



WFD UNIBAIL-RODAMCO

WFD UNIBAIL-RODAMCO N.V.

HALF YEAR 2018 FINANCIAL REPORT

JUNE 30, 2018

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I. INTERIM MANAGEMENT REPORT

Management of WFD Unibail-Rodamco N.V. (“WFD UR NV” or the “Company”) hereby presents its management report and the consolidated interim financial statements of WFD UR NV for the period ending June 30, 2018.

WFD UR NV is a public limited liability company and domiciled in The Netherlands. The Company was incorporated as Unibail-Rodamco B.V., a private company with limited liability on February 14, 2018 and converted its legal form to a public limited liability company on March 22, 2018. At the same date the Company changed its name in WFD Unibail-Rodamco N.V.

On June 7, 2018, Unibail-Rodamco S.E. (“UR”) announced it had completed the acquisition of Westfield Corporation (“WFD”), to create Unibail-Rodamco-Westfield (“URW”), the premier global developer and operator of flagship shopping destinations. URW combines two of the strongest and most respected names in the real estate industry to build on their legacies. The acquisition of WFD is a natural extension of UR’s strategy of concentration, differentiation and innovation. Upon completion of the acquisition, UR Shareholders and WFD securityholders hold Stapled Shares, each comprising one UR Share and one share in WFD UR NV. The Stapled Shares are listed on Euronext Amsterdam and Euronext Paris. URW has also established a secondary listing on the Australian Securities Exchange to allow former Westfield securityholders to trade Stapled Shares locally in the form of CDIs.

The Company and its subsidiaries (together referred to as ‘the Group’) main business objectives are to invest assets, primarily through the direct or indirect acquisition of real estate and to enter into cash pooling arrangements with, to provide financing to and to furnish guarantees for the benefit of URW and other affiliated bodies of the Company. The Group is part of URW.

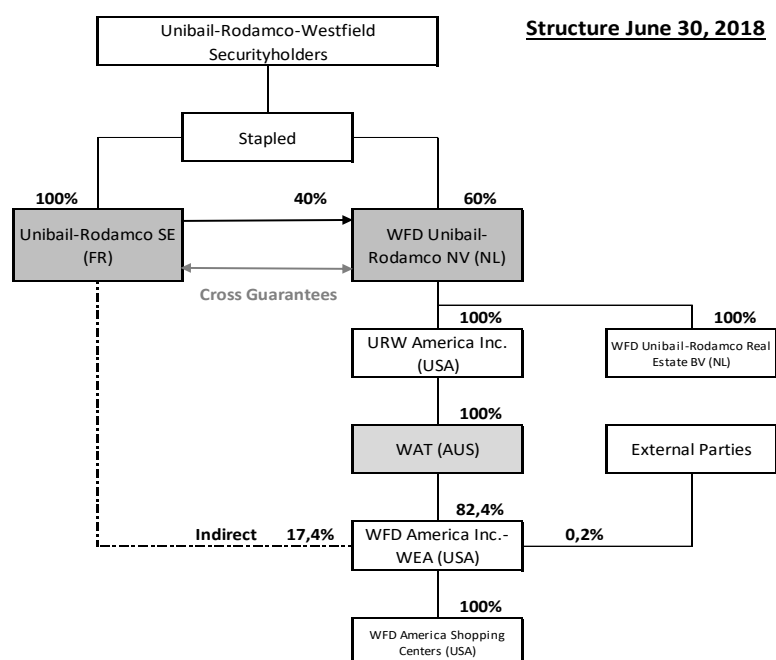
Acquisitions

On June 1, 2018, WFD Unibail-Rodamco Real Estate B.V., a 100% subsidiary of the Company, acquired various Dutch Real estate assets from (indirectly) Unibail-Rodamco SE.

On June 7, 2018, the Company acquired all shares in URW America Inc. which acquired all shares in Westfield America Trust (“WAT”). WAT holds approx. 83% in Westfield America Inc. (“WEA”), the US activities of WFD. The total cash consideration for the acquisition of WAT is €4,392.0 Mn. The preliminary goodwill amounts to €1,033.5 Mn. The purchase price allocation is on-going.

Organisation structure June 30, 2018

The structure of URW as per June 30, 2018 is as follows:



Integration of WFD into URW

To manage the integration process, URW has set up an Integration Management Office (IMO), led by the URW Group Chief Resources Officer and the URW Group Chief Financial Officer with the support of McKinsey & Company. The integration is being managed through dedicated workstreams, involving representatives from both UR and WFD UR NV. Before the closing of the transaction, the IMO focused on two main objectives: ensuring business continuity upon completion of the transaction, and defining the fundamentals of the future organization of the Group, including governance principles and key decision-making processes. Following the completion of the transaction, the IMO has deployed dedicated efforts to lead the integration of the US businesses, aiming at defining a new operating model based on the strengths of both organizations, and enabling the synergies and expected benefits of the transaction.

Since the closing of the WFD transaction on June 7, 2018, significant progress has been made to integrate UR and WFD:

- Nomination of Senior Management Team and corporate roles;
- New governance systems put in place;
- New corporate identity and branding created;
- Organization and target operating model identified;
- Talent retention plan implemented;
- Cultural diagnostic initiated.

The objectives for H2-2018 are focused on three main areas:

- **Operating:** establishing the operating management function in the US, preparing a 5-year business plan for all assets, integrating digital, brand ventures and international leasing, and reviewing major developments;
- **Capital:** an in-depth portfolio review, progress on disposal plans, realizing planned synergies, and active debt management;
- **Organization:** integrating IT and other corporate functions, implementing the organizational model.

H1-2018 results

The Group's consolidated accounts reflect WAT and WFD Unibail-Rodamco Real Estate B.V. activities from the date of acquisition and date of incorporation, respectively.

Consolidated statement of comprehensive income (€Mn)	H1-2018
Net rental income	15.3
Net property services and other activities income	0.9
Contribution of companies accounted for using the equity method	17.8
Administrative expenses	(3.0)
Acquisition and related costs	(40.6)
Valuation movements on assets	(0.0)
NET OPERATING RESULT	(9.6)
<i>Financial income</i>	<i>0.6</i>
<i>Financial expenses</i>	<i>(16.8)</i>
Net financing costs	(16.2)
Fair value adjustments of derivatives and debt	(5.5)
RESULT BEFORE TAX	(31.3)
Income tax expenses	(4.8)
NET RESULT FOR THE PERIOD	(36.1)
Net result for the period attributable to:	
- Shareholders of WFD Unibail-Rodamco N.V.	(29.3)
- External non-controlling interests	(6.8)
NET RESULT FOR THE PERIOD	(36.1)
Average number of shares (undiluted)	45,702,515
Net result for the period (Shareholders of WFD Unibail-Rodamco N.V.)	(29.3)
Net result and diluted result for the period per share (Shareholders of WFD Unibail-Rodamco N.V.) (€)	(0.64)

The Group reported Net Operating Loss of -€9.6 Mn for the period ended June 30, 2018. The amount included in this Net Operating Loss for acquisition and related costs was -€40.6 Mn, leading to a recurring Net Operating Profit of €31.0 Mn. This Net Operating Result include income from US activities as per June 7, 2018 (23 days). The Net Result reported was -€36.1 Mn of which - €29.3 Mn attributable to the shareholders of WFD UR NV with a diluted Net Result per share (Shareholders of WFD Unibail-Rodamco N.V.) of - €0.59.

The contribution of companies accounted for using the equity method amounted to €17.8 Mn and relates to WAT which operates a significant number of assets through joint ventures. The contribution of these joint-ventures are for the period from June 7 until June 30, 2018, and do not include valuation movements (following the market valuation of all of WEA's assets as at May 31, 2018).

Acquisition and related costs amounted to -40.6€Mn, of which -€38.5 Mn is incurred by WAT (redundancy and other employee related costs as well as the costs associated with the accelerated vesting of the WEA employee share plan).

No further significant events occurred in the period between June 7 and June 30.

Business Review

This section provides an overview of the most significant business events for WAT during H1-2018. While the Group's consolidated accounts reflect WAT's activity only from June 7, 2018, in this section references are to events over the entire 6-month period ended June 30, 2018, and comparisons relate to the same period last year.

Economic environment

At a macroeconomic level, key US indicators appear healthy. The economy is expected to grow by an average of +3.1% (real GDP) in 2018 and 2019 and is likely to see wage growth and higher producer prices, signalling firming inflation.¹ The economy is at or near full employment, thought to be around 4.6% in the US.² The unemployment rate as at July has moved to 3.9% and is expected to remain low through 2019³. However, the US 10-year Treasury yield has risen +50 bps this year, with the Federal Reserve raising rates twice and two more increases expected in 2018. In addition, political uncertainty, including potential trade disruption due to tariffs, could impact the economy and constitutes the key risk to the outlook.

Tenant Sales⁴

Tenant sales in the US portfolio grew by +2.5%, and +3.6% for the Flagship centres⁵. Specialty tenant sales per square foot (psf) increased by +4.9%⁶ to June 30, 2018, on a trailing 12-month basis, of which +5.7% in Flagship centres. For the six months to June 30, 2018, specialty sales psf showed an improving trend: +7.7% overall, and +8.4% in Flagships. Luxury sales were strong, up +13.1% psf on a rolling 12-month basis and +20.8% for the six months to June 30.

Although not yet comparable, the recent deliveries performed strongly, with YTD tenant sales⁷ growth of +109% at Westfield Century City, +28% at Westfield UTC and +22% at Westfield World Trade Center. Despite on-going works, Westfield Valley Fair saw sales growth of +8%.

Leasing activity, Occupancy and Comparable Net Operating Income (NOI)⁸

WAT signed 341 new leases (394 in H1-2017), a decrease primarily due to the impact of a high number of development related signings in H1-2017 (94 vs. 43 in H1-2018).

Notable retailers to sign a new commitment for stores to open at the Group's centres include:

- Hermès in Westfield UTC;
- Seaquest Interactive Aquariums (a new concept of interactive sea-life immersion), in Westfield Sunrise and Westfield Trumbull;

¹ The Conference Board, "The Conference Board Economic Forecast for the U.S. Economy", July 11, 2018.

² Congressional Budget Office estimate of long-term NAIRU.

³ The Balance, "US Economic Outlook: For 2018 and Beyond", July 11, 2018.

⁴ Sales growth and specialty tenant sales growth per square foot is for centres in operation and excludes new brownfield deliveries, acquired assets and assets under heavy refurbishment (in line with the UR methodology), such as Westfield Century City, Westfield UTC and Westfield Valley Fair.

⁵ Sales data is year-to-date through June 2018. Tenant sales data reflects specialties and mini-majors (tenants >10K sq. ft, but not anchors).

⁶ Calculated on the basis of sales psf for specialty tenants, being stores with <10K sq. ft (ca. 929m m2).

⁷ For mini-majors and specialty tenants.

⁸ Comparable NOI is based on Net Operating Income before management fees, termination / settlement income and straight-line adjustments, and excluding one-offs. For comparability, recent project deliveries or centres undergoing significant development works are excluded.

- James Perse (designer clothing, bags and furniture) in Westfield UTC;
- 85°C Bakery Café in Westfield Century City, Westfield Fashion Square and Westfield UTC;
- Stance in Westfield Century City and Westfield UTC;
- Sugar Factory (“the most Instagrammed restaurant in America”⁹) in Westfield Century City;
- The Hampton Social in Westfield Old Orchard;
- Warby Parker at Westfield Garden State Plaza.
- Rosa Cha and John John (1st US market entry for these lifestyle fashion brands, with 308 stores Brazil) in Westfield Century City;
- Ted Baker London and John Varvatos deals in Westfield San Francisco Centre;
- Adidas, for a flagship store at Westfield Century City;

The average rental spread was +6.9%, of which +7.6%¹⁰ for the Flagship assets. The average rent¹¹ for shops under 20K sq. ft (ca. 1,858m²) grew by +4.2% to \$84.91 psf (ca. €781/m²), and by +4.1% for the Flagship centres to \$105.64 psf (ca. €971/m²).

As at June 30, occupancy¹² stood at 94.3%, a decrease of -140 bps since December 31, 2017. For the Flagship centres, occupancy was 95.5% (-130 bps)¹³. Occupancy in the period was particularly impacted by bankruptcies including Claire’s, A’Gaci, Charming Charlie and The Walking Company, as well as the closure of Best Buy and Pirch at Westfield Garden State Plaza. Several department store redevelopments are planned for 2019/2020 to enhance centres which have seen a rise in vacancy, such as Westfield Annapolis or to further strengthen high performing assets such as Westfield Garden State Plaza.

Comparable NOI growth in the US was down -3.0%, of which -2.6% in the Flagship assets. The decrease was due primarily to the increase in vacancy and the absorption by WFD of the common area maintenance charge for that vacant space. However, several Flagship centres such as Westfield Century City, Westfield UTC and Westfield World Trade Center are not included in the comparable NOI. Reflecting the contribution of these projects, total NOI in the US was up +6.1%.

Occupancy costs as a percent of sales for specialty tenants declined by -20 bps to 14.5% within the Flagship assets and declined by -30 bps to 13.8%¹⁴ in the Regional portfolio, as compared to December 31, 2017.

Brand Event activities

Brand ventures, media and specialty leasing revenues increased, primarily driven by increased media revenue from the internalization and roll out of a digital media screen network in 2017 in the US.

Significant events included:

- Louis Vuitton showcased rare and celebrated objects from the Louis Vuitton archive at Westfield Century City;
- Kim Kardashian West had her first-ever KKW Beauty pop-up shop at Westfield Century City selling cosmetics, beauty, and skincare products;

Marketing and digital

As a result of on-going promotion of centre events and a continuous social media presence, the number of digital subscribers rose to 1.5 million in the US (+49%).

⁹ Business Insider, October 30, 2017.

¹⁰ For the US portfolio, the rental spread reflects the average increase in total rent inclusive of base rent and common area maintenance charges.

¹¹ Comprising base rent and share of common area maintenance charges.

¹² Vacancy based on unleased space on a square foot basis, excluding development space, and including temporary leasing.

¹³ Financial vacancy (reflecting the base rent and common area maintenance charge of vacant space as a percentage of that amount plus the current actual rent and common area charges) at June 30, 2018 was 9.3% in the Flagship centres and 12.0% in the Regional portfolio.

¹⁴ Calculated for tenants with <20K sq. ft of space. Occupancy cost is based on total rent, including common area maintenance charges.

Extension, renovation and brownfield projects

Key projects in H1-2018 included:

- Westfield Century City: Since opening in October 2017, the redeveloped centre is already seeing tenant sales¹⁵ growth of +42% through June 30, 2018 compared to H1-2015 (prior to the project). Key food destinations, Eataly and Javier's, are performing very well with Eataly opening their rooftop terrace in late March 2018. Other key openings included Din Tai Fung (10,800 sq. ft) and St. Marc (8,000 sq. ft), in March and April, respectively. As a result of the project, space dedicated to fashion has decreased by -17%, while
- the total space for dining, leisure and health and beauty has increased by +11%. A total of 26 further stores will open by December 2018, including the 20,000 sq. ft Anthropologie and a large format H&M store.
- Westfield UTC: The extension project opened in November 2017, and the H1-2018 figures already show substantial growth with tenant sales¹⁶ through June 30, 2018 growing by +26% compared to H1-2015 (prior to the project). The new Nordstrom has been particularly successful. Future openings will enhance the food offering, with a new 9,900 sq. ft Din Tai Fung opening in Q3-2018 and the 8,900 sq. ft Javier's opening in Q4-2018. Overall, the food offering at UTC has expanded from 17% to 25% of total space. In addition, a large format H&M store will also open.
- Westfield Garden State Plaza: a complete large scale renovation project, including upgrade of all IT and digital infrastructure, will be inaugurated in Q3-2018. The JC Penney department store was acquired to be redeveloped to enable the further expansion of offers in the luxury, youth and fast moving fashion sectors.
- Westfield Valley Fair: Construction is progressing well on the extension and renovation project. The ShowPlace ICON Theatre is expected to open in Q4-2018, in line with the completion of the extensive refurbishment of the existing part of the centre. Despite on-going works, the centre continues to perform well with tenant sales through June 30, 2018 up by +8%. Several key food related signings have been made, including the 14,500 sq. ft Del Frisco's Double Eagle Steak House and the 3,000 sq. ft Shake Shack.
- Westfield World Trade Center: New brands opened in the Oculus (Phase 1), including Ugg and Casper, which are performing well. Planned larger scale events are being developed to activate the Oculus floor, to help drive awareness and dwell time. The delayed opening of the important 1-line connection to WTC will occur in Q3-2018 further increasing customer flow to important sections of the asset.

Related Party Transactions

The main related party transactions refer to transactions with companies accounted for using the equity method, loans from WFD Trust ("WFDT"), an affiliated entity and Unibail-Rodamco SE.

During the period, WAT has an interest-bearing loan and non-interest bearing loan from WFDT. The balance of the loan as at June 30, 2018 is a payable of €1,791.8 Mn with accrued interest payable of €0.3 Mn.

During the period, WFD UR NV has interest bearing loans from Unibail-Rodamco SE to finance the acquisition of URW America Inc. The principal amount of these loans is €2,000 Mn. The interest rate is based on a fixed rate from and including the issue date to, but excluding, October 25, 2023 and April 25, 2026 respectively. After each 5 years the interest rate to be reset is at 5YR Mid-swaps plus relevant margin. The maturity date of both loans is perpetual.

During the period, the Group has an interest bearing loan from Unibail-Rodamco S.E to finance the Dutch assets. The principal amount of the loans as at June 30, 2018 is €35.8 Mn. The interest rate is based on a fixed rate and the maturity date is 5 years.

Entities indirectly held by UR SE, hold coverable redeemable preference shares/units in WAT of an amount of €892.6.

All related party transactions are based on at arm's length prices.

Further details on related party transactions can be found in Note 7.3 to the consolidated interim financial statements.

¹⁵ For mini-majors and specialty tenants.

¹⁶ For mini-majors and specialty tenants.

Risk & Uncertainties H2-2018

The activity of the Group is not significantly affected by seasonality, although WFD UR NV's US operations typically see retailer occupancy and retail sales at their highest in the fourth quarter of each calendar year. This does have a (limited) impact on rental income from US' shopping centers as a result of earning additional rent based on shops exceeding a certain level of sales (referred to as "percentage rent"). Operational risks are described under the business review in this interim management report and for WFD UR NV's financial risks reference is made to Note 9 of the consolidated interim financial statements.

Approved by the Management Board

Schiphol, September 28, 2018

II. CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2018

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The interim financial statements are presented in millions of euros, rounded to the nearest hundred thousand and, as a result, slight differences between rounded figures may exist. These statements are reviewed.

Consolidated interim statement of comprehensive income

Consolidated statement of comprehensive income (€Mn)	Notes	H1-2018
Gross rental income	5.1	29.5
<i>Ground rents paid</i>		(4.2)
<i>Net service charge expenses</i>		-
<i>Property operating expenses</i>		(10.0)
Operating expenses and net service charges		(14.2)
Net rental income		15.3
Property services and other activities revenues		1.9
Property services and other activities expenses		(1.0)
Net property services and other activities income	5.1	0.9
Share of the result of companies accounted for using the equity method		17.8
Contribution of companies accounted for using the equity method		17.8
Corporate expenses		(2.2)
Depreciation of other tangible assets		(0.8)
Administrative expenses		(3.0)
Acquisition and related costs	2.3	(40.6)
Valuation movements on assets		(0.0)
NET OPERATING RESULT		(9.6)
<i>Financial income</i>		0.6
<i>Financial expenses</i>		(16.8)
Net financing costs	8.1.1	(16.2)
Fair value adjustments of derivatives and debt	8.1.2	(5.5)
RESULT BEFORE TAX		(31.3)
Income tax expenses	10.1	(4.8)
NET RESULT FOR THE PERIOD		(36.1)
Net result for the period attributable to:		
- Shareholders of WFD Unibail-Rodamco N.V.		(29.3)
- External non-controlling interests		(6.8)
NET RESULT FOR THE PERIOD		(36.1)
Average number of shares (undiluted)	13.1	45,702,515
Net result for the period (Shareholders of WFD Unibail-Rodamco N.V.)		(29.3)
Net result and diluted result for the period per share (Shareholders of WFD Unibail-Rodamco N.V.) (€)		(0.64)
NET COMPREHENSIVE INCOME (€Mn)	Notes	H1-2018
NET RESULT FOR THE PERIOD		(36.1)
Foreign currency differences on translation of financial statements of subsidiaries and net investments in these subsidiaries		5.2
Other comprehensive income that may be subsequently recycled to profit or loss		5.2
Other comprehensive income not subsequently recyclable to profit or loss		-
OTHER COMPREHENSIVE INCOME NET OF TAX		5.2
NET COMPREHENSIVE INCOME		(30.9)
- External non-controlling interests		(5.8)
NET COMPREHENSIVE INCOME (OWNERS OF WFD UNIBAIL-RODAMCO N.V. SHARES)		(25.1)

Consolidated interim statement of financial position

Consolidated Statement of financial position (€ Mn)	Notes	June 30, 2018
NON CURRENT ASSETS		14,193.4
Investment properties	6.1	6,076.5
<i>Investment properties at fair value</i>		5,773.4
<i>Investment properties under construction</i>		303.1
Shares and investments in companies accounted for using the equity method	7.1	6,465.9
Other tangible assets		49.1
Goodwill	6.2	1,033.5
Loans and receivables	8.2.1	178.1
Financial assets	8.2.1	383.9
Derivatives at fair value	8.3	6.4
CURRENT ASSETS		218.1
Properties or shares held for sale	7.1	81.8
Inventories		7.3
Trade receivables from activity		69.2
Other receivables		7.8
Cash and cash equivalents		52.0
TOTAL ASSETS		14,411.5
Shareholders' equity (owners of WFD Unibail Rodamco N.V. shares)		2,333.3
Share capital	13.1	115.8
Additional paid-in capital	13.2	2,242.6
Hedging and foreign currency translation reserves		4.2
Consolidated result		(29.3)
<i>- Equity attributable to WFD Unibail-Rodamco N.V. members</i>		2,333.3
Hybrid securities		2.0
External non-controlling interests		275.8
TOTAL SHAREHOLDERS' EQUITY		2,611.1
NON CURRENT LIABILITIES		10,364.5
Long-term commitment to non-controlling interests	2.5/8.3	1,079.4
Long-term bonds and borrowings	8.2.3	7,745.5
Long-term financial leases	8.2.3	32.8
Deferred tax liabilities	10.2	1,440.6
Guarantee deposits		11.2
Amounts due on investments		55.0
CURRENT LIABILITIES		1,435.9
Current commitment to non-controlling interests	2.5/8.3	1.7
Amounts due to suppliers and other creditors		354.2
Amounts due to suppliers		41.9
Amounts due on investments		154.1
Sundry creditors		158.2
Other liabilities		15.0
Current borrowings and amounts due to credit institutions	8.2.3	996.5
Current financial leases	8.2.3	0.5
Tax and social liabilities		56.5
Short-term provisions	11.0	11.5
TOTAL LIABILITIES AND EQUITY		14,411.5

Consolidated interim statement of cash flows

Consolidated statement of cash flows (€ Mn)	Notes	H1-2018
Operating activities		
Net result		(36.1)
Depreciation & provisions ⁽¹⁾		0.6
Changes in fair value of derivatives and debt		5.5
Changes in value of property assets		0.0
Share of the result of companies accounted for using the equity method		(17.8)
Net financing costs	8.1.1	16.2
Income tax charge		4.8
WAT's transaction and other related costs	2.3	38.5
Cash flow before net financing costs and tax		11.7
Dividend received from companies accounted for using the equity method or non consolidated		26.6
Income tax paid		(2.2)
Change in working capital requirement		44.2
Total cash flow from operating activities		80.3
Investment activities		
Property activities		(4,423.9)
Acquisition of consolidated shares		(4,342.0)
Amounts paid for works and acquisition of property assets	6.3	(37.8)
Increase of property financing		(44.1)
Total cash flow from investment activities		(4,423.9)
Financing activities		
Capital increase of parent company		2,358.4
Hybrid securities		2.0
New borrowings and financial liabilities		2,088.6
Repayment of borrowings and financial liabilities		(30.3)
Interest received	8.1.1	0.6
Interest paid	8.1.1	(12.9)
Total cash flow from financing activities		4,406.4
Change in cash and cash equivalents during the period		62.8
Net cash and cash equivalents at the incorporation		-
Effect of exchange rate fluctuations on cash held		(10.8)
Net cash and cash equivalents at period-end		52.0

⁽¹⁾ Includes straightlining of key money and lease incentives.

Consolidated interim statement of changes in equity

(€Mn)	Share capital	Additional paid-in capital	Consolidated result	Hedging & foreign currency translation reserves ⁽¹⁾	Equity attributable to the owners of WFD Unibail-Rodamco N.V. shares	Hybrid securities	External non-controlling interests	Total Shareholders' equity
Equity as at February 14, 2018	-	-	-	-	-	-	-	-
Net result for the period	-	-	(29.3)	-	(29.3)	-	(6.8)	(36.1)
Other comprehensive income	-	-	-	4.2	4.2	-	1.0	5.2
Net comprehensive income	-	-	(29.3)	4.2	(25.1)	-	(5.8)	(30.9)
Increase in capital	115.8	2,242.6	-	-	2,358.4	-	-	2,358.4
Increase of hybrid securities	-	-	-	-	-	2.0	-	2.0
Changes in scope of consolidation and other movements	-	-	-	-	-	-	281.6	281.6
Equity as at June 30, 2018	115.8	2,242.6	(29.3)	4.2	2,333.3	2.0	275.8	2,611.1

⁽¹⁾ The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. The hedging reserve is used to record the effect of hedging net investments in foreign operations.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 1. CORPORATE INFORMATION

WFD Unibail-Rodamco N.V. (“WFD UR NV” or “the Company”) is a public limited liability company and domiciled in The Netherlands, whose shares are publicly traded on the Amsterdam Stock Exchange and the Paris Stock Exchange, as well as in the form of CDIs on the Australian Securities Exchange. The Company was incorporated as Unibail-Rodamco B.V., a private company with limited liability under the laws of The Netherlands on February 14, 2018. On March 22, 2018, The Company changed its legal name to WFD Unibail-Rodamco N.V. and converted its legal form to a public limited liability company pursuant to a notarial deed of amendment and conversion in accordance with a resolution of the General Meeting adopted on March 15, 2018. The Company has its corporate seat in Amsterdam and its registered office is located at Schiphol Boulevard 371, Schiphol in The Netherlands. The chamber of commerce number is 70898618.

These consolidated interim financial statements as at June 30, 2018 comprise the Company and its subsidiaries (together referred to as ‘the Group’).

The Group objects are:

- to invest in assets, primarily through the direct or indirect acquisition of real estate, in such a manner that the ensuing risks are spread in order to allow shareholders to share in the proceeds;
- to enter into cash pooling arrangements with, to provide financing to and to furnish guarantees for the benefit of Unibail-Rodamco-Westfield (“URW”) and other affiliated bodies of the Company whose assets, on a consolidated basis, generally at least nearly exclusively consist of real estate and/or associated rights;
- to incorporate, to participate in, to hold any other interest in and to conduct the management or supervision of bodies whose objects and actual activities are to invest in assets;
- to invest in the improvement or expansion of real estate;
- to acquire, to manage, to invest, to exploit, to encumber and to dispose of other assets and liabilities and to provide any other act or service; and
- to do anything which, in the widest sense, is connected with or may be conducive to the objects described above,

in each case taking into account the restrictions applicable to the Group under the fiscal investment institution regime as laid down in section 28 of the Corporate Income Tax Act, or such statutory provision which replaces section 28 CITA.

The Group is part of Unibail-Rodamco-Westfield (“URW”). On June 7, 2018 after the completion of the Westfield acquisition by Unibail-Rodamco, WFD UR NV is held for 60% directly by URW shareholders (Stapled Share principle) and 40% directly by Unibail-Rodamco SE. Westfield comprises of WCL, WFDT and WAT. WAT is 100% held by WFD UR NV and WCL and WFDT are held by Unibail-Rodamco SE.

These consolidated interim financial statements were authorized for issue by the Management Board on September 28, 2018.

NOTE 2. SIGNIFICANT EVENTS OF THE FIRST HALF OF 2018

The activity of the Group is not significantly affected by seasonality, although WFD UR NV’s US operations typically see retailer occupancy and retail sales at their highest in the fourth quarter of each calendar year. This does have a (limited) impact on rental income from US’ shopping centres as a result of earning additional rent based on shops exceeding a certain level of sales (referred to as “percentage rent”). For the business activities of the first half of 2018 reference is made to the interim management report.

2.1. Acquisitions

On June 1, 2018 the Company set up a new entity, WFD Unibail-Rodamco Real Estate B.V., with a total equity injection of €35.6 Mn. WFD Unibail-Rodamco Real Estate B.V. purchased various Dutch real estate assets from (indirectly) Unibail-Rodamco SE.

On June 7, 2018, URW America Inc., a 100% subsidiary of the Company acquired all shares in Westfield America Trust (WAT), in turn holding approx. 83% of Westfield America Inc. (WEA). The Company holds the shares in WAT through URW America Inc.

2.2. Goodwill of acquisition of WAT

The total cash consideration is €4,392.0 Mn for the acquisition of WAT. The preliminary purchase price allocation of the WAT acquisition is presented below:

Preliminary purchase price allocation (€Mn)	WAT at acquisition date
Total consideration	4,392.0
Identifiable net asset at fair value ⁽¹⁾	
Investment properties	6,017.5
Shares and investments in companies accounted for using the equity method	6,484.2
Other tangible assets	49.7
Loans and receivables	177.5
Financial assets	382.5
Derivatives at fair value	7.3
Other current assets	83.2
Cash and cash equivalents	50.0
	13,251.8
External non-controlling interests	281.6
Long-term commitment to non-controlling interests	1,071.2
Long-term bonds and borrowings	5,666.4
Deferred tax liabilities	1,433.0
Other non-current liabilities	98.5
Other current liabilities	1,381.0
	9,931.8
Total identifiable net asset at fair value	3,320.0
Redundancy costs and acceleration vesting plan	38.5
Total identifiable net asset at fair value restated	3,358.5
Preliminary goodwill arising on acquisition	(1,033.5)

⁽¹⁾ At this stage, the Group has recorded at fair value the standing assets, the projects included in the pipeline, the financial liabilities and the associated deferred taxes.

The total cash consideration (via cash assignments of Unibail-Rodamco SE) is €4,392.0 Mn for the acquisition of WAT. The preliminary book value of net assets acquired is €3,358.5 Mn. The preliminary goodwill amounts to €1,033.5 Mn. The analysis of the allocation of the goodwill is on-going. The Group expects that part of this goodwill will be allocated to identifiable assets. Beyond this allocation, the Group is confident that the remaining goodwill is supported by expected revenues and costs synergies, workforce, etc.

If the combination had taken place on January 1st, 2018, the contribution of WAT would have been:

- Gross rental income: +€238.4 Mn;
- Net result of the Group: -€9.4 Mn.

2.3. Acquisition and related costs

Acquisition costs which were incurred directly by WFD UR NV 's subsidiaries amounted €40.6 Mn and relate mainly to redundancy and other employee related costs as well as the costs associated with the accelerated vesting of the WEA employee share plan. The allocation of the other acquisition related costs which were incurred by Unibail-Rodamco SE and Westfield is part of the purchase price allocation which is on-going. As part of the PPA, more acquisition costs could be allocated from Unibail-Rodamco SE to WFD UR NV than what is currently charged. The PPA will be finalised within one year from the acquisition date.

2.4. Financing of the transaction

To finance the WAT acquisition, WFD UR NV has issued Class A and Class B Shares in exchange for cash contributions. Class B Shares have the same nominal value and the same share premium as the Class A Shares. WFD UR NV is also financed by €2.0 Bn out of a loan granted by Unibail-Rodamco SE.

The capital injection in WFD Unibail-Rodamco Real Estate B.V. of €35.6 Mn is funded through a loan from Unibail-Rodamco SE.

In addition, WFD UR NV issued €2.0 Mn of hybrid security on June 7, 2018. This hybrid security is a deeply subordinated perpetual instrument without voting rights and is accounted for as an equity instrument under IAS 32.

2.5. Commitment to non-controlling interests

The convertible redeemable preference shares arising from the WAT acquisition are included in the captions "Long-term commitment to non-controlling interests" and "Current commitment to non-controlling interests". Reference is made to Note 8.3.

NOTE 3. BASIS OF PREPARATION

3.1. Basis of accounting

The consolidated interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting”. A complete set of the accounting policies is provided here as the Group has no prior annual consolidated financial statements to refer to. The first set of IFRS compliant financial statements will be the consolidated financial statements for the year ended December 31, 2018.

The Group’s financial statements are prepared on a historical cost basis, except for investment properties, financial assets, derivative financial instruments, commitment to non-controlling interests and contingent consideration assumed in a business combination which are measured at fair value.

There are no comparative figures of the year 2017 as 2018 is the Group first year of existence. The company was incorporated on February 14, 2018. WAT is consolidated from the date of acquisition, which is June 7, 2018 in these consolidated interim financial statements. WFD Unibail-Rodamco Real Estate B.V. is consolidated as per April 30, 2018, the date of incorporation.

When reference is made to H1-2018 it refers to the period from February 14, 2018 to June 30, 2018.

3.2. IFRS basis adopted

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Group applies from the date of incorporation IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instrument.

Standards, amendments and interpretations effective as of January 1, 2018

- IFRS 15 Revenue from Contracts with Customers;
- IFRS 9: Financial Instruments;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- IAS 40 A: Transfers of Investment Property;
- IFRS 2 A: Classification and Measurement of Share-based Payment Transactions;
- Annual Improvements to IFRS Standards 2014-2016 Cycle.

These standards, amendments and interpretations do not have a significant impact on the Group’s accounts as at June 30, 2018.

Standards, amendments and interpretations not mandatorily applicable as of January 1, 2018

The following standards have been adopted by the European Union as at June 30, 2018, but not applied in advance by the Group:

- IFRS 9 A: Prepayment Features with Negative Compensation;
- IFRS 16: Leases.

The following standards, interpretations and amendments were published by the IASB but have not yet been adopted by the European Union:

- IFRS 17: Insurance Contracts;
- IFRIC 23: Uncertainty over Income Tax Treatments;
- IAS 28 A: Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015-2017 Cycle;
- IAS 19 A: Plan Amendment, Curtailment or Settlement;
- Amendments to References to the Conceptual Framework in IFRS Standards.

The measurement of the potential impacts of these texts on the consolidated accounts of WFD UR NV is on-going.

3.3. Estimates and assumptions

Certain amounts recorded in the consolidated financial statements reflect estimates and assumptions made by management, particularly with regards to the fair value of investment properties, financial instruments and the valuation of goodwill.

The most significant estimates are set out in the following sections: for the valuation of investment properties in § 6.1 “Investment properties”, for the goodwill in § 6.2, for fair value of financial instruments in § 9.2 “Fair value of financial instruments per category” and the contingent consideration of the purchase price allocation in Note 2. Actual future results or outcomes may differ from these estimates. The property portfolio used by the Shopping Centres and Offices segments are valued by independent appraisers.

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1. Scope and methods of consolidation

The scope of consolidation includes all companies controlled by WFD UR NV and all companies in which the Group exercises joint control or significant influence.

According to IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group considers all facts and circumstances when assessing whether it controls an investee. The control over an investee is reassessed if facts and circumstances indicate that there are changes to one or more of the elements above mentioned.

The method of consolidation is determined by the type of control exercised:

- Control: the companies are fully consolidated.
- Joint control: it is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement.
 - A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Each party shall account for the assets which it has rights to, liabilities which it has obligations for, revenues and expenses relating to its interests in a joint operation.
 - A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method.
- Significant influence: accounting for using the equity method. Significant influence is the power to participate in the financial and operating policy decisions of the investee but it is not control or joint control of those policies. It is presumed where an entity holds 20% or more of the voting power (directly or through subsidiaries) on an investee, unless it can be clearly demonstrated that this is not the case.

NCI are initially measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

4.2. Foreign currency translation

Group companies with a functional currency different from the presentation currency

The Group's consolidated financial statements are presented in euros. The financial statements of each consolidated Group company are prepared in its functional currency. The functional currency is the currency of the principal economic environment in which it operates.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency, the euro, are translated into the presentation currency as follows:

- the assets and liabilities, including goodwill and fair value adjustments arising on consolidation, are translated into euro at foreign exchange rates ruling at the accounting date;
- income and expenses are translated into euro at rates approximating the foreign exchange rates ruling at the dates of the transactions;
- all resulting exchange rate differences are recognised as a separate component of equity (currency translation reserve);
- when a Group's company is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Foreign currency transactions

The Group's entities can realise operations in a foreign currency which is not their own functional currency. WAT functional currency is in USD. The transactions in foreign currencies are translated into euro at the spot exchange rate on the date of the transaction. At the closing date, monetary assets and liabilities denominated in foreign currency are translated into functional currency at the exchange rate on that date. Foreign exchange differences arising on translation or on settlement of these transactions are recognised in the income statement account, with the exception of:

- unrealised translation results on net investments;
- unrealised translation results on intercompany loans that, in substance, form part of the net investment.

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instruments relating to the effective portion of the hedge are recognised directly in equity, whereas those relating to the ineffective portion are recognised in the income statement account.

Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated using the exchange rate on the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into euros at exchange rates on the dates the fair value was determined, and are reported as part of the fair value gain or loss.

4.3. Business combinations

To decide whether a transaction is a business combination the Group notably considers whether an integrated set of activities is acquired besides the investment property. The criteria applied may include the number of property assets held by the target company and extent of the acquired processes. If the acquired assets are not a business, the transaction is recorded as an asset acquisition.

Business combinations are accounted for using the acquisition method. The acquisition is recognised at the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are booked as expenses. For the companies accounted for using the equity method, acquisition costs are capitalised in the value of the shares.

At the date of acquisition and in accordance with IFRS 3, identifiable assets, liabilities and contingent liabilities of the acquired company are valued individually at their fair value regardless of their purpose based upon current best estimates at such date. It is possible that further adjustments to initial evaluation may be recognised within twelve months of the acquisition in accordance with IFRS rules.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through income statement.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of any contingent consideration classified as liability will be recognised in income statement.

Under IFRS 10, the acquisition of additional shares from non-controlling shareholders is regarded as an equity transaction and therefore no additional goodwill is recognised.

4.4. Investment properties

Under the accounting treatment by IAS 40, investment properties are shown at their market value. According to IFRS 13, the fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). Expectations about future improvements or modifications to be made to the property interest to reflect its highest and best use have to be considered in the appraisal, such as the renovation of or an extension to the property interest.

The Group complies with the IFRS 13 fair value measurement rule and the position paper¹ on IFRS 13 established by EPRA, the representative body of the publicly listed real estate industry in Europe.

Transaction costs incurred for an asset deal are capitalised in the value of the investment property. Capitalised expenses include capital expenditures, evictions costs, capitalised financial interests, letting fees and other internal costs related to development projects.

Investment Properties Under Construction (IPUC) are covered by IAS 40 and are eligible to be measured at fair value. In accordance with the Group's investment properties valuation method, they are measured at fair value by an external appraiser twice a year. Projects for which the fair value is not reliably determinable are measured at cost until such time that a fair value measurement becomes reliable, or until one year before the construction completion.

According to the group, a development project fair value measurement will be able to be determined once the following criteria has been fulfilled:

- all administrative authorisations needed to complete the project are obtained;
- the construction has started and costs are committed toward the contractor; and
- substantial uncertainty in future rental income has been eliminated.

If the time to delivery is less than one year, the project is accounted for at fair value.

For properties measured at fair value, the market value adopted by the Group is determined on the basis of appraisals by independent external experts. The gross value is reduced by disposal costs and transfer taxes², depending on the country and on the tax situation of the property, in order to arrive at a net market value.

For the Shopping Centres portfolios, the independent appraisers determine the fair market value based on the results of two methods: the discounted cash flow methodology as well as the yield methodology. Furthermore, the resulting valuations are cross-checked against the initial yield, value per m² and the fair market values established through actual market transactions.

Appraisers have been given access to all information relevant for valuations, such as the Group's rent rolls, including information on vacancy, break options, expiry dates and lease incentives, performance indicators (e.g., footfall and sales where available), letting evidence and the Group's cash flow forecasts from annually updated detailed asset business plans. Appraisers make their independent assessments of current and forward looking cash flow profiles and usually reflect risk either in the cash flow forecasts (e.g. future rental levels, growth, investment requirements, void periods, incentives) or in the applied required returns or discount rates.

The income statement for a given year (Y) records the change in value for each property, which is determined as follows:

market value Y – [market value Y-1 + amount of works and other costs capitalised in year Y].

Capital gains on disposals of investment properties are calculated by comparison with their latest market value recorded in the closing statement of financial position for the previous financial year.

For June 30, 2018, market value Y-1 corresponds to the appraisal value as at May 31, 2018.

Properties under construction carried at cost are subject to impairment tests, determined on the basis of the estimated fair value of the project. The fair value of a project is assessed by the Development & Investment teams through a

¹ EPRA position paper on IFRS 13 - Fair value measurement and illustrative disclosures, February 2013.

² Transfer taxes are valued on the assumption that the property is sold directly, even though the cost of these taxes can, in certain cases, be reduced by selling the property's holding company.

market exit capitalisation rate and the targeted net rents at completion. When the fair value is lower than net book value, an impairment provision is booked.

Properties held for sale are identified separately in the statement of financial position and are valued at fair value. Properties held for sale are identified separately when the asset is available for immediate sale, the sale is completed within one year from the date of classification, the sale must be highly probable and management is committed to a plan to sell the asset.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

4.5. Goodwill

Goodwill only arises upon a business combination and is initially measured as the residual cost of the business combination after recognising the acquiree's identifiable assets, liabilities, and contingent liabilities. Subsequently the goodwill is carried at cost and is subject to regular reviews by the Group and impairment tests at least once per year or whenever there is an indication of impairment. At the date of acquisition, goodwill is allocated to one or more cash-generating units expected to benefit from the acquisition. The recoverable amount of a cash-generating unit is determined using the most appropriate method, most commonly the discounted cash flows method, and is applied to the full cash-generating unit rather than each legal entity.

Goodwill may arise on acquiring an asset via a share deal, where the Group inherits the fiscal basis of the assets. As IFRS require recognition of deferred taxes on a nominal basis, while share transactions are based on market value of these taxes, a difference may appear that is reflected in the goodwill.

4.6. Tangible assets

Under the preferential method proposed by IAS 16, operating assets are valued at their historic cost, less cumulative depreciation and any decrease in value. Depreciation is calculated using the "component accounting" method, where each asset is broken down into major components based on their useful life.

4.7. Number of shares

The Class A shares of WFD UR NV are stapled with the shares in Unibail-Rodamco SE (Stapled shares). As a consequence of the Stapled structure the exercise of the convertible bonds (ORNANE and ORA) and stock options plans, performance shares of Unibail-Rodamco SE, will also have a dilutive impact on the shares of WFD UR NV (with a share issuance at that time).

The Earnings Per Share indicator is calculated by dividing net result for the period attributable to the shareholders of WFD UR NV by the weighted average number of ordinary shares in circulation over the period.

To calculate diluted Earnings Per Share, the average number of shares in circulation is adjusted to take into account the conversion of all potentially dilutive ordinary shares, in particular stock options and performance shares during the vesting period, as well as the bonds redeemable for shares (ORA) and the net share settled bonds convertible into new and/or existing shares (ORNANE) initially issued by Unibail-Rodamco SE.

The dilutive impact is determined using the treasury stock method, which assumes that proceeds from the exercise of options are used to repurchase Company shares at their market value. The market value corresponds to the average monthly share price weighted by trading volumes. The theoretical number of shares that may be purchased at the market value is deducted from the total number of shares resulting from the exercise of rights. This number is then added to the average number of shares in circulation and hence constitutes the denominator.

4.8. Financial instruments (IAS 32/IFRS 7/IFRS 9/IFRS 13)

Classification and measurement of non-derivative financial assets and liabilities

Financial assets

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets for the Group:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities

Interest bearing financial liabilities are initially measured at fair value and after initial booking at amortised cost using the effective interest rate.

Other non-derivatives financial liabilities are recognised at fair value through profit or loss.

Classification and measurement of financial derivatives and hedge accounting

The Group uses derivative financial instruments to hedge its exposure to movements in interest and currency exchange rates.

All financial derivatives are recorded as financial assets or liabilities at fair value on the statement of financial position. Fair value variations of financial derivatives, apart from those designated as cash flow hedges or as net investment hedges (see below), are recognised in the income statement for the period.

The Group has a macro-hedging strategy for its debt. Except for some currency derivatives, it has chosen not to use the hedge accounting proposed by IFRS 9. All such derivatives are therefore measured at their market value and any fair value variations are recorded in the income statement.

Regarding the currency derivatives, they aim at hedging the investments made in countries outside the euro-zone. The majority of currency swaps and forward contracts are therefore designated as a net investment hedge. The portion of the gain or loss on these instruments that is determined to be an effective hedge is recognised directly in equity (currency translation reserve). The ineffective portion is recognised directly in the income statement, as fair value adjustments of derivative and debt.

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement.

Both the changes in fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognised as part of the “financing result” as these instruments are designated as hedging instruments.

4.9. Hedging instruments

The Group, which holds a group of financial assets or financial liabilities, is exposed to market risks and credit risks of every single counterparty as defined in IFRS 7. The Group applies the exception provided by IFRS 13 (§ 48) which permits to measure the fair value of a group of financial assets or a group of financial liabilities on the basis of the price that would be received to sell or transfer a net position towards a particular risk in an orderly transaction between market participants at the measurement date under current market conditions.

To determine the net position, the Group takes into account existing arrangements to mitigate the credit risk exposure in the event of default (e.g. a master netting agreement with the counterparty). The fair value measurement takes into consideration the likelihood that such an arrangement would be legally enforceable in the event of default.

Valuation of derivatives has to take into account the Credit Valuation Adjustment (CVA) and the Debit Valuation Adjustment (DVA).

CVA, calculated for a given counterparty, is the product of:

- the total mark-to-market the Group has with this counterparty, in case it is positive;
- the probability of default of this counterparty over the average maturity, weighted by the nominal of the derivatives booked with them. This probability of default is taken from the Bloomberg model, based on market data and derived from the Credit Default Swaps of the banks;
- and the loss given default following market standard.

DVA based on WFD UR NV's credit risk corresponds to the loss that the Group's counterparties may face in case of the Group's default. It is the product of:

- the total mark-to-market the Group has with a counterparty, in case it is negative;
- the probability of default of the Group over the average maturity, weighted by the nominal of the total portfolio of derivatives. The Group's probability of default is derived from the Credit Default Swaps of WFD UR NV and taken from the Bloomberg model;
- and the loss given default following market standard.

4.10. Provisions

The determination of the amount of provisions for liabilities and charges requires the use of estimates, assumptions and judgment of the management based on information available or situations prevalent at the date of preparation of the accounts, information and situation which may vary from subsequent actual events.

4.11. Revenue

Gross rental income

Accounting treatment of investment property leases

Assets leased as operating leases are recorded in the statement of financial position as investment property assets. Gross rental revenue is recorded on a straight-line basis over the firm duration of the lease.

In case of an Investment Property Under Construction (IPUC), revenues are recognised once spaces are delivered to tenants.

Rents and key money

Gross rental income consists of rents and similar income (e.g. occupancy compensation, key money, parking revenues) invoiced for Shopping Centres over the period.

Under IAS 17 and SIC 15, the effects of rent-free periods, step rents, other rents incentives and key monies are spread over the fixed term of the lease.

The property management fees re-invoiced to the tenants are classified in gross rental income. Charges invoiced to tenants are not included in rental income but deducted from net service charge expenses.

Property services and other activities revenues

The property services consist of on-site property service and other property services.

Revenues from other activities mainly cover fees invoiced for leasing activity. These fees are capitalised by the company owning the asset. The internal margins generated on these leasing, construction and renovation operations are eliminated.

Other expenses comprise charges relating to property services, general costs and depreciation charges for related fixed assets.

4.12. Segment reporting

Segment information is presented in respect of the Group's divisions and geographical segments, based on the Group's management and internal reporting structure and in accordance to IFRS 8.

Contributions of affiliates are also presented according to the Group's divisions and geographical segments.

Business segments

The Group operates in two segments: Shopping Centres and Offices.

Geographical segments

Geographical segments are determined on the basis of the Group's definition of a home region. A home region is defined as a region with more than €1 Bn in property investment, a local organisation dedicated to all three business lines: the "owner function" (asset selection and management including pipeline), Shopping Centres management, the finance function and a regional consolidated reporting.

Based on specific operational and strategic factors, only the region United States is considered a home region.

4.13. Net recurring result definition

The income statement by segment is split between recurring and non-recurring activities. The non-recurring result before tax consists of the valuation movements on investment properties, fair value adjustments on derivatives and debts, termination costs of financial instruments on the full cancelled commitment period when the maturity of the

financial instrument is beyond the current period, bond tender premiums, currency gains/losses on revaluation of balance sheet items, the net result on disposals, impairment of goodwill or recognition of negative goodwill, as well as costs directly related to a business combination and other non-recurring items.

The income tax is split between recurring taxes and non-recurring taxes.

Recurring tax is the outcome of:

- the amount of income tax effectively due on recurring income, after deduction of any tax losses;
- plus/minus changes in a deferred tax asset recognised on tax losses stemming from recurring income (excluding those caused by a change in tax rate and/or those caused by a use of such deferred tax asset by non-recurring profits);
- plus/minus changes in deferred tax assets not related to tax losses and deferred tax liabilities relating to recurring result (excluding those caused by a change in tax rate and/or those caused by a use of such deferred tax asset by non-recurring profits).

4.14. Operating expenses & net service charges

The operating expenses & net service charges are composed of ground rents paid, net service charge expenses and property operating expenses.

Ground rents paid

Ground leaseholds

Based on the analysis of existing contracts, IAS 17 and IAS 40, a leasehold may be classified as either an operating lease or a finance lease. The classification is made on a contract-by-contract basis and depends on the risks and rewards transferred to the Group.

For the leaseholds recognised as operating leases, rental payments are recognised as expenses in the income statement. Rental payments made at the beginning of the contract are classified as prepaid expenses and expensed over the life of the contract.

For the leaseholds recognised as financial leases, future cash flows are discounted. An asset and a financial liability are recognised for the same amount.

Ground rents correspond to variable lease payments (or straight-lining of initial payments) for properties built on land subject to leasehold or operated under an operating contract (concession).

Net service charge expenses

These expenses are net of charges re-invoiced to tenants and relate mainly to vacant premises.

Property operating expenses

These expenses comprise service charges borne by the owner, works-related expenses, litigation expenses, charges relating to doubtful accounts and expenses relating to property management.

4.15. Administrative expenses

This item comprises personnel costs, head office and Group administrative expenses, expenses relating to development projects and not capitalised and depreciation charges and rent relating to WFD UR NV's headquarter in Schiphol and the office in the United States.

4.16. Taxes

Income tax expenses

The Group companies are taxable according to the tax rules of their country. In some countries, special tax regimes for (public) real estate companies exist. For many companies of the Group, eligible for such regimes, it has been opted for to use those specific regimes. Calculation of income tax expenses is based on local rules and rates.

Deferred tax

Deferred tax liabilities on properties refer to:

- 1) for companies not using special tax regimes for real estate companies: all temporary differences between the carrying amount and tax base of assets and liabilities at each financial year-end.

Deferred tax assets or liabilities are calculated based on total temporary differences and on tax losses carried forward, using the local tax rate that will apply on the expected reversal date of the concerned differences, if this rate has been set. Otherwise, they are calculated using the applicable tax rate in effect at the financial year-end date. Within a given fiscal entity or group and for a given tax rate, debit balances are booked to assets for the amount expected to be recoverable over a foreseeable period. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be used.

- 2) for companies using special tax regimes for real estate companies: in case the structure of WFD UR NV in its current form and under current legislation would lead to tax amounts to be paid in case of capital gains on property sales.

4.17. Statement of cash flows

The Group uses the indirect method to prepare the consolidated statement of cash flows. Interest received and interest paid is presented within operating cash flows. Acquisitions or divestments of subsidiaries are disclosed as cash flows from investing activities and presented net of cash and cash equivalents acquired or disposed of, respectively.

NOTE 5. NET RECURRING RESULT AND SEGMENT REPORTING

5.1. Consolidated interim income statement by segment

Consolidated Income Statement by segment (€Mn)			H1-2018		
			Recurring activities	Non- recurring activities ⁽¹⁾	Result
UNITED STATES	Gross rental income		29.5	-	29.5
	Operating expenses and net service charges		(14.2)	-	(14.2)
	Net rental income		15.3	-	15.3
	Contribution of companies accounted for using the equity method		17.8	-	17.8
	Result Shopping Centres United States		33.1	-	33.1
	TOTAL RESULT SHOPPING CENTRES		33.1	0.0	33.1
	Other property services net income		0.9	-	0.9
	Administrative expenses		(3.0)	-	(3.0)
	Acquisition and related costs		-	(40.6)	(40.6)
	NET OPERATING RESULT		30.9	(40.6)	(9.6)
	Financing result		(16.2)	(5.5)	(21.7)
	RESULT BEFORE TAX		14.7	(46.1)	(31.3)
	Income tax expenses		(2.2)	(2.6)	(4.8)
	NET RESULT FOR THE PERIOD		12.5	(48.7)	(36.1)
	External non-controlling interests			(6.8)	(6.8)
	NET RESULT FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF WFD UNIBAIL-RODAMCO N.V. SHARES		12.5	(41.9)	(29.3)
	Average number of shares		45,702,515		
	RECURRING EARNINGS PER SHARE (€)		0.27		

⁽¹⁾ Non-recurring activities include valuation movements, disposals, mark-to-market and termination costs of financial instruments, bond tender premiums, impairment of goodwill or recognition of negative goodwill, amortisation of fair value of assets and liabilities recorded for the purpose of purchase price allocation, as well as costs directly incurred during a business combination and other non-recurring items.

The only material segment is the US shopping centre segment. For the investment properties of this segment and the companies accounted for using the equity method, reference is made to Note 6.1 and 7.1.

NOTE 6. INVESTMENT PROPERTIES AND GOODWILL

6.1. Investment properties

6.1.1. Investment properties at fair value

(€Mn)	June 30, 2018
Shopping Centres	5,759.3
United States	5,725.7
The Netherlands	33.6
Offices & Others	14.1
United States	14.1
Total	5,773.4

(€Mn)	Shopping Centres	Offices	Total investment properties
February 14, 2018	-	-	-
Acquisitions	33.6	-	33.6
Entry into scope of consolidation ⁽¹⁾	5,702.9	14.1	5,717.0
Capitalised expenses	2.7	-	2.7
Valuation movements	(0.0)	-	(0.0)
Currency translation	20.1	0.0	20.1
June 30, 2018	5,759.3	14.1	5,773.4

⁽¹⁾ Acquisition of WAT on June 7, 2018 (see note 2 "Significant events of the first half of 2018")

Valuation assumptions and sensitivity

Considering the limited public data available, the complexity of real estate asset valuations, as well as the fact that appraisers use in their valuations the non-public rent rolls of the Group's assets, the Group believes it appropriate to classify its assets under Level 3. In addition, unobservable inputs, including appraisers' assumption on growth rates and exit yields, are used by appraisers to determine the fair values of the Group's assets.

In H1-2018, 98% of the Group's portfolio was appraised by independent appraisers (including appraisals made as at May 31, 2018 for the WEA assets).

Appraisals of WEA's assets were made as of May 31, 2018, for the purpose of preparing the opening balance sheet of the Group. Other than the changes in capex, acquisitions, disposals and constant currency effect, no changes have been recorded in the value of the WEA's portfolio since May 31, 2018.

The following table provide a number of quantitative elements used by the appraisers to assess the fair valuation of the Group's assets. The Dutch assets are not significant and therefore the below table shows only the US assets.

Shopping centres

All Shopping Centres are valued using the discounted cash flow and/or yield methodologies.

Shopping centres - June 30, 2018		Net Initial Yield	Rent in € per sqm (a)	Discount Rate (b)	Exit yield (c)	CAGR of NRI (d)
US	Max	8.9%	2,437	10.0%	8.5%	5.7%
	Min	3.3%	73	5.5%	4.3%	2.4%
	Weighted average	4.0%	377	6.1%	4.8%	4.6%

Net Initial Yield, Discount Rate and Exit yield weighted by GMV. Vacant assets, assets considered at bid value and assets under restructuring are not included in Min and Max calculation. Assets under development and assets accounted for using the equity method are not included in this table.

(a) Average annual rent (Minimum Guaranteed Rent + Sales Based Rent) per asset per m².

(b) Rate used to calculate the net present value of future cash flows.

(c) Rate used to capitalize the exit rent to determine the exit value of an asset.

(d) Compounded Annual Growth Rate of Net Rental Income determined by the appraiser (between 6 and 10 years depending on duration of DCF model used).

For the US, the split between Flagship and Regional shopping centres is as follows:

Shopping centres - June 30, 2018		Net Initial Yield	Rent in € per sqm (a)	Discount Rate (b)	Exit yield (c)	CAGR of NRI (d)
US Flagships	Max	4.8%	2,437	6.5%	5.8%	5.7%
	Min	3.3%	201	5.5%	4.3%	3.9%
	Weighted average	3.8%	587	5.9%	4.7%	4.8%
US Regionals	Max	8.9%	146	10.0%	8.5%	4.9%
	Min	6.9%	73	9.0%	7.5%	2.4%
	Weighted average	7.8%	103	9.3%	7.8%	3.0%

Net Initial Yield, Discount Rate and Exit yield weighted by GMV. Vacant assets, assets considered at bid value and assets under restructuring are not included in Min and Max calculation. Assets under development and assets accounted for using the equity method are not included in this table.

(a) Average annual rent (Minimum Guaranteed Rent + Sales Based Rent) per asset per m².

(b) Rate used to calculate the net present value of future cash flows.

(c) Rate used to capitalize the exit rent to determine the exit value of an asset.

(d) Compounded Annual Growth Rate of Net Rental Income determined by the appraiser (between 6 and 10 years depending on duration of DCF model used).

Based on an asset value excluding estimated transfer taxes and transaction costs, the Shopping Centre division's net initial yield is 4.0% as at June 30, 2018.

A change of +25 basis points in net initial yield, the main output of the appraisal models, would result in a downward adjustment of -€732 Mn (or -5.5%) of the shopping centre portfolio value (excluding assets under development), including transfer taxes and transaction costs.

6.1.2. Investment properties under construction

(€Mn)	Gross value	Impairment	Total investment properties at cost
February 14, 2018	-	-	-
Entry into the scope of consolidation ⁽¹⁾	300.5	-	300.5
Capitalised expenses	1.5	-	1.5
Currency translation	1.1	-	1.1
June 30, 2018	303.1	-	303.1

⁽¹⁾ Acquisition of WAT on June 7, 2018 (see note 2 “Significant events of the first half of 2018”)

WEA’s projects under development were assessed at fair value as at May 31, 2018, as a result of acquisition accounting, and the value as at June 30, 2018, has been calculated by adding the June capital expenditures.

6.2. Goodwill

(€Mn)	Gross value	Impairment	Total Goodwill
February 14, 2018	-	-	-
Entry into the scope of consolidation ⁽¹⁾	1,033.5	-	1,033.5
June 30, 2018	1,033.5	-	1,033.5

⁽¹⁾ Relates to the acquisition of WAT on June 7, 2018 (see note 2 “Significant events of the first half of 2018”).

Goodwill amounts to €1,033.5 Mn and comes from the preliminary goodwill recognised on the WAT acquisition (see Note 2 “Significant events of the first half of 2018”)

6.3. Amounts paid for works and acquisition of property assets (Consolidated statement of cash flows)

In the first half of 2018, amounts paid for works and acquisition of property assets amount to €37.8 Mn. They comprise acquisitions, transaction capitalised costs, works and capitalised expenses and are adjusted for the changes on amounts due on investments of the period.

NOTE 7. SHARES AND INVESTMENTS IN COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

7.1. Shares and investments in companies accounted for using the equity method

The Group has only jointly controlled entities in the United States, acquired from WAT. These shares and investments are accounted for using the equity method. The details of the Group's aggregated share of equity accounted entities' assets and liabilities are set out below:

(€Mn)	June 30, 2018
Cash	46.0
Shopping centre investments	7,454.8
Loans granted	5.8
Development projects and construction in progress	508.7
Other assets	24.8
Total assets	8,040.0
Payables	(113.5)
Interest bearing liabilities – current	(6.1)
Interest bearing liabilities – non current	(1,372.8)
Total liabilities	(1,492.4)
Net assets	6,547.7

An amount of €81.8 Mn, related to Horton Plaza in San Diego and included in the Net assets of shares and investments in companies accounted for using the equity method, is presented under “Properties or shares held for sale” in the Consolidated Statement of the financial position.

7.2. Equity accounted entities' economic interest

Set out below, is an overview of the significant joint ventures partners:

Name of investments ⁽¹⁾	Type of equity	Balance Date	Economic Interest June 30, 2018
Annapolis ⁽²⁾	Partnership units	30 June	55.0%
Culver City ⁽²⁾	Partnership units	30 June	55.0%
Garden State Plaza	Partnership units	30 June	50.0%
Southcenter ⁽²⁾	Partnership units	30 June	55.0%
Topanga ⁽²⁾	Partnership units	30 June	55.0%
UTC	Partnership units	30 June	50.0%
Valley Fair	Partnership units	30 June	50.0%

⁽¹⁾ All equity accounted property partnerships operate solely as retail property investors in the United States.

⁽²⁾ Per the Co-ownership, Limited Partnership and Property Management Agreements with our joint venture partners, the Group is restricted from exercising control over these interests even though the Group has more than 50% ownership interest and voting rights. Major decisions require the approval of both the Group and the joint venture partners and operating and capital budgets must be approved by the Management Committee (both owners have equal representation on this Committee). The Group therefore has joint control over the investments and is treating them as equity accounted interests.

7.3. Transactions with related-parties (joint-ventures and associates)

The consolidated interim financial statements include all companies in the Group's scope of consolidation (see note 15 "List of consolidated companies"). The Group's significant joint ventures are listed in Note 7.

Together with Unibail-Rodamco SE, the Group forms Unibail-Rodamco-Westfield ("URW"). There are no transactions with key-management except their remuneration.

The main related party transactions refer to transactions with companies accounted for using the equity method, loans from WFD Trust ("WFDT") and Unibail-Rodamco SE and convertible redeemable preference shares/units held by WCL related entities.

Transactions with companies accounted for using the equity method

(€Mn)	June 30, 2018
Shopping Centres companies	
Project management fees invoiced	14.5
Asset management fees invoiced and other fees	2.5

Loans from WFDT

During the period, WAT has a US\$ interest bearing loan from WFDT. The balance of the loan as at June 30, 2018 is €827.8 Mn. The interest rate is LIBOR +1.000% margin and is reset quarterly. The maturity date of the loan is December 15, 2021.

During the period, WAT has an A\$ interest bearing loan from WFDT. The balance of the loan as at June 30, 2018 is €178.7 Mn. The interest rate is BBSW plus 8.875 margin. The loan is at call.

During the period, WAT has an A\$ non-interest bearing loan from WFDT. The balance of the loan as at June 30, 2018 is €785.4 Mn. The loan is at call.

Loans from Unibail-Rodamco SE

During the period, WFD UR NV has interest bearing loans from Unibail-Rodamco SE to finance the acquisition of URW America Inc. The principal amount of the loans is €1,250 Mn and €750 Mn respectively. The interest rate is based on a fixed rate from and including the issue date to, but excluding, 25 October 2023 and 25 April 2026 respectively. After each 5 years the interest rate to be reset is at 5YR Mid-swaps plus relevant margin. The maturity date of both loans is perpetual. Charges and premiums on issues of borrowings with Unibail-Rodamco SE amounts €15.4 Mn as at June 30, 2018.

During the period, the Group has an interest bearing loan from Unibail-Rodamco S.E to finance the Dutch assets. The principal amount of the loans as at June 30, 2018 is €35.8 Mn. The interest rate is based on a fixed rate and the maturity date is 5 years.

Convertible redeemable preference shares held by WCL related entities

WCL related entities holds redeemable preference shares/units in WAT of an amount of €892.6 which is presented under consolidated statement of the financial position under commitment to non-controlling interests.

All related party transactions are based on at arm's length prices.

NOTE 8. FINANCING AND FINANCIAL INSTRUMENTS

8.1. Financing result

8.1.1. Net financing costs

(€Mn)	H1-2018
Other financial interest	0.6
Subtotal financial income	0.6
Interest on bonds and EMTNs	(6.5)
Interest and expenses on borrowings	(9.5)
Other financial interest	(1.7)
Financial expenses before capitalisation of financial expenses	(17.7)
Capitalised financial expenses	0.9
Subtotal net financial expenses	(16.8)
Total net financial costs	(16.2)

Interest paid from the consolidated statement of cash flows is €12.9 Mn and corresponds to cash amounts of financial interest paid during the period. They do not include any non-cash items such as accrued interest and amortisation of issuance costs.

8.1.2. Fair value adjustment of debts and derivatives

(€Mn)	H1-2018
Mark-to-market of debt	(0.2)
Fair value derivatives	(0.9)
Fair value preference shares	(4.4)
Total non-recurring financial result	(5.5)

8.2. Financial assets and liabilities

8.2.1. Loans and receivables and financial assets

As at June 30, 2018, loans and receivables relates to loans to associates.

As at 30, 2018, financial assets from the consolidated statement of financial position includes mainly WAT equity interests in unlisted investments.

8.2.2. Main financing transactions in the first half of 2018

As at June 4, 2018, the Group received loans of €2,035.8 Mn from Unibail-Rodamco SE to finance the acquisition of URW America Inc. and the Dutch real estate assets from (indirectly) Unibail-Rodamco SE. Reference is made to Note 7.3.

In addition the Group issued a €2.0 Mn deeply subordinated perpetual instrument. Under IFRS this hybrid security is classified as equity under IAS 32.

8.2.3. Financial debt breakdown and outstanding duration to maturity

Outstanding duration to maturity (€Mn)	Current	Non-current		Total June 30, 2018
	Less than 1 year	1 year to 5 years	More than 5 years	
Bonds and notes	22.8	1,746.7	1,289.2	3,058.7
Principal debt ⁽¹⁾	-	1,758.4	1,286.7	3,045.1
Accrued interest	28.6	-	-	28.6
Mark-to- market of debt	(5.8)	(11.7)	2.5	(15.0)
Bank borrowings	21.1	1,744.8	101.2	1,867.1
Principal debt	3.2	1,744.7	103.8	1,851.7
Accrued interest	14.1	-	-	14.1
Mark-to-market of debt	3.8	0.1	(2.6)	1.3
Other financial liabilities	952.6	863.6	2,000.0	3,816.2
Borrowing with Unibail-Rodamco SE	-	35.8	2,000.0	2,035.8
Accrued interests on borrowings with Unibail-Rodamco SE	3.7	-	-	3.7
Charges and premiums on issues of borrowings with Unibail-Rodamco SE	(15.4)	-	-	(15.4)
Borrowing with WFDT	964.0	827.8	-	1,791.8
Accrued interests on borrowings with WFDT	0.3	-	-	0.3
Financial leases	0.5	3.3	29.5	33.3
Total	997.0	4,358.4	3,419.9	8,775.3

⁽¹⁾ These notes are subject to negative pledge arrangements which require the Group to comply with certain minimum financial requirements.

The mark-to market of debt refers to the fair value of the WEA debt at acquisition date.

8.2.4. Characteristics of bonds and notes

The bonds and notes have the following characteristics:

Issue date	Rate	Amount as at June 30, 2018 (€Mn)	Maturity
September 2014	Fixed rate 2.7%	1,072.2	September 2019
September 2014	Fixed rate 3.75%	857.8	September 2024
September 2014	Fixed rate 4.75%	428.9	September 2044
October 2015	Fixed rate 3.25%	257.3	October 2020
April 2017	Fixed rate 3.15%	428.9	April 2022
Total		3,045.1	

The bonds and notes are related to WEA.

8.2.5. Covenants

There are no financial covenants (such as loan to value or ICR) with regard to the loans with Unibail-Rodamco SE.

The bond indentures (144A and Regulation S bonds) in WEA contain financial covenants based on the Group's financial statements:

- a maximum loan to value of 65%;
- a minimum ICR of 1.5x;
- a maximum of 45% for the Secured debt ratio;
- a minimum of 1.25x for the Unencumbered leveraged ratio.

The Group has complied with the bond covenants at reporting date.

8.2.6. Net financial debt

Net financial debt is determined as below:

Net financial debt

(€Mn)	June 30, 2018
Amounts accounted for in B/S	
Long-term bonds and borrowings	7,745.5
Current borrowings and amounts due to credit institutions	996.5
Total financial liabilities	8,742.0
Adjustments	
Mark-to-market of debt	13.7
Accrued interest / issuance fees	(31.3)
Total financial liabilities (nominal value)	8,724.4
Cash & cash equivalents	(52.0)
Net financial debt	8,672.4

8.3. Commitment to non-controlling interests

(€Mn)	June 30, 2018
Current	
Commitment to non-controlling interests	1.7
Non Current	
Commitment to non-controlling interests	1,079.4
Total Commitment to non-controlling interests	1,081.1

The commitment to non-controlling interests relates to convertible redeemable preference shares arising from the WAT acquisition. WCL related entities holds an amount of €892.6 Mn. The remaining part relates to external parties. The holders are entitled to redeem the shares in cash or in WAT shares. During the period from June 7, 2018 to June 30, 2018, no preference shares were redeemed or converted.

8.4. Derivative Assets

(€Mn)	June 30, 2018
Current	
Receivables on interest rate derivatives	-
Non Current	
Receivables on interest rate derivatives	6.4
Total derivative assets	6.4

The Group presents the fair value mark to market of its derivative assets and derivative liabilities on a gross basis. However, certain derivative assets and liabilities are subject to legally enforceable master netting arrangements. As at June 30, 2018, the Group had derivative assets of €6.4 Mn with no offsetting derivative liabilities.

NOTE 9. RISK MANAGEMENT POLICY

The Group's principal financial instruments comprise cash, receivables, payable, interest bearing liabilities, other financial liabilities, other investments and derivative financial instruments. The Group manages its exposure to key financial risks in accordance with the Group treasury risk management policies.

9.1. Market risk

Interest rate risk

The Group is exposed to interest rate fluctuations on its existing or future variable rate borrowings and derivative financial instruments. The Group's strategy regarding interest rate risk is to minimise the impact that changes in rates could have on earnings and cash flow and optimise the overall cost of financing in the medium-term. In order to implement this strategy, the Group uses notably derivatives (mainly caps and swaps) to hedge its interest rate exposure. The Group's market transactions are confined exclusively to those interest hedging activities. All transactions are managed centrally and independently by the Group.

The Group interest rate swaps and caps do not meet the accounting requirements to qualify for hedge accounting treatment. Changes in fair value have been reflected in the income statement.

Counterparty risk

Due to its use of derivatives to minimise its interest and exchange rate risk, the Group is exposed to potential counterparty defaults. The counterparty risk is the risk of replacing the derivative transactions at current market rates in the case of default. To limit counterparty risk, The Group relies solely on major international banks for its hedging operations. In case of derivative termination, netting can apply as a result of existing agreements between the Group and the banks.

Exchange rate risk

The Group is exposed to exchange rate risk on its foreign currency earnings, its distribution and other assets. Regarding exchange rate risk, the Group aims to limit its net exposure to an acceptable level by taking up debt in the same currency, by using derivatives and by buying or selling foreign currencies at spot or forward rates.

The Group has activities and investments in countries outside the euro zone. When converted into euros, the income and value of the Group's net investment may be influenced by fluctuations in exchange rates against the euro. Wherever possible, the Group aims to match foreign currency income with expenses in the same currency, reducing the exchange effects on earnings volatility and net valuation of the investment. Translation risks can be hedged by either matching cash investments in a specific currency with debt in the same currency, or using derivatives to achieve the same risk management-driven goal.

Other monetary assets and liabilities held in currencies other than the euro are managed by ensuring that net exposure is kept to an acceptable level by buying or selling foreign currencies at spot or forward rates where necessary to address short term balances.

The Group, through its activities, is exposed to market risks which can generate losses as a result of fluctuations in stock markets. The Group is either (i) directly exposed to fluctuations in stock prices due to the ownership of participations or financial instruments, or, (ii) indirectly exposed to fluctuations in stock prices, due to the ownership of funds, investment instruments or share based derivatives which are directly correlated with the price of the asset underlying such derivatives.

Credit risk and liquidity risk management

Credit risk arises from cash and equivalents as well as credit exposures with respect to rental customers. Credit risk is managed on a group level. The Group structures the level of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. Such risks are subject to at least an annual review, and often more frequently. The Group has policies in place to ensure that rental contracts are made with customers with an appropriate credit story.

In the Shopping Centres segment, the risk of insolvency is spread widely across a large number of tenants. When tenants sign their lease agreements, they are required to provide financial guarantees, such as a deposit, first-demand guarantee or a surety bond amounting to between three and six months' rent.

Late payment reminders are automatically issued in respect of late payments and penalties are applied. Such late payments are monitored by a special “default” Committee in each business segment which decides on the pre-litigation or litigation action to be taken.

The Group undertakes active liquidity and funding risk management to enable it to have sufficient funds available to meet its financial obligations as and when they fall due, working capital and expected committed capital expenditure requirements. The Group prepares and monitors rolling forecasts of liquidity requirements on the basis of expected cash flow.

Interest bearing liabilities, and funding facilities and their maturity profiles, are set out in Note 8.

9.2. Fair value of financial instruments per category

FAAC:	Financial Asset at Amortised Cost
FAFVPL:	Financial Asset at Fair Value through Profit or Loss
DIFVOCI:	Debt Instrument at Fair Value through Other Comprehensive Income
EIFVOCI:	Equity Instruments at Fair Value through Other Comprehensive Income
FLAC:	Financial Liabilities measured at Amortised Cost
FLFVPL:	Financial Liabilities at Fair Value through Profit or Loss

June 30, 2018			Amounts recognised in statement of financial position according to IFRS9			
(€Mn)	Categories in accordance with IFRS9	Carrying Amount June 30, 2018	Amortised Cost	Fair value recognised in OCI	Fair value recognised in profit or loss	Fair value
Assets						
Loans	FAAC	178.1	178.1	-	-	178.1
Financial assets	EIFVOCI	383.9	-	383.9	-	383.9
Derivatives at fair value	DIFVPL	6.4	-	-	6.4	6.4
Trade receivables from activity ⁽¹⁾	FAAC	69.2	69.2	-	-	69.2
Other receivables ⁽²⁾	FAAC	7.8	7.8	-	-	7.8
Cash and cash equivalents	FAAC	52.0	52.0	-	-	52.0
		697.4	307.1	383.9	6.4	697.4
Liabilities						
Commitment to non-controlling interests	FLFVPL	1,081.1	-	-	1,081.1	1,081.1
Financial debts	FLAC	8,742.0	8,742.0	-	-	8,660
Financial leases	FLAC	33.3	33.3	-	-	33.3
Guarantee deposits	FLAC	11.2	11.2	-	-	11.2
Non-current amounts due on investments	FLAC	55.0	55.0	-	-	55.0
Amounts due to suppliers and other current debt ⁽³⁾	FLAC	323.6	323.6	-	-	323.6
		10,246.2	9,165.1	-	1,081.1	10,164.2

⁽¹⁾ Excluding rent-free periods and step rents.

⁽²⁾ Excluding prepaid expenses, service charges due and tax receivables.

⁽³⁾ Excluding prepaid income, service charges billed and tax liabilities.

“Trade receivables from activity”, “Other receivables”, “Cash and cash equivalents” and “Amounts due to suppliers and other current debt” mainly have short-term maturity. Consequently, their carrying amounts at the reporting date approximate the fair value.

9.3. Fair value hierarchy of financial assets and liabilities

IFRS 13 establishes a hierarchy of valuation techniques for financial instruments. The following categories are identified:

- Level 1: financial instruments quoted in an active market;
- Level 2: financial instruments whose fair value is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: financial instruments whose fair value is determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument (i.e. without modification or repackaging) and not based on available observable market data.

The chart below presents the fair value breakdown among the three hierarchical levels defined by IFRS 13.

(€Mn)	Fair value measurement as at June 30, 2018			
	Total	Level 1	Level 2	Level 3
Assets				
<i>Fair value through OCI</i>				
Financial assets	383.9	-	-	383.9
<i>Fair value through profit or loss</i>				
Derivatives	6.4	-	6.4	-
Total	390.3	-	6.4	383.9
Liabilities				
<i>Fair value through profit or loss</i>				
Commitment to non-controlling interests	1,081.1	-	-	1,081.1
Total	1,081.1	-	-	1,081.1

The above financial assets and liabilities relates to WAT. There are no significant financial assets and liabilities movements between June 7, 2018 and June 30, 2018.

The fair value of the financial assets has been determined by reference to the fair value of the underlying investment properties which are valued by independent appraisers. The assumptions are based on the actual distribution rate compared to the market distribution rate.

For the commitment to non-controlling level 3 hierarchy, the method used is based on a share price multiple calculated using valuations of peers in the US (Mall REIT multiple).

NOTE 10. TAXES

10.1. Income tax expenses

(€Mn)	H1-2018
Current tax – underlying operations	(2.2)
Non- recurring deferred tax	(2.6)
Total tax	(4.8)

The current income tax expense relate to the positive taxable result of WAT. The Company qualifies as a FII (Fiscal Investment Institution <in Dutch: *Fiscale Beleggings Instelling*>) for the corporate income tax in The Netherlands in accordance with section 28 of the Dutch ‘Wet op de vennootschapsbelasting 1969’. The corporate tax rate of a FII is 0% in the Netherlands.

The amounts for income tax expenses and deferred taxes are determined in accordance with the description as given in 4.16 of Note 4.

10.2. Deferred taxes

(€Mn)	June 30, 2018
Deferred tax liabilities	
Deferred tax on investment properties	1,421.9
Other timing differences	18.7
Total deferred tax liabilities	1,440.6

NOTE 11. PROVISIONS

The determination of the amount of provisions requires the use of estimates and assumptions made by the Management as well as its judgment, on the basis of the information available or situations prevalent at the date of preparation of the accounts, which may be different from the subsequent actual events. As at June 30, 2018, the short-term provision amounted €11.5 Mn and relates to WAT.

NOTE 12. EMPLOYEE BENEFITS

12.1. Share-based payments

During the first half year of 2018 no plans for stock options were granted and performance share plan were awarded to the Management Board and employees of the Group. At the moment the Group is assessing new stock options and performance share plans to be granted respectively awarded to the Management Board and employees of the Group. One Management Board member of the Group holds stock options and receives performance share plan of Unibail-Rodamco SE.

All stock options and performance share plan of WEA have been settled before the acquisition date.

12.2. Remuneration of the Management Board and the Supervisory Board

On June 1, 2018, the shareholder of WFD Unibail-Rodamco N.V. approved, by a resolution in writing, the new remuneration policy and all its components applicable to the Management Board members, as well as the annual fees to be received by the Supervisory members, subject to and as from the completion of the Westfield Corporation acquisition.

The remuneration policy of members of the Management Board and the Supervisory Board, applicable as from June 7, 2018 is described in the section 10.4.3 of the Prospectus dated March 28, 2018, approved by the AFM.

NOTE 13. SHARE CAPITAL AND DIVIDENDS

13.1. Share capital

The following table reflects the share capital and average number of shares diluted and undiluted of the Group:

13.1.1. Share capital

	Total number of shares
As at February 14, 2018	90,000
Class A shares	138,192,967
Class B shares	93,248,315
As at June 30, 2018	231,531,282

The authorised share capital as at June 30, 2018 amounts to €550 Mn divided over 660 Mn ordinary class A shares and 440 Mn class B shares of €0.5 per share.

The issued and paid up share capital amounts to €115.8 Mn, formed by 138,282,967 ordinary A shares and 93,248,315 ordinary B shares as at June 30, 2018. All class B shares are held by Unibail-Rodamco SE. Class A and B shares are shares carrying one vote per share and ordinary dividend rights.

The Class A shares are stapled with the shares in Unibail-Rodamco SE (Stapled shares). As a consequence of the Stapled structure the exercise of the convertible bonds (ORNANE and ORA- financial instruments issued by Unibail-Rodamco SE)) and stock options plans, performance shares of Unibail-Rodamco SE will also have a dilutive impact on the shares of WFD UR NV (with a share issuance at that time).

13.1.2. Average number of shares diluted and undiluted

	H1-2018
Average number of shares (undiluted)	45,702,515
Dilutive impact	
Potential shares via stock options ⁽¹⁾	34,266
Attributed performance shares (unvested) ⁽¹⁾	143,845
Potential shares via ORNANE	3,469,345
Potential shares via ORA	7,662
Average number of shares (diluted)	49,357,633

⁽¹⁾ Correspond only to shares or stock options and attributed performance shares which are in the money and for which the performance conditions are fulfilled.

Unibail-Rodamco SE stock options and performance not exercised at the period-end

The Unibail-Rodamco SE stock options and performance shares not exercised at the period-end have a dilutive impact on the Class A shares due to the stapling of the shares of Unibail-Rodamco SE and WFD UR NV. The table below shows the Unibail-Rodamco SE allocated stock options and performance shares not exercised at the period-end:

Unibail-Rodamco SE allocated stock options not exercised at the period-end

Plan		Exercise period ⁽¹⁾	Adjusted subscription price (€) ⁽²⁾	Number of options granted	Adjustments in number of options ⁽²⁾	Number of options cancelled	Number of options exercised	Potential additional number of shares ⁽³⁾
2010 plan (n° 6)	2011	from 11/03/2015 to 10/03/2018	141.54	753,950	15,059	182,626	586,383	-
2011 plan (n° 7)	2011	from 10/06/2015 to 09/06/2018	152.03	26,000	-	-	26,000	-
	2012	from 15/03/2016 to 14/03/2019	146.11	672,202	-	156,067	486,429	29,706
	2013	from 05/03/2017 to 04/03/2020	173.16	617,066	-	150,361	354,047	112,658
	2014	from 04/03/2018 to 03/03/2021	186.10	606,087	-	187,442	22,031	396,614
2015 plan (n° 8)	2015	from 04/03/2019 to 03/03/2022	256.81	615,860	-	161,088	-	454,772
	2015	from 05/09/2019 to 04/09/2022	238.33	7,225	-	2,125	-	5,100
	2016	from 09/03/2020 to 08/03/2023	227.24	611,608	-	96,053	1,913	513,642
2017 plan (n° 9)	2017	from 08/03/2021 to 07/03/2024	218.47	611,611	-	46,754	-	564,857
	2018	from 06/03/2022 to 05/03/2025	190.09	630,135	-	-	-	630,135
Total				5,151,744	15,059	982,516	1,476,803	2,707,484

⁽¹⁾ Under assumption that the performance and presence conditions are satisfied. If the first day of the exercise period is a non-business day, the retained date will be the next business day. If the end of the exercise period is a non-business day, the retained date will be the first preceding business day.

⁽²⁾ Adjustments reflect distribution paid from retained earnings.

⁽³⁾ All the options are subject to one or more performance conditions.

Unibail-Rodamco SE allocated performance shares not exercised at the period-end

Starting date of the vesting period ⁽¹⁾	Number of performance shares allocated	Number of performance shares cancelled	Number of performance shares acquired	Potential additional number of shares ⁽²⁾
2012	44,975	10,479	34,496	-
2013	36,056	7,632	28,424	-
2014	36,516	9,579	26,937	-
2015	37,554	9,748	18,699	9,107
2016	36,745	5,716	-	31,029
2017	39,770	3,110	-	36,660
March 2018	82,539	-	-	82,539
May 2018	38,130	-	-	38,130
Total	352,285	46,264	108,556	197,465

⁽¹⁾ For French tax residents: a minimum vesting period of three years, and a minimum holding period of two years once vested. For non-French tax residents: a minimum vesting period of four years without any requirement to hold the shares.

⁽²⁾ All the shares are subject to one or more performance conditions.

13.2. Share premium

Share premium is paid up share capital in excess of nominal value. The amount of share premium is €2,242.6 Mn as at June 30, 2018.

13.3. Dividends

No dividends were declared or paid during the reporting period.

NOTE 14. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

14.1. Capital expenditure commitments

The following are prepared on a proportionate basis which includes both consolidated and equity accounted capital expenditure commitments.

Estimated capital expenditure committed at balance date but not provided for in relation to development projects.

(€Mn)	June 30, 2018
Due within one year	157.3
Due between one and five years	127.7
Total capital expenditures commitments	285.0

Total capital expenditure commitment of €285.0 Mn comprises €74.6 Mn of consolidated and €210.4 Mn of equity accounted capital expenditure commitments.

14.2. Lease receivables and payables

The following are prepared on a proportionate basis which includes both consolidated and equity accounted operating lease receivables.

Operating lease receivables

Substantially all of the property owned and leased by the Group is leased to third party retailers. Lease terms vary between retailers and some leases include percentage rental payments based on sales revenue.

Future minimum rental revenues under non-cancellable operating retail property leases:

(€Mn)	June 30, 2018
Due within one year	545.9
Due between one and five years	1,896.8
Due after five years	1,768.7
Total operating lease receivables	4,211.4

These amounts do not include percentage rentals which may become receivable under certain leases on the basis of retailer sales in excess of stipulated minimums and do not include any recovery of outgoings.

Total operating lease receivables of €4,211.4 Mn comprises €2,413.9 Mn of consolidated and €1,797.5 Mn of equity accounted operating lease receivables.

Operating lease payables

The following are prepared on a proportionate basis which includes both consolidated and equity accounted operating lease payable.

(€Mn)	June 30, 2018
Due within one year	45.4
Due between one and five years	239.8
Due after five years	385.3
Total operating lease payables	670.5

Total operating lease payables of €670.5 Mn comprises €666.0 Mn of consolidated and €4.5 Mn of equity accounted operating lease payables.

14.3. Contingent liabilities

The following are prepared on a proportionate basis which includes both consolidated and equity accounted contingent liabilities.

(€Mn)	June 30, 2018
Performance guarantees	49.1
Guaranteed borrowings of related entities	1,924.5
Total contingent liabilities	1,973.6

The Group's obligation with respect to performance guarantees may be called on at any time dependent upon the performance or non-performance of certain third parties.

On June 28, 2018, Unibail-Rodamco SE and WFD Unibail-Rodamco N.V announced the implementation of cross guarantees. The Company as part of the “Unibail-Rodamco Guarantors” has jointly and severally agreed to guarantee the payment of all sums payable from time to time under the outstanding guaranteed senior notes issued by certain subsidiaries of the former Westfield Corporation (WEA Finance LLC, Westfield UK & Europe Finance PLC and WFD Trust).

NOTE 15. LIST OF CONSOLIDATED COMPANIES

The table below shows only the list of the significant consolidated companies:

List of consolidated companies	Country	Method (1)	% interest June 30, 2018
WFD Unibail-Rodamco N.V.	The Netherlands	FC	100.00
WFD Unibail-Rodamco Real Estate B.V.	The Netherlands	FC	100.00
URW America Inc.	United States	FC	100.00
Westfield America Trust	Australia	FC	100.00
WFD America Inc. (WEA)	United States	FC	82.39

(1) FC: full consolidation method

NOTE 16. SUBSEQUENT EVENTS

On August 23, 2018 Horton Plaza in San Diego, held by WEA, was disposed and generated a NDP¹ of €81 Mn. The net disposal price is in line with the valuation on June 30, 2018.

On September 13, 2018 WEA Finance LLC, held by WEA, issued two guaranteed senior notes (the "144A Notes"). of an amount of \$500 Mn with a fixed coupon rate of 4.125% and \$500 Mn with a fixed coupon rate of 4.625% . The maturity date is 2028 and 2048, respectively.

¹ Net Disposal Price (NDP): Total Acquisition Cost (TAC) incurred by the acquirer minus all transfer taxes and transaction costs.

III MANAGEMENT'S DECLARATION

In accordance with Article 5.25d of the Dutch financial markets supervision act (Wet op het Financieel Toezicht), the members of the Management Board of WFD Unibail-Rodamco N.V. declare that to the best of their knowledge, the consolidated interim financial statements for the half year ended June 30, 2018, prepared in accordance with IFRS as adopted for use in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the year. The management report presents a fair view of the development and performance of the business and the impact on the results and on the financial situation of the Company for the first semester 2018, including the principal transactions between related parties as well as a description of the main risks and the principal uncertainties to which it is exposed for the next six months.

Signed on behalf of the Management Board by:

Schiphol, September 28, 2018

Jean- Marie Tritant

Gerard Sieben

IV INDEPENDENT AUDITORS' REVIEW REPORT

To: the shareholders, management board and supervisory board of WFD Unibail-Rodamco N.V.

Introduction

We have reviewed the accompanying consolidated interim financial statements of WFD Unibail-Rodamco N.V., Schiphol (Haarlemmermeer), which comprise the consolidated interim statement of financial position as at 30 June 2018, the consolidated interim statements of comprehensive income, changes in equity and cash flows for the period 14 February 2018 to 30 June 2018 and the notes, comprising a summary of the significant accounting policies and other explanatory information.

Management is responsible for the preparation and presentation of these consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope

We conducted our review in accordance with Dutch law, including the Dutch Standard 2410 '*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Dutch Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements for the period 14 February 2018 to 30 June 2018 is not prepared, in all material aspects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amsterdam, 28 September 2018
Ernst & Young Accountants LLP

M. Hagers