



EPRA

EUROPEAN PUBLIC
REAL ESTATE ASSOCIATION

EPRA Annual Report 2017

EPRA CEO's Report and
Financial Statements

15
MARCH
2018

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ABOUT EPRA

EPRA, the European Public Real Estate Association, is the voice of the publicly traded European real estate sector. With more than 250 members, covering the whole spectrum of the listed real estate industry (companies, investors and their suppliers), EPRA represents over EUR 450 billion of real estate assets* and 94% of the market capitalisation of the FTSE EPRA/NAREIT Europe Index.

EPRA's mission is to promote, develop and represent the European public real estate sector. We achieve this through the provision of better information to investors and stakeholders, active involvement in the public and political debate, improvement of the general operating environment, promotion of best practices and the cohesion and strengthening of the industry.

**European companies only*

Statement by the CEO

A YEAR OF GROWTH

2017 was a year marked by M&As and IPOs and towards the end of the year we saw some sector-defining mergers for 2018, a clear sign of the strength of the sector even in an era of rising interest rates. The Developed Europe Index provided a 13.4% total return over the year and a dividend yield of 3.4% reinforcing our argument that listed real estate provides strong performance to long-term investors.

From EPRA's point of view we also had a record-breaking year for membership, with the total reaching 250 and 94% of the Index. The recruitment of a Membership Development Officer will allow us to provide the right level of support to our members and attract new partners to continue the growth of the Association.

Moreover, we have already surpassed our 2018 targets set in the strategic plan for the number of companies complying with the EPRA financial Best Practices Recommendations (BPR). In 2017, 75% of the companies in the survey gained an Award, setting a new record high of 106 companies to comply with the EPRA BPR, representing 88% by market capitalisation. This great success does not however mean that we will rest on our laurels. In the year to come, we will continue working to maintain and improve the BPR quality and further build investors' confidence in the reporting benchmark standards.

On the sustainability side, after a very strong uptake of our sustainability BPR (sBPR), we have now broadened this to include social and corporate governance indicators. European listed real estate companies have consistently raised their game every year since 2012, when EPRA began rewarding compliance with BPR for sustainability reporting. The industry has now reached the point that we are able to turn our efforts towards improving transparency on corporate ESG metrics, with the launch of the third edition of the sBPR Guidelines.

We continue to meet with investors across the globe, with a specific focus on generalist institutional investors, asset managers and private wealth managers, where we preach the benefits of our sector with the objective that investors increase their asset allocation to European listed real estate. We are also pushing for the development of relationships with other local industry associations across Europe, such as pension, insurance and asset management groups, to open access to their membership bases. EPRA has established a very solid bridgehead in Asia in the last few years and our close partnership with Nareit means we are well represented in North America. The importance of our sector will further rise thanks to the recent decision by FTSE that ICB would treat real estate as a separate asset class in its own right, aligning its classification with the GICS.

Meetings with investors are always backed-up by quality research, and in 2017 we launched a new publication – the EPRA Research Digest, which is a direct reply to our members' request to ensure that works commissioned by the Research Committee gets the attention they deserve.

Finally, Solvency II is a matter of great importance to our members and especially the insurance companies across Europe. Our work on Solvency II is part of a broad advocacy strategy that proactively influences the regulatory and fiscal landscape, always with the aim of encouraging more investment into the European listed property sector. We set up a working group of large insurers and property companies and have met with the EU regulator twice in 2017 to reinforce the message that listed real estate should be treated in the same way as direct.

The Public Affairs team also concentrated its efforts on further developing new REIT regimes in Europe, in the first instance in Poland and Sweden where a clear process is already underway. Deepening our cooperation with other national and international real estate associations, including through the Real Estate Equity Securitization Alliance (REESA), on issues where we have common agendas was another good way of magnifying our efforts and efficiency.

When you bring all these things together, it is no wonder that our Conference in London this year attracted a record attendance with a content-rich programme of events. Thanks to the enthusiasm of our members, #EPRAconf was a trending topic on Twitter, further reinforcing EPRA's presence on social

media. I am already excited about the 2018 edition in Berlin, which will extend the theme of future challenges and opportunities in real estate.

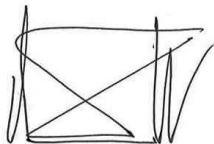
EPRA's events have expanded in recent years, and in 2017 we were pleased to host a series of roundtable seminars to encourage the adoption of our financial and sustainability BPR, the second edition of the Reporting & Accounting Summit and of the Sustainability Workshop, as well as numerous seminars with local associations which boosted our network to the benefit of our membership. In addition, we hosted several private wealth manager events focused on the UK and Continental Europe, continued our successful Asia Week programme, and presented the sector at and moderated various industry initiatives.

To embody the dynamic of the European listed real estate sector we gave EPRA a new look and feel – from the logo and a new brand style to a professionalised quarterly publication and a more user-friendly website. This rebranded and redesigned website provides a channel for communicating the benefits of listed real estate to a broad range of audiences: property companies, European and global investors, real estate stakeholders, national and EU policymakers, etc.

As EPRA's new CEO for nearly a year now I am delighted with the direction we are heading in and the vision we have for 2020 and I look forward to leading EPRA through 2018.

I would like to thank Christophe Kullmann and David Sleath, who stepped down from the Board of Directors as well as Rachel Lavine, Bernard Michel and Charles Saiag who stepped down from the Advisory Board in 2017, for their active support and commitment to the Association. At the same time, I was pleased to welcome Meka Brunel and Helen Gordon to the Board of Directors and Claudio Albertini, Guillermo Bayqual Ferrater, Antoine Frey and Isabelle Scemama to the Advisory Board.

Finally, this was all possible thanks to the leadership of our Chairman Christophe Cuvillier, the whole Board of Directors and Advisory Board, as well as the Chairmen and members of the various EPRA Committees, who provide guidance and behind-the-scene support to enable EPRA to deliver on its commitments to our membership.



Dominique Moerenhout

EPRA CEO

Independent auditor's report

Unqualified opinion

We have audited the consolidated financial statements of European Public Real Estate Association and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2017, the consolidated statement of operating income and expense for the year then ended, and the notes to the consolidated financial statements, including a summary of accounting policies and procedures ("Principles for the valuation of assets and liabilities and the determination of the result").

In our opinion, the accompanying consolidated financial statements of European Public Real Estate Association for the year ended 31 December 2017 are prepared, in all material respects, in accordance with its accounting policies and procedures ("Principles for the valuation of assets and liabilities and the determination of the result").

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the Financial Statements" section of our report.

We have complied with all ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including those with respect to independence.

We have obtained from the Board of Directors and the officials of the Group the explanations and information necessary for the performance our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to the accounting policies and procedures in the financial statements which describe the basis of accounting. The financial statements are prepared in accordance with its

accounting policies and procedures ("Principles for the valuation of assets and liabilities and the determination of the result"). As a result, the consolidated financial statements may not be suitable for another purpose. Our report is intended solely for the Group and should not be distributed to or used by other parties other than the Group. Our opinion is not modified in respect of this matter.

Responsibilities of Board of Directors for the preparation of the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with the financial reporting provisions of its accounting policies and procedures and for such internal control as Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Our responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists.



Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and we maintain professional skepticism throughout the audit. We also perform the following tasks:

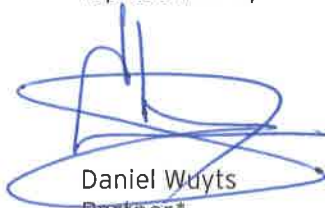
- ▶ Identification and assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, the planning and execution of audit procedures to respond to these risks and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements resulting from fraud is higher than when such misstatements result from errors, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ Obtaining insight in the system of internal controls that are relevant for the audit and with the objective to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- ▶ Evaluating the selected and applied accounting policies, and evaluating the reasonability of the accounting estimates and related disclosures made by the Board of Directors as well as the underlying information given by Board of Directors;
- ▶ Conclude on the appropriateness of the Board of Director's use of the going-concern basis of accounting and, based on the audit evidence obtained, whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group to cease to continue as a going-concern;

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Diegem, 12 March 2018

Ernst & Young Bedrijfsrevisoren BCVBA
represented by



Daniel Wuyts
Partner*

*Acting on behalf of a BVBA/SPRL

Ref: 18/DW/0085



Consolidated Financial Statements

31 december 2017

Balance sheet as at 31 December 2017

(after profit appropriation)

Assets		31 December 2017		31 December 2016	
		€	€	€	€
Fixed assets					
<i>Intangible fixed assets</i>	(1)		224,564		183,677
website and database					
<i>Tangible fixed assets</i>	(1)				
Other fixed operating assets			38,392		57,844
<i>Financial fixed assets</i>	(1)				
Rental guarantee Brussels			46,305		46,305
Current assets					
<i>Accounts receivable</i>					
Debtors	(2)	1,384,060		1,404,598	
Amount receivable from					
Taxes and social insurance contributic	(2)	33,947		63,067	
Other accounts receivable	(3)	151,181		114,091	
			1,569,188		1,581,756
<i>Cash at banks and in hand</i>			5,331,690		4,752,563
			7,210,139	6,622,145	

Equity and liabilities	31 December 2017		31 December 2016	
	€	€	€	€
Equity				
Other reserves		4,907,315		4,863,715
Undistributed earnings		83,473		43,600
Provisions				
Income equalization account (4)		1,270,453		1,171,267
Provision staff		235,922		85,922
Current liabilities				
Creditors	321,953		229,492	
Taxes and social insurance contributions (5)	164,910		101,013	
Remuneration and social security (6)	222,032		127,136	
Other debts	4,081		-	
		712,976		457,641
		7,210,139		6,622,145

Statement of operating income and expense for the year 2017

	2017		2016	
	€	€	€	€
Revenue				
Membership fees	1,734,059		1,645,444	
Turnover Conference	288,635		323,549	
Sponsorship fees	379,000		342,000	
Investor outreach Asia	81,341		59,552	
Project M and Q	90,000			
FTSE index (7)	3,826,998		3,121,354	
		6,400,033		5,491,899
Expense				
Cost of conference	515,028		482,610	
Wages and salaries (8)	3,470,956		3,774,602	
Depreciation on tangible fixed assets (10)	221,127		211,092	
Provisions staff (9)	150,000		519,269-	
Other operating costs (11)	1,691,747		1,608,343	
		6,048,858		5,557,378
Operating result		351,175		65,479-
Interest income and similar income	7,218		19,735	
Interest expense and similar expense	135,482		228,773	
		-128,264		-209,038
Result from ordinary activities before taxation		222,911		274,517-
Taxation on results from ordinary activities	139,438		18,205	
Taxation on result from other income	0		0	
		139,438		18,205

Result after taxation		83,473	292,722-
Non recurring /Exeptional costs	0		237,262
Non recurring /Exeptional income	<u> </u>	0	
Result after exeptional costs		83,473	-529,984

Notes

The association was founded in the Netherlands on 12 October 1999.

The object of the association is to promote the European quoted real estate sector.

In June 2009 the association set up a BVBA and VZW in Belgium and moved its activities to Belgium.

In 2012 the identity's in the Netherlands were liquidated.

In 2013 the Hong Kong branch was set up

The figures in the consolidated financial statements are the results of the Belgian and Hong Kong activities.

Principles for the valuation of assets and liabilities and the determination of the result

General

The principles in respect of the valuation of assets and liabilities and determination of the result are based on historical cost.

Insofar as not stated otherwise, monetary assets and liabilities are shown at nominal value.

Intangible fixed assets

The fixed operating assets are valued at acquisition cost. Depreciation is calculated according to the straight-line method on the basis of useful life. The rates of depreciation for database and website is 33,33 %

Tangible fixed assets

The fixed operating assets are valued at acquisition cost. Depreciation is calculated according to the straight-line method on the basis of useful life. The rates of depreciation for leasehold improvements of the office in Brussels is 11,11 %.

furniture 11,11 % - Mobile Phone 50 %

The other fixed assets are depreciated at 20 % and 33,33 %.

Financial fixed assets

The rental guarantee is valued at nominal value.

Accounts receivable

Accounts receivable are stated at nominal value less allowances for doubtful debtors.

Allowances for doubtful debts are booked on an individual basis (case-by-case)

The exchange rate for open invoices on 31-12-2017 from British Pounds to Euro is 1,1252

Cash at banks and in hand

Cash at banks and in hand are stated at nominal value.

Provisions

The income equalization accounts are the deferred revenues of the invoiced memberships for the year 2017 and is valuated at nominal value

Current liabilities

The current liabilities are stated at nominal value.

Balance sheet as at 31 December 2017

Fixed assets

Intangible fixed assets (1)

	website & database	Total
	€	€
Balance as at 1 January 2017	863,898	863,898
Investments	234,588	234,588
Accumulated depreciation	873,922-	873,922-
Book value	224,564	224,564

Tangible fixed assets

Other fixed operating assets

	Computer and automatisation + furniture	Leasehold improvements	Total
	€	€	€
Balance as at 1 January 2017	155,626	79,792	235,418
Accumulated depreciation	123,218-	54,356-	177,574-
Book value	32,408	25,436	57,844
Movements in book value			
Investments	7,973		7,973
Depreciation	18,371-	9,054-	27,425-
Balance	10,398-	9,054-	19,452-
Balance as at 31 December 2017			
Investments	163,599	79,792	243,391
Accumulated Depreciation	141,589-	63,410-	204,999-
Book value	22,010	16,382	38,392

Financial fixed assets

	31 Dec. 2017	31 Dec. 2016
	€	€
Rental guarantee Brussels	46,305	46,305

Current assets

Accounts receivable

<i>Debtors</i>	(2)	31 Dec. 2017	31 Dec. 2016
		€	€
Nominal value of outstanding accounts receivable FTSE		1,123,750	1,221,510
Nominal value of outstandings receivables members		260,310	183,089
		<u>1,384,060</u>	<u>1,404,599</u>

Taxes and social insurance contributions

		31 Dec. 2017	31 Dec. 2016
		€	€
Turnover tax (vat)		33,947	25,383
Corporation Tax		-	37,684
		<u>33,947</u>	<u>63,067</u>

Other accounts receivable

	(3)	31 Dec. 2017	31 Dec. 2016
		€	€
Prepaid rent Brussels		26,189	25,702
Prepaid rent & pension		-	6,964
Interest receivable			24,570
Advance Study contribution to society			40,000
Advance Conference		101,569	16,855
Insurances		3,110	-
memberships		15,268	
memberships Epra VZW		5,045	
		<u>151,181</u>	<u>114,091</u>

Equity

Other reserves

The result of the financial year is added to the other reserves.

Provisions

Income equalization account (4)

	31 Dec. 2017	31 Dec. 2016
	€	€
Membership fee 2016 received in advance	-	1,171,267
Membership fee 2017 received in advance	1,270,453	-
	<u>1,270,453</u>	<u>1,171,267</u>

Current liabilities

Taxes and social insurance contributions

	31 Dec. 2017	31 Dec. 2016
	€	€
Turnover tax (vat vzw)	-	-
Income taxes to pay	155,085	15,671
Taxation on result from other income	-	-
Wage tax BVBA Belgium	9,727	72,254
Social security Belgium	98	12,961
Tax on intrests Belgium	-	127
	<u>164,910</u>	<u>101,013</u>

Remuneration and social security

	31 Dec. 2017	31 Dec. 2016
	€	€
Net wages	222,032	127,136

222,032	127,136
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European Public Real Estate Association

Statement of operating income and expense for the year 2017

Revenue (7)

	2017	2016
	€	€
FTSE Index	3,826,998	3,121,354

Wages and salaries (8)

	2017	2016
	€	€
Gross wages and salaries	3,470,956	3,774,602

The difference between 2016 and 2017 is explained as:

Salary management -Pension CEO/New CEO/Management Pension Plan EUR -656641

Salary employees EUR + 352.994

Increase number of employees + 2 FTE (2017: 13,1 - 2016: 11,1)

Epra salary increase 2017 average 2,5% + individual Bonus plan

Provision Staff (9)

	2017	2016
	€	€
Severance pay deputy CEO		(519.269)
Provisions 2017	150,000	
Provision Severance pay decided by the board		
Provision Bonus decided by the board		

Depreciation on tangible fixed assets
(10)

	2017	2016
	€	€
Website and database	193,702	185,751
Furnitures	2,398	1,964
Computer and automatisation	16,408	14,788
Leasehold improvements	8,619	8,619
Bad debts	-	-
	<u>221,127</u>	<u>211,122</u>

Other operating costs (11)

	2017	2016
	€	€
Communication	285,027	329,246
Public Affairs	105,657	
Meetings and events	264,268	97,281
Travelcosts	341,943	271,672
Research	236,707	207,975
Office cost	333,080	306,396
Advisory	125,065	395,773
	<u>1,691,747</u>	<u>1,608,343</u>

Staff

During the financial year the Association employed an average of 13 employees in the following staff categories:

	2017	2016
Chief Executive Officer	1	1
Director research, indices, Investor outreach, reporting	1	1
Finance Director	1	1
Director digital media & publications	1	1
Head of administration & IT	1	1
Office Manager	1	1
Office assistant	1	1
Manager Research & Indices	1	1
Junior Analyst Research & Indices	3	2
Data management	1	1
EU regulations & reporting	1	1
Director investor outreach	1	1
EU regulations & public relations	2	1
Director Asia pacific	1	1
Assistent Asia	1	1
	<hr/>	<hr/>
	18	16

Brussels,

8th March 2018