

Media release, 16 August 2023

Ad hoc announcement pursuant to Art. 53 LR

NOVAVEST Real Estate AG increases operating result in the first half of 2023 compared to the same period last year

- Earnings from rental activities rose to CHF 12.4 million (+5% compared to H1 2022)
- Earnings excluding effects from revaluation reach CHF 6.6 million (+9% compared to H1 2022)
- Revaluation effects of CHF -10.0 million lead to loss of CHF 1.5 million for earnings including effects from revaluation
- Real estate portfolio at CHF 791.0 million; target rental income investment properties at CHF 31.4 million p.a.
- Residential share of target rental income increased to 63% as at 30 June 2023

Novavest Real Estate AG (SIX Swiss Exchange: NREN) generated a pleasing operating result – earnings excluding revaluation – in the first half of 2023, in a challenging market environment featuring ongoing political and economic uncertainties as well as further interest rate hikes.

Half-year 2023 results in detail

Residential share of target rental income increased to 63%

The real estate portfolio was optimised during the first half of 2023 and an older residential/commercial property in Bülach/ZH was sold at a profit. As a result of this sale and the completion of a project to convert space at the property in Neuhausen/SH, the residential share of target rental income is increasing by around 2 percentage points to 63% compared to the end of 2022. The value of the real estate portfolio amounted to CHF 791.0 million as at 30 June 2023 (31.12.2022: CHF 811.8 million). The target rental income for investment properties, on an annualised basis, came to CHF 31.4 million (H1 2022: CHF 30.9 million).

Income statement H1 2023

Net rental income increased by 7% to CHF 15.3 million in the first half of 2023 (H1 2022: CHF 14.2 million). The increase is largely due to the acquisitions of the properties in Volketswil/ZH (June 2022) and Kappel/SO (December 2022) as well as the completed conversion projects in Lucerne/LU (2022) and Neuhausen/SH (2023). The gross yield achieved on investment properties in the first half of 2023 amounted to 4.0% and the net yield to 3.1% (annualised). Due to various letting activities and the sale of the residential/commercial property in Bülach, the vacancy rate was further reduced to 4.0% (31.12.2022: 4.6%; 30.06.2022: 4.7%).

The sale of the property, with transfer of ownership as of 1 March 2023, resulted in a profit from the sale of investment properties of CHF 0.5 million. Direct expenses for investment properties rose due to the portfolio changes compared to the previous year and amounted to CHF 2.9 million (H1 2022: CHF 2.4 million). As a result, earnings from rental income increased by 5% to CHF 12.4 million (H1 2022: CHF 11.8 million).

The other operating expenses (personnel, consulting and administrative expenses) amounted to a total of CHF 2.8 million, which was slightly below the level of the previous year period (H1 2022: CHF 2.9 million). The successive interest rate hikes by the Swiss National Bank from 1.0% at the end of 2022 to 1.75% at the end of June 2023 to combat inflation had an impact on the discounting models used for real estate evaluations in the first half of 2023. The market valuation of the real estate portfolio by the independent real estate valuer Wüest Partner AG resulted in a revaluation loss of CHF 10.0 million, compared to a revaluation profit of CHF 6.4 million in the prior year period. As a result, EBIT came to CHF 0.1 million in the first half of 2023 (H1 2022: 15.4 million). Excluding the revaluation effects, the EBIT increased by 13% to CHF 10.1 million (H1 2022: CHF 9.0 million).

Net financial expenses amounted to CHF 2.0 million (H1 2022: CHF 1.5 million) and also reflect the higher interest rate environment and associated higher average interest rate on financial liabilities, which was 1.1% in the first half of 2023 (H1 2022: 0.7%).

Earnings including effects from revaluation of real estate investments resulted in a loss of CHF 1.5 million for the first half of 2023 (H1 2022: profit of CHF 11.2 million). However, earnings excluding the effects from revaluation of real estate investments increased by 9% over the corresponding period in the previous year and came to CHF 6.6 million (H1 2022: CHF 6.0 million).

Balance sheet with solid equity ratio of 41.6%

The balance sheet as at 30 June 2023 remains very solidly financed with an equity ratio of 41.6% (31.12.2022: 42.0%). The current assets include another "investment property held for sale" in Wil/SG valued at CHF 3.7 million. Non-current assets comprise the other 52 investment properties (CHF 777.9 million), the current project in St. Gallen (CHF 9.3 million) and the long-term portion of the pre-financed tenant fittings at two properties in Frauenfeld and Altstätten (CHF 1.5 million).

On the liabilities side of the balance sheet, there were no significant changes in current and non-current mortgage liabilities. Total mortgage liabilities came to CHF 432.4 million as at 30 June 2023 (31.12.2022: CHF 439.8 million). As at the balance sheet date, CHF 198.7 million or 46% of the mortgage liabilities were hedged with fixed-interest periods of more than three years (31.12.2022: 48%). The average remaining term of the financial liabilities was 2.3 years (31.12.2022: 2.6 years).

Equity as at 30 June 2023 amounted to CHF 334.4 million (31.12.2022: CHF 345.5 million). The change is due to the par-value repayment of CHF 9.6 million (CHF 1.25 per registered share) paid out in mid-June 2023 and the loss of CHF 1.5 million in the first half of the year. As at 30 June 2023, the net asset value per registered share was CHF 43.35 (31.12.2022: CHF 44.80).

Sustainability

Novavest Real Estate AG is aware of its responsibility with regard to the sustainable development and management of its properties. Sustainability is therefore an integral part of the investment strategy, and of the purchase and sale decisions taken by the Board of Directors. The company will further expand its sustainability reporting in 2023, and with the support of Nova Property Fund Management AG, will also refine the core processes relating to the environment relevance of the portfolio and to the portfolio simulations.

Novavest Real Estate AG has been a signatory of the UN PRI (Principles for Responsible Investment) since spring 2023 and will be taking part in this initiative for the first time in summer 2023.

Outlook

Economic experts in Switzerland expect the economy to cool off slightly and expect below-average growth for 2023 as a whole. SECO confirmed its forecasts¹ for the current year and expects GDP growth of 1.1% (adjusted for sporting events). At the same time, a slight improvement in the inflation rate is expected, but at around 2.3% expected by SECO and 2.2% by the Swiss National Bank (SNB), the price stability of less than 2% as an annual average targeted by the SNB has not yet been achieved. This means that further interest rate hikes by the SNB cannot be ruled out in the coming months.

The transaction market for Swiss real estate remains challenging due to the higher interest rate environment. From the perspective of Novavest Real Estate AG, however, the high demand in the residential market, supported by population growth combined with limited construction activity, will continue. In the second half of 2023, the company aims to further strengthen its real estate portfolio through targeted investments and possible portfolio optimisations. In this context, a contract for the sale of the residential property in Wil/SG will be signed and notarised in August 2023, with transfer of ownership as of 1 September 2023.

Novavest Real Estate AG remains well positioned with its portfolio focused on residential properties, which account for over 60% of rental income, and has a robust business model that focuses on the long-term. The largest tenants in the portfolio (SBB, BMW (Schweiz) AG, Kantonsspital St. Gallen, LIDL Schweiz AG) also contribute to the stability of rental income and

¹ Source: Media release by SECO (State Secretariat for Economic Affairs), dated 15 June 2023

the overall portfolio with their strong credit ratings. The long-term strategy of focusing on rental income from residential properties therefore remains unchanged.

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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).

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Key Figures First Half-Year 2023

Income Statement in CHF	H1 2023	H1 2022
Rental income	15 293 242	14 246 736
Income from the sale of investment properties	493 099	0
Total operating income	15 786 340	14 246 736
Direct operating expenses for investment properties	-2 880 887	-2 424 847
Personnel expenses	-381 503	-384 855
Consulting expenses	-496 361	-622 187
Administrative expenses	-1 909 367	-1 851 358
Total operating expenses	-5 668 118	-5 283 247
Total earnings from revaluation	-9 972 217	6 397 528
Earnings before interest and taxes (EBIT)	146 005	15 361 017
Net financial result	-2 041 780	-1 458 428
Income taxes	372 080	-2 713 593
Earnings incl. effects from revaluation / deferred taxes	-1 523 696	11 188 996
Earnings excl. effects from revaluation / deferred taxes ¹⁾	6 551 806	6 015 955
Earnings per share incl. effects from revaluation / deferred taxes (EPS)	-0.20	1.45
Earnings per share excl. effects from revaluation / deferred taxes (EPS)	0.85	0.78
Average number of shares used to calculate EPS	7 711 434	7 711 434
Balance sheet in CHF or %	30.06.2023	31.12.2022
Total assets	802 780 533	823 240 139
Equity	334 313 882	345 476 871
Equity ratio	41.6%	42.0%
Total mortgage liabilities	432 445 750	439 767 250
Leverage ratio	58.4%	58.0%
Loan-to-value ratio of properties	54.7%	54.2%
Net Gearing ²⁾	128.7%	126.0%
Net Asset Value (NAV) in CHF ³⁾	43.35	44.80
Portfolio details	30.06.2023	31.12.2022
Total real estate portfolio in CHF	790 975 000	811 818 000
Number of investment properties	53	53
Number of properties in projects	1	2
Gross yield ⁴⁾	4.0%	4.0%
Net yield ⁵⁾	3.1%	3.2%
Vacancy rate excluding projects	4.0%	4.6%
Average discount rate for revaluation	2.7%	2.7%
Average interest rate financial liabilities	1.1%	0.9%
Average remaining life of financial liabilities	2.3 years	2.6 years

¹⁾ Earnings before taxes (EBT) minus earnings from revaluation of real estate investments, minus deferred taxes plus share of deferred taxes attributable to 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 in investment properties as of balance sheet date) in percentage of market value (fair value) of the investment properties

⁵⁾ Net yield reflects the 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 2023 (English) or to pages 49/50 in the Half-Year Report 2023 (German version only). They are available on the Company's website under Investor Relations – Financial Reports / Presentations https://www.novavest.ch/en/investor-relations/?section=investor-relations_financial-reports-presentations