

Media release, 21 February 2024

Ad hoc announcement pursuant to Art. 53 LR

NOVAVEST Real Estate AG achieves a solid operating result in 2023

- **Net rental income increases by 2% to CHF 24.7 million**
- **2 properties sold at a profit for portfolio optimization**
- **Residential share of target rental income amounts to 63% as at 31 December 2023**
- **Real estate portfolio at CHF 783.6 million; target rental income from investment properties CHF 30.8 million p.a.**
- **Earnings excluding revaluations amount to CHF 12.7 million**
- **Revaluation effects of CHF -20.6 million lead to a loss of CHF 4.0 million on earnings incl. revaluations**
- **Proposal for distribution of CHF 1.25 per registered share**
- **Merger with SenioResidenz AG under review**

Novavest Real Estate AG (SIX Swiss Exchange: NREN) achieved in a challenging market environment characterized by persistent political and economic uncertainty, a solid operating result at earnings level excluding revaluations in the 2023 reporting year.

Annual result 2023 in detail

Residential share of the real estate portfolio is 63% as at 31 December 2023

Two properties were sold in the reporting year to optimize the portfolio structure: A smaller residential property in Wil/SG and an older residential/commercial property in Bülach/ZH. Both properties were sold at a profit (profit totaling CHF 0.5 million).

The value of the real estate portfolio was CHF 783.6 million as at 31 December 2023 (31.12.2022: CHF 811.8 million). The market value of the real estate portfolio was impacted by the sale of the two properties mentioned above with a combined value of CHF 19.0 million. The portfolio valuation carried out by the external real estate valuer Wüest Partner resulted in a moderate revaluation loss of 2.6% (CHF 20.6 million) for the portfolio as at 31 December 2023. Investments in existing properties and projects totalled CHF 11.4 million in the year under review. The target rental income from the investment properties amounted to CHF 30.8 million at the end of 2023, with a rental income share from residential use of 63% (2022: 61%).

Income statement financial year 2023

Net rental income increased by more than 2% in the 2023 reporting year to CHF 29.9 million (2022: CHF 29.2 million). The increase in rental income is largely due to the acquisitions in the previous year of the properties in Volketswil/ZH (June 2022) and Kappel/SO (December 2022) as well as to the completed conversion projects in Lucerne/LU (2022) and Neuhausen/SH (2023) and, to a lesser extent, to the additional income generated since November 2023 due to rent adjustments caused by index and reference interest rate increases.

The net yield on investment properties in 2023 amounted to 3.3% (2022: 3.2%). The vacancy rate for investment properties (excluding projects) was 4.1% (31 December 2022: 4.6%). The reduction in the vacancy rate is largely attributable to the sale of the residential/commercial property in Bülach. The company generated a one-off profit of CHF 0.5 million from the sale of the properties in Wil and Bülach.

Direct expenses for investment properties rose to CHF 5.2 million (2022: CHF 4.9 million), which is primarily related to higher ancillary costs and maintenance and repair costs. Personnel expenses remained unchanged at CHF 0.8 million (2022: CHF 0.8 million) and, as in the previous year, comprised compensation for the CEO and CFO management positions. Consulting expenses were lowered to CHF 0.9 million through various measures (2022: CHF 1.1 million). Administrative

expenses came to CHF 3.6 million (2022: CHF 3.6 million) and include the management fee paid to Nova Property Fund Management AG of CHF 3.0 million as well as capital taxes and other administrative expenses totalling CHF 0.5 million.

The market valuation of the real estate portfolio by the independent real estate valuer Wüest Partner AG led to a revaluation loss of CHF 20.6 million (2022: appreciation of CHF 11.9 million), mainly due to higher discount rates caused by the changed interest rate environment.

Earnings before interest and taxes (EBIT) amounted to CHF -0.6 million in the 2023 reporting year due to the portfolio depreciation (2022: CHF 30.7 million). Excluding the effects of revaluation and the one-off profit from the sale of investment properties, operating profit nonetheless increased by 4% to CHF 19.5 million (2022: CHF 18.8 million). Net financial expenses came to CHF 4.6 million (2022: CHF 3.1 million) and reflect the higher interest rate environment and therefore a higher average interest rate on financial liabilities, which was 1.2% in the 2023 reporting year (2022: 0.9%).

The lower portfolio valuation also influenced the final result, with a loss including effects from revaluation of real estate investments, which amounted to CHF -4.0 million (2022: CHF 22.4 million). Excluding the effects from revaluation of real estate investments, the earnings excluding revaluation were at the same level as in the previous year, amounting to CHF 12.7 million (2022: CHF 12.7 million). Based on earnings per share, this results in a loss per share including revaluation effects of CHF -0.51 and earnings excluding revaluation effects of CHF 1.65 (2022: profit of CHF 2.91 including revaluation and CHF 1.65 excluding revaluation effects). The average number of outstanding registered shares for the calculation of earnings per share was 7 711 434 registered shares in both years.

Solid balance sheet

Total assets declined by CHF 29.5 million to CHF 793.7 million (31 December 2022: CHF 823.2 million). Non-current assets of CHF 785.1 million comprise 51 investment properties (CHF 745.3 million), the two ongoing projects in St. Gallen and Basel (in total CHF 38.3 million) and the long-term portion of the pre-financed tenant fittings at two properties in Frauenfeld and Altstätten (CHF 1.4 million).

On the liabilities side of the balance sheet, current and non-current mortgage liabilities stood at CHF 427.2 million as at 31 December 2023 (31 December 2022: CHF 439.8 million). Mortgages are well diversified at first-class creditor banks (mainly cantonal banks). As at 31 December 2023, the average remaining term of the financial liabilities was 2.3 years (31 December 2022: 2.6 years).

Equity as at 31 December 2023 changed to CHF 331.9 million (31 December 2022: CHF 345.5 million). This was mainly due to the par value repayment of CHF 9.6 million (CHF 1.25 per registered share) paid out in June 2023 and the loss of CHF 4.0 million. As at 31 December 2023, the Company still had a very solid equity ratio of 41.8% (31 December 2022: 42.0%). As at 31 December 2023, the net asset value per registered share amounted to CHF 43.04 (31 December 2022: CHF 44.80).

Sustainability

Novavest Real Estate AG is a signatory of the UN PRI (Principles for Responsible Investment) and took part in the initiative for the first time in 2023. In addition, the sustainability reporting has been expanded and refined compared to the previous year. For example, the portfolio's consumption data was upgraded in accordance with SIA and REIDA and the reduction path for greenhouse gas emissions was recalculated up to 2050. The report was again prepared in accordance with the GRI Standards and is part of the Annual Report 2023.

Company examines merger with SenioResidenz AG

On 22 January 2024, the Board of Directors of Novavest Real Estate AG resolved to examine the possibility of a merger with SenioResidenz AG. Both companies are very well established in the Swiss real estate market and have high-quality real estate portfolios in their respective investment segments.

The merger would result in an extremely attractive and resilient portfolio, as the properties of SenioResidenz AG are primarily focussed on senior's living and care facilities, while those of Novavest Real Estate AG are primarily for residential use. Combining it into a joint property portfolio would result in optimal diversification in terms of uses as well as macro- and micro-locations. The value of the combined real estate portfolio would exceed CHF 1 billion.

The assessments and discussions between SenioResidenz AG and Novavest Real Estate AG regarding a potential merger are still at a relatively early stage. The Board of Directors of Novavest Real Estate AG has formed an independent committee consisting of Board members Dr Markus Neff, Floriana Scarlato and Daniel Ménard. The Company will announce the results of the merger talks and the next steps in the negotiations in due course.

Proposals to the AGM 2024

All the current members of the Board of Directors are standing for re-election at the Annual General Meeting of 20 March 2024. 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 as members of the Compensation Committee.

The Board of Directors also proposes to the Annual General Meeting a cash distribution in the form of a par value reduction of CHF 1.25 per registered share. Based on the closing price of the registered share on 31 December 2023, the yield of the proposed distribution equals 3.4%. If the General Meeting approves the proposed par value reduction, the capital reduction will be recorded in the commercial register towards the beginning of April and payment scheduled for mid-April 2024.

Outlook

The transaction market for Swiss real estate is likely to remain challenging. Novavest Real Estate AG's strategy of focusing on the residential sector has proven its worth in the current environment. Ongoing immigration to Switzerland and limited construction activity are likely to further boost the high demand for rental apartments. From the company's point of view, the business model, which accounts for more than 60% of rental income from residential properties, is on a solid footing and is complemented by strong commercial tenants who contribute to the stability of rental income and the portfolio.

The long-term growth strategy focusing on rental income from residential use therefore remains unchanged and would not change in the event of a potential merger with SenioResidenz AG, as SenioResidenz AG also has a high proportion of residential use with its apartments for the elderly and places in retirement/nursing homes.

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Key Figures 2023

Income Statement in CHF	2023	2022
Rental income	29 859 940	29 158 903
Income from the sale of investment properties	537 519	0
Total operating income	30 397 459	29 158 903
Direct operating expenses for investment properties	-5 189 727	-4 873 040
Personnel expenses	-757 225	-756 697
Consulting expenses	-863 532	-1 136 241
Administrative expenses	-3 555 669	-3 631 660
Total operating expenses	-10 366 153	-10 397 638
Total earnings from revaluation of real estate investments	-20 594 795	11 942 488
Earnings before interests and taxes (EBIT)	-563 489	30 703 754
Net financial result	-4 610 186	-3 098 918
Income taxes	1 204 904	-5 202 120
Loss / Earnings incl. effects from revaluation / deferred taxes	-3 968 770	22 402 716
Earnings excl. effects from revaluation / deferred taxes ¹⁾	12 700 657	12 740 049
Loss / Earnings per share incl. effects from revaluation / deferred taxes (EPS)	-0.51	2.91
Earnings per share excl. effects from revaluation / deferred taxes (EPS)	1.65	1.65
Average number of shares used to calculate EPS	7 711 434	7 711 434
Balance Sheet in CHF or %	31.12.2023	31.12.2022
Total assets	793 704 708	823 240 139
Equity	331 868 808	345 476 871
Equity ratio	41.8%	42.0%
Total mortgage liabilities	427 164 750	439 767 250
Leverage ratio	58.2%	58.0%
Loan-to-value ratio of properties	54.5%	54.2%
Net Gearing ²⁾	127.9%	126.0%
Net Asset Value (NAV) in CHF ³⁾	43.04	44.80
Cash distribution in form of a nominal value reduction (proposal to AGM) in CHF	1.25	1.25
Portfolio	31.12.2023	31.12.2022
Total real estate portfolio in CHF	783 619 000	811 818 000
Number of investment properties	51	53
Number of properties in projects	2	2
Gross yield ⁴⁾	4.1%	4.0%
Net yield ⁵⁾	3.3%	3.2%
Vacancy rate excluding projects	4.1%	4.6%
Average discount rate for revaluation	2.8%	2.7%
Average interest rate financial liabilities	1.2%	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 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 148/149 in the Annual Report 2023 (German version only) or to pages 18/19 in the Executive Summary FY 2023 (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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