



THIS COMMUNICATION IS NOT FOR DISTRIBUTION IN THE UNITED STATES, CANADA, AUSTRALIA OR JAPAN. THIS COMMUNICATION DOES NOT CONSTITUTE AN OFFER TO SELL, OR THE SOLICITATION OF AN OFFER TO BUY, SECURITIES IN ANY JURISDICTION.

## Communication

Zug, 9. April 2020

### Varia Europe Properties AG – Communication on the impact of COVID-19

Dear Investors and Partners,

The last weeks have seen an acceleration of events in relation to the COVID-19 pandemia, affecting particularly Europe before spreading globally. Although it is very difficult to assess precisely or quantify already any impact on our portfolios, we believe it is important to share with you the current findings and estimations.

First, we would like to confirm that all the teams of our asset manager Stoneweg group continue to operate from home, and that all the staff is safe at the moment.

- The portfolio of Varia Europe is mainly exposed to Spain (69%) and Italy (31%) two countries strongly affected by the current situation. We are also holding some cash to be deployed in the Irish market which we will comment briefly later.
- Our portfolio has marginal exposure to hospitality and retail, the most affected sectors at the moment.
- From a general point of view, the main concern for Varia Europe portfolio could be on the exit timings.
- It is clear that the delivery of developments, exit sales or maturity of loans will be affected; the exact delays are still to be determined as they are highly correlated to the duration the lockdowns last.
- Varia Europe will be deploying capital into the Irish residential market

**In Italy**, the first country applying restrictions to activity, the government is taking unique decisions to support the businesses and the individuals. As an example, you can decide to not pay your interest and principal for 6 months or decide to not pay your interest for 12 months. Other measures supporting employment and small entrepreneurs are also being taken but we believe the current package from the government will need to grow substantially to reduce the economic crisis. At the moment, banks remain active in real estate financing, which is a positive element; although decisions take more time, this continuity is crucial for our ENI deal which is seeing its senior debt being refinanced in the context of the partial sale of our participation.

The Italian strategy is less affected than Spain, as construction works continues on a limited basis. Restrictions imposed are reducing the pace of work but we are also seeing issues with supply of materials.

On the Non Performing Loan (NPL) strategy, renegotiations are ongoing with borrowers but we can already assume that on Precs portfolio we will recover less profit than anticipated, as one borrower is active in



hospitality and has suspended temporarily operations. The exposure to this borrower is marginal to our portfolio.

Finally, at Porta Vittoria deal, a Non-Binding Offer is under exclusivity and the due diligence from the potential buyer continues despite the situation. We expect however, should the buyer decide to make a binding offer, that this will occur later in Q2.

**In Spain**, the construction sites have been closed last Monday. Of course this will affect delivery timings and IRRs. However, it is crucial to mention that on the sales front, 65% of the units have been sold already and that this protects our investment value despite current situation. In addition, 6% more units have been pre-sold as well. For the remaining portion, only after situation starts to normalize, we will be able to see if there is any reduction of sales pace or impact on pricing.

On the bridge financing portfolio, Iberia Income 1 portfolio was able to distribute 6% two weeks ago. Currently, discussions are ongoing with borrowers to assess their situation and anticipate any major issue. At the moment Iberia Income Strategy has not face any default linked to this crisis.

Finally, we planned to deploy around 5% into the Irish residential market. Ireland is being less impacted at the moment, and we are seeing government giving more importance to subsidized residential market. This is key to the strategy our asset manager is following in this market, and with cash available to deploy, we expect the strategy to benefit for good entry prices and increased demand, and support from authorities, with normalization of economy.

The asset manager monitors the situation on a daily basis with its local teams, and we continue in close contact with them to ensure any risk can be managed and anticipated. Our company will be publishing 2019 annual results in May but we will communicate again on the situation during this month, as information continues and we have more visibility.

We remain available should you have any questions and hope you and your family stay safe

#### **Varia Europe Properties AG Board of Directors**

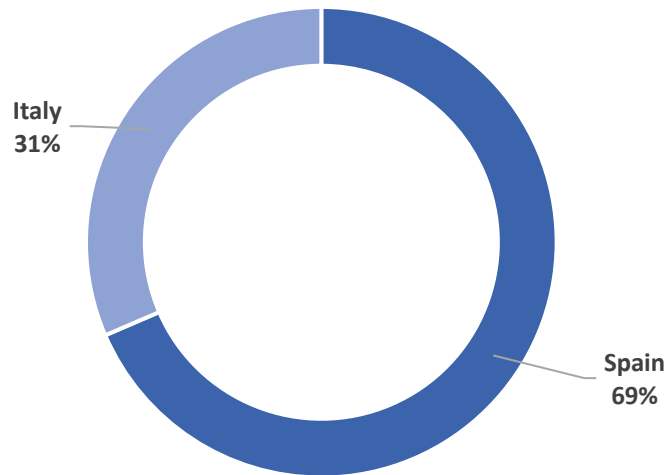
**Taner Alicehic**

**Jaume Sabater**

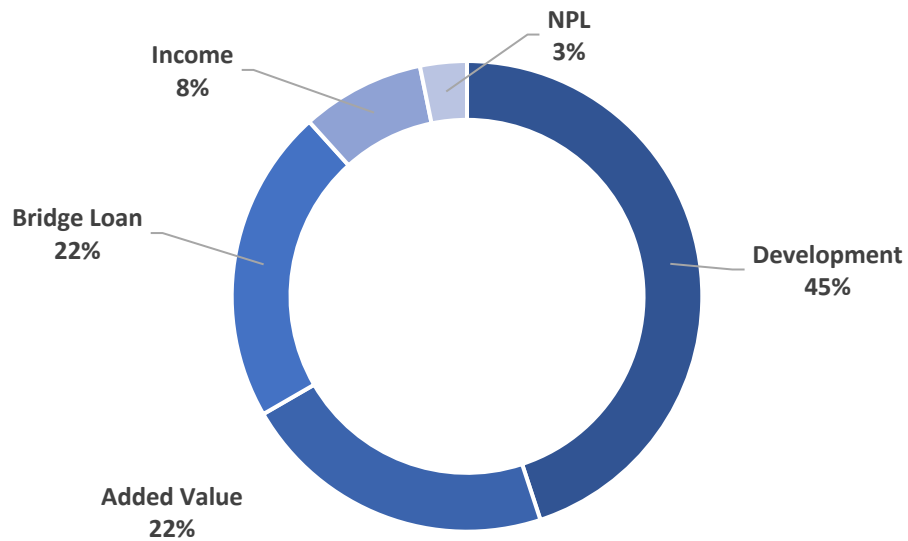
**Grégoire Baudin**

**Annexes:**

**Allocation by Country<sup>1</sup> – Current Situation**



**Allocation by Strategy<sup>1</sup> – Current Situation**



*1) Allocations do not take into account the cash equivalent*



## Contact information

Taner Alicehic

Phone: +41 22 552 40 30

E-mail: [info@variaeuropeproperties.com](mailto:info@variaeuropeproperties.com)

## About Varia Europe Properties AG

Varia Europe Properties AG is a Swiss based company tailoring investment strategies to the European real estate market. Our Ambition is to maintain best in class asset allocation by creating a diversified portfolio of real estate and real estate backed opportunities which are expected to provide steady capital value growth and income potential. We have a purely bottom-up approach to project selection.

More information: <http://www.variaeuropeproperties.com>

## Disclaimer

This communication expressly or implicitly contains certain forward-looking statements concerning Varia Europe Properties AG and its business. Such statements involve certain known and unknown risks, uncertainties and other factors, which could cause the actual results, financial condition, performance or achievements of Varia Europe Properties AG to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Varia Europe Properties AG is providing this communication as of this date and does not undertake to update any forward-looking statements contained herein as a result of new information, future events or otherwise.

This communication constitutes neither an offer to sell nor a solicitation to buy securities of the Company and it does not constitute a prospectus within the meaning of articles 652a, 752 and/or 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the BX Swiss AG. The Offering will be made solely by means of, and on the basis of, a securities prospectus. An investment decision regarding the securities of the Company should only be made on the basis of the securities prospectus. The securities prospectus is available free of charge at Varia Europe Properties AG, Gubelstrasse 19, 6300 Zug, Switzerland (email: [info@variaeuropeproperties.com](mailto:info@variaeuropeproperties.com)).

This communication is being distributed only to, and is directed only at (i) persons outside the United Kingdom, (ii) persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth entities, and other persons to whom it may otherwise lawfully be communicated, falling within Article 49(2) of the Order (all such persons together being referred to as "Relevant Persons"). Any investment or investment activity to which this communication relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. Any person who is not a Relevant Person must not act or rely on this communication or any of its contents. This communication does not constitute an "offer of securities to the public" within the meaning of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market ("Prospectus Regulation") of the securities referred to in it in any member state of the European Economic Area (the "EEA").

The securities referred to herein have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States or to US persons (as such term is defined in Regulation S under the Securities Act) unless the securities are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act is available. The issuer of the securities has not registered, and does not intend to register, any portion of the securities in the United States, and does not intend to conduct any offering of securities in the United States or to US persons.

This communication is not for distribution in the United States, Canada, Australia or Japan. This communication does not constitute an offer to sell, or the solicitation of an offer to buy, securities in any jurisdiction.