<u>Letter to the members of the Supervisory Board forming the "exposé des motifs" supporting our draft resolutions</u>

Dear Members of the Supervisory Board,

We are writing to you on behalf of Flagship Retail Investment S.à r.l. ("**Flagship Retail Investment**"), an investment vehicle of Aermont Capital Real Estate Fund IV SCSp managed by Aermont Capital Management S.à r.l. and Rock Investment, a wholly-owned subsidiary of NJJ Holding, the personal investment vehicle of Xavier Niel ("**Rock Investment**"), a consortium of leading European investors acting in concert as per the threshold notice sent to you on this day. Our consortium is led by Léon Bressler, the former Chairman and CEO of Unibail, predecessor to Unibail-Rodamco-Westfield SE ("**URW**" or the "**company**"), and Xavier Niel, a recognised entrepreneur who is the founder and majority shareholder of French listed telecommunication services provider Iliad. We jointly own 4.1% of the stapled shares of URW, positioning us among the company's largest shareholders.

The company recently announced its so-called RESET plan, underpinned by a severely dilutive rights issue of EUR 3.5 billion[1], which would be the largest equity issuance in US and European REIT history.

We are taking this opportunity to inform you that we will vote against the resolution authorising the capital increase at the General Meeting and encourage all shareholders to do the same. We wanted to explain our rationale in this letter and outline what we believe is the best strategy for the company going forward.

We strongly believe the proposed rights issue is a misguided act by a management who remains prisoner of a failed strategy that began with the acquisition of Westfield. We view the company's existing liquidity profile and continued access to bond markets as solid in the context of the challenges it faces. The rights issue is therefore completely unnecessary and highly destructive to shareholders.

We also believe that a proactive strategic decision should be taken to re-establish the pure-play focus of Europe's leading prime shopping centre business, by selling the company's US assets. Unshackling URW from its US portfolio, among other actions, will generate a superior performance over the long-term and eliminate any issues of high debt, to the benefit of shareholders and all stakeholders.

It is the responsibility of the Supervisory Board to support a strategy that creates value for its shareholders. With that objective in mind, we propose to strengthen the Supervisory Board and have submitted resolutions to the General Meeting for the admission of three new members.

<u>1) Westfield – Wrong Move, Wrong Time, Wrong Price</u>

URW's problems are primarily a consequence of its acquisition of Westfield in 2018. Since the transaction's announcement on 12 December 2017[2], the company's share price collapsed 86%[3] from EUR 224.1 to EUR 31.5 as of 30 September 2020, around the lowest level in over 20 years. Roughly half the price collapse, representing EUR 11.7 billion[4] in destroyed equity value, pre-dated the arrival of the Covid-19 pandemic in Europe and the US.

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[1] Source: Company ("RESET capital structure for the future")

[2] Source: Company ("Unibail-Rodamco and Westfield corporation announce the creation of the world's premier developer and operator of flagship shopping destinations")

[3] Source: Bloomberg

[4] Difference between the pro forma Westfield acquisition market cap (calculated as Unibail-Rodamco market capitalisation (€22.4 billion) plus Westfield market capitalisation (€11.4 billion) less cash portion of the deal

The transaction was the **wrong move**, at the **wrong time** and at the **wrong price**. Moreover, it burdened the company with debt, distracted management and was a gross misallocation of resources.

- **Wrong move**: There was no convincing rationale to enter the US and UK, two oversupplied markets with limited rental tension. Potential synergies were negligible in the context of leasing operations on different continents and relative to the size of the acquisition. The company's pure-play position as the leader in the more attractive Continental European market was far superior and served shareholders and all stakeholders well for many years.

- **Wrong time**: The radical transformation of the US retail market was already well advanced and visible for all to see at the time of the transaction. Share prices for the very best mall companies[5] had lost some 29% from their all-time highs in August 2016, while the B-mall index[6] had plunged some 56%. URW effectively caught a large falling knife in full motion.

- **Wrong price:** Despite deteriorating public market values across the sector, the transaction was sealed at a disconnected price on the basis of a 3.8%[7] going-in property yield (3.4%[8] including development pipeline). As a comparison, Simon Property Group was already trading at an implied 6.1%[9] property yield. In addition to the low yields, EUR 3.2[10] billion of goodwill was paid, representing a premium of around 15% over Westfield's spot portfolio value. Several development projects valued in the transaction at a substantial premium to cost have since been removed from URW's pipeline (including projects in Milan, Italy and Croydon, UK).

Around EUR 13 billion[11] of debt was added in the context of the transaction, which is the source of the company's high debt today.

The transaction was also the ultimate distraction, consuming tremendous management attention and resources at a critical time in the global evolution of retail. Following the transaction, many of Westfield's most effective and successful executives, who had been instrumental to Westfield's success over the prior decades, were not retained.

In addition, the Management Board was reduced to only two members, the CEO and CFO, eliminating representation from key business unit heads. We view that construction as one of extremely poor governance.

Consequently, URW entered the Covid-19 pandemic and ensuing crisis in a weakened and vulnerable position. It has since been disproportionately affected.

(€4.8 billion)) and market capitalisation of URW as of 12 February 2020 (€17.3 billion date of publication FY 2019 results)

[5] Includes Simon Properties Group (SPG), Taubman Centers (TCO) and Macerich (MAC). Source of change in index value: Bloomberg

[6] Includes Washington Prime Group (WPG), Pennsylvania REIT (PEI) and CBL & Associates (CBL). Source of change in index value: Bloomberg

[7] LTM net rental income divided by restated EV (excluding development pipeline at cost)

[8] LTM net rental income divided by EV

[9] Source: GreenStreet Advisors "Mall Sector Update - December 1, 2017"

[10] Initial goodwill generated by the transaction, as disclosed in FY 2018 press release

[11] Including Westfield debt, new bonds and new hybrid securities

2) Debt – The Wrong Focus (for Right Now)

While the high level of debt generated by the Westfield transaction must be corrected over time, it does not present a near-term liquidity issue. Supportive factors include URW's ability to service its bonds, their long-term average maturity profile, the company's substantial liquidity buffers and continued access to bond markets.

Strong debt service capability is evidenced by high reported ICR ratios (4.2x[12] / 5.7x as of 30 June 2020 and 31 December 2019, respectively), which could accommodate a further potential hit to income if the pandemic or its scars persist for some time. An increase in interest rates could also be absorbed.

While refinancing needs must be planned for, the company's long-dated bond terms (8.5 years on average as of 30 June 2020) with moderate maturities in the next few years will limit such pressures for a considerable period. Moreover, record liquidity buffers (EUR 12.7 billion as of 30 June 2020) represent more than three-years of upcoming bond maturities, without taking into account accumulated cashflow or proceeds from asset sales over the same period.

Importantly, bond markets have remained supportive of URW since the pandemic began. In April and June 2020, the company successfully placed EUR 2.15 billion of new bonds (in aggregate) with EUR 1.5 billion maturing in 10-12-years and EUR 600 million in five. Fixed coupon rates ranged from 2-2.625%[13].

URW's bonds also continue to trade well. For example, after a 2020 low of around 95%[14] (trading price vs par) in April, two bonds of EUR 1 billion (in aggregate) maturing in 2025 traded slightly above par just before the RESET plan was announced on 16 September 2020. Despite the substantial transfer of wealth from equity to bond holders by the proposed capital increase, their prices improved only marginally after the announcement. We view the recent issuances and trading levels as confirmation that URW continues to enjoy solid access to bond markets, without the need of a capital increase.

3) "RESET" – The Wrong Plan (and Not a Strategy)

The RESET plan appears strong on acronyms, but light on strategy. It does include some asset disposals, reduction of capex and the quasi-elimination of the cash dividend, all of which are initiatives that we support to reduce net debt.

But the plan's main pillar is the proposed EUR 3.5 billion rights issue. Management's stated objective of that massive capital increase, with devastating consequences for shareholders, is to maintain the company's existing credit rating.

While we are sensitive to the company's credit quality, we do not see the target of a high credit rating as a strategy in and of itself. It does not justify the tremendous cost to shareholders imposed by the rights issue. Nor do we see that cost justified in broader liquidity terms.

The question then is what is the long-term strategy supported by the RESET plan? Where is the company going? What should it look like in five or ten-years' time?

[12] Source: Company – H1 2020 press release
[13] Source: €750m bond announcement on 22 June 2020 and €1,400m bond announcement on 2 April 2020
[14] Bloomberg, S&P Capital IQ

Management is not addressing these fundamental questions, but instead remains prisoner of the Westfield disaster.

4) Our Strategy: "REFOCUS" Europe's Leading Prime Shopping Centre Business

We strongly believe that strategic efforts must be made to re-establish URW as Europe's leading prime shopping centre business under a pure-play format, by selling the US portfolio in due course and using proceeds to eliminate the company's issue of high debt. URW's solid liquidity profile affords time to execute that strategy in a disciplined and patient manner, without the proposed capital increase.

From Stockholm to Barcelona, via Paris, London, Vienna, Warsaw and virtually all other key European cities, the company controls an irreplaceable portfolio of dominant prime shopping centres that is second to none. It is also distinguished by in-house expertise from its industry-leading property and asset management teams.

The dominance of Europe's best shopping centres, most of which are owned by URW, reflects a more favourable supply, physical and operational profile than in the US, owing partly to factors including history, density, urban constraints, legal and regulatory limitations, retailer characteristics and others. Europe's best centres are more resilient, evidenced by URW's own recent reporting of lacklustre US performance compared to a stronger rebound across its European portfolio. Such a comparison favouring Europe was already clear before the pandemic in the context of the global evolution of retail.

Furthermore, while URW benefits from an unparalleled portfolio in Europe, it is a marginal player in the US (USD 1.1 billion[15] of shopping mall gross rental income vs USD 5.6 billion[16] for Simon Property Group in full year 2019), perhaps the world's most competitive market. We therefore believe there is no justification to maintain a multi-continental approach. That conclusion is even stronger in a world dominated by de-globalisation and digitalisation.

Our strategy can be implemented under a rigorous plan, without requiring a capital increase. Liquidity will return to the US market in a post-pandemic world. The company should have realistic price expectations, which will then facilitate a disciplined process to sell URW's US assets. We expect the execution of such a process to take two to three years.

URW will then enjoy a far superior competitive position under a pure-play format as its sector's leading European business and with a healthy balance sheet. It will have the strategic focus and capital necessary to invest in assets, technology and people to ensure it thrives in a changing world.

5) Enhanced Leadership and Oversight Required to Deliver Change

Seven of the Supervisory Board's nine current members voted to approve the Westfield transaction; the eighth and ninth member joined after its completion. We now place great expectations on the Supervisory Board to reconsider its perspective with hindsight, to support our proposed strategy and to help create the processes under which it will be successfully implemented by the Management Board.

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[15] EUR 958 million of US shopping mall gross rental income as of full year 2019 converted in USD at 1.12024 EUR/USD exchange rate (as at 31 December 2019)

[16] FY 2019 revenues

Our submission of resolutions to the General Meeting for the admission of three new members to the Supervisory Board is made in that spirit. Their admission will constructively strengthen your board, while addressing needs identified in the Supervisory Board's own self-assessment issued along with the company's 2019 results. The board will then be better equipped to help move the company in the right strategic direction.

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While this letter has been necessarily frank and direct in its analysis of the recent past, rest assured we are completely focussed on URW's future and confident we are fully aligned with you in wanting to build sustainable shareholder value and create a stronger URW for all. We look forward to discussing our ideas with you.

Sincerely,