

Media release, 11 August 2022

Ad hoc announcement pursuant to Art. 53 LR

NOVAVEST Real Estate AG: Very pleasing results for the first half-year 2022

- **Market value of real estate portfolio at CHF 790.2 million, +7% compared to year-end 2021**
- **60% residential use in relation to target rental income**
- **EBIT increased +6% to CHF 15.4 million**
- **Earnings incl. effects from revaluation of real estate investments of CHF 11.2 million, +6% compared to 2021 reporting period**
- **Net Asset Value of CHF 43.35 per registered share**
- **Nominal value repayment of CHF 1.65 per registered share paid out on 13 June 2022**

Novavest Real Estate AG (SIX Swiss Exchange: NREN) performed well in a demanding market and economic environment and achieved another very pleasing result in the first half of 2022. EBIT rose by 6% to CHF 15.4 million (H1 2021: CHF 14.5 million) and earnings including revaluation also increased by 6% to CHF 11.2 million (H1 2021: CHF 10.6 million).

The operational business activities centred on letting activities, modernisation and investments in selected investment properties and in ongoing project developments. The value of the real estate portfolio rose by 7% to CHF 790.2 million (31.12.2021: CHF 741.3 million). The positive development is due to the acquisition of a commercial property in Volketswil/ZH (CHF +31.3 million), investments in existing investment properties (CHF +5.2 million) and in the current development/conversion projects (CHF +6.0 million) as well as positive revaluation effects in the entire portfolio (CHF +6.4 million).

Half-year results 2022 in detail

Target rental income for investment properties of CHF 30.9 million p.a.

Annualised target rental income for investment properties (excluding projects) came to CHF 30.9 million as at 30 June 2022 (H1 2021: CHF 26.1 million). The share of rental income from residential use was 60% as at balance sheet date 2022 (30.06.2021: 62%).

Income statement 1st half-year 2022

Net rental income in the first half of 2022 rose by 13% to CHF 14.2 million (H1 2021: CHF 12.6 million). This increase is mainly due to the additional rental income of the four properties acquired during the second half of 2021 in Moosseedorf, Ostermundigen, Schaffhausen and St. Gallen. With regard to rental income, there were no more coronavirus pandemic-related rental waivers in the first half of 2022 (H1 2021: CHF 0.2 million). The net yield on investment properties was 3.3% in the first half of 2022 (H1 2021: 3.7%). The vacancy rate for investment properties (excluding projects) was 4.7% (31.12.2021: 3.7%; 30.06.2021: 4.3%).

Direct operating expenses for investment properties rose due to the portfolio expansion to CHF 2.4 million (H1 2021: CHF 2.0 million). Personnel expenses came to CHF 0.4 million (H1 2021: CHF 0.4 million) and consulting expenses were CHF 0.6 million (H1 2021: CHF 0.5 million). Administrative expenses amounted to CHF 1.9 million (H1 2021: CHF 1.5 million) and cover the management fee of CHF 1.5 million (H1 2021: CHF 1.3 million) to Nova Property Fund Management AG as well as capital taxes and other administrative expenses totalling CHF 0.3 million (H1 2021: CHF 0.2 million).

The market valuation of the real estate portfolio (51 investment properties and 3 projects) by the independent real estate valuation expert Wüest Partner AG led to revaluation gains of CHF 6.4 million (H1 2021: CHF 6.3 million).

Novavest Real Estate AG achieved an EBIT of CHF 15.4 million (H1 2021: CHF 14.5 million). Net financial expenses increased slightly to CHF 1.5 million (H1 2021: CHF 1.2 million). Income taxes for the 2022 reporting period were CHF 2.7 million (H1 2021: CHF 2.6 million).

Earnings including revaluation gains was CHF 11.2 million for the 2022 reporting period (H1 2021: CHF 10.6 million), corresponding to an increase of 6%. Earnings excluding revaluation gains rose by 10% to CHF 6.0 million (H1 2021: CHF 5.5 million). Following the capital increase in the prior year (30 June 2021), the average number of outstanding registered shares for calculation of the EPS amounted to 7,711,434 for the 2022 reporting period (H1 2021: 7,072,385). Therefore, the earnings per share including revaluation gains came to CHF 1.45 while earnings per share excluding revaluation gains were CHF 0.78 (H1 2021: CHF 1.50 including revaluation gains or CHF 0.77 excluding revaluation gains).

Solid capital base

As at 30 June 2022, equity totalled CHF 334.4 million (31.12.2021: CHF 335.8 million) with a solid equity ratio of 41.7% (31.12.2021: 44.7%). The change in equity results from the par value repayment of CHF 1.65 per registered share totalling CHF 12.7 million and the earnings contribution of CHF 11.2 million for the first half of 2022. Net asset value per registered share was CHF 43.35 (31.12.2021: CHF 43.55; 30.06.2021: CHF 41.12).

Current and non-current mortgage liabilities stood at CHF 430.2 million as at the balance sheet date (31.12.2021: CHF 380.2 million). Of that sum, 52% have fixed-interest periods of more than three years. The average remaining term of financial liabilities as at 30 June 2022 was 3.1 years (31.12.2021: 3.7 years), the average interest rate for mortgage liabilities in the first half of 2022 was 0.7% (H1 2021: 0.8%). The loan-to-value ratio of the real estate portfolio was 54.4% as at the balance sheet date (31.12.2021: 51.3%).

Outlook

On 17 June 2022, the Swiss National Bank tightened its monetary policy for the first time in many years and increased the key interest rate by 0.5 percentage points to minus 0.25%. In doing so, it reacted to the sustained rise in inflation, which was 3.4% in Switzerland in June 2022 (compared to the same month in the previous year). The marked increase in energy and commodity prices since the outbreak of war in Ukraine, the global supply chain problems resulting from the coronavirus pandemic and the uncertain progress of geopolitical tensions in Europe are leading to uncertainties and risks in the economic environment.

To date, there have been no indications of a change in transaction prices for properties in good locations in the Swiss real estate market. Demand for living space is likely to remain dynamic in Switzerland due to population growth and the rather stagnant new construction activity. The general need of institutional and private investors to invest and their readiness to pay substantial prices in real estate transactions will probably remain at a high level.

In the second half of 2022, the company will focus on achieving organic growth of the real estate portfolio, possibly taking portfolio optimisation measures, as decided by the Board of Directors at the start of the year. Individual acquisition opportunities compatible with the investment strategy can of course still be exploited. The three development projects in Lucerne (until the end of 2022), Neuhausen (until the first half of 2023) and St. Gallen (until autumn 2024) will continue to be pushed and a positive effect on the residential property ratio in the portfolio as well as major appreciation potential is expected after each completion.

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Key Figures Half-Year Financial Statements as at 30 June 2022

Income Statement in CHF	H1 2022	H1 2021	Δ
Rental income	14 246 736	12 568 686	+13%
Total operating income	14 246 736	12 568 686	+13%
Direct operating expenses for investment properties	-2 424 847	-2 040 430	
Personnel expenses	-384 855	-382 209	
Consulting expenses	-622 187	-501 246	
Administrative expenses	-1 851 358	-1 508 517	
Total operating expenses	-5 283 247	-4 432 401	+19%
Total earnings from revaluation of real estate investments	6 397 528	6 333 781	
Earnings before interests and taxes (EBIT)	15 361 017	14 470 066	+6%
Net financial result	-1 458 428	-1 245 223	
Income taxes	-2 713 593	-2 629 230	
Earnings incl. effects from revaluation / deferred taxes	11 188 996	10 595 614	+6%
Earnings excl. effects from revaluation / deferred taxes ¹⁾	6 015 955	5 469 051	+10%
Earnings per share incl. effects from revaluation / deferred taxes (EPS)	1.45	1.50	
Earnings per share excl. effects from revaluation / deferred taxes (EPS)	0.78	0.77	
Average number of shares used to calculate EPS	7 711 424	7 072 385	
Balance sheet in CHF or %	30.06.2022	31.12.2021	
Total assets	802 482 131	751 145 177	+7%
Equity	334 263 151	335 798 021	0%
Equity ratio	41.7%	44.7%	
Total mortgage liabilities	430 195 750	380 177 250	+13%
Leverage ratio	58.3%	55.3%	
Loan-to-value ratio of properties	54.4%	51.3%	
Net Gearing ²⁾	127.7%	112.3%	
Net Asset Value (NAV) in CHF ³⁾	43.35	43.55	
Portfolio	30.06.2022	31.12.2021	
Total real estate portfolio in CHF	790 206 000	741 279 300	+7%
Number of investment properties	51	50	
Number of properties in projects	3	5	
Gross yield ⁴⁾	4.0%	4.1%	
Net yield ⁵⁾	3.3%	3.3%	
Vacancy rate excluding projects	4.7%	3.7%	
Average discount rate for revaluation	2.7%	2.8%	
Average interest rate financial liabilities	0.7%	0.8%	
Average remaining life of financial liabilities	3.1 years	3.7 years	

¹⁾ Earnings before taxes (EBT) minus revaluation result, minus deferred taxes plus deferred taxes attributable to revaluation result

²⁾ Net debt (current and non-current mortgage liabilities minus cash and cash equivalents) in relation to equity as of balance sheet date

³⁾ Total equity per registered share issued at balance sheet date

⁴⁾ Gross yield reflects target rental income (target rental income based on annual rents of investment properties as of balance sheet date) in percentage of market value (fair value) of the investment properties

⁵⁾ Net yield reflects net rental income (actual rental income based on annual rents of investment properties as of balance sheet date less operating and maintenance costs for the reporting year) in percentage of the market value (fair value) of the investment properties

For a glossary with further definitions of key figures, please refer to pages 14/15 in Executive Summary H1 2022 (English) or to pages 50/51 in the Half-Year Report 2022 (German version only). They are available on the Company's website under Investor Relations – section Financial Reports / Presentations <https://www.novavest.ch/en/investor-relations/>

NOVAVEST Real Estate AG

www.novavest.ch

NOVAVEST Real Estate AG is a Swiss real estate company based in Zurich. It focuses its activities on the management and development of properties with purely residential use (rental income share from residential use at least 50% of total rental income) and with office and commercial use, as well as on new construction projects in these segments. The real estate portfolio is concentrated on properties located in the area of the centers of Zurich, Basel, Berne, Winterthur, Lucerne, St. Gallen and Aarau as well as on their axes, each with good accessibility by public transport or motorized private transport. The registered shares of the company are listed on the SIX Swiss Exchange (Ticker NREN, Valor 21218624, ISIN CH0212186248).

Disclaimer

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