EDMOND DE ROTHSCHILD REAL ESTATE SICAV ("ERRES") PUBLICATION OF THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2024

The robust results achieved by ERRES as at 31 March 2024 testify to the quality of the portfolio and the work carried out by the manager.

- **Payment of a dividend of CHF 3.80 per share**, stable against last year, representing a payout ratio of 79.03%, to be approved by the Annual General Meeting on 16 July 2024.
- **Low rental loss rate of 2.10%**, reflecting the quality of assets and the work carried out by the manager.
- **Rental income up +2.5% like-for-like** thanks to the strategy of increasing rental income and proactive vacancy management.
- **Strong construction activity** with work ongoing on rental income totalling more than CHF 10 million.
- **Sale of nine properties** that were either non-strategic or had already been enhanced in value, generating a realised distributable profit of CHF 10.5 million.
- **Average portfolio CO_2 emissions 19.3 kg CO_2/m^2,** in line with the target of 15 kg/m² by 2030

Income statement

At 31 March 2024, net income for the year, including revenues and recurrent expenses, was down 7.9% at CHF 52.8 million, or CHF 3.29/share.
Total income fell by 2.2% compared with the previous year. Unlike in 2022/23, the fund did not receive revenue from the capital increase in this financial year. The decline in income was partially offset by a positive contribution of rental income, which increased by +6.2%. Like-for-like, rental income was up +2.5% (CHF 2.4 million). This increase was bolstered by revenues from assets purchased in the previous year (CHF 2.6 million) and four new acquisitions (CHF 2.4 million). As the new investments made this year have not yet achieved their full potential, property revenues will continue to grow in the year ahead.

At 31 March 2024, the rental loss rate stood at 2.10% of total rental income, including rent-free periods and losses, compared with 2.01% the previous year. The low vacancy rate attests to the quality of the assets, their good locations and the proactive management of new lease signings by the manager.

The vacancy rate fell significantly at the commercial properties Corniche 3A/3B in Épalinges (VD), Freiburgstrasse 555 in Niederwangen (BE) and Sinserstrasse 65-67 in Cham (ZG) following successful marketing initiatives. The departure of the main tenant at Veyrot 11 in Meyrin (GE) weighed on the very positive overall situation.

Expenses at 31 March 2024 came to 52.4% of income, compared with 49.5% the previous year. Building-related expenses (maintenance and renovation, administration and direct expenses) were stable at 15.9% of total income.

Mortgage interest expenses increased by 69.4% to CHF 11.1 million, reflecting higher interest rates in Switzerland and the larger volume of financing in the fund. This increase was, however, kept under control by strict monitoring and forward planning by the manager with regard to financing.

The tax expense as a percentage of income declined thanks to a larger share of indirectly owned buildings, the recognition of tax exemptions on high energy performance (HPE-certified) buildings and the reversal of a surplus. The fund's operating costs (TER) were stable at 0.61% of total assets (GAV).

Nine assets were sold during the period, generating a realised profit after tax of CHF 10.5 million, or a net margin of more than 12% on the sales prices. Net income for the financial year totalled CHF 63.3 million, up 2.0% compared with the previous year, corresponding to CHF 3.94/share.

Total profit for the 2023/24 financial year amounted to CHF 29.5 million, down from the previous year due to the unrealised capital loss for the year of CHF 33.7 million, reflecting current market conditions.

Balance sheet

The debt ratio at 31 March 2024 was 30.4%, compared with 27.2% at the end of the previous financial year. The increase in financing in the portfolio over the period funded the growth in the fund's real estate assets, with building purchases totalling CHF 92.4 million over the period. The manager pursued the policy of increasing duration to maintain the fund's distribution capacity in an environment of fluctuating interest rates. As a result, the average financing term increased to 4.79 years, from 4.14 years at the end of the previous year. The weighted average interest rate increased in line with the general rise in rates and the increase in maturities and stood at 1.38% at 31 March 2024, versus 1.10% a year earlier.

Following the purchase of four new existing buildings and the sale of nine buildings over the year, the portfolio held 147 assets at 31 March 2024, for a total asset value of CHF 2,883.6 million.

Residential properties continued to account for the majority of assets despite disposals. The portfolio broke down as follows (as a percentage of market value): 59.3% residential assets, 11.6% mixed-use assets, 25.2% commercial assets and 3.9% land and buildings under construction. Commercial properties are mainly exposed to high-quality tenants committed to long-term leases.

The geographical breakdown of properties remains concentrated in French-speaking Switzerland, with 54.2% of total assets by market value located in the Geneva canton and 20.7% in Vaud.

The net asset value at 31 March 2024 amounted to CHF 122.86/share, compared with CHF 124.81/share a year earlier, a decline of 1.56%.

Sustainability

Over the period 2023/24, the manager stepped up its efforts to update and implement the Environmental, Social and Governance action plan. Highlights included the addition of new floors and full energy-efficiency renovation, with continued occupancy, of the building located at Avenue François-Besson 5-7-9 in Meyrin (GE); the extension of solar energy production to five new sites, with 16 sites now equipped; the installation of 25 new smart boxes to optimise heat production; the replacement of oil-fired heating systems with a district heating system powered by renewable energy (at four sites); and concrete actions to ramp up the obtaining of labels and certification for existing assets (four sites concerned over the period). The manager puts users at the centre of its approach, raising tenants' awareness of eco-friendly actions, installing eco-responsible fittings in buildings, renovating or creating bicycle storage areas, and proposing a green lease clause in contracts to encourage new commercial tenants to make responsible use of the building.

The portfolio's average CO_2 emissions stood at 19.3 $kgCO_2/m^2$, down by 20.6% year on year. This figure is standardised according to the recommendations of the Asset Management Association Switzerland (AMAS) and is based on the Real Estate Investment Data Association (REIDA) reference (formerly SIA: KBOB). The ten-year investment plan set by the asset manager in the budgets and used for appraisals by the fund's valuation experts amounts to more than CHF 300 million and should reduce CO_2 emissions by 50% by 2034.

The fifth annual assessment of the portfolio according to the Swiss Sustainable Real Estate Index (SSREI) confirmed the positive relative positioning (ERRES: 1.83 / Benchmark: 1.71). The manager is currently preparing the first submission for the Global Real Estate Benchmark (GRESB), the international ESG assessment benchmark for the real estate sector. The results will be announced and published in October 2024.

Transactions

Over the period, the fund made four acquisitions for a total of CHF 92.4 million. The first addition to the portfolio was a residential property located at Pré-Marquis 5 B-C-D in Puplinge (GE). In accordance with the fund's strategy, the commercial property allocation was then increased with the purchase of three commercial properties. The first was a complex of three buildings located at Bernstrasse 82-90 in Dietikon (ZH) with very large land coverage and a gross yield of 6.2%. The second commercial property purchase was a high-quality recent office building at Crassier 19 in Eysin (VD), where the office space is fully leased. The last property is a Pré-Bouvier 9 in Satigny (GE). Acquired with building rights, this property is fully leased with long-term leases and is very energy-efficient (HPE label).

The fund also made disposals during the period. The nine properties sold came to a total of CHF 90.5 million, representing a realised profit after taxes and fees of CHF 10.5 million, or CHF 0.65/share. The assets were selected according to the fund's strategy. The sales confirmed the value created by the manager and enabled the fund to dispose of smaller assets from the portfolio.

Construction and renovation

One construction project was finalised during the year, a Minergie P certified residential property with 53 rent-controlled apartments (all leased) located at François-Jacquier 14-16-18 in Chêne-Bourg (GE). Five constructions were in progress as at 31 March 2024:

- The commercial property Trafostrasse 1 in Bülach (ZH), including 5,017 m^2 of office space, 828 m^2 of retail space and 1,029 m^2 of storage, is being finalised with the entry of tenants confirmed for May 2024. This asset is fully leased to three tenants with long-term leases (WAULT > 10 years).

- In the Petite Prairie district in Nyon (VD), 36 apartments will be completed by December 2024. This building will be Minergie-certified and heat will be generated by a water-to-water heat pump with ground sensors combined with solar panels. As a reminder, the fund built a mixed-use property during phase 1 of this development in 2015.
- In the centre of Geneva, the construction of 37 rent-controlled apartments at Edouard-Rod 12-14-16 is in progress, with delivery expected in Q3 2025.
- The construction of three commercial properties in the Biopôle F1 development in Lausanne (VD) is on schedule with delivery expected in early 2025 and the tenant due to enter the property in August 2025. This complex spanning nearly 20,000 m^2 at the centre of the campus is already 60% leased, and marketing continues.
- In Chêne-Bougeries (GE), the Beaupré Challendin project is under construction. This was a forward purchase over the period including 39 rent-controlled apartments (HM-LUP) for the fund and 21 internal spaces. The building was designed according to high level construction standards with heat production according to the ICESOL concept (heat pump combined with solar panels and ice storage). It will be THPE certified on delivery, expected in the second quarter of 2024.

Three projects to renovate buildings and increase density were also under way as of the reporting date.

- Sources 22 in Geneva (GE): full renovation of the building with HPE energy efficiency certification and the restructuring of some areas.
- François-Besson 5-7-9 in Meyrin (GE): full renovation of the building with HPE certification and the addition of two new floors, creating 12 new homes. The project is scheduled for completion in Q2 2024.
- Baillive 5 in Geneva (GE): building renovation with HPE certification and the creation of two apartments in the roof. Replacement of gas heating with a heat pump and the installation of solar panels. The project is scheduled for completion in Q3 2024.

A building permit with achievement of the Minergie/HPE standard has been obtained for the building located at Dancet 8 in Geneva (GE). Overall, 18 projects with identified development plans are currently under review, with an ROI above 5%.

These construction and renovation projects represent more than CHF 10 million in rental income under construction in the portfolio which will make a positive contribution over the next two financial years.

Outlook

The strategy set by the Board of Directors and implemented by the asset manager gives the Swiss sub-fund an interesting outlook. The following principles govern the portfolio's development:

- Predominance of French-speaking Switzerland thanks to the manager's professional network, with a focus on the Geneva canton, which stands out for its strong rental demand.
- A well-positioned portfolio in terms of location, vacancy risk and environmental profile.
- Debt ratio between 25% and 28% with a target debt maturity of five years.
- Payment of a sustainable dividend and spreading of the contribution of profits realised on disposals over several years.
- Constant improvement in the energy and social footprint, aiming for a concrete, measurable impact on buildings and tenants.

- Deployment of the portfolio's intrinsic value reserves by renovating rental assets or developing construction potential.
- Controlling rental risks with dynamic proactive building management.
- Controlling fund expenses and fees by seeking to optimise the profitability of rents received.
- Selling non-core assets to recycle capital and lock in capital gains.

The management team is convinced that these strategic priorities will enable ERRES to stand out in a complex real estate environment.

If you have any questions, please contact:

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Link to the annual report and the investor presentation

https://www.edr-realestatesicav.ch/erres-swiss/publications-en

Link to video presentations

https://www.edr-realestatesicav.ch/publications-en/videos-en/default

Selected key indicators

AMAS indices	31.03. 2024	31.03. 2023
Rental loss rate	**2.10%**	2.01%
Debt ratio	**30.40%**	27.19%
EBIT margin	**69.24%**	69.27%
Fund operating expense ratio (TER GAV)	**0.61%**	0.61%
Fund operating expense ratio (TER MV)	**0.81%**	0.82%
Return on equity (ROE)	**1.48%**	2.58%
Return on invested capital (ROIC)	**1.39%**	1.74%
Agio/disagio	**21.28%**	6.80%
Investment return	**1.52%**	2.36%
Dividend yield	**2.55%**	2.85%
Payout ratio	**79.03%**	92.34%

Other financial indicators	31.03. 2024	31.03. 2023
Number of buildings	**147**	152
Property values	**2,883,570, 080**	2,834,438,707
Real discount rate	**2.64%**	2.58%
Gross asset value	**2,958,251’468**	2,882,250’601
Net asset value	**1,971,478’031**	2,002,885’224
Average cost of debt	**1.38%**	1.10%
Average debt maturity	**4.79 years**	4.14 years
Net asset value per share	**122.86**	124.81
Dividend per share	**3.80***	3.80

Stock market indicators	31.03. 2024	31.03. 2023
Market value per unit	**149.00**	133.30
Stock market performance TR 01.04-31.03	**+14.92%**	-13.80%
Market capitalisation	**2,389,668’407**	2,137,871’132
Number of shares	**16,038’043**	16,038’043

Sustainability indicators	31.03. 2024	31.03. 2023
Coverage ratio**	**93.9%**	83.0%
Non-fossil energy**	**39.3%**	35.0%
Energy intensity (kWh/m^2)**	**124.6**	111.6
Greenhouse gas emission intensity (kgCO$_2$/m^2)**	**19.3**	24.3
SSREI rating	**1.83**	1.88
Power of solar panel installations (kWc)	**1’297**	540

** Proposal submitted to approval by the Annual General Meeting.*

*** According to AMAS notice and best practice for environmental data.*