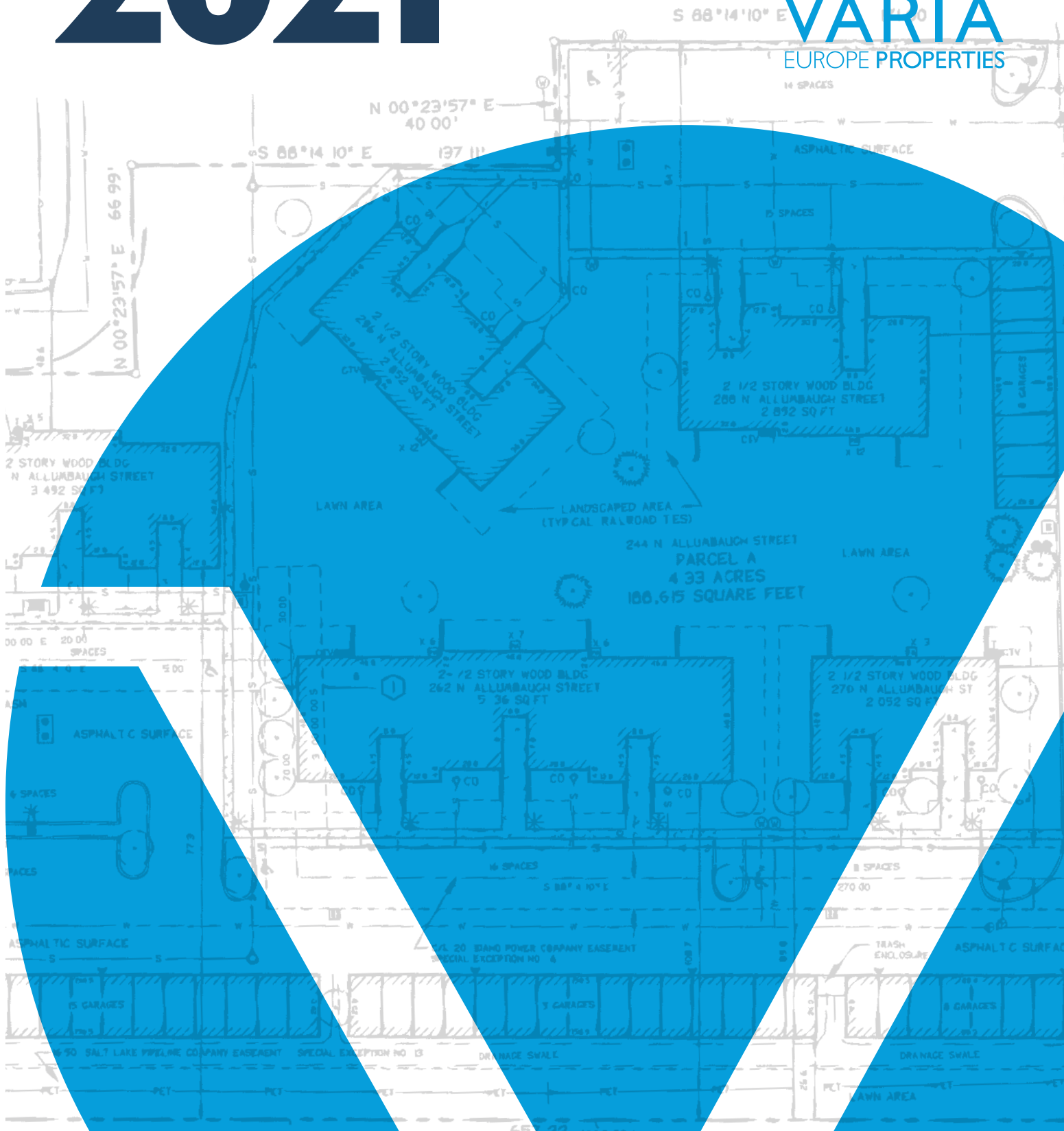


INTERIM REPORT 2021



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 Group (“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, Spain and Ireland, Stoneweg is 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, 2021

PORTFOLIO VALUE

December 2020: EUR 41.1 million

EUR million **42.3**

NUMBER OF PROJECTS

December 2020: 22

22

NUMBER OF EXITS

December 2020: 0

1

CAPITAL / INCOME ALLOCATION

December 2020: 58% Capital / 42% Income

Capital **58%**
Income **42%**

COUNTRY ALLOCATION

December 2020: 70% Spain / 24% Italy / 5% Ireland

Spain **67%**
Italy **24%**
Ireland **5%**
Denmark **4%**

BRIDGE LOAN/NPL ALLOCATION

December 2020: 24%

24%

5

INCOME ASSETS ALLOCATION

December 2020: 5%

4%

DEVELOPMENT ALLOCATION

December 2020: 45%

45%

VALUE ADD ALLOCATION

December 2020: 26%

27%

SUMMARY PAGE OF KEY FIGURES

RESULTS (For the six months ended)	Unit	June 30, 2021	June 30, 2020	Change
Interests income on investments	EUR mio	0.97	–	–
Gain on redemption of notes	EUR mio	–	0.04	–100%
Loss on redemption of notes	EUR mio	–	0.00	–
Net Unrealized gain (loss) on revaluation of investments	EUR mio	–0.63	0.79	–179%
Total Revenues	EUR mio	0.34	0.83	–59%
General and administrative expenses	EUR mio	0.28	0.24	16%
Operating profit incl. Revaluation	EUR mio	0.06	0.59	–89%
Operating margin	%	19	71	–52%
EBITDA (Operating Profit less unrealized revaluation)	EUR mio	0.69	–0.20	–448%
Profit Before Income taxes	EUR mio	0.06	0.60	–91%
Net (loss) Profit for the period	EUR mio	–0.03	0.78	–104%
Earnings brought forward	EUR mio	2.54	1.19	113%
Retained earnings	EUR mio	2.51	1.98	27%

6

BALANCE SHEET (As of)	Unit	June 30, 2021	December 31, 2020	Change
Total Assets	EUR mio	43.72	43.78	–0.1%
Equity	EUR mio	43.42	43.45	–0.1%
Interest bearing Debt	EUR mio	–	–	–
Interest bearing Debt ratio	%	–	–	–

PORTFOLIO (As of)	Unit	June 30, 2021	December 31, 2020	Change
Projects		22	22	n.a
Number of exits		1	1	n.a
Portfolio Value	EUR mio	42.28	41.08	3%

SHARE INFORMATION (As of)	Unit	June 30, 2021	December 31, 2020	Change
Share Price	CHF/ share	1.78	1.90	–7%
Number of shares		28,512,619	28,512,619	0%
Market capitalization	CHF mio	50.61	54.17	–7%
Earnings per share (EPS)	EUR / share	–0.001	0.047	–102%
NAV	EUR / share	1.52	1.52	–0.1%
NAV excluding deferred taxes	EUR / share	1.53	1.52	0.6%





SHAREHOLDER LETTER

DEAR SHAREHOLDERS,

It is with great pleasure that we present to you the 2021 Interim Report for Varia Europe Properties AG (Varia Europe).

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 for 2021. The Company generated a total revenue of EUR 0.34 million (June 2020: EUR 0.83 million) and total earnings of EUR 2.51 million for the half-year 2021 (June 2020: EUR 1.98 million). The first half-year of 2021 was a successful period for the Company, and the Board is 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.

During the first half-year 2021, the main European economies rebounded strongly, helped by policy support alongside the deployment of effective vaccines and the recovery of many economic activities. Yet, the Organization for Economic Co-operation and Development (OECD) indicates that, although global GDP has now risen over pre-pandemic levels, the recovery still remains unequal between countries as they will face different challenges as the pandemic is still not fully under control.

From an investment perspective, we believe the strength of the portfolio lies within the diversification of its assets, whether from a geographic, sectorial or income point of view. As we end the first half-year, the underlying total portfolio increased by 3% in 6 months.

PORTFOLIO

Starting the year with 22 underlying investments, in 2020 the Company invested into 1 additional new opportunity and exited 1 asset bringing the total invested portfolio to 22 projects by year end.

During the year 2020, project Hemingway was exited with attractive returns (26.3% IRR, 1.17 multiple). As we publish this report, the project Albatros/ Boulevard/ Guaraldi has been exited (7.9% IRR, 1.14x multiple) and Class Plastics project has been sold to a UK listed developer generating an IRR of 7.1% and a multiple of 1.13x for a 1.7 years investment horizon. In the meantime, Varia Europe allocated its capital in Denmark to broaden its presence in Europe through project VIGA, a portfolio of prime located residential assets in Copenhagen to be listed on the Danish market by 2025.

In Spain, PRS (Private Rental Sector) strategy reached an important milestone with the closing of its fourth asset this year. In Ireland, the Irish residential strategy is being consolidated. The strategy is supported by solid real estate fundamentals such as low mortgage rates and increasing Help to Buy incentives from the Irish government.

The allocation to the Bridge Loan/ NPL strategy remains at 24% in December 2020 and in June 2021. Income Assets allocation decreased from 5% to 4% while Development projects remains stable at 45%. Finally, exposure to Value Added assets increased from 26% to 27% during the first half-year 2021.

By half-year end the portfolio has allocated approximately 67% in Spain, 24% in Italy, 5% in Ireland and 4% in Denmark (70% in Spain and 25% in Italy and 5% in Ireland in December 2020).

PERFORMANCE

During the first half-year 2021, Varia Europe recorded a total revenue of EUR 0.34 million (EUR 0.83 million total revenue in June 2020) with an unrealized loss of EUR –0.63 million. General and administrative expenses increased from EUR 0.24 million in June 2020 to EUR 0.28 million in June 2021 leading to an operating profit of EUR 0.06 million in June 2021 (–89% between June 2020 and June 2021).

The total net loss of the first half-year 2021 is EUR 0.03 million (total net profit of EUR 0.78 million in the first half-year 2020), implying also the decrease on the earning per shares from 0.047 in December 2020 to –0,001 during the period.

The NAV per share of the company remained stable at CHF 1.52/shares in June 2021 (CHF 1.52/shares in December 2020). However, it shall be noted that the underlying portfolio value increased from EUR 41.1 million to EUR 42.3 million during these first 6 months (+3% during 2021 first half-year) and that several projects such as Class Plastics and Albatros / Boulevard / Guaraldi were exited with profit as we publish this report.

Total shareholder equity of the Company stood at EUR 43,415,896 and voluntary retained earnings of EUR 2.51 million recorded within the Swiss GAAP FER Financial Statements. The average ordinary shares outstanding was 28,512,619 shares for the period.

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 Spain, Italy, Ireland and Denmark). This difference in currency, between the

Company level and underlying investments, leaves open currency risk, including currency fluctuations which may be affecting on a positive 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 1.0802 (December 2020) to 1.098 (June 2021), or equivalent of –1,65% during the period.

In summary, during the first half year 2021 Varia Europe kept consolidating its current investments and expanded the portfolio presence in a new European country to optimize its diversification strategy. The Company aims to provide risk adjusted returns through stable income generating assets and strong capital gain upsides driven by development and value-added strategies. We expect during the second half-year 2021 to the exit several investments currently in the portfolio with positive results. We look forward to continuing building and growing the company as we move further into 2021.

Sincerely yours,



Taner Alicehic
Chairman & Executive Member





PORTFOLIO OVERVIEW

A BREAKDOWN OF THE PORTFOLIO AS OF JUNE 30, 2021

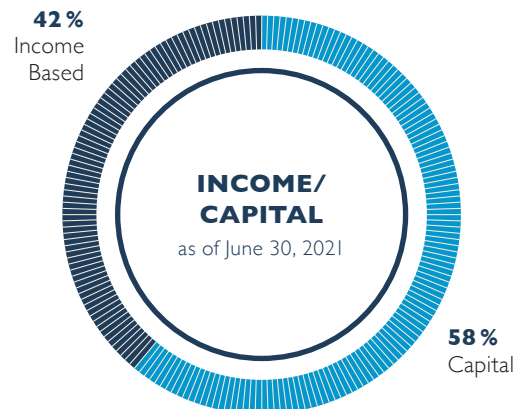
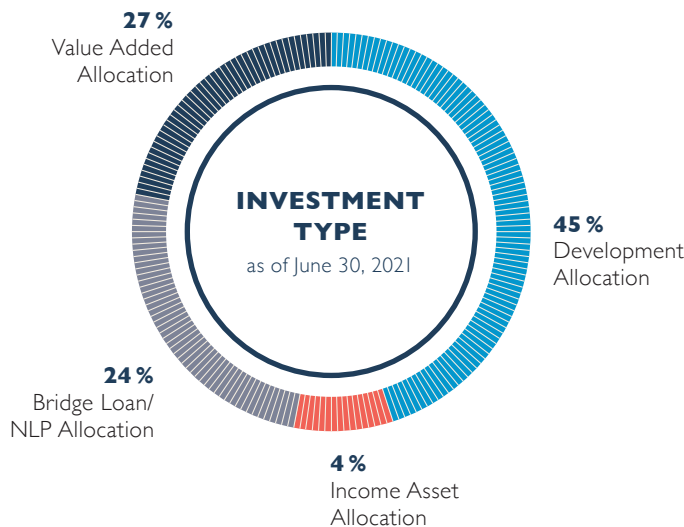
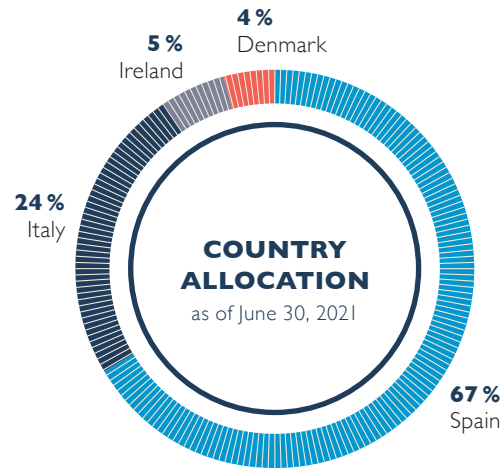
During the first half-year 2021, the total shareholder equity value remains stable at EUR 43.4 million at December 2020 and at June 2021 with 22 projects invested.

The portfolio allocation to income generating projects remains stable with 58% capital and 42% income based at December 31, 2020 and at June 30, 2021. The country allocation moved from 70% in Spain, 25% in Italy, 5% in Ireland to approximately 67% in Spain and 24% in Italy, 5% in Ireland and 4% in Denmark within the same period.

Within the four principal strategies, the allocation to the Bridge Loan/ NPL strategy remains at 24% in December 2020 and in June 2021. Income Assets allocation decreased from 5% to 4% while Development projects remains stable at 45%. Finally, exposure to Value Added assets increased from 26% to 27% in 2021.

Varia Europe kept implementing the Varia Ireland Strategy during the first half-year 2021. 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 is also considering new opportunistic and promising strategies such as value-add investments in Logistics, student housing strategies or hospitality.

Furthermore, Varia Europe allocated capital into the Danish residential market. The strategy aims to capitalize on the constitution of a unique off-market prime located residential assets in Copenhagen. VIGA targets an exit of the portfolio in Q4 2024 through IPO on the Danish listed market.



PORTFOLIO ALLOCATION JUNE 30, 2021

Varia Europe	Geography	Strategy	Return Strategy	Sector	Investment Date	
Development Strategy						
PRS	Spain	Development	Income	Residential	Q4 2019	
Sp. Phoenix CAT	Spain	Development	Capital	Residential	Q1 2018	
Sp. Phoenix II	Spain	Development	Capital	Residential	Q1 2018	
Varia Ireland	Ireland	Development	Capital	Residential	Q3 2020	
Compagnoni	Italy	Development	Capital	Residential	Q1 2018	
Skyline	Spain	Development	Capital	Residential	Q4 2018	
Niccolini (Milan)	Italy	Development	Capital	Residential	Q4 2018	
Added Value Strategy						
Vittoria	Italy	Added Value	Capital	Mixed Use	Q2 2019	
Gran Turia	Spain	Added Value	Capital	Retail	Q4 2019	
Minor	Spain	Added Value	Capital	Hospitality	Q3 2020	
Class Plastic	Spain	Added Value	Capital	Logistics	Q1 2020	
VIGA	Denmark	Added Value	Capital	Residential	Q1 2021	
Bridge Loan Strategy						
Ib. Income Opp. III	Spain	Bridge Loan	Income	Mixed: Commercial, Residential	Q1 2020	
Calvino	Italy	Bridge Loan	Income	Residential	Q1 2020	
Ib. Income Opp.	Spain	Bridge Loan	Income	Mixed: Commercial, Residential	Q1 2018	
Ib. Income Opp. II	Spain	Bridge Loan	Income	Mixed: Commercial, Residential	Q4 2018	
Barigello (VSO XXIX)	Italy	Bridge Loan	Income	Residential	Q4 2018	
VSO V	Spain	Bridge Loan	Capital	Residential	Q3 2017	
Income Strategy						
Preziosi	Italy	Income	Income	Office	Q1 2018	
NPL Strategy						
Medio (VSO XX)	Italy	NPL	Income	Mixed: Office, Hospitality, Residential	Q4 2017	
Albatros/Boulevard/Guaraldi	Italy	NPL	Income	Mixed: Residential, Office, Retail	Q1 2018	
DELA (VSO VII)	Italy	NPL	Capital	Office	Q3 2017	

	Maturity Date	Target IRR	% Effective Allocation	Varia Ownership ¹	Varia Ownership ²
			45.3%		
	Q4 2028	10%–12%	14.7%	23.5%	6.1%
	Q1 2023	8%–10%	11.6%	15.9%	5.9%
	Q1 2023	8%–10%	7.7%	9.8%	3.2%
	Q2 2023	15%–20%	5.2%	6.6%	6.6%
	Q1 2023	15%–20%	2.8%	18.1%	9.1%
	Q1 2023	11%–12%	2.6%	5.2%	1.3%
	Q3 2022	10%–15%	0.6%	3.9%	1.9%
			26.6%		
	Q2 2023	8%–10%	8.4%	17.6%	5.3%
	Q4 2024	10%–15%	6.5%	46.4%	46.4%
	Q4 2024	20%–25%	3.9%	17.8%	8.9%
	Q4 2021	7.1%	3.9%	24.4%	24.4%
	Q4 2024	10%–15%	4.0%	5.9%	5.9%
			21.6%		
	Q4 2024	10%–12%	11.0%	20.8%	20.8%
	Q1 2022	10%–15%	5.2%	77.5%	77.5%
	Q1 2022	10%–12%	2.3%	2.1%	2.1%
	Q3 2022	10%–12%	2.1%	0.6%	0.6%
	Q4 2021	11%–13%	0.9%	9.1%	9.1%
	Q1 2022	1%–3%	0.2%	3.2%	3.2%
			4.1%		
	Q3 2022	10%–15%	4.1%	24.9%	12.5%
			2.4%		
	Q1 2023	10%–12%	1.4%	11.4%	3.4%
	Q3 2021	7.9%	0.6%	6.2%	3.1%
	Q3 2022	15%–20%	0.4%	9.7%	3.8%

¹ on number of notes owned by Stoneweg Group vehicles
² on total number of notes of the project

SWISS GAAP FER FINANCIAL STATEMENTS

June 30, 2021

Varia Europe Properties AG, Zug

BALANCE SHEET AS OF JUNE 30, 2021

ASSETS	Notes	June 30, 2021 in EUR	December 31, 2020 in EUR
Cash and cash equivalents		429,479	746,224
Prepaid expenses		12,714	12,257
Accrued assets	2.1	969,214	1,833,866
Current assets		1,411,408	2,592,347
Investments at fair value	2.1	42,283,511	41,076,104
Deferred tax assets	2.3	22,306	111,924
Non-current assets		42,305,817	41,188,028
Total assets		43,717,225	43,780,375
LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	June 30, 2021 in EUR	December 31, 2020 in EUR
Other current liabilities		858	4,014
Accrued expenses	2.2	285,431	276,437
Accrued taxes	2.3	15,040	52,766
Current liabilities		301,329	333,217
Total liabilities		301,329	333,217
Share capital	2.4	512,433	512,433
Reserves from capital contributions	2.4	40,393,413	40,393,413
Legal capital reserves		40,393,413	40,393,413
Retained earnings brought forward		2,541,312	1,192,917
Net (loss) profit for the period or year		-31,262	1,348,395
Voluntary retained earnings		2,510,050	2,541,312
Total shareholders' equity		43,415,896	43,447,158
Total liabilities and shareholders' equity		43,717,225	43,780,375

Varia Europe Properties AG, Zug

PROFIT AND LOSS STATEMENT FOR THE PERIOD ENDED JUNE 30, 2021

	Notes	For the period ended June 30, 2021 in EUR	For the period ended June 30, 2020 in EUR
Interests income on investments	2.1	969,214	–
Gain on redemption of notes	2.1	–	40,646
Loss on redemption of notes	2.1	–	–116
Gain on investments fair value adjustment	2.1	–	809,071
Loss on investments fair value adjustment	2.1	–626,459	–18,798
Revenues		342,756	830,803
Directors' fees and social charges	2.8	–29,144	–17,500
Communications, publicity and marketing		–7,886	–8,441
Accounting and administration expenses		–70,807	–43,876
Legal and other consulting fees		–121,286	–134,929
Audit fees		–28,726	–29,097
Insurances		–5,298	–4,434
Other operating expenses		–491	–123
Direct taxes on capital		–14,696	–707
Operating expenses		–278,334	–239,108
Operating profit		64,422	591,696
Financial income	2.6	1,872	23,374
Financial expenses	2.6	–9,978	–3,690
Prior year income		268	12,531
Prior year expenses		–	–24,040
Profit before income taxes		56,585	599,871
Deferred income tax benefit (expense)		–87,847	182,936
Net (loss) profit for the period		–31,262	782,807
Earnings per share (EPS): Basic and diluted earnings, per share	2.5	–0.0011	0.0275

Varia Europe Properties AG, Zug

CASH FLOW STATEMENT FOR THE PERIOD ENDED JUNE 30, 2021

	Notes	For the period ended June 30, 2021 in EUR	For the period ended June 30, 2020 in EUR
Operating activities			
Net (loss) profit for the period		-31,262	782,807
Gain on redemption of notes		-	-40,646
Loss on redemption of notes		-	116
Gain on investments fair value adjustment		-	-809,071
Loss on investments fair value adjustment	2.1	626,459	18,798
Change in accrued assets	2.1	864,652	-
Change in prepaid expenses		-457	1,874
Change in trade payable to third parties		-3,155	183,877
Change in accrued expenses		8,994	98,146
Change in accrued taxes		-37,726	-12,299
Change in deferred taxes		89,618	-182,936
Cash flow from operating activities		1,517,122	40,666
Investing activities			
Investment notes acquisition		-1,833,866	-
Investment notes redemption	2.1	-	127,346
Cash flow from investing activities		-1,833,866	127,346
Financing activities			
Dividend distributions from reserves from capital contributions		-	-285,436
Cash flow from financing activities		-	-285,436
Change in cash and cash equivalents for the period		-316,745	-117,424
Cash at the beginning of period		746,224	1,253,533
Cash and cash equivalents at the end of the period		429,479	1,136,108
Change in cash and cash equivalents for the period		-316,745	-117,424

Varia Europe Properties AG, Zug

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED JUNE 30, 2021

	Number of shares	Share capital in EUR	Reserves from capital contributions in EUR	Voluntary retained earnings in EUR	Total equity in EUR
Balance at December 31, 2019	28,512,619	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		–	–287,040	–	–287,040
Net profit for the year		–	–	1,348,395	1,348,395
Balance at December 31, 2020	28,512,619	512,433	40,393,414	2,541,311	43,447,159
Net loss for the period				–31,262	–31,262
Balance at June 30, 2021	28,512,619	512,433	40,393,414	2,510,050	43,415,897

Varia Europe Properties AG, Zug

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2021

I PRINCIPLES

1.1 General information

Varia Europe Properties AG ("Varia" or "the Company") was 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 with distinct real estate investment strategies. The Company is a noteholder of one VSO compartment, 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 compartments themselves and the exit of the investments is dependent on the realisation of the underlying assets. VSO compartments and underlying assets owned by VSO compartments 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 financial statements are presented in Euro (EUR) and all values are rounded to the nearest EUR.

1.3 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 as of 30.06.2021 is 1.0980 (31.12.2020: 1.0802). Other non-monetary assets as well as equity items are presented at their historical exchange rates.

Transactions in foreign currencies are translated at the exchange rate on the day the transaction takes place.

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

1.4 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank 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").

1.5 Investments

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

The fair value of investments are calculated on a quarterly basis 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. The gains and losses on investments fair value adjustment are recognized in the profit and loss statement.

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

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 upon decisions of the VSO's board of directors.

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

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 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 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 but capital taxes were paid during the period ended June 30, 2021 (31.12.2020 – nil).

2 INFORMATION ON BALANCE SHEET AND PROFIT AND LOSS STATEMENT BALANCES

2.1 Investments

As at June 30, 2021 the Company owned notes of only one compartment as per the below table:

Compartments	Fair value 31.12.2020 in EUR	Redemption at sale price for the period in EUR	Realized gain / loss for the period in EUR	Investment in nominal value of the notes in EUR	Fair value adjustment in EUR	Fair value 30.06.2021 in EUR
VSO Europe Properties	41,076,104	–	–	1,833,866	–626,459	42,283,511
Total	41,076,104	–	–	1,833,866	–626,459	42,283,511

On September 23, 2020, Varia Structured Opportunities SA proceeded to a modification of the Private Placement Memorandum for the programme VSO Europe Properties. A minimum annual interest of 5% on this VSO outstanding principal notes amount is now earned from January 1, 2020 by the Company. Therefore Varia Europe Properties AG recognized in the year 2020 an interest income of EUR 1,833,866 from its investment in VSO Europe Properties.

The interests for the year 2020 were capitalised on January 1, 2021 by increase of the nominal value of the notes rather than by subscription of new notes.

For the 6-month period ending June 30, 2021, Varia Europe Properties AG recognized a 5% interest income of EUR 969,214 from its investment in VSO Europe Properties.

As at December 31, 2020 the Company owned notes of only one compartment as per the below table:

Compartments	Fair value 31.12.2019 in EUR	Redemption at sale price for the year in EUR	Realized gain / loss for the year in EUR	Subscription or transfer out into another compart- ment in EUR	Fair value adjustment in EUR	Fair value 31.12.2020 in EUR
VSO V	93,300	–	–	–92,848	–452	–
VSO VII	93,119	–	–	–90,701	–2,418	–
VSO X	337,398	–323,021	–14,377	–	–	–
VSO Spanish Phoenix II	483,951	–	–	–503,459	19,508	–
VSO XX	100,534	–	–	–100,384	–150	–
VSO Europe Properties	40,174,360	–	–	787,392	114,352	41,076,104
Total	41,282,663	–323,021	–14,377	–	130,839	41,076,104

During the year 2020, the investment notes in VSO X were fully redeemed with total proceeds of EUR 323,021 which resulted in a realized loss of EUR 14,377. On December 22, 2020, Varia Europe Properties AG subscribed to 696 notes of EUR 1,000 of VSO Europe

Properties. The Company settled the subscription amount in kind with the contribution of the VSO notes held in the compartments VSO V, VSO VII, VSO Spanish Phoenix II and VSO XX for a total EUR 787,392.

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

Compartments	Domicile	Country of investments	Strategy	Number of Notes held by Varia 30.06.2021	Percentage held by Varia of total outstanding notes value 30.06.2021
VSO Europe Properties	Luxembourg	Spain & Italy	Diversified	37,256	100.0%

All new investments 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 which owns the investments. 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 (30.06.2021)
VSO RE: SPV Niccolini	Luxembourg	Italy	Development	3.9%
VSO VII	Luxembourg	Italy	Non Performing Loans	9.7%
VSO XXIX	Luxembourg	Italy	Bridge Loans	9.1%
VSO RE: SPV Preziosi / Carimate / Teras	Luxembourg	Italy	Income assets	24.9%
VSO XX	Luxembourg	Italy	Non Performing Loans	2.0%
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	9.8%
VSO Spanish Phoenix CAT	Luxembourg	Spain	Development	15.9%
VSO II Skyline	Luxembourg	Spain	Development	5.2%
VSO RE: Vittoria	Luxembourg	Italy	Added Value	17.6%
VSO PRS	Luxembourg	Spain	Development	23.5%
VSO Gran Turia	Luxembourg	Spain	Added Value	46.4%
VSO V	Luxembourg	Spain	Bridge Loans	3.2%
VSO II Varia Ireland	Luxembourg	Ireland	Development	6.6%
VSO II Minor	Luxembourg	Spain	Added Value	17.8%
VSO II Class Plastics	Luxembourg	Spain	Added Value	24.4%
VSO II Calvino	Luxembourg	Spain	Bridge Loans	77.5%
VSO Iberia Income III	Luxembourg	Spain	Bridge Loans	20.8%
VIGA	Luxembourg	Denmark	Added Value	5.9%

The investments of Varia in the VSO notes were the following at December 31, 2020:

Compartments	Domicile	Country of investments	Strategy	Number of Notes held by Varia (31.12.2020)	Percentage held by Varia of total outstanding notes value (31.12.2020)
VSO Europe Properties	Luxembourg	Spain & Italy	Diversified	37,256	100.0%

Underlying compartments	Domicile	Country of investments	Strategy	Percentage held by VSO Europe Properties of total outstanding notes value (31.12.2020)
VSO RE: SPV Niccolini	Luxembourg	Italy	Development	3.9%
VSO VII	Luxembourg	Italy	Non Performing Loans	9.7%
VSO XXIX	Luxembourg	Italy	Bridge Loans	9.1%
VSO RE: SPV Preziosi / Carimate / Teras	Luxembourg	Italy	Income assets	24.9%
VSO XX	Luxembourg	Italy	Non Performing Loans	2.0%
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	0.5%
VSO Spanish Phoenix II	Luxembourg	Spain	Development	9.8%
VSO Spanish Phoenix CAT	Luxembourg	Spain	Development	15.9%
VSO II Skyline	Luxembourg	Spain	Development	5.2%
VSO RE: Vittoria	Luxembourg	Italy	Added Value	17.6%
VSO PRS	Luxembourg	Spain	Development	24.4%
VSO Gran Turia	Luxembourg	Spain	Added Value	46.4%
VSO V	Luxembourg	Spain	Bridge Loans	3.2%
VSO II Varia Ireland	Luxembourg	Ireland	Development	7.0%
VSO II Minor	Luxembourg	Spain	Added Value	31.9%
VSO II Class Plastics	Luxembourg	Spain	Added Value	32.1%
VSORE II: Hemingway	Luxembourg	Spain	Added Value	14.6%
VSO II Calvino	Luxembourg	Spain	Bridge Loans	77.5%
VSO Iberia Income III	Luxembourg	Spain	Bridge Loans	33.1%

2.2 Accrued expenses

	30.06.2021 in EUR	31.12.2020 in EUR
Audit fees	43,863	46,288
Accounting fees	80,701	59,318
Legal and consulting fees	115,503	126,788
Transfer stamp duty on investments	–	40,598
Directors fees	29,144	–
Other expenses	9,444	3,445
Communication, publicity & marketing	6,776	–
Total	285,431	276,437

2.3 Accrued and deferred taxes

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

	30.06.2021 in EUR	31.12.2020 in EUR
Accrued taxes		
Capital tax provision	15,040	52,766
Deferred taxes		
Deferred tax assets	67,997	153,032
Deferred tax liabilities	–45,691	–41,108
Net tax assets and liabilities	22,306	111,924
Deferred tax assets	22,306	111,924

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 11.9% (2020: 11.9%), including the direct federal tax. Accordingly the deferred tax assets and liabilities were calculated with the tax rate of 11.9% at June 30, 2021.

2.4 Shareholders' equity

The changes in the shareholders' equity captions from December 31, 2019 to June 30, 2021 are presented in the Statement of changes in equity.

The share capital at June 30, 2021 is divided in 28,512,619 ordinary registered shares of a par value of CHF 0.02 each, fully paid. There are no preferential rights attributed to the shares.

Net asset value per share (at period-end or year-end)	30.06.2021 in EUR	31.12.2020 in EUR
Total shareholders' equity before any dividend distribution	43,415,896	43,447,158
Number of ordinary shares outstanding	28,512,619	28,512,619
Net asset value per share	1.5227	1.5238

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

On December 18, 2020, the the Swiss federal tax authorities confirmed their agreement for the reserves from capital contributions as of December 31, 2019 for a maximum amount of CHF 45,181,100 (EUR 41,826,606) in the sense of article 20 paragraph 3 of the Federal Income Tax Act.

2.5 Earnings per share (EPS)

	30.06.2021 in EUR	30.06.2020 in EUR
Net (loss) profit of the period	-31,262	782,807
Average of ordinary shares outstanding	28,512,619	28,512,619
Basic and diluted earnings, per share	-0.0011	0.0275

There is no dilutive effect on shares at June 30, 2021 and 2020.

2.6 Financial result

	30.06.2021 in EUR	30.06.2020 in EUR
Financial income		
Foreign currency exchange gains	1,872	23,374
Total	1,872	23,374
Financial expenses		
Bank fees	322	-
Foreign currency exchange losses	9,656	3,690
Total	9,978	3,690

2.7 Segment reporting

The Company is investing its funds in investments mostly related to real estate properties that present similar features even if related to underlying investments in different geographical regions and/or countries, and different risk profiles within the real estate asset class. Management has determined that the Company only operates in the sole investments property segment 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.
- Real Estate Investment Solutions AG

Board of Directors

The Board of Directors is considered as key management. In the 6-month period ended in June 30, 2021, Directors' fees of CHF 30,000 and social charges (in total EUR 29,144) were accrued (2020 – EUR 17,500).

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 never allocated to Board members. No loans or credit facilities were granted to any members of the Board or related parties during the period ended in June 30, 2021 and 2020 and there were no such receivables outstanding as at the same periods.

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

Management fees

During the period ended June 30, 2021 and 2020, 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 as Stoneweg is indirectly remunerated as advisor of the VSO compartments and asset manager of the local entities holding the assets.

Placement, capital increase and advisory services fees	30.06.2021 in EUR	30.06.2020 in EUR
Real Estate Investment Solutions AG (REIS)	114,139	105,964
Total	114,139	105,964

Shareholding rights of Board of Directors members

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

Name	Function	Shares 30.06.2021	Shares 31.12.2020
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 had no employees at June 30, 2021 and has never employed any staff.

3.2 Contingent liabilities

As of June 30, 2021 and 2020, the Company had no contingencies and other off-balance sheet transactions that would have to be disclosed herein.

3.3 Significant events occurring after the balance sheet date

Since the balance sheet date as of June 30, 2021, there have been no further events that would have a material impact on the financial statements and related disclosure.

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

CONTACT

Contact for Investors

Stoneweg Asset Management SA
Bvd. Georges – Favon 8
1204 Geneva
Switzerland
Phone +41 22 552 40 30
www.variaeuropereproperties.com
info@variaeuropereproperties.com

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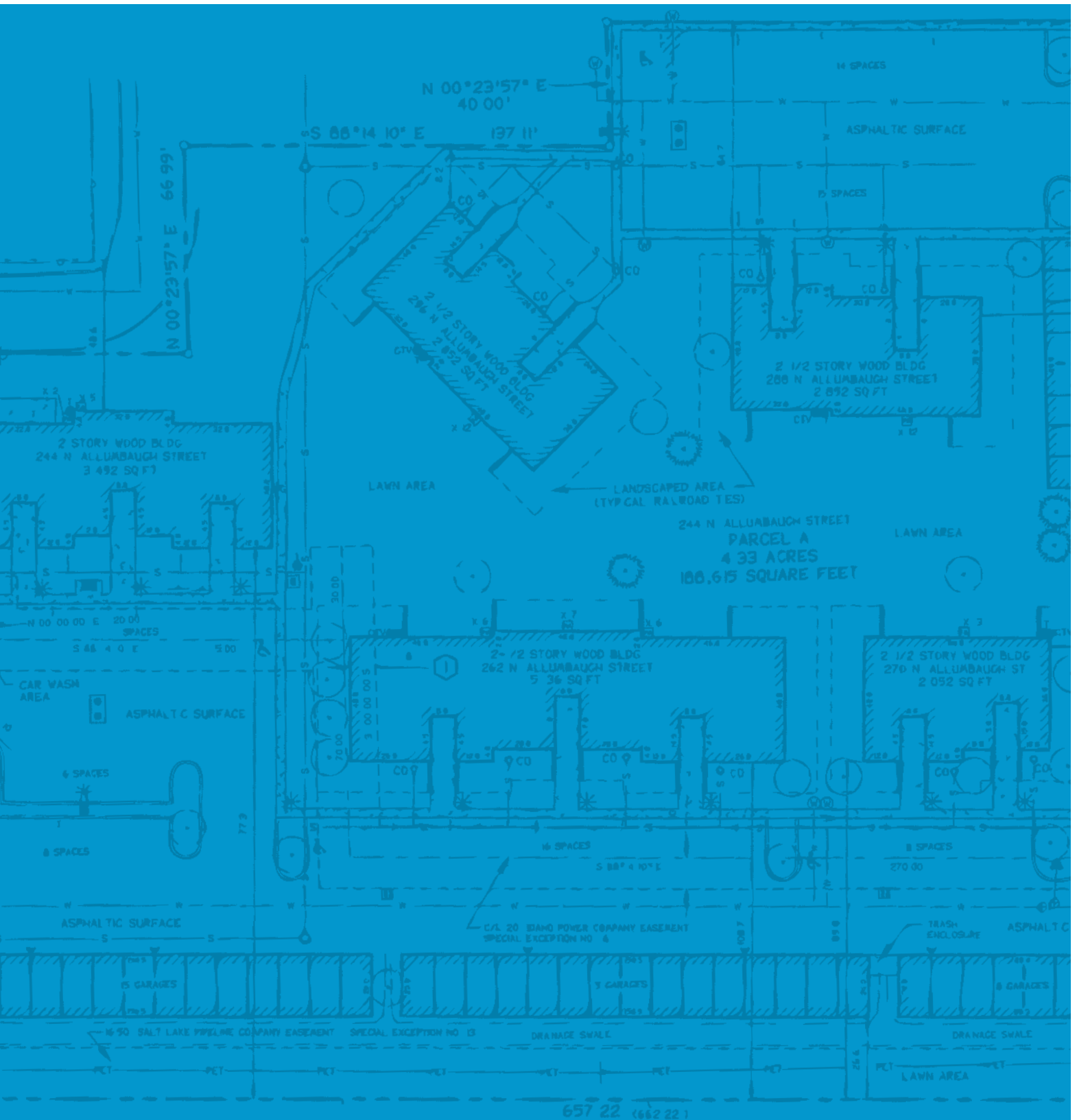
VARIA EUROPE PROPERTIES AG

DESIGN AND TYPESETTING

M3 GMBH, WETZIKON

PRINTING

SPRÜNGLI DRUCK AG, VILLMERGEN



VARIA EUROPE PROPERTIES AG

Gubelstrasse 19
 6300 Zug
 Switzerland
 Phone CH +41 (0)22 552 40 30
 info@variaeuropereproperties.com
 variaeuropereproperties.com

MANAGED BY STONEWEG 