

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Unibail-Rodamco SE
Year ended December 31, 2018

Statutory auditors' report on the consolidated financial statements

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Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Unibail-Rodamco SE

Year ended December 31, 2018

Statutory auditors' report on the consolidated financial statements

To the Annual General Meeting of Unibail-Rodamco SE,

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of Unibail-Rodamco SE for the year ended December 31, 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the audit committee.

Basis for Opinion

■ Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

■ Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (Code de déontologie) for statutory auditors.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

■ Valuation of the investment property portfolio, including investment properties under construction, either held directly or within joint ventures

Key Audit Matter	Our response
<p>The Group directly owns, or owns via joint ventures a portfolio of property, which includes shopping centres, offices and Convention & Exhibition sites. The total value of this portfolio as at 31 December 2018 was €58,872 Mn (2017: €39,917 Mn). Of this portfolio €47,462 Mn is directly held by consolidated companies (2017: €38,524 Mn) and indirectly €11,410 Mn for the Group share by joint ventures (2017: €1,393 Mn) accounted for under the equity method. This portfolio includes Investment Properties Under Construction (IPUC) amounting to €1,656 Mn (2017: €1,354 Mn).</p> <p>The valuation movement of this portfolio recorded in the income statement shown in the segment reporting information amounted to €38 Mn.</p> <p>The valuation of investment properties that are carried at fair value is highly dependent on estimates and assumptions and requires significant judgement from the management. The valuation is carried out by independent appraisers in accordance with the requirements of IAS 40 and IFRS 13 as described in note 5.1 to the consolidated financial statements.</p>	<p>We considered management's controls over the process implemented to determine the valuation of investment properties.</p> <p>We assessed the competence and independence of the external appraisers. We also evaluated the suitability of their valuation scope and methodology for the financial report.</p> <p>The audit team, including our real estate valuation specialists, attended meetings with each of the appraisers at which the valuations and the key assumptions therein were discussed.</p> <p>We conducted analytical procedures by comparing assumptions such as yield and estimated rental value and the value of each property in the portfolio on a year-on-year basis, by reference to our understanding of their local market, external market data, published benchmarks and asset specific considerations to evaluate the appropriateness of the valuations adopted by the Group. We investigated further, involving our specialists, the valuations of some properties and obtained appropriate evidence.</p>

The valuations take into account the property-specific information (including current tenancy agreements and rental income, condition and location of the property, future rental prospects). They also require judgemental assumptions such as yield and estimated rental value, which are influenced by prevailing market yields and comparable market transactions. For IPUC, other factors such as projected costs to complete for developments, ability to let, timing of completion and reliability of fair value have also been considered.

Accordingly, the valuation of the investment property portfolio, including investment properties under construction, either held directly or within joint ventures is considered as a key audit matter due to significance of the balance to the financial statements as a whole, combined with the level of judgement associated with determining the fair value.

Our work focused on the largest properties in the portfolio and those where the assumptions used and/or year-on-year movement in values suggested a possible outlier versus market data for the relevant sector.

We checked with lease agreements and asset budgets the consistency of the underlying lease data and capital expenditure used by the external appraisers in their valuation of the investment properties on a sample basis.

For IPUC, we met with development directors and project managers to assess the reasonableness of data and assumptions used by the company to carry out its impairment tests, in particular incurred project costs, progress of development, forecast costs to complete as well as identified contingencies, exposures and remaining risks.

Additionally, we considered the appropriateness of the disclosures in the consolidated financial statements in respect of investment properties.

■ Accounting treatment of the Westfield acquisition including purchase accounting considerations

Key Audit Matter	Our response
<p>On June 7, 2018, Unibail-Rodamco SE completed the acquisition of Westfield Corporation comprising WCL, WFDT and WAT for a total consideration of €11.9 Bn and to create Unibail-Rodamco-Westfield ("URW" or "the Group"), resulting in a preliminary goodwill of €2.3 Bn.</p> <p>The main accounting considerations of the acquisition of Westfield corporation are related to the business combination, identification and valuation of assets and liabilities, allocation of goodwill by geographical segments and methodology for impairment testing.</p> <p>With respect to the business combination, management considered all characteristics of the transaction to consolidate WCL and WFDT and applied judgement consistent with the legal set up of the transaction and governance of WFD Unibail-Rodamco</p> <p>N.V. to conclude that WAT be fully consolidated by Unibail-Rodamco SE.</p>	<p>We reviewed management documentation and agreements related to the Westfield acquisition involving our IFRS specialists supporting the accounting of the business combination.</p> <p>We considered the preliminary purchase accounting prepared by management with the assistance of external appraisers.</p> <p>With respect to Westfield's investment property portfolio, we performed procedures similar to those described in the "Valuation of the investment property portfolio, including investment properties under construction, either held directly or within joint ventures" key audit matter.</p> <p>With respect to identifiable intangible assets, we assessed with the assistance of our valuation specialists the appropriateness of the methods used by management to determine fair value of trademark, Property Management, DDC business and Airport activities.</p>

With respect to the identification and valuation of identifiable assets acquired and liabilities assumed and contingent liabilities, the company assessed at the acquisition date, with the assistance of independent external experts, the fair value of identifiable assets acquired in the acquiree as provided for in IFRS 3.

The Westfield trademark for flagships (in the US and the UK) and contracts with third parties related to the Property Management business, the Development, Design & Construction business ("DDC") and the Airport activities have been valued by management with the assistance of external appraisers and recorded as intangible assets for an amount of €1.2 Bn.

With respect to the goodwill allocation by geographical segments, the €2.3 Bn of goodwill resulting from the preliminary purchase price accounting has been allocated to the geographical segments benefiting from the acquisition of Westfield based on (i) the expected cost and revenue synergies, (ii) the values attributable to the incremental part of the Property Management and Development, Design and Construction businesses and Airport activities and (iii) the value of workforce acquired.

With respect to methodology applied for impairment testing, the net asset value of each geographical segment was compared to its recoverable value, which is determined as the higher of the fair value less disposal costs and its value in use.

Value in use is determined based on the Discounted Cash Flow derived from the 5 year Business Plan approved by the Management Board and the Supervisory Board.

The main assumptions related to the value in use are: (i) the Weighted Average Cost of Capital ("WACC") per geographical segment calculated by URW, which includes a portfolio premium not included in the discount rates per investment property used by the appraisers and (ii) the Long Term Growth Rate ("LTGR") per geographical segment estimated by URW, which can be higher than the LTGR used by appraisers, due to higher level of estimated rental values, incremental value related to active asset management, new business and the impact of revenue synergies not yet reflected in the fair value of investment properties.

We considered the methodology applied by the Group to allocate the goodwill and we assessed whether the level at which the Group has decided to monitor goodwill is compliant with applicable accounting standards.

We considered management's impairment methodology and evaluated the company's controls over the process implemented to determine the value in use. We assessed management key assumptions used for cash flow projections. With the assistance of our valuation specialists, we assessed the assumptions used such as net rental income projections, WACC and LTGR, as well as the sensitivity analysis resulting from a variation of these assumptions as outlined in note 5.4 of the consolidated financial statements.

We also evaluated the appropriateness of the disclosures provided by the Group in the notes to the consolidated financial statements.

These considerations, described above, constitute a key audit matter given the impact on the consolidated financial statements and the significant management judgement involved.

Please refer to notes 1.1, 1.2 and 5.4 to the consolidated financial statements.

■ Accounting for financial debt and related derivatives

Key Audit Matter	Our response
As at December 31, 2018, financial debt of Unibail-Rodamco stood at €25.4 Bn. The debt includes net share settled bonds convertible into new and/or exchangeable for existing shares (ORNANEs) accounted for at fair value through profit and loss for a total amount of €992 Mn. In addition, financial debt held by the joint ventures amounted to €2.2 Bn.	We obtained and analysed loan contracts on a sample basis to understand the terms and conditions and considered that those characteristics were correctly reflected in the consolidated financial statements in accordance with accounting policies applied by the Group. We also performed analytical procedures on the financial expenses.
In 2018, the Group raised €7.9 Bn of new senior debt (bonds and medium/long-term bank financing).	The amount of the principal debts was confirmed with third parties on a sample basis. The carrying value of ORNANEs was reconciled to market price.
The Group used derivatives, mainly interest rate swaps and caps and cross-currency swaps, to hedge its exposure to movements in interest and currency exchange rates related to its financial indebtedness. These derivatives for which no hedge accounting has been applied are carried at fair value through profit and loss, for amounts on the balance sheet of €303 Mn (asset) and €451 Mn (liability).	We confirmed a selection of derivatives directly with counterparties and performed procedures to ensure completeness of them.
During the year, the Group incurred €332 Mn in net financial costs and a net negative fair value adjustment of €289 Mn mainly relating to the remeasurement in the comprehensive income of ORNANEs and derivatives.	We assessed management's controls over the valuation of derivatives. For a sample of financial instruments, we analyzed the valuation of derivatives and we involved our internal specialists who performed our own valuations.
The Group's gearing, liquidity, covenant obligations and financing cost profile result from this portfolio of financial debt and derivatives.	Additionally, we considered the appropriateness of the IFRS 7 required disclosures in the financial statements in respect of financial debt and derivatives.
Financial debt and derivatives are considered as key audit matters due to significance of the balances to the financial statements as a whole and due to the impact of the valuation movements of ORNANEs and derivatives on the consolidated statement of comprehensive income.	

Please refer to note 7 to the consolidated financial statements.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information pertaining to the Group presented in the management report of the management board.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement provided for by article L. 225-102-1 of the French Commercial Code (Code de commerce) is included in the information pertaining to the Group presented in the management report, it being specified that, in accordance with the provisions of article L. 823-10 of said Code, we have verified neither the fair presentation nor the consistency with the financial statements of the information contained in this statement which has to be subject to a report by an independent third party.

Report on Other Legal and Regulatory Requirements

■ Appointment of the Statutory Auditors

We were appointed as statutory auditors of Unibail-Rodamco SE by the Annual General Meeting held on April 27, 2011 for Deloitte & Associés and on May 13, 1975 for ERNST & YOUNG Audit.

As at December 31, 2018, Deloitte & Associés was in its 14th consecutive year of mandate given the acquisitions or mergers with firms that have previously taken place, and ERNST & YOUNG Audit in its 44th consecutive year of mandate.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management 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, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The audit committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the management board.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

■ Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are 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 consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgement throughout the audit and furthermore:

- ▶ Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- ▶ Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- ▶ Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- ▶ Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

■ Report to the audit committee

We submit to the audit committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the audit committee includes the risks of material misstatement that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the audit committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the audit committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, March 26, 2019

The Statutory Auditors
French original signed by

Deloitte & Associés

ERNST & YOUNG Audit

Pascal Colin

Jean-Yves Jégourel