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Ad hoc announcement pursuant to Art. 53 LR

NOVAVEST Real Estate AG publishes very good annual results for 2021

- **Real estate portfolio increased by 15% to CHF 741.3 million**
- **63% residential use in relation to target rental income**
- **EBIT of CHF 39.1 million, +71% compared to 2020**
- **Earnings incl. effects from revaluation of real estate investments of CHF 29.3 million, up 64% compared to 2020**
- **Net Asset Value increased to CHF 43.55 per registered share as at 31 December 2021**
- **Proposal to Annual General Meeting 2022: Nominal value repayment of CHF 1.65 per registered share**

Novavest Real Estate AG (SIX Swiss Exchange: NREN) closed the 2021 financial year very successfully. The total value of the real estate portfolio grew once again, as a result of investments into investment properties and projects, targeted acquisitions of three residential properties and one residential/commercial property as well as positive revaluation effects, and stood at CHF 741.3 million at the end of 2021, 15% up on the previous year (31.12.2020: CHF 645.4 million).

The financial result showed a significant increase in EBIT of +71% to CHF 39.1 million (2020: CHF 22.9 million) and a rise in profit including revaluation gains by +64% to CHF 29.3 million (2020: CHF 17.8 million).

Annual results 2021 in detail

Target rental income from investment properties of CHF 29.4 million p.a.

Target rental income from investment properties rose to CHF 29.4 million per annum as at 31 December 2021 (31.12.2020: CHF 26.2 million). The change is primarily attributable to the acquisition of three residential properties and one residential/commercial property as well as the reclassification of the property at Badenerstrasse 701, Zurich from projects to investment properties. The share of target rental income from investment properties was 63% at the end of 2021.

Income statement financial year 2021

Net rental income rose by 10% to CHF 26.7 million in 2021 (2020: CHF 24.3 million). This growth is mainly attributable to the additional rental income from the properties in St. Gallen, Obernau, Basel and Dietikon acquired during 2020, which demonstrated their full profitability in the 2021 reporting year. The acquisitions in 2021 of the four properties in Moosseedorf, Ostermundigen, Schaffhausen and St. Gallen also contributed to rental income growth from the date of acquisition. As in the previous year, the COVID-19 pandemic had only a minor impact on rental income. A total of CHF 0.3 million in rent reductions was taken into account in the 2021 financial year, corresponding to around 1% of target rental income.

The net yield generated on the investment properties amounted to 3.3% in the 2021 reporting year (2020: 3.7%). The vacancy rate for investment properties (excluding projects) was 3.7% (31.12.2020: 4.0%).

Direct operating expenses for investment properties rose to CHF 4.5 million (2020: CHF 3.6 million). Personnel expenses amounted to CHF 0.8 million (2020: CHF 0.8 million) and, as in the previous year, comprised compensation for the CEO and CFO positions. Consulting expenses amounted to CHF 0.9 million (2020: CHF 1.0 million). Administrative expenses came to CHF 3.2 million (2020: CHF 3.0 million) and comprised the management fee paid to Nova Property Fund Management AG of CHF 2.9 million as well as capital taxes and other administrative expenses totalling CHF 0.3 million.

The market valuation of the real estate portfolio by the independent real estate valuation expert Wüest Partner AG led to revaluation gains of CHF 21.8 million (2020: CHF 8.3 million). The revaluation gains are attributable to the higher valuations of various investment properties as well as targeted investments and rental measures in the properties.

EBIT rose by 71% to CHF 39.1 million (2020: CHF 22.9 million). At around CHF 2.6 million, net financial expenses were on a par with the previous year (2020: CHF 2.5 million). The average interest rate on mortgage liabilities remained at 0.8%.

Earnings including revaluation rose to CHF 29.3 million (2020: CHF 17.8 million), while earnings excluding revaluation reached CHF 11.7 million (2020: CHF 11.1 million). The earnings per share including revaluation are CHF 3.97 and excluding revaluation CHF 1.59 (2020: CHF 2.76 incl. revaluation or CHF 1.71 excluding revaluation). Following the successful capital increase in June 2021, the average number of outstanding registered shares for calculating the earnings per share for the 2021 financial year was 7,390,125 registered shares, compared to 6,465,261 in the previous year.

Balance sheet at 31 December 2021

Total assets increased by CHF 84.5 million to CHF 751.1 million (31.12.2020: CHF 666.7 million). Some of the funds raised through the capital increase were used to temporarily repay mortgages, bringing cash and cash equivalents to CHF 3.0 million as at 31 December 2021. Non-current assets of CHF 742.2 million consisted of investment properties (CHF 719.8 million), the projects in Lucerne, Neuhausen and St. Gallen (total of CHF 21.5 million) and the long-term portion of the pre-financed tenant fittings in two properties in Frauenfeld and Altstätten (CHF 0.9 million).

On the liabilities side of the balance sheet, current and non-current mortgage liabilities amounted to CHF 380.2 million as at 31 December 2021 (31.12.2020: CHF 351.8 million). As at the reporting date, 58% of the mortgage liabilities have fixed-interest periods of more than three years (31.12.2020: 53%). As at 31 December 2021, the average remaining term of the financial liabilities was 3.7 years (31.12.2020: 3.7 years).

Equity as at 31 December 2021 amounted to CHF 335.8 million (31.12.2020: CHF 291.9 million). The change is attributable to the net increase in equity resulting from the capital increase in June 2021 of CHF 26.2 million, the profit contribution of CHF 29.3 million and the par value re-payment of CHF 11.7 million (CHF 1.65 per registered share) in June 2021. The equity ratio rose to 44.7% as at 31 December 2021 (31.12.2020: 43.8%). Despite the distribution of CHF 1.65 to shareholders through the par value reduction, the net asset value increased by CHF 2.25 to CHF 43.55 in the 2021 financial year (31.12.2020: CHF 41.30).

Sustainability case at the Centre Loewenberg

In 2021, the SBB's Centre Loewenberg for training and education was comprehensively refurbished and modernized. The aim was to combine sustainability and heritage conservation. For example, 98% of the concrete and metal parts of the building structure and building shells were reused during the conversion. In addition, the support structures of the façades were renovated and then reused. The refurbishment and modernization of the training campus will reduce the future energy consumption of the buildings – resulting in an estimated annual saving of 600,000 kWh in energy requirements. A new photovoltaic system also covers the entire cooling needs of the Centre Loewenberg.

Proposals to the 2022 Annual General Meeting

The Board of Directors will propose to the Annual General Meeting on 23 March 2022 that Floriana Scarlato, an expert in compliance and risk management, be elected as an independent and non-executive member of the Board of Directors. The current members of the Board of Directors Messrs Lazzarini, Hiestand, Ménard and Neff are all standing for re-election at the Annual General Meeting. Markus Neff and Daniel Ménard are proposed for election as members of the Compensation Committee and Gian Reto Lazzarini as Chairman of the Board of Directors.

The Board of Directors will also propose a cash distribution in the form of a nominal value reduction of CHF 1.65 per registered share to the Annual General Meeting. Based on the closing price of the registered share on 31 December 2021, the distribution yield equals 3.5%.

Following the successful capital increase in June 2021, the remaining authorised capital of the company now totals only 63,381 registered shares. The Board of Directors will therefore ask the Annual General Meeting to create new authorised capital to the order of 763,000 registered shares, i.e. less than 10% of the ordinary share capital.

Outlook

Following the two years 2020 and 2021, which were heavily influenced by the COVID-19 pandemic and could not have been more different with regard to economic performance, a degree of normalisation in both the global and the Swiss economy is expected in 2022. As a sharp global economic slump was followed by a rapid economic recovery, Switzerland can be expected to experience a somewhat more moderate economic growth in 2022. Given the strength of the Swiss franc, it should be possible to cushion some of the price pressure resulting from supply and capacity bottlenecks so that a more restrictive approach by the Swiss National Bank is not expected for the time being.

Novavest Real Estate AG has a robust business model with its portfolio focused on residential properties earning more than 60% of target rental income. The strong credit rating of the largest tenants (SBB, BMW (Schweiz) AG, Kantonsspital St. Gallen, LIDL Schweiz AG) also contributes to the stability of rental income and to the portfolio.

The Board of Directors decided at a strategy meeting to grow the portfolio organically and implement certain portfolio optimisation for the next twelve months. Any acquisition opportunities along the investment strategy can still be taken advantage of.

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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 2021

Income Statement in CHF	FY 2021	FY 2020	Δ
Rental income	26 731 294	24 278 134	+10%
Earnings from sale of investment properties	0	149 217	
Total operating income	26 731 294	24 427 351	+9%
Direct operating expenses for investment properties	-4 521 587	-3 559 243	
Personnel expenses	-767 561	-821 251	
Consulting expenses	-893 448	-951 659	
Administrative expenses	-3 175 066	-2 994 061	
Total operating expenses	-9 357 662	-8 326 213	+12%
Total earnings from revaluation of real estate investments	21 769 340	8 322 604	
Earnings before interests and taxes (EBIT)	39 142 971	22 872 880	+71%
Net financial result	-2 614 535	-2 503 905	
Income taxes	-7 222 116	-2 527 538	
Earnings incl. effects from revaluation / deferred taxes	29 306 322	17 841 437	+64%
Earnings excl. effects from revaluation / deferred taxes¹⁾	11 721 049	11 080 986	+6%
Earnings per share incl. effects from revaluation / deferred taxes (EPS)	3.97	2.76	
Earnings per share excl. effects from revaluation / deferred taxes (EPS)	1.59	1.71	
Average number of shares used to calculate EPS	7 390 125	6 465 261	
Balance Sheet in CHF or %	31.12.2021	31.12.2020	
Total assets	751 145 177	666 666 023	+13%
Equity	335 798 021	291 915 980	+15%
Equity ratio	44.7%	43.8%	
Total mortgage liabilities	380 177 250	351 796 250	+8%
Leverage ratio	55.3%	56.2%	
Loan-to-value ratio of properties	51.3%	54.5%	
Net Gearing ²⁾	112.3%	115.4%	
Net Asset Value (NAV) in CHF ³⁾	43.55	41.30	
Cash distribution in form of a nominal value reduction (proposal to AGM) in CHF	1.65	1.65	
Portfolio	31.12.2021	31.12.2020	
Total real estate portfolio in CHF	741 279 300	645 388 300	+15%
Number of investment properties	50	46	
Number of properties in projects	5	5	
Gross yield ⁴⁾	4.1%	4.5%	
Net yield ⁵⁾	3.3%	3.7%	
Vacancy rate excluding projects	3.7%	4.0%	
Average discount rate for revaluation	2.8%	3.0%	
Average interest rate financial liabilities	0.8%	0.8%	
Average remaining life of financial liabilities	3.7 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 22/23 in Executive Summary for Annual Report 2021 (English) and on pages 148/149 in the Annual Report 2021 (German version only). The Annual Report as well as the Executive Summary can be viewed on the Company's website under Investor Relations - Financial Reports / Presentations:

https://www.novavest.ch/en/investor-relations/?section=investor-relations_financial-reports-presentations