

ANNUAL REPORT 2021



VARIA
EUROPE PROPERTIES





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COMPANY PORTRAIT

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 a focus on Italy, Spain, Ireland and Denmark.
- 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.

PORTFOLIO SUMMARY

as at December 31, 2021

PORTFOLIO VALUE

December 2020: EUR 41.1 million

EUR million

41.1

NUMBER OF PROJECTS

December 2020: 23

20

NUMBER OF EXITS

December 2020: 1

4

CAPITAL / INCOME ALLOCATION

December 2020: 58% Capital / 42% Income

Capital

57%

Income

43%

COUNTRY ALLOCATION

December 2020: 70% Spain / 25% Italy / 5% Ireland

Spain

65%

Italy

25%

Ireland

5%

Denmark

5%

BRIDGE LOAN/NPL ALLOCATION

December 2020: 24%

25%

INCOME ASSETS ALLOCATION

December 2020: 5%

4%

DEVELOPMENT ALLOCATION

December 2020: 45%

46%

VALUE ADD ALLOCATION

December 2020: 26%

24%

SUMMARY PAGE OF KEY FIGURES

RESULTS (For the year ended December 31)	Unit	December 2021	December 2020	Change
Interests income on investments	EUR mio	2.0	1.8	7%
Gain on redemption of notes	EUR mio	–	–	–
Loss on redemption of notes	EUR mio	–	–0.01	–100%
Net Unrealized gain (loss) on revaluation of investments	EUR mio	–1.8	0.1	–1470%
Total Revenues	EUR mio	0.2	2.0	–92%
General and administrative expenses	EUR mio	–0.6	–0.6	0%
Operating profit incl. Revaluation	EUR mio	–0.4	1.4	–130%
Operating Margin	%	–252%	71%	–323%
EBITDA (Operating Profit less unrealized revaluation)	EUR mio	1.4	1.3	11%
(Loss) Profit Before Income taxes	EUR mio	–0.4	1.3	–130%
Net (loss) Profit for the year	EUR mio	–0.1	1.3	–109%
Earnings brought forward	EUR mio	1.8	1.2	52%
Retained earnings	EUR mio	1.7	2.5	–33%

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BALANCE SHEET (For the year ended December 31)	Unit	December 2021	December 2020	Change
Total Assets	EUR mio	42.2	43.8	–3.6%
Equity	EUR mio	41.9	43.4	–3.5%
Equity Ratio	%	99%	99%	–

PORTFOLIO (As of December 31)	Unit	December 2021	December 2020	Change
Projects		20	23	–3
Number of exits		4	1	3
Portfolio Value	EUR mio	41.1	41.1	0.10%

SHARE INFORMATION (As of December 31)	Unit	December 2021	December 2020	Change
Share Price	CHF/ share	1.8	1.9	–6%
Number of shares		28,512,619	28,512,619	0%
Market capitalization	CHF mio	50.9	54.2	–6%
Earnings per share (EPS)	EUR / share	– 0.004	0.047	–109%
Distribution paid during the year	CHF / share	0.05	–	5%
Distribution paid during the year	EUR mio	1.4	–	–
Distribution Yield on NAV	%	3.2%	–	3%
Distribution Yield on Share Price	%	2.8%	–	3%
NAV	EUR / share	1.47	1.52	–3.5%





SHAREHOLDER LETTER

DEAR SHAREHOLDERS,

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

The Board of Directors of Varia Europe Properties AG ("The Company" or "Varia Europe") is pleased to present to its investors the year end results for 2021. The Company generated a total revenue of EUR 0.16 million (December 2020: EUR 1.95 million) and has retained earnings of EUR 1.7 million as at December 31 2021 (December 2020: EUR 2.54 million). 2021 was a successful period for the Company, and the Board is satisfied with the results achieved in a complex environment.

Prior to the Russia's war in Ukraine, the European countries were on track for a strong, although uneven, recovery from COVID-19. Already on the rise in 2021 due to pandemic-related supply constraints, the conflict in Ukraine lead to further supply-chain disruption and therefore specific threats to real estate industry posed by inflation. This situation could have impact on construction costs for development and value add projects (especially PRS projects). However, this should be largely mitigated by the fact that most of the projects within Varia Europe portfolio are completed or in advanced stage with fixed costs from signed agreements with construction companies.

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 year, the underlying total portfolio is being consolidated and the Company targets to distribute proceeds received from its current portfolio.

This distribution comes from the realization of exits mainly in the PRS strategy as well as cash received, since the beginning of the year 2022, from Spanish Phoenix II (c. 40% of initial investment), Spanish Phoenix CAT (c. 30% of initial investment), Varia Ireland (c. 17% of initial investment) and Niccolini (c. 66% of initial investment).

PORTFOLIO

Starting the year with 23 underlying investments, in 2021 the Company invested into 1 additional new opportunity and exited 4 assets bringing the total invested portfolio to 20 projects by year end.

During the first half-year 2021, project Hemingway was exited with attractive returns (26.3% IRR, 1.17 multiple). During the second half-year 2021, the project Albatros/ Boulevard/ Guaraldi has been exited (7.9% IRR, 1.14x multiple), Class Plastics project has been sold to a UK listed developer (7.1% IRR, 1.13x multiple) and VSO V exit generated 3.5% IRR and 1.06x multiple. Overall, all the projects invested by the Company and since then exited generated a consolidated IRR of 10.6% and a multiple of 1.13x. 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.

The allocation to the Bridge Loan/ NPL strategy remained stable at 25% (24% in 2020) and Income Assets decreased from 5% to 4% while Development projects increased from 45% to 46%. Finally, exposure to Value Added assets decreased from 26% to 24% in 2021.

By year end the portfolio has allocated approximately 65% in Spain, 25% in Italy, 5% in Ireland and 5% in Denmark (70% in Spain and 25% in Italy and 5% in Ireland in December 2020).



PERFORMANCE

Varia Europe recorded a total revenue of EUR 0.16 million (EUR 1.95 million total revenue in December 2020) including the impact of an unrealized loss of EUR 1.79 million. On the other hand, general and administrative expenses remained stable at EUR 0.57 million leading to an operating loss of EUR 0.41 million in December 2021 (1.4 million operating profit in December 2020).

The total net loss of the year 2021 is EUR 0.12 million (total net profit of EUR 1.35 million in 2020), implying also the decrease on the earning per shares from 0.047 in December 2020 to –0.004 during the period.

The NAV per share of the company decreased at EUR 1.47/share in December 2021 (EUR 1.52/share in December 2020). The underlying portfolio value remains stable at approximately EUR 41.1 million (+0.1% during 2021).

The variation in the NAV/share to EUR 1.47/share can be explained due to several factors including:

- Distribution in August 2021 of CHF 1.5 million (EUR 1.4 million).
- Fair value adjustments on the following investments impacting the overall portfolio's performance:
 - Gran Turia: this shopping mall suffered a downward revaluation. As the asset was highly impacted by its situation during COVID, local Asset Management teams are currently working out a tenant strategy to improve the attractiveness of the asset to retail-tenants and is implementing tenant improvements.
 - Iberia Income I & II: additional provision booked as of 31.12.2021 for some bridge loans with risk on interests and/or nominal especially in loans under foreclosure where timings are not under asset manager control.

Total shareholder equity of the Company stood at EUR 41,928,819 and voluntary retained earnings of EUR 1.7 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 positive EUR / CHF currency impact on the performance of the portfolio based on the depreciation of the EUR against the CHF the currency moved from 1.0802 (December 2020) to 1.0331 (December 2021), or equivalent of –4.36% during the period.

In summary, during the year 2021, Varia Europe portfolio kept consolidating and the Company exited some of its investment on time and with an attractive performance. As we move towards 2022, the Company will continue to focus on the stabilization of its current assets and distribute back the proceed of the realized projects and investments as these continue to materialize. We expect during 2022 to exit and collect distributions from several investments currently in the portfolio with positive results.

Sincerely yours,



Taner Alicehic
Chairman & Executive Member





MANAGEMENT REPORT

PORTFOLIO OVERVIEW

A BREAKDOWN OF THE PORTFOLIO AS OF DECEMBER 31, 2021

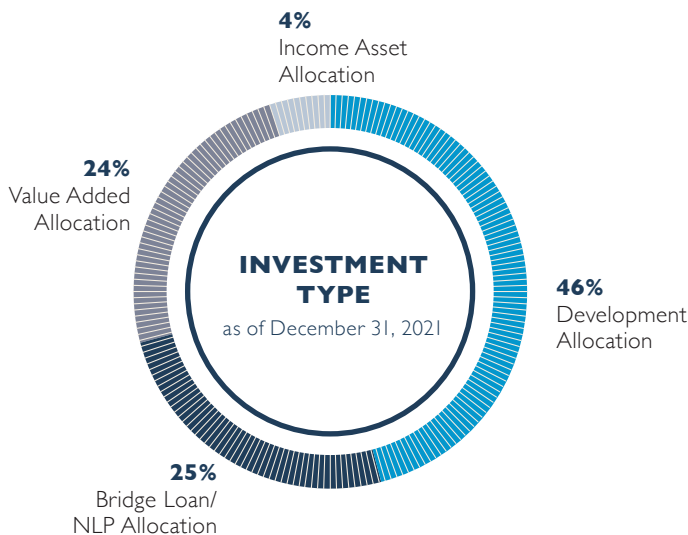
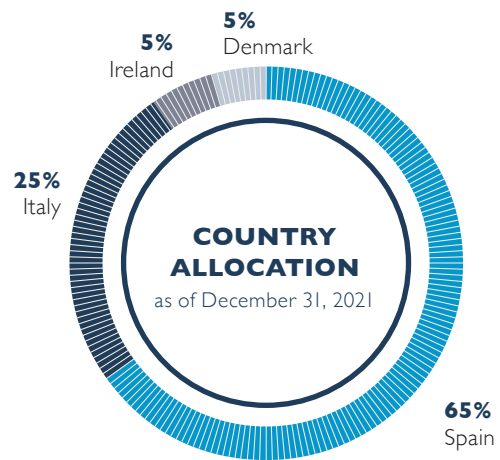
During the year 2021, the company decreased in size with total shareholder equity value moving from EUR 43.4 million to EUR 41.9 million with the total number of projects decreasing from 23 to 20.

The portfolio moved its allocation to income generating projects, from 58% capital and 42% income based at December 31, 2020 to 57% capital and 43% income-based opportunities at December 31, 2021. The country allocation moved from 70% Spain, 25% Italy, 5% Ireland to 65% Spain, 25% Italy, 5% Ireland and 5% Denmark within the same period.

Within the four principal strategies, the allocation to the Bridge Loan/ NPL strategy increased from 24% in December 2020 to 25% in December 2021 and Income Assets decreased from 5% to 4% while Development projects increased from 45% to 46%. Finally, exposure to Value Added assets decreased from 26% to 24% in 2021.

Varia Europe kept deploying into Varia Ireland Strategy during the year. 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.

Furthermore, Varia Europe allocated capital into the Danish residential market in the first-half 2021. The strategy aims to capitalize on the constitution of a unique off-market prime located residential assets in Copenhagen. The strategy targets an exit of the portfolio in Q4 2024 through IPO on the Danish listed market.



PORTFOLIO ALLOCATION DECEMBER 31, 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	Income	Mixed Use	Q2 2019	
Gran Turia	Spain	Added Value	Capital	Retail	Q4 2019	
Minor	Spain	Added Value	Capital	Hospitality	Q3 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	
Blackglen	Ireland	Bridge Loan	Capital	Residential	Q4 2020	
Barigello (VSO XXIX)	Italy	Bridge Loan	Income	Residential	Q4 2018	
Income Strategy						
Preziosi	Italy	Income	Income	Office	Q1 2018	
NPL Strategy						
Medio (VSO XX)	Italy	NPL	Income	Mixed: Office, Hospitality, Residential	Q4 2017	
DELA (VSO VII)	Italy	NPL	Capital	Office	Q3 2017	

	Maturity Date	Target IRR	% Effective Allocation	Varia Ownership ¹	Varia Ownership ²
			46.4%		
	Q4 2028	7.0%	15.5%	15.1%	3.9%
	Q1 2023	8%–10%	12.3%	15.9%	5.9%
	Q1 2023	8%–10%	8.2%	9.8%	3.2%
	Q2 2023	15%–20%	4.1%	6.6%	6.6%
	Q1 2023	13%–15%	2.9%	18.1%	9.1%
	Q1 2023	11%–12%	2.7%	5.2%	1.3%
	Q3 2022	10%–15%	0.7%	3.9%	1.9%
			23.9		
	Q2 2023	8%–10%	8.9%	17.6%	5.3%
	Q4 2024	10%–15%	6.8%	46.4%	46.4%
	Q4 2024	20%–25%	4.1%	15.7%	7.8%
	Q4 2024	10%–15%	4.2%	74.9%	2.1%
			23.3%		
	Q4 2024	10%–12%	11.6%	13.0%	13.0%
	Q1 2022	10%–15%	5.4%	77.5%	77.5%
	Q1 2022	6%–8%	2.1%	2.1%	2.1%
	Q3 2022	10%–12%	1.9%	0.6%	0.6%
	Q4 2022	10%–15%	1.4%	5.8%	5.8%
	Q4 2021	11%–13%	1.0%	9.1%	9.1%
			4.4%		
	Q3 2022	10%–13%	4.4%	24.9%	12.5%
			2.0%		
	Q1 2023	5%–10%	1.5%	11.4%	3.4%
	Q3 2022	10%–15%	0.5%	9.7%	3.8%

¹ on number of notes owned by Varia Structured Opportunities compartments
² on total number of notes of the project

PORTFOLIO PROJECTS¹

PRS

Investment Overview

Strategy	Development
Location	Spain
Sector	Residential
Investment Date	Q4 2019
Maturity Expected	Q4 2028
Number of Projects	4
Target Equity Size	€ 500 million
Varia structured opportunities compartments ownership	15%
Varia EU - Target IRR	7%

Summary Update

- As of today, the strategy has a € 130 million commitment from Stoneweg in addition to the € 370 million from our partner M&G.
- In April we closed the third deal for the strategy with the acquisition of Cosmetoda (forward purchase), with works starting in March following the granting of the license.
- At the start of July, we closed the fourth deal for the strategy with the acquisition of Vallecas in Madrid to develop a co living project.
- In terms of pipeline, our teams continue to actively source deals and are currently analyzing two potential assets in advanced stages of a bidding processes which are to complete by June.

SPANISH PHOENIX II

Investment Overview

Strategy	Development
Location	Spain
Sector	Residential
Investment Date	Q1 2018
Maturity Expected	Q1 2023
Number of Projects	9
Program Size	€ 130 million
Varia structured opportunities compartments ownership	10%
Target IRR	8%–10%

Summary Update

- Overall, sales have remained on a strong pace during the last quarter and recent months resulting in a total of 188 units sold in 2021 (11% of the total units in the portfolio).
- The construction of Badalona Torres has been successfully completed and delivered as we publish this report. Similarly, Badalona Marina II construction is on track with expected delivery in Q2 2023. The first tranche of the financing with the bank as already be drawdown.
- Two exits were successfully closed during the year:
 - Following various negotiations with Neinor (top Spanish listed residential developer) the Carriles sale was successfully closed in December. The proceeds collected contributed to the first distribution of the fund completed in January 2022.
 - Marques de Zafra was successfully exited in October 2021.

SPANISH PHOENIX CAT

Investment Overview

Strategy	Development
Location	Spain
Sector	Residential
Investment Date	Q1 2018
Maturity Expected	Q1 2023
Number of Projects	4
Program Size	€ 85 million
Varia structured opportunities compartments ownership	16%
Target IRR	8%–10%

Summary Update

- The construction of Badalona Torres has been successfully completed and delivered as we publish this report. Similarly, Badalona Marina II construction is on track with expected delivery in Q2 2023. The first tranche of the financing with the bank has already been drawdown.
- Lull project focus remains on selling the remaining units for which the commercialization strategy has been re purposed to target efforts on buyers of investor profile for which the product is most suited. The pricing has been revised in line with the current market, particularly for the least attractive flats for which an adjustment is considered necessary.
- The senior financing for the Cosmetoda project was successfully activated in September 2021 when the first tranche was received after reaching the construction milestone. After successfully completing the foundation works, the construction is currently focused on the structure which is expected to be completed in September 2022.

VARIA IRELAND

Investment Overview

Strategy	Development
Location	Ireland
Sector	Residential
Investment Date	Q3 2020
Maturity Expected	Q2 2023
Number of Projects	6
Program Size	€ 20 million
Varia structured opportunities compartments ownership	7%
Target IRR	15%–20%

Summary Update

- Ireland has now removed all remaining COVID control measures and the economy is fully operational. The planning system is still experiencing long delays due to backlog in the system, and the statutory timelines are not being adhered to.
- The team is working closely with our local partners and all stakeholders to manage the projects in the most efficient way. The impact of inflation on the portfolio's construction costs is being assessed regularly along with the evolution of the sales prices.

PROJECT COMPAGNONI

Investment Overview

Strategy	Development
Location	Italy
Sector	Residential
Investment Date	Q1 2018
Maturity Expected	Q1 2023
Number of Projects	1
Acquisition Price	€ 11 million
Varia structured opportunities compartments ownership	18%
Target IRR	13%–15%

Summary Update

- Excepted the timing element mostly due to Covid-19, the remaining assumptions of the business plan are unchanged.

PROJECT SKYLINE

Investment Overview

Strategy	Development
Location	Spain
Sector	Residential
Investment Date	Q4 2018
Maturity Expected	Q1 2023
Number of Projects	2
Total Investment	€ 225 million
Varia structured opportunities compartments ownership	5%
Target IRR	11%–12%

Summary Update

- The full structure of the buildings is now complete. Works continue to progress timely as planned and are expected to be completed within the original timeframe by June 2022 (28 months).
- The financing was activated in April 2021, consequently stabilizing the project and avoiding the need for further investor capital calls.
- Turn-key expected in December 2022, in line with the sales calendar and allowing for two months to handover all the units to retail and PRS buyers.

PROJECT NICCOLINI

Investment Overview

Strategy	Development
Location	Italy
Sector	Residential
Investment Date	Q4 2018
Maturity Expected	Q3 2022
Number of Units	73
Total Investment	€ 33 million
Varia structured opportunities compartments ownership	4%
Target IRR	10%–15%

Summary Update

- Reconversion of an old building into 73 new apartments.
- Delivery has been ongoing since December 2021.
- Final distribution is anticipated in August 2022.

PROJECT VITTORIA

Investment Overview

Strategy	Added Value
Location	Italy
Sector	Mixed Use
Investment Date	Q2 2019
Maturity Expected	Q2 2023
Number of Projects	1
Total Investment Outflows	€ 115 million
Varia structured opportunities compartments ownership	18%
Target IRR	8%–10%

Summary Update

- Preliminary SPA signed with Hines on the Residential Complex.
- An amendment to the PSPA has been signed with:
 - Extension of the deadline to 31.12.2022.
 - Price increase adjustment aligned with Capex spendings until 31.12.2022 (€ 139.0 million instead of € 135.0 million).
- Successful signing of the Town Planning Agreement acknowledging the conversion of the Hotel asset into residential development.
- Discussions ongoing with Hines in order to exit the to-be-converted hotel in the PSPA with envisaged exit price of € 55.0 million.

PROJECT GRAN TURIA

Investment Overview

Strategy	Added Value
Location	Spain
Sector	Retail
Investment Date	Q4 2019
Maturity Expected	Q4 2024
Number of Projects	1
Acquisition Price	€ 5 million
Varia structured opportunities compartments ownership	46%
Target IRR	10%–15%

Summary Update

- The asset suffered a strong decrease of its valuation. As the asset was highly impacted by its situation during COVID, local Asset Management teams are currently working out a tenant strategy to improve the attractiveness of the asset to retail-tenants and is implementing tenant improvements.
- Refurbishment works started in June 2021, with expected completion by March 2022.

PROJECT MINOR

Investment Overview

Strategy	Added Value
Location	Spain
Sector	Hospitality
Investment Date	Q3 2020
Maturity Expected	Q4 2024
Total Keys	467
Total Investment	€ 41 million
Varia structured opportunities compartments ownership	16%
Target IRR	20%–25%

Summary Update

- Exit on sales completion, expected by Q4 2023.

PROJECT VIGA

Investment Overview

Strategy	Added Value
Location	Denmark
Sector	Residential
Investment Date	Q1 2021
Maturity Expected	Q4 2024
Number of Projects	8
Current Total Capital Commitment	c. € 77.5 million
Varia structured opportunities compartments ownership	75%
Target IRR	10%–15%

Summary Update

- VIGA RE A/S is a core/core+ real estate vehicle with a focus on residential properties in the Copenhagen area.
- Current Portfolio Value Target of € 250 million .
- Target leverage up to 70%.
- Target Exit: realise Value creation opportunities once a certain portfolio size is reached due to higher attractiveness for large institutional and international investors.
- As we publish this report, during Q1 2022, VIGA. announced a € 15 million capital increase. The proceeds allowed the company to successfully close the acquisition of 10 properties in april 2022.
- VIGA expects to announce a capital increase in H2 2022 to continue their expansion strategy to create additional investor value.

IBERIA INCOME OPPORTUNITIES III

Investment Overview

Strategy	Bridge Loan
Location	Spain
Sector	Mixed: Commercial, Residential
Investment Date	Q1 2020
Maturity Expected	Q4 2024
Number of Loans	5
Current Total Commitment	€ 29.62 million
Varia structured opportunities compartments ownership	13%
Target IRR	10%–12%

Summary Update

- Subsequent subscriptions in November, October and December 2021 have allowed the total program size to reach 35.01 million.
- As we publish this report, subsequent subscriptions in January, February and March 2022 have allowed the total program size to reach 43.92 million.
- Pipeline: as we publish this report, two deals were executed at the beginning of Q2 2022 and two more deals are in due dilligence and expected to be finalized before end of Q2 2022.

IBERIA INCOME OPPORTUNITIES II

Investment Overview

Strategy	Bridge Loan
Location	Spain
Sector	Mixed: Commercial, Residential
Investment Date	Q4 2018
Maturity Expected	Q3 2022
Number of Loans	20
Current Total Commitment	€ 120 million
Varia structured opportunities compartments ownership	1%
Target IRR	10%–12%

Summary Update

- In order to promote the best possible asset recovery strategy for the loans in a workout situation, the fund was extended by 12 months with a new maturity expected for the 31.12.2022. Stoneweg teams are exploring different alternatives such as secondary sales of the loans as well as partnership to favor a full exit of the portfolio during this extension.

Risk Overview	# of loans	Gross IRR	Status
Blended Portfolio	34	9–11 %	Expected
Reimbursed Loans	15	12.80%	Realized
No Risk on Principal or interests	6	12%–14%	Expected
No risk on principal and partial risk on interests	13	8%–12%	Expected

Note: Estimated Average gross IRR, expected for the blended portfolio includes the reimbursed loans, as well as the current positions.

IBERIA INCOME OPPORTUNITIES I

Investment Overview

Strategy	Bridge Loan
Location	Spain
Sector	Mixed: Commercial, Residential
Investment Date	Q1 2018
Maturity Expected	Q1 2022
Number of Loans	9
Current Total Commitment	€ 35.3 million
Varia structured opportunities compartments ownership	2%
Target IRR	6%–8%

Summary Update

- Due to the current situations that have occurred in the portfolio, we expect most of the remaining position to be resolved during the course of 2022. The right to extend for a second time the fund, with a revised maturity as at 31.12.2022 has been exercised during Q4 2021. Different alternatives are explored to ensure full exit of the portfolio during this revised maturity (secondary sale, direct negotiations with borrowers).

Risk Overview	# of loans	Gross IRR	Status
Blended Portfolio	26	8– 10 %	Expected
Reimbursed Loans	17	12.29%	Realized
No Risk on Principal or interests	2	12%–14%	Expected
No risk on principal and partial risk on interests	4	5%–10%	Expected
Partial risk on principal	3	N/A	Expected

Note: Estimated Average gross IRR, expected for the blended portfolio includes the reimbursed loans, as well as the current positions.

PROJECT CALVINO

Investment Overview

Strategy	Bridge Loan
Location	Italy
Sector	Residential
Investment Date	Q1 2020
Maturity Expected	Q1 2022
Number of Loans	1
Varia structured opportunities compartments ownership	78%
Target IRR	10%–15%

Summary Update

- The vehicle was restructured in order to optimize tax expenses.
- Expected exit of the strategy in Q4 2022–Q1 2023.

PROJECT BLACKGLEN

Investment Overview

Strategy	Bridge Loan
Location	Ireland
Sector	Residential
Investment Date	Q4 2020
Maturity Expected	Q4 2022
Number of Projects	1
Varia structured opportunities compartments ownership	6%
Target IRR	10%–15%

Summary Update

- Acquisition of a zoned development site in South Dublin.
- Our partner is purchasing the site from his family structure, at a discounted value. The actual site (9.125 acres) will be acquired at a €5 million discount to current valuations (€ 20 million vs. € 25 million).
- The Development partner has contributed in kind the € 5.0 million equity from the site value.
- The business plan aims to secure planning permission on these two sites, before selling the development project to PRS investors. We do not intend to carry out any construction.

PROJECT BARIGELLO (VSO XXIX)**Investment Overview**

Strategy	Bridge Loan
Location	Italy
Sector	Residential
Investment Date	Q4 2018
Maturity Expected	Q4 2021
Number of Projects	1
Varia structured opportunities compartments ownership	9%
Target IRR	11%–13%

Summary Update

- A change of the administrator of the company which owns the asset is being implemented to focus on the exit of the asset as it would be more efficient than entering a foreclosure process.

PROJECT PREZIOSI**Investment Overview**

Strategy	Income
Location	Italy
Sector	Office
Investment Date	Q1 2018
Maturity Expected	Q3 2022
Number of Projects	2
Acquisition Price	€ 23.4 million
Varia structured opportunities compartments ownership	25%
Target IRR	10%–13%

Summary Update

- The AM team is working on finding a new tenant for the released surface at an ERV minimum of € 80/sqm, leading to a total rental flow of € 1.7 million.
- Opinion received from Colliers confirming the anticipated exit value forecasted.
- Non-Binding Offer received as we publish this report. CBRE also mandated to find other buyers on the market for the asset as is.

PROJECT MEDIO

Investment Overview

Strategy	NPL
Location	Italy
Sector	Mixed: Office, Hospitality, Residential
Investment Date	Q4 2017
Maturity Expected	Q1 2023
Number of borrowers	7
Acquisition Price	€ 36 million
Varia structured opportunities compartments ownership	11%
Target IRR	5%–10%

Summary Update

- Acquisition of 11 claims towards 7 borrowers for € 36 million vs a GBV of € 58.2 million.

PROJECT DELA

Investment Overview

Strategy	NPL
Location	Italy
Sector	Office
Investment Date	Q3 2017
Maturity Expected	Q3 2022
Number of Claims	3
Acquisition Price	€ 26,9 million
Varia structured opportunities compartments ownership	10%
Target IRR	10%–15%

Summary Update

- Hotel Tiberio: agreed with the borrower a settlement agreement composed by 3 payments of roughly € 0.9 million plus a final payment of € 30.3 million
- Peonia: Claim recovered in 2021 and sold for € 0.7 million.
- Acero: Claim already sold in Q4 2017 for € 5 million.

INVESTMENT STRUCTURING

INVESTMENT STRUCTURING

The Company participates in real estate investments through participations in Varia Structured Opportunities S.A (“VSO”) compartments. VSO is a public limited company incorporated under the laws of the Grand Duchy of Luxembourg, organized as a securitization company. VSO has different compartments with distinct real estate investment strategies. The Company is a noteholder (notes are issued in registered form) of VSO compartment. The notes are not tradable instruments and not listed at any exchange or the like.

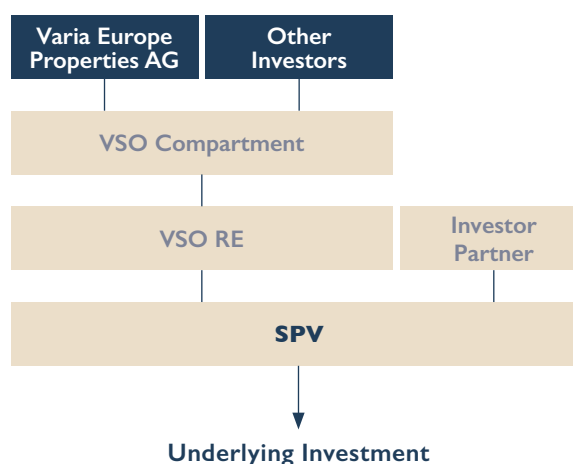
As a noteholder the Company invests in debt instruments (notes) allowing it to participate in the underlying assets' returns through variable yields. The result is that the notes participate fully in the investment as if the Company had invested into equity (without any voting or related rights). The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

The Company invests in only one VSO's compartment, namely VSO Europe Properties, while the investment decisions in the VSO's underlying compartments are taken by the VSO board depending on the individual strategy of each VSO compartment. The allocations are done with the objective to participate in different investment strategies.

The proceeds from the issuance of notes by the VSO compartment are used to carry out the investment strategies via special purpose vehicles created for each asset of the compartment. The sole purpose of the SPV is to implement the relevant investment strategy for the respective asset at the local level.

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

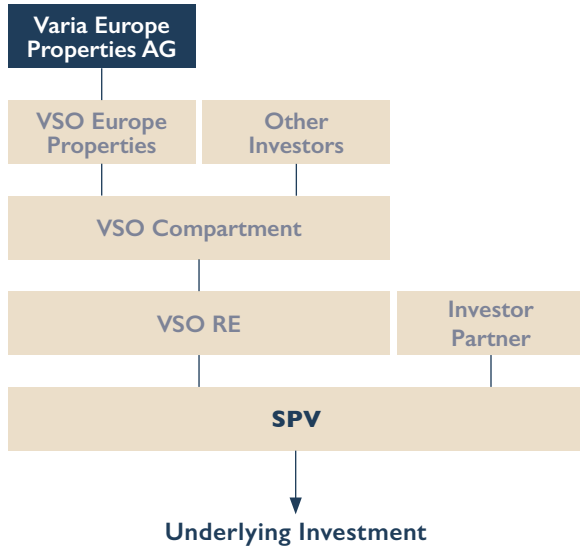
Example I – The following graphics depict a typical investment structures for real estate assets



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

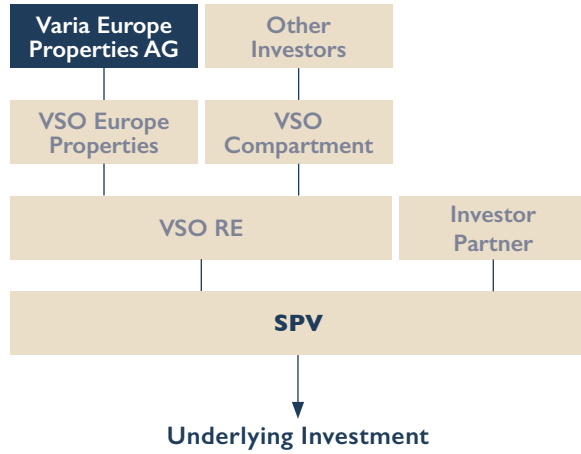
At SPV level, as a tool for incentivizing local partners, the SPV will be jointly owned by VSO RE and a partner investor helping to manage the risk / return profile of the local project.

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



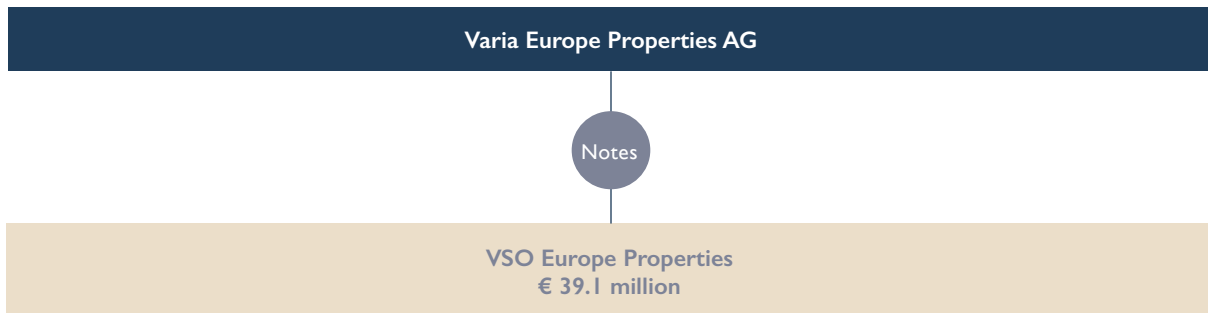
For operational ease, a dedicated VSO compartment, VSO Europe Properties, has been created from February 23, 2018, in which all future Company transactions will be held and processed. For Spanish related projects, VSO Europe Properties will typically become a noteholder of the relevant project level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

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

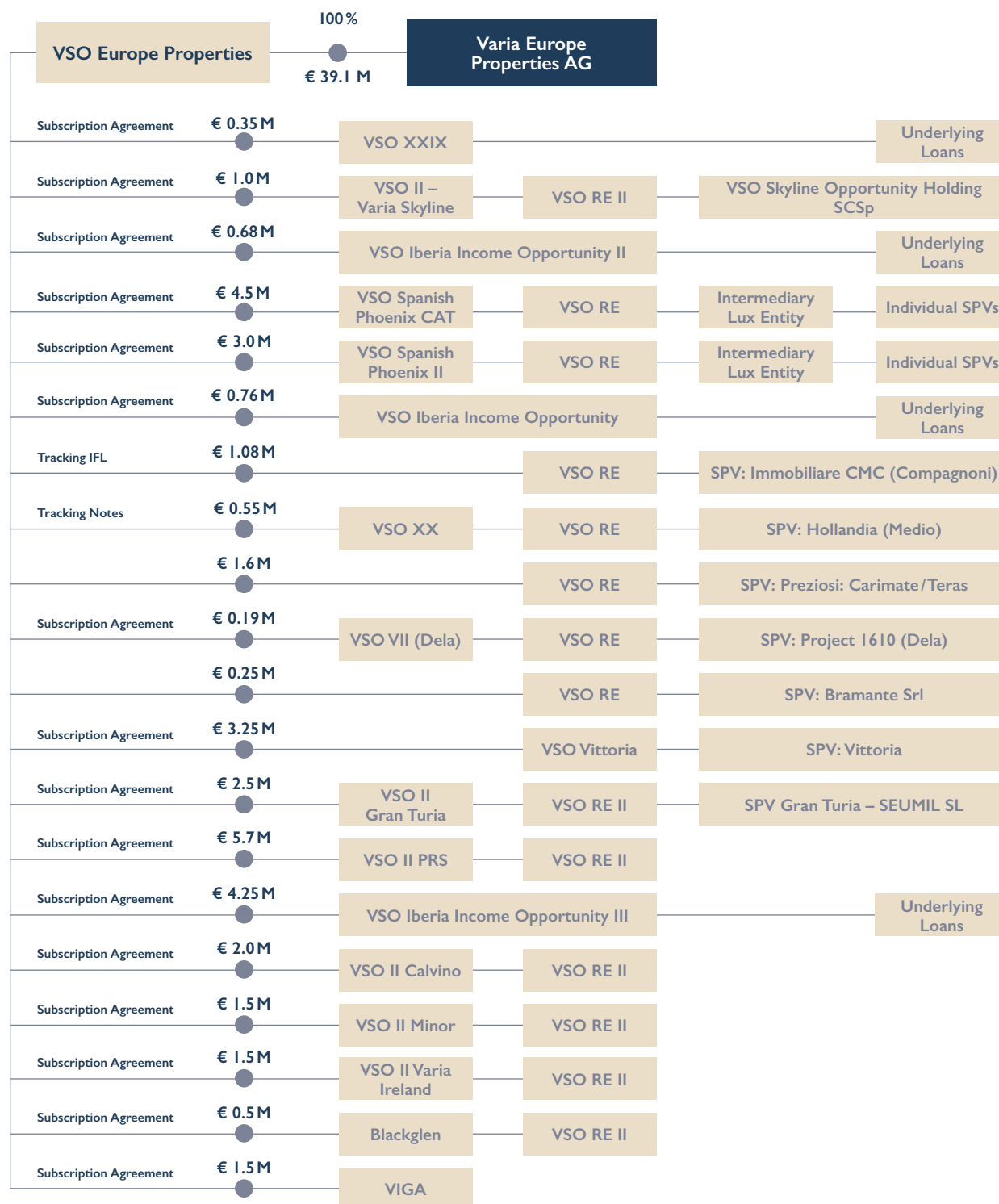


VSO Europe Properties can invest directly through VSO RE, rather than as a noteholder of another VSO compartment. In this case the link is between VSO Europe Properties and VSO RE. This is typically the case for Italian projects.

As of 31 December 2021, the Company held the allocation into VSO notes:



As of 31 December 2021, VSO Europe Properties had allocated capital in the following manner:







COMPENSATION REPORT

Varia Europe Properties AG's sustainable development and its continued success as a business are built on a systematic and transparent compensation system. This report provides an overview of the Company's compensation principles and practices designed to support business goals and to align the interests of the leadership team with those of the Company's shareholders.

OVERVIEW

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

For that reason, the compensation report only relates to the compensation of the members of the Board of Directors. Neither the members, nor the relevant chairman of any committee, i.e. Audit&Risk and Compensation committee, of the Company received any remuneration for their role in these committees.

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

The Board of Directors determines on an annual basis and at its discretion the fixed remuneration to be paid to the individual members from the period from the next General Meeting of Shareholders to the following one. The remuneration is determined following the recommendations of the compensation committee and within the limits of the total amount approved by the General Meeting of Shareholders.

During its June 15, 2021 session, the compensation committee looked at the remuneration of Swiss listed and non-listed real estate companies of similar size and concluded that the remuneration in the Company is in line with market standards.

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

PURPOSE OF THE COMPENSATION REPORT

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

COMPENSATION PAID

Compensation period from the 2020 General Meeting of Shareholders to the 2021 General Meeting of Shareholders

The General Meeting of Shareholders of July 23rd, 2020 approved the following decisions:

- Maximum amount of CHF 60,000 for the compensation of the members of the Board of Directors for the term of office until the next ordinary General Meeting of Shareholders.
- Maximum amount of CHF 5,000 for the compensation of the persons whom the Board of Directors has entrusted with the executive management of the Company for the compensation period until the next ordinary General Meeting of Shareholders.
- Of the CHF 60,000 CHF approved by shareholders, the sum of 16,294.5 CHF was paid, 15,000 CHF of fixed compensation and 1,294.5 CHF of social security contributions.

Compensation period from the 2021 General Meeting of Shareholders to the 2022 General Meeting of Shareholders

On August 24th, 2021, the General Meeting of Shareholders of Varia Europe Properties AG approved the following decisions:

1. It elected the following persons as Board of Directors members:
 - Taner Alicehic, Chairman
 - Jaume Sabater Martos, Vice-Chairman
 - Pierre Grégoire Baudin, Member
2. It elected Jaume Sabater Martos as member of the Compensation committee for the term of office until the next ordinary General Meeting of Shareholders.
3. It approved the following compensation package for the Board of Directors members according to article 3.7 of the Articles of Association:
 - Maximum amount of CHF 60,000 for the compensation of the members of the Board of Directors for the term of office until the next ordinary General Meeting of Shareholders.
 - Maximum amount of CHF 5,000 for the compensation of the persons whom the Board of Directors has entrusted with the executive management of the Company for the compensation period until the next ordinary General Meeting of Shareholders.

COMPENSATION FOR THE FINANCIAL YEAR

The Board of Directors attendance fees during the financial year 2021 were the following:

Compensation schedule: January 1, 2021 to December 31, 2021

Member	Function	Fixed compensation (cash) in CHF	Social security contributions in CHF	Total compensation in CHF
Taner Alicehic	Chairman of the Board	5,000	431.5	5,431.5
Jaume Sabater Martos	Vice Chairman of the Board	5,000	431.5	5,431.5
Pierre Grégoire Baudin	Member of the Board	5,000	431.5	5,431.5
Total		15,000	1,294.5	16,294.5

The Board of Directors attendance fees during the financial year 2020 were the following:

Compensation schedule: January 1, 2020 to December 31, 2020

Member	Function	Fixed compensation (cash) in CHF	Social security contributions in CHF	Total compensation in CHF
Taner Alicehic	Chairman of the Board	5,000	430	5,430
Jaume Sabater Martos	Vice Chairman of the Board	5,000	430	5,430
Pierre Grégoire Baudin	Member of the Board	5,000	430	5,430
Total		15,000	1,290	16,290

Compensation schedule	2020 AGM to 2021 AGM in CHF	2021 AGM to 2022 AGM in CHF
Fixed compensation	15,000	15,000
Social security contributions	1,290	1,294.5
Total compensation	16,290	16,294.5
Amount approved by 2020 AGM	60,000	60,000
Difference	43,710	43,705.5

FULL BOARD OF DIRECTORS COMPENSATION DISCLOSURE

In the year 2021, the Board of Directors members received the above-mentioned fixed compensation. The Company does not have other performance related compensation. Therefore, none of the Board of Directors members received any additional performance related compensation in shares or other stocks and there was no performance related compensation for the Board of Directors members.

There was no additional compensation to the Board of Directors members for their role as Board of Directors member or for additional work, except for the Board of Directors member paid by REIS Partners AG (REIS) that is involved in the asset management duties of this company. No loans or credit facilities were granted to members of the Board of Directors or any other related parties in the 2021 financial year. Board of Directors expenses will be paid on top of the remuneration package proposed above, especially for Board of Directors members travelling from abroad to Switzerland for Board of Directors meetings.

Due to the pandemic situation, the Board of Directors did not travel abroad. Hence the Company did not incur any travel expenses.

In 2021, REIS charged the Company CHF 254,736 in consulting fees (CHF 305,628 in 2020).

Stoneweg has not received any direct remuneration from the Company for its work during the years 2021 and 2020. 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.

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

Report of the statutory auditor

to the General Meeting of Varia Europe Properties AG

Zug

We have audited the accompanying remuneration report of Varia Europe Properties AG for the year ended 31 December 2021.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the remuneration report of Varia Europe Properties AG for the year ended 31 December 2021 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers SA



Jean-Sébastien Lassonde
Audit expert
Auditor in charge



Benjamin Hamel

Geneva, 4 August 2022

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SWISS GAAP FER FINANCIAL STATEMENTS

December 31, 2021

Varia Europe Properties AG, Zug

BALANCE SHEET AS OF DECEMBER 31, 2021

ASSETS	Notes	December 31, 2021 in EUR	December 31, 2020 in EUR
Cash and cash equivalents		371,247	746,224
Prepaid expenses		13,294	12,257
Accrued assets	2.1	310,577	1,833,866
Current assets		695,118	2,592,347
Investments at fair value	2.1	41,117,591	41,076,104
Deferred tax assets	2.3	391,337	111,924
Non-current assets		41,508,928	41,188,028
	Total assets	42,204,046	43,780,375
LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	December 31, 2021 in EUR	December 31, 2020 in EUR
Trade payable to third parties		30,755	–
Other current liabilities		–	4,014
Accrued expenses	2.2	215,647	276,437
Accrued taxes	2.3	28,825	52,766
Current liabilities		275,227	333,217
Total liabilities		275,227	333,217
Share capital		512,433	512,433
Reserves from capital contributions		39,721,334	40,393,413
Legal capital reserves		39,721,334	40,393,413
Retained earnings brought forward		1,810,597	1,192,917
Net (loss) profit for the year		–115,544	1,348,395
Voluntary retained earnings		1,695,053	2,541,312
Total shareholders' equity	2.4	41,928,819	43,447,158
	Total liabilities and shareholders' equity	42,204,046	43,780,375

Varia Europe Properties AG, Zug

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	For the year ended December 31, 2021 in EUR	For the year ended December 31, 2020 in EUR
Interests income on investments	2.1	1,954,493	1,833,866
Loss on redemption of notes	2.1	–	–14,377
Gain on investments fair value adjustment	2.1	–	133,860
Loss on investments fair value adjustment	2.1	–1,792,379	–3,021
Revenues		162,114	1,950,328
Directors' fees and social charges	2.9	–14,629	–15,008
Communications, publicity and marketing		–10,528	–12,108
Accounting and administration expenses		–186,448	–97,280
Legal and other consulting fees		–266,750	–349,373
Audit fees		–51,948	–51,913
Insurances		–10,595	–9,039
Other operating expenses		–1,337	–6,298
Direct taxes on capital		–28,445	–30,635
Operating expenses		–570,680	–571,655
Operating (loss) profit		–408,566	1,378,673
Financial income	2.6	26,384	58,772
Financial expenses	2.6	–14,814	–48,024
Prior year income	2.7	503	12,358
Prior year expenses	2.7	–234	–82,645
(Loss) profit before income taxes		–396,728	1,319,134
Income tax expense		–	–
Deferred income tax benefit (expense)		281,184	29,261
Net profit for the year		–115,544	1,348,395
Earnings per share (EPS): Basic and diluted earnings, per share	2.5	–0.0041	0.0473

Varia Europe Properties AG, Zug

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	For the year ended December 31, 2021 in EUR	For the year ended December 31, 2020 in EUR
Operating activities			
Net (loss) profit for the year		-115,544	1,348,395
Loss on redemption of notes		-	14,377
Gain on investments fair value adjustment		-	-133,860
Loss on investments fair value adjustment	2.1	1,792,379	3,021
Change in accrued assets		1,523,289	-1,833,866
Change in prepaid expenses		-1,037	-1,564
Change in trade payable to third parties		30,755	-102,960
Change in other current liabilities		-4,014	4,013
Change in accrued expenses		-60,789	169,995
Change in accrued taxes		-23,942	18,419
Change in deferred taxes		-279,414	-29,261
Cash flow from operating activities		2,861,686	-543,290
Investing activities			
Investment notes acquisition	2.1	-1,833,868	-
Investment notes redemption	2.1	-	323,021
Cash flow from investing activities		-1,833,868	323,021
Financing activities			
Expenses incurred in 2020 related to the ordinary share capital increase on December 12, 2019		-	-287,040
Dividend distributions from reserves from capital contributions		-672,080	-
Dividend distributions from 2020 annual profit		-730,715	-
Cash flow from financing activities		-1,402,795	-287,040
Change in cash and cash equivalents for the year		-374,977	-507,309
Cash at the beginning of the year		746,224	1,253,533
Cash and cash equivalents at the end of the year		371,247	746,224
Change in cash and cash equivalents for the year		-374,977	-507,309

Varia Europe Properties AG, Zug

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 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	40,680,453	1,192,917	42,385,803
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
Dividend distribution on August 24, 2021			-672,080	-730,715	-1,402,795
Net loss for the year			-	-115,544	-115,544
Balance at December 31, 2021	28,512,619	512,433	39,721,334	1,695,053	41,928,819



Varia Europe Properties AG, Zug

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

(prepared in accordance with Swiss GAAP FER)

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") compartment. 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, Italy, Ireland and Denmark, 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 formally no direct influence on the management and investment decision of VSO Europe compartments themselves and the exit of the investments is dependent on the realisation of the underlying assets. However, the Board of Directors of Varia, when subscribing to/redeeming notes, also expresses its allocation preferences to the investment strategies offered by VSO Europe. Accordingly, the VSO Europe's Board may consider these elements, on the basis that Varia Europe is the sole holder of the notes issued by VSO Europe.

VSO compartments and underlying assets owned by VSO compartments are advised and managed by Stoneweg Asset Management group entities.

The statutory financial statements for the year ended December 31, 2021 were approved by the Board of directors on August 4, 2022.

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 and liabilities in foreign currencies are converted at the exchange rate on the balance sheet date. For the translation of EUR into CHF, the closing rate applied at the end of the year is 1.0331 (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 value of the VSO compartment. 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-end 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.

Investments are mark-to-market and the gains and losses on investments (unrealized and realized) are recognized in the profit and loss statement.

1.7 Income tax

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

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

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

Deferred tax is determined using tax regulations and rates that have been enacted or substantively enacted at the balance sheet date and are expected to apply.

Tax effects from losses carried forward and tax credits are recognized as deferred tax assets if it seems likely that the losses carried forward can be offset against future profits within the stipulated statutory periods.

No income taxes were paid during the year ended December 31, 2021 (31.12.2020 – nil). Capital taxes of EUR 28,445 were paid during the year ended December 31, 2021 (31.12.2020 – EUR 30,635)

2 INFORMATION ON BALANCE SHEET AND PROFIT AND LOSS STATEMENT BALANCES

2.1 Investments

As at December 31, 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 year in EUR	Realized gain / loss for the year in EUR	Investment in nominal value of the notes in EUR	Fair value adjustment in EUR	Fair value 31.12.2021 in EUR
VSO Europe Properties	41,076,104	–	–	1,833,866	–1,792,379	41,117,591
Total	41,076,104	–	–	1,833,866	–1,792,379	41,117,591

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 year ending December 31, 2021, Varia Europe Properties AG recognized a 5% interest income of EUR 1,954,493 from its investment in VSO Europe Properties including EUR 310,577 of accrued interests presented in the balance sheet as accrued assets at year-end 2021.

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 com- partment 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.

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

Compartments	Domicile	Country of investments	Strategy	Number of Notes held by Varia (31.12.21)	Percentage held by Varia of total outstanding notes value (31.12.21)
VSO Europe Properties	Luxembourg	Denmark, Italy, Ireland, Spain	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 year, VSO Europe Properties is a noteholder in the following underlying VSO compartments:

Underlying compartments	Domicile	Country of investments	Strategy	Percentage held by VSO Europe Properties of total outstanding notes value (31.12.2021)
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 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	15.1%
VSO Gran Turia	Luxembourg	Spain	Added Value	46.4%
VSO II Varia Ireland	Luxembourg	Ireland	Development	6.6%
VSO II Minor	Luxembourg	Spain	Added Value	15.7%
VSO II Calvino	Luxembourg	Italy	Bridge Loans	77.5%
VSO Iberia Income Opportunity III	Luxembourg	Spain	Bridge Loans	13.0%
VSO II Blackglen	Luxembourg	Ireland	Bridge Loans	5.8%
VIGA RE	Denmark	Denmark	Added Value	74.9%

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

	31.12.2021 in EUR	31.12.2020 in EUR
Audit fees	48,398	46,288
Accounting fees	87,924	59,318
Legal and consulting fees	62,632	126,788
Transfer stamp duty on investments	–	40,598
Directors fees	14,074	–
Other expenses	2,619	3,445
Total	215,647	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 year.

	31.12.2021 in EUR	31.12.2020 in EUR
Accrued taxes		
Capital tax provision	28,825	52,766
Deferred taxes		
Deferred tax assets	391,337	153,032
Deferred tax liabilities	–	–41,108
Net tax assets and liabilities	391,337	111,924
Deferred tax assets	391,337	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 December 31, 2021.

2.4 Shareholders' equity

The changes in the shareholders' equity for the year ended December 31, 2021 are presented in the Statement of changes in equity.

The share capital at December 31, 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 year-end	31.12.2021 in EUR	31.12.2020 in EUR
Total shareholders' equity before any dividend distribution	41,928,819	43,447,158
Number of ordinary shares outstanding	28,512,619	28,512,619
Net asset value per share	1.4705	1.5238

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

On August 24, 2021, the annual general meeting of shareholders decided the distribution of a dividend of EUR 730,715 (CHF 750,000 representing CHF 0.03 per share) from the voluntary retained earnings and of EUR 672,080 (CHF 750,000 representing CHF 0.03 per share) from the reserves from capital contributions for a total of EUR 1,402,795 (CHF 1,500,000).

On December 18, 2020, 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 43,733,521) in the sense of article 20 paragraph 3 of the Federal Income Tax Act.

2.5 Earnings per share (EPS)

	31.12.2021 in EUR	31.12.2020 in EUR
Net (loss) profit of the year	–115,544	1,348,395
Average of ordinary shares outstanding	28,512,619	28,512,619
Basic and diluted earnings, per share	–0.0041	0.0473

There is no dilutive effect on shares at December 31, 2021 and 2020.

2.6 Financial result

	31.12.2021 in EUR	31.12.2020 in EUR
Financial income		
Foreign currency exchange gains	26,384	58,772
Total	26,384	58,772
Financial expenses		
Bank fees	-717	-511
Foreign currency exchange losses	-14,097	-47,513
Total	-14,814	-48,024

2.7 Prior years income and expenses

	31.12.2021 in EUR	31.12.2020 in EUR
Expenses related to prior years		
Transfer stamp duty on investments	-234	-40,598
Deloitte Luxembourg VSO compartments audit fees 2019	-	-27,040
Directors' fees and social charges	-	-15,007
Total	-234	-82,645
Income related to prior years		
Excess of prior years taxes provisions	503	12,358
Total	503	12,358

2.8 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.

2.9 Related party transactions

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control or to exercise significant influence over the other party in making financial and operating decisions. Related parties of the Company include:

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

Board of Directors

The Board of Directors is considered as key management. In the year 2021, Director's fees of EUR 13,661 (CHF 15,000) were accrued (2020 – EUR 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 never allocated to Board members. No loans or credit facilities were granted to any members of the Board or related parties during the years 2021 and 2020 and there were no such receivables outstanding as at December 31, 2021 and 2020.

Transactions of Varia with Stoneweg Asset Management SA, its subsidiaries and REIS Partners AG

Management fees

During the years 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	2021 in EUR	2020 in EUR
REIS Partners AG	244,880	283,640
Total	244,880	283,640

Shareholding rights of Board of Directors members

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

Name	Function	Shares 31.12.2021	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 December 31, 2021 and has never employed any staff.

3.2 Contingent liabilities

As of December 31, 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 December 31, 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.

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

Report of the statutory auditor

to the General Meeting of Varia Europe Properties AG

Zug

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Varia Europe Properties AG, which comprise the balance sheet as at 31 December 2021, profit and loss statement, cash flow statement, statement of changes in equity for the year the ended, and notes to the financial statements, including a summary of significant accounting policies.


In our opinion, the accompanying financial statements (page 39 to 53) give a true and fair view of the financial position of the entity as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion

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

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

Our audit approach

<p>Overview</p> 	<p>Overall materiality: EUR 420'000</p> <p>We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.</p> <p>As key audit matter the following area of focus has been identified: Valuation of investments</p>
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Materiality

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

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

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

Overall materiality	EUR 420'000
Benchmark applied	Total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is the benchmark against which the performance of a real estate investment company that does not engage in operating activities is most commonly measured.

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

Audit scope

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

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

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

Valuation of investments

Key audit matter	How our audit addressed the key audit matter
<p>The purpose of the entity is to participate in real estate investments in Europe (other than in Switzerland), through investments in a compartment of Varia Structured Opportunities SA ("VSO"). VSO is a public limited company incorporated under the laws of the Grand Duchy of Luxembourg, organized as a securitization company.</p> <p>The investments are done through subscription of notes, which are issued by the compartment. As a noteholder, the entity is invested in debt instruments and participates in the underlying assets' returns through variable yields.</p> <p>The investments in the VSO compartment represent EUR 41.1 million of the total assets of EUR 42.2 million. We consider the valuation of investments in VSO a key audit matter due to the magnitude of the line item.</p> <p>Refer to note 2.1 (Investments).</p>	<p>The audit procedures we performed to evaluate the valuation of investments included, amongst others, are the following:</p> <ul style="list-style-type: none"> - We obtained an independent confirmation of the number of notes held in the underlying VSO compartment as at 31 December 2021. We agreed the confirmation details to the accounting records. - We obtained the audited financial statements of VSO. We reconciled the net asset value as per the audited financial statements to the net asset value used to value the VSO compartment held by Varia Europe Properties AG as at 31 December 2021. - We read the independent auditors' report to ensure there were no modifications to the report.



Based on our audit procedures, we consider Management's accounting, presentation and disclosure of investments to be reasonable.

Responsibilities of the Board of Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers SA



Jean-Sébastien Lassonde

Audit expert
Auditor in charge



Benjamin Hamel

Geneva, 4 August 2022

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







SWISS CO FINANCIAL STATEMENTS

December 31, 2021

Varia Europe Properties AG, Zug

BALANCE SHEET AS OF DECEMBER 31, 2021

ASSETS	Notes	December 31, 2021 in CHF	December 31, 2020 in CHF
Cash and cash equivalents		383,536	806,071
Prepaid expenses		13,734	13,240
Accrued assets	2.1	320,857	1,980,942
Current Assets		718,127	2,800,253
Investments	2.1	42,478,583	44,001,192
Non-current assets		42,478,583	44,001,192
	Total Assets	43,196,709	46,801,445

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	December 31, 2021 in CHF	December 31, 2020 in CHF
Trade payable to third parties		31,774	–
Other current liabilities		–	4,336
Accrued expenses	2.2	221,540	298,607
Accrued taxes	2.3	29,779	56,998
Current liabilities		283,093	359,941
Total liabilities		283,093	359,941
Share capital	2.4	570,252	570,252
Reserves from capital contributions	2.4	44,326,590	45,076,590
Legal capital reserves		44,326,590	45,076,590
Retained earnings (Accumulated loss) brought forward		44,662	–614,373
Net (loss) profit for the year		–2,027,888	1,409,035
Voluntary retained earnings/(Accumulated loss)	2.4	–1,983,226	794,662
Total shareholders' equity	2.4	42,913,616	46,441,504
	Total liabilities and shareholders' equity	43,196,709	46,801,445

Varia Europe Properties AG, Zug

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

	Notes	For the year ended December 31, 2021 in CHF	For the year ended December 31, 2020 in CHF
Interest income on investments	2.1	2,079,718	1,980,942
Gain on redemption of investments	2.1	–	100,232
Loss on redemption of investments	2.1	–	–17,621
Impairment on investments	2.1	–3,503,551	33,849
Revenues		–1,423,833	2,097,402
Directors' fees and social charges		–16,000	–16,211
Communications, publicity and marketing		–11,281	–12,938
Accounting and administration expenses		–197,085	–104,611
Legal and other consulting fees		–278,131	–375,870
Audit fees		–54,154	–54,658
Insurances		–11,445	–9,811
Other operating expenses		–1,456	–6,801
Direct taxes on capital		–30,340	–33,268
Operating expenses		–599,893	–614,168
Operating (loss) profit		–2,023,727	1,483,233
Financial income	2.5	6,143	24,910
Financial expenses	2.5	–9,827	–23,178
Expenses related to prior years	2.6	–997	–89,279
Income related to prior years	2.6	519	13,350
(Loss) profit before income taxes		–2,027,888	1,409,035
Income tax expense	2.3	–	–
Net (loss) profit for the year		–2,027,888	1,409,035

Varia Europe Properties AG, Zug

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 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") compartment. 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.

The statutory financial statements for the year ended December 31, 2021 were approved by the Board of Directors on August 4, 2022.

1.2 General aspects

These financial statements were prepared in accordance with the Swiss accounting legislation (32nd title of the Code of Obligations).

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 Swiss francs (CHF) and all values are rounded to the nearest CHF.

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

1.3 Foreign currency items

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

Short-term monetary assets and liabilities in foreign currencies are converted at the exchange rate on the balance sheet date. For the translation of EUR into CHF, the closing rate applied at the end of the year is 1.0331 (31.12.2020: 1.0802).

The investments are valued at their acquisition's historical exchange rate. 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, except for unrealized exchange profits on long term monetary assets and liabilities which are deferred in the balance sheet, if any.

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.

1.5 Investments

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

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

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

2 INFORMATION ON BALANCE SHEET AND PROFIT AND LOSS STATEMENT BALANCES

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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 to notes issued by the compartments; these notes do not provide voting rights and have to be seen as a debt instrument issued by the relevant compartment. Therefore a consolidation, even in cases of majority of notes held by Varia, is not required as the notes do not provide a control over the investments made by the compartments.

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

As at December 31, 2021, the Company owned note of only one compartment as per the below table:

Compartments	Acquisition value as of 31.12.2020* in CHF	Redemption at acquisition value for the year in CHF	Acquisition / reinvestment of the year in CHF	Impairment as of 31.12.2021 in CHF	Book value as of 31.12.2021 in CHF
VSO Europe Properties	44,001,192	–	1,980,942	–3,503,551	42,478,583
Total	44,001,192	–	1,980,942	–3,503,551	42,478,583

On September 23, 2020, Varia Structured Opportunités SA proceeded to a modification of the clause of interests 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 2021 and 2020 interests income of CHF 2,079,718 and CHF 1,980,942, respectively, from its VSO Europe Properties investment.

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 year ending December 31, 2021, Varia Europe Properties AG recognized a 5% interest income of CHF 2,079,718 from its investment in VSO Europe Properties including CHF 320,857 of accrued interests presented in the balance sheet as accrued assets at year-end 2021.

As at December 31, 2020, the Company owned notes of different compartments as per the below table:

Compartments	Acquisition value as of 31.12.2019* in CHF	Redemption at acquisition value for the year in CHF	Acquisition / reinvestment of the year in CHF	Impairment as of 31.12.2020 in CHF	Book value as of 31.12.2020 in CHF
VSO V	74,711	–74,711	–	–	–
VSO VII	56,321	–56,321	–	–	–
VSO X	263,788	–263,788	–	–	–
VSO Spanish Phoenix II	555,239	–555,239	–	–	–
VSO XX	113,011	–113,011	–	–	–
VSO Europe Properties	43,201,909	–	799,281	–	44,001,192
Total	44,264,979	–1,063,069	799,281	–	44,001,192

* Acquisition value is defined as original acquisition cost of investments adjusted for subsequent acquisitions and sales, before any impairment.

The investments of Varia in the VSO notes are the following at the end of the year 2021:

Compartments	Domicile	Country of investments	Strategy	Number of Notes held by Varia (31.12.2021)	Percentage held by Varia of total outstanding notes value (31.12.2021)
VSO Europe Properties	Luxembourg	Denmark, Italy, Ireland, Spain	Diversified	37,256	100.0%

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 and Ireland	Diversified	37,256	100.0%

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2.2 Accrued expenses

	31.12.2021 in CHF	31.12.2020 in CHF
Audit fees	50,000	50,000
Accounting and tax compliance fees	90,835	64,075
Legal and consulting fees	64,705	136,957
Transfer stamp duty on investments	–	43,854
Director fees	16,000	–
Other expenses	–	3,721
Total	221,540	298,607

2.3 Accrued taxes

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

	31.12.2021 in CHF	31.12.2020 in CHF
Balance at the beginning of the year	56,998	37,583
Income and capital tax payments	–57,040	–504
Capital tax provision	30,340	19,919
Previous year taxation	–519	–
Balance at the end of the year	29,779	56,998

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.

2.4 Shareholders' equity

The share capital at December 31, 2021 is divided in 28,512,619 ordinary registered shares of a par value of CHF 0.02 each, fully paid.

	Number of shares	Share capital in CHF	Reserves from capital contributions in CHF	Voluntary retained earnings (accumulated deficit) in CHF	Total equity in CHF
Balance as of December 31, 2019	28,512,619	570,252	45,382,573	-614,373	45,338,453
Expenses incurred in 2020 related to the ordinary share capital increase on December 12, 2019		–	–305,983	–	–305,983
Net profit for the year				1,409,035	1,409,035
Balance as of December 31, 2020	28,512,619	570,252	45,076,590	794,662	46,441,504
Dividend distributions on August 24, 2021		–	–750,000	–750,000	–1,500,000
Net loss for the year		–	–	–2,027,888	–2,027,888
Balance as of December 31, 2021	28,512,619	570,252	44,326,590	-1,983,226	42,913,616

The share capital at December 31, 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.

On August 24, 2021, the annual general meeting of shareholders decided the distribution of a dividend of CHF 750,000 (CHF 0.03 per share) from the voluntary retained earnings and of CHF 750,000 (CHF 0.03 per share) from the reserves from capital contributions for a total of CHF 1,500,000.

On December 18, 2020, 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 in the sense of article 20 paragraph 3 of the Federal Income Tax Act.

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

Major shareholders

The following table indicates Varia's major shareholders holding shares and voting rights of 5% and more as of December 31, 2021 and 2020:

Shareholders	Investor Type	2021 Number of shares	2021 Participation in %	2020 Number of shares	2020 Participation in %
Varia SPC	Fund	7,065,425	24.78	–	–
Dryades Sarl, Luxembourg	Fund	–	–	6,928,549	23.40

Shareholding rights of Board of Directors members

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

Name	Function	Shares 31.12.2021	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

2.5 Financial result

	31.12.2021 in CHF	31.12.2020 in CHF
Financial income		
Foreign currency exchange gains	6,143	24,910
Total	6,143	24,910
Financial expenses		
Bank fees	–777	–547
Foreign currency exchange losses	–9,050	–22,631
Total	–9,827	–23,178

2.6 Prior years income and expenses

	31.12.2021 in CHF	31.12.2020 in CHF
Expenses related to prior years		
Transfer stamp duty on investments and interests	–997	–43,854
Deloitte Luxembourg VSO compartments audit fees 2019	–	–29,214
Directors, fees and social charges	–	–16,211
Direct taxes on capital	–	–
Total	–997	–89,279
Income related to prior years		
Excess of prior years taxes provisions	519	13,350
Total	519	13,350

2.7 Related party balance sheet positions

Accrued expenses	31.12.2021 in CHF	31.12.2020 in CHF
REIS Partners AG, advisory services fees (incl. VAT)	64,705	123,992
Total	64,705	123,992

During the year 2021, CHF 254,736 was paid to REIS Partners AG (2020: CHF 305,628).

3 OTHER INFORMATION

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

Varia Europe Properties AG had no employees at December 31, 2021 and has never employed any staff.

3.2 Contingent liabilities

As of December 31, 2021 and 2020, the Company had no contingencies and other off-balance sheet transactions.

3.3 Significant events occurring after the balance sheet date

Since the balance sheet date as of December 31, 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.

PROPOSAL BY THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF LEGAL RESERVES FROM CAPITAL CONTRIBUTIONS AS AT DECEMBER 31, 2021

PROPOSITION OF APPROPRIATION OF THE AVAILABLE EARNINGS	31.12.2021 in CHF	31.12.2020 in CHF
Voluntary retained earnings		
Retained earnings (Accumulated loss) brought forward	794,662	-614,373
Dividend distribution of CHF 0.03 per ordinary share on August 24, 2021	-750,000	-
Net profit/(loss) for the year	-2,027,888	1,409,035
Available earnings (Accumulated loss)	-1,983,226	794,662

The Board of Directors of Varia Europe Properties AG proposes to the annual general meeting the following appropriation of the accumulated net profit (loss):

PROPOSITION OF DISTRIBUTION FROM AVAILABLE EARNINGS	31.12.2021 in CHF	31.12.2020 in CHF
Dividend distribution	-	750,000
Balance to be carried forward	-1,983,226	44,662
Total	-1,983,226	794,662

RESERVE FROM CAPITAL CONTRIBUTIONS	31.12.2021 in CHF	31.12.2020 in CHF
Legal reserves from capital contribution carried over from previous year	45,076,590	45,382,573
Expenses incurred in 2020 related to the ordinary share capital increase on December 12, 2019	-	-305,983
Dividend distribution of CHF 0.03 per ordinary share on August 24, 2021	-750,000	-
Total legal reserves from capital contribution at year-end	44,326,590	45,076,590

Proposition of distribution of reserves from capital contributions

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

PROPOSITION OF APPROPRIATION	31.12.2021 in CHF	31.12.2020 in CHF
Distribution of Reserves	10,000,000	750,000
Balance to be carried forward	34,326,590	44,326,590
Total	44,326,590	45,076,590

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

Report of the statutory auditor

to the General Meeting of Varia Europe Properties AG

Zug

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

Opinion

We have audited the financial statements of Varia Europe Properties AG, which comprise the balance sheet as at 31 December 2021, profit and loss statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 59 to 68) as at 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

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

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

Our audit approach

Overview

Overall materiality: CHF 430'000



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

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

Valuation of investments

Materiality

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

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

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

Overall materiality	CHF 430'000
Benchmark applied	Total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is the benchmark against which the performance of a real estate investment company that does not engage in operating activities is most commonly measured.

We agreed with the Board of Directors that we would report to them misstatements above CHF 43'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

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

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

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

Valuation of investments

Key audit matter	How our audit addressed the key audit matter
<p>The purpose of the entity is to participate in real estate investments in Europe (other than in Switzerland), through investments in one compartment of Varia Structured Opportunities SA ("VSO"). VSO is a public limited company incorporated under the laws of the Grand Duchy of Luxembourg, organized as a securitization company.</p> <p>The investments are done through subscription of notes, which are issued by the compartment. As a noteholder, the entity is invested in debt instruments and participates in the underlying assets' returns through variable yields.</p> <p>The investments are valued at acquisition cost, adjusted for impairment losses.</p> <p>The investments in VSO compartment represent CHF 42.5 million of the total assets of CHF 43.2 million.</p>	<p>The audit procedures we performed in order to evaluate the valuation of investments included, amongst others, are the following:</p> <ul style="list-style-type: none"> - We obtained an independent confirmation of the number of notes held in the underlying VSO compartment as at 31 December 2021. We agreed the confirmation details to the accounting records. - We obtained the audit report as of 31 December 2021 from Mazars Luxembourg, auditor of VSO. We read the independent auditor's report to ensure there was no modification. - We compared the net asset value as per the audited report to the carrying value of the VSO compartment held by Varia Europe Properties AG as at 31 December 2021.



We consider the valuation of investments in VSO a key audit matter due to the magnitude of the line item.

When the net asset value was lower than the carrying value, we verified that the impairment loss recorded was accurate.

Refer to note 2.1 (Investments).

Responsibilities of the Board of Directors for the financial statements

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

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

Auditor’s responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

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

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

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

PricewaterhouseCoopers SA



Jean-Sébastien Lassonde
Audit expert
Auditor in charge



Benjamin Hamel

Geneva, 4 August 2022



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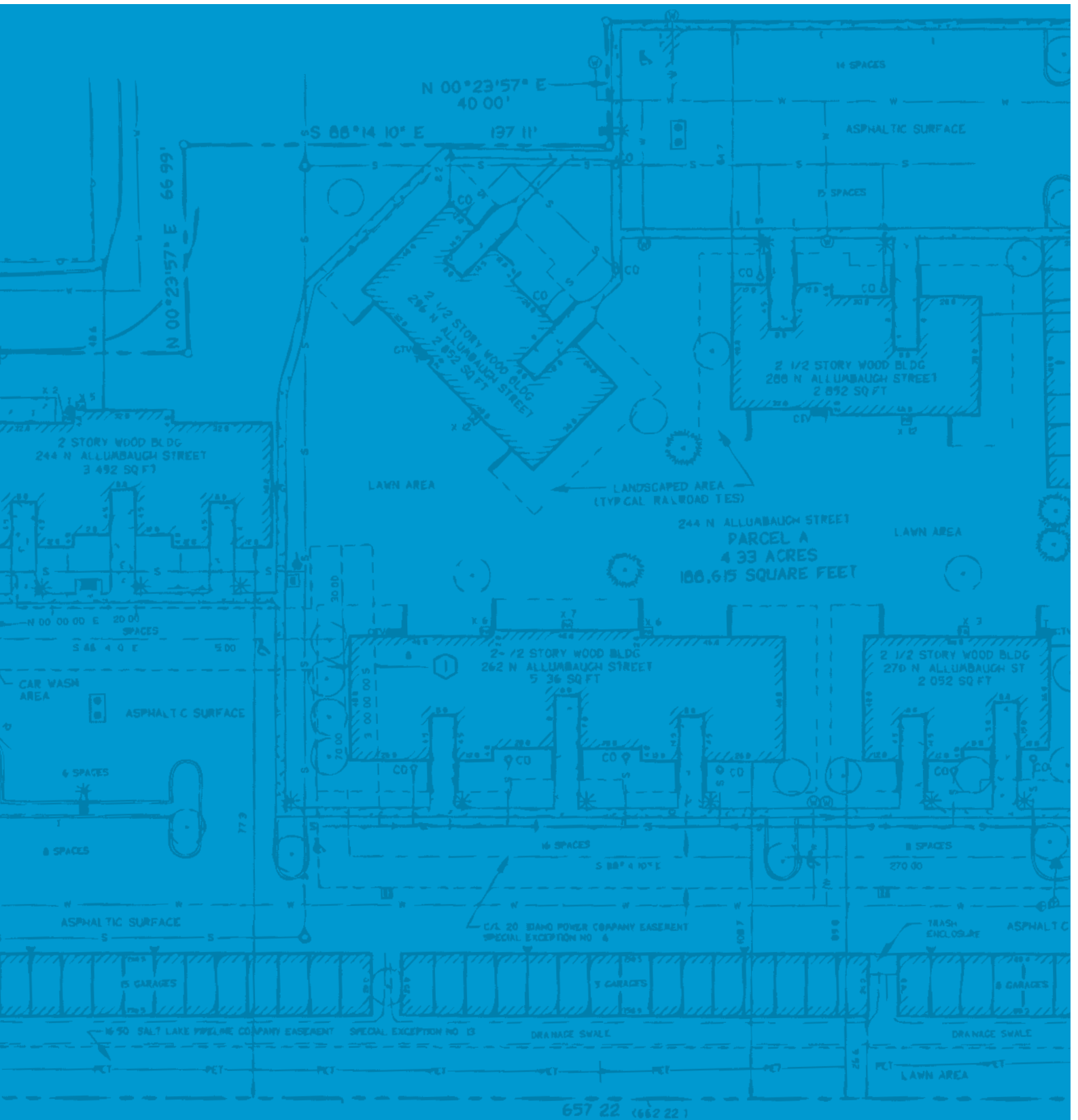
VARIA EUROPE PROPERTIES AG

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