Monday 29 July 2019

PRESS RELEASE

HAMMERSON PLC - UNAUDITED 2019 HALF-YEAR RESULTS

90% OF 2019 DISPOSAL TARGET MET WITH MAJOR FRENCH SALE

Disposal Programme and Portfolio Optimisation

- Disposal update: Total disposals of £456 million; 90% of £500 million target for 2019 achieved
  - Contracts exchanged for sale of 75% of Italie Deux and Italik extension for £423 million, representing a net initial yield of 4.1%
  - Progressing additional transactions on asset sales across the portfolio
  - Committed to the sale of UK retail parks over the medium term; disposals of £33m in H1 2019
- Debt reduction: Pro forma net debt reduced to £3.1bn, gearing 61%, headline LTV 37%
- City Quarters: Planning application submitted for Martineau Galleries, Birmingham, the first major City Quarters scheme; revised mixed-use application submitted for The Goodsyard, Shoreditch, London

Key Financials

- EPS & dividend: Adjusted EPS of 14.0p (-7.3%) impacted by the on-going disposal programme; interim dividend of 11.1p unchanged
- Lfl NRI: Group -0.1%; UK flagship destinations -6.8% impacted by CVAs and administrations; premium outlets +11.1%
- NAVPS & portfolio valuations: H1 NAVPS of £6.85 (-7.2%); Low transaction volumes and a weak UK retail market impacted portfolio valuations. The Group produced a capital return of -4.4%; UK flagships -9.1%; Premium outlets +4.5%; French flagships -3.9%; Ireland flagships -3.2% and retail parks -10.9%

Operational Update

- Repurposing of space: 92% of new UK flagship leases signed to non-fashion and F&B brands
- Occupancy: High level of Group occupancy maintained at 96.7%. UK flagship occupancy 96.4%; Ireland 99.5%; France 97.0% and retail parks 96.7%
- Tenant restructuring: UK flagship LFL NRI impact -1.8% in H1 2019 (H1 2018 -0.9%)
  - 45 units across UK flagships affected by tenant restructuring in H1 2019, 84% still trading and annualised rent loss of £1.5m
  - Over the past 18 months, 49% of UK & Ireland stores impacted by CVAs have been Category A (no reduction to rent), compared to 37% for the wider market
- Leasing Total UK flagship rent from new leasing -1% vs previous passing rent: high street fashion -25%; consumer brands, aspirational fashion and F&B +27%
- Footfall: Positive footfall growth across all territories with outperformance of the national footfall index for both UK and French flagships
  - UK flagship footfall +0.5%; French flagships +0.5%; and Ireland flagships +0.6%
- Premium outlets: Sustained exceptional performance with premium outlets now accounting for 27% of the Group's property portfolio
  - Continued uplift in brand sales: Value Retail +11% and VIA Outlets +10% vs H1 2018
  - Accelerated footfall growth: Value Retail +7% and VIA Outlets +8% against H1 2018
- Net Positive: Further progress towards 2030 target: Energy usage fell by14% following investment in energy efficient technology, delivering a 13% reduction in carbon emissions across the portfolio

David Atkins, Chief Executive of Hammerson, said: "The UK retail landscape is undoubtedly challenging and traditional high street fashion is under pressure. However, our focus on shifting our line-up towards categories with greater customer appeal and rental growth potential has resulted in over 90% of new leasing to leading consumer and F&B brands. We've seen a stronger performance in Ireland and France, alongside continued exceptional results from premium outlets which demonstrates the benefits of our diversified portfolio.

"Our absolute priority remains to reduce debt. We stated our intention to achieve over £500m of disposals in 2019 and even in this tough environment where deals are taking longer to transact, we are now most of the way there. We will continue to pursue additional sales throughout 2019 and into 2020 to further strengthen our balance sheet."

Half-year 2019 results at a glance

Six months ended:	30 June 2019	30 June 2018	Change
Net rental income (1)	**£156.6m**	£178.5m	–12.3%
Adjusted profit (2)	**£107.4m**	£120.0m	–10.5%
Adjusted earnings per share (2)	**14.0p**	15.1p	–7.3%
IFRS (loss)/profit (including non-cash valuation changes) (3)	**£(319.8)m**	£55.7m	
Basic (loss)/earnings per share (3)	**(41.8)p**	7.0p	
Interim dividend per share	**11.1p**	11.1p	
As at:	**30 June 2019**	31 December 2018	
Portfolio value (4)	**£9,542m**	£9,938m	–4.0%
Equity shareholders' funds	**£4,994m**	£5,433m	–8.1%
EPRA net asset value per share (2)	**£6.85**	£7.38	–7.2%
Gearing (5)	**69%**	63%	+6p.p.
Loan to value – headline (5)	**40%**	38%	+2p.p.
Loan to value - fully proportionally consolidated (5)	**46%**	43%	+3p.p.

(1) Proportionally consolidated basis, excluding premium outlets. See page 18 of the Financial review for a description of the presentation of financial information.
(2) Calculations for adjusted and EPRA figures are shown in note 8 to the financial statements on pages 43 and 46.
(3) Attributable to equity shareholders, includes portfolio non-cash revaluation losses of £423 million, including premium outlets (30 June 2018: £40 million).
(4) Proportionally consolidated, including premium outlets. See page 18 of the Financial Review for a description of the presentation of financial information.
(5) See Table 18 on page 64 for supporting calculations for gearing and loan to value.

Results presentation today:

The results presentation is being held today at 9.00 a.m. at FTI Consulting, 200 Aldersgate, Aldersgate Street, London EC1A 4HD. A live webcast of Hammerson's results presentation will be broadcast today at 9.00 a.m. via the Company's website, www.hammerson.com. At the end of the presentation you will be able to participate in a question and answer session by dialling: +44 (0) 207 192 8000 (UK), +353 (0) 14319615 (Ireland) +27 10500 7996 (South Africa), +33 (0) 17670 07 94 (France), +31 (0) 207143545 (Netherlands) and +16315107495 (USA). Please quote confirmation code 3878546. A playback of the webcast will be available at www.hammerson.com.

Financial calendar:

Ex-dividend date (SA)	28 August 2019
Ex-dividend date (UK)	29 August 2019
Record date (UK and SA)	30 August 2019
Interim dividend payable (UK and SA)	7 October 2019

Enquiries:

David Atkins, Chief Executive Officer	Tel: +44 (0)20 7887 1000	
Timon Drakesmith, Chief Financial Officer and MD, premium outlets	Tel: +44 (0)20 7887 1000	
Richard Shaw, Director of Finance	Tel: +44 (0)20 7887 1820	richard.shaw@hammerson.com
Josh Warren, Head of Investor Relations	Tel: +44 (0)20 7887 1109	josh.warren@hammerson.com
Catrin Sharp, Head of Corporate Communications	Tel: +44 (0)20 7887 1063	catrin.sharp@hammerson.com
John Waples, Dido Laurimore, FTI Consulting	Tel: +44 (0)20 3727 1000	

CONTENTS

INDEX TO KEY DATA

Unless otherwise stated, figures have been prepared on a proportionally consolidated basis, excluding premium outlets			Page
Income and operational – Six months ended:	30 June 2019	30 June 2018	
Occupancy	96.7%	96.6%	56
Like-for-like NRI growth	–4.4%	–0.4%	19
Like-for-like NRI growth (including premium outlets)	–0.1%	1.6%	19
Adjusted earnings per share	14.0p	15.1p	18
Leasing activity	£9.2m	£13.6m	–
Leasing v ERV	0%	+4%	–
Leasing vs previous passing rent	–1%	+5%	1
Like-for-like ERV growth	–2.3%	+0.2%	17
Footfall growth – UK flagships	0.5%	–1.6%	5
Retail sales growth – UK flagships	–2.0%	–2.5%	5
Footfall growth – France flagships	0.5%	2.3%	8
Retail sales growth – France flagships	1.3%	2.9%	8
Cost ratio	23.7%	19.9%	20
Interim dividend per share	11.1p	11.1p	21
Capital and financing – As at:	30 June 2019	31 December 2018	
Property portfolio value (including premium outlets)	£9.5bn	£9.9bn	15
Total property return (including premium outlets)	–2.3%	0.0%	17
Capital return (including premium outlets)	–4.4%	–4.3%	17
Net debt	£3.4bn	£3.4bn	23
Gearing	69%	63%	23
Loan to value – headline	40%	38%	23
Loan to value – fully proportionally consolidated	46%	43%	23
Liquidity	£736m	£729m	23
Weighted average interest rate	2.5%	2.7%	23
Interest cover	3.4 times	3.4 times	23
Net debt/EBITDA	10.2 times	9.5 times	23
Fixed rate debt	73%	74%	23
Portfolio currency hedge	80%	79%	23
Equity shareholders' funds	£5.0bn	£5.4bn	22
EPRA net asset value per share	£6.85	£7.38	22

CORPORATE OVERVIEW

Who we are

At Hammerson, we own and operate high-quality flagship destinations and premium outlets in selected European countries.

We create vibrant, continually evolving spaces, in and around thriving cities, where people and brands want to be. We seek to deliver value for all our stakeholders and to create a positive and sustainable impact for generations to come.

Our strategy

The retail property market is affected by a number of key themes which influence and guide our strategy, drive our priorities and impact our performance. These trends include: the structural shift to online, the importance of elevating experience, the sales outperformance of personal luxury goods and thriving cities. Further details on these market themes are provided on pages 10 and 11 of our 2018 Annual Report.

Our strategy has been led and informed by these market themes, as well as broader market conditions and our near term priorities. There are three elements to our strategy, which together will enable the business to drive returns for shareholders and deliver for customers and brands:

– Capital efficiency: Reduce debt
– Optimised portfolio: Exit retail parks and pursue portfolio-wide disposals. Establishing City Quarters
– Operational excellence: Manage the structural shift in retail

The Group's Positive Places strategy ensures we create destinations that deliver net positive impacts economically, socially and environmentally. In 2017, Hammerson launched a global first for the property sector: to be Net Positive for carbon, resource use, water, waste and socio-economic impacts by 2030 and we have made strong progress towards these ambitious targets in 2019. Further details are included in the Sustainability review on page 14.

Our markets in 2019

Our end markets are influenced by a range of consumer and economic trends.

UK: With the global backdrop softening and continued Brexit uncertainty, GDP growth is expected to weaken to 1.3% in 2019 and 1.6% in 2020. However, a pick-up in wage growth and easing of inflationary pressures have seen household spending rise over the last six months and spending is expected to grow by 1.8% in 2019 and 1.7% in 2020. The projections assume that the UK signs a withdrawal agreement with the EU. Consumer confidence remains subdued as parliament struggles to decide on the country's future relationship with the EU. Non-food retail continues to face price deflation alongside the impact of sterling weakness and increasing operating costs.

France: Internal uncertainty from the 'Gilets Jaunes' protests, the National Debate and European elections are fading as the year progresses. GDP growth is forecast at 1.4% in 2019 and 1.5% in 2020. Household spending is forecast to grow by 1.3% in 2019 and the same in 2020 benefiting from lower unemployment, rising wages, low inflation and new fiscal measures for households following the National Debate.

Ireland: Despite uncertainty over what form Brexit will take, the Irish economy has seen its jobless rate fall to the lowest level since 2005 and the economy is expected to grow by 2.7% in 2019 and 2.3% in 2020, again based on the assumption that the UK signs a withdrawal agreement with the EU. Consumer spending also remains strong and is forecast to grow by 2.3% in 2019 and 2.8% in 2020.

Premium outlets: Off-price is the second fastest growing channel for luxury sales, after online, and is forecast to continue to grow by 6% pa to 2025. Long haul tourism is a key driver for sales growth in our premium outlets, with tax free sales representing 19% of total sales at Value Retail and VIA Outlets and growing by 14% in the five months ending May 2019.

Investment markets: Investment volumes in European retail property investment markets have reduced in 2019, with very few prime shopping centre transactions and prospective buyers are becoming more selective and transactions taking longer to negotiate. The UK market continued to suffer with values declining at a similar rate to that in the second half of 2018. Despite the stronger operational environments, retail property values have also been marked down in France and Ireland, albeit to a lesser extent to the UK. Investment markets in premium outlets have also seen low transaction volumes, although strong trading at successful outlets with a strong brand offer is supporting values.

OPERATING REVIEW

This Operating review provides an overview of the performance of our portfolio sectors in the first half of 2019. Consistent with internal reporting as described in the Financial review on page 18, the operational metrics in this section are presented on a proportionally consolidated basis reflecting the Group's ownership share. Further portfolio analysis is provided in the Additional disclosures section on pages 55 to 59.

FLAGSHIP DESTINATIONS

UK FLAGSHIPS

We own 11 flagship destinations in the UK all of which are within, or close to, thriving city centres. Our portfolio has 834,000m^2 of lettable area with more than 1,000 tenants providing a wide mix of retail, F&B and leisure brands. Our prime centres include Bullring in Birmingham, Cabot Circus in Bristol, Union Square in Aberdeen and Westquay in Southampton and have attracted more than 180 million visitors over the last 12 months.

Operational summary

Key metrics	Like-for-like NRI growth %	Occupancy %	Leasing activity £m	Leasing vs ERV %	Retail sales growth %	Footfall growth %
30 June 2019	(6.8)	96.4	4.4	–4	(2.0)	0.5
31 December 2018[1]	(1.3)	97.6	14.4	+5	(2.9)	(1.8)
30 June 2018	(0.1)	97.2	6.8	+5	(2.5)	(1.6)

[1] 31 December figures are for the full year

Net rental income

Market conditions in UK retail continue to be challenging and net rental income, on a like-for-like basis, decreased by 6.8% in the first six months of the year. Tenant restructuring, in the form of CVAs and administrations, has been the largest single factor reducing income. CVAs enable struggling retailers to restructure their debt and costs to enable them to continue trading by applying to court and seeking approval from creditors. Landlords are usually the most compromised creditor group as cost reduction plans invariably include rent cuts and store closures determined by unit profitability.

During the first six months of the year, 10 of our retailers undertook a CVA or went into administration affecting 45 units and £8.0 million of passing rent, resulting in a £1.1 million reduction in passing rent. In total, since the beginning of 2018, 100 units have been impacted by CVAs or administrations, of which 74% are currently trading. The annualised rent reduction at 30 June 2019 was £5.5 million, equivalent to 1.6% of the Group's passing rent. Whilst tenant restructuring can reduce income and occupancy, it also provides opportunities to introduce new brands and improve the tenant mix at our destinations as landlords receive a break option where rents are reduced under a CVA.

On a like-for-like NRI basis, in the first half of 2019, these restructurings have accounted for over a quarter of the reduction, or £1.3 million, which includes the impact of tenant incentive write-offs, reduced rent and vacancy costs. The next most significant adverse factor affecting like-for-like income was the cost of vacancy which increased by £1.0 million and is consistent with lower occupancy and leasing volumes. Income also suffered because of reduced year-on-year commercialisation revenue, particularly from digital advertising, and additional marketing expenditure to drive footfall and support our 'super events' programme.

Despite the challenging trading conditions, collection rates remain high with 98% of rent collected within seven days of the June 2019 quarter day.

Occupancy and leasing

Occupancy levels across the portfolio stood at 96.4% at 30 June 2019, 80bp lower than the prior year comparative.

Leasing volumes have been lower in 2019 with 55 leases signed representing 26,300m^2 of space and £4.4 million of income. This performance is consistent with the more subdued retail market and also reflects the record volumes achieved in 2018 when we signed 93 leases representing rent of £6.8 million. In the first half of 2019 we also settled 23 rent reviews on leases with a total passing rent of £3.2 million, securing an uplift of 5%.

For principal leases, which accounted for 70% of total leasing, the average rent secured was 4% below December 2018 ERVs and 8% below the previous passing rent. The average lease term was nine years with an incentive package of just three months, four months less than in 2018. These statistics demonstrate how individual leases vary as 61% of leases were secured at or above December 2018 ERVs. The portfolio averaged 4% below December 2018 ERVs, albeit skewed by two lettings, both to aspirational brands designed to drive footfall and further occupancy.

During 2019, 25% of leasing has been on a temporary basis, compared with 14% in 2018. Temporary leases act to enhance the tenant offer across our portfolio, trial new concepts and brands, generate short-term income and mitigate void costs including business rates and service charge, although rents tend to be at levels significantly below ERV and previous passing rent. In the first half of the year, on average, these leases were 26% below previous passing rent and 55% below the December 2018 ERV, contributing to the weak like-for-like NRI performance during 2019.

Our leasing strategy continues to focus on reducing the amount of floor space occupied by challenged retail categories, including department stores and high street fashion, and replace them with exciting new aspirational fashion, leisure and F&B brands. Whilst this will broaden our offer and enhance the visitor experience, the speed of execution is hindered by existing lease structures. Nonetheless, during 2019, 85% of all new lettings, by income, have been to non-fashion operators, particularly independent F&B operators.

Key leasing deals during 2019 included:

- At Grand Central, @pizza, an Edinburgh-based pizza brand, opened its second restaurant. In May, Kitty Café, an F&B operator where customers can interact with 30 rescue cats, replaced Handmade Burger which closed following its administration.
- At Highcross, renowned television chef Cyrus Todiwala is to open his first restaurant outside of London. Tandem, which will be located in a Grade II listed building, will celebrate authentic Indian cuisine and cocktail mixology.
- At Silverburn, Stack & Still, operators of the UK's largest urban pancake and licensed bar venue, opened their second store. The restaurant is located in the Winter Garden area of the scheme in a dual level unit with capacity for 185 customers.
- At Victoria Gate in Leeds, Prestons is due to open a Rolex boutique in late summer whilst Aspinal of London relocates to Victoria Quarter.
- In July, LEGO Group signed to open two stores, their only UK openings in 2019, at Bullring and Westquay. These will be the first LEGO stores in our UK portfolio and are due to open in time for the Christmas shopping season. LEGO is an internationally recognised brand with strong consumer appeal and both stores will provide a variety of interactive play and events experience.
- We also introduced a number of exclusive brands with temporary pop-up stores for Rapha, the premium UK cycling brand at Victoria Leeds; Seekd, the sustainable jewellery and accessories brand at Brent Cross and Selfie Factory, which recently opened at Cabot Circus.

We continue to progress with plans to reconfigure the House of Fraser anchor stores in The Oracle and Cabot Circus and are in pre-letting discussions with a wide range of operators to provide an enlivened daytime and evening offer at both venues.

Footfall, sales and occupancy cost

Following a number of periods of decline, footfall grew by 0.5% in the first half of 2019, compared to the Shoppertrak benchmark of –3.2% and five centres reported increased footfall.

Retail sales at our centres fell by 2.0%, calculated on a same centre basis, broadly in line with the Visa index which fell by1.7%. Sales performance by centre and retail category has been mixed with stronger performances from F&B, sports & leisure and jewellery offset by weak high-street fashion. Department store performance has improved in 2019 although continues to be mixed, with a differentiation in performance between the various operators. The occupational cost ratio, calculated as total occupancy cost as a percentage of sales, decreased slightly from 22.6% at the end of 2018 to 22.2% at 30 June 2019, whilst rent to sales have reduced from 13.3% to 12.9%.

As we have previously explained, in-store sales figures are less relevant in an omni-channel retail environment as they do not capture the additional online sales benefit that tenants derive from their stores in our high-footfall flagship destinations. During 2019, we have further enhanced our insight capabilities and have used new geo location insight tools to accurately assess the volumes and quality of footfall driven by our events and marketing programmes.

Product experience initiatives

As announced at the 2018 annual result presentation, a key element of our strategy is to enhance the experience element of our venues, and we launched a 'super events' programme in 2019 across our flagship destinations in the UK, France and Ireland.

The Festival of Light, an immersive experience with new installations for 2019, was held at two of our UK venues: Westquay, Southampton and Bullring and Grand Central, Birmingham. Over 125,000 people attended the event and footfall was 9.8% higher at Bullring during the festival. The Maze at Westquay was held over a 10-day period in May with partner support from John Lewis & Partners, Bill's and Laings. Over 18,000 people experienced the 900m^2 maze on the esplanade adjacent to the venue's main leisure and F&B offering at Westquay South. The attraction increased footfall by 2.7% and 14% of visitors were new to Westquay. Both events exceeded expectations and acted to increase footfall, dwell times and attract new customers.

We continue to look at the use of technology to improve the experience in our destinations, both for consumers and our brands. During 2019 we completed the rollout of Chatbots and affiliate 'Shop Online' portals across our portfolio. We also recently commenced a trial with Deep North at Westquay, which utilises cutting edge AI technology within our existing infrastructure, to better understand customer behaviour. This will help us to deliver rich insights for our brands and help us to better quantify the true value of physical space.

IRELAND FLAGSHIPS

Our Irish portfolio consists of three flagship centres in Dublin: Dundrum Town Centre ('Dundrum'), the Ilac Centre and Pavilions in Swords, north Dublin. Dundrum accounts for two-thirds of the portfolio's value and is the country's pre-eminent retail and leisure destination. In total these three venues provide 200,000m^2 of high-quality space, with over 330 tenants and annual footfall of almost 45 million.

The portfolio also includes 30 acres of mixed-use development land adjacent to the flagship venues and the Dublin Central site in the city centre. These provide the potential to expand and diversify the portfolio and support the future delivery of our City Quarters concept (see page 12.

Operational summary

Key metrics[1]	Like-for-like NRI growth %	Occupancy %	Leasing activity £m	Leasing vs ERV %	Footfall growth %
30 June 2019	(7.4)	99.5	1.2	+4	0.6
31 December 2018[2]	1.6	99.0	2.6	+8	(2.4)
30 June 2018	4.0	98.9	1.5	+6	(3.0)

[1] Sales figures not yet available for Ireland

[2] 31 December figures are for the full year

Net rental income

Like-for-like net rental income fell by 7.4% during the first half of 2019. This reduction was isolated to Dundrum as Ilac and Pavilions both reported increased income. Dundrum's lower NRI was primarily due to the House of Fraser administration in late 2018 which resulted in a significant year-on-year reduction in rent. Since the change of ownership, House of Fraser has introduced new brands such as sofa.com and Agent Provocateur, however we continue to evaluate the most appropriate offer for this space as part of the tenant mix strategy for Dundrum.

Like-for-like income was also impacted by the receipt of a surrender premium from Hamleys in the first half of 2018 following the withdrawal of the brand from the Irish market. This space is now being redeveloped as part of the new Pembroke leisure hub.

Occupancy and leasing

Occupancy remained very high at 99.5% with good demand for units when they become available.

We signed 29 leases representing £1.2 million of annual rental income. For principal leases, rents secured were 12% above previous passing rents and 4% higher than December 2018 ERVs.

Key lettings at Dundrum in 2019 included Holland & Barrett; Kurt Geiger, taking its first full-line store in Ireland in the former Coast unit; Mad Egg, the Irish fried chicken brand's first store in a flagship destination; and Ely, the award-winning Irish wine bar and restaurant operator. At Pavilions, key new openings in the period included Five Guys, Milano, Superdry and Zaytoon, a contemporary Persian restaurant opening its third store in Ireland. Whilst at the Ilac Centre, Dunnes is reconfiguring its store to introduce an upmarket foodhall due to open in August 2019.

Work has now started on site at the new Pembroke district at Dundrum. The development will introduce a greater variety of food, leisure and entertainment at the venue with a 1,000m^2 Fallon & Byrne foodhall and a new public square. The former Hamleys building will be repurposed to an eight-lane Stella Bowl bowling alley and five new restaurants including LEON and PFChang's.

Apart from House of Fraser in late 2018, our Irish portfolio has been broadly unaffected by tenant restructuring, with UK CVAs usually excluding Irish stores, and there has been only one unit impacted by restructuring during 2019.

Footfall and sales

Due to restrictions in leases, sales data is not available for the majority of tenants in our Irish portfolio.

In the first half of 2019, footfall at our destinations increased by 0.6%, although this was 240bp lower than the Shoppertrak index. The underperformance being largely due to lower footfall at Dundrum associated with a reduced customer draw from the House of Fraser store following its administration, although trading has improved over recent months, and the impact of on-going reconfiguration works.

Product experience initiatives

Following its success in Southampton and Birmingham we held The Festival of Light 'super event' at Dundrum for the first time. As in the UK, the event attracted significant footfall and new customers to the venue. The annual Summer Fest is also currently being held in the Town Square at Dundrum providing a lively offer of food, music and entertainment until mid-August.

FRANCE FLAGSHIPS

We own and manage seven high-quality flagship destinations in France which accommodate over 800 tenants and attract over 75 million visitors each year. As in the UK and Ireland, the venues are in urban locations in Paris, Marseille and Nice. At 30 June 2019, the three largest destinations: Italie Deux, and Les 3 Fontaines in Paris and Les Terrasses du Port in Marseille account for 89% of the value of the French portfolio. Our French team works closely with the UK and Irish teams to ensure operational excellence is maintained across all our destinations and a number of functions including IT, marketing and product innovations have a group-wide remit.

We are on-site with extension projects at Italie Deux and Les 3 Fontaines to enhance the quality of these destinations and further details are provided on page 11.

Since 30 June 2019, we have exchanged contracts for the sale of 75% of Italie Deux, including the forward sale of the Italik extension for total proceeds of €473 million (£423 million). See page 15 of the Property portfolio review for further details.

Operational summary

Key metrics	Like-for-like NRI growth %	Occupancy %	Leasing activity £m	Leasing vs ERV %	Retail sales growth %	Footfall growth %
30 June 2019	0.1	97.0	2.8	+4	1.3	0.5
31 December 2018[1]	(0.9)	97.1	7.3	+5	2.2	2.5
30 June 2018	(1.1)	97.1	3.6	+2	2.9	2.3

[1] 31 December figures are for the full year

Net rental income

On a like-for-like basis, net rental income increased marginally by 0.1%. Rental indexation was largely offset by lower year-on-year surrender premiums and the adverse impact of tenant administrations.

Occupancy and leasing

The retail environment in France has been stronger than in the UK during the first half of 2019, although tenants are becoming more selective and leasing activity was particularly slow at the beginning of the year as tenants were cautious until the 'Gilets Jaunes' protests eased. Nonetheless, during the first half of the year, we signed 51 leases representing £2.8 million of rental income and 11,800m^2 of space. For principal leases, which represented 61% of leasing, the new rents were 4% above December 2018 ERVs and 5% above the previous passing rent.

During the first half of 2019 key leasing transactions included:

– New brands in our portfolio: Vorwerk at Les Terrasses du Port; Daniel Wellington and Emilie's and the Cookies at Nicetoile; Nin & Laur in Les 3 Fontaines; and Basic Fit in SQY Ouest.
– Significant reconfigurations or transfers: Rituals, Parfois, Mango and Le Temps des Cerises at Les Terrasses du Port; Levi's and Promod at O'Parinor; Undiz at Italie Deux; and La Poste at Espace Saint Quentin.

At 97.0%, occupancy levels were 10 basis points lower than at both the beginning of the year and 30 June 2018.

The rate of tenant restructuring has been lower in France than in the UK and 19 stores with passing rent of £1.4 million suffered tenant administration during the first half of the year, reducing 2019 total NRI by £0.5 million. At 30 June 2019 a total of 36 units were in administration, 13 higher than at the beginning of the year. All of these units continue to trade and represent 1.0% of the Group's passing rent.

Footfall, sales and occupancy cost

Footfall in our centres increased by 0.5% in the first half of 2019, 20 basis points ahead of the national CNCC Index. The 'Gilet Jaunes' demonstrations which were focused on major cities, such as Paris, Marseille and Nice, adversely impacted footfall at the beginning of the year. Nonetheless both Italie Deux and Les Terrasses du Port recorded footfall growth over the six month period.

Retail sales, calculated on a same centre basis, increased by 1.3% which was 110 basis points higher than the Banque de France index to June. The occupational cost ratio fell slightly from 13.7% at the beginning of the year to 13.5%, while the rent to sales ratio decreased by 20 basis points to 10.5% at 30 June 2019.

Product experience initiatives

We are planning 'super events' in France, including a rooftop ice rink at Les Terrasses du Port in the second half of the year. This is in addition to other local events including an art exhibition at Nicetoile 'Azur, La Riviera par Perrine Honoré' which runs until September.

We also agreed to install Amazon lockers across our portfolio and have trialled a new type of loyalty scheme 'Programme FIDEAL' in Espace St Quentin, Paris. This programme allows consumers, by registering their credit or debit card details, to automatically earn rewards every time they shop in our destination without having to present vouchers or a specific loyalty card. Initial feedback has been very positive and we will continue to assess new concepts to enhance our consumers' experience.

PREMIUM OUTLETS

Our exposure to the sector is through investments in Value Retail (VR) and VIA Outlets (VIA). At 30 June 2019 we had interests in 20 centres in 14 European countries offering 450,000m^2 of retail space for international luxury and fashion brands. At 30 June 2019, these investments represent 27% of the Group's property portfolio value, or 36% of EPRA net assets.

Our premium outlet investments are externally managed, independently financed and have operating metrics which differ from the Group's other sectors. The relevant legal agreements have pre-emption rights in favour of the Group and other owners of VR and VIA in the case of transactions of interests in the two businesses and have certain governance and liquidity provisions which are triggered by a change of control of Hammerson plc. During 2019 Timon Drakesmith was on the VR Board and the Chairman of the VIA Outlets Advisory Committee. Following his resignation, David Atkins will take over Timon's executive responsibilities for premium outlets.

Operational summary

	Value Retail[1]		VIA Outlets[1]	
	Six months ended 30 June 2019	Six months ended 30 June 2018	Six months ended 30 June 2019	Six months ended 30 June 2018
Brand sales (€m)	1,392	1,259	513	468
Brand sales growth (%)[3]	11	6	10	6
Footfall growth (%)[3]	7	2	8	-
Average spend per visit (€)[2]	79	76	35	34
Average sales densities growth (%)[3]	8	3	7	5
Like-for-like NRI growth (%)[4]	14	3	4	7
Occupancy (%)	95	94	93	91

1. With the exception of like-for-like net rental income growth, figures reflect overall portfolio performance, not Hammerson's ownership share and 2018 figures have been restated at 30 June 2019 exchange rates.
2. 2018 VIA footfall metrics have been restated following the collection of more accurate footfall figures.
3. Figures include assets owned for 18 months.
4. 2018 like-for-like NRI has been restated to exclude the impact of extensions and reconfigurations. VIA Outlets 2018 like-for-like NRI has also been restated for a foreign exchange correction (-6% impact to 2018 like-for-like NRI).

VALUE RETAIL ('VR')

Portfolio and ownership overview

VR owns and operates nine high-end Villages in the UK and Western Europe which provide 190,000m^2 of floor space and more than 1,000 stores. VR focuses on international fashion and luxury brands and attracts long-haul tourists and wealthy domestic customers.

The Villages, which include Bicester Village outside London, La Vallée Village, Paris and La Roca Village, Barcelona, are among the best outlet centres in Europe. The Villages actively target the growing shopping-tourism market as well as attracting footfall from affluent domestic catchments.

We hold our VR interests in the holding companies as well as direct investments in the Villages and have grown our economic interest in the net assets of VR from 20% to approximately 40% over the last five years. At 30 June 2019 the total portfolio was valued at £5.3 billion of which the Group's share was £1.9 billion. Details of our investments are shown in note 11 to the financial statements.

Income

Brand sales growth has again been strong in H1 2019 at 11%, driven by domestic and international guests. Tax-free sales at VR have increased by 14% during the first five months of 2019. Value Retail continues to invest in broadening long-haul tourist markets, withSouth Korea, Hong Kong and Taiwan being strong growth drivers in 2019 and China continuing to be the largest contributor. As in 2018, La Vallée Village achieved the highest brand sales growth as it continued to benefit from remerchandising activity and from high tax-free sales growth. Bicester Village was the other top performer as a result of increased footfall and occupancy. After a subdued performance in 2018, Wertheim Village has grown significantly, benefitting from active re-letting initiatives. Maasmechelen Village was the weakest performer in H1 2019, yet still recorded an increase in year-on-year brand sales.

Average sales densities increased by 8%, the best performances being at La Vallée Village, La Roca Village and Las Rozas Village.

Like-for-like net rental income growth was 14%. The strongest contributions were from Bicester Village, driven by increased occupancy following the opening of the extension in Q4 2017, and from La Vallée Village.

Occupancy and leasing

VR adopts an active leasing and asset management strategy to enhance and refresh the Villages and maximise the customer experience. This strategy drives sales and recurring footfall. During the first six months of 2019, 81 leases were signed, with a total of 22 new brands introduced to the Villages. Key brand openings included Sandro at Kildare Village and the upsize of Hugo Boss into a flagship store at Bicester Village. There has also been a specific focus on enhancing the F&B offer across the portfolio, demonstrated by the opening of Mordisco at La Roca Village and Made in Belgium Café at Maasmechelen Village.

Occupancy across the Villages was 95%, 100 basis points above the 30 June 2018 level. Occupancy at premium outlets is typically marginally lower than the Group's other sectors to support proactive re-merchandising.

VR management continues to develop successful marketing strategies. Loyalty apps have been enhanced and the focus on digital is illustrated by the successful partnerships with Instagram influencers and Privilege rewards programme members.

Developments and extensions

In March 2019, construction commenced on a 2,500m^2 development and remodelling at La Roca Village, Barcelona with practical completion targeted in Q4 2020. The development will provide a net increase of 21 retail units and over 300 additional underground car parking spaces. The total development cost for VR is estimated at €56 million.

Progress also continues on the extension project at Kildare Village, where construction works are expected to start later this year.

VIA OUTLETS ('VIA')

Portfolio overview

VIA is a joint venture formed in 2014 in partnership with APG, Value Retail and Meyer Bergman in which we have a 47% stake. It operates eleven outlets in nine European countries, providing over 260,000m^2 of floor space and 1,100 stores. The centres include Batavia Stad Amsterdam Fashion Outlet, Freeport Lisboa Fashion Outlet and Zweibrücken Fashion Outlet on the Germany/France border.

Over the last five years, VIA has built a significant pan-European portfolio by acquiring existing European outlet centres with strong catchments, focused on mainstream fashion brands and with potential for growth through active asset and development management. The team have implemented initiatives to enhance centre appearance, tenant mix, the provision of flagship stores and international brands, the leisure and catering offers, tourism marketing and overall centre management.

At 30 June 2019 the portfolio was valued at £1.4 billion of which the Group's share was £659 million. VIA Outlets has become a leading premium outlet operator in Europe, with the third largest portfolio by GLA, and has further evolved in 2019, with the continued internalisation of its management structure as illustrated by the appointment of Otto Ambagtsheer as CEO.

Discussions are in progress to convert VIA into a 50:50 joint venture between Hammerson and APG in the near future . Details of our investment are shown in note 10 to the financial statements.

Income

Like-for-like brand sales growth was 10% in H1 2019. The highest growth was achieved at Freeport Lisboa Fashion Outlet which benefited from the remodelling completed in November 2017 and recent remerchandising initiatives, with the opening of Polo Ralph Lauren in November 2018 and Karl Lagerfeld in April 2019. Double-digit sales growth was also achieved at Mallorca Fashion Outlet, Landquart Fashion Outlet and Batavia Stad Amsterdam Fashion Outlet.

Oslo Fashion Outlet has been the weakest performer with low year-on-year sales as the centre was impacted by a particularly mild winter affecting its outdoor gear retailers.

The sales performance resulted in like-for-like net rental income growth of 4%, with the most significant contributions from Freeport Lisboa Fashion Outlet and Landquart Fashion Outlet.

Occupancy and leasing

Occupancy levels increased to 93% during H1 2019, compared with 91% at H1 2018.

The strong sales growth outlined above reflects the benefits of VIA's management and remerchandising initiatives introduced across the portfolio and 121 leases were signed during H1 2019, including 46 new brands.

Key leasing transactions included the introduction of new brands such as a Weber pop up at Batavia Stad Amsterdam Fashion Outlet, Hugo Boss Woman at Landquart Fashion Outlet and Adidas at Oslo Fashion Outlet. Leasing also included first brand openings in the country such as Invicta at Freeport Lisboa Fashion Outlet, Simone Pérèle at Landquart Fashion Outlet and My Brand at Sevilla Fashion Outlet.

In 2019, VIA completed the deployment of its loyalty programme, Fashion Club, at all 11 centres in the portfolio. In partnership with brands, VIA continued to implement cross-portfolio marketing campaigns, including a recent sports campaign, and will develop further portfolio marketing initiatives in H2 2019.

Developments and extensions

Works continue on the extension of Hede Fashion Outlet which commenced at the end of 2018. The programme will add an additional 2,500m^2 to the centre and 15 units. In early 2019, a new train station adjacent to the outlet opened, allowing visitors to travel from Gothenburg's city centre to the outlet in just 20 minutes. The total investment for this centre amounts to €11 million and the extension is set to open in Q4 2019.

Following the acquisitions in December 2016, refurbishment works are continuing at Sevilla Fashion Outlet and Wroclaw Fashion Outlet. Refurbishment works have also started at Zweibrücken Fashion Outlet and are due to commence at Vila do Conde Porto Fashion Outlet and Oslo Fashion Outlet. Completion of these works is scheduled for late 2019 and early 2020 and will play an important part in delivering an enhanced experience to guests and welcoming new brands.

DEVELOPMENTS AND CITY QUARTERS

Overview

The Group has a proven track record in delivering iconic, urban developments including destinations such as Bullring, Victoria Gate and Les Terrasses du Port. Capital expenditure is tightly controlled and we will only commit to projects when the balance of risk and reward is acceptable. Factors evaluated include funding and financial returns, cost and programme certainty, leasing confidence and pre-letting performance. Whilst projects are controlled individually, our total exposure to development is also closely monitored. Reflecting current uncertainty in the UK and wider retail markets, our near-term focus is to reduce debt and we do not expect to commit to any major projects until markets stabilise.

At 30 June 2019, the value of the Group's development portfolio was £624 million, representing 7% of the Group's total property portfolio. 80% of the development value is related to five key schemes: Les 3 Fontaines extension, the Whitgift Centre in Croydon, Dublin Central, Victoria Phase 2 in Leeds and The Goodsyard.

Committed capital expenditure is £161 million at 30 June 2019 (31 December 2018: £163 million). The majority of this expenditure is related to the two on-site extension projects in Paris.

On-site developments

Les 3 Fontaines extension

Work has continued with the major extension of Les 3 Fontaines which coincides with the wider city centre development of Cergy-Pontoise, in the suburbs of Paris. The extension project involves a number of phases, including a 1,700 space car park completing in the autumn followed by a new food hall opening in spring 2020.

During 2019, we have revised the scheme, particularly the final phases, to reduce the space allocated to fashion and increase the space for F&B and leisure including the redevelopment of the existing roof terraces. These revisions have increased the projected income by £1 million to £17 million and the total development cost by £34 million to £320 million including additional future cost contingency.

The opening of the main extension is planned for Q2 2021, with the final leisure phase in Cergy 3, expected to open in mid-2023. At 30 June 2019, costs to complete total £144 million and the project was valued at £173 million. Due to outward yield shift and the revisions to the scheme, the development suffered a revaluation deficit of £46 million in the first half of 2019 which reversed previously recognised revaluation gains of £41 million.

When fully complete, the project is forecast to achieve a yield on cost of 5% and will extend the entire trading space to over 100,000m^2, creating one of the leading flagship destinations in the Paris region. Leasing is going well, with income pre-let increasing from 23% to 39% during 2019 to tenants including Adidas, Basilic Thai, JD Sports, Levis and Vapiano.

Italik extension

Italik, a 6,400m^2 extension of Italie Deux commenced in June 2018. The project will add 12 new retail, F&B and leisure units to our central Paris scheme and will create an attractive new façade for the existing centre. As previously reported the scheme has been delayed following a dispute with the contractor in late 2018. During 2019, the contractor was replaced and work restarted in March 2019. Whilst this process has not increased the total cost of the project, it has delayed the opening of the scheme which is now targeted for September 2020.

At 30 June 2019, the total development cost of the scheme is estimated at £40 million, with £18 million of costs remaining. The project was valued at £24 million and we have recognised £2 million of revaluation gains to date. In July, the development was forward sold as part of the disposal of 75% of Italie Deux. The sale will complete 18 months after the extension opens.

When launched the project is expected to generate £2 million of rental income representing an estimated yield on cost in excess of 5% and is currently 41% pre-let, 7% higher than at year end, to brands including M&S Foodhall, Noctis and Prêt-à-Manger. Spice World will also open its first restaurant in our portfolio.

Future major developments

Brent Cross and Croydon

As explained above we do not expect to commit to any new major expenditure in the near-term and are reviewing plans for our future major schemes at Brent Cross and Croydon to ensure the developments address changing customer and retailer requirements.

We remain in active discussions with local stakeholders to support third-party regeneration around both our existing interests, such as the new Brent Cross West Thameslink station and the mixed-use regeneration to the south of Brent Cross. We are progressing the scheme reviews and also continue to acquire the remaining sites in Croydon using the existing CPO powers.

The Goodsyard

In conjunction with Ballymore, our 50:50 joint venture partner, revised plans were submitted to the GLA as an amendment to the existing planning application for Bishopsgate Goodsyard. The major mixed-use scheme includes workspace, retail and residential elements at the 4.2ha site on the edge of the City of London. The amended application has additional housing, including more affordable homes and a larger public park. Determination from the Mayor of London is targeted by the end of this year.

CITY QUARTERS

A key strand of our strategy is our City Quarters concept which will leverage existing land interests around our flagship destinations, located in major European cities and near to key transport links. These provide opportunities to develop a mix of uses including residential, workspace, hotel and leisure and will deliver financial returns for the Group and complement our existing flagship destinations. We will use our existing relationships with local authorities and landowners to drive the success of our City Quarters, building on our track record of great place-making to create truly integrated sustainable communities.

This concept has significant scale, with the opportunity to deliver a total of 6,600 residential units, 1,600 hotel rooms, 300,000m^2 of workspace and nine parks and public spaces. An overview of a number of the projects is set out in the table below.

The opportunities have different timescales. Once schemes have been progressed and initial value secured through planning consents, we will determine the optimal implementation plan. This could include development by the Group, in partnership with expert third parties, or realisation of value through disposal whilst retaining a degree of control to deliver exceptional estate management.

During 2019, we have progressed a number of schemes, including:

- A residential scheme of over100 apartments directly adjacent to Dundrum where planning is progressing and the final application will be submitted shortly to enable a start on site in 2020.
- Also at Dundrum, a tender process has commenced to select an architect to masterplan a residential-led scheme on the Phase 2 land to the north of the centre.
- We are in active discussions on a co-working opportunity at Westquay, Southampton and a new hotel in Victoria Leeds. Work on both schemes could commence in 2020.
- We have submitted an outline planning application for the regeneration of Martineau Galleries in Birmingham city centre. The proposals for the seven acre site include up to 1,300 homes, 100,000m^2 of workspace, a new city centre hotel, restaurants and cafés. Work could commence in 2022.
- The planning process is underway to redevelop the six acre Dublin Central site, adjacent to our existing Ilac Centre. The scheme involves redeveloping buildings on O'Connell Street and Moore Street and in April ACME, the leading architect, was announced as the designer for the project. The current plans are for a mixed-use open scheme with improved pedestrian links and public spaces. Plans are at an early stage and significant engagement is on-going with local stakeholders to ensure the scheme reflects the historic heritage and commercial vibrancy of the area.

	Area	Next planning submission	Start on-site	Retail/ F&B	Residential	Workspace	Leisure	Education/ Culture	Hotel	Public spaces
Near term										
Les 3 Fontaines, Cergy	8,400m^2	n/a	On-site	✓		✓	✓			
Citywall House, Southampton	2,800m^2	2019	Q2 2020			✓				
Dundrum Building 5, Dublin	10,000m^2	2019	Q2 2020	✓	✓					
Victoria Hotel, Leeds	8,400m^2	2019	Q2 2020						✓	
Ladywood House, Birmingham	9,300m^2	2020	Q2 2020			✓				
Strategic										
Martineau Galleries, Birmingham	7 acres	2019		✓	✓	✓			✓	✓
Callowhill Court, Bristol	9 acres	2020		✓	✓	✓	✓	✓	✓	✓
Dublin Central	6 acres	2021		✓	✓	✓			✓	✓
Dundrum Phase 2	6 acres	2021		✓	✓					✓
Pavilions Phase 3, Swords	18 acres	2021		✓	✓		✓			✓
Victoria Phase 2, Leeds	10 acres	2021		✓	✓	✓	✓	✓	✓	✓
Major										
Brent Cross	15 acres	n/a		✓	✓	✓	✓	✓	✓	✓
Croydon	22 acres	n/a		✓	✓	✓	✓		✓	✓
The Goodsyard, London	10 acres	2019		✓	✓	✓		✓	✓	✓

UK RETAIL PARKS

At 30 June 2019, our portfolio comprised 12 convenient retail parks providing 308,000m^2 and accommodating over 250 tenants. Our parks are located on the edge of town centres with ample free car parking and are let to a wide spectrum of retailers including homewares, fashion and bulky goods. This sector has delivered sub-standard financial results for the Group over recent years and a key output of our July 2018 strategy review was the decision to exit this retail sector over the medium term, since which we have sold three parks.

Operational summary

Key metrics	Like-for-like NRI growth %	Occupancy %	Leasing activity £m	Leasing vs ERV %	Footfall growth %
30 June 2019	1.0	96.7	0.6	+1	0.6
31 December 2018[1]	(4.3)	96.9	2.4	+11	(1.3)
30 June 2018	(3.4)	94.5	1.3	+4	(1.9)

[1] 31 December figures are for the full year

Net rental income

On a like-for-like basis net rental income increased by 1.0% in the first half of 2019. Consistent with our UK flagship destinations, the most significant impact was from tenant restructuring. However, for the retail parks portfolio this acted to increase year-on-year net rental income by £0.4 million, as the first half of 2018 suffered the write-off of a significant unamortised tenant incentive in relation to the Toys R Us failure at Parc Tawe, Swansea. Excluding the impact of tenant restructuring, NRI would have decreased modestly by 0.4%.

Occupancy and leasing

The occupational market for retail parks continues to be challenging and eight leases for 3,900m^2 of space were signed in the first half of 2019. Income secured from these leases totalled £0.6 million, compared with £1.3 million in 2018. For principal leases, which reflected 97% of leasing in 2019, rents were contracted at 1% above December 2018 ERVs and 13% above previous passing rent.

Key leasing deals in 2019 include a renewal with Boots at Central Retail Park, Falkirk above December 2018 ERV and new lettings at The Orchard Centre, Didcot to Snap Fitness and Sports Direct.

Whilst the UK retail market remained challenging in 2019, occupancy levels were broadly stable at 96.7% at 30 June 2019. During 2019, eight units with a passing rent of £2.3 million were subject to administration or CVAs, principally relating to the Debenhams and Arcadia CVAs. These units were generally trading well on our parks and we suffered a £0.4 million rent reduction, equivalent to 17% of the pre-restructuring rent. Including units from prior periods, as at 30 June 2019, 19 units continue to trade under an administration or a CVA with rent passing of £3.9 million, equivalent to 1.1% of the Group's passing rent.

Footfall and sales

During 2019 the number of visitors to the portfolio increased by 0.6%, 30 basis points above the Springboard Retail Parks index. We commissioned analysis on the impact of M&S at Ravenhead where visitors have increased by 9.2% in 2019. The new store has boosted the catchment with average drive times increasing by 5% and 22% of visitors in the two months post opening had not visited the park in the previous year.

Whilst we do not receive tenant sales information for our retail parks, based on recent customer surveys, retail spend was 5% higher than in 2018 and the frequency of visits has increased by 3%.

SUSTAINABILITY REVIEW

We have made excellent progress against our sustainability targets in the first half of 2019. Our focus remains on reducing energy and water demand across the portfolio and on investing in our renewable capacity. We have completed an additional 250kWp photovoltaic array at Silverburn this year, bringing our total renewable capacity to 1.5 mWh across seven arrays in the portfolio.

In the six months to 30 June 2019, energy demand across our like-for-like portfolio has fallen by 14%. This is directly attributable to investment in energy efficient technology and close monitoring, including automated metering at 10 properties.

These energy savings combined with improvements in grid carbon efficiency in the UK have delivered a 13% reduction in carbon emissions for the like-for-like portfolio in 2019.

Close collaboration across our teams is ensuring sustainability is embedded as a value add element within our City Quarters concept. This means working closely with architects and design teams to ensure future projects are designed to support sustainable communities, respond well to changing climates and have minimal adverse environmental impacts. We are already obliged to achieve the Nearly Zero Energy Building standard for new buildings in Ireland and are working closely with our consultants to achieve this requirement on our various projects.

In the second half of 2019, we expect to maintain energy savings achieved in the first six months of the year. We will also continue to roll out automated metering, refresh our portfolio climate risk analysis and initiate the installation of at least one further PV array.

Our targeted social impact projects are also making a real difference to our local communities. Each UK flagship destination has run community engagement events including Pop-Up Business schools, Teenage Markets, employment and skills training and the Lionheart Schools Engagement programme. 6,849 people from local communities around our venues have been involved so far this year.

We remain on track with our ambitious Net Positive commitment and are currently exploring different options to achieve our less-than-zero targets. We are also working with our development teams to achieve the next phase of our Net Positive targets which include impacts from the development portfolio by 2026.

2019 sustainability performance

EPRA like-for-like portfolio	Six months ended 30 June 2019	Six months ended 30 June 2018	Year-on-year reduction %	2019 Target reduction %
Electricity Demand (mWh)	**35,867**	40,890	-12.3	n/a
Natural Gas Demand (mWh)	**8,941**	11,324	-21.0	n/a
Energy Demand (mWh)	**44,808**	52,214	-14.2	-11%
Carbon Emissions ($mtCO_2e$)	**8,919**	10,294	-13.4	-20%
Water Demand (m^3)	**175,679**	203,536	-13.7	-5%

PROPERTY PORTFOLIO REVIEW

Portfolio value analysis

The Group's total portfolio was valued at £9,542 million at 30 June 2019, £396 million or 4% lower than at the beginning of the year. This movement was due primarily to valuation losses on the investment and development portfolios of £534 million, partially offset by property additions of £67 million and a revaluation gain on the premium outlets portfolio of £111 million. The movement in the first six months of the year is shown in the table below.

Movement in portfolio value

Proportionally consolidated, including premium outlets	Investment £m	Development £m	Total (excl. premium outlets) £m	Premium outlets £m	Total Group £m
Value at 1 January 2019	6,831	648	7,479	2,459	9,938
Revaluation (losses)/gains on properties	(481)	(53)	(534)	111	(423)
Property additions					
Acquisitions	–	–	–	11	11
Capital expenditure	15	29	44	12	56
	15	29	44	23	67
Capitalised interest	–	1	1	–	1
Disposals	(28)	–	(28)	–	(28)
Exchange	(9)	(1)	(10)	(3)	(13)
Value at 30 June 2019	6,328	624	6,952	2,590	9,542

Property additions

In the six months to 30 June 2019, property additions totalled £67 million. The table below shows the expenditure on a sector basis and also analyses the spend between the creation of additional area and creation of value through the enhancement of existing space.

Proportionally consolidated, including premium outlets	UK £m	France £m	Ireland £m	Flagship destinations £m	Developments and UK other £m	Total (excl. premium outlets) £m	Premium outlets £m	Total Group £m
Acquisitions	–	–	–	–	–	–	11	11
Capital expenditure – creating area	–	5	–	5	24	29	3	32
Capital expenditure – no additional area	3	3	2	8	6	14	8	22
Tenant incentives	(2)	2	–	–	1	1	1	2
	1	10	2	13	31	44	23	67

Acquisition costs of £11 million during the period related to the purchase of land adjacent to Bicester Village and the exercise of an option to purchase land at Kildare Village to enable future development.

Capital expenditure creating additional area totalled £32 million and predominantly related to the two on-site extension projects in France at Les 3 Fontaines, Cergy and Italik, Paris.

Capital expenditure where no additional area was created of £22 million included spend on the progression of development schemes at Croydon, the Goodsyard, SQY Ouest and Brent Cross totalling £4 million, with £10 million relating to asset management initiatives and tenant incentives. Expenditure on the premium outlets related to development work at Zweibrücken and Hede Fashion Outlets by VIA Outlets and La Roca Village by Value Retail

Disposals

Net disposal proceeds in the first half of the year totalled £26 million, resulting in a £2 million loss against the book value of £28 million. This principally related to the sale of Dallow Road, Luton in June for £24 million, representing a 7.6% net initial yield and a 6% discount to the December 2018 book value. Hammerson acquired the site in 2002 and subsequently redeveloped it in 2006. In July, we exchanged contracts on the sale of land at Oldbury for £7 million.

Announced today, we have exchanged contracts for the sale of 75% of Italie Deux, Paris for €473 million (£423 million), reflecting a net initial yield of 4.1% and a 8.5% discount to December 2018 book value. The transaction includes the forward sale of the Italik extension project (as detailed on page 11) where the Group will finish the development before completing this element of the transaction in March 2022, 18 months after the opening of the extension. The sale of the existing property is expected to complete in autumn 2019. Hammerson acquired the property in 1998 and it was subsequently refurbished in 2013.

Including the sale of Italie Deux, contracted sales this year total £456 million, representing over 90% of our 2019 disposal target and we are in advanced negotiations on additional asset sales.

Valuation change

The chart below analyses the sources of the valuation change for the Group's property portfolio, including premium outlets, during the first six months of 2019.

Components of valuation change (£m)

During the first half of 2019, the Group's portfolio suffered a total net revaluation deficit of £423 million.

Across our flagship destinations, particularly in the UK, a lack of transactional evidence coupled with continuing market uncertainty and a slowdown in leasing, as detailed within the Operating review, has challenged the valuation process in the first six months of the year. Consequently, we experienced outward yield movements which are being driven by a change in market sentiment, rather than recent leasing activity or transactions.

UK flagship destinations suffered a revaluation deficit of £266 million, or 9.1% in the six month period, of which £195 million was attributable to outward yield shift which averaged 37 basis points across the portfolio. All centres suffered valuation deficits in the period, with yield expansion ranging from 17 to 84 basis points.

In France, there was a revaluation loss of £71 million, or 3.9%, largely due to yield expansion averaging 11 basis points across the portfolio, with notable yield movements on the less prime assets at O'Parinor and Espace Saint Quentin of 35 basis points and 18 basis points respectively.

The underlying value of the Irish portfolio fell by £30 million, or 3.2%, due to sentiment-driven outward yield movement averaging 11 basis points.

UK retail parks suffered a10.9% reduction in property values due to a combination of outward yield movement across all parks and reduced ERVs.

Valuations of the UK other portfolio declined by £21million due to the weakening of the secondary retail market reflected at Broadmead, Bristol and Centrale, Croydon.

We recognised a £53 million deficit on the development portfolio. This was largely due to revisions to the latter stages of the scheme at Les 3 Fontaines, Cergy to change the future tenant mix, resulting in an increase to the total project cost as detailed on page 11.

Premium outlets continued to outperform other sectors, producing a revaluation surplus of £111 million. The majority of this increase was due to income growth, consistent with the strong brand sales and like-for-like net rental income as detailed in page 9 of the Operating review.

Further valuation, returns and yield analysis is included in Tables 8 and 9 in the Additional disclosures on page 59.

ERV growth

Like-for-like ERV growth

Proportionally consolidated, excluding premium outlets	UK %	France %	Ireland %	Flagship destinations %	UK retail parks %	UK other %	Group investment portfolio %
30 June 2019	(2.5)	(0.3)	(0.1)	(1.5)	(6.3)	(3.1)	(2.3)
31 December 2018[1]	(2.0)	0.5	2.8	(0.6)	(2.7)	0.3	(0.9)
30 June 2018	0.1	0.2	2.0	0.4	(0.8)	–	0.2

[1] 31 December figures are for the full year

Like-for-like ERV at the Group's investment properties declined by 2.3% in the six months to 30 June 2019, this compares to a 1.2% reduction in the second half of 2018.

UK flagships suffered a 2.5% ERV reduction during the six month period, where ERVs for MSUs have fallen due to reduced tenant demand.

ERVs at UK retail parks fell by 6.3%, consistent with the weak occupational market. The most significant reductions were at Brent South where rental levels are high relative to the rest of our portfolio, and Gloucester, where ERVs on the bulky units have been reduced significantly.

In France, there was a 0.3% reduction in ERVs. Rental levels were marked down marginally at all but one of our properties.

In Ireland, ERVs fell by 0.1% having grown strongly in the preceding year. ERVs at Dundrum fell slightly due to a reduction in car park income, offset by improved rental levels at Ilac and Pavilions.

Property returns

Property returns analysis

Proportionally consolidated, including premium outlets [1]	UK %	France %	Ireland %	Flagship destinations %	UK retail parks %	Developments %	Premium outlets %	Group %
Income return	2.4	2.0	2.0	2.2	3.1	0.9	2.3	2.2
Capital return	(9.1)	(3.9)	(3.2)	(6.4)	(10.9)	(9.2)	4.5	(4.4)
Total return	(6.9)	(2.0)	(1.3)	(4.4)	(8.0)	(8.4)	6.9	(2.3)

[1] The UK other portfolio is not shown above and produced an income return of 2.6%, a capital return of -12.0% and a total return of -9.7%.

During the first six months of 2019, the Group's property portfolio, including premium outlets, generated a total return of -2.3%. This comprised an income return of 2.2% and a capital return of -4.4%. The capital return is consistent with the underlying valuation performance explained in the "Valuation change" section on page 16 and an analysis of the capital and total returns by business segment is included in Table 8 in the Additional disclosures on page 59.

We compare the performance of our properties against industry indices, principally an annual benchmark based on MSCI IPD All Retail indices for the UK and a bespoke MSCI IPD Europe Index, weighted on a 50:50 basis. At the date of this announcement these indices are not available.

The UK MSCI monthly All Retail indices at 30 June reported a total return for UK shopping centres of -2.6%, 430 basis points higher than the Group's UK flagships return of -6.9%, and a total return for UK retail parks of -2.2%, against the Hammerson total return of -8.0%.

FINANCIAL REVIEW

Presentation of financial information

The information presented in this Financial review is derived from the Group's financial statements, prepared under IFRS. A significant proportion of the Group's property interests are held in conjunction with third parties in joint ventures and associates. Under IFRS, the Group's share of joint operations are proportionally consolidated and the results and net investment in joint ventures and associates are equity accounted and presented within single lines in the consolidated income statement and consolidated balance sheet.

The Group has property interests in a number of sectors and management reviews the performance of the Group's property interests in flagship destinations, retail parks, UK other properties and developments on a proportionally consolidated basis to reflect the different ownerships. Management does not proportionally consolidate the investments in Value Retail and VIA Outlets, which are externally managed by experienced outlet operators, independently financed and have operating metrics which differ from the Group's other sectors. We review the performance of our premium outlet investments separately from the proportionally consolidated portfolio. The key financial metrics for our premium outlets are: income growth; earnings contribution; property valuations and returns; and capital growth. However, for a number of the Group's APM's we aggregate the premium outlets for enhanced disclosure. These include like-for-like net rental income, LTV ratios, property valuations and returns.

Within the Financial review, the Group financial statements and the Additional disclosures, properties which are wholly owned or where the Group's share is in a joint operation, are defined as being held by the 'Reported Group', whilst those in joint ventures and associates are defined as 'Share of Property interests'. Further explanation of the accounting treatments of the Group's different types of ownership is in the Glossary on pages 65 and 66.

In 2019 the Group has adopted the new accounting standard, IFRS 16 Leases. This standard has not had a material impact on the Group's reported financial performance and the 2018 results have not been restated. Further details of the new standard are provided in note 1 to the financial statements on page 36.

Alternative Performance Measures ('APMs')

The Group uses a number of APMs, being financial measures not specified under IFRS, to monitor the performance of the business. Many of these measures are based on the EPRA Best Practice Recommendations (BPR) reporting framework which aims to improve the transparency, comparability and relevance of the published results of listed European real estate companies. Details on the EPRA BPR can be found on their website www.epra.com and the Group's key EPRA metrics are shown in Table 1 within the Additional disclosures section on page 55.

For other APMs, the Financial review and Additional disclosures sections contain supporting information, including reconciliations to the IFRS financial statements. Definitions for the Group's key APMs are also included in the Glossary.

INCOME STATEMENT

Loss for the period

The Group's IFRS loss for the period, attributable to equity shareholders, was £319.8 million, compared with a profit of £55.7 million in the prior period. The most significant variance was the net revaluation loss on the Group's property portfolio of £423.4 million in the first half of 2019, an increase of £383.3 million on the comparative period deficit.

Management principally reviews the Group's profit on an adjusted basis to monitor the Group's underlying earnings as it excludes capital and non-recurring items such as valuation movements, gains or losses on the disposal of properties and other one-off exceptional items. This approach is consistent with other property companies and we follow EPRA guidance to calculate adjusted figures. A reconciliation of IFRS (loss)/profit to adjusted profit for the period is shown in the table below.

Reconciliation of (loss)/profit for the period to adjusted profit for the period

Proportionally consolidated, including premium outlets	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m
IFRS (loss)/profit for the period attributable to equity shareholders	(319.8)	55.7
Adjustments:		
Revaluation losses on property portfolio*	534.0	66.6
Revaluation gains on premium outlets property portfolio	(110.6)	(26.5)
	423.4	40.1
Loss/(gain) on the sale of properties	2.1	(4.4)
Change in fair value of derivatives*	10.2	11.9
Deferred tax on premium outlets	(4.2)	10.6
Other adjustments	(4.3)	6.1
Adjusted profit for the period (note 8B)	107.4	120.0
Adjusted EPS, pence	14.0	15.1

* Proportionally consolidated, excluding premium outlets

The Group's income statement under IFRS, analysed between underlying "Adjusted" and "Capital and other", is shown in note 2 to the financial statements on pages 38 to 40 and further details of the EPRA adjustments are provided in note 8B on page 44 to the financial statements.

Adjusted profit

The Group's adjusted profit for the period in 2019 was £107.4 million, £12.6 million or 10.5% lower than in 2018. The table below bridges adjusted profit and adjusted EPS between the two periods and the movements are shown at constant exchange rates. Explanations of other movements are provided later in this Financial review.

Reconciliation of adjusted profit for the period

Movements at constant exchange rates

Including premium outlets	Adjusted profit for the period £m	Adjusted EPS pence
Adjusted profit – Six months ended 30 June 2018	120.0	15.1
Net rental income decrease (excluding premium outlets):		
Disposals	(14.8)	(1.9)
Like-for-like portfolio	(6.0)	(0.8)
Development and other	(0.6)	(0.1)
	(21.4)	(2.8)
Increase in net administration expenses	(1.8)	(0.2)
Increase in premium outlets earnings	3.5	0.5
Decrease in net finance costs	8.0	1.0
Foreign exchange and other	(0.9)	(0.2)
Share buyback	–	0.6
Adjusted profit – Six months ended 30 June 2019	107.4	14.0

Net rental income

Analysis of net rental income

Proportionally consolidated, excluding premium outlets	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Change £m
Like-for-like investment properties	129.3	135.3	(6.0)
Disposals	8.8	23.6	(14.8)
Developments and other	18.5	19.1	(0.6)
Exchange	–	0.5	(0.5)
Net rental income	156.6	178.5	(21.9)

In the first six months of 2019, net rental income decreased by £21.9 million, or 12.3%, to £156.6 million. At constant exchange rates the decrease was £21.4 million. Proportionally consolidating the premium outlets net rental income growth of 11.1% would result in Group like-for-like growth of -0.1%.

Like-for-like net rental income, excluding premium outlets, fell by £6.0 million compared with the six months ending 30 June 2018. The most significant factor was the impact of tenant failures, incorporating rent lost, increased vacancy costs and the write-off of unamortised tenant incentives.

£4.8 million of the total like-for-like decline related to the UK flagship destinations, with a further £1.4 million in Ireland. These reductions were partially offset by a small increase in like-for-like net rental income in France and at the UK retail parks, the latter due to a significant tenant incentive write off in the first half of 2018.

Like-for-like NRI performance by sector is further explained in the Operating review on pages 5 to 13.

Disposals during 2018 had the most significant impact on the Group's net rental income, leading to a year-on-year reduction of £14.8 million. £6.1 million of the variance related to the sale of 50% of Highcross, Leicester in November 2018, and a further £6.4 million was derived from the disposal of Battery Retail Park, Birmingham and Wrekin Retail Park, Telford in spring 2018 and Fife Retail Park, Kirkcaldy and Imperial Retail Park, Bristol in October 2018.

Further analysis of net rental income is provided in Tables 2 and 5 of the Additional disclosures on pages 56 and 57.

Administration expenses

Administration expense analysis

Proportionally consolidated, excluding premium outlets	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m
Employee costs – excluding variable costs	20.3	19.9
Variable employee costs	4.7	2.7
Property fee income	(7.9)	(8.0)
Other corporate costs	10.1	11.0
Employee and corporate costs	27.2	25.6
Management fees receivable	(5.0)	(5.2)
Net administration expenses	22.2	20.4

At £22.2 million, net administration expenses reflected a year-on-year increase of £1.8 million. This was largely due to the comparative period including a £1.9 million reversal of the total property return element of the 2017 annual bonus accrual where the payout threshold was not achieved when the outcome was finalised in April 2018. Excluding this one-off factor, 2019 employee and corporate costs would be £0.3 million lower than the comparative period.

As announced as part of the Strategy Update in July 2018, the Group has targeted £7 million of cost savings through operational efficiencies and lower corporate costs, with up to £4 million of these savings to be reinvested in technology and innovation and the Group's 'super events' programme. The cost savings target has now been achieved through a combination of Board and management changes and operational cost reductions. Whilst elements of these cost savings have acted to reduce administration costs in the first half of 2019, the benefit has been offset by redundancy costs. A more significant benefit to the Group's administration expenses is expected in the second half of the year.

Cost ratio

The EPRA cost ratio for the six months ended 30 June 2019 was 23.7%, 380 basis points higher than for the first half of 2018. Disposals during the preceding year have increased the ratio due to the lower income denominator. The property costs element of the ratio has increased by 150 basis points to 11.1%, reflecting the impact of retail park disposals as these have a lower cost base than flagship destinations, coupled with higher costs associated with vacancy. The administration expense element of the ratio has increased by 230 basis points to 12.6%, reflecting the changes detailed above.

The calculation of the cost ratio is included as Table 7 of the Additional disclosures on page 58.

Share of results of joint ventures and associates, including investments in premium outlets

The Group has interests in 16 joint ventures and two associates. Further details of the Group's joint ventures and associates are provided in notes 10 and 11 to the financial statements respectively.

As explained at the beginning of the Financial review on page 18, for management reporting purposes we review the Group's property portfolio on a proportionally consolidated basis, to reflect the Group's different ownership shares. We do not proportionally consolidate the Group's investments in Value Retail ("VR") and VIA Outlets ("VIA"). These are externally managed by experienced outlet operators, independently financed and have operating metrics which differ from the Group's other properties. Due to the differing nature of the Group's control, VIA is accounted for as a joint venture and VR is accounted for as an associate.

The table below shows the contribution to the Group's adjusted profit from joint ventures and associates, split between the proportionally consolidated properties (Share of Property interests) and premium outlets.

Contribution to adjusted profit

	Six months ended 30 June 2019			Six months ended 30 June 2018		
	Joint ventures (incl. VIA) £m	Associates (incl. VR) £m	Total £m	Joint ventures (incl. VIA) £m	Associates (incl. VR) £m	Total £m
Share of results – IFRS	(188.4)	121.1	(67.3)	56.4	13.3	69.7
Revaluation losses/(gains) on properties	256.0	(95.3)	160.7	17.0	(11.7)	5.3
Other adjustments	9.5	(14.0)	(4.5)	4.8	5.8	10.6
Total adjustments	265.5	(109.3)	156.2	21.8	(5.9)	15.9
Adjusted earnings contribution	77.1	11.8	88.9	78.2	7.4	85.6
Analysed as:						
Share of Property interests	70.4	0.7	71.1	70.4	0.7	71.1
Premium outlets	6.7	11.1	17.8	7.8	6.7	14.5

During the first six months of the year, adjusted earnings from the Share of Property interests remained constant at £71.1 million. The sale of 50% of Highcross to create a joint venture in the latter half of 2018 increased the total contribution to adjusted profit by £5 million, but this was offset by the downturn in NRI across existing joint ventures in the UK and Ireland.

Adjusted earnings from premium outlets of £17.8 million were £3.3 million higher than in 2018, or £3.5 million at constant exchange rates. Adjusted earnings from VR were £4.4 million higher than the comparative period. An increase in operating profit of £4.7 million, driven by the leasing of the Bicester Village extension, was partially offset by higher finance costs principally associated with refinancing at La Roca Village, Las Rozas Village and Fidenza Village in 2018. The Group's share of VIA earnings decreased by £1.1 million due to higher interest costs from re-financing in 2018.

The operating performance of our investments in premium outlets is described in the Operating review on pages 9 and 10 and the combined profit contribution is shown in Table 12 of the Additional disclosures on page 61.

Finance costs

Net finance costs, calculated on a proportionally consolidated basis, totalled £54.4 million in 2019, compared with £64.4 million in the first half of 2018. £46.2 million related to the Reported Group and £8.2 million to the Share of Property interests as shown in note 2 to the financial statements.

Adjusted finance costs, which excludes items such as the change in fair value of derivatives and debt cancellation costs, totalled £44.2 million in 2019, a decrease of £8.3 million, or £8.0 million at constant exchange rates compared with 2018. The supporting calculation is provided in Table 15 of the Additional disclosures on page 63.

The decrease arose from refinancing activity completed in 2018, principally the redemption of the Group's €500 million 2.75% bonds in August 2018, although this was partly offset by increased levels of borrowings on the Group's revolving credit facilities.

Tax

Hammerson's tax charge remains low at £0.6 million in 2019 as the Group benefits from being a UK REIT and a French SIIC. These tax regimes exempt the Group's property income and gains from corporate taxes subject to its activities meeting certain conditions including, but not limited to, distributing at least 90% of the Group's UK tax exempt profit as property income distributions. The residual businesses in both the UK and France are subject to corporate taxes as normal. The Irish assets are held in a QIAIF which provides similar tax benefits to those of a UK REIT, but subjects distributions from Ireland to the UK to a 20% withholding tax.

Dividends and share buyback

The Directors have declared an interim dividend of 11.1 pence per share, flat year-on-year. The interim dividend is payable on 7 October 2019 to shareholders on the register at the close of business on 30 August 2019 and will be paid entirely as a cash PID, net of withholding tax where appropriate.

The Company will not be offering a scrip dividend alternative, but for shareholders who wish to receive their dividend in the form of shares, the Dividend Reinvestment Plan (DRIP) will be available.

During 2018, the Company commenced a share buyback programme. At 31 December 2018, the Company had purchased 28 million shares at total cost of £129 million. The accretive effect of the buyback on earnings per share of 0.6 pence per share is detailed in the reconciliation of adjusted profit on page 19. At the 2018 annual results, the Board announced the suspension of the share buyback programme, pending future disposals and improved market certainty.

NET ASSETS

During the first six months of 2019 equity shareholders' funds decreased by £439 million, or 8.1%, to £4,994 million at 30 June 2019. Net assets, calculated on an EPRA basis, were £5,246 million and on a per share basis reduced by 53 pence to £6.85. The movement during the period is shown in the table below.

Movement in net assets

Proportionally consolidated, including premium outlets	Equity shareholders' funds £m	Adjustments[1] £m	EPRA net assets £m	EPRA NAV £ per share
31 December 2018	5,433	217	5,650	7.38
Property revaluation				
Proportionally consolidated properties	(534)	–	(534)	(0.70)
Premium outlets properties	111	–	111	0.14
	(423)	–	(423)	(0.56)
Adjusted profit for the period	107	–	107	0.14
Dividends	(113)	–	(113)	(0.15)
Change in deferred tax	(19)	19	-	–
Foreign exchange and other movements	9	16	25	0.04
30 June 2019	4,994	252	5,246	6.85

[1] Adjustments in accordance with EPRA best practice as shown in note 8D to the financial statement on page 46.

Investment and development properties

Details of the Group's investment and development properties, including premium outlets, is provided in the Property portfolio review on pages 15 to 17.

Investment in joint ventures and associates, including premium outlets

Details of the Group's joint ventures and associates are shown in notes 10 and 11 to the financial statements respectively. The table below shows the Group's investment in joint ventures and associates on IFRS and Adjusted bases, split between the proportionally consolidated Share of Property interests and premium outlets.

Adjusted investment

	30 June 2019			31 December 2018		
	Joint ventures (incl. VIA) £m	Associates (incl. VR) £m	Total £m	Joint ventures (incl. VIA) £m	Associates (incl. VR) £m	Total £m
IFRS investment in joint ventures/associates	3,366	1,338	4,704	3,604	1,242	4,846
Adjustments (see notes 10D/11D)	71	181	252	61	157	218
Adjusted investment in joint ventures/associates	3,437	1,519	4,956	3,665	1,399	5,064
Analysed as:						
Share of Property interests	3,019	30	3,049	3,279	31	3,310
Premium outlets	418	1,489	1,907	386	1,368	1,754

In the first six months of 2019, the total adjusted investment in the Group's Share of Property interests reduced by £261 million. The key components of the movement were revaluation losses of £271 million, and distributions paid of £58 million, which were partially offset by adjusted earnings of £71 million.

The Group's total adjusted investment in premium outlets increased by £153 million during the same period, driven by revaluation gains of £111 million, adjusted profit of £18 million and a £9 million capital injection.

Analysis of the Group's combined net investment in premium outlets is shown in Table 13 in the Additional disclosures on page 61.

FINANCING AND CASHFLOW

Financing strategy

Our financing strategy is to generally borrow on an unsecured basis on the strength of the Group's covenant to maintain operational flexibility, although secured borrowings are occasionally used, mainly in conjunction with joint venture partners. Borrowings are arranged to maintain short term liquidity and to ensure an appropriate maturity profile. Acquisitions may initially be financed using short term facilities before being refinanced with longer term funding when market conditions are appropriate.

Short term funding is raised principally through syndicated revolving credit facilities from a range of banks and financial institutions with which we maintain strong working relationships. Long term debt mainly comprises the Group's fixed rate unsecured bonds, private placements and secured bank borrowing with security on certain properties held by joint ventures.

Derivative financial instruments are used to manage exposure to fluctuations in foreign currency exchange rates and interest rates, but are not employed for speculative purposes. The Board regularly reviews the Group's financing strategy and approves financing guidelines against which it monitors the Group's financial structure. These guidelines, together with the relevant metrics, are summarised in the table below which illustrates the Group's robust financial position.

Key financing metrics

Proportionally consolidated, excluding premium outlets

	Guideline[1]	30 June 2019	31 December 2018
Net debt (£m) [2]		3,447	3,406
Gearing (%)[3]	Maximum 85%	69	63
Loan to value (%)[3] – headline	No more than 40%	40	38
Loan to value (%)[3] – fully proportionally consolidated		46	43
Liquidity (£m)		736	729
Weighted average interest rate (%)		2.5	2.7
Weighted average maturity of debt (years)		4.9	5.4
Interest cover (times)	At least 2.0 times	3.4	3.4
Net debt:EBITDA (times)[4]	Less than 10.0 times	10.2	9.5
FX hedging (%)	70-90%	80	79
Fixed rate debt (%)	At least 50%	73	74

1. Guidelines should not be exceeded for an extended period of time.
2. See Table 16 in the Additional disclosures for supporting calculation.
3. See Table 18 in the Additional disclosures for supporting calculation and treatment of premium outlets.
4. See Table 19 in the Additional disclosures for supporting calculation.

Net debt position

On a proportionally consolidated basis, net debt at 30 June 2019 was £3,447 million, an increase of £41 million during the first half of the year and an analysis is provided in Table 16 in the Additional disclosures on page 63. The movement in proportionally consolidated net debt is provided in Table 17 in the Additional disclosures on page 63 and is summarised in the table below.

Movement in net debt

Proportionally consolidated, excluding premium outlets	Total £m
Net debt at 1 January 2019	3,406
Net cash inflow from operations	(95)
Disposals[1]	(22)
Development and other capital expenditure	35
Equity dividends paid	118
Exchange and other	5
Net debt at 30 June 2019	**3,447**

1. Reflects net disposal proceeds and includes selling costs principally in relation to the sale of 50% of Highcross in 2018 which were paid in 2019.

The Group's weighted average interest rate reduced further to 2.5% during the first six months of 2019 and was 20 basis points lower than the average for the whole of 2018.

In the first half of the year, we exercised the final extension option within our existing revolving credit facilities and extended the maturities for commitments totalling £320 million by one year from April 2023 to April 2024.

Separately, the Group's total amount of revolving credit facilities was increased from £1,195 million to £1,245 million with the new £50 million commitment maturing in April 2024. The increase came from a new lender joining the facility with a final maturity date in April 2024, increasing total commitments under this facility from £360 million to £410 million.

At 30 June 2019 the Group had significant liquidity, comprising cash and undrawn committed facilities, of £736 million compared with £729 million at the end of 2018. The Group's weighted average maturity of debt reduced marginally to 4.9 years (31 December 2018: 5.4 years).

We manage exposure to foreign exchange translation differences on euro-denominated assets through a combination of euro borrowings and derivatives. At 30 June 2019, the value of euro-denominated liabilities as a proportion of the value of euro-denominated assets was broadly unchanged from the beginning of the year at 80%. Interest on euro debt also acts as a hedge against exchange differences arising on net income from our overseas operations. The sterling:euro exchange rate has been largely stable during the first half of the year, hence foreign exchange movements have not had a significant impact on the Group's financial results in 2019.

The Group's unsecured bank facilities and the private placement senior notes contain financial covenants that the Group's gearing should not exceed 150% and that interest cover should be not less than 1.25 times. Two of our unsecured bonds contain a covenant that gearing should not exceed 150%, whilst the covenant on the remaining bonds is that gearing should not exceed 175%. The bonds have no covenant for interest cover and none of the Group's unsecured debt has covenants for loan to value (LTV). The Group's financial ratios are comfortably within its tightest covenants. The valuation of the Group's property portfolio at 30 June 2019 would have to fall by 26%, or over 50% for the UK portfolio only, to breach the tightest of the Group's gearing covenants and planned future disposals will act to increase this headroom.

Some joint ventures and associates have secured debt facilities which include specific covenants to those properties (including covenants for LTV and interest cover), but none of this secured debt has recourse to Hammerson and a breach of covenant could be remedied using cash drawn from available Group facilities.

The net debt:EBITDA ratio is 10.2x at 30 June 2019 compared with 9.5x at the year end.

At 30 June 2019, the Group's loan to value was 40% and gearing was 69%, compared with 38% and 63% respectively at the beginning of the year. Supporting calculations are in Table 18 in the Additional disclosures on page 64.

The sale of 75% of Italie Deux, which exchanged in July, will improve the Group's credit metrics. On a pro forma basis, net debt reduces to £3.1 billion, headline LTV reduces to 37%, gearing falls to 61% and the net debt:EBITDA ratio reduces to 9.5 times.

Credit ratios

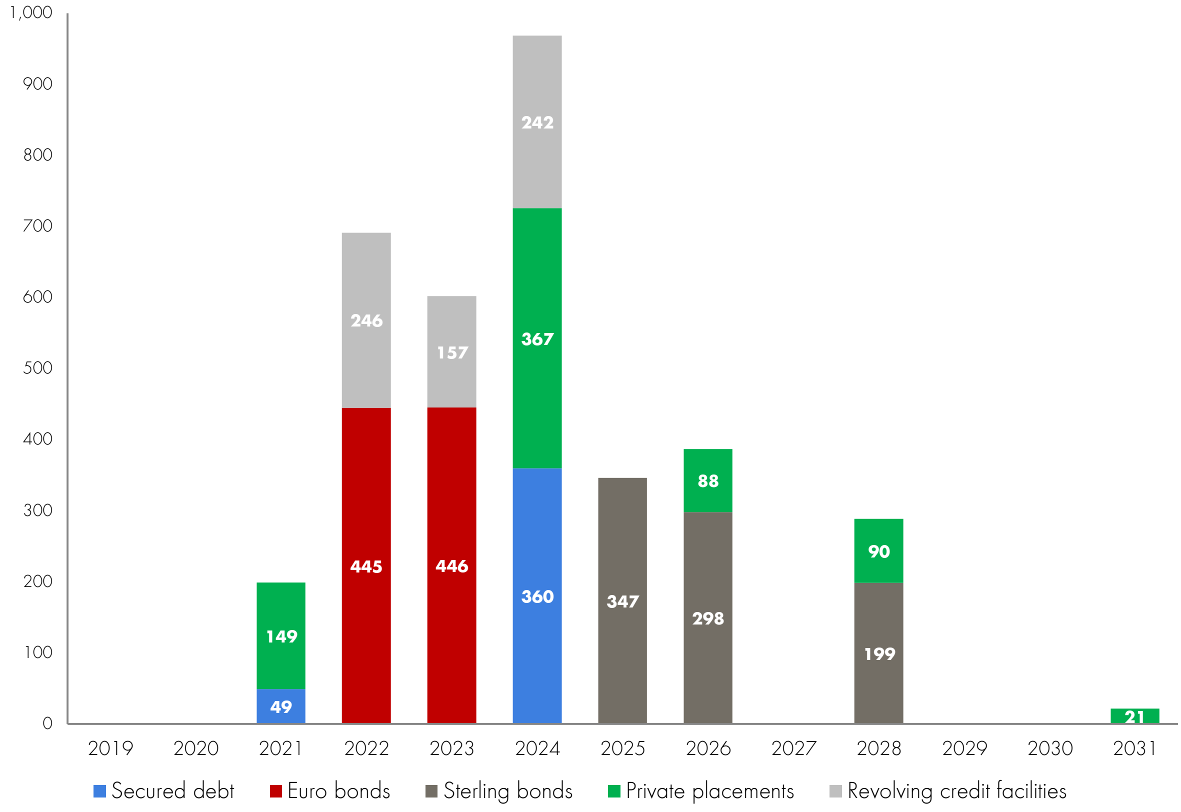
Moody's reaffirmed Hammerson's rating of Baa1 on 27 February. On 28 June 2019, Fitch changed its credit ratings of Hammerson from a long term issuer default rating of BBB+ (stable outlook) and senior unsecured rating of A- to a long term issuer default rating of BBB (stable outlook) and senior unsecured rating of BBB+. This was predominantly due to Fitch's change in their methodology for calculating the debt:EBITDA ratio which, on Fitch's basis, included deductions to EBITDA in relation to joint venture and associate cash reinvested in capital expenditure and acquisitions.

Fully proportionally consolidated financial metrics, including premium outlets

At 30 June 2019, the Group's share of net debt in VR and VIA totalled £901 million (31 December 2018: £900 million). On a pro forma basis, proportionally consolidating this net debt with the Group's share of property values held by VR and VIA, the Group's gearing would be 87% and loan to value would be 46%, compared with 79% and 43% at 31 December 2018.

Debt maturity profile at 30 June 2019 (£m)

Proportionally consolidated, excluding Premium outlets



PRINCIPAL RISKS AND UNCERTAINTIES

Effective risk management supports the delivery of our strategy and underpins our business model. Our risk management policies and procedures are designed to enhance decision making, reduce the chances of financial loss, protect our reputation and improve efficiency. The Board determines the Group's risk appetite and assesses the residual risk for each of the Group's principal risks. This process is supported by our Risk Management Framework and Risk Dashboard.

As part of its risk management activities, the Board assesses the residual risk for each of the Group's principal risks. This is achieved by evaluating the level of risk taking into account the impact of specified mitigating factors and actions. The residual risk is then considered within the context of the Board's risk appetite, which reflects its combined attitude to financial, operational and reputational risks. The Group has 10 principal risks and these are explained on pages 56 to 62 of the 2018 Annual Report which also includes commentary on their potential impact, relevant mitigating factors and actions, links to the Group's strategy and residual risk assessment.

Brexit

The UK's decision to exit from the EU by 31 October 2019 continues to create significant uncertainty which impacts a number of the Group's principal risks, notably: Macro-economic, Retail market, Property investment and Tax and regulatory risks. The absolute impact will be dependent on the timing and terms of the UK's exit from the EU, with a disorderly exit having a higher impact.

We have undertaken a Brexit review to understand its potential impact on the Group. As the Group does not directly rely on imports or exports we are largely protected from the immediate impact of a disorderly exit. However, we have taken steps such as increasing stocks of replacement parts for IT systems and plant and machinery at our properties and reviewed security arrangements in case of any disorder. The more significant impact is likely to be suffered by our tenants, particularly those who rely on imports and exports for their operations or those who employ EU nationals. There are also likely to be medium to long-term impacts associated with the performance of the UK economy, its attractiveness to foreign investors and the strength of sterling. The Board, having considered the Brexit review believes the Group's strategy and geographical and sector diversification will provide resilience until the outcome and wider impact of Brexit is determined.

Principal risks

The Board believes that since the publication of the 2018 Annual Report in March 2019 there has been no material change to the Group's principal risks and the existing mitigating factors and actions remain appropriate. The Group's 10 principal risks are:

1. MACRO-ECONOMIC
   - Our financial performance is directly impacted by the macro-economic performance in the countries in which we operate. Key factors impacting our tenants and shoppers are GDP and disposable income growth, employment levels, inflation, business and consumer confidence, interest rates and foreign exchange movements.
   - The lack of clarity over the precise terms and timing of the UK's exit from the EU results in heightened macro-economic and property market uncertainty.
2. RETAIL MARKET
   - We own and operate property in a dynamic retail marketplace. Failure to anticipate and address developments and trends in consumer and occupational markets, such as omni-channel retailing and digital technology, will result in financial underperformance and future obsolescence.
   - Retailer profitability is challenged due to increased costs, downward pressure on margins from channel shift and weak retail sales, particularly in the UK. This adversely impacts landlords through tenant restructuring and in the ability to achieve rental growth.
3. PROPERTY INVESTMENT
   - Poor investment decisions involving acquisitions and disposals result in suboptimal returns.
   - Property valuations fall, adversely impacting the Group's financial position and delivery of future plans.
   - Opportunities to divest properties are missed, or are limited by market conditions, which reduces financial returns and adversely impacts the Group's funding strategy.
4. PROPERTY DEVELOPMENT
   - Property development is complex and inherently risky. Major projects have long delivery times with multiple milestones, including planning and leasing. Unsuccessful projects result in adverse financial and reputational outcomes.
   - Over-exposure to developments increases the potential financial impact of adverse valuation, cost inflation or other market factors which could overstretch the Group's financial capacity.
   - Projects require appropriate resource and can be management intensive.
5. TREASURY
   - Poor treasury planning or external factors may lead to the Group having insufficient liquidity and being unable to support the delivery of our strategy.
   - A fall in property values would adversely impact our financial position and could result in a breach of borrowing covenants.
   - Significant fluctuations in sterling or euro exchange rates or a significant increase in interest rates could result in financial losses.
6. PARTNERSHIPS
   - A significant proportion of the Group's properties are held in conjunction with third parties. These structures can limit the Group's control and reduce liquidity.
   - Operational effectiveness may also be adversely impacted if partners are not strategically aligned.

- Our premium outlet investments are externally managed and this reduces control and transparency over performance and governance. They also contain pre-emption rights in favour of the Group and other owners in case of transactions in the interests of the two investments.

7. TAX AND REGULATORY
    - There is an increasing burden from compliance and regulatory requirements which can impede operational and financial performance.
    - The real estate and physical retail sector has suffered a rising tax burden through recent increases in business rates, living wage, stamp duty etc. These adversely impact our financial performance and the profitability of our tenants. Brexit creates heightened uncertainty over the future UK tax and regulatory environment.

8. CATASTROPHIC EVENT
    - Our operations, shopper safety, reputation or financial performance could be significantly affected by a major event such as a terrorist or cyber-attack, power shortage or civil unrest.

9. PEOPLE
    - The Group has a relatively small headcount which could hinder the achievement of business objectives, particularly in times of significant activity.
    - A failure to recruit and retain key executives and staff with appropriate skills would also adversely impact corporate performance.
    - Heightened market uncertainty acts to adversely impact staff morale and external recruitment.

10. ENVIRONMENTAL
    - The Group’s operations could be adversely impacted by an environmental incident such as extreme weather, flooding or energy supply issues.
    - The Group’s reputation and financial performance could be adversely impacted by the failure to achieve our Net Positive targets or other environmental objectives.
    - Emerging environmental regulations and legislation, including amended legislation following Brexit, may act to increase costs or make properties obsolete.

INDEPENDENT REVIEW REPORT TO HAMMERSON PLC

REPORT ON THE CONDENSED SET OF FINANCIAL STATEMENTS

Our conclusion

We have reviewed Hammerson plc's condensed set of financial statements (the "interim financial statements") in the Half-year Report of Hammerson plc for the six month period ended 30 June 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the consolidated balance sheet as at 30 June 2019;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated cash flow statement for the period then ended;
- the consolidated statement of changes in equity for the period then ended;
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Half-year Report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

RESPONSIBILITIES FOR THE INTERIM FINANCIAL STATEMENTS AND THE REVIEW

Our responsibilities and those of the Directors

The Half-year Report, including the interim financial statements, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half-year Report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Half-year Report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, 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 International Standards on Auditing (UK) 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.

We have read the other information contained in the Half-year Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
29 July 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors' confirm that this condensed set of financial statements included in the Half-year Report have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union and that the Interim Management Report includes a fair review of the information required by Disclosure and Transparency Rules (DTR) 4.2.7 and 4.2.8, namely:

The interim financial statements comprise:

- An indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related-party transactions in the first six months of the financial year and any material changes in the related-party transactions described in the last Annual Report.

The Directors are listed in the Hammerson plc Annual Report of 31 December 2018 and a list of the current Directors is maintained on the Hammerson plc website: www.hammerson.com. The maintenance and integrity of the Hammerson website is the responsibility of the Directors.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Board on 29 July 2019

David Atkins
Director

Timon Drakesmith
Director

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2018 Audited £m		Notes	Six months ended 30 June 2019 Unaudited £m	Six months ended 30 June 2018 Unaudited £m
292.4	Revenue	4	124.8	152.5
152.2	Operating profit before other net (losses)/gains and share of results of joint ventures and associates	2	59.1	83.7
(79.9)	(Loss)/Gain on sale of properties		(2.1)	4.4
2.0	Net exchange gain previously recognised in equity, recycled on disposal of foreign operations		–	–
(6.4)	Acquisition-related costs		–	(6.4)
(161.4)	Revaluation losses on properties		(262.7)	(34.8)
(245.7)	Other net losses	2	(264.8)	(36.8)
(106.4)	Share of results of joint ventures	10A	(188.4)	56.4
57.7	Share of results of associates	11A	121.1	13.3
(142.2)	Operating (loss)/profit	2	(273.0)	116.6
(109.2)	Finance costs		(51.3)	(55.1)
(15.3)	Debt and loan facility cancellation costs		–	–
(14.5)	Change in fair value of derivatives		(6.2)	(11.6)
14.5	Finance income		11.3	5.9
(124.5)	Net finance costs	5	(46.2)	(60.8)
(266.7)	(Loss)/Profit before tax		(319.2)	55.8
(1.8)	Tax charge	6	(0.6)	(0.1)
(268.5)	(Loss)/Profit for the period		(319.8)	55.7
	Attributable to:			
(268.1)	Equity shareholders		(319.8)	55.7
(0.4)	Non-controlling interests		–	–
(268.5)	(Loss)/Profit for the period		(319.8)	55.7
(34.1)p	Basic (loss)/earnings per share	8B	(41.8)p	7.0p
(34.1)p	Diluted (loss)/earnings per share	8B	(41.8)p	7.0p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018 Audited £m		Six months ended 30 June 2019 Unaudited £m	Six months ended 30 June 2018 Unaudited £m
	Items recycled through the consolidated income statement on disposal of foreign operations		
(10.3)	Exchange gain previously recognised in the translation reserve	–	-
8.3	Exchange loss previously recognised in the net investment hedge reserve	–	-
(2.0)	Net exchange gain relating to equity shareholders	–	-
(2.0)		–	-
	Items that may subsequently be recycled through the consolidated income statement		
41.5	Foreign exchange translation differences	(13.1)	(13.8)
(29.0)	Gain/(Loss) on net investment hedge	6.6	9.0
4.1	Net gain/(loss) on cash flow hedge	6.1	(3.0)
(3.3)	Share of other comprehensive loss of associates	(2.8)	(2.6)
13.3		(3.2)	(10.4)
	Items that may not subsequently be recycled through the consolidated income statement		
0.8	Net actuarial (losses)/gains on pension schemes	(5.1)	5.9
12.1	Total other comprehensive (loss)/income	(8.3)	(4.5)
(268.5)	(Loss)/Profit for the period	(319.8)	55.7
(256.4)	**Total comprehensive (loss)/income for the period**	(328.1)	51.2
	Attributable to:		
(256.0)	Equity shareholders	(328.1)	51.2
(0.4)	Non-controlling interests	–	-
(256.4)	**Total comprehensive (loss)/income for the period**	(328.1)	51.2

CONSOLIDATED BALANCE SHEET

31 December 2018 Audited £m		Notes	30 June 2019 Unaudited £m	30 June 2018 Unaudited £m
	Non-current assets			
3,830.4	Investment and development properties	9	3,568.9	4,621.3
39.9	Interests in leasehold properties		39.5	36.7
-	Right of use assets	1	12.0	-
4.5	Plant and equipment		3.9	4.6
3,604.5	Investment in joint ventures	10C	3,365.6	3,629.9
1,241.5	Investment in associates	11C	1,338.3	1,185.0
24.5	Derivative financial instruments*	12B	27.3	17.3
3.6	Receivables		3.6	15.2
8,748.9			8,359.1	9,510.0
	Current assets			
113.8	Receivables		96.1	109.9
4.1	Derivative financial instruments*	12B	2.3	-
24.0	Restricted monetary assets		27.9	32.5
31.2	Cash and deposits		65.5	30.3
173.1			191.8	172.7
8,922.0	**Total assets**		8,550.9	9,682.7
	Current liabilities			
(233.7)	Payables		(214.2)	(238.9)
(0.9)	Tax		(0.3)	(0.7)
(9.8)	Derivative financial instruments*	12B	(6.0)	(1.0)
(244.4)			(220.5)	(240.6)
	Non-current liabilities			
(3,013.9)	Loans	12A	(3,094.8)	(3,266.0)
(0.5)	Deferred tax		(0.5)	(0.5)
(101.0)	Derivative financial instruments*	12B	(106.0)	(102.4)
(42.3)	Obligations under head leases		(41.9)	(38.7)
(87.0)	Payables		(93.3)	(78.5)
(3,244.7)			(3,336.5)	(3,486.1)
(3,489.1)	**Total liabilities**		(3,557.0)	(3,726.7)
5,432.9	**Net assets**		4,993.9	5,956.0
	Equity			
191.6	Share capital		191.6	198.6
1,266.0	Share premium		1,266.0	1,266.0
794.3	Translation reserve		781.2	749.3
(624.7)	Net investment hedge reserve		(618.1)	(595.0)
(8.2)	Cash flow hedge reserve		(2.1)	(15.3)
374.1	Merger reserve		374.1	374.1
27.2	Other reserves		25.2	18.7
3,415.3	Retained earnings		2,976.6	3,960.7
(3.0)	Investment in own shares		(0.9)	(1.8)
5,432.6	**Equity shareholders' funds**		4,993.6	5,955.3
0.3	Non-controlling interests		0.3	0.7
5,432.9	**Total equity**		4,993.9	5,956.0
£7.38	**EPRA net asset value per share**	8D	£6.85	£7.76

*As adopted for the 31 December 2018 financial statements, derivative financial instruments have been presented separately on the face of the consolidated balance sheet to improve the clarity of reporting. Comparative figures have been amended accordingly.

The Half-year Report was approved by the Board on 29 July 2019.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

Unaudited	Share capital £m	Share premium £m	Translation reserve £m	Net investment hedge reserve £m	Cash flow hedge reserve £m	Merger reserve £m	Other reserves[1] £m	Retained earnings £m	Investment in own shares[2] £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2019	191.6	1,266.0	794.3	(624.7)	(8.2)	374.1	27.2	3,415.3	(3.0)	5,432.6	0.3	5,432.9
Share buyback – release of 2018 cost accrual	–	–	–	–	–	–	–	0.8	–	0.8	–	0.8
Share-based employee remuneration	–	–	–	–	–	–	1.7	–	–	1.7	–	1.7
Cost of shares awarded to employees	–	–	–	–	–	–	(2.1)	–	2.1	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	–	(1.6)	1.6	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	–	–	0.1	–	0.1	–	0.1
Dividends (note 7)	–	–	–	–	–	–	–	(113.5)	–	(113.5)	–	(113.5)
Foreign exchange translation differences	–	–	(13.1)	–	–	–	–	–	–	(13.1)	–	(13.1)
Gain on net investment hedge	–	–	–	6.6	–	–	–	–	–	6.6	–	6.6
Gain on cash flow hedge	–	–	–	–	6.7	–	–	–	–	6.7	–	6.7
Gain on cash flow hedge recycled to net finance costs	–	–	–	–	(0.6)	–	–	–	–	(0.6)	–	(0.6)
Share of other comprehensive loss of associates (note 11E)	–	–	–	–	–	–	–	(2.8)	–	(2.8)	–	(2.8)
Net actuarial losses on pension schemes	–	–	–	–	–	–	–	(5.1)	–	(5.1)	–	(5.1)
Loss for the period	–	–	–	–	–	–	–	(319.8)	–	(319.8)	–	(319.8)
Total comprehensive (loss)/income for the period	–	–	(13.1)	6.6	6.1	–	–	(327.7)	–	(328.1)	–	(328.1)
Balance at 30 June 2019	191.6	1,266.0	781.2	(618.1)	(2.1)	374.1	25.2	2,976.6	(0.9)	4,993.6	0.3	4,993.9

1. Other reserves comprise a capital redemption reserve of £14.3 million relating to share buybacks and £10.9 million relating to share-based employee remuneration.
2. Investment in own shares is stated at cost.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

Unaudited	Share capital £m	Share premium £m	Translation reserve £m	Net investment hedge reserve £m	Cash flow hedge reserve £m	Merger reserve £m	Other reserves[1] £m	Retained earnings £m	Investment in own shares[2] £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2018	198.6	1,265.9	763.1	(604.0)	(12.3)	374.1	22.0	4,016.4	(0.3)	6,023.5	14.0	6,037.5
Issue of shares	–	0.1	–	–	–	–	–	–	–	0.1	–	0.1
Share-based employee remuneration	–	–	–	–	–	–	1.6	–	–	1.6	–	1.6
Cost of shares awarded to employees	–	–	–	–	–	–	(3.1)	–	3.1	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	–	(1.8)	1.8	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	–	–	0.1	–	0.1	–	0.1
Purchase of own shares	–	–	–	–	–	–	–	–	(4.6)	(4.6)	–	(4.6)
Dividends (note 7)	–	–	–	–	–	–	–	(116.6)	–	(116.6)	(13.3)	(129.9)
Foreign exchange translation differences	–	–	(13.8)	–	–	–	–	–	–	(13.8)	–	(13.8)
Gain on net investment hedge	–	–	–	9.0	–	–	–	–	–	9.0	–	9.0
Gain on cash flow hedge	–	–	–	–	6.6	–	–	–	–	6.6	–	6.6
Gain on cash flow hedge recycled to net finance costs	–	–	–	–	(9.6)	–	–	–	–	(9.6)	–	(9.6)
Share of other comprehensive loss of associates (note 11E)	–	–	–	–	–	–	–	(2.6)	–	(2.6)	–	(2.6)
Net actuarial gains on pension schemes	–	–	–	–	–	–	–	5.9	–	5.9	–	5.9
Profit for the period	–	–	–	–	–	–	–	55.7	–	55.7	–	55.7
Total comprehensive income/(loss) for the period	–	–	(13.8)	9.0	(3.0)	–	–	59.0	–	51.2	–	51.2
Balance at 30 June 2018	198.6	1,266.0	749.3	(595.0)	(15.3)	374.1	18.7	3,960.7	(1.8)	5,955.3	0.7	5,956.0

1. Other reserves comprise a capital redemption reserve of £7.3 million relating to share buybacks and £11.4 million relating to share-based employee remuneration.
2. Investment in own shares is stated at cost.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

Audited	Share capital £m	Share premium £m	Translation reserve £m	Net investment hedge reserve £m	Cash flow hedge reserve £m	Merger reserve £m	Other reserves[1] £m	Retained earnings £m	Investment in own shares[2] £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2018	198.6	1,265.9	763.1	(604.0)	(12.3)	374.1	22.0	4,016.4	(0.3)	6,023.5	14.0	6,037.5
Issue of shares	–	0.1	–	–	–	–	–	–	–	0.1	–	0.1
Share buyback	(7.0)	–	–	–	–	–	7.0	(128.9)	–	(128.9)	–	(128.9)
Share-based employee remuneration	–	–	–	–	–	–	3.4	–	–	3.4	–	3.4
Cost of shares awarded to employees	–	–	–	–	–	–	(3.6)	–	3.6	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	–	(1.6)	1.6	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	–	–	0.2	–	0.2	–	0.2
Purchase of own shares	–	–	–	–	–	–	–	–	(6.3)	(6.3)	–	(6.3)
Dividends (note 7)	–	–	–	–	–	–	–	(203.4)	–	(203.4)	(13.3)	(216.7)
Exchange (gain)/loss previously recognised in equity recycled on disposal of foreign operations	–	–	(10.3)	8.3	–	–	–	–	–	(2.0)	–	(2.0)
Foreign exchange translation differences	–	–	41.5	–	–	–	–	–	–	41.5	–	41.5
Loss on net investment hedge	–	–	–	(29.0)	–	–	–	–	–	(29.0)	–	(29.0)
Gain on cash flow hedge	–	–	–	–	27.7	–	–	–	–	27.7	–	27.7
Gain on cash flow hedge recycled to net finance costs	–	–	–	–	(23.6)	–	–	–	–	(23.6)	–	(23.6)
Share of other comprehensive loss of associates (note 11E)	–	–	–	–	–	–	–	(3.3)	–	(3.3)	–	(3.3)
Net actuarial gains on pension schemes	–	–	–	–	–	–	–	0.8	–	0.8	–	0.8
Loss for the year	–	–	–	–	–	–	–	(268.1)	–	(268.1)	(0.4)	(268.5)
Total comprehensive income/(loss) for the year	–	–	31.2	(20.7)	4.1	–	–	(270.6)	–	(256.0)	(0.4)	(256.4)
Balance at 31 December 2018	191.6	1,266.0	794.3	(624.7)	(8.2)	374.1	27.2	3,415.3	(3.0)	5,432.6	0.3	5,432.9

1. Other reserves comprise a capital redemption reserve of £14.3 million relating to share buybacks and £12.9 million relating to share-based employee remuneration.
2. Investment in own shares is stated at cost.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2018 Audited £m		Notes	Six months ended 30 June 2019 Unaudited £m	Six months ended 30 June 2018 Unaudited £m
	Operating activities			
152.2	Operating profit before other net (losses)/gains and share of results of joint ventures and associates	2	59.1	83.7
1.4	Decrease/(Increase) in receivables		2.8	(3.2)
13.6	(Increase)/Decrease in restricted monetary assets		(3.9)	4.8
(32.7)	Decrease in payables		(6.9)	(5.3)
10.3	Adjustment for non-cash items		3.1	9.2
144.8	**Cash generated from operations**		54.2	89.2
14.5	Interest received		13.7	9.6
(110.0)	Interest paid		(58.0)	(58.5)
(12.9)	Acquisition-related costs paid		–	(11.6)
(15.3)	Debt and loan facility cancellation costs	5	–	–
(1.6)	Tax (paid)/received		(1.2)	0.1
95.0	Distributions and other receivables from joint ventures*		58.1	47.7
114.5	**Cash flows from operating activities**		66.8	76.5
	Investing activities			
(12.0)	Property acquisitions		–	(10.5)
(89.3)	Developments and major refurbishments		(19.3)	(65.5)
(60.3)	Other capital expenditure		(3.8)	(31.6)
553.2	Sale of properties		22.4	116.6
(30.0)	(Advances to)/Repayments from joint ventures	10E	(9.6)	1.3
144.2	Funds from financing transferred from joint ventures*	10E	–	46.2
(108.6)	Acquisition of interest in associates		(1.4)	(91.4)
37.6	Distributions received from associates		13.0	14.4
434.8	**Cash flows from investing activities**		1.3	(20.5)
	Financing activities			
0.1	Issue of shares		–	0.1
0.2	Proceeds from award of own shares		0.1	0.1
(5.1)	Purchase of own shares		–	(4.6)
(126.5)	Share buyback		(1.5)	–
240.3	Proceeds from new borrowings		85.8	32.9
(616.3)	Repayment of borrowings		–	(126.0)
(376.0)	Net increase/(decrease) in borrowings		85.8	(93.1)
(13.3)	Dividends paid to non-controlling interests		–	(13.3)
(204.1)	Equity dividends paid	7	(118.1)	(120.6)
(724.7)	**Cash flows from financing activities**		(33.7)	(231.4)
(175.4)	**Net increase/(decrease) in cash and deposits**		34.4	(175.4)
205.9	Opening cash and deposits		31.2	205.9
0.7	Exchange translation movement		(0.1)	(0.2)
31.2	**Closing cash and deposits**		65.5	30.3

*For the periods ended 30 June 2019 and 31 December 2018, distributions received from joint ventures in relation to financing have been included within "Cash flows from investing activities" for improved clarity. Comparatives figures for the six months ended 30 June 2018 have been amended accordingly.

An analysis of the movement in net debt is provided in note 14 on page 54.

NOTES TO THE FINANCIAL STATEMENTS

1. FINANCIAL INFORMATION

The information for the year ended 31 December 2018 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006. The annual financial statements of Hammerson plc were prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this Half-year Report has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 Interim Financial Reporting, as adopted by the European Union, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as were applied in Hammerson's latest annual audited financial statements, except that new standards and amendments to standards have been issued and are now effective for the Group. The most significant of these is IFRS 16 Leases which has been has been adopted by the Group, and is explained below.

IFRS 16 Leases (effective from 1 January 2019)

- The standard does not impact the Group's financial position as a lessor or the Group's rental income from its investment properties. The standard requires lessees to recognise, for each lease, a right-of-use asset and related lease liability representing the obligation to make lease payments. Interest expense on the lease liability and depreciation on the right-of-use asset is recognised in the consolidated income statement.
- Included within the scope of the standard are the Group's current operating leases for its offices in London, Reading, Dublin, Paris and the existing head leases which are already IFRS 16 compliant and disclosed on the face of the consolidated balance sheet, and other smaller operating leases, for example equipment, which are considered to be immaterial to the Group.
- The Group has applied the modified retrospective approach in adopting IFRS 16 to the office leases. This method includes the calculated lease liabilities and right-of-use assets to be recognised in the consolidated balance sheet on the transition date of 1 January 2019, without the requirement to restate prior periods. Under the standard, the Group also has the option to set the balance of the right-of-use assets, on transition, at an amount equal to the lease liabilities. This option has been taken.

  The effect of adopting IFRS 16 is summarised below:

	Right-of-use assets £m	Lease liabilities £m
On transition to IFRS 16 (1 January 2019)	13.8	(13.8)
Rents payable	–	1.9
Depreciation (administration costs)	(1.8)	–
Interest on other leases (net finance costs)	–	(0.1)
At 30 June 2019	12.0	(12.0)

- As shown above, on 1 January 2019, right-of-use assets and lease liabilities of £13.8 million were recognised in the consolidated balance sheet on the adoption of IFRS 16. For the period ended 30 June 2019, rents payable of £1.9 million which would have been recognised under IAS 17 has been replaced with depreciation of £1.8 million and interest on other leases of £0.1 million, under IFRS 16.
- At 30 June 2019, the right-of-use assets of £12 million are shown separately on the face of the consolidated balance sheet. The corresponding lease liabilities of £12 million are included within non-current other payables.

There are no other Standards or Interpretations yet to be effective that would be expected to have a material impact on the financial statements of the Group. In preparing the condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018. Transactions with joint ventures including distributions, interest and management fees are eliminated on a proportionate basis. The Group's financial performance is not materially impacted by seasonality. There have been no material changes in the related party transactions described in the last annual report, and there have been no changes in estimates of amounts reported in prior periods which have a material impact on the current half-year period.

Capital commitments for the Reported Group have decreased from £141 million at 31 December 2018 to £133 million at 30 June 2019. The Group's share of capital commitments arising within joint ventures has increased from £22 million at 31 December 2018 to £28 million at 30 June 2019. Further details of Developments are provided on pages 11 and 12. There have been no material changes in contingent liabilities since 31 December 2018. Details of the Group's principal risks and uncertainties are set out on pages 25 and 26.

1. FINANCIAL INFORMATION (continued)

The principal exchange rates used to translate foreign currency denominated amounts are:
Consolidated balance sheet: £1 = €1.118 (30 June 2018: £1 = €1.131; 31 December 2018: £1 = €1.115)
Consolidated income statement: £1 = €1.147 (Quarter 1 2019), £1 = €1.144 (Quarter 2 2019); (30 June 2018: £1 = €1.137; 31 December 2018: £1 = €1.131). From 2019 the Group uses a quarterly average exchange rate for the consolidated income statement instead of a year-to-date average rate.

GOING CONCERN

Hammerson's business activities, together with factors likely to affect its future development, performance, and position are set out in the 'Corporate overview', 'Operating review', 'Sustainability review', 'Property portfolio review', 'Financial review' and 'Principal risks and uncertainties'. The financial position of the Group, its liquidity position and borrowing facilities are described in the 'Operating review', 'Financial review' and in the notes to the financial statements.

The Directors have reviewed the current and projected financial position of the Group, including current assets and liabilities and the net current liabilities position, making reasonable assumptions about future trading performance, property valuations and capital expenditure plans. The review considered the Group's current liquidity position, current assets and current liabilities, its debt maturity profile, future commitments and forecast cash flows. Based on this review the Directors are able to conclude that they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least the next 12 months and continue to adopt the going concern basis in preparing the interim financial statements.

2. (LOSS)/PROFIT FOR THE PERIOD

As stated in the Financial review on page 18 and in note 3, management reviews the performance of the Group's property portfolio on a proportionally consolidated basis. Management does not proportionally consolidate the Group's premium outlet investments in Value Retail and VIA Outlets, and reviews the performance of these investments separately from the rest of the proportionally consolidated portfolio.

The following tables have been prepared on a basis consistent with how management reviews the performance of the business and show the Group's (loss)/profit for the period on a proportionally consolidated basis in column C, by aggregating the Reported Group results (shown in column A) with those from its Share of Property interests (shown in column B), the latter being reallocated to the relevant financial statement lines.

The Group's share of results arising from its interests in premium outlets has not been proportionally consolidated and hence these have not been reallocated to the relevant financial statement lines, but is shown within 'Share of results of joint ventures' and 'Share of results of associates' in column C.

The Group's proportionally consolidated (loss)/profit for the period in column C is then allocated between 'Adjusted' and 'Capital and other' for the purposes of calculating figures in accordance with EPRA best practice.

					Six months ended 30 June 2019	
					Proportionally consolidated	
	Notes	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Adjusted £m	Capital and other £m
Notes (see page 40)		A	B	C	D	D
Gross rental income[E]	3A, 4	92.6	88.8	181.4	181.4	–
Ground and equity rents payable		(0.7)	(0.9)	(1.6)	(1.6)	–
Gross rental income, after rents payable		91.9	87.9	179.8	179.8	–
- Service charge income		19.3	16.2	35.5	35.5	–
- Service charge expenses		(20.8)	(17.9)	(38.7)	(38.7)	–
- Net service charge expenses		(1.5)	(1.7)	(3.2)	(3.2)	–
- Inclusive lease costs recovered through rent		(2.2)	(1.4)	(3.6)	(3.6)	–
- Other property outgoings		(7.1)	(9.3)	(16.4)	(16.4)	–
Property outgoings		(10.8)	(12.4)	(23.2)	(23.2)	–
Net rental income	3A	81.1	75.5	156.6	156.6	–
Administration costs		(34.9)	(0.2)	(35.1)	(35.1)	–
Property fee income		7.9	–	7.9	7.9	–
Employee and corporate costs		(27.0)	(0.2)	(27.2)	(27.2)	–
Joint venture and associate management fees		5.0	–	5.0	5.0	–
Net administration expenses		(22.0)	(0.2)	(22.2)	(22.2)	–
Operating profit before other net losses and share of results of joint ventures and associates		59.1	75.3	134.4	134.4	–
Loss on sale of properties		(2.1)	–	(2.1)	–	(2.1)
Revaluation losses on properties	3B	(262.7)	(271.3)	(534.0)	–	(534.0)
Other net losses		(264.8)	(271.3)	(536.1)	–	(536.1)
Share of results of joint ventures	10A, 10B	(188.4)	204.7	16.3	6.7	9.6
Share of results of associates	11A, 11B	121.1	(0.5)	120.6	11.1	109.5
Operating (loss)/profit		(273.0)	8.2	(264.8)	152.2	(417.0)
Net finance costs[H]	5	(46.2)	(8.2)	(54.4)	(44.2)	(10.2)
(Loss)/Profit before tax		(319.2)	–	(319.2)	108.0	(427.2)
Tax charge	6	(0.6)	–	(0.6)	(0.6)	–
(Loss)/Profit for the period attributable to equity shareholders	8B	(319.8)	–	(319.8)	107.4	(427.2)

2. (LOSS)/PROFIT FOR THE PERIOD (continued)

	Notes	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Six months ended 30 June 2018 Proportionally consolidated Adjusted £m	Capital and other £m
Notes (see page 40)		A	B	C	D	D
Gross rental income[E]	3A, 4	116.5	86.6	203.1	203.1	–
Ground and equity rents payable		(0.8)	(1.2)	(2.0)	(2.0)	–
Gross rental income, after rents payable		115.7	85.4	201.1	201.1	
- Service charge income		22.8	18.2	41.0	41.0	–
- Service charge expenses		(24.9)	(19.4)	(44.3)	(44.3)	–
- Net service charge expenses		(2.1)	(1.2)	(3.3)	(3.3)	–
- Inclusive lease costs recovered through rent		(2.6)	(1.1)	(3.7)	(3.7)	–
- Other property outgoings		(7.1)	(8.5)	(15.6)	(15.6)	–
Property outgoings		(11.8)	(10.8)	(22.6)	(22.6)	–
Net rental income	3A	103.9	74.6	178.5	178.5	–
Administration costs		(33.4)	(0.2)	(33.6)	(33.6)	–
Property fee income		8.0	–	8.0	8.0	–
Employee and corporate costs		(25.4)	(0.2)	(25.6)	(25.6)	–
Joint venture and associate management fees		5.2	–	5.2	5.2	–
Net administration expenses		(20.2)	(0.2)	(20.4)	(20.4)	–
Operating profit before other net losses and share of results of joint ventures and associates		83.7	74.4	158.1	158.1	–
Gain on sale of properties		4.4	–	4.4	–	4.4
Acquisition-related costs[G]		(6.4)	–	(6.4)	–	(6.4)
Revaluation losses on properties	3B	(34.8)	(31.8)	(66.6)	–	(66.6)
Other net losses		(36.8)	(31.8)	(68.6)	–	(68.6)
Share of results of joint ventures	10A, 10B	56.4	(38.6)	17.8	7.8	10.0
Share of results of associates	11A, 11B	13.3	(0.4)	12.9	6.7	6.2
Operating profit/(loss)		116.6	3.6	120.2	172.6	(52.4)
Net finance costs[H]	5	(60.8)	(3.6)	(64.4)	(52.5)	(11.9)
Profit/(loss) before tax		55.8	–	55.8	120.1	(64.3)
Tax charge	6	(0.1)	–	(0.1)	(0.1)	–
Profit/(loss) for the period attributable to equity shareholders	8B	55.7	–	55.7	120.0	(64.3)

2. (LOSS)/PROFIT FOR THE PERIOD (continued)

	Notes	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Year ended 31 December 2018 Proportionally consolidated Adjusted £m	Capital and other £m
Notes		A	B	C	D	D
Gross rental income[E]	3A, 4	223.3	175.5	398.8	398.8	–
Ground and equity rents payable		(1.4)	(2.1)	(3.5)	(3.5)	–
Gross rental income , after rents payable		221.9	173.4	395.3	395.3	
- Service charge income		44.0	38.5	82.5	82.5	–
- Service charge expenses		(47.1)	(42.0)	(89.1)	(89.1)	–
- Net service charge expenses		(3.1)	(3.5)	(6.6)	(6.6)	–
- Inclusive lease costs recovered through rent		(5.3)	(2.4)	(7.7)	(7.7)	–
- Other property outgoings		(16.8)	(16.7)	(33.5)	(33.5)	–
Property outgoings		(25.2)	(22.6)	(47.8)	(47.8)	–
Net rental income	3A	196.7	150.8	347.5	347.5	–
Administration costs		(69.6)	(0.2)	(69.8)	(69.8)	–
Property fee income		14.8	–	14.8	14.8	–
Employee and corporate costs		(54.8)	(0.2)	(55.0)	(55.0)	–
Joint venture and associate management fees		10.3	–	10.3	10.3	–
Net administration expenses		(44.5)	(0.2)	(44.7)	(44.7)	–
Operating profit before other net gains and share of results of joint ventures and associates		152.2	150.6	302.8	302.8	–
(Loss)/Profit on sale of properties[F]		(79.9)	15.0	(64.9)	–	(64.9)
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations		2.0	–	2.0	–	2.0
Acquisition-related costs[G]		(6.4)	–	(6.4)	–	(6.4)
Revaluation losses on properties	3B	(161.4)	(287.2)	(448.6)	–	(448.6)
Other net losses		(245.7)	(272.2)	(517.9)	–	(517.9)
Share of results of joint ventures	10A, 10B	(106.4)	131.0	24.6	15.1	9.5
Share of results of associates	11A, 11B	57.7	(0.9)	56.8	26.0	30.8
Operating (loss)/profit		(142.2)	8.5	(133.7)	343.9	(477.6)
Net finance costs[H]	5	(124.5)	(8.4)	(132.9)	(101.7)	(31.2)
(Loss)/Profit before tax		(266.7)	0.1	(266.6)	242.2	(508.8)
Tax charge	6	(1.8)	(0.1)	(1.9)	(1.9)	–
(Loss)/Profit for the year		(268.5)	–	(268.5)	240.3	(508.8)
Non-controlling interests[I]		0.4	–	0.4	–	0.4
(Loss)/Profit for the year attributable to equity shareholders	8B	(268.1)	–	(268.1)	240.3	(508.4)

Notes

A Reported Group results as shown in the consolidated income statement on page 29.

B Share of Property interests reflect the Group's share of results of Property joint ventures as shown in note 10A and Nicetoile included within note 11A.

C Aggregated results on a proportionally consolidated basis showing Reported Group together with Share of Property interests.

D Aggregated results on a proportionally consolidated basis allocated between 'Adjusted' and 'Capital and other' for the purposes of calculating adjusted earnings per share as shown in note 8B.

E Included in gross rental income on a proportionally consolidated basis in column C is £3.9 million (30 June 2018: £3.2 million; 31 December 2018: £8.5 million) of contingent rents calculated by reference to tenants' turnover.

F Reclassification of £15.0 million between '(Loss)/Profit on sale of properties' and 'Revaluation losses on properties' in column B, to present the sale of the 50% interest in Highcross on a proportionally consolidated basis.

G Acquisition-related costs of £nil (30 June 2018: £6.4 million; 31 December 2018: £6.4 million) recognised in respect of the proposed acquisition of intu and the potential offers from Klépierre S.A.

H Adjusted finance costs presented on a proportionally consolidated basis are shown in Table 15 on page 63.

I The Group's non-controlling interests represented a 35.5% interest in an entity which disposed of Place des Halles, Strasbourg in December 2017.

3. SEGMENTAL ANALYSIS

The factors used to determine the Group's reportable segments are the sectors in which it operates and geographic locations (UK, France and Ireland). These are generally managed by separate teams and are the basis on which performance is assessed and resources allocated. As stated in the Financial review on page 18, the Group has property interests in a number of sectors and management reviews the performance of the Group's property interests in flagship destinations, retail parks, UK other properties and developments on a proportionally consolidated basis to reflect the different ownerships. Management does not proportionally consolidate the investments in Value Retail and VIA Outlets, which are externally managed by experienced outlet operators, independently financed and have operating metrics which differ from the Group's other sectors. We review the performance of our premium outlet investments separately from the proportionally consolidated portfolio. The key financial metrics for our premium outlets are: income growth; earnings contribution; property valuations and returns; and capital growth. However, for a number of the Group's APM's we aggregate the premium outlets for enhanced disclosure. These include like-for-like net rental income, LTV ratios, property valuations and returns.

The segmental analysis has been prepared on the same basis that management uses to review the business, rather than on a statutory basis. Property interests represent the Group's non wholly-owned properties which management proportionally consolidate when reviewing the performance of the business. For reconciliation purposes the Reported Group figures, being properties either wholly-owned or held within joint operations, are shown in the following tables.

The Group's primary income measures for its property income are Gross rental income and Net rental income. Total assets are not monitored by segment and resource allocation is based on the distribution of property assets between segments.

A. Income and profit by segment

Year ended 31 December 2018 Gross rental income £m	Year ended 31 December 2018 Net rental income £m		Six months ended 30 June 2019 Gross rental income £m	Six months ended 30 June 2019 Net rental income £m	Six months ended 30 June 2018 Gross rental income £m	Six months ended 30 June 2018 Net rental income £m
		Flagship destinations				
178.2	151.9	UK	78.9	66.3	88.6	77.2
83.4	74.8	France	40.8	36.3	45.0	39.9
44.2	40.4	Ireland	20.4	18.5	22.2	20.2
305.8	267.1		140.1	121.1	155.8	137.3
63.5	59.1	UK retail parks	27.5	25.6	33.4	31.2
12.4	8.9	UK other	5.8	4.2	6.1	4.4
381.7	335.1	Investment portfolio	173.4	150.9	195.3	172.9
17.1	12.4	Developments	8.0	5.7	7.8	5.6
398.8	347.5	Property portfolio	181.4	156.6	203.1	178.5
(175.5)	(150.8)	Less share of Property interests	(88.8)	(75.5)	(86.6)	(74.6)
223.3	196.7	Reported Group	92.6	81.1	116.5	103.9

B. Investment and development property assets by segment

31 December 2018 Property valuation £m	31 December 2018 Property additions £m	31 December 2018 Revaluation (losses)/gains £m		30 June 2019 Property valuation £m	30 June 2019 Property additions £m	30 June 2019 Revaluation (losses)/gains £m	30 June 2018 Property valuation £m	30 June 2018 Property additions £m	30 June 2018 Revaluation (losses)/gains £m
			Flagship destinations						
2,920.9	29.7	(346.6)	UK	2,655.5	1.1	(266.4)	3,454.2	17.0	(51.6)
1,885.2	37.9	(14.3)	France	1,819.2	10.9	(70.6)	1,868.9	18.1	(20.6)
978.5	2.9	9.0	Ireland	947.3	1.7	(29.7)	971.7	0.2	18.5
5,784.6	70.5	(351.9)		5,422.0	13.7	(366.7)	6,294.8	35.3	(53.7)
873.1	13.3	(126.3)	UK retail parks	752.6	0.8	(93.4)	1,135.1	6.2	(45.0)
173.3	15.0	6.9	UK other	153.4	0.9	(20.9)	199.2	2.9	16.1
6,831.0	98.8	(471.3)	Investment portfolio	6,328.0	15.4	(481.0)	7,629.1	44.4	(82.6)
648.5	84.2	22.7	Developments	623.5	28.6	(53.0)	615.1	62.3	16.0
7,479.5	183.0	(448.6)	Property portfolio – excluding premium outlets	6,951.5	44.0	(534.0)	8,244.2	106.7	(66.6)
2,458.8	153.9	56.2	Premium outlets	2,590.0	22.5	110.6	2,381.9	127.2	26.5
9,938.3	336.9	(392.4)	Total Group	9,541.5	66.5	(423.4)	10,626.1	233.9	(40.1)
(2,458.8)	(153.9)	(56.2)	Less premium outlets	(2,590.0)	(22.5)	(110.6)	(2,381.9)	(127.2)	(26.5)
(3,649.1)	(35.0)	287.2	Less share of Property interests	(3,382.6)	(8.2)	271.3	(3,622.9)	(18.0)	31.8
3,830.4	148.0	(161.4)	Reported Group	3,568.9	35.8	(262.7)	4,621.3	88.7	(34.8)

4. REVENUE

Year ended 31 December 2018 £m		Notes	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m
198.5	Base rent		82.8	103.8
3.6	Turnover rent		1.8	1.4
19.1	Car park income*		6.9	9.4
(6.7)	Lease incentive recognition		(2.0)	(2.9)
8.8	Other rental income		3.1	4.8
223.3	Gross rental income	2	92.6	116.5
44.0	Service charge income*	2	19.3	22.8
14.8	Property fee income*	2	7.9	8.0
10.3	Joint venture and associate management fees*	2	5.0	5.2
292.4	Revenue		124.8	152.5

* The above income streams reflect revenue recognised under IFRS15 Revenue from Contracts with Customers and total £39.1 million in the six months ended 30 June 2019 (30 June 2018: £45.4 million; 31 December 2018: £88.2 million). All other revenue streams relate to income recognised under IFRS16 Leases.

5. NET FINANCE COSTS

Year ended 31 December 2018 £m		Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m
13.2	Interest on bank loans and overdrafts	7.2	5.0
92.7	Interest on other borrowings	43.4	48.0
2.4	Interest on obligations under head leases	1.1	1.1
-	Interest on other lease obligations	0.1	-
2.8	Other interest payable	0.8	1.6
111.1	Gross interest costs	52.6	55.7
(1.9)	Less: Interest capitalised	(1.3)	(0.6)
109.2	Finance costs	51.3	55.1
15.3	Debt and loan facility cancellation costs	-	-
14.5	Change in fair value of derivatives	6.2	11.6
(14.5)	Finance income	(11.3)	(5.9)
124.5	Net finance costs	46.2	60.8

6. TAX CHARGE

Year ended 31 December 2018 £m		Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m
0.1	UK current tax	-	-
1.7	Foreign current tax	0.6	0.1
1.8	Tax charge	0.6	0.1

Current tax is low as substantially all of the Group's rental income and property gains are exempt from tax.

7. DIVIDENDS

The Directors have declared an interim dividend of 11.1 pence per share, the same amount as the 2018 interim dividend. The interim dividend is payable on 7 October 2019 to shareholders on the register at the close of business on 30 August 2019. The dividend will be paid entirely as a cash PID, net of withholding tax where appropriate. There will be no scrip alternative although the dividend reinvestment plan (DRIP) remains available to shareholders.

				Equity dividends		
	PID pence per share	Non-PID pence per share	Total pence per share	Six months ended 30 June 2019 £m	Year ended 31 December 2018 £m	Six months ended 30 June 2018 £m
Current period						
2019 interim dividend	11.1	–	11.1	–	–	–
Prior periods						
2018 final dividend	7.4	7.4	14.8	113.5	–	–
2018 interim dividend	11.1	–	11.1	–	86.8	–
	18.5	7.4	25.9			
2017 final dividend				–	116.6	116.6
Dividends as reported in the consolidated statement of changes in equity				113.5	203.4	116.6
2017 interim dividend withholding tax (paid 2018)				–	13.4	13.4
2017 final dividend withholding tax (paid July 2018)				–	–	(9.4)
2018 interim dividend withholding tax (paid 2019)				12.7	(12.7)	–
2018 final dividend withholding tax (paid July 2019)				(8.1)	–	–
Dividends paid as reported in the consolidated cash flow statement				118.1	204.1	120.6

8. (LOSS)/EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE

The European Public Real Estate Association (EPRA) has issued recommended bases for the calculation of certain per share information and these are included in notes 8B and 8D. Commentary on (loss)/earnings and net asset value per share is provided in the Financial review on pages 18 to 24. Headline earnings per share has been calculated and presented in note 8C as required by the Johannesburg Stock Exchange listing requirements.

A. Number of shares for per share calculations

Year ended 31 December 2018 Shares million		Six months ended 30 June 2019 Shares million	Six months ended 30 June 2018 Shares million
786.3	Basic, EPRA and Adjusted	765.1	793.0
786.3	Diluted	765.1	793.9

The calculations for (loss)/earnings per share use the weighted average number of shares, which excludes those shares held in the Hammerson Employee Share Ownership Plan, which are treated as cancelled. At 31 December 2018 and 30 June 2019 there was no difference in the weighted average number of shares used for the calculation of basic and diluted loss per share as the effect of all potentially dilutive shares outstanding was anti-dilutive.

8. (LOSS)/EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE (continued)

B. Earnings per share

Year ended 31 December 2018 (Loss)/ Earnings £m	Year ended 31 December 2018 Pence per share			Notes	Six months ended 30 June 2019 (Loss)/ Earnings £m	Six months ended 30 June 2019 Pence per share	Six months ended 30 June 2018 (Loss)/ Earnings £m	Six months ended 30 June 2018 Pence per share
(268.1)	(34.1)	Basic and Diluted		2	(319.8)	(41.8)	55.7	7.0
(268.1)	(34.1)	Basic			(319.8)	(41.8)	55.7	7.0
		Adjustments:						
161.4	20.5	Revaluation losses on properties:	Reported Group	2	262.7	34.3	34.8	4.4
287.2	36.5		Share of Property interests	2	271.3	35.5	31.8	4.0
448.6	57.0				534.0	69.8	66.6	8.4
79.9	10.2	Loss/(Profit) on sale of properties:	Reported Group	2	2.1	0.3	(4.4)	(0.5)
(15.0)	(1.9)		Share of Property interests	2	–	–	–	–
64.9	8.3				2.1	0.3	(4.4)	(0.5)
(2.0)	(0.3)	Net exchange gain previously recognised in equity, recycled on disposal of foreign operations:	Reported Group	2	–	–	–	–
15.3	1.9	Debt and loan facility cancellation costs:	Reported Group	5	–	–	–	–
14.5	1.8	Change in fair value of derivatives:	Reported Group	5	6.2	0.8	11.6	1.5
1.4	0.2		Share of Property interests	10B	4.0	0.5	0.3	–
15.9	2.0				10.2	1.3	11.9	1.5
		Other adjustments:	Reported Group:					
6.4	0.8		Acquisition-related costs	2	–	–	6.4	0.8
(0.4)	–		Non-controlling interests	2	–	–	–	–
6.0	0.8				–	–	6.4	0.8
(56.2)	(7.1)	Premium outlets:	Revaluation gains on properties	10B, 11B	(110.6)	(14.5)	(26.5)	(3.3)
1.3	0.2		Change in fair value of derivatives	10B, 11B	(4.0)	(0.5)	(1.7)	(0.2)
13.8	1.7		Deferred tax	10B, 11B	(4.2)	(0.6)	10.6	1.3
0.7	0.1		Other adjustments	10B, 11B	–	–	0.9	0.1
(40.4)	(5.1)				(118.8)	(15.6)	(16.7)	(2.1)
508.3	64.6	Total adjustments			427.5	55.8	63.8	8.1
240.2	30.5	EPRA			107.7	14.0	119.5	15.1
0.1	0.1	Other adjustments	Translation movement on intragroup funding loan: Premium outlets	10B	(0.3)	–	0.5	–
240.3	30.6	Adjusted			107.4	14.0	120.0	15.1

8. (LOSS)/EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE (continued)

C. Headline earnings per share

Year ended 31 December 2018 Earnings £m		Notes	Six months ended 30 June 2019 Earnings £m	Six months ended 30 June 2018 Earnings £m
(268.1)	(Loss)/Profit for the period attributable to equity shareholders	2	(319.8)	55.7
	Revaluation losses on properties:			
448.6	Reported Group and Share of Property interests	8B	534.0	66.6
64.9	Loss/(Profit) on sale of properties: Reported Group	8B	2.1	(4.4)
	Net exchange gain previously recognised in equity, recycled on disposal of foreign operations:			
(2.0)	Reported Group	8B	–	–
(0.4)	Non-controlling interests	8B	–	–
(56.2)	Revaluation gains on properties: Premium outlets	8B	(110.6)	(26.5)
13.8	Deferred tax: Premium outlets	8B	(4.2)	10.6
	Translation movements on intragroup funding loan:			
0.1	Premium outlets	10B	(0.3)	0.5
200.7	**Headline earnings**		101.2	102.5

25.5p	**Basic headline earnings per share (pence)**		13.2p	12.9p
25.5p	**Diluted headline earnings per share (pence)**		13.2p	12.9p

	Reconciliation of headline earnings to adjusted earnings			
200.7	Headline earnings as above		101.2	102.5
	Debt and loan facility cancellation costs:			
15.3	Reported Group	8B	–	–
	Change in fair value of derivatives:			
15.9	Reported Group and Share of Property interests	8B	10.2	11.9
6.4	Acquisition-related costs: Reported Group	8B	–	6.4
3.5	Change in fair value of derivatives: Premium outlets	10B, 11B	27.6	(0.5)
(2.2)	Change in fair value of participative loans – revaluation movement: Premium outlets	11B	(31.6)	(1.2)
0.7	Loan facility costs written off: Premium outlets	11B	–	0.9
240.3	**Adjusted earnings**		107.4	120.0

8. (LOSS)/EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE (continued)

D. Net asset value per share

31 December 2018 Net asset value per share £		Notes	Equity shareholders' funds £m	Shares million	30 June 2019 Net asset value per share £	30 June 2018 Net asset value per share £
7.09	Basic		4,993.6	766.3	6.52	7.50
n/a	Company's own shares held in Employee Share Ownership Plan		–	(0.8)	n/a	n/a
n/a	Dilutive share schemes		2.1	(0.1)	n/a	n/a
7.09	Diluted		4,995.7	765.4	6.53	7.50
	Fair value adjustment to borrowings					
(0.14)	- Reported Group	13	(185.3)		(0.25)	(0.26)
–	- Share of Property interests		(2.9)		–	–
(0.14)			(188.2)		(0.25)	(0.26)
6.95	EPRA NNNAV		4,807.5		6.28	7.24
0.14	Fair value adjustment to borrowings		188.2		0.25	0.26
–	Deferred tax: Reported Group		0.5		–	–
	Fair value of interest rate swaps					
–	- Reported Group	13	(1.9)		(0.01)	–
–	- Share of Property interests	10C	5.4		0.01	–
	Premium outlets		3.5		–	–
0.01	- Fair value of derivatives	10D, 11D	19.3		0.03	–
0.36	- Deferred tax	10D, 11D	293.6		0.38	0.33
(0.08)	- Goodwill as a result of deferred tax	10D, 11D	(66.8)		(0.09)	(0.07)
0.29			246.1		0.32	0.26
7.38	EPRA NAV		5,245.8	765.4	6.85	7.76

9. INVESTMENT AND DEVELOPMENT PROPERTIES

	Investment properties Valuation £m	Development properties Valuation £m	Total Valuation £m
Balance at 1 January 2019	3,440.7	389.7	3,830.4
Exchange adjustment	(6.3)	(1.6)	(7.9)
Capital expenditure	11.1	24.7	35.8
Disposals	(28.0)	–	(28.0)
Capitalised interest	0.2	1.1	1.3
Revaluation losses	(214.2)	(48.5)	(262.7)
Balance at 30 June 2019	**3,203.5**	**365.4**	**3,568.9**

Properties are stated at fair value as at 30 June 2019, valued by professionally qualified external valuers in accordance with RICS Valuation – Global Standards. Cushman & Wakefield Debenham Tie Leung Limited, Chartered Surveyors have valued the Group's properties, excluding those held by the Group's premium outlet investments which have been valued by Cushman & Wakefield LLP, Chartered Surveyors.

The valuation of the Group's properties, which are carried in the balance sheet at fair value, is the most material area of estimation due to its inherent subjectivity, reliance on assumptions and sensitivity to market fluctuations. The retail market, particularly in the UK, has experienced significant challenges in 2019 due to tenant failures and wider macroeconomic uncertainty. The valuation of the portfolio is further complicated by a lack of transactional evidence.

The Directors have satisfied themselves that the valuation process is sufficiently rigorous and supports the carrying value of the Group's properties in the financial statements. Investment properties, excluding properties held for development, are valued by adopting the 'investment method' of valuation. This approach involves applying capitalisation yields to estimated future rental income streams reflecting contracted income reverting to Estimated Rental Value or "ERVs" with appropriate adjustments for income voids arising from vacancies, lease expiries or rent-free periods. These capitalisation yields and future income streams are derived from comparable property and leasing transactions and are considered to be the key inputs to the valuations. Other factors that are taken into account include, but are not limited to, the location and physical attributes of the property, tenure, tenancy details and environmental and structural conditions.

A tailored approach is taken to the valuation of the Group's developments due to their unique nature. In the case of on-site developments, the approach applied is the 'residual method' of valuation, which is the investment method of valuation as described above with a deduction for all costs necessary to complete the development, together with a further allowance for remaining risk and developers' profit.

Properties held for future development are generally valued by adopting the higher of the residual method of valuation allowing for all associated risks, and the investment method of valuation for the existing asset.

Valuations of the Group's investment in properties within the premium outlets are calculated on a discounted cash flow basis, utilising key assumptions such as net operating income, exit yield, discount rate and forecast sales density growth.

Inputs to the valuations, some of which are 'unobservable' as defined by IFRS 13, include capitalisation yields (nominal equivalent yield) and market rental income (ERV). These inputs to the valuations are analysed by segment in the rental and valuation data tables on pages 56 and 59 and the valuation change analysis in the Property portfolio review on page 16. All other factors remaining constant, an increase in rental income would increase valuations, whilst increases in capitalisation yields and discount rates would result in a fall in values and vice versa. However, there are interrelationships between unobservable inputs as they are determined by market conditions. The existence of an increase of more than one unobservable input would augment the impact on valuation. The impact on the valuation would be mitigated by the interrelationship between unobservable inputs moving in opposite directions. For example, an increase in rents may be offset by an increase in yield, resulting in no net impact on the valuation.

Real estate valuations are complex, derived from data that is not widely publicly available and involve a degree of judgement. For these reasons, the valuations are classified as Level 3 in the fair value hierarchy as defined by IFRS 13. The valuations are sensitive to changes in rental and yield data.

In July 2018, the Group announced its intention to dispose of the retail parks portfolio over the medium-term. Due to the lack of immediacy and certainty at the balance sheet date, and in accordance with IFRS5, management have not separately classified these assets as "held for sale" at 30 June 2019.

Announced today, contracts have been exchanged for the sale of 75% of Italie Deux for €473 million (£423 million). The transaction involves the disposal of the existing Italie Deux property, with completion expected in autumn 2019, and the forward sale of the Italik extension in March 2022, 18 months after its completion.

Joint operations

At 30 June 2019, investment properties included two properties with a value of £208.1 million (31 December 2018: £215.1 million) held within joint operations which are jointly controlled and proportionally consolidated.

The joint operations are a 50% interest in the Ilac Centre, Dublin held in co-ownership with Irish Life Assurance plc and a 50% interest in Pavilions Swords, Dublin held in co-ownership with Irish Life Assurance plc and IPUT plc, both of which hold a 25% interest in the property.

10. INVESTMENT IN JOINT VENTURES

The Group has investments in a number of jointly controlled property and corporate interests, which have been equity accounted.

As explained in the Financial review on page 18, management reviews the business principally on a proportionally consolidated basis, except for its premium outlet investments. The Group's share of assets and liabilities of joint ventures is split between Property joint ventures, being joint ventures which are proportionally consolidated, and VIA Outlets, a premium outlets investment, which is not proportionally consolidated.

A. Share of results of joint ventures

Year ended 31 December 2018				Six months ended 30 June 2019			Six months ended 30 June 2018		
Property joint ventures £m	VIA Outlets £m	Total £m		Property joint ventures £m	VIA Outlets £m	Total £m	Property joint ventures £m	VIA Outlets £m	Total £m
174.0	42.6	216.6	Gross rental income	88.0	20.5	108.5	85.8	20.0	105.8
149.4	31.9	181.3	Net rental income	74.8	15.8	90.6	73.9	15.3	89.2
(0.2)	(7.2)	(7.4)	Administration expenses	(0.2)	(3.7)	(3.9)	(0.2)	(3.1)	(3.3)
149.2	24.7	173.9	Operating profit before other net (losses)/gains	74.6	12.1	86.7	73.7	12.2	85.9
(271.7)	11.2	(260.5)	Revaluation (losses)/gains on properties	(271.1)	15.1	(256.0)	(31.5)	14.5	(17.0)
(122.5)	35.9	(86.6)	Operating (loss)/profit	(196.5)	27.2	(169.3)	42.2	26.7	68.9
(1.4)	(2.2)	(3.6)	Change in fair value of derivatives	(4.0)	(1.3)	(5.3)	(0.3)	(1.2)	(1.5)
–	(0.1)	(0.1)	Translation movement on intragroup funding loan	–	0.3	0.3	–	(0.5)	(0.5)
(7.0)	(7.4)	(14.4)	Other finance costs	(4.2)	(4.0)	(8.2)	(3.3)	(3.6)	(6.9)
(8.4)	(9.7)	(18.1)	Net finance costs	(8.2)	(5.0)	(13.2)	(3.6)	(5.3)	(8.9)
(130.9)	26.2	(104.7)	(Loss)/Profit before tax	(204.7)	22.2	(182.5)	38.6	21.4	60.0
(0.1)	(2.2)	(2.3)	Current tax charge	–	(1.4)	(1.4)	–	(0.8)	(0.8)
–	0.6	0.6	Deferred tax (charge)/credit	–	(4.5)	(4.5)	–	(2.8)	(2.8)
(131.0)	24.6	(106.4)	(Loss)/Profit for the period	(204.7)	16.3	(188.4)	38.6	17.8	56.4

B. Reconciliation to adjusted earnings

Year ended 31 December 2018				Six months ended 30 June 2019			Six months ended 30 June 2018		
Property joint ventures £m	VIA Outlets £m	Total £m		Property joint ventures £m	VIA Outlets £m	Total £m	Property joint ventures £m	VIA Outlets £m	Total £m
(131.0)	24.6	(106.4)	(Loss)/Profit for the period	(204.7)	16.3	(188.4)	38.6	17.8	56.4
271.7	(11.2)	260.5	Revaluation losses/(gains)	271.1	(15.1)	256.0	31.5	(14.5)	17.0
1.4	2.2	3.6	Change in fair value of derivatives	4.0	1.3	5.3	0.3	1.2	1.5
–	0.1	0.1	Translation movement on intragroup funding loan[1]	–	(0.3)	(0.3)	–	0.5	0.5
–	(0.6)	(0.6)	Deferred tax	–	4.5	4.5	–	2.8	2.8
273.1	(9.5)	263.6	Total adjustments	275.1	(9.6)	265.5	31.8	(10.0)	21.8
142.1	15.1	157.2	Adjusted earnings	70.4	6.7	77.1	70.4	7.8	78.2

1 Foreign exchange difference on intragroup loan balances which are either commercially hedged or arise upon retranslation of euro-denominated loans between entities with different functional currencies from the euro-denominated VIA Outlets group. These exchange differences do not give rise to any cash flow exposures in the VIA Outlets group and are therefore excluded from the Group's adjusted earnings.

10. INVESTMENT IN JOINT VENTURES (continued)

C. Share of assets and liabilities of joint ventures

31 December 2018 Property joint ventures £m	31 December 2018 VIA Outlets £m	31 December 2018 Total £m		30 June 2019 Property joint ventures £m	30 June 2019 VIA Outlets £m	30 June 2019 Total £m	30 June 2018 Property joint ventures £m	30 June 2018 VIA Outlets £m	30 June 2018 Total £m
			Non-current assets						
3,619.8	635.8	4,255.6	Investment and development properties	3,353.5	659.3	4,012.8	3,594.1	620.2	4,214.3
–	3.6	3.6	Goodwill	–	3.6	3.6	–	3.6	3.6
16.2	3.4	19.6	Other non-current assets	16.0	5.8	21.8	11.0	3.1	14.1
3,636.0	642.8	4,278.8		3,369.5	668.7	4,038.2	3,605.1	626.9	4,232.0
			Current assets						
75.4	7.7	83.1	Other current assets	71.6	13.1	84.7	48.7	8.0	56.7
70.0	33.2	103.2	Cash and deposits	74.9	35.1	110.0	62.2	23.2	85.4
145.4	40.9	186.3		146.5	48.2	194.7	110.9	31.2	142.1
			Current liabilities						
(71.0)	(15.8)	(86.8)	Other payables	(66.9)	(21.4)	(88.3)	(76.0)	(13.6)	(89.6)
–	(32.0)	(32.0)	Loans – secured	–	(3.2)	(3.2)	(48.4)	(1.3)	(49.7)
(71.0)	(47.8)	(118.8)		(66.9)	(24.6)	(91.5)	(124.4)	(14.9)	(139.3)
			Non-current liabilities						
(409.3)	(243.6)	(652.9)	Loans – secured	(408.8)	(265.5)	(674.3)	(274.2)	(246.1)	(520.3)
(1.4)	(3.1)	(4.5)	Derivative financial instruments	(5.4)	(4.4)	(9.8)	(0.3)	(2.1)	(2.4)
(15.6)	–	(15.6)	Obligations under head leases	(15.8)	–	(15.8)	(10.5)	–	(10.5)
(5.9)	(3.1)	(9.0)	Other payables	(5.6)	(5.5)	(11.1)	(6.2)	(2.8)	(9.0)
–	(59.8)	(59.8)	Deferred tax	–	(64.8)	(64.8)	–	(62.7)	(62.7)
(432.2)	(309.6)	(741.8)		(435.6)	(340.2)	(775.8)	(291.2)	(313.7)	(604.9)
3,278.2	326.3	3,604.5	**Net assets**	3,013.5	352.1	3,365.6	3,300.4	329.5	3,629.9

D. Reconciliation to adjusted investment in joint ventures

31 December 2018 Property joint ventures £m	31 December 2018 VIA Outlets £m	31 December 2018 Total £m		30 June 2019 Property joint ventures £m	30 June 2019 VIA Outlets £m	30 June 2019 Total £m	30 June 2018 Property joint ventures £m	30 June 2018 VIA Outlets £m	30 June 2018 Total £m
3,278.2	326.3	3,604.5	Investment in joint ventures	3,013.5	352.1	3,365.6	3,300.4	329.5	3,629.9
1.4	3.1	4.5	Fair value of derivatives	5.4	4.4	9.8	0.3	2.1	2.4
–	59.8	59.8	Deferred tax	–	64.8	64.8	–	62.7	62.7
–	(3.6)	(3.6)	Goodwill as a result of deferred tax	–	(3.6)	(3.6)	–	(3.6)	(3.6)
1.4	59.3	60.7	Total adjustments	5.4	65.6	71.0	0.3	61.2	61.5
3,279.6	385.6	3,665.2	**Adjusted investment**	3,018.9	417.7	3,436.6	3,300.7	390.7	3,691.4

10. INVESTMENT IN JOINT VENTURES (continued)

E. Reconciliation of movements in investment in joint ventures

31 December 2018				30 June 2019			30 June 2018		
Property joint ventures £m	VIA Outlets £m	Total £m		Property joint ventures £m	VIA Outlets £m	Total £m	Property joint ventures £m	VIA Outlets £m	Total £m
3,312.4	361.3	3,673.7	Balance at beginning of period	3,278.2	326.3	3,604.5	3,312.4	361.3	3,673.7
(131.0)	24.6	(106.4)	Share of results of joint ventures	(204.7)	16.3	(188.4)	38.6	17.8	56.4
30.0	-	30.0	Advances/(Repayments)	0.2	9.4	9.6	(1.3)	-	(1.3)
(98.6)	-	(98.6)	Distributions and other receivables	(58.1)	-	(58.1)	(45.1)	-	(45.1)
(81.9)	(62.2)	(144.1)	Funds from financing transferred to Reported Group*	-	-	-	-	(46.2)	(46.2)
235.7	-	235.7	Transfer of investment property from Reported Group	-	-	-	-	-	-
11.6	2.6	14.2	Exchange and other movements	(2.1)	0.1	(2.0)	(4.2)	(3.4)	(7.6)
3,278.2	326.3	3,604.5	Balance at end of period	3,013.5	352.1	3,365.6	3,300.4	329.5	3,629.9

11. INVESTMENT IN ASSOCIATES

At 30 June 2019, the Group had two associates: Value Retail PLC and its group entities ('VR') and a 10% interest in Nicetoile where Hammerson is the asset manager. Both investments are equity accounted under IFRS, although the share of results in Nicetoile is included within the Group's Share of Property interests when presenting figures on a proportionally consolidated basis. Further details are provided in the Financial review on pages 20 and 21.

Summaries of aggregated income and investment for the interest in premium outlets, which include VR and the Group's investment in VIA Outlets, which is accounted for as a joint venture (see note 10), are provided in Tables 12 and 13 of the Additional disclosures on page 61.

The figures presented below show the Group's share of results, assets and liabilities for these investments.

A. Share of results of associates

Year ended 31 December 2018				Six months ended 30 June 2019			Six months ended 30 June 2018		
VR £m	Nicetoile £m	Total £m		VR £m	Nicetoile £m	Total £m	VR £m	Nicetoile £m	Total £m
117.7	1.6	119.3	Gross rental income	59.7	0.8	60.5	52.8	0.8	53.6
81.2	1.4	82.6	Net rental income	41.6	0.7	42.3	35.8	0.7	36.5
(37.8)	-	(37.8)	Administration expenses	(21.2)	-	(21.2)	(20.1)	-	(20.1)
43.4	1.4	44.8	Operating profit before other net gains/(losses)	20.4	0.7	21.1	15.7	0.7	16.4
45.0	(0.5)	44.5	Revaluation gains/(losses) on properties	95.5	(0.2)	95.3	12.0	(0.3)	11.7
88.4	0.9	89.3	Operating profit	115.9	0.5	116.4	27.7	0.4	28.1
(1.3)	-	(1.3)	Change in fair value of derivatives *	(26.3)	-	(26.3)	1.7	-	1.7
2.2	-	2.2	Change in fair value of participative loans – revaluation movement *	31.6	-	31.6	1.2	-	1.2
3.7	-	3.7	Change in fair value of participative loans – other movement	2.7	-	2.7	2.0	-	2.0
(19.5)	-	(19.5)	Other finance costs	(10.7)	-	(10.7)	(10.9)	-	(10.9)
(14.9)	-	(14.9)	Net finance costs	(2.7)	-	(2.7)	(6.0)	-	(6.0)
73.5	0.9	74.4	Profit before tax	113.2	0.5	113.7	21.7	0.4	22.1
(2.3)	-	(2.3)	Current tax charge	(1.3)	-	(1.3)	(1.0)	-	(1.0)
(14.4)	-	(14.4)	Deferred tax credit/(charge)	8.7	-	8.7	(7.8)	-	(7.8)
56.8	0.9	57.7	Profit for the period	120.6	0.5	121.1	12.9	0.4	13.3

* Investments in the VR Spanish villages are by way of participative loans, which are held at fair value based on the underlying net assets of the individual villages. During the six months ended 30 June 2019, assumptions behind the fair value assessment have been revisited resulting in a change to the participative loan asset and liability. The net impact of these changes was an increase in the investment in associate of £3.9 million comprising an increase in the participative loan liability of £13.5 million (included in (£26.3) million above), and a corresponding increase in the fair value of the participative loan asset of £17.4 million (included in £31.6 million above). Comparative figures have not been restated.

11. INVESTMENT IN ASSOCIATES (continued)

B. Reconciliation to adjusted earnings

Year ended 31 December 2018				Six months ended 30 June 2019			Six months ended 30 June 2018		
VR £m	Nicetoile £m	Total £m		VR £m	Nicetoile £m	Total £m	VR £m	Nicetoile £m	Total £m
56.8	0.9	57.7	Profit for the period	120.6	0.5	121.1	12.9	0.4	13.3
(45.0)	0.5	(44.5)	Revaluation (gains)/losses on properties	(95.5)	0.2	(95.3)	(12.0)	0.3	(11.7)
1.3	–	1.3	Change in fair value of derivatives	26.3	–	26.3	(1.7)	–	(1.7)
(2.2)	–	(2.2)	Change in fair value of participative loans – revaluation movement	(31.6)	–	(31.6)	(1.2)	–	(1.2)
0.7	–	0.7	Loan facility costs written off	–	–	–	0.9	–	0.9
14.4	–	14.4	Deferred tax (credit)/charge	(8.7)	–	(8.7)	7.8	–	7.8
(30.8)	0.5	(30.3)	Total adjustments	(109.5)	0.2	(109.3)	(6.2)	0.3	(5.9)
26.0	1.4	27.4	Adjusted earnings of associates	11.1	0.7	11.8	6.7	0.7	7.4

When aggregated, the Group's share of VR's adjusted earnings for the six months ended 30 June 2019 amounted to 59% (30 June 2018: 53%; 31 December 2018: 50%). This figure is dependent on the relative profitability of the component Villages in which the Group has differing ownership shares.

C. Share of assets and liabilities of associates

31 December 2018				30 June 2019			30 June 2018		
VR £m	Nicetoile £m	Total £m		VR £m	Nicetoile £m	Total £m	VR £m	Nicetoile £m	Total £m
			Non-current assets						
93.1	–	93.1	Goodwill on acquisition	93.1	–	93.1	88.6	–	88.6
1,823.0	29.3	1,852.3	Investment properties	1,930.7	29.1	1,959.8	1,761.7	28.8	1,790.5
67.8	–	67.8	Other non-currents assets	69.6	–	69.6	69.7	–	69.7
1,983.9	29.3	2,013.2		2,093.4	29.1	2,122.5	1,920.0	28.8	1,948.8
			Current assets						
36.3	0.3	36.6	Other current assets	28.6	0.4	29.0	21.5	0.2	21.7
77.8	1.2	79.0	Cash and deposits	69.0	0.5	69.5	102.2	0.8	103.0
114.1	1.5	115.6		97.6	0.9	98.5	123.7	1.0	124.7
			Current liabilities						
(48.6)	(0.2)	(48.8)	Other payables	(50.9)	(0.3)	(51.2)	(47.1)	(0.2)	(47.3)
			Non-current liabilities						
(735.4)	–	(735.4)	Loans	(736.2)	–	(736.2)	(724.4)	–	(724.4)
(5.7)	–	(5.7)	Derivative financial instruments	(14.9)	–	(14.9)	(0.1)	–	(0.1)
(17.3)	(0.2)	(17.5)	Other payables	(14.7)	(0.2)	(14.9)	(25.8)	(0.2)	(26.0)
(70.3)	-	(70.3)	Participative loan liabilities[4]	(91.2)	–	(91.2)	(71.2)	–	(71.2)
(179.0)	–	(179.0)	Deferred tax	(170.3)	–	(170.3)	(169.2)	–	(169.2)
(1,007.7)	(0.2)	(1,007.9)		(1,027.3)	(0.2)	(1,027.5)	(990.7)	(0.2)	(990.9)
1,041.7	30.4	1,072.1	Net assets	1,112.8	29.5	1,142.3	1,005.9	29.4	1,035.3
169.4	–	169.4	Participative loans	196.0	–	196.0	149.7	–	149.7
1,211.1	30.4	1,241.5	Investment in associates	1,308.8	29.5	1,338.3	1,155.6	29.4	1,185.0

1 The analysis in the tables above excludes liabilities in respect of distributions received in advance from VR amounting to £19.8 million (31 December 2018: £26.4 million; 30 June 2018: £18.9 million) which are included within non-current liabilities in the Group's consolidated balance sheet.

2 In addition to the above investments, non-current receivables of the Group include loans totalling €2.0 million (£1.8 million) (31 December 2018 and 30 June 2018: €2.0 million (£1.8 million)) secured against a number of VR assets and maturing on 30 November 2043.

3 At 30 June 2019, Hammerson's economic interest in VR, is calculated as 40% (31 December 2018: 39%; 30 June 2018: 38%) after adjusting for the Participative Loans which are included in non-current liabilities.

4 The participative loan liability previously included within other payables has been presented separately to improve the clarity of reporting. Comparative figures have been amended accordingly.

11. INVESTMENT IN ASSOCIATES (continued)

D. Reconciliation to adjusted investment in associates

31 December 2018 VR £m	31 December 2018 Nicetoile £m	31 December 2018 Total £m		30 June 2019 VR £m	30 June 2019 Nicetoile £m	30 June 2019 Total £m	30 June 2018 VR £m	30 June 2018 Nicetoile £m	30 June 2018 Total £m
1,211.1	30.4	1,241.5	Investment in associates	1,308.8	29.5	1,338.3	1,155.6	29.4	1,185.0
5.7	–	5.7	Fair value of derivatives	14.9	–	14.9	0.1	–	0.1
179.0	–	179.0	Deferred tax	170.3	–	170.3	169.2	–	169.2
35.6	–	35.6	Deferred tax within participative loans	58.5	–	58.5	27.9	–	27.9
(63.1)	–	(63.1)	Goodwill as a result of deferred tax	(63.2)	–	(63.2)	(54.2)	–	(54.2)
157.2	–	157.2	Total adjustments	180.5	–	180.5	143.0	–	143.0
1,368.3	30.4	1,398.7	Adjusted investment in associates	1,489.3	29.5	1,518.8	1,298.6	29.4	1,328.0

E. Reconciliation of movements in investment in associates

31 December 2018 VR £m	31 December 2018 Nicetoile £m	31 December 2018 Total £m		30 June 2019 VR £m	30 June 2019 Nicetoile £m	30 June 2019 Total £m	30 June 2018 VR £m	30 June 2018 Nicetoile £m	30 June 2018 Total £m
1,068.6	30.9	1,099.5	Balance at beginning of period	1,211.1	30.4	1,241.5	1,068.6	30.9	1,099.5
113.8	–	113.8	Acquisitions	1.4	–	1.4	91.4	–	91.4
56.8	0.9	57.7	Share of results of associates	120.6	0.5	121.1	12.9	0.4	13.3
(31.8)	(1.2)	(33.0)	Distributions	(20.3)	(1.4)	(21.7)	(13.2)	(1.2)	(14.4)
(3.3)	–	(3.3)	Share of other comprehensive loss of associate[1]	(2.8)	–	(2.8)	(2.6)	–	(2.6)
7.0	(0.2)	6.8	Exchange and other movements	(1.2)	–	(1.2)	(1.5)	(0.7)	(2.2)
1,211.1	30.4	1,241.5	Balance at end of period	1,308.8	29.5	1,338.3	1,155.6	29.4	1,185.0

1 Relates to the change in fair value of derivative financial instruments in an effective hedge relationship within Value Retail.

12. LOANS

A. Analysis

31 December 2018 £m		30 June 2019 £m	30 June 2018 £m
	Unsecured		
198.4	£200 million 7.25% sterling bonds due 2028	198.5	198.4
298.1	£300 million 6% sterling bonds due 2026	298.3	298.1
346.3	£350 million 3.5% sterling bonds due 2025	346.5	346.0
446.4	€500 million 1.75% euro bonds due 2023	445.5	439.9
445.9	€500 million 2% euro bonds due 2022	445.0	439.2
–	€500 million 2.75% euro bonds due 2019	–	441.2
562.8	Sterling bank loans and overdrafts	644.9	404.5
21.5	Senior notes due 2031[1]	21.4	21.2
90.4	Senior notes due 2028[1]	90.3	89.8
88.5	Senior notes due 2026[1]	88.3	87.1
366.6	Senior notes due 2024[1]	366.9	356.4
149.0	Senior notes due 2021[1]	149.2	144.2
3,013.9		3,094.8	3,266.0

1 Senior notes comprise £410.8 million (31 December 2018: £408.4 million; 30 June 2018: £396.2 million) denominated in US dollars, £210.3 million (31 December 2018: £212.6 million; 30 June 2018: £207.5 million) in euro and £95.0 million (31 December 2018: £95.0 million; 30 June 2018: £95.0 million) in sterling.

12. LOANS AND OTHER BORROWINGS (continued)

B. Financing strategy

The Financial review on page 23 provides details of the Group's financing strategy.

The Reported Group's borrowings position at 30 June 2019 is summarised below:

31 December 2018 Total £m		Derivative financial instruments* Current assets £m	Derivative financial instruments* Non-current assets £m	Derivative financial instruments* Current Liabilities £m	Derivative financial instruments* Non-current Liabilities £m	Loans > 1 year £m	30 June 2019 Total £m	30 June 2018 Total £m
1,735.1	Bonds	–	–	–	–	1,733.8	1,733.8	2,162.8
562.8	Bank loans and overdrafts	–	–	–	–	644.9	644.9	404.5
716.0	Senior notes	–	–	–	–	716.1	716.1	698.7
3,013.9	Loans	–	–	–	–	3,094.8	3,094.8	3,266.0
84.9	Fair value of currency swaps	(0.4)	(27.3)	6.0	106.0	–	84.3	90.1
3,098.8	Borrowings	(0.4)	(27.3)	6.0	106.0	3,094.8	3,179.1	3,356.1
(2.7)	Interest rate swaps	(1.9)	–	–	–	–	(1.9)	(4.0)
3,096.1	Loans and derivative financial instruments	(2.3)	(27.3)	6.0	106.0	3,094.8	3,177.2	3,352.1

* At the 31 December 2018 the Group changed its balance sheet presentation of derivative financial instruments (comprising interest rate swaps and currency swaps). Previously interest rate swaps were included in receivables or payables and currency swaps were included in other borrowings. From 2018, for the purposes of greater clarity, they are now combined into 'derivative financial instruments' as shown in the table above and disclosed in the consolidated balance sheet. The figures for June 2018 have been restated accordingly.

C. Undrawn committed facilities

31 December 2018 £m	Expiry	30 June 2019 £m	30 June 2018 £m
627.0	Within two to five years	595.0	784.6

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the Reported Group's borrowings, currency and interest rate swaps and participative loans, together with their book value included in the consolidated balance sheet, are as follows:

31 December 2018 Book value £m	31 December 2018 Fair value £m	31 December 2018 Variance £m		Hierarchy level	30 June 2019 Book value £m	30 June 2019 Fair value £m	30 June 2019 Variance £m	30 June 2018 Book value £m	30 June 2018 Fair value £m	30 June 2018 Variance £m
1,735.1	1,842.0	106.9	Unsecured bonds	1	1,733.8	1,895.1	161.3	2,162.8	2,372.9	210.1
716.0	713.9	(2.1)	Unsecured senior notes	2	716.1	735.0	18.9	698.7	691.0	(7.7)
562.8	568.0	5.2	Unsecured bank loans and overdrafts	2	644.9	650.0	5.1	404.5	410.4	5.9
84.9	84.9	–	Fair value of currency swaps	2	84.3	84.3	–	90.1	90.1	–
3,098.8	3,208.8	110.0	Borrowings		3,179.1	3,364.4	185.3	3,356.1	3,564.4	208.3
(2.7)	(2.7)	–	Fair value of interest rate swaps*	2	(1.9)	(1.9)	–	(4.0)	(4.0)	–
169.4	169.4	–	Participative loans to associates	3	196.0	196.0	–	149.7	149.7	–

* Interest rate swaps are included within current derivative financial instruments on the consolidated balance sheet (see note 12B) and in non-current derivative financial instruments at 31 December 2018 and 30 June 2018.

The valuation techniques set out below, have been applied to determine the fair values of borrowings, interest rate swaps and participative loans. These techniques are the same as were applied in the Group's latest annual audited financial statements.

Valuation technique	Financial instrument
Quoted market prices	Unsecured bonds
Calculating present value of cash flows using appropriate market discount rates	Unsecured senior notes, unsecured bank loans and overdrafts, fair value of currency swaps and interest rate swaps
Calculation based on the underlying net asset values of the Villages in which the Reported Group holds interests; the assets of the Villages mainly comprise of properties held at professional valuation (see note 11C)	Participative loans to associates

13. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

An analysis of the movements in Level 3 financial instruments is provided below:

31 December 2018 £m	Participative loans within investment in associates (Note 11C)		30 June 2019 £m	30 June 2018 £m
128.8	Balance at beginning of period		169.4	128.8
5.9	Total gains	- in share of results of associates	33.9	3.2
1.6		- in other comprehensive income	0.2	(0.5)
32.1	Other movements	- acquisitions	0.9	18.3
1.0		- movement in advances	(8.4)	(0.1)
169.4	Balance at end of period		196.0	149.7

14. ANALYSIS OF MOVEMENT IN NET DEBT

31 December 2018 Cash and deposits £m	31 December 2018 Borrowings £m	31 December 2018 Net debt £m		30 June 2019 Cash and deposits £m	30 June 2019 Borrowings £m	30 June 2019 Net debt £m	30 June 2018 Cash and deposits £m	30 June 2018 Borrowings £m	30 June 2018 Net debt £m
205.9	(3,442.7)	(3,236.8)	Balance at beginning of period	31.2	(3,098.8)	(3,067.6)	205.9	(3,442.7)	(3,236.8)
(175.4)	376.0	200.6	Cash flow	34.4	(85.8)	(51.4)	(175.4)	93.1	(82.3)
-	(5.6)	(5.6)	Change in fair value of currency swaps	-	(2.4)	(2.4)	-	(13.0)	(13.0)
0.7	(26.5)	(25.8)	Exchange	(0.1)	7.9	7.8	(0.2)	6.5	6.3
31.2	(3,098.8)	(3,067.6)	Balance at end of period	65.5	(3,179.1)	(3,113.6)	30.3	(3,356.1)	(3,325.8)

15. POST BALANCE SHEET EVENTS

On 29 July 2019, the Group announced that contracts had been exchanged for the sale of 75% of Italie Deux, Paris for total proceeds of €473 million (£423 million).

ADDITIONAL DISCLOSURES

EXCLUDED FROM INDEPENDENT REVIEW

EPRA MEASURES

Hammerson is a member of the European Public Real Estate Association (EPRA) and has representatives who actively participate in a number of EPRA committees and initiatives. This includes working with peer group companies, real estate investors and analysts and the large audit firms, to improve the transparency, comparability and relevance of the published results of listed real estate companies in Europe.

As with other real estate companies, we have adopted the EPRA Best Practice Recommendations (BPR). Further information on EPRA and the EPRA BPR can be found on their website www.epra.com. Details of our key EPRA metrics are shown in Table 1.

TABLE 1: EPRA PERFORMANCE MEASURES

Performance measure	30 June 2019	31 December 2018	30 June 2018	Definition	Page
Earnings	£107.7m	£240.2m	£119.5m	Recurring earnings from core operational activities. In both 2019 and 2018, EPRA earnings differed marginally from the Group's adjusted earnings due to the inclusion of a "Company specific adjustment" in relation to translation movements on an intragroup funding loan in VIA Outlets (see note 8B of the financial statements) which management believes distorts the underlying earnings of the Group.	44
Earnings per share (EPS)	14.0p	30.5p	15.1p	EPRA earnings divided by the weighted average number of shares in issue during the period.	44
Net asset value (NAV) per share	£6.85	£7.38	£7.76	Equity shareholders' funds excluding the fair values of certain financial derivatives, deferred tax balances and any associated goodwill, divided by the diluted number of shares in issue.	46
Triple net asset value (NNNAV) per share	£6.28	£6.95	£7.24	Equity shareholders' funds adjusted to include the fair values of borrowings.	46
Net Initial Yield (NIY)	4.8%	4.6%	4.4%	Annual cash rents receivable, less head and equity rents and any non-recoverable property operating expenses, as a percentage of the gross market value of the property, including estimated purchasers' costs, as provided by the Group's external valuers.	59
Topped-up NIY	4.9%	4.7%	4.5%	EPRA NIY adjusted for the expiry of rent-free periods.	59
Vacancy rate	3.3%	2.8%	3.4%	The estimated market rental value (ERV) of vacant space divided by the ERV of the whole portfolio. Occupancy is the inverse of vacancy.	56
Cost ratio	23.7%	21.9%	19.9%	Total operating costs as a percentage of gross rental income, after rents payable. Both operating costs and gross rental income are adjusted for costs associated with inclusive leases.	58

PORTFOLIO ANALYSIS

TABLE 2: RENTAL INFORMATION

Rental data for the six months ended 30 June 2019

Proportionally consolidated excluding premium outlets	Gross rental income £m	Net rental income £m	Vacancy rate %	Average rents passing[1] £/m²	Rents passing £m	Estimated rental value[2] £m	Reversion/ (over-rented) %
UK	78.9	66.3	3.6	515	151.4	164.0	4.8
France	40.8	36.3	3.0	475	81.1	89.9	7.2
Ireland	20.4	18.5	0.5	515	42.5	45.3	6.2
Flagship destinations	**140.1**	**121.1**	**2.9**	**500**	**275.0**	**299.2**	**5.7**
UK retail parks	27.5	25.6	3.3	215	56.2	53.9	(7.6)
UK other	5.8	4.2	10.7	155	10.8	12.9	6.3
Investment portfolio	**173.4**	**150.9**	**3.3**	**410**	**342.0**	**366.0**	**3.6**
Developments	8.0	5.7					
Property portfolio (note 2)	**181.4**	**156.6**					
Selected data for the year ended 31 December 2018							
UK	178.2	151.9	2.4	515	155.5	169.3	6.4
France	83.4	74.8	2.9	480	79.9	89.3	8.3
Ireland	44.2	40.4	1.0	525	43.2	45.3	3.9
Flagship destinations	305.8	267.1	2.4	505	278.6	303.9	6.6
UK retail parks	63.5	59.1	3.1	210	58.4	59.7	(1.1)
UK other	12.4	8.9	10.8	170	11.4	13.3	4.3
Investment portfolio	381.7	335.1	2.8	415	348.4	376.9	5.2
Developments	17.1	12.4					
Property portfolio (note 2)	398.8	347.5					

Notes
1. Average rents passing at the period end before deducting head and equity rents and excluding rents passing from anchor units and car parks.
2. The estimated market rental value at the period end calculated by the Group's valuers. ERVs in the above table are included within the unobservable inputs to the portfolio valuations as defined by IFRS 13.
3. Rental income for developments is principally in relation to the Whitgift Centre, Croydon; Dublin Central and ancillary properties associated with our development pipeline in Dublin and Leeds.

TABLE 3: RENT REVIEWS

Rent reviews as at 30 June 2019

Proportionally consolidated excluding premium outlets	Rents passing subject to review in[1]					ERV of leases subject to review in[2]				
	Outstanding £m	2019[3] £m	2020 £m	2021 £m	Total £m	Outstanding £m	2019[3] £m	2020 £m	2021 £m	Total £m
UK	18.6	11.6	13.4	14.8	58.4	19.3	12.0	14.0	15.0	60.3
Ireland	4.2	1.4	17.2	5.4	28.2	4.8	1.6	19.3	5.8	31.5
Flagship destinations	**22.8**	**13.0**	**30.6**	**20.2**	**86.6**	**24.1**	**13.6**	**33.3**	**20.8**	**91.8**
UK retail parks	7.6	1.8	16.6	8.6	34.6	7.9	1.8	17.1	8.7	35.5
UK other	1.3	1.0	0.6	0.6	3.5	1.4	1.0	0.6	0.6	3.6
Total[4,5]	**31.7**	**15.8**	**47.8**	**29.4**	**124.7**	**33.4**	**16.4**	**51.0**	**30.1**	**130.9**

Notes
1. The amount of rental income, based on rents passing at 30 June 2019, for leases which are subject to review in each year.
2. Projected rental income for leases that are subject to review in each year, based on the higher of the current rental income and the ERV at 30 June 2019. For outstanding reviews the ERV is as at the review date.
3. 2019 reflects rent reviews due in the second half of the year only.
4. Leases in France are not subject to rent reviews but instead increase annually based on French indexation indices.
5. The above analysis has been updated since the table published at 31 December 2018 to exclude reviews subject to indexation or ratchets.

TABLE 4: LEASE EXPIRIES AND BREAKS

Lease expiries and breaks as at 30 June 2019

Proportionally consolidated excluding premium outlets	Outstanding £m	Rents passing that expire/break in[1] 2019 £m	2020 £m	2021 £m	Total £m	Outstanding £m	ERV of leases that expire/break in[2] 2019 £m	2020 £m	2021 £m	Total £m	Weighted average unexpired lease term to break years	to expiry years
UK	9.9	9.0	10.7	12.1	41.7	10.5	11.2	12.7	12.2	46.6	5.5	10.5
France	6.7	3.7	5.9	2.9	19.2	7.6	4.7	6.4	3.2	21.9	2.2	4.8
Ireland	0.7	1.8	5.3	3.1	10.9	0.9	2.0	6.0	3.4	12.3	7.1	10.0
Flagship destinations	**17.3**	**14.5**	**21.9**	**18.1**	**71.8**	**19.0**	**17.9**	**25.1**	**18.8**	**80.8**	**4.6**	**8.5**
UK retail parks	1.0	2.8	5.3	4.8	13.9	1.2	2.8	4.9	4.2	13.1	6.9	8.1
UK other	1.3	0.7	1.2	1.2	4.4	1.1	1.4	1.6	1.2	5.3	8.1	9.3
Investment portfolio	**19.6**	**18.0**	**28.4**	**24.1**	**90.1**	**21.3**	**22.1**	**31.6**	**24.2**	**99.2**	**7.1**	**8.3**

Notes
1. The amount of rental income, based on rents passing at 30 June 2019, for leases which expire or, for the UK and Ireland only, are subject to tenant break options, which fall due in each year.
2. The ERV at 30 June 2019 for leases that expire or, for the UK and Ireland only, are subject to tenant break options which fall due in each year and ignoring the impact of rental growth and any rent-free periods.

TABLE 5: NET RENTAL INCOME

Net rental income for the six months ended 30 June 2019

Proportionally consolidated excluding premium outlets	Properties owned throughout 2018/19 £m	Increase/ (Decrease) for properties owned throughout 2018/19 %	Acquisitions £m	Disposals £m	Developments and other £m	Total net rental income £m
UK	65.9	(6.8)	–	0.4	–	66.3
France	20.8	0.1	–	7.6	8.7	37.1
Ireland	18.5	(7.4)	–	–	1.6	20.1
Flagship destinations	**105.2**	**(5.6)**	**–**	**8.0**	**10.3**	**123.5**
UK retail parks	24.1	1.0	–	0.8	0.7	25.6
UK other	–	–	–	–	7.5	7.5
Property portfolio	**129.3**	**(4.4)**	**–**	**8.8**	**18.5**	**156.6**

Net rental income for the six months ended 30 June 2018

Proportionally consolidated excluding premium outlets	Properties owned throughout 2017/18 £m	Exchange £m	Acquisitions £m	Disposals £m	Developments and other £m	Total net rental income £m
UK	70.7	–	–	6.6	(0.1)	77.2
France	20.8	0.3	–	9.1	9.7	39.9
Ireland	19.9	0.2	–	0.1	1.7	21.9
Flagship destinations	111.4	0.5	–	15.8	11.3	139.0
UK retail parks	23.9	–	–	7.4	0.1	31.4
UK other	–	–	–	0.4	7.7	8.1
Property portfolio	135.3	0.5	–	23.6	19.1	178.5

TABLE 6: TOP TEN TENANTS

Ranked by passing rent at 30 June 2019

Proportionally consolidated excluding premium outlets	Passing rent £m	% of total passing rent
H&M	9.2	2.7
Inditex	8.6	2.5
B&Q	8.4	2.4
Next	7.7	2.2
Marks & Spencer	5.7	1.7
Boots	5.6	1.6
TK Maxx	5.1	1.5
Sports Direct	5.1	1.5
Dixons Carphone	4.8	1.4
River Island	4.7	1.4
Total	**64.9**	**18.9**

TABLE 7: COST RATIO

EPRA cost ratio

Proportionally consolidated excluding premium outlets	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Net service charge expenses – non-vacancy	**3.8**	3.8	8.4
Net service charge expenses – vacancy	**4.2**	3.2	5.9
Net service charge expenses – total	**8.0**	7.0	14.3
Other property outgoings	**15.2**	15.6	33.5
Property outgoings (note 2)	**23.2**	22.6	47.8
Less inclusive lease costs recovered through rent	**(3.6)**	(3.7)	(7.7)
Total property costs (for cost ratio)	**19.6**	18.9	40.1
Employee and corporate costs	**27.2**	25.6	55.0
Management fees receivable	**(5.0)**	(5.2)	(10.3)
Total operating costs (for cost ratio)	**41.8**	39.3	84.8
Gross rental income	**181.4**	203.1	398.8
Ground and equity rents payable	**(1.6)**	(2.0)	(3.5)
Less inclusive lease costs recovered through rent	**(3.6)**	(3.7)	(7.7)
Gross rental income (for cost ratio)	**176.2**	197.4	387.6
EPRA cost ratio including net service charge expenses – vacancy (%)	**23.7**	19.9	21.9
EPRA cost ratio excluding net service charge expenses – vacancy (%)	**21.3**	18.3	20.4

Our business model for developments is to use a combination of in-house staff and external advisers. The cost of external advisers is capitalised to the cost of developments. The cost of staff working on developments is generally expensed, but is capitalised subject to meeting certain criteria related to the degree of time spent on and the stage of progress of specific projects. During the six months ended 30 June 2019, staff costs amounting to £0.9 million (31 December 2018: £1.3 million; 30 June 2018: £0.6 million) were capitalised as development costs and are not included within "Employee and corporate costs".

TABLE 8: VALUATION ANALYSIS

Valuation analysis at 30 June 2019

Proportionally consolidated including premium outlets	Properties at valuation £m	Revaluation in the period £m	Capital return %	Total return %	Initial yield %	True equivalent yield %	Nominal equivalent yield[1] %
UK	2,655.5	(266.4)	(9.1)	(6.9)	5.2	5.9	5.7
France	1,819.2	(70.6)	(3.9)	(2.0)	3.8	4.5	4.3
Ireland	947.3	(29.7)	(3.2)	(1.3)	4.0	4.6	4.5
Flagship destinations	**5,422.0**	**(366.7)**	**(6.4)**	**(4.4)**	**4.5**	**5.2**	**5.0**
UK retail parks	752.6	(93.4)	(10.9)	(8.0)	6.8	7.2	6.9
UK other	153.4	(20.9)	(12.0)	(9.7)	6.0	8.7	8.2
Investment portfolio	**6,328.0**	**(481.0)**	**(7.1)**	**(5.0)**	**4.8**	**5.5**	**5.3**
Developments	623.5	(53.0)	(9.2)	(8.4)			
Property portfolio – excluding premium outlets	**6,951.5**	**(534.0)**	**(7.3)**	**(5.3)**			
Premium outlets[2]	2,590.0	110.6	4.5	6.9			
Total Group	**9,541.5**	**(423.4)**	**(4.4)**	**(2.3)**			

Selected data for the year ended 31 December 2018	Properties at valuation £m	Revaluation in the period £m	Capital return %	Total return %	Initial yield %	True equivalent yield %	Nominal equivalent yield[1] %
UK	2,920.9	(346.6)	(10.6)	(6.5)	4.8	5.5	5.3
France	1,885.2	(14.3)	(1.7)	2.2	3.7	4.3	4.2
Ireland	978.5	9.0	0.9	5.2	3.9	4.5	4.4
Flagship destinations	5,784.6	(351.9)	(6.2)	(2.1)	4.3	4.9	4.8
UK retail parks	873.1	(126.3)	(13.2)	(8.5)	6.0	6.8	6.5
UK other	173.3	6.9	4.5	9.2	5.7	8.0	7.6
Investment portfolio	6,831.0	(471.3)	(7.0)	(2.8)	4.6	5.3	5.1
Developments	648.5	22.7	4.1	6.2			
Property portfolio – excluding premium outlets	7,479.5	(448.6)	(6.2)	(2.1)			
Premium outlets[2]	2,458.8	56.2	2.4	7.4			
Total Group	9,938.3	(392.4)	(4.3)	0.0			

Notes
1. Nominal equivalent yields are included within the unobservable inputs to the portfolio valuations as defined by IFRS 13.
2. Represents the Group's share of premium outlets through its investments in Value Retail and VIA Outlets, and the revaluation in the period excludes acquired deferred tax.

TABLE 9: YIELD ANALYSIS

Investment portfolio as at 30 June 2019

Proportionally consolidated excluding premium outlets	Income £m	Gross value £m	Net book value £m
Portfolio value (net of cost to complete)		6,751	6,751
Purchasers' costs[1]			(423)
Net investment portfolio valuation on a proportionally consolidated basis			**6,328**
Income and yields			
Rent for valuers' initial yield (equivalent to EPRA Net Initial Yield)	325.0	4.8%	5.1%
Rent-free periods (including pre-lets)[2]	6.0	0.1%	0.1%
Rent for 'topped-up' initial yield[3]	**331.0**	**4.9%**	**5.2%**
Non-recoverable costs (net of outstanding rent reviews)	11.1	0.1%	0.2%
Passing rents	**342.1**	**5.0%**	**5.4%**
ERV of vacant space	11.2	0.2%	0.2%
Reversions	12.8	0.2%	0.2%
Total ERV/Reversionary yield	**366.1**	**5.4%**	**5.8%**
True equivalent yield		5.5%	
Nominal equivalent yield		5.3%	

Notes
1. Purchasers' costs equate to 6.7% of the net portfolio value.
2. The weighted average remaining rent-free period is 0.5 years.
3. The yield of 4.9% based on passing rents and gross portfolio value is equivalent to EPRA's 'topped-up" Net Initial Yield.

SHARE OF PROPERTY INTERESTS

The Group's Share of Property interests reflects the Group's Property joint ventures as shown in note 10 to the financial statements on pages 48 to 50 and the Group's interest in Nicetoile, which is accounted for as an associate, as shown in note 11 to the financial statements on pages 50 to 52.

TABLE 10: INCOME STATEMENT

	Six months ended 30 June 2019			Six months ended 30 June 2018		
	Property joint ventures £m	Nicetoile £m	Share of Property interests £m	Property joint ventures £m	Nicetoile £m	Share of Property interests £m
Gross rental income	88.0	0.8	88.8	85.8	0.8	86.6
Net rental income	74.8	0.7	75.5	73.9	0.7	74.6
Administration expenses	(0.2)	–	(0.2)	(0.2)	–	(0.2)
Operating profit before other net losses	74.6	0.7	75.3	73.7	0.7	74.4
Revaluation losses on properties	(271.1)	(0.2)	(271.3)	(31.5)	(0.3)	(31.8)
Operating (loss)/profit	(196.5)	0.5	(196.0)	42.2	0.4	42.6
Change in fair value of derivatives	(4.0)	–	(4.0)	(0.3)	–	(0.3)
Other finance costs	(4.2)	–	(4.2)	(3.3)	–	(3.3)
Net finance costs	(8.2)	–	(8.2)	(3.6)	–	(3.6)
(Loss)/Profit for the period	(204.7)	0.5	(204.2)	38.6	0.4	39.0

TABLE 11: BALANCE SHEET

	30 June 2019			31 December 2018		
	Property joint ventures £m	Nicetoile £m	Share of Property interests £m	Property joint ventures £m	Nicetoile £m	Share of Property interests £m
Non-current assets						
Investment and development properties	3,353.5	29.1	3,382.6	3,619.8	29.3	3,649.1
Interests in leasehold properties	15.6	–	15.6	15.6	–	15.6
Other non-current assets	0.4	–	0.4	0.6	–	0.6
	3,369.5	29.1	3,398.6	3,636.0	29.3	3,665.3
Current assets						
Other current assets	71.6	0.4	72.0	75.4	0.3	75.7
Cash and deposits	74.9	0.5	75.4	70.0	1.2	71.2
	146.5	0.9	147.4	145.4	1.5	146.9
Total assets	3,516.0	30.0	3,546.0	3,781.4	30.8	3,812.2
Current liabilities						
Other payables	(66.9)	(0.3)	(67.2)	(71.0)	(0.2)	(71.2)
Non-current liabilities						
Loans - secured	(408.8)	–	(408.8)	(409.3)	–	(409.3)
Derivative financial instruments	(5.4)	–	(5.4)	(1.4)	–	(1.4)
Obligations under head leases	(15.8)	–	(15.8)	(15.6)	–	(15.6)
Other payables	(5.6)	(0.2)	(5.8)	(5.9)	(0.2)	(6.1)
	(435.6)	(0.2)	(435.8)	(432.2)	(0.2)	(432.4)
Total liabilities	(502.5)	(0.5)	(503.0)	(503.2)	(0.4)	(503.6)
Net assets	3,013.5	29.5	3,043.0	3,278.2	30.4	3,308.6

PREMIUM OUTLETS

The Group's investment in premium outlets is through interests in Value Retail and VIA Outlets. Due to the nature of the Group's control over these externally managed investments, Value Retail is accounted for as an associate and VIA Outlets as a joint venture. Tables 12 and 13 provide analysis of the impact of the two premium outlet investments on the Group's financial statements. Further information on Value Retail is provided in note 11 to the financial statements on pages 50 to 52 and for VIA Outlets in note 10 to the financial statements on pages 48 to 50.

TABLE 12: INCOME STATEMENT

Aggregated premium outlets income summary

	Six months ended 30 June 2019			Six months ended 30 June 2018		
	Value Retail £m	VIA Outlets £m	Total £m	Value Retail £m	VIA Outlets £m	Total £m
Gross rental income	59.7	20.5	80.2	52.8	20.0	72.8
Net rental income	41.6	15.8	57.4	35.8	15.3	51.1
Administration expenses	(21.2)	(3.7)	(24.9)	(20.1)	(3.1)	(23.2)
Operating profit before other net gains	20.4	12.1	32.5	15.7	12.2	27.9
Revaluation gains on properties	95.5	15.1	110.6	12.0	14.5	26.5
Operating profit	115.9	27.2	143.1	27.7	26.7	54.4
Other finance costs	(10.7)	(3.7)	(14.4)	(10.9)	(4.1)	(15.0)
Change in fair value of derivatives	(26.3)	(1.3)	(27.6)	1.7	(1.2)	0.5
Change in fair value of participative loans	34.3	–	34.3	3.2	–	3.2
Profit before tax	113.2	22.2	135.4	21.7	21.4	43.1
Current tax charge	(1.3)	(1.4)	(2.7)	(1.0)	(0.8)	(1.8)
Deferred tax (credit)/charge	8.7	(4.5)	4.2	(7.8)	(2.8)	(10.6)
Share of results (IFRS)	120.6	16.3	136.9	12.9	17.8	30.7
Adjustments:						
Revaluation gains on properties	(95.5)	(15.1)	(110.6)	(12.0)	(14.5)	(26.5)
Change in fair value of derivatives	26.3	1.3	27.6	(1.7)	1.2	(0.5)
Deferred tax charge	(8.7)	4.5	(4.2)	7.8	2.8	10.6
Other adjustments	(31.6)	(0.3)	(31.9)	(0.3)	0.5	0.2
	(109.5)	(9.6)	(119.1)	(6.2)	(10.0)	(16.2)
Adjusted earnings of premium outlets	11.1	6.7	17.8	6.7	7.8	14.5

TABLE 13: BALANCE SHEET

Aggregated premium outlets investment summary

	30 June 2019			31 December 2018		
	Value Retail £m	VIA Outlets £m	Total £m	Value Retail £m	VIA Outlets £m	Total £m
Investment properties	1,930.7	659.3	2,590.0	1,823.0	635.8	2,458.8
Net debt	(667.2)	(233.6)	(900.8)	(657.6)	(242.4)	(900.0)
Other net assets/(liabilities)	45.3	(73.6)	(28.3)	45.7	(67.1)	(21.4)
Share of net assets (IFRS)	1,308.8	352.1	1,660.9	1,211.1	326.3	1,537.4
Adjustments:						
Fair value of derivatives	14.9	4.4	19.3	5.7	3.1	8.8
Deferred tax	228.8	64.8	293.6	214.6	59.8	274.4
Goodwill as a result of deferred tax	(63.2)	(3.6)	(66.8)	(63.1)	(3.6)	(66.7)
	180.5	65.6	246.1	157.2	59.3	216.5
Adjusted investment	1,489.3	417.7	1,907.0	1,368.3	385.6	1,753.9

In addition to the above figures, at 30 June 2019 the Group provided loans of £1.8 million (31 December 2018 and 30 June 2018: £1.8 million) to Value Retail for which the Group received interest of £0.1million during the first half of 2019 (31 December 2018 and 30 June 2018: £0.1 million), which is included within finance income in note 5 to the financial statements on page 42.

PROPORTIONALLY CONSOLIDATED INFORMATION

Note 2 to the financial statements on pages 38 to 40 shows the proportionally consolidated income statement. The proportionally consolidated balance sheet, adjusted finance costs, net debt and movements in net debt are shown in Tables 14, 15, 16 and 17 respectively.

In each of the tables, column A represents the Reported Group figures as shown in the financial statements; column B shows the Group's Share of Property interests being the Group's Property joint ventures as shown in note 10 to the financial statements on pages 48 and 49 and Nicetoile as shown in note 11 to the financial statements on pages 50 and 51. Column C shows the Group's proportionally consolidated figures by aggregating the Reported Group and Share of Property interests figures. As explained on page 18 of the Financial review, the Group's interests in premium outlets are not proportionally consolidated as management does not review these interests on this basis.

TABLE 14: BALANCE SHEET

Balance sheet as at 30 June 2019

	30 June 2019			31 December 2018		
	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m
Notes (see above)	A	B	C	A	B	C
Non-current assets						
Investment and development properties	3,568.9	3,382.6	6,951.5	3,830.4	3,649.1	7,479.5
Interests in leasehold properties	39.5	15.6	55.1	39.9	15.6	55.5
Right-of-use assets	12.0	–	12.0	–	–	–
Plant and equipment	3.9	–	3.9	4.5	–	4.5
Investment in joint ventures	3,365.6	(3,013.5)	352.1	3,604.5	(3,278.2)	326.3
Investment in associates	1,338.3	(29.5)	1,308.8	1,241.5	(30.4)	1,211.1
Derivative financial instruments	27.3	–	27.3	24.5	–	24.5
Receivables	3.6	0.4	4.0	3.6	0.6	4.2
	8,359.1	355.6	8,714.7	8,748.9	356.7	9,105.6
Current assets						
Receivables	96.1	24.3	120.4	113.8	26.6	140.4
Derivative financial instruments	2.3	–	2.3	4.1	–	4.1
Restricted monetary assets	27.9	47.7	75.6	24.0	49.1	73.1
Cash and deposits	65.5	75.4	140.9	31.2	71.2	102.4
	191.8	147.4	339.2	173.1	146.9	320.0
Total assets	8,550.9	503.0	9,053.9	8,922.0	503.6	9,425.6
Current liabilities						
Payables	(214.2)	(67.2)	(281.4)	(233.7)	(71.2)	(304.9)
Tax	(0.3)	–	(0.3)	(0.9)	–	(0.9)
Derivative financial instruments	(6.0)	–	(6.0)	(9.8)	–	(9.8)
	(220.5)	(67.2)	(287.7)	(244.4)	(71.2)	(315.6)
Non-current liabilities						
Loans	(3,094.8)	(408.8)	(3,503.6)	(3,013.9)	(409.3)	(3,423.2)
Deferred tax	(0.5)	–	(0.5)	(0.5)	–	(0.5)
Derivative financial instruments	(106.0)	(5.4)	(111.4)	(101.0)	(1.4)	(102.4)
Obligations under head leases	(41.9)	(15.8)	(57.7)	(42.3)	(15.6)	(57.9)
Payables	(93.3)	(5.8)	(99.1)	(87.0)	(6.1)	(93.1)
	(3,336.5)	(435.8)	(3,772.3)	(3,244.7)	(432.4)	(3,677.1)
Total liabilities	(3,557.0)	(503.0)	(4,060.0)	(3,489.1)	(503.6)	(3,992.7)
Net assets	4,993.9	–	4,993.9	5,432.9	–	5,432.9

TABLE 15: ADJUSTED FINANCE COSTS

Adjusted finance costs for the six months ended 30 June 2019

	Six months ended 30 June 2019			Six months ended 30 June 2018		
	Reported Group £m	Share of Property interests £m	Total £m	Reported Group £m	Share of Property interests £m	Total £m
Notes (see page 62)	A	B	C	A	B	C
Gross finance costs	52.6	4.2	56.8	55.7	3.3	59.0
Less: Interest capitalised	(1.3)	–	(1.3)	(0.6)	–	(0.6)
Finance costs	51.3	4.2	55.5	55.1	3.3	58.4
Finance income	(11.3)	–	(11.3)	(5.9)	–	(5.9)
Adjusted finance costs (note 2)	40.0	4.2	44.2	49.2	3.3	52.5

TABLE 16: NET DEBT

Net debt as at 30 June 2019

	30 June 2019			31 December 2018		
	Reported Group £m	Share of Property interests £m	Total £m	Reported Group £m	Share of Property interests £m	Total £m
Notes (see page 62)	A	B	C	A	B	C
Cash and deposits	65.5	75.4	140.9	31.2	71.2	102.4
Fair value of currency swaps	(84.3)	–	(84.3)	(84.9)	–	(84.9)
Loans	(3,094.8)	(408.8)	(3,503.6)	(3,013.9)	(409.3)	(3,423.2)
Net debt	(3,113.6)	(333.4)	(3,447.0)	(3,067.6)	(338.1)	(3,405.7)

TABLE 17: MOVEMENT IN NET DEBT

Movement in net debt for the six months ended 30 June 2019

Year ended 31 December 2018 £m		Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m
(3,500.5)	Opening net debt	(3,405.7)	(3,500.5)
302.8	Operating profit before other net (losses)/gains	134.4	158.1
25.3	Decrease in receivables and restricted monetary assets	3.6	4.2
(29.8)	Decrease in payables	(10.8)	(4.3)
11.2	Adjustment for non-cash items	3.3	6.8
309.5	Cash generated from operations	130.5	164.8
16.0	Interest received	13.5	9.7
(118.1)	Interest paid	(59.9)	(62.4)
(12.9)	Acquisition-related costs paid	–	(11.6)
(15.3)	Debt and loan facility cancellation costs	–	–
(2.4)	Tax paid	(1.2)	(0.6)
31.8	Operating distributions received from premium outlets	11.8	59.4
208.6	Cash flows from operating activities	94.7	159.3
(229.6)	Acquisitions and capital expenditure	(34.7)	(129.8)
553.2	Sale of properties	22.4	116.6
–	Advances to premium outlets	(9.4)	–
62.2	Funds from financing transferred from premium outlets	–	–
(113.8)	Acquisition of interest in premium outlets	(1.4)	(91.4)
272.0	Cash flows from investing activities	(23.1)	(104.6)
(4.8)	Issue/(Purchase) of shares	0.1	(4.4)
(126.5)	Share buyback	(1.5)	–
(13.3)	Dividends paid to non-controlling interests	–	(13.3)
(204.1)	Equity dividends paid	(118.1)	(120.6)
(348.7)	Cash flows from financing activities	(119.5)	(138.3)
(37.1)	Exchange translation movement	6.6	(1.3)
(3,405.7)	Closing net debt	(3,447.0)	(3,585.4)

TABLE 18: LOAN TO VALUE AND GEARING

Loan to value and gearing as at 30 June 2019

		30 June 2019 £m	31 December 2018 £m
Net debt – "Loan" (A)	Table 16	3,447.0	3,405.7
Property portfolio – excluding premium outlets (B)	Table 8	6,951.5	7,479.5
Investment in VIA Outlets	Note 10C	352.1	326.3
Investment in Value Retail	Note 11C	1,308.8	1,211.1
Less non-controlling interest		(0.3)	(0.3)
"Value" (C)		8,612.1	9,016.6
Equity shareholders' funds (D)		4,993.6	5,432.6
Loan to value – Headline (%) – (A/C)		40.0	37.8
Gearing (%) – (A/D)		69.0	62.7
Net debt – premium outlets (E)	Table 13	900.8	900.0
Property portfolio – premium outlets (F)	Table 13	2,590.0	2,458.8
Loan to value – fully proportionally consolidated (%) – ((A + E)/(B + F))		45.6	43.3
Gearing – fully proportionally consolidated (%) – ((A + E)/D)		87.1	79.3

TABLE 19: NET DEBT: EBITDA

Net debt:EBITDA for the six months ended 30 June 2019

	Six months ended 30 June 2019 £m	Year ended 31 December 2018 £m
Adjusted operating profit (note 2)	323.5	343.9
Tenant incentive amortisation	8.2	8.6
Share-based remuneration	3.5	3.4
Depreciation	3.3	1.5
EBITDA*	338.5	357.4
Net debt (Table 16)	3,447.0	3,405.7
Net debt: EBITDA (times)	10.2	9.5

* EBITDA is calculated on a 12 months rolling basis to calculate the above ratio at 30 June 2019.

GLOSSARY

Adjusted figures (per share)	Reported amounts adjusted in accordance with EPRA guidelines to exclude certain items as set out in note 8 to the financial statements.
Anchor store	A major store occupying a large unit within a retail destination ore retail park, which serves as a draw to other retailers and consumers.
Average cost of debt or weighted average interest rate	The cost of finance expressed as a percentage of the weighted average of debt during the period.
BREEAM	An environmental rating assessed under the Building Research Establishment's Environmental Assessment Method.
Capital return	The change in property value during the period after taking account of capital expenditure, calculated on a monthly time-weighted basis on a constant currency basis.
Compulsory Purchase Order (CPO)	A legal function in the UK by which land or property can be obtained to enable a development or infrastructure scheme without the consent of the owner where there is a "compelling case in the public interest".
Cost ratio (or EPRA cost ratio)	Total operating costs (being property costs, administration costs less management fees) as a percentage of gross rental income, after rents payable. Both operating costs and gross rental income are adjusted for costs associated with inclusive leases and a calculation is set out in Table 7 on page 58.
CPI (Consumer Price Index)	A measure of inflation based on the weighted average of prices of consumer goods and services.
CVA (Company Voluntary Arrangement)	A legally binding agreement with a company's creditors to restructure its liabilities, including future lease liabilities.
Dividend cover	Adjusted earnings per share divided by dividend per share.
Earnings per share (EPS)	Profit attributable to equity shareholders divided by the average number of shares in issue during the period.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EPRA	The European Public Real Estate Association, a real estate industry body. This organisation has issued Best Practice Recommendations with the intention of improving the transparency, comparability and relevance of the published results of listed real estate companies in Europe.
Equivalent yield (true and nominal)	The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect future rents resulting from lettings, lease renewals and rent reviews based on current ERVs. The true equivalent yield (TEY) assumes rents are received quarterly in advance. The nominal equivalent yield (NEY) assumes rents are received annually in arrears. The property true and nominal equivalent yields are determined by the Group's external valuers.
ERV	The estimated market rental value of the total lettable space in a property calculated by the Group's external valuers. It is calculated after deducting head and equity rents, and car parking and commercialisation running costs.
F&B	Food and beverage ranging from "grab and go" to fine dining.
Gearing	Net debt expressed as a percentage of equity shareholders' funds.
Gross property value or Gross asset value (GAV)	Property value before deduction of purchasers' costs, as provided by the Group's external valuers.
Gross rental income (GRI)	Income from rents, car parks and commercialisation income, after accounting for the net effect of the amortisation of lease incentives.
IAS/IFRS	International Accounting Standard/International Financial Reporting Standard.
Inclusive lease	A lease, often for a short period of time, under which the rent is inclusive of costs such as service charge, rates, utilities etc. Instead, the landlord incurs these costs as part of the overall commercial arrangement.
Income return	The income derived from a property as a percentage of the property value, taking account of capital expenditure and on a constant currency basis, calculated on a monthly time-weighted basis.
Initial yield (or Net initial yield (NIY))	Annual cash rents receivable (net of head and equity rents and the cost of vacancy, and, in the case of France, net of an allowance for costs of approximately 5%, primarily for management fees), as a percentage of gross property value, as provided by the Group's external valuers. Rents receivable following the expiry of rent-free periods are not included. Rent reviews are assumed to have been settled at the contractual review date at ERV.
Interest cover	Net rental income divided by net cost of finance before exceptional finance costs, capitalised interest and change in fair value of derivatives.
Interest rate or currency swap (or derivatives)	An agreement with another party to exchange an interest or currency rate obligation for a pre-determined period.
Joint venture and associate management fees	Fees charged to joint ventures and associates for accounting, secretarial, asset and development management services.
Leasing vs ERV/previous passing rent	Relative measure of passing rent from leasing compared with ERV at the beginning of the reporting period or previous lease on unit. The ERV comparison is calculated on a net effective rent basis taking account of any rent-free or cash inducements.
Like-for-like (LFL) NRI	The percentage change in NRI for investment properties owned throughout both current and prior periods, after taking account of exchange translation movements. Properties undergoing a significant extension project are excluded from this calculation during the period of the works. For interim reporting periods properties sold between the balance sheet date and the date of the announcement are also excluded from LFL NRI.
LTV (Loan to value)	Net debt expressed as a percentage of the property portfolio value.

GLOSSARY

MSCI IPD	Property market benchmark indices produced by MSCI, rebranded from IPD in 2018.
Net asset value (NAV) per share	Equity shareholders' funds divided by the number of shares in issue at the balance sheet date
Net debt	The total of loans, the fair value of currency swaps, cash and deposits as calculated in Table 16 on page 63.
Net rental income (NRI)	Gross rental income less head and equity rents payable and other property related costs.
Occupancy rate	The ERV of the area in a property, or portfolio, excluding developments, which is let, expressed as a percentage of the total ERV of that property or portfolio.
Occupational cost ratio (OCR)	The proportion of retailer's sales compared with the total cost of occupation including: rent, business rates and service charge. Calculated excluding anchor stores.
Over-rented	The amount, or percentage, by which the ERV falls short of rents passing, together with the ERV of vacant space.
Passing rents or rents passing	The annual rental income receivable from an investment property, after any rent-free periods and after deducting head and equity rents and car parking and commercialisation running costs. This may be more or less than the ERV (see over-rented and reversionary or under-rented).
Pre-let	A lease signed with a tenant prior to the completion of a development.
Principal lease	A lease signed with a tenant with a secure term of greater than three years and where the unit is not significantly reconfigured. This enables letting metrics to be stated on a comparable basis.
Property fee income	Amounts recharged to tenants or co-owners for property management services.
Property Income Distribution (PID)	A dividend, generally subject to withholding tax, that a UK REIT is required to pay from its tax-exempt property rental business and which is taxable for UK-resident shareholders at their marginal tax rate.
Property interests (Share of)	The Group's non-wholly owned properties which management proportionally consolidate when reviewing the performance of the business. These exclude the Group's premium outlets interests in Value Retail and VIA Outlets which are not proportionally consolidated.
Property joint ventures (Share of)	The Group's joint ventures which management proportionally consolidate when reviewing the performance of the business, but exclude the Group's interests in the VIA Outlets joint venture.
Proportional consolidation	The aggregation of the financial results of the Reported Group and the Group's Share of Property interests being the Group's Share of Property joint ventures as shown in note 10, and Nicetoile as shown in note 11.
QIAIF	Qualifying Investor Alternative Investment Fund. A regulated tax regime in the Republic of Ireland which exempts participants from Irish tax on property income and chargeable gains subject to certain requirements.
REIT	Real Estate Investment Trust. A tax regime which in the UK exempts participants from corporation tax both on UK rental income and gains arising on UK investment property sales, subject to certain requirements.
Reported Group	The financial results as presented under IFRS which represent the Group's 100% owned properties and share of joint operations, transactions and balances and equity accounted Group's interests in joint ventures and associates.
Return on shareholders' equity (ROE)	Capital growth and profit for the period expressed as a percentage of equity shareholders' funds at the beginning of the year, all excluding deferred tax and certain non-recurring items.
Reversionary or under-rented	The amount, or percentage, by which the ERV exceeds the rents passing, together with the estimated rental value of vacant space.
SIIC	Sociétés d'Investissements Immobiliers Côtées. A tax regime in France which exempts participants from the French tax on property income and gains subject to certain requirements.
Temporary lettings	Temporary leases of less than three years.
Total development cost (TDC)	All capital expenditure on a development project, including capitalised interest.
Total property return (TPR) (or total return)	NRI and capital growth expressed as a percentage of the opening value of property adjusted for capital expenditure, calculated on a monthly time-weighted basis on a constant currency basis.
Total shareholder return (TSR)	Dividends and capital growth in a Company's share price, expressed as a percentage of the share price at the beginning of the year.
Turnover rent	Rental income which is related to an occupier's turnover.
UK other	High street and other properties held for strategic purposes.
Vacancy rate	The ERV of the area in a property, or portfolio, excluding developments, which is currently available for letting, expressed as a percentage of the ERV of that property or portfolio.
Yield on cost	Passing rents expressed as a percentage of the total development cost of a property.