	Spain	Development	5.9%
VSO RE: Vittoria	Luxembourg	Italy	Added Value	17.9%
VSO PRS	Luxembourg	Spain	Development	100.0%
VSO Gran Turia	Luxembourg	Spain	Added Value	100.0%

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

Compartments	Domicile	Country of investments	Strategy	Number of Notes held by Varia (31.12.2018)	Percentage held by Varia of total outstanding notes value (31.12.2018)
VSO V	Luxembourg	Spain	Bridge Loans	189	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	15,000	100.0%

At December 31, 2018, VSO Europe Properties was a noteholder in the following underlying VSO compartments:

Underlying 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

	31.12.2019 in CHF	**31.12.2018** in CHF
Audit fees	50,000	40,000
Accounting fees	45,597	27,000
Capital increase expenses	–	284,387
Other expenses	19,935	25,964
Total	**115,532**	**377,351**

The capital increase expenses are accounted in deduction of the reserves from capital contribution.

2.3 Accrued taxes

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

	31.12.2019 in CHF	**31.12.2018** in CHF
Balance at the beginning of the year/period	**15,270**	**1,600**
Capital tax payments	–9,096	–
Capital tax provision	31,409	13,670
Balance at the end of the year/period	**37,583**	**15,270**

The effective income tax rates in 2018 and 2019 is 14.60% in the canton of Zug.

2.4 Share capital
Reserves from capital contributions

The share capital at December 31, 2019 is divided in 28,512,619 ordinary registered shares of a par value of CHF 0.02 each, fully paid.

	Number of shares	**Share capital** in CHF	**Reserves from capital contributions** in CHF
Share capital at date of incorporation	200,000	200,000	–
Ordinary share capital increase on June 28, 2017	1,333,336	1,333,336	653,234
Balance as of December 31, 2017	**1,533,336**	**1,533,336**	**653,234**
Ordinary share capital increase on January 29, 2018	9,240,909	9,240,909	5,550,284
Ordinary share capital increase on November 30, 2018	1,207,700	1,207,700	628,904
Balance as of December 31, 2018	**11,981,945**	**11,981,945**	**6,832,422**
Dividend distribution of CHF 0.08 per share from the reserves from capital contributions on June 28, 2019	–	–	–958,556
Reduction of the share capital by diminution of the nominal value per share from CHF 1.00 to CHF 0.02 on October 7, 2019. Capital contribution of the proceed from the reduction of capital to the Reserves from capital contributions.	–	–11,742,306	11,742,306
Extraordinary dividend distribution of CHF 0.05 on October 7, 2019 from reserves from capital contributions	–	–	–599,097
Ordinary share capital increase on December 12, 2019	16,530,674	330,613	28,365,498
Balance as of December 31, 2018	**28,512,619**	**570,252**	**45,382,573**

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

In 2018 and 2019, the Company made three capital increases on January 29, 2018, on November 30, 2018 and on December 12, 2019 raising net proceeds and premium of respectively CHF 14,791,193, CHF 1,836,604 and CHF 28,696,111.

For these capital increases, the related transaction costs amounting to respectively CHF 456,307, CHF 313,102 and CHF 1,059,102 were deducted from the share premium recorded in the Reserves from capital contributions in accordance with the Swiss code of obligations. The costs related to the reduction of capital on October 7, 2019 were recognized in the profit and loss statement for a total of CHF 102,694.

On June 28, 2019 the Annual General Meeting of Shareholders of Varia approved a distribution of CHF 0.08 per share from the reserves from capital contributions for a total amount of CHF 958,566.

On October 7, 2019, the Extraordinary Shareholders' meeting of Varia approved the reduction of the nominal value of the shares from CHF 1,00 to CHF 0,02 and a distribution from reserves from capital contributions of CHF 0.05 per share for a total amount of CHF 599,097. The reduction of the nominal value of CHF 11,742,306 was contributed to the Reserves from capital contributions.

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

On September 3, 2019, the Swiss federal tax authorities confirmed their agreement for the reserves from capital contributions as of December 31, 2018 for a maximum amount of CHF 6,831,502 in the sense of article 20 paragraph 3 of the Federal Income Tax Act. The 2019 increases in the reserves from capital contributions have not been approved yet.

2.5 Financial result

	31.12.2019 in CHF	31.12.2018 in CHF
Financial income		
Foreign currency exchange gains	5,006	1,798
Total	**5,006**	**1,798**
Financial expenses		
Bank interests	–	1,222
Bank fees	422	222
Foreign currency exchange losses	6,252	48,786
Total	**6,674**	**50,230**

2.6 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 Asset Management SA, Geneva (Switzerland) and its subsidiaries.

Board of Directors

The Board of Directors is considered as key management. In the year under consideration, no expenses were paid nor accrued. The accrued fees for the year 2018 of CHF 20,000 were not paid and reversed in the 2019 profit and loss statement.

No other compensation was paid 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 members of the Board or related parties during the year and there were no such receivables outstanding as at December 31, 2019.

Transactions of Varia with Stoneweg Asset Management SA, its subsidiaries and Real Estate Investment Solutions AG

During the year, the activities of Varia were administered and managed by Stoneweg Asset Management SA and its subsidiaries ("Stoneweg"), which is also acting as advisor to Varia Structured Opportunities SA (VSO). Stoneweg has not received any direct regular remuneration from Varia for its work during the years 2019 and 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 assets.

Nevertheless Stoneweg Asset Management SA and Real Estate Investment Solutions AG (REIS) have charged the Company in 2019 with placement and capital increase fees for approximately CHF 298,000 and CHF 595,000, respectively, that were accounted for as transaction costs and deducted from the share premium proceeds recorded in the Reserves from capital contributions.

In 2018, Real Estate Investment Solutions AG (REIS) charged the Company approximately CHF 305,000 in placement and capital increase fees that were accounted for as transaction costs against the share premium proceeds. An amount of CHF 93,000 was additionally accrued for the capital increase of November 2018 and accounted against the share premium proceeds. In 2018, VSO Europe Properties paid on behalf of Varia an amount of CHF 51,356 to cover transactions costs which was 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 31.12.2019	Shares 31.12.2018
Taner Alicehic	Chairman	215,667	166,667
Jaume Sabater Martos	Member	306,667	166,667
Pierre Grégoire Baudin	Member	219,697	219,697
	Total	**742,031**	**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 December 31, 2019 and has never employed any staff.

3.2 Contingent liabilities and tax uncertainties

As of December 31, 2019, the Company had no contingencies and other off-balance sheet transactions that would have to be disclosed herein.

The Swiss tax authorities in Zug have still not taxed definitively the company for the years from the first period of 2017/2018 but have requested additional information and documents in 2019 and 2020. Uncertainties exist with respect to the interpretation of certain tax regulations. The final output of these on-going procedures may result in differences arising between the actual results and the assumptions made, that could necessitate future adjustments to tax income and expenses already recorded. On basis of actual information, the Company estimate that the output of the final taxations would mostly be in favour of Varia Europe Properties AG and, accordingly, has not recognized any specific tax provision at year-end 2019 for possible negative consequences.

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

3.3 Significant events occurring after the balance sheet date

Following the enactment on January 1, 2020 of the new Swiss Federal Act on Tax Reform and AHV Financing ("TRAF"), any preferential tax status is no longer granted to companies. Taxable profits are subject from January 1, 2020 to an effective corporate income tax of approximately 12%, including the direct federal tax.

On March 11, 2020, the World Health Organization declared the Coronavirus (COVID–19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 200 countries now affected. Many federal and state governments are taking increasingly stringent steps to help contain, and in many jurisdictions, now delay, the spread of the virus. Currently, there is a significant increase in economic uncertainty for the short-term and long term as events are changing daily. For the Company's December 31, 2019 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Company cannot reasonably estimate the impact these events will have on the Company's financial position, results of operations or cash flows in the future.

Since the balance sheet date as of December 31, 2019, there have been no other further events that would have a material impact on the financial statements and related disclosure.

PROPOSAL BY THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF LEGAL RESERVES FROM CAPITAL CONTRIBUTIONS AS AT DECEMBER 31, 2019

RESERVE FROM CAPITAL CONTRIBUTIONS	31.12.2019 in CHF	31.12.2018 in CHF
Legal reserves from capital contribution carried over from previous year	**6,832,422**	**653,234**
Capital contributions on January 29, 2018	–	5,550,284
Capital contributions on November 30, 2018	–	628,904
Dividend distribution of CHF 0.08 per ordinary share on June 28, 2019	–958,556	–
Capital contributions from the proceeds from the reduction of capital on October 7, 2019	11,742,306	–
Extraordinary dividend distribution of CHF 0.05 per ordinary share on October 7, 2019	11,742,306	–
Capital contributions on December 12, 2019	28,365,498	–
Total legal reserves from capital contribution at year-end	**45,382,573**	**6,832,422**
Accumulated deficit at year-end	**–614,373**	**–303,832**
Total available legal reserves for distribution	**44,768,200**	**6,528,590**

Proposition of distribution of reserves from capital contributions

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

PROPOSITION OF APPROPRIATION	31.12.2019 in CHF	31.12.2018 in CHF
Dividend distribution of CHF nil per ordinary share (2018: CHF 0.08 per share)	–	958,556
Balance to be carried forward	45,382,573	5,873,866
Total	**45,382,573**	**6,832,422**

STATUTORY AUDITOR'S REPORT
TO THE GENERAL MEETING OF VARIA EUROPE PROPERTIES AG, ZUG
REPORT ON THE AUDIT OF THE SWISS CO FINANCIAL STATEMENTS

Report of the statutory auditor

to the General Meeting of Varia Europe Properties AG

Zug

Report on the audit of the (Swiss CO) financial statements

Opinion

We have audited the financial statements of Varia Europe Properties AG, which comprise the balance sheet as at 31 December 2019, profit and loss statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (page 59 to page 70) as at 31 December 2019 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: CHF 456'000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

Valuation of investments

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or

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error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 456'000
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is the benchmark against which the performance of a real estate investment company that does not engage in operating activities is most commonly measured.

We agreed with the Board of Directors that we would report to them misstatements above CHF 45'600 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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

Valuation of investments

Key audit matter	How our audit addressed the key audit matter
The purpose of the entity is to participate in real estate investments in Europe (other than in Switzerland), through investments in compartments of Varia Structured Opportunities SA ("VSO"). VSO is a public limited company incorporated under the laws of the Grand Duchy of Luxembourg, organized as a securitization company. The investments are done through subscription of notes, which are issued by the relevant compartments. As a noteholder, the entity is invested in debt instruments and participates in the underlying assets' returns through variable yields. The investments are valued at acquisition cost, adjusted for impairment losses. The investments in VSO compartments represent CHF 44.2 million of the total assets of CHF 45.6 million. We consider the valuation of investments in VSO a key audit matter due to the magnitude of the line item. Refer to note 2.1 (Investments).	The audit procedures we performed in order to evaluate the valuation of investments included, amongst others, the following: - We obtained an independent confirmation of the number of notes held for each of the underlying VSO compartments as at 31 December 2019. We agreed the confirmation details to the accounting records. - For material investments in VSO compartments, we obtained an ISA 805 audit report from Deloitte Luxembourg, auditors of VSO. For the other compartments, we obtained an independent confirmation from the VSO's administrator. We compared the net asset value as per the ISA 805 report and the independent confirmation to the carrying value of the VSO compartments held by Varia Europe Properties AG as at 31 December 2019. When the net asset value was lower than the carrying value, we verified whether Management had recorded an impairment loss.

- We read the independent auditors' reports included within the ISA 805 report to ensure there were no modifications to the report.

On the basis of the evidence obtained from our audit, we consider Management's approach to value the investments to be reasonable.

Responsibilities of the Board of Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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

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

Additionally, we point out that contrary to the requirements of article 958 para. 3 CO, a business report was not prepared within six months of the end of the financial year and submitted to the general meeting of shareholders for approval. Furthermore, the annual general meeting did not convene within six months of the end of the financial year, which is contrary to the requirements of article 699 para. 2 CO.

PricewaterhouseCoopers SA

Jean-Sébastien Lassonde
Audit expert
Auditor in charge

Anthony Estevez

Genève, 23 June 2020

Enclosures:

- Financial statements (balance sheet, profit and loss statement and notes)
- Proposed appropriation of legal reserves from capital contributions

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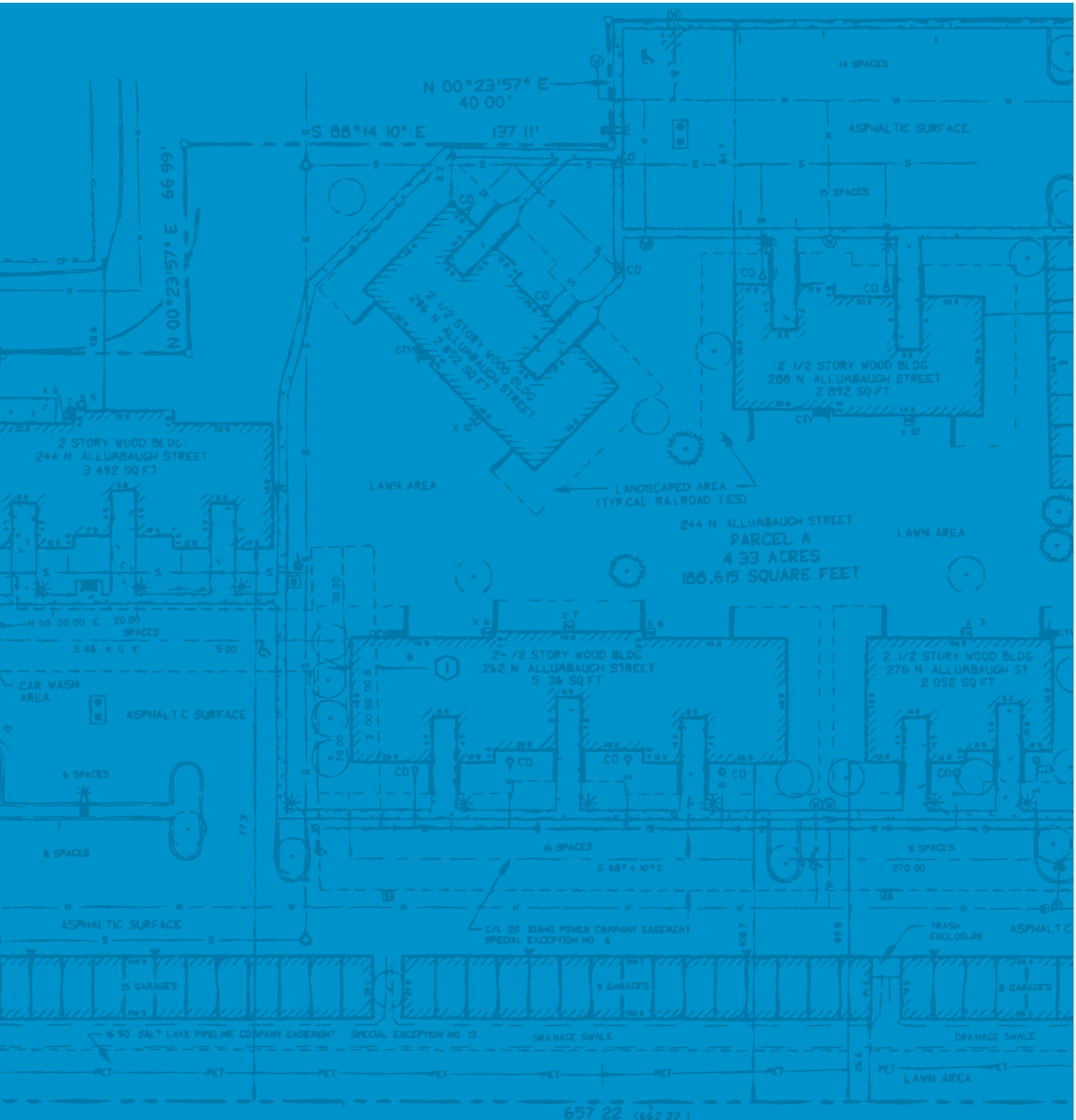

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