



EDMOND DE ROTHSCHILD REAL ESTATE SICAV ("ERRES") PUBLICATION OF THE AUDITED ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2023

ERRES's very good annual results at 31 March 2023 testify to the quality of the portfolio and the work carried out by the manager.

- **Payment of a dividend of CHF 3.80, up 5.6% compared to the previous financial year**, with a payout ratio of 92.34%, to be approved by the General Meeting of 19 July 2023.
- **Rental loss rate down at a record level of 2.01%**, reflecting the quality of the buildings and the work done by the teams.
- **Increase of 17.4% in net income** thanks to quality acquisitions and constructions made, dynamic property management and good control of fund costs.
- **Sale of five properties** above valuations and generating a distributable gain of CHF 4.7 million.
- **Integration of sustainability objectives** in external expert assessments and **limited assurance** of AMAS environmental figures.

Consolidated income statement

As of 31 March 2023, the net income for the year, including current income and expenses, increased by 17.4% to CHF 57.3 million, i.e. CHF 3.57/share.

Revenues were up 16.4% compared to the previous year. This increase was mainly due to additional revenue from previous year acquisitions (CHF 6.7 million), new acquisitions (CHF 4.1 million) and construction deliveries (CHF 3.9 million). Like-for-like growth in rental income contributed positively (+1.3%) through the gradual implementation of rental reserves in the portfolio. Work on this rental income, coupled with proactive vacancy management, resulted in an increase in rental income of CHF 1.4 million. Moreover, new investments have yet to realise their full potential for this financial year and growth of real estate incomes will continue in the coming financial year.

At 31 March 2023, the rent loss rate was 2.01% of total rental income, including free rent granted and losses, compared with 2.25% in the previous financial year. This low vacancy level underlines the quality of the portfolio properties, their good location and the manager's proactive management of relocation issues. Note the significant drop in the vacancy rate for commercial properties from Corniche 3A/3B in Épalinges (VD) and Champ-Colin 2A-B-C in Nyon (VD) following good marketing activities.

Expenses at 31 March 2023 represented 49.5% of revenues compared to 49.9% in the previous year. Expenses related to buildings (maintenance and renovation, administration and direct expenses) were stable at 16.0% of total income. The tax expense is down as a percentage of income thanks to a larger share of indirectly owned buildings and the dissolution of a historical overprovision. Lastly, the fund's operating costs (TER) were stable at 0.61% of total assets (GAV).

Five properties were sold during the period resulting in a realised after-tax gain of CHF 4.7 million, representing a net margin of more than 11% on the sales prices obtained. Net income for the financial year amounted to CHF 62.0 million, up 19.3% compared to the previous financial year and corresponds to CHF 3.87/share.

Total profit for the 2022/23 financial year was CHF 51.6 million, down on last year's historically high result. This decrease is explained by the unrealised loss for the financial year after a year of strong unrealised gains in 2021/22.

Balance sheet

The debt ratio at 31 March 2023 was 27.2%. During this year, the manager took advantage of attractive financing conditions to set longer maturities. The average maturity duration thus increased to 4.14 years from 2.93 years in the same period last year. This trend continued at the start of the new financial year and enabled the SICAV to limit the impact of the rise in interest rates on its distribution capacity. The weighted average interest rate increased in line with the general increase in rates and the increase in duration: at 31 March 2023 it stood at 1.10% compared with 0.72% a year earlier.

Following the purchase of 20 existing properties and 3 new constructions and the disposal of 5 properties during the financial year, the portfolio as at 31 March 2023 consisted of 152 properties for total property assets of CHF 2,834.4 million.

By including signed forward purchases, the predominance of residential allocation was confirmed and increased over the year to reach the following breakdown (as a percentage of market values): 61.6% residential, 13.9% mixed, 21.0% commercial properties and 3.5% of land and buildings under construction. Commercial properties are mainly exposed to quality tenants that are committed to long-term leases.

From a geographical point of view, the new acquisitions are mainly concentrated in French-speaking Switzerland in the cantons of Geneva and Vaud. The strong transactional activity in the canton of Geneva strengthened its dominant position with 56.4% of market values followed by the canton of Vaud at 19.6%.

The net asset value at 31 March 2023 reached CHF 124.81 per share versus CHF 125.54 per share in the same period of the previous year, down 0.6%.

Sustainability

The 2022/23 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 would like to highlight the following actions and successes: the complete renovation of the Bois 18 building in Écublens, the extension of photovoltaic solar production to three new sites, the installation of 66 new smart boxes to optimise heat production, the signing of two contracts to connect to the district heating network, 3rd place in the SIG-eco21 Trophy for committed landlords thanks to the optimisation actions carried out on the Geneva portfolio and, finally, conducting a satisfaction survey among all our residential and commercial tenants.

These actions carried out by the manager in collaboration with the property managers and other experts led to a decrease in CO₂ emissions of 9.1% to 24.3 kgCO₂/m². This figure is now standardised in accordance with the recommendations of the Asset Management Association Switzerland (AMAS) and has been reviewed by an independent auditor in accordance with the International Standard on Assurance Engagements (ISAE 3000). The ten-year investment plan defined by the manager in the budgets and included in the valuations by the SICAV's experts amounts to CHF 302 million and will result in a reduction of around 50% of these emissions by 2032.

Transactions

The 2022/23 financial year was dynamic on the transaction front, with 20 existing properties joining the portfolio and 5 being sold. The market value of the new assets was CHF 206.4 million, while the sales together represented CHF 41.3 million. This growth was financed in particular by the capital increase in September 2022.

Acquisitions were made of existing residential properties in excellent locations in the cantons of Geneva and Vaud. These buildings offer a nice rental reserve (>20%) that the manager will be working to deploy over time. ERRES also acquired 3 new construction projects in locations well known to the manager: a residential complex in the Petite-Prairie district of Nyon (VD), a rent-controlled building in a development zone on the right bank of Geneva (ZD) and a commercial complex of three buildings with building rights focusing on healthcare on the Biopôle campus, at the heart of Health Valley, in Lausanne (VD).

During the 2022/23 financial year, the SICAV took advantage of the favourable market environment to sell 5 properties generating a capital gain after taxes and expenses of CHF 4.7 million. The manager sold two properties that were well valued by the management teams but no longer offered any potential - Geais 19 in Épalinges (VD) and Lavaux 36 in Pully (VD) -, one property - Haut de Scherwyl 2-8 in La Roche (FR) - located in a less strategic location, and one PPE lot - Liotard 62 in Geneva (GE) - purchased through a portfolio. Lastly, the Cap 16 building in Lausanne (VD) was pre-empted retroactively by the city.

Constructions and renovations

The construction of the building located at François-Jacquier 12-14-18 in Chêne-Bourg continues its course with an anticipated delivery scheduled for the end of spring 2023. This building of 53 controlled apartments (HM and ZD-LOC) and 3 retail areas will offer a rental income of CHF 1.23 million. Certified High Energy Performance (HPE) and in the immediate vicinity of public transport, it will contribute positively to the portfolio's sustainable positioning.

At the Schützenmattstrasse 14 site in Bülach (ZH), the construction of an office building is continuing its course for delivery in early 2024. Fully let to three quality tenants with an average lease term of more than 10 years, it will offer rental income of CHF 1.84 million and a net yield of 4.10%.

A total renovation is underway on the Bois 18 building in Écublens (VD). This 1963 building is fully energy-positioned with a new peripheral insulation, a replacement of windows, insulation of the roof with the installation of photovoltaic panels and a change in heat production with a remote switch to heating by 2024. The project, carried out on an occupied site, started in September 2022 and ended at the end of May 2023.

The building located at Sources 22 in Geneva (GE) continued its transformation with the start of energy renovation with a view to a Minergie/HPE certification and the development of the ground floor to accommodate a restaurant.

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.

At the end of the financial year, the manager also received a building permit in force for energy renovation and an elevation of two levels of the building located at François-Besson 5-7-9 in Meyrin (GE). Work began in May 2023 on an occupied site.

Other interesting projects for elevation, renovation or densification could be launched in the coming years following the successful progress made by many projects offering returns on investment of more than 5% and a positive contribution to the sustainability strategy.

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.
- Seize distressed acquisition opportunities to improve distribution performance.
- 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 ERRES to differentiate itself in a complex real estate environment.

If you have any questions, please contact:

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Link to the audited annual report

<http://www.edr-realestatesicav.ch/publications/documents-officiels.aspx>

Link to the investor presentation

<http://www.edr-realestatesicav.ch/publications/reporting.aspx>

Link to the video presentations

<http://www.edr-realestatesicav.ch/publications/documents-officiels.aspx>

Selected key indicators

AMAS Indices	31.03.2023	31.03.2022
Rental loss rate	2.01%	2.25%
Borrowing ratio	27.19%	31.05%
Operating profit margin (EBIT margin)	69.27%	67.98%
Fund operating expense ratio (TER GAV)	0.61%	0.61%
Fund operating expense ratio (TER MV)	0.82%	0.68%
Return on Equity (ROE)	2.58%	7.25%
Return on Invested Capital (ROIC)	1.74%	4.97%
Agio at the balance sheet date	6.80%	27.69%
Investment return	2.36%	7.16%
Dividend yield	2.85%	2.21%
Payout ratio	92.34%	99.97%

Other financial indicators	31.03.2023	31.03.2022
Number of buildings	152	134
Property values	2'834'438'707	2'586'212'300
Average real discount rate	2.58%	2.61%
Gross asset value	2'882'250'601	2'622'610'632
Net asset value	2'002'885'224	1'726'841'152
Weighted average cost of debt	1.10%	0.72%
Weighted average term of debt	4.14 years	2.93 years
Net asset value per share	124.81	125.54
Distribution per share	3.80*	3.60

Stock market indicators	31.03.2023	31.03.2022
Market value of the unit	133.30	160.30
Stock market performance TR 01.04-31.03	-13.80%	+8.79%
Market capitalisation	2'137'871'132	2'203'627'108
Number of shares	16'038'043	13'746'894

Sustainability indicators	31.03.2023	31.03.2022
Coverage ratio**	83.0%	N/A
"Non-fossil" energies**	35.0%	35.1%
Energy intensity (kWh/m ²)**	111.6	114.6
Greenhouse gases emission intensity (kgCO ₂ /m ²)**	24.3	26.6
SSREI Rating	1.88	2.05
Power of photovoltaic installations (kWp)	540	367

**proposal submitted to vote by the General Meeting*

***according to AMAS notice on environmental indicators*