EDMOND DE ROTHSCHILD REAL ESTATE SICAV ("ERRES") PUBLICATION OF THE AUDITED ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2022

ERRES's very good annual results at 31 March 2022 testify to the manager's ability to create value on a quality portfolio.

- **Payment of a stable dividend of CHF 3.60,** with a payout ratio of 99.97%, to be approved by the Shareholders' Meeting of 19 July 2022.
- **Rental loss rate down at a record level of 2.25%**, reflecting the quality of the buildings and the work done by the teams.
- **Increase of 13.0% in net income** thanks to quality acquisitions made, dynamic property management and good control of fund costs: TER (GAV) down to 0.61%.
- **Strong increase in investment return to 7.16%** with a significant contribution from realised and unrealised capital gains.
- **Roll-out of numerous sustainability initiatives** aimed at reducing the energy consumption of the existing buildings and improving tenant comfort.

Income statement

As at 31 March 2022, the net income for the financial year, including current income and expenses, was up 13.0% at CHF 48.8 million.

Revenues were up 21.4% compared to the previous year. This increase comes mainly from revenues related to the September 2021 capital increase and revenues from new acquisitions. Like-for-like growth in rental income contributed positively through the gradual implementation of rental reserves in the portfolio.

The rental loss rate at the end of the financial year was 2.25% of total rents compared with 3.33% in the previous financial year. This decrease is mainly explained by the work done to anticipate rental issues by the manager and its partners as well as the quality of the properties acquired during the financial year.

Real estate expenses increased compared to the previous year, which had been marked by the pandemic and a delay in the deployment of planned investments. We are also beginning to see the financial impacts of implementing an ambitious sustainability policy. The tax burden is stabilising as a percentage of income despite the recent increase in the tax values of residential properties in Geneva. The fund's operating costs (TER) were reduced to 0.61% of total assets, compared with 0.68% in the previous financial year.

The unrealised capital gain for the financial year, after deducting the related unrealised tax expense, amounted to CHF 67.6 million, reflecting a good economic situation and still very strong momentum of market transactions. Well-located residential buildings and new constructions contributed mainly to this capital gain. The average actual discount rate was 2.61% compared to 2.99% at the end of the previous financial year.

Total profit for the 2021/22 fiscal year was CHF 119.6 million, up strongly on the previous year.

The realised gain came to CHF 3.2 million, mainly due to the capital gain realised on the sale of the commercial building located at Baslerstrasse 37/Ringstrasse 1 in Olten (SO).

The earnings available for distribution amount to CHF 81.1 million (i.e. CHF 5.90 per share). The Board of Directors will propose to the General Meeting of Shareholders a stable dividend of CHF 3.60 per share, or CHF 49.5 million. On this basis, the distribution coefficient is 99.97%.

For a second consecutive financial year, the investment return exceeds 5.00%, with a record level of 7.16% for FY 2021-22.

Balance sheet

The debt ratio at 31 March 2022 was 31.05%. The manager sought to take advantage of attractive financing conditions to temporarily increase the SICAV's debt. The weighted average interest rate continued to fall, reaching 0.72%, compared with 0.95% a year earlier. Renewals are made at rates lower than maturing borrowings, while new acquisitions are financed at very attractive rates.

With 31 new acquisitions and two buildings sold, the portfolio at 31 March 2022 consisted of 134 buildings, with total real estate assets of CHF 2,286 million.

By including signed forward acquisitions, the predominance of residential allocation is confirmed with 59.1% residential properties, 18.2% mixed properties and 22.7% commercial properties. Commercial properties are mainly exposed to quality tenants that have weathered the crisis and are committed to long-term leases.

The portfolio's exposure to the canton of Geneva increased sharply to 51.6% at the end of the year. The canton of Vaud is next with an allocation of 23.0% followed by Fribourg with 8.1% and Zurich with 4.6% for the main ones.

The net asset value before dividend distribution and after deduction of liquidation taxes came to CHF 125.54 per share, up 3.97% compared to the previous financial year.

Sustainability

The 2021-22 financial year was an opportunity for the Manager to accelerate the implementation of its action plan on environmental, social and governance issues. In concrete terms, we highlight the following actions and successes: 3rd place in the SIG-eco21 Trophy for engaged owners thanks to the optimisation actions carried out on the Geneva assets, 65.7 t CO2 in savings thanks to the installation of 35 smart technology boxes for optimising heat production, audits of our existing photovoltaic installations and the launch of six new photovoltaic installation projects, and lastly the delivery of several buildings with controlled or subsidised rents.

In line with its strategy to improve the sustainability of existing assets, ERRES acquired several old buildings during the year that require investment to improve their condition. The integration of these buildings therefore impacts the key sustainability indicators and do not directly reflect this commitment and these actions: the average emissions of the network increased to 26.6 kg CO/m², the average heat consumption index increased to 338 MJ/m² and the rating of the Swiss Sustainable Real Estate Index (SSREI) fell to 2.05.

The internal strengthening of the Manager combined with the implementation of an ecosystem of experts now offers greater capacity to manage sustainability-related issues. We aim to accelerate the pace of energy renovations.

Transactions

Transaction momentum was strong in financial year 2021/22 with no fewer than 31 new buildings joining the portfolio and two buildings sold. The market value of the new assets was CHF 591.3 million, while the two sales together represented CHF 22.8 million. This growth was financed in particular by the capital increase in September 2021.

Most of the acquisitions concerned existing residential buildings in excellent locations in the cantons of Geneva and Vaud. These properties offer a good rental reserve, which the manager will implement over time, and strong potential for optimising charges.

ERRES also acquired two existing commercial properties offering a potential for residential densification in the medium term: Geneva 92 in Thônex (GE), where a prior permit has been issued, and Hohlstrasse 176/186-188 in Zürich (ZH), where the area offers the potential for towers.

Two new construction projects also entered the portfolio: François-Jacquier 12-14-18 in Chêne-Bourg (GE), for a controlled residential building, and Schützenmattstrasse 14 in Bülach (ZH), for an office building.

The SICAV took advantage of the favourable market environment in FY 2021-2022 to sell the buildings at Baslerstrasse 37 in Olten (SO) and Giulio Vicari 30 in Lugano (TI). The repositioning work carried out on the Olten building resulted in an attractive capital gain of more than CHF 3 million after taking into account the tax burden. The sale of the Lugano building, a non-strategic asset purchased in the portfolio, was concluded at the purchase and final valuation levels.

Lastly, at the end of March 2022, ERRES committed to the forward purchase of a portfolio of 13 residential properties in the cantons of Geneva and Vaud, as well as the purchase of a residential building in Geneva and a construction project in Nyon (VD) for a total investment of around CHF 133.0 million.

Constructions and renovations

The three buildings in the Quartier de l'Etang in Vernier (GE) were delivered in November 2021. The marketing of 253 homes, all offering controlled rents, was a thorough success. The neighbourhood has come to life and initial tenant feedback is positive. The net return on cost of 3.30% for a cost price of CHF 164.6 million is highly attractive in the current market.

The two buildings of the Bläuacker II project in Köniz (BE) were also delivered in the financial year. The homes have been successfully marketed and all commercial premises but one have been leased with long-term leases and quality tenants. The net return on cost of 3.88% for a cost price of CHF 20.9 million is very attractive in the current market.

The manager is currently pursuing an energy renovation project and a two-storey elevation of the Prulay 37 building in Meyrin (GE). This building now has 16 additional apartments and has obtained Minergie certification for the renovation. The total investment of CHF 4.6 million has generated a gross return of 5.60% and a significant improvement in sustainability indicators.

The transformation of the building at Sources 22 in Geneva (GE) was initiated this year, with five apartments completely renovated or created during period. The project on the renovation of the building shell and Minergie certification project began in May 2022.

In Yverdon-les-Bains (VD), the tower at Moulins 131-133 was brought into compliance with fire protection standards for high-rise buildings. Common areas including the entrance hall, letterbox and stairwells were renovated.

The manager has also launched several preliminary development projects for existing plots. Attractive projects on elevation, renovation or residential densification are set to emerge in the coming years.

Covid-19

The impact of the health crisis on ERRES's 2021-22 financial year is limited to the free rent granted during the previous financial year but recognised for this financial year ended for an amount of less than CHF 100'000, or 0.10% of total income for the financial year.

Outlook

The strategy established by the Board of Directors and implemented by the manager offers the Swiss Sub-Fund interesting prospects. The following principles govern the development of the portfolio:

- Predominance of French-speaking Switzerland thanks to the Manager's professional network and focus on the Canton of Geneva, which is characterised by its demand for rental property.
- Portfolio growth focused on the residential sector with a strategic allocation of up to 33% for commercial real estate focusing on well-located high-quality properties with long-term rental prospects.
- Consolidating the debt ratio to bring it within the 25%-28% range over the long term.
- Maintaining the momentum of investment activity to include quality buildings in urban locations or property with value creation potential.
- The payment of a sustainable dividend and a multi-year spread of the contribution of gains realised on disposals.
- Continuous improvement in the energy and social footprint to have a concrete and measurable impact on buildings and tenants.
- Deployment of the intrinsic value reserves of the portfolio by renovating rental properties or developing construction potential.
- Controlling rental risks by means of the dynamic and proactive management of properties.
- Controlling the fund's expenses and costs by seeking to optimise the profitability of rents received.

The management team is confident that these strategic priorities will enable it to differentiate itself in a complex real estate environment.

If you have any questions, please contact:

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Selected key indicators

SFAMA Indices	31.03.2022	31.03.2021
Rental loss rate	**2.25%**	3.33%
Debt-equity ratio	**31.05%**	28.52%
EBIT margin	**67.98%**	73.18%
Share of fund operating expenses (TER GAV)	**0.61%**	0.68%
Share of fund operating expenses (TER MV)	**0.68%**	0.79%
Return on Equity (ROE)	**7.25%**	6.07%
Return on Invested Capital	**4.97%**	4.31%
Premium at the balance sheet date	**27.69%**	30.60%
Investment return	**7.16%**	5.83%
Dividend yield	**2.21%**	2.28%
Payout ratio	**99.97%**	95.49%

Other financial indicators	31.03.2022	31.03.2021
Number of buildings	**134**	105
Property values	**2’586’212’300**	1’931’326’060
Real discount rate	**2.61%**	2.99%
Total wealth of the fund	**2’621’510’225**	1’993’861’637
Net wealth of the fund	**1’725’740’745**	1’383’163’242
Average cost of debt	**0.72%**	0.95%
Average maturity of the debt	**2.93 years**	3.18 years
Net asset value per unit	**125.54**	120.75
Dividend per unit	**3.60***	3.60

Market indicators	31.03.2022	31.03.2021
Market value of the unit	**160.30**	157.70
Stock market performance TR 01.04-31.03	**+8.79%**	+17.31%
Market capitalisation	**2’203’627’108**	1’806’570’987
Number of shares	**13’746’894**	11’455’745

Sustainability indicators	31.03.2022	31.03.2021
SSREI Rating	**2.05**	2.11
CO2 emissions (kgCO2/m2)	**26.6**	22.4
Heat consumption index (MJ/m2)	**388**	347

**Proposal submitted to vote by the General Meeting*