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Ad hoc announcement pursuant to Art. 53 LR

NOVAVEST Real Estate AG again achieves very positive 2021 half-year results

- **Real estate portfolio increased by around 3% to CHF 664.3 million compared to year-end 2020**
- **62% residential use in relation to target rental income**
- **EBIT of CHF 14.5 million, +29% compared to H1 2020**
- **Earnings incl. effects from revaluation of real estate investments of CHF 10.6 million, +30% compared to H1 2020**
- **Net Asset Value per registered share at CHF 41.12**
- **Nominal value repayment of CHF 1.65 per registered share paid out on 8 June 2021**

Novavest Real Estate AG (SIX Swiss Exchange: NREN) closed the first half of 2021 with very positive results. The market value of the real estate portfolio increased by around 3% to CHF 664.3 million (31.12.2020: CHF 645.4 million). This positive development was mainly due to investments in investment properties and projects, in particular the "Centre Loewenberg" investment property in Murten and the conversion project Badenerstrasse 701 in Zurich, as well as due to positive revaluation effects in the overall portfolio. EBIT rose by 29% to CHF 14.5 million (H1 2020: CHF 11.2 million) and earnings including effects from revaluation of investments properties increased by 30% to CHF 10.6 million (H1 2020: CHF 8.2 million).

Half-year results 2021 in detail

Target rental income from investment properties of CHF 26.1 million p.a.

Annualized target rental income from investment properties (excluding projects) amounted to CHF 26.1 million as of 30 June 2021 (H1 2020: CHF 25.0 million). The proportion of rental income from residential use amounted to 62% as per balance sheet date (H1 2020: 61%).

Minimal impact by corona virus crisis on 2021 half-year financial statements

The COVID-19 pandemic and the resulting lockdowns and protective measures imposed by the Federal Council affected various sectors of the economy in fiscal year 2020 as well as in the first half of 2021. Following the low impact of the corona virus crisis on the rental income from Novavest's real estate portfolio in the 2020 annual financial statements, its impact on the first half of 2021 results remained minimal. Total rent reductions of TCHF 230 were granted for the first half of 2021 (approximately 0.9% of the annualized target rental income as of 30 June 2021) and recognized accordingly in the income statement.

Income statement 1st half-year 2021

Net rental income increased by 8% to CHF 12.6 million (H1 2020: CHF 11.6 million). The growth is mainly attributable to the additional rental income from the properties in St. Gallen, Obernau and Basel acquired during the first half of 2020 and the properties in Dietikon acquired in the second half of 2020. The net yield on investment properties was 3.7% in the reporting period (H1 2020: 3.7%) and the vacancy rate of investment properties (excluding projects) was 4.3% (31.12.2020: 4.0%; 30.06.2020: 4.6%).

Direct operating expenses for investment properties increased to CHF 2.0 million (H1 2020: CHF 1.7 million) as a result of portfolio expansion. Measured against net rental income, direct expenses remained relatively low at 16.2% (H1 2020: 14.6%). Personnel expenses amounted to CHF 0.4 million (H1 2020: CHF 0.4 million) and consulting expenses amounted to CHF 0.5 million (H1 2020: CHF 0.5 million). Administrative expenses amounted to CHF 1.5 million (H1 2020: CHF 1.6 million) and include the management fee of CHF 1.3 million for Nova Property Fund Management AG (H1 2020: CHF 1.2 million) as well as capital taxes and other administrative expenses totaling CHF 0.2 million (H1 2020: CHF 0.4 million).

The market valuation of the real estate portfolio (46 investment properties and 5 properties in three projects) by the independent real estate evaluator Wüest Partner AG resulted in earnings from revaluation of CHF 6.3 million (H1 2020: CHF 4.0 million).

Operating income before interest and taxes (EBIT) increased by 29% to CHF 14.5 million (H1 2020: CHF 11.2 million). Net financial expenses remained at the previous year's level of CHF 1.2 million (H1 2020: CHF 1.2 million), as did the average interest rate on mortgage liabilities of 0.8% (H1 2020: 0.8%). Income taxes amounted to CHF 2.6 million (H1 2020: CHF 1.9 million).

Earnings including effects from revaluation of real estate investments increased by 30% to CHF 10.6 million (H1 2020: CHF 8.2 million). Earnings excluding effects from revaluation of real estate investments was CHF 5.5 million (H1 2020: CHF 5.0 million). As a result of the capital increases as of 15 December 2020 and 30 June 2021 to implement the Company's growth strategy, the average number of outstanding registered shares increased to 7,072,385 registered shares (H1 2020: 6,437,670 registered shares), resulting in earnings per share including revaluation gains of CHF 1.50 and excluding revaluation gains of CHF 0.77 (H1 2020: CHF 1.27 including revaluation gains and CHF 0.78 excluding revaluation gains).

Balance sheet on 30 June 2021

Total assets increased to CHF 686.7 million compared to year-end 2020 (31.12.2020: CHF 666.7 million). Assets: Cash and cash equivalents amounted to CHF 16.0 million (31.12.2020: CHF 15.1 million). Non-current assets totaling CHF 665.2 million are comprised of investment properties (CHF 597.8 million), the projects in Zurich, St. Gallen and Lucerne (CHF 66.5 million) and the long-term portion of the pre-financed tenant expansions in Frauenfeld and Altstätten (CHF 0.9 million).

Liabilities and equity: Current and non-current mortgage liabilities amounted to CHF 342.7 million as of 30 June 2021 (31.12.2020: CHF 351.8 million). As of the balance sheet date, CHF 175.2 million or 51% of the mortgage liabilities were secured with fixed interest rates of more than 3 years. The average remaining life of the financial liabilities was 3.6 years as of 30 June 2021 (31.12.2020: 3.7 years; 30.06.2020: 2.8 years).

Equity amounted to CHF 317.1 million as of the balance sheet date (31.12.2020: CHF 291.9 million). The change in equity is due to the contribution in earnings of CHF 10.6 million for the first half of 2021, the nominal value repayment of CHF 1.65 per registered share totaling CHF 11.7 million and the net capital contribution of CHF 26.2 million from the capital increase as of 30 June 2021. The equity ratio as of 30 June 2021 was a solid 46.2% (31.12.2020: 43.8%). The net asset value per registered share was CHF 41.12 (31.12.2020: CHF 41.30; 30.06.2020: CHF 39.88).

Severe weather in July 2021 had no impact on portfolio

In mid-July 2021, Switzerland was hit by severe storms which consequently resulted in flooding. The locations and specific addresses of Novavest's properties were barely impacted and as a result there were no major tenant impairments or building damages in the portfolio.

Outlook

Existing conversion and development projects in Zurich (until fall 2021), St. Gallen (until 2023) and Lucerne (until summer 2022) are on track. Following the respective completion of all these projects, Novavest expects a positive effect on the residential occupancy rate in its portfolio combined with a significant potential for appreciation.

In the first half of 2021, a large number of potential acquisition properties were reviewed. Acquisitions are only made if they represent added value for the portfolio in the long term and based on this consideration, contract negotiations for some properties were thus discontinued. Nevertheless, the Company continues to see good opportunities to expand its property portfolio in the course of the second half of 2021. In mid-August 2021 for example, the purchase agreement for a residential property with 13 rental apartments in Moosseedorf, Canton Bern could be notarized, at a total investment cost of approximately CHF 5.8 million. The transfer of ownership of this property is scheduled for 1 September 2021. Further acquisitions of attractive existing investment properties or new construction projects will be considered as opportunities arise.

Contact:

Peter Mettler
Chief Executive Officer
NOVAVEST Real Estate AG
Feldeggstrasse 26
8008 Zurich
+41 (0)44 276 40 40
info@novavest.ch
www.novavest.ch

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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).

Key Figures Half-Year Financial Statements as of 30 June 2021

Income Statement in CHF	H1 2021	H1 2020	Δ
Rental income	12 568 686	11 587 461	+8%
Total operating income	12 568 686	11 587 461	+8%
Direct operating expenses for investment properties	-2 040 430	-1 686 924	
Personnel expenses	-382 209	-431 600	
Consulting expenses	-501 246	-489 946	
Administrative expenses	-1 508 517	-1 560 601	
Total operating expenses	-4 432 401	-4 169 071	+6%
Total earnings from revaluation of real estate investments	6 333 781	4 043 360	
Earnings before interests and taxes (EBIT)	14 470 066	11 227 777	+29%
Net financial result	-1 245 223	-1 162 139	
Income taxes	-2 629 230	-1 899 481	
Earnings incl. effects from revaluation / deferred taxes	10 595 614	8 166 158	+30%
Earnings excl. effects from revaluation / deferred taxes¹⁾	5 469 051	5 004 897	+9%
Earnings per share incl. effects from revaluation / deferred taxes (EPS)	1.50	1.27	
Earnings per share excl. effects from revaluation / deferred taxes (EPS)	0.77	0.78	
Average number of shares used to calculate EPS	7 072 385	6 437 670	
Balance Sheet in CHF or %	30.06.2021	31.12.2020	
Total assets	686 691 863	666 666 023	+3%
Equity	317 092 754	291 915 980	+9%
Equity ratio	46.2%	43.8%	
Total mortgage liabilities	342 678 750	351 796 250	-3%
Leverage ratio	53.8%	56.2%	
Loan-to-value ratio of properties	51.6%	54.5%	
Net Gearing ²⁾	103.0%	115.4%	
Net Asset Value (NAV) in CHF ³⁾	41.12	41.30	
Portfolio	30.06.2021	31.12.2020	
Total real estate portfolio in CHF	664 253 600	645 388 300	+3%
Number of investment properties	46	46	
Number of properties in projects	5	5	
Gross yield ⁴⁾	4.4%	4.5%	
Net yield ⁵⁾	3.7%	3.7%	
Vacancy rate excluding projects	4.3%	4.0%	
Average discount rate for revaluation	2.9%	3.0%	
Average interest rate financial liabilities	0.8%	0.8%	
Average remaining life of financial liabilities	3.6 years	3.7 years	

¹⁾ Earnings before taxes (EBT) minus earnings from revaluation of real estate investments, minus deferred taxes plus share of deferred taxes attributable to the earnings from revaluation of real estate investments.

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 the 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 50/51 in the Half-year Report 2021 (German version only). The Report can be viewed on the Company's website under Investor Relations - Financial Reports / Presentations: <https://www.novavest.ch/en/investor-relations/>