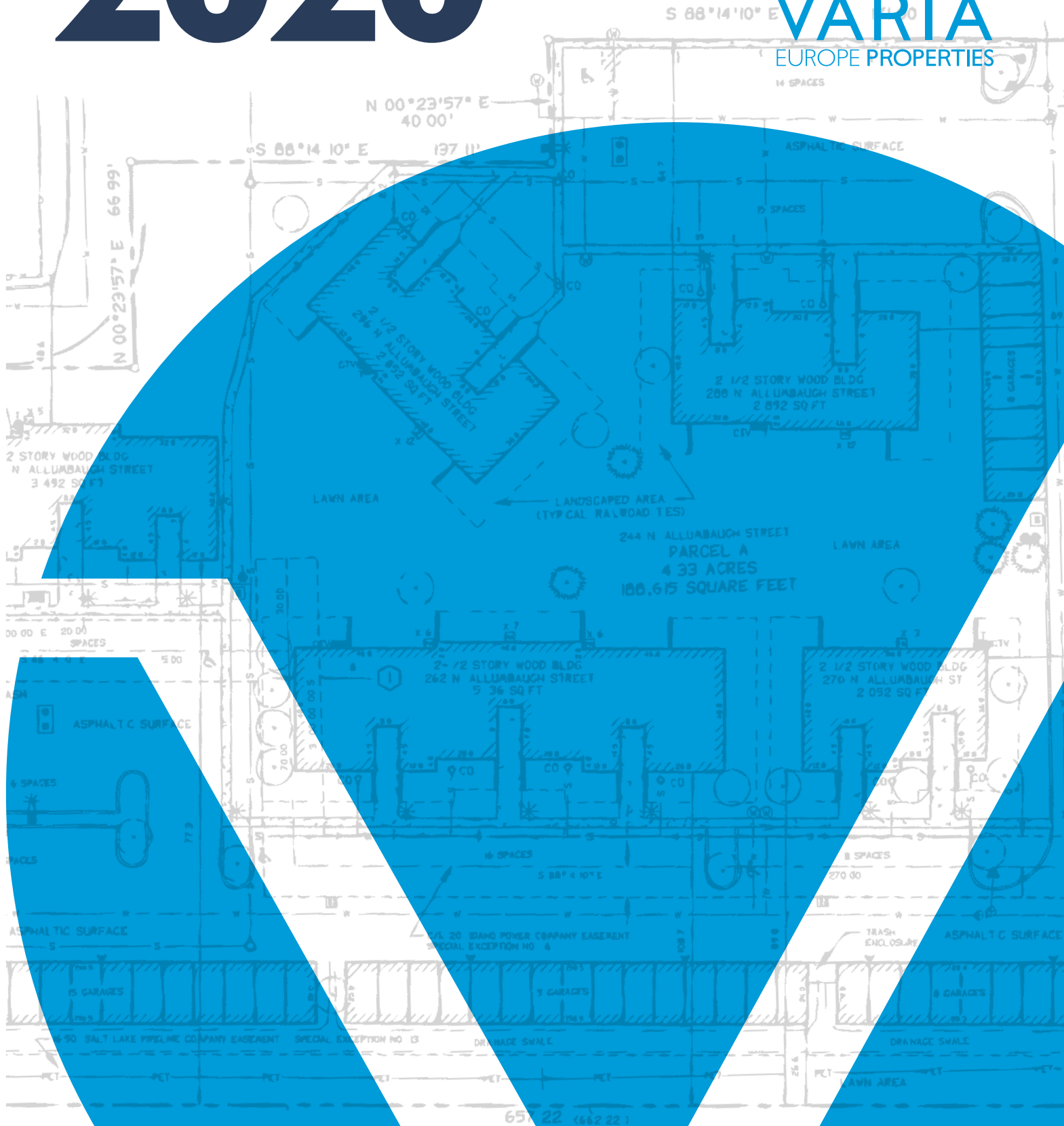


INTERIM REPORT 2020



VARIA
EUROPE PROPERTIES





COMPANY PORTRAIT

- Varia Europe Properties AG (“Varia Europe”) is a Swiss based company tailoring investment strategies to the European real estate market. The investment approach is to build a portfolio of real estate and real estate backed assets, with an initial focus in Italy and Spain.
- The Company is managed by a Board of Directors with strong experience within international real estate markets and our strategies are backed by the knowledge and expertise of Stoneweg Asset Management 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 June 30, 2020

PORTFOLIO VALUE

December 2019: EUR 41.3 million

EUR million **42.0**

NUMBER OF PROJECTS

December 2019: 17

21

NUMBER OF EXITS

December 2019: 0

0

CAPITAL / INCOME ALLOCATION

December 2019: 61 % Capital / 39 % Income

Capital **61%**
Income **39%**

COUNTRY ALLOCATION

December 2019: 68% Spain / 32% Italy

Spain **68%**
Italy **32%**

BRIDGE LOAN / NPL ALLOCATION

December 2019: 16%

25%

INCOME ASSETS ALLOCATION

December 2019: 8%

8%

DEVELOPMENT ALLOCATION

December 2019: 55%

45%

VALUE ADD ALLOCATION

December 2019: 21%

22%

SUMMARY PAGE OF KEY FIGURES

RESULTS (For the Six Months Ended)	Unit	June 30, 2020	June 30, 2019	Change
Gain on redemption of notes	EUR mio	0.04	0.001	5477%
Loss on redemption of notes	EUR mio	0.0001	0.0065	-98%
Net Unrealized gain (loss) on revaluation of investments	EUR mio	0.8	0.4	93%
Total Revenues	EUR mio	0.8	0.4	106%
General and administrative expenses	EUR mio	0.24	0.13	83%
Operating profit incl. Revaluation	EUR mio	0.59	0.27	117%
Operating margin	%	71%	68%	4%
EBITDA (Operating Profit less unrealized revaluation)	EUR mio	-0.2	-0.1	45%
Profit Before Income taxes	EUR mio	0.60	0.29	107%
Net Profit for the period	EUR mio	0.78	0.3	163%
Earnings brought forward	EUR mio	1.2	0.0	-
Retained earnings	EUR mio	1.98	0.3	563%

6

BALANCE SHEET (As of)	Unit	June 30, 2020	December 31, 2019	Change
Total Assets	EUR mio	43.4	42.6	2%
Equity	EUR mio	42.9	42.4	1%
Interest bearing Debt	EUR mio	-	-	-
Interest bearing Debt ratio	%	-	-	-

PORTFOLIO (As of)	Unit	June 30, 2020	December 31, 2019	Change
Number of projects		21	17	+4 assets
Portfolio Value	EUR mio	42.0	41.3	2%

SHARE INFORMATION (As of)	Unit	June 30, 2020	December 30, 2019	Change
Number of shares		28,512,619	28,512,619	0%
Earnings per share (EPS)	EUR/share	0.027	0.043	-37%
Distribution	CHF/share	-	0.13	-
Distribution	EUR mio	-	1.4	-
Distribution yield on NAV	%	-	9%	-
Distribution Yield on Share Price	%	-	7%	-
NAV per share	EUR/share	1.50	1.49	1%





SHAREHOLDER LETTER

DEAR SHAREHOLDERS

It is with great pleasure that we present to you the 2020 Interim 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 half-year, as well as the financial performance and general activities of the Company over the last six months.

The Board of Directors of Varia EU Properties AG ("The Company" or "Varia Europe") is pleased to present to its investors the half-year results of 2020. The Company generated a total revenue of EUR 0.83 million (June 2019: EUR 0.4 million) and total earnings of EUR 1.98 for the first half-year 2020 (June 2019: EUR 0.3 million). The first semester of 2020 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. In 2019 the Company went through a capital increase of EUR 26 million (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.

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 17 underlying investments, in 2020, the Company invested into 4 additional new opportunities bringing the total invested portfolio to 21 projects by year end.

The allocation to the Bridge Loan/ NPL strategy increased from 16% in December 2019 to 25% in June 2020 and Income Assets remained at 8% while Development projects decreased from 55% to 45%. Finally, exposure to value added assets increased from 21% to 22% in 2020.

By half-year end the portfolio has allocated 68% in Spain and 32% in Italy (68%–32% in December 2019).

Indeed, Varia Europe, increased significantly its allocation, through VSO Europe vehicle, on Bridge Loan projects with the investment of EUR 3,0M into Iberia Income III (9%) and EUR 2,0M into Calvino (6%) the first semester 2020. Overall, Varia Europe increased its positions in every strategy already existing in December 2019 and diversified it even more in 2020 by investing in further value-add strategies by allocating EUR 1,50M into Class Plastics (4%). Furthermore, Varia EU, through VSO EU, allocated EUR 1M to ENI – 2nd tranche.

New projects invested during the year included an allocation to:

- Iberia Income III: 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 I & II.
- Class Plastics: A 21'836 sqm logistics plant to be refurbished and leased back for a 10 years leasing contract. The asset is located in the 1st ring of Barcelona. This is a capital gain opportunity with a value-add strategy.
- Calvino: financing of a 2 years maturity bridge loan to cover the acquisition price of the 83% of the quotas of the real estate closed end fund IIM managed by Castello SGR in Milano, Italy.
- ENI – 2nd tranche: Allocation to the total investment of €49 million corresponding to the acquisition of 70% of the holding structure.

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 1.0854 (December 2019) to 1.0651 (June 2020), or equivalent of -1.87% during the period.

During the first half-year 2020, Varia Europe recorded a total revenue of EUR 0.83 million (EUR 0.4 million total revenue in June 2019) with a realized gain of EUR 0.04 million and an unrealized gain of EUR 0.79 million. On the other hand, general and administrative expenses increased from EUR 0.13 million in June 2019 to EUR 0.24 million in June 2020 leading to an operating profit of EUR 0.59 million in June 2020 (117% between June 2019 and June 2020).

The total net profit of the first half-year 2020 is EUR 0.78 million while it was estimated at EUR 0.3 million in the first half-year 2019 (163%), this is partly due to the successful tax optimization that allowed the company to recover taxes from the previous years.

Regarding the NAV evolution of Varia Europe Properties, it increased from EUR 1.49/share in December 2019 to EUR 1.5/share in June 2020.

This evolution in the NAV can be explained thanks to Varia Europe realized and unrealized profits that increased from EUR 0.56 million in December 2019 to EUR 0.78 million in June 2020.

During the first half-year 2020, no full exit was realized, but the Company received several repayments. ENI - 1st tranche allocation (Income Strategy) repaid 23% of initial investment to Varia EU and Iberia Income I allocation (Bridge Loan Strategy) repaid 10% of its initial investment to VSO EU during this first half-year 2020 bringing the total repayment of the vehicle to 50% of initial investment. In Italy the allocation to the Dela Non-Performing Loan was fully reimbursed but we are still expecting a last repayment during 2020.

Finally, the project Albatros (NPL) repaid 4% of its initial invested equity this first half year, bringing the total repaid equity to 78% since its initial investment.

Until the end of the year 2020, we expect the total bridge loan strategy allocation to repay between 25% and 50% of its total initial allocation, and our investment in ENI asset to be fully repaid regarding the 1st tranche alongside with the 2nd tranche.

The Company continues to build a systematic risk matrix for managing company level transaction, valuation, accounting, budgeting and cash management processes. Greater detail relating to the outcomes of this review and implementation will be disclosed within the Interim report 2020.

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 0,043 in December 2019 to 0,027 during the period. Moreover, new projects invested in 2020 in the continuity of Varia Europe overall strategy will induce an increase of the redemptions of the underlying vehicles.

During the first half-year 2020, the Company had total shareholder equity of EUR 42,883,174 and voluntary retained earnings of EUR 1.98m recorded within the Swiss GAAP FER Financial Statements, with basic earnings per share of EUR 0.027. The average ordinary shares outstanding consisted 12,887,736 shares for the period.

In summary, the first half-year of 2020 has been a period for consolidating the Company and portfolio, with achievements in investing in new projects that will be implemented through the year.

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 keep going in 2020.

Sincerely yours,



Taner Alicehic
Chairman & Executive Member





PORTFOLIO OVERVIEW

A BREAKDOWN OF THE PORTFOLIO AS AT JUNE 2020

During the first half-year 2020, the portfolio increased in size with total shareholder equity moving from EUR 42.4 million to EUR 42.9 million. The Board increased both the breadth and depth of the portfolio, with the total number of projects increasing from 17 to 21 opportunities.

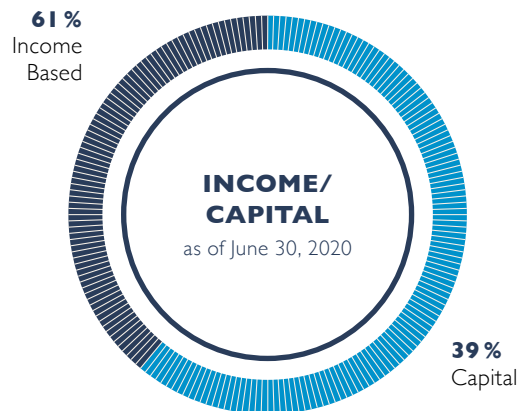
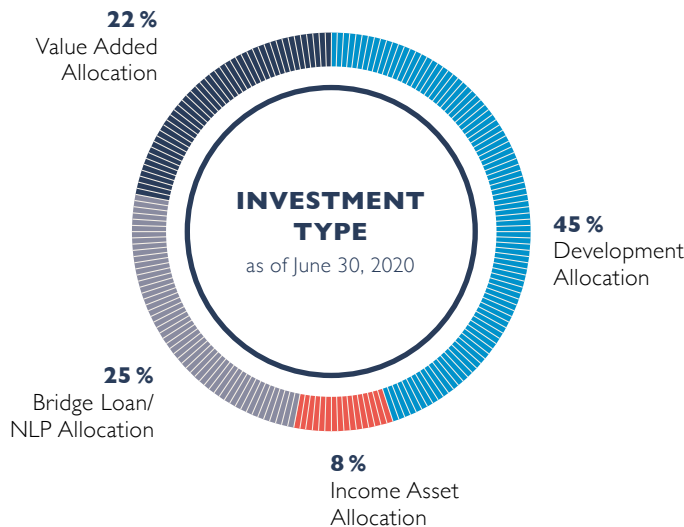
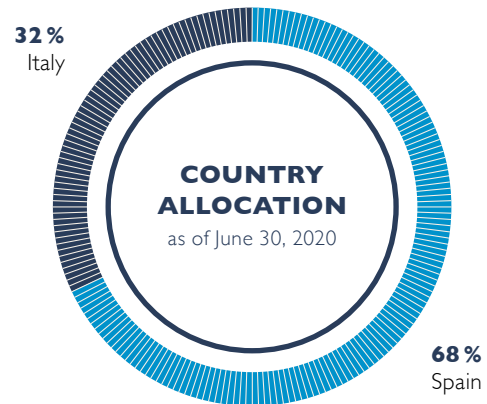
The allocation to income generating projects remained at 61% capital and 39% income based between December 2019 and June 2020 and the country allocation stays at 68% Spain and 32% Italy.

Within the four principal strategies, the allocation to the bridge loan/ NPL strategy increased from 16% in December 2019 to 25% in June 2020 and income assets remains at 8% while development projects decreased from 55% to 45%. Finally, exposure to value-added assets increased from 21% to 22% in 2020.

One of the key investments initiated during the first half of 2020 is Iberia Income III. 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 I & II.

Another Key Investment executed this first half year is Class Plastics, a 21'836 sqm logistics plant to be refurbished and leased back for a 10 years leasing contract. The asset is located in the 1st ring of Barcelona. This is a capital gain opportunity with a value-add strategy.

Finally, Varia Europe Properties will implement the Varia Ireland Strategy during 2020. The aim is to implement several residential developments for sale or rent located in Dublin and its periphery. The opportunity is backed up by a strong governmental support for residential developments and strong real estate fundamentals. Varia Europe will also continue to increase its allocation in value-add investments in Logistics, student housing or hospitality.



PORTFOLIO ALLOCATION JUNE 30, 2020

Transaction	Country	Investment Description	Return Strategy	Estimated Duration
VSO II PRS	Spain	Development	Income	7 Years
Spanish Phoenix CAT	Spain	Portfolio of residential developments	Capital	3–4 Years
Porta Vittoria	Italy	Mixed-use break up strategy (Milan)	Capital	4 Years
Iberia Income III	Spain	Bridge Loan	Income	12–36 Months
Spanish Phoenix II	Spain	Portfolio of residential developments	Capital	3–4 Years
VSO II Gran Turia	Spain	Refurbishment/Development: Commercial	Capital	3 Years
Calvino	Spain	Bridge Loan	Income	3 years
Preziosi	Italy	ABB building (Genova), residence (Como)	Income/Capital	2 Years
Class Plastic	Spain	Added Value Strategy	Capital	2 years
ENI Serie I	Italy	ENI building (Milan)	Income	4 Years
Compagnoni	Italy	Residential development (Milan)	Capital	3 Years
Iberia Income II	Spain	Portfolio of bridge loans	Income	12–36 Months
ENI Serie 2	Italy	ENI building (Milan)	Income	4 Years
Project Skyline	Spain	Residential development (Madrid)	Capital	3–4 Years
Iberia Income I	Spain	Portfolio of bridge loans	Income	12–36 Months
Medio	Italy	Book of 10 NPL claims	Capital	3 Years
Barigello / Dino	Italy	2 Bridge loans	Income	12–18 Months
Albatross	Italy	Book of 18 NPL claims	Income/Capital	2 Years
Niccolini	Italy	Residential development (Milan)	Capital	4 Years
DELA	Italy	Book of 3 NPL claims	Capital	1, 3 & 5 Years
VSO V	Spain	5 bridge loans	Income	12–24 Months

Project Start Date	Target IRR (Project)	Current Varia Europe Equity (in million €)	Varia Ownership
Q1 2020	10%–12%	5.20	100.0%
Q4 2017	10%–12%	4.50	11.6%
Q1 2019	13%–15%	3.25	5.4%
Q1 2020	10%–12%	3.00	42.0%
Q4 2017	10%–12%	2.98	4.9%
Q1 2020	15%–20%	2.50	71.4%
Q1 2020	10%–15%	2.02	77.5%
Q4 2017	15%–20%	1.60	12.4%
Q1 2020	18%–20%	1.50	66.7%
Q2 2017	13%–15%	0.15	0.4%
Q2 2018	15%–20%	1.08	9.0%
Q3 2018	10%–12%	1.01	6.7%
Q2 2017	13%–15%	1.00	4.4%
Q4 2018	11%–12%	1.00	1.3%
Q3 2017	10%–12%	0.99	2.1%
Q4 2017	10%–12%	0.54	3.3%
Q4 2018	11%–13%	0.36	9.1%
Q4 2017	10%–15%	0.29	3.1%
Q4 2016	15%–20%	0.25	3.1%
Q1 2017	15%–20%	0.25	3.8%
Q1 2017	11%–13%	0.07	3.2%

SWISS GAAP FER FINANCIAL STATEMENTS

June 30, 2020
Expressed in EUR

Varia Europe Properties AG, Zug

INTERIM BALANCE SHEET AS OF JUNE 2020

ASSETS	Notes	June 30, 2020 in EUR	December 31, 2019 in EUR
Cash and cash equivalents		1'136'108	1'253'533
Prepaid expenses		8'819	10'693
Current assets		1'144'927	1'264'226
Investments at fair value	2.1	41'986'121	41'282'663
Deferred tax assets	2.3	265'599	82'663
Non-current assets		42'251'720	41'365'327
	Total assets	43'396'647	42'629'553
LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	June 30, 2020 in EUR	December 31, 2019 in EUR
Trade accounts payable to third parties		286'837	102'960
Accrued expenses	2.2	204'588	106'442
Accrued taxes	2.3	22'048	34'347
Current liabilities		513'473	243'749
Total liabilities		513'473	243'749
Share capital	2.4	512'433	512'433
Reserves from capital contributions	2.4	40'395'018	40'680'454
Legal capital reserves		40'395'018	40'680'454
Retained earnings brought forward		1'192'917	632'812
Net profit for the period / year		782'807	560'104
Voluntary retained earnings		1'975'724	1'192'917
Total shareholders' equity		42'883'174	42'385'804
	Total liabilities and shareholders' equity	43'396'647	42'629'553

Varia Europe Properties AG, Zug

INTERIM PROFIT AND LOSS STATEMENT FOR THE PERIOD FROM JANUARY 1, 2020 THROUGH JUNE 30, 2020

	Notes	For the period ended June 30, 2020 in EUR	For the period ended June 30, 2019 in EUR
Gain on redemption of notes	2.1	40'646	729
Loss on redemption of notes	2.1	-116	-6'523
Gain on investments fair value adjustment	2.1	809'071	409'369
Loss on investments fair value adjustment	2.1	-18'798	-
Revenues		830'803	403'574
Directors' fees and social charges	2.8	-17'500	-15'759
Communications, publicity and marketing		-8'441	-12'866
Membership fees		-	-730
Accounting and administration expenses		-43'876	-34'960
Legal and other consulting fees		-134'929	-31'022
Audit fees		-29'097	-26'194
Insurances		-4'434	-2'817
Other operating expenses		-123	-98
Direct taxes on capital	2.3	-707	-6'540
Operating expenses		-239'108	-130'986
Operating profit before financial result, prior years income and income taxes		591'696	272'588
Financial income	2.6	23'374	3'204
Financial expenses	2.6	-3'690	-4'018
Prior year income	2.3 / 2.8	12'531	17'748
Prior year expenses		-24'040	-
Profit before income taxes		599'871	289'522
Deferred income tax expense (income)	2.3	182'936	8'379
Net profit for the period		782'807	297'901
Earnings per share (EPS)			
Basic and diluted earnings per share	2.5	0.0275	0.0249

Varia Europe Properties AG, Zug

CASH FLOW STATEMENT FOR THE PERIOD FROM JANUARY 1, 2020 TO JUNE 30, 2020

	Notes	For the period ended June 30, 2020 in EUR	For the period ended June 30, 2019 in EUR
Operation activities			
Net profit for the period		782'807	297'901
Gain on redemption of notes	2.1	-40'646	-729
Loss on redemption of notes		116	6'523
Gain on investments fair value adjustment	2.1	-809'071	-409'369
Loss on investments fair value adjustment	2.1	18'798	-
Change in prepaid expenses		1'874	-5'983
Change in liabilities to third parties		183'877	-1'481
Change in liabilities to related parties	2.8	-	-
Change in accrued expenses	2.2	98'146	-258'713
Change in accrued taxes	2.3	-12'299	-1'484
Change in deferred taxes	2.3	-182'936	-8'379
Cash flow from operating activities		40'666	-381'713
Investing activities			
Investment notes redemption	2.1	127'346	979'998
Cash flow from investing activities		127'346	979'998
Financing activities			
Reserves from capital contributions: capital increase costs 2019	2.4	-285'436	-
Cash flow from financing activities		-285'436	-
Change in cash and cash equivalents for the period		-117'424	598'286
Cash at the beginning of the period		1'253'533	402'975
Cash and cash equivalents at the end of the period		1'136'108	1'001'261
Change in cash and cash equivalents for the period		-117'424	598'286

Varia Europe Properties AG, Zug

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM JANUARY 1, 2020 TO JUNE 30, 2020

	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	–	–
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	42'385'804
Expenses incurred in 2020 related to the ordinary share capital increase on December 12, 2019	2.4	–	-285'436	–	-285'436
Net profit for the period		–	–	782'807	782'807
Balance at June 30, 2020	2.4	512'433	40'395'018	1'975'724	42'883'174

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

Varia Europe Properties AG, Zug

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1, 2020 TO JUNE 30, 2020

I 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 at 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 in Varia Structured Opportunities SA ("VSO") compartments. VSO is a public limited company incorporated under the laws of the Grand Duchy of Luxembourg, organized as a securitization company. VSO has different compartments (or programmes) with distinct real estate investment strategies. The Company is a noteholder of VSO compartments, allowing it to participate indirectly in the underlying investments. As a noteholder Varia invests in a debt instrument (notes) allowing it to participate in the underlying assets returns through variable yield.

Investment decisions are taken by the Board of Directors depending on the individual investment and strategies with the objective to participate in Spain and Italy, with 5 different investments' main asset classes:

- 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.
- 5 Value Add Assets: participation in commercial real estate assets to implement repositioning or restructuring strategies through active asset management.

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

The Board of directors of the Company is ultimately responsible for the policies, the valuations, and the management of the activities. The statutory financial statements for the year ended December 31, 2019 were approved by the Annual General Meeting of Shareholders on July 23, 2020.

These accompanying interim financial statements of Varia for the 6 months period ended June 30, 2020 were authorised by the Board of directors for issue on October 5, 2020. They should be read in conjunction with the company's last annual financial statements as of December 31, 2019 and for the year then ended.

In June 7, 2019 the Board of Directors decided that with effect from January 1, 2019, the Company will change the currency in which it presents its 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. A reconciliation of the impact of the change in the presen-

tation 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 its assets. For the interim and annual financial statements, fair value is based on the audited net asset values of the different VSO compartments. Net asset values of VSO compartments are determined depending on the underlying asset type; it is based on paid and accrued interest regarding bridge loan strategies and non performing loan strategies; for assets under construction and existing assets it is determined with a net present value approach. The gains and losses of valuation are recognized in the profit and loss statement.

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

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

- 3 For non performing loans the fair value is determined by the acquisition cost plus accrued interest. The acquisition value can be adjusted down should VSO's Board of directors estimate that there is a risk of non recovery of the amount.

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

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

1.5 Foreign currency items

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

Short-term monetary assets, financial assets and liabilities in foreign currencies are converted at the exchange rate on the balance sheet date. For the translation of CHF into EUR, the closing rate applied at the end of June 2020 is 1.0651 (31.12.2019 : 1.0854). Other non-monetary assets as well as equity items are presented at their historical exchange rates.

During the year, the 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 from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Revenue resulting from the redemption of notes are recognized at the time of the transaction. It corresponds

to the gain or the loss resulting from the difference between the redemption proceeds net of expenses and the acquisition value of the notes.

1.7 Income tax

The tax expense for the period or 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 period 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 period ended June 30, 2020 (31.12.2019 – 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 to the respective VSO compartment.

As at June 30, 2020, the Company owned notes of different compartments as per the below table:

Compartments	Fair value 31.12.2019 in EUR	Redemption at sale price for the period in EUR	Realized gain / loss on redemp- tion for the period in EUR	Acquisition/ reinvestment for the period in EUR	Fair value adjustment as of 30.06.2020 in EUR	Fair value 30.06.2020 in EUR
VSO V	93'300	–	–	–	-378	92'922
VSO VII	93'119	–	–	–	-2'085	91'034
VSO X	337'398	-127'346	40'531	–	-54'908	195'675
VSO Spanish Phoenix II	483'952	–	–	–	19'478	503'430
VSO XX	100'534	–	–	–	-2'074	98'460
VSO Europe Properties	40'174'360	–	–	–	830'239	41'004'599
Total	41'282'663	-127'346	40'531	–	790'273	41'986'121

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 redemp- tion 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

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The investments of Varia in the VSO notes are the following on June 30, 2020:

Compartments	Domicile	Country of investments	Strategy	Number of Notes held by Varia 30.06.2020	Percentage held by Varia of total outstanding notes value 30.06.2020
VSO V	Luxembourg	Spain	Bridge Loans	65	3.2%
VSO VII	Luxembourg	Italy	Non Performing Loans	49	3.0%
VSO X (serie I)	Luxembourg	Italy	Income assets	140	2.8%
VSO Spanish Phoenix II	Luxembourg	Spain	Development	482	1.6%
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 have been made through a dedicated Luxembourg compartment, VSO Europe Properties, of which Varia is the sole noteholder. VSO Europe Properties is investing either as a noteholder into another compartment, or in the underlying SPV through VSO RE, a securitization company. At the end of the period, 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 30.06.2020
VSO RE: SPV Niccolini	Luxembourg	Italy	Development	3.9%
VSO VII	Luxembourg	Italy	Non Performing Loans	6.6%
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	17.0%
VSO II Skyline	Luxembourg	Spain	Development	5.9%
VSO RE: Vittoria	Luxembourg	Italy	Added Value	17.6%
VSO PRS	Luxembourg	Spain	Development	100.0%
VSO Gran Turia	Luxembourg	Spain	Added Value	71.4%
VSO II Calvino	Luxembourg	Spain	Bridge Loans	77.5%
VSO II Class Plastic	Luxembourg	Spain	Added Value	66.7%
VSO X (serie 2)	Luxembourg	Spain	Income assets	33.3%

The investments of Varia in the VSO notes were the following at December 31, 2019:

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%

Underlying 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 RE: SPV Niccolini	Luxembourg	Italy	Development	249'649	3.9%
VSO VII	Luxembourg	Italy	Non Performing Loans	108'000	6.7%
VSO XXIX	Luxembourg	Italy	Bridge Loans	500'000	9.1%
VSO RE: SPV Preziosi / Carimate / Teras	Luxembourg	Italy	Income assets	1'602'857	25.0%
VSO RE: SPV Medio - Securitization Notes	Luxembourg	Italy	Non Performing Loans	446'580	9.4%
VSO RE: SPV Boulevard / Guaraldi	Luxembourg	Italy	Non Performing Loans	286'945	6.2%
VSO RE: SPV Compagnoni	Luxembourg	Italy	Development	1'084'741	18.1%
VSO Iberia Income Opportunity	Luxembourg	Spain	Bridge Loans	1'193'000	2.1%
VSO Iberia Income Opportunity II	Luxembourg	Spain	Bridge Loans	946'000	0.6%
VSO Spanish Phoenix II	Luxembourg	Spain	Development	2'499'510	8.2%
VSO Spanish Phoenix CAT	Luxembourg	Spain	Development	4'499'200	17.9%
VSO II Skyline	Luxembourg	Spain	Development	1'000'000	5.9%
VSO RE: Vittoria	Luxembourg	Italy	Added Value	3'250'000	17.9%
VSO PRS	Luxembourg	Spain	Development	5'200'000	100.0%
VSO Gran Turia	Luxembourg	Spain	Added Value	6'000'000	100.0%

2.2 Accrued expenses

	30.06.2020 in EUR	31.12.2019 in EUR
Audit fees	47'512	46'066
Accounting fees	25'950	42'009
Board of directors indemnities (see Note 2.8)	17'500	–
Other expenses	113'626	18'367
Total	204'588	106'442

2.3 Accrued taxes

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

	30.06.2020 in EUR	31.12.2019 in EUR
Accrued taxes		
Capital tax provision	12,067	13,550
Deferred taxes		
Deferred tax assets	12,067	13,550
Deferred tax liabilities	51,440	83,592
Net tax assets and liabilities	265'599	82'663
Deferred tax assets	265'599	82'663

As at June 30, 2020, the deferred tax provision consisted of deferred tax liabilities for an amount of EUR 63,052 (31.12.2019 - EUR 195,873) related to the fair value adjustments of the investments and of deferred tax assets for an amount of EUR 328,652 (31.12.2019 - EUR 278,537) related to the unused deductible loss.

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 in the canton of Zug to an effective corporate income tax of approximately 12% (2019: 14.6%), including the direct federal tax. Accordingly the deferred tax assets and liabilities were calculated with the tax rate of 12%.

The adjustment of the tax provision related to previous year of EUR 12,531 in 2020 is presented in the prior year income.

2.4 Share capital | Reserves from capital contributions

The share capital at June 30, 2020 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
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
Expenses incurred in 2020 related to the ordinary share capital increase on December 12, 2019	-	-	-285'436
Balance as of June 30, 2020	28'512'619	512'433	40'395'018

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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 (2018), EUR 277,582 (2018), EUR 967,615 (2019) - plus EUR 285,436 incurred in 2020 - were deducted from the share premium recorded in the Reserves from capital contribu-

tions in accordance with the Swiss code of obligations. The costs related to the reduction of capital 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 958,566 (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, 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 (31.12.2018 - EUR 1.42 per share). As of June 30, 2020, the net asset value of Varia based on shareholders' equity was EUR 42,883,174 while the net asset value per share, based on the existing number of shares at that date (28,512,619) amounted to EUR 1.50 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)

	For the period ended 30.06.2020 in EUR	For the period ended 30.06.2019 in EUR
Net profit of the period	782'807	297'901
Weighted average of ordinary shares outstanding	28'512'619	11'981'945
Basic earnings per share	0.0275	0.0249
Diluted earnings per share	0.0275	0.0249

There is no dilutive effect on shares at June 30, 2020 and 2019.

2.6 Financial result

	For the period ended 30.06.2020 in EUR	For the period ended 30.06.2019 in EUR
Financial income		
Foreign currency exchange gains	23'374	3'204
Total	23'374	3'204
Financial expenses		
Bank interests	–	–
Bank fees	428	223
Foreign currency exchange losses	3'262	3'795
Total	3'690	4'018

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. 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 period under consideration, expense in the amount of EUR 17,500 was accrued (31.12.2019 – Nil).

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 period and there were no such receivables outstanding as at June 30, 2020 and December 31, 2019.

The accrued fees for the year 2018 of EUR 17'748 (CHF 20'000) were paid and reversed in the 2019 comparative profit and loss statement.

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

During the period ended June 30, 2020 and the year 2019, 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 remuneration from Varia for its work during the period ended June 30, 2020 and the

year 2019. 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.

Real Estate Investment Solutions AG (REIS) has been remunerated during the period ended June 30, 2020 with strategy consulting fee amounting to EUR 105,964.

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.

Shareholding rights of Board of Directors members

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

Name	Function	Shares 30.06.2020	Shares 31.12.2019
Taner Alicehic	Chairman	215'667	215'667
Jaume Sabater Martos	Member	306'667	306'667
Pierre Grégoire Baudin	Member	219'697	219'697
Total		742'031	742'031

3 OTHER INFORMATION

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

Varia Europe Properties AG has no employees at June 30, 2020 and has never employed any staff.

3.2 Contingent liabilities

As of June 30, 2020, the Company had no contingencies and other off-balance sheet transactions that would have to be disclosed herein.

The operations of the Company may be affected by 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

On August 13, 2020, Varia EU liquidated its position on VSO X - serie I resulting in the redemption of 140 notes for a total results distributed of EUR 195'675. This resulted in a realized gain of EUR 48,455.

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 many countries affected. Many federal and state governments have taken increasingly stringent steps to help contain, and in many jurisdictions, 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 June 30, 2020 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Consequently, there was no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of these 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 June 30, 2020, there have been no other further events that would have a material impact on the financial statements and related disclosure.

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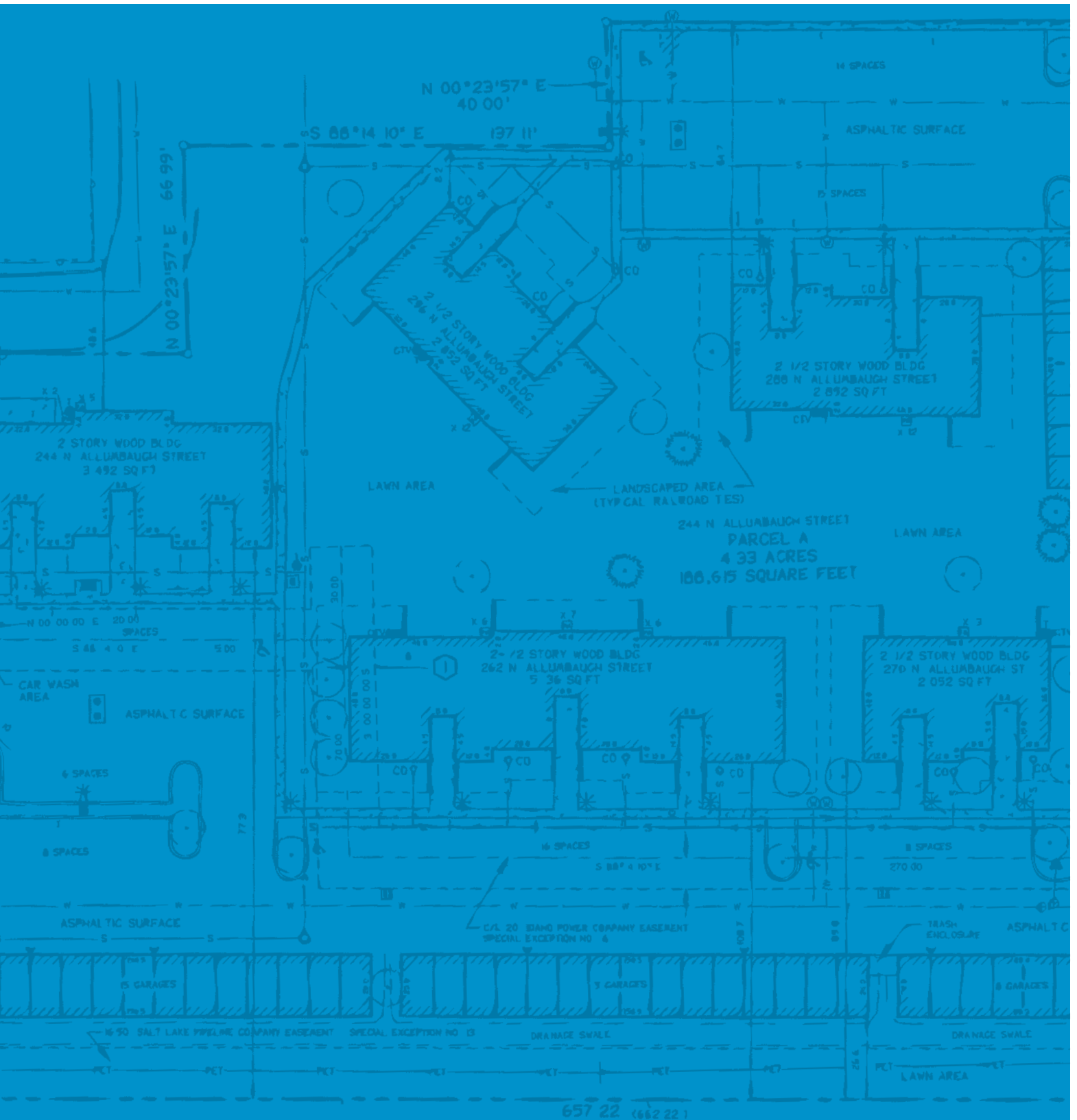
VARIA EUROPE PROPERTIES AG

DESIGN AND TYPESETTING

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