

Media release, 22 February 2023

Ad hoc announcement pursuant to Art. 53 LR

NOVAVEST Real Estate AG again with a pleasing result in the 2022 financial year

- **Real estate portfolio increased by 10% to CHF 811.8 million**
- **Residential share of target rental income 61%**
- **Profit including revaluations at CHF 22.4 million**
- **As expected, revaluation income lower than in previous year**
- **Proposal for distribution of CHF 1.25 per registered share**

Novavest Real Estate AG (SIX Swiss Exchange: NREN) again achieved a pleasing operating result for the 2022 financial year in an environment heavily influenced by political and economic uncertainty, with less revaluation income than in the previous year, as expected.

The value of the real estate portfolio rose by 10% to CHF 811.8 million (31 December 2021: CHF 741.3 million) due to acquisitions of a residential property and a commercial property, investment activities in existing properties and new construction projects, and positive revaluation effects.

Earnings including revaluation gains were CHF 22.4 million (2021: CHF 29.3 million). Earnings excluding revaluation gains, rose by about 9% year-on-year to CHF 12.7 million (2021: CHF 11.7 million), which underlines the operational profitability of the portfolio.

Annual results 2022 in detail

Target rental income from investment properties of CHF 32.1 million per annum

The expansion of the investment property portfolio by the two acquisitions in Kappel (Grossmatt 44, 46a) and Volketswil (Chriesbaumstrasse 2) as well as the reclassification of the property in Lucerne (Voltastrasse 2) resulted in the target rental income for investment properties rising by 9% to CHF 32.1 million per annum (31 December 2021: CHF 29.4 million). The share of rental income from properties with residential use is 61% as mentioned above.

Income statement financial year 2022

Net rental income was CHF 29.2 million in 2022, which corresponds to 9% growth year-on-year (2021: CHF 26.7 million). The increase in rental income is due in part to the acquisition of the property in Volketswil/ZH in mid-June 2022 and also to the properties acquired during the previous year 2021 in Moosseedorf/BE, Ostermundigen/BE, Schaffhausen/SH and St. Gallen/SG, which reached full profitability in the 2022 reporting year. The property in Kappel/SO was added to the portfolio on 19 December 2022 and will therefore only make a material contribution to rental income in the 2023 reporting year.

The net yield generated on the investment properties amounted to 3.2% in the 2022 reporting year (2021: 3.3%). The vacancy rate for investment properties (excluding projects) was 4.6% (31.12.2021: 3.7%). The increase results mainly from the residential/commercial property in Bülach, which was sold in December 2022 with transfer of ownership on 1 March 2023. Excluding this property, the vacancy rate was 4.0% for the reporting year.

Direct expenses for rented investment properties rose to CHF 4.9 million (2021: CHF 4.5 million). Personnel expenses amounted to CHF 0.8 million (2021: CHF 0.8 million) and, as in the previous year, comprised compensation for the CEO and CFO management positions. Consulting expenses amounted to CHF 1.1 million (2021: CHF 0.9 million). Administrative expenses came to CHF 3.6 million (2021: CHF 3.2 million) and comprised the management fee paid to Nova Property Fund Management AG of CHF 3.1 million as well as capital taxes and other administrative expenses totaling CHF 0.5 million.

The market valuation of the real estate portfolio by the independent real estate valuer Wüest Partner AG led to revaluation gains of CHF 11.9 million, somewhat lower than in the previous year (2021: CHF 21.8 million). The repeated earnings from revaluation were achieved despite higher interest rates, with factors such as location quality and high tenant demand (also because of immigration) as well as higher valuations of various investment properties having a positive effect on the valuations.

EBIT was down to CHF 30.7 million due to the lower revaluation gains in the 2022 reporting year (2021: CHF 39.1 million). Excluding the revaluation gains, the operating result nonetheless increased by 8% to CHF 18.8 million (2021: CHF 17.4 million). Net financial expenses came to CHF 3.1 million (2021: CHF 2.6 million), reflecting the portfolio expansion and a slightly higher debt financing ratio. The average interest rate on mortgage liabilities was 0.9% (2021: 0.8%).

Earnings including revaluation gains amounted to CHF 22.4 million (2021: CHF 29.3 million), while earnings excluding revaluation gains rose by 9% to CHF 12.7 million (2021: CHF 11.7 million). The earnings per share are CHF 2.91 including revaluation gains, or CHF 1.65 excluding revaluation gains (2021: CHF 3.97 including revaluation gains and CHF 1.59 excluding revaluation gains). Following the capital increase in June 2021 to further implement the growth strategy, the average number of outstanding registered shares for calculating the earnings per share for the 2022 reporting year was 7 711 434 registered shares, compared to 7 390 125 in the previous year.

Balance sheet as at 31 December 2022

Compared to the end of 2021, total assets increased by CHF 72.1 million to CHF 823.2 million (31.12.2021: CHF 751.1 million). Cash and cash equivalents were CHF 4.3 million as at 31 December 2022 (31.12.2021: CHF 3.0 million). In December 2022, as part of a portfolio optimisation, a contract of sale was signed for the predominantly commercially used residential and commercial property in Bülach (Schlosserstrasse 4). The transfer of ownership is planned as of 1 March 2023, which is why this property was entered in the balance sheet as at 31 December 2022 as a current asset under "Investment properties held for sale" with a value of CHF 15.3 million.

Non-current assets of CHF 797.9 million comprised the other 52 investment properties (CHF 784.3 million), the two current projects in Neuhausen and St. Gallen (total of CHF 12.2 million) and the long-term portion of the pre-financed tenant fittings in two properties in Frauenfeld and Altstätten (CHF 1.4 million).

On the liabilities side of the balance sheet, current and non-current mortgage liabilities amounted to CHF 439.8 million as at 31 December 2022 (31.12.2021: CHF 380.2 million). As at the reporting date, 48% of the mortgage liabilities were hedged with fixed-interest periods of more than three years (31.12.2021: 58%). Mortgages are well diversified at first-class creditor banks (mainly cantonal banks). As at 31 December 2022, the average remaining term of the financial liabilities was 2.6 years (31.12.2021: 3.7 years).

Equity as at 31 December 2022 amounted to CHF 345.5 million (31 December 2021: CHF 335.8 million). The change is attributable to the profit contribution of CHF 22.4 million as well as the par value repayment of CHF 12.7 million (CHF 1.65 per registered share) in June 2022. As at 31 December 2022, the equity ratio came to a solid 42.0% (31.12.2021: 44.7%). Despite the distribution of CHF 1.65 per share to shareholders through the par value reduction, the net asset value increased by CHF 1.25 to CHF 44.80 per share in the 2022 reporting year (31 December 2021: CHF 43.55).

Sustainability

In its sustainability strategy, Novavest Real Estate AG acknowledges the UN Sustainable Development Goals and its ecological, economic, social and corporate responsibility along the real estate investment cycle. The reporting in the Annual Report 2022 has been greatly expanded and published in accordance with the GRI standards. The Company will also sign the UN PRI (Principles for Responsible Investment) in 2023 and will thereby commit to the six principles for responsible investments by UN PRI.

Proposals to the 2023 Annual General Meeting

All current members of the Board of Directors are standing for re-election at the ordinary General Meeting of 22 March 2023. Gian Reto Lazzarini is again being proposed for election by the General Meeting as Chairman of the Board of Directors. Markus Neff and Daniel Ménard are proposed for election as members of the Compensation Committee.

On the basis of the 2022 annual result, the Board of Directors proposes to the General Meeting a cash distribution in the form of a par value reduction of CHF 1.25 per registered share. Based on a benchmarking, the Company has determined that most real estate companies have a payout ratio of 70% to 85%. Therefore, Novavest Real Estate AG is adjusting its cash distribution to a payout ratio of 75% and is thus also prepared if the interest rate level should continue to rise, contrary to the expectations of the Company. Based on the closing price of the registered share on 31 December 2022, the yield on the proposed distribution equals 3.1%.

The coming into force of the new Code of Obligations on 1 January 2023 entails various amendments to the Company's current Articles of Association. The Board of Directors thus proposes a comprehensive review of the Articles of Association to the 2023 ordinary General Meeting, the wording of which will be published as part of the invitation to the 2023 General Meeting.

Outlook

Economic development in Switzerland remains hard to assess due to the unresolved conflict situation in Ukraine and its associated geopolitical risks. For 2023, the State Secretariat for Economic Affairs (SECO) and the Swiss National Bank are working on the assumption of below-average economic growth. Over the medium term, the inflation rate will probably also be at a higher level than in previous years.

Due to the increase in interest rates, the transaction market for Swiss real estate remains challenging. However, the expected sustained immigration and limited construction activity will probably result in continued high demand for rental apartments. In the Company's view, real estate in Switzerland remains continuously interesting through its real value for owners and as an investment category to investors, offering a certain level of protection against inflation at the same time.

Novavest Real Estate AG has a robust business model with its portfolio focused on residential properties, which account for more than 60% of 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 the portfolio. The long-term growth strategy focusing on rental income from residential use thus remains unchanged.

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Key Figures 2022

Income Statement in CHF	2022	2021	Δ
Rental income	29 158 903	26 731 294	+9%
Total operating income	29 158 903	26 731 294	+9%
Direct operating expenses for investment properties	-4 873 040	-4 521 587	
Personnel expenses	-756 697	-767 561	
Consulting expenses	-1 136 241	-893 448	
Administrative expenses	-3 631 660	-3 175 066	
Total operating expenses	-10 397 638	-9 357 662	+11%
Total earnings from revaluation of real estate investments	11 942 488	21 769 340	
Earnings before interests and taxes (EBIT)	30 703 754	39 142 971	-22%
Net financial result	-3 098 918	-2 614 535	
Income taxes	-5 202 120	-7 222 116	
Earnings incl. effects from revaluation / deferred taxes	22 402 716	29 306 322	-24%
Earnings excl. effects from revaluation / deferred taxes ¹⁾	12 740 049	11 721 049	+9%
Earnings per share incl. effects from revaluation / deferred taxes (EPS)	2.91	3.97	
Earnings per share excl. effects from revaluation / deferred taxes (EPS)	1.65	1.59	
Average number of shares used to calculate EPS	7 711 434	7 390 125	
Balance Sheet in CHF or %	31.12.2022	31.12.2021	
Total assets	823 240 139	751 145 177	+10%
Equity	345 476 871	335 798 021	+3%
Equity ratio	42.0%	44.7%	
Total mortgage liabilities	439 767 250	380 177 250	+16%
Leverage ratio	58.0%	55.3%	
Loan-to-value ratio of properties	54.2%	51.3%	
Net Gearing ²⁾	126.0%	112.3%	
Net Asset Value (NAV) in CHF ³⁾	44.80	43.55	
Cash distribution in form of a nominal value reduction (proposal to AGM) in CHF	1.25	1.65	
Portfolio	31.12.2022	31.12.2021	
Total real estate portfolio in CHF	811 818 000	741 279 300	+10%
Number of investment properties	53	50	
Number of properties in projects	2	5	
Gross yield ⁴⁾	4.0%	4.1%	
Net yield ⁵⁾	3.2%	3.3%	
Vacancy rate excluding projects	4.6%	3.7%	
Average discount rate for revaluation	2.7%	2.8%	
Average interest rate financial liabilities	0.9%	0.8%	
Average remaining life of financial liabilities	2.6 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 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 174/175 in the Annual Report 2022 (German version only) or to pages 20/21 in the Executive Summary FY 2022 (English). They are available on the Company's website under Investor Relations – section Financial Reports / Presentations https://www.novavest.ch/en/investor-relations/?section=investor-relations_financial-reports-presentations

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).

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