EPRA Earnings Update - FAQ

- Details as of September 2024 -

1. Why has the EPRA Earnings been updated?

The EPRA BPR Guidelines provide a comprehensive set of non-GAAP metrics designed to standardize and improve financial reporting across the listed real estate sector. With evolving market dynamics and the recent introduction of new financial metrics, such as the EPRA Loan-to-Value (LTV) ratio, it became clear that the EPRA Earnings metric needed an update to stay relevant in today's financial climate.

In parallel, it was noted that many companies had begun disclosing an Adjusted EPRA Earnings metric in addition to the standard EPRA Earnings. While these adjustments were typically company-specific, some warranted formal recognition due to their relevance and consistency across the sector.

2. What has changed?

The main changes refer to the calculation of the EPRA Earnings, to which two different adjustment categories have been added: adjustments related to the funding structure and adjustments related to non-operating and exceptional items. You will find the detailed description of these adjustments in the revised EPRA BPR Guidelines.

These changes reflect the practices observed in listed property companies over the past few years, especially considering the shifting financial landscape.

3. When will the new EPRA BPR Guidelines become effective?

The updated EPRA BPR Guidelines are applicable for the next annual reporting period starting after the publication of these guidelines (01/10/2024).

This means that they will be applied for the first time during the 2026 BPR Awards assessment, where the annual reports with a fiscal year-end between April 30, 2025 and March 31, 2026 inclusive will be reviewed. The list of participating companies will be determined based on EPRA's property company/REITS membership as of March 31, 2026.

This being said, we strongly encourage companies to already apply these guidelines for reporting periods starting January 1st, 2024.

Please see below examples of different reporting period and the application of the updated guidelines:

Year-end closing	31.12.XX	30.09.XX	31.03.XX
Day of the publication of the Guidelines	01.10.24	01.10.24	01.10.24
Applicability	31.12.24	30.09.25	31.03.25
Mandatory applicability = next reporting period	31.12.25	30.09.26	31.03.26

4. In adjustment (ix)a), what are you referring to mentioning "one-off grants, compensation, indemnity or allowance received"?

   We are referring to those one-off grants, compensation, indemnity or allowance received that do not compensate for losses (actual or potential) included in the EPRA Earnings.

5. What has changed in the EPRA Earnings per share calculation?

   A precision has been added that the basic average number of shares has to be considered while calculating the EPRA Earnings per share.

6. The adjustment (vi) has been updated with regards to cash settlements on derivatives. What does it mean?

   The objective was to clarify whether cash settlements (i.e., interest payments or receipts) on derivatives should be included in or excluded from EPRA earnings. Whilst the guidance was explicit that mark-to-market volatility of financial instruments should be excluded from EPRA earnings under adjustment (vi), there was ongoing debate as to whether swap interest payments and receipts which are typically recognised in the same line item under IFRS, should also be excluded from the EPRA measure.

   The overriding intention behind EPRA earnings is for companies to report operating and recurring income. If an entity decides to swap its variable interest payments on a debt instrument for a fixed rate, it is ultimately the fixed interest cost which is representative of the entity's true finance cost and therefore forms part of its core recurring income. Any swap cash payments or receipts that impact IFRS earnings and act to fix the entity's recurring cash interest cost should rightly form part of EPRA earnings. Therefore, the description of adjustment (vi) has been slightly revised to reflect this reasoning.

   Whether a company opts, under IAS1, to separate or not in a different line item the change in fair value of an interest rate swap from the cash settlements does not matter. I.e., only the fair value movement excluding any accrued and realised cash flow on the swap should be adjusted, regardless of which presentation approach in the statement of profit and loss is adopted.

7. What kind of surrender premiums should be excluded from the EPRA Earnings?

   The surrender premiums adjustment only applies to corporates where a surrender premium is considered unusual and unlikely to recur. Indeed, if surrender premiums are consistent in frequency and amount, then the adjustment does not apply.

8. What is considered an unusual item according to the new adjustment (ix.a)?

   Adjustment (ix.a) is referring to items that are considered unusual in nature and very unlikely to reoccur in the future. In order to be compliant with the guidelines, preparers of the financial statements will also have to disclose the breakdown of the unusual items amount they adjusted below the EPRA Earnings table. This additional disclosure will provide any FS-reader with a detailed view of what has been adjusted exactly.