Hammerson plc
(Incorporated in England and Wales)
(Company number 360632)
LSE share code: HMSO JSE share code: HMN
ISIN: GB0004065016
("Hammerson" or "the Company")

Tuesday 24 July 2018

HAMMERSON PLC - STRATEGY UPDATE AND UNAUDITED 2018 HALF-YEAR RESULTS

ENHANCED STRATEGY TO ACCELERATE RETURNS

Following a comprehensive business review, Hammerson plc today announces its reshaped strategy to elevate and accelerate performance with a higher quality portfolio of winning destinations, enhanced by greater levels of operational excellence and capital efficiency.

Strategy update highlights

Enhanced quality through optimised portfolio

- New focus solely on two winning retail segments with enhanced LFL NRI growth prospects
  - Flagship retail destinations
  - Premium Outlets
- Exit retail parks sector over the medium term
- Disposal target of £1.1 billion by end of 2019, with £300 million already achieved this year and an increased overall 2018 target of £600 million
- New City Quarters concept established to maximise value from the highly attractive land surrounding our shopping centres
- Greater geographical diversification with non-UK retail exposure increasing by c.10%

Operational excellence and cost savings

- Step change in retailer line-up: shrinking department store space by a quarter and high street fashion by a fifth, replaced by differentiated brands, aspirational fashion, leisure, events and lifestyle spaces
- Devoting more resource to meet increased consumer demand for experience enhancing events and a sophisticated digital offer
- Deliver cost savings of at least £7 million p.a. through operational efficiencies and lower corporate costs associated with disposals and Board and other management changes

Focus on capital efficiency

- Commencing a share buyback of up to £300 million
- Deleverage with the intention to reduce LTV to mid-30s% level over the medium term
- Due to increased risks in the current market environment, the start on site of the development at Brent Cross is to be deferred

David Atkins, Chief Executive of Hammerson, said: "Our reshaped strategy sees us taking decisive action to further reposition our portfolio. Through increasing the level of disposals, including exiting the retail parks sector, we will now focus solely on winning destinations of the highest quality: Flagship retail destinations and Premium Outlets. These are the venues we believe will maintain relevance and outperform against the shifting retail backdrop.

"Our customer and retailer offer will be amplified, and this includes a step change in our retailer line up. We will reduce the amount of floor space let to department stores and high street fashion as we actively focus on the latest consumer trends and take bolder steps to provide the best retail mix.

"Our results today demonstrate the resilience of our business. We are taking tough decisions and have absolute conviction in our ability to deliver. By reprioritising our capital deployment and repositioning our portfolio, we will accelerate future shareholder value and returns."

Half-year 2018 performance

- Group valuations stable with continued growth in Premium Outlets and Ireland offsetting a small yield-driven valuation decline in the UK
- Adjusted earnings per share unchanged at 15.1p
- Solid demand for our retail space from retailers, £13.6 million of new leases signed, 4% ahead of ERV and 5% ahead of previous passing rent
- 97.2% occupancy and a small uplift in leasing volume at our UK shopping centres (£6.8 million HY2018 vs £6.6 million HY2017) despite an unusually turbulent retail backdrop
- 104 units across the portfolio are in administration or are subject to CVAs, with 87 of those units currently trading. These have reduced HY2018 NRI by £2.1 million. The full year impact is anticipated to be £5.8 million (1.5% of passing rent).
- £300 million of disposals achieved this year including four UK retail parks, in total 10% below December book value
- Construction commenced on extensions at Les 3 Fontaines, Cergy and Italie Deux, Paris and on track to deliver an attractive estimated yield on cost of around 6%
- Value Retail portfolio sales up 6% with Bicester Village trading well; remerchandising and reconfigurations supported retail sales growth of 6% at VIA Outlets
- LTV marginally up at 37% and substantial liquidity of £878 million

Half-year 2018 results at a glance

Six months ended:	30 June 2018	30 June 2017	Change
Net rental income [(1)]	**£178.5m**	£184.0m	–3.0%
Adjusted profit [(2)]	**£120.0m**	£119.4m	+0.5%
Adjusted earnings per share [(2)]	**15.1p**	15.1p	–
IFRS profit (including non-cash valuation changes) [(3)]	**£55.7m**	£287.1m	–80.6%
Basic earnings per share [(3)]	**7.0p**	36.2p	–80.7%
Interim dividend per share	**11.1p**	10.7p	+3.7%
As at:	**30 June 2018**	31 December 2017	
Portfolio value [(4)]	**£10,626m**	£10,560m	+0.6%
Equity shareholders' funds	**£5,955m**	£6,024m	–1.1%
EPRA net asset value per share [(2)]	**£7.76**	£7.76	–
Gearing [(5)]	**60%**	58%	+2p.p.
Loan to value [(5)]	**37%**	36%	+1p.p.

(1) On a proportionally consolidated basis, excluding interests in Premium Outlets. See page 17 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 44.
(3) Attributable to equity shareholders, includes portfolio non-cash revaluation losses of £40 million (30 June 2017: gains of £188 million).
(4) Proportionally consolidated, including Premium Outlets. See page 17 of the Financial Review for a description of the presentation of financial information.
(5) See Table 17 on page 61 for supporting calculations for gearing and loan to value.

Results presentation today:

The results presentation is being held today at 8.00 a.m. at London Stock Exchange, 10 Paternoster Square, EC4M 7LS. A live webcast of Hammerson's results presentation will be broadcast today at 8.00 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)330 336 9411 (UK), +27 11 844 6118 (South Africa), +33 (0)1 76 77 22 57 (France), +31 (0)20 703 8261 (Netherlands) and +1 929 477 0402 (USA). Please quote confirmation code 9998219.

Financial calendar:

Ex-dividend date (SA)	29 August 2018
Ex-dividend date (UK)	30 August 2018
Record date (UK and SA)	31 August 2018
Interim dividend payable (UK and SA)	8 October 2018

Enquiries:

David Atkins, Chief Executive Officer	Tel: +44 (0)20 7887 1000
Timon Drakesmith, Chief Financial Officer and MD, Premium Outlets	
Rebecca Patton, Head of Investor Relations	Tel: +44 (0)20 7887 1109
	rebecca.patton@hammerson.com
Catrin Sharp, Head of Corporate Communications	Tel: +44 (0)20 7887 1063
	catrin.sharp@hammerson.com
John Waples, Dido Laurimore and Tom Gough, FTI Consulting	Tel: +44 (0)20 3727 1000

STRATEGY UPDATE

Overview

Hammerson is a best-in-class business with a portfolio of leading European retail destinations and a strong financial track record. With 440 million annual shopper visits, we create dynamic destinations where people, brands and partners thrive.

We are a dynamic business. Adjusted EPS has grown by 49% over the last five years and we have grown our portfolio by 64% over the same period. By successfully recycling capital we have increased our average asset size by 47%. We entered Ireland, Europe's fastest-growing market in 2015 and our Premium Outlets portfolio has grown to £2.4 billion and generated an IRR of 26% since 2011. We have developed exceptional European flagship shopping centres such as: Bullring, Birmingham; Les Terrasses du Port, Marseille; and Victoria, Leeds.

Market trends driving change

Our comprehensive business review was informed by new quantitative and qualitative data on our consumer markets and the future trends in retail. This has given us insights on how best to position our portfolio and identify winning retail destinations over the long term based on the following key market trends:

Urbanisation transforms the built environment: The majority of our retail destinations are in the top-15 European cities. Urban populations are growing, with 78% of the European population expected to live in cities by 2030 (source: United Nations). Large cities are differentiated by the relative wealth and density of their catchment and significant transport and digital infrastructure. Greater urbanisation has the potential to transform the built environment surrounding our assets, for example, creating more mixed-use lifestyle venues or reducing car park requirements.

Physical retail remains core: The UK is the most advanced multichannel retail market in Europe with the highest online penetration rate. However, 85% of sales still involve a store and two thirds of sales growth over the next five years is expected to come from store-driven sales (source: GlobalData (Verdict)). The store remains fundamental to consumers for discovering and buying products, building a relationship with brands, fulfilling the growing demand for social and stimulating experiences and accessing customer service.

Occupier and consumer demand polarised towards flagship retail locations: Over the last three years, demand for space at large flagship shopping centres has grown at twice the rate of other shopping centres (source: GlobalData (Verdict)). Demand from more leisure and food and beverage (F&B) operators has been positive across all venues. However, for fashion retailers there is a sharper polarisation effect where retailers are closing stores in smaller shopping centres and taking new larger space in flagship centres (source: GlobalData).

Consumer habits driven by 'experience': The fastest growing shopping mission to UK shopping centres is the 'big day out', accounting for a quarter of visits, generating the highest average spend per visit (source: CACI). Linked to this, discretionary spend on restaurants (CAGR 4.3%) and recreation & culture (CAGR 3.6%) were among the fastest growing categories over the last five years (source: ONS).

Online penetration shifts the retail category mix: Patterns of online penetration vary across product categories with health & beauty having the lowest penetration and a more store-based model. Online penetration of fashion sales is growing rapidly, though this category also has one of the highest measured rates of 'store influenced' online sales (source: GlobalData (Verdict)), driving a new role for stores as a brand showroom. There is also growing evidence that more brands are going direct to consumers (D2C) with physical stores and, while this trend currently represents only a small portion of total space, there is clear headroom to grow.

Luxury outlets positioned to outperform: There continues to be strong growth in spend from long-haul tourists to Europe. Tourists from China make up the largest share and delivered sales growth of 16% per annum over the last three years (source: Global Blue). Luxury off-price outlets make up around 12% of the market for luxury personal goods and the market is expected to remain resilient to online spend with an increase of around 7.5% p.a. over the next three years (source: Bain).

Enhanced quality through optimised portfolio

Responding to these trends, we have identified those assets within our high-quality portfolio that are expected to be the relative winners. Our more specialised portfolio will therefore focus on two market sectors:

Flagship retail destinations: Top-tier city shopping centres underpinned by strong demographics and consumer catchments.

Premium Outlets: Must-visit Premium Outlets which are attractive to high-spending local catchments, European and global visitors and the world's leading brands. It remains the fastest-growing retail format in Europe.

As we optimise our portfolio, we will exit the retail parks sector over the medium term. We believe our skills are best deployed on assets with more opportunities to proactively influence outperformance through operational expertise in customer service and events.

We will take decisive action to deliver this strategic repositioning. We have increased our 2018 disposal target to £600 million, of which £300 million has been delivered, and a further £500 million of disposals are planned during 2019.

The optimised portfolio will have greater pan-European diversity with non-UK retail exposure increasing by c.10%.

The historical financial performance of our chosen winning assets is higher than the current portfolio average which is expected to result in higher future rental growth.

Our Premium Outlets portfolio has delivered exceptional returns, with an IRR of 26% over the last five years thanks to strong market dynamics and our unique partnership model with Value Retail and VIA Outlets. We have a number of opportunities to grow our investment further in this key sector.

Operational excellence and cost savings

We are leading operators with a recognised depth of retail knowledge and a skilful team focused on delivering our Product Experience Framework. This is embedded across everything we do and ensures we constantly challenge ourselves to apply best practice in retail design and digital solutions, customer engagement and sustainability. The latter includes our continued commitment to our ambitious sector-leading target to become Net Positive by 2030.

In the current market, a more agile approach to tenant mix is required, as the winners and losers in retail shift at an ever faster pace.

We will implement a step change in the retailer line-up at our centres. UK department store space will shrink by a quarter and high-street fashion coverage will reduce by a fifth. This reallocation will allow us to benefit from the strong demand from categories such as aspirational fashion, leisure, consumer and digital native brands all which see value in a physical store in the very best retail locations. A more responsive retailer strategy will also include investigating the structure of our leases and contracts to create versatility and flexibility.

We will devote more resource to meet increased consumer demand for experience enhancing events and a sophisticated digital offer to amplify the consumer experience at our winning destinations. These will include initiatives such as repurposing department store space, the introduction of flagship retail showrooms, marketplace food offers and enhancing event spaces. This will drive customers' frequency of visit and grow our retailers' total catchment spend.

In line with a more specialised portfolio, we have identified opportunities to reduce our cost base by at least £7 million per annum from the end of 2019. This will be achieved through £2 million of operational savings principally relating to procurement and £2 million of savings relating to our Retail Parks team associated with our exit from this sector. In addition, a further £3 million will be achieved through Board (see below) and other management changes. The one-off implementation cost to deliver these savings is estimated to be £4 million.

To ensure we are aligned with modern best practice governance we have evaluated the Board composition to ensure an optimum number of executive and non-executive directors to best represent the interests of our shareholders. As a result David Atkins and Timon Drakesmith will be the sole executive members. Peter Cole has decided to retire and he will officially step down from the Board as of 31 December 2018, and formally retire from his position as Chief Investment Officer following the 2019 Annual General Meeting at the end of April 2019. Simon Travis will assume responsibility for Investments, and Mark Bourgeois for Development. Jean-Philippe Mouton will also step down from the Board as of 31 December 2018 and will continue to lead the French business as Managing Director and be responsible for Group marketing.

Intense focus on capital efficiency

As we progress with our disposal programme, the Board has concluded that, at present an on-market buyback of the Company's shares, investing in our high-quality portfolio at a discount to NAV, offers the best risk-weighted capital returns. A total of up to £300 million from realised disposal proceeds will be returned to shareholders over the next 12 months. The proposed buyback will be accretive to EPS and NAV per share.

We remain committed to maintaining a prudent balance sheet and will deleverage over the medium term using disposal proceeds to pay down debt, with the ambition to reduce LTV to a mid-30% level.

Hammerson has a successful track-record of delivering iconic retail developments. In France, we are on-site with two extensions with an estimated yield on cost of 6%.

In the UK, due to increased market risks and while alternative uses of capital offer higher immediate financial returns, we will defer starting on site with our development at Brent Cross. The scheme remains an important strategic project and we continue to recognise its role as one of London's leading retail destinations and will support its future success.

Within our pipeline of development projects, we hold a valuable land bank of at least 65 acres in prime city locations, mostly adjoining our existing retail hubs. We recognise the accelerating urbanisation trend in Europe and have the ability to leverage our existing strong retail position with other complementary lifestyle uses, such as residential, leisure, cultural and flexible workspaces. We will progress opportunities to extract value from these strategic land holdings with our newly created City Quarters concept.

Financial impact

In the near term, while we dispose of assets to optimise the portfolio mix, income will be negatively impacted. There will, however, be benefits to EPS from organic growth in Dublin and Premium Outlets, refinancing and cost reduction programmes as well as the proposed share buyback. As a result, we aim to mitigate the effect of the disposals over the next two years.

From today, the dividend growth rate guidance will be adjusted to a level of 3% to 5% per annum.

Our optimised portfolio should support higher LFL NRI growth from the focus on higher quality properties and a greater weighting towards faster growth market sectors. In combination with a leaner cost structure and balance sheet optimisation we envisage attractive EPS growth from 2020 onwards. This is coupled with a more resilient and higher quality income profile of the Group and the result is a strategy which delivers compelling returns for shareholders.

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 2018**	30 June 2017	
Occupancy	**96.6%**	97.3%	54
Like-for-like NRI growth	**–0.4%**	0.7%	18
Adjusted earnings per share	**15.1p**	15.1p	17
Leasing activity	**£13.6m**	£18.1m	2
Leasing v ERV	**+4%**	+8%	2
Like-for-like ERV growth	**+0.2%**	+0.6%	16
Retail sales growth – UK shopping centres	**–2.5%**	–3.9%	6
Footfall growth – UK shopping centres	**–1.6%**	–1.7%	6
Retail sales growth – France	**2.9%**	–3.1%	9
Footfall growth – France	**2.3%**	–2.3%	9
Cost ratio	**19.9%**	20.5%	19
Interim dividend per share	**11.1p**	10.7p	20
Capital and financing – As at:	**30 June 2018**	31 December 2017	
Property portfolio value (including Premium Outlets)	**£10.6bn**	£10.6bn	14
Total property return (including Premium Outlets)	**1.8%**	4.0%	16
Capital return (including Premium Outlets)	**–0.3%**	1.8%	16
Net debt	**£3.6bn**	£3.5bn	22
Gearing	**60%**	58%	22
Loan to value	**37%**	36%	22
Liquidity	**£878m**	£958m	22
Weighted average interest rate	**2.8%**	2.9%	22
Interest cover	**3.4 times**	3.4 times	22
Net debt/EBITDA	**10.0 times**	9.3 times	22
Fixed rate debt	**81%**	78%	22
Portfolio currency hedge	**78%**	78%	22
Equity shareholders' funds	**£6.0bn**	£6.0bn	21
EPRA net asset value per share	**£7.76**	£7.76	21

BUSINESS REVIEW

This Business Review provides an overview of the performance of our portfolio sectors in the first half of 2018. Consistent with internal management reporting as described in the Financial Review on page 17, the operational metrics in this section are presented on a proportionally consolidated basis. Further portfolio analysis is provided in the Additional Disclosures section on pages 54 to 57.

UK SHOPPING CENTRES

Our UK shopping centres are within, or close to, highly populated city centres across the country. The portfolio accommodates more than 1,000 tenants in 820,000m^2 of space providing an exciting, modern shopping environment with a wide mix of retail, catering and leisure brands. Our prime centres include Bullring in Birmingham, Cabot Circus in Bristol and Westquay in Southampton.

Operational summary

Key metrics	Like-for-like NRI growth %	Occupancy %	Leasing activity £m	Leasing vs ERV %	Retail sales growth %	Footfall growth %
30 June 2018	**(0.1)**	**97.2**	**6.8**	**+5**	**(2.5)**	**(1.6)**
31 December 2017[1]	1.8	98.1	13.4	+8	(2.7)	0.4
30 June 2017	2.1	97.2	6.6	+5	(3.9)	(1.7)

[1] 31 December figures are for the full year

Net rental income

On a like-for-like basis, net rental income decreased by 0.1% in the first six months of the year. The prime nature of our portfolio has meant that we have been less impacted than the wider market by the spate of CVAs and administrations in the first half of 2018. Nonetheless these reduced like-for-like income by £0.7million. Our current estimate of the full year impact of CVAs and administrations, taking account of the expected timing for re-letting certain units, is £2.5 million (0.7% of the Group's passing rent).

Across the portfolio, turnover rent and net car park and commercial income was £0.6 million lower than the prior year which was consistent with reduced footfall and tenant sales. Cabot Circus and Westquay were the strongest performing centres with like-for-like income increases of 4.6% and 2.2% respectively. The two weakest centres were Silverburn and The Oracle with year-on-year income falling by 8.9% and 7.5% respectively, the latter centre being impacted by recently opened competing schemes in Oxford and Bracknell.

Occupancy and leasing

Despite the turbulent retail market in the UK our leasing performance in the first six months of the year has been strong. We signed 93 leases representing £6.8 million of annual rental income which is £0.2 million higher than the prior year. For principal leases, rents secured were 5% above December 2017 ERVs and 5% above the previous passing rent.

Occupancy levels remained high and stood at 97.2% at 30 June 2018, the same level as the prior year. Currently, 48 units are in administration or subject to CVAs, 41 of those units continue to trade representing 1.7% of the Group's passing rents. Whilst administrations and CVAs adversely impact short-term income they provide opportunities to introduce new tenants and so improve the tenant mix at our centres.

By targeting retailers which will enhance our retailer offer we are able to provide our customers with exciting new retail, leisure and catering offers and are consciously broadening our brand offer. Key leasing deals during 2018 included:

– At Bullring, NYX Professional Make Up opened its first standalone store in the West Midlands;
– At Grand Central, we continue to improve the catering line-up with openings for Comptoir Libanais, Holy Moly Macaroni and Tasty Plaice;
– At Highcross, we enhanced our sports and leisure offer by introducing Cotswold Outdoor and Runners Need and also opened Social Climbing, an exciting indoor bouldering operator;
– At Silverburn, Khaadi, the international Pakistani clothing brand, opened its first store in Scotland; and
– At Victoria Gate in Leeds which opened in late 2016, the Cornish lifestyle brand Seasalt added to the existing aspirational fashion offer.

In January, we announced plans to relocate Next and River Island from the high street in Reading into The Oracle. Both retailers are opening flagship units and the work involves reconfiguring space formerly let to HMV and a small part of the Debenhams store. We are also nearing completion with the reconfiguration of the former House of Fraser anchor store at Highcross, Leicester. The project involves creating eight units including upsized stores for Zara and JD Sports and a new leisure offer, Treetop Adventure Golf.

Product Experience initiatives

As explained on page 4 we continue to apply our Product Experience Framework across our portfolio. We have invested significantly in creating experience led destinations, anchored by a dynamic events and enlivenment plan and supported by innovative retail partnerships. The Amazon Treasure Truck was a significant success visiting many of our centres and offering a unique pop-up experience. At Cabot Circus the installation of 16 giant hot air balloons along Concorde Street created a dramatic piece of place-making art and generated a high volume of social media excitement.

In March, we announced our partnering with Concrete, a prop-tech start-up platform, to invest in and support technology start-ups in the property industry. This will provide us with proprietary access to new ideas and talent and introduce technology-led innovation across our portfolio. We have also expanded our partnership with Cortexica, the development partner for our innovative visual search tool, "Style Seeker", announcing at the start of this year a joint grant project through Innovate UK looking at using artificial intelligence to improve security and safety in public spaces. We continue to enhance our digital offer and in February we introduced an affiliate shopping portal on our Bullring website, designed to support and drive traffic to our retailers.

Footfall, sales and occupancy cost

Footfall levels declined in 2018, with a reduction of 1.6%, although our centres outperformed the Tyco benchmark of –3.2% and four of our centres reported increased footfall. The weakest performance was at The Oracle which as explained in the "Net rental income" section, has suffered from new local competition.

Consistent with the turbulent retail backdrop, consumer confidence has been subdued during the first half of 2018. Retail sales at our centres fell by 2.5%, calculated on a same centre basis this compares to the Visa index which fell by 0.7%. Sales performance by centre and retail category has been mixed with stronger performances from sports & leisure and health & beauty offset by weak high-street fashion. Department store performance has also been mixed, with a clear differentiation in performance between the various operators.

The occupational cost ratio, calculated as total occupancy cost as a percentage of sales, increased slightly from 21.7% at the end of 2017 to 22.0% at 30 June 2018.

As previously explained and reinforced by work completed to support our Strategy Update, these in-store sales figures do not capture the additional online sales benefit that tenants derive from their stores in our centres.

UK RETAIL PARKS

At 30 June 2018, our portfolio comprised 15 convenient retail parks providing 380,000m² and accommodating nearly 300 tenants. Our parks are intentionally 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 strategy review is the decision to exit this retail sector over the medium term.

Operational summary

Key metrics	Like-for-like NRI growth %	Occupancy %	Leasing activity £m	Leasing vs ERV %	Footfall growth %
30 June 2018	**(3.4)**	**94.5**	**1.3**	**+4**	**(1.9)**
31 December 2017[1]	(2.5)	99.4	6.3	+11	(0.4)
30 June 2017	(3.0)	99.0	3.9	+11	1.2

[1] 31 December figures are for the full year

Net rental income

On a like-for-like basis net rental income fell by 3.4% in the first six months of the year. Consistent with the UK shopping centres, the most significant impact was from CVAs and administrations which reduced income by £1.2 million. If this impact was excluded like-for-like income would have grown by 1.4%. The three most significant administration impacts on our retail parks portfolio were from Toys R Us, particularly at Parc Tawe, Fabb Sofas and Maplin. Our current estimate of the full year impact of CVAs and administrations, taking account of the expected timing of re-letting certain units, is £3.1 million (0.8% of the Group's passing rent).

Occupancy and leasing

We signed 11 leases across the portfolio representing £1.3 million of annual rental income and 5,400m² of space. For principal leases, rents were contracted at 4% above the December 2017 ERVs and 2% above their previous passing rent. Key leasing deals in 2018 include Decathlon at Telford Forge, Hobbycraft and NCF Furnishings at Elliott's Field in Rugby and a new 1,800m² M&S store at Ravenhead in St. Helen's following a relocation from the town centre.

Consistent with the turbulent UK retail market and adverse impact of tenant failures, occupancy levels fell during 2018 to 94.5% at 30 June 2018. Currently 21 units are in administration or are subject to CVAs, of which 13 continue to trade and these represent 1.0% of the Group's passing rent.

Product Experience initiatives

Our centralised product innovation team work across our sectors, and whilst there tend to be fewer initiatives at our retail parks, we ensure the insight gained at our UK centres is harnessed to benefit our other locations. We provide convenient services, like Amazon lockers, and have also invested in enlivening our parks by introducing shopping centre style events in many of our fashion anchored retail parks. Most recently, the launch of the new Orchard Centre at Didcot featured interactive window displays, yoga taster sessions and a host of fun children's activities.

Footfall

For the six months to 30 June 2018, the number of visitors to the portfolio fell by 1.9%, which was 150 basis points below the Springboard Retail Parks index of -0.4%. As with shopping centres, there was a mixed performance across the portfolio with higher footfall at Elliott's Field and Parc Tawe, with more customers attracted following the recent redevelopment works, but with lower footfall at the other parks.

Whilst we do not receive tenant sales information at our retail parks, based on recent customer surveys, retail spend was 7% higher than in 2017, dwell times increased by 3% and click & collect spending was 11% ahead of the prior year.

IRELAND

Our Irish portfolio consists of three prime shopping centres in Dublin, including Dundrum Town Centre which is Ireland's pre-eminent retail destination. These provide 200,000m² of high-quality shopping centre space, with over 300 tenants and annual footfall of 50 million. The portfolio also includes 27 acres of development land in Dublin which provides the opportunity to further enhance our existing portfolio.

Operational summary

Key metrics	Like-for-like NRI growth[1] %	Occupancy %	Leasing activity £m	Leasing vs ERV %	Footfall growth[2] %
30 June 2018	**4.0**	**98.9**	**1.5**	**+6**	**(3.0)**
31 December 2017[3]	7.4	99.7	1.9	+10	–
30 June 2017	12.0	99.9	1.5	+13	–

[1] 2017 figures assumed properties had been owned throughout 2016 and 2017

[2] Sales figures not yet available for Ireland and footfall only available for 2018

[3] 31 December figures are for the full year

Net rental income

The portfolio generated net rental income of £20.2 million during the first six months of 2018 and produced like-for-like net rental income growth of 4.0%. Dundrum Town Centre and the Ilac Centre both produced strong income growth benefiting from recent tenant rotation initiatives which have enhanced the retail mix and delivered higher rental income.

A key leasing transaction was the withdrawal of Hamleys from the Irish market and their store closure at Dundrum Town Centre delivered a surrender premium in the first half of 2018. This provides the opportunity to create new space for catering and leisure brands. These units are adjacent to the Pembroke Square project (see below) and will significantly enhance the centre's food and leisure provision.

Occupancy and leasing

Occupancy levels remain high at 98.9%, and tenant demand for space continues to be strong, although the high occupancy levels can act to limit fulfilment of this demand. Nonetheless our leasing strategy to deliver rental growth and enhance the tenant mix enabled us to sign leases representing £1.5 million of annual rental income. For principal leases, rents secured were 23% above previous passing rents and 6% higher than December 2017 ERVs.

Key leasing transactions included Rituals, Therapie and Fallon & Byrne at Dundrum. The latter will operate a new flagship food hall, delicatessen and restaurant over two floors and will anchor our Pembroke Square project which aims to enliven the 600m^2 public space. We also recently opened a Gino's Gelato ice cream parlour to further enhance the catering offer at the centre.

At Pavilions, Swords, Smiggle opened its fifth Irish shop and River Island has upsized to a 1,000m^2 flagship store including a full fashion and homewares range. We also announced in June that we will launch a new restaurant quarter in the second half of the year with three new restaurants including Five Guys and Milano.

Product Experience initiatives

We continue to introduce our product innovation initiatives to our Irish centres and this month in Dundrum Town Centre we launched an immersive summer safari experience, using state-of-the-art virtual reality technology.

To improve customer convenience we are also introducing new services, with a trial starting this month at Dundrum Town Centre of frictionless parking, which will allow customers to park in our centres without the need for parking tickets or payment machines. This trial is in advance of similar trials in the UK planned for later this year.

Footfall and sales

In 2018, footfall at our centres was 3.0% lower than in the prior year. This was 30 basis points higher than the national index. The adverse trend being partly due to Ireland being particularly badly hit by in late February by Storm Emma.

Sales data is not currently available for our Irish portfolio, however national retail sales have been strong with growth of 4.5% in the first half of the year.

FRANCE

We own and manage seven prime shopping centres in France which accommodate over 870 tenants and attract almost 80 million visitors each year. The three largest centres are Les Terrasses du Port in Marseille and Italie Deux and Les 3 Fontaines in Paris which generate over €66 million of annual passing rent.

Operational summary

Key metrics	Like-for-like NRI growth %	Occupancy %	Leasing activity £m	Leasing vs ERV %	Retail sales growth %	Footfall growth %
30 June 2018	**(1.1)**	**97.1**	**3.6**	**+2**	**2.9**	**2.3**
31 December 2017[1]	2.6	97.9	9.8	+5	0.1	1.6
30 June 2017	1.5	96.6	5.8	+8	(3.1)	(2.3)

[1] 31 December figures are for the full year

Net rental income

On a like-for-like basis, net rental income decreased by 1.1% in the first six months of the year. This was largely due to a £0.7 million year-on-year reduction of turnover rent at Les Terrasses du Port as in the first half of 2017 we received confirmation of sales for prior periods which were significantly higher than anticipated. Lower year-on-year leasing activity has also acted to reduce the like-for-like income performance.

Occupancy and leasing

We continue to actively target new tenants to enhance the brand mix at our centres. During the six months to June 2018, 57 leases were signed, representing £3.6 million of annual rental income and 13,900m^2 of space. Leasing volumes were £2.2 million lower than in the first half of 2017, which included £1.3 million of leasing at Place des Halles, Strasbourg and Saint Sébastien, Nancy which were sold in late 2017.

For principal leases, the new rents were 2% above December 2017 ERVs and 4% above the previous passing rents. Key leasing transactions included:

- 11 lettings at Les Terrasses du Port including new lettings to Boggi Milano, its first store opening in a French shopping centre and Nespresso, the first opening in our French portfolio;
- 12 lettings at Les 3 Fontaines, Cergy including a new Timberland store and major renewals with Go Sport, Sephora and Armand Thiery; and
- 17 lettings at O'Parinor including a new larger unit for JD Sports due to open in the final quarter of the year.

At 97.1%, occupancy levels were 80 basis points lower than at the beginning of the year but 50 basis points higher than at June 2017.

A total of 27 units are in administration across the French portfolio, the same as at the beginning of the year. All of these units continue to trade and represent only 0.6% of the Group's passing rent.

Product Experience initiatives

To support the centralised team we have staff dedicated to product innovation in Paris and we have deployed a number of key initiatives in both our UK and French centres including our Plusapp, interactive child play areas, mobile charging facilities, high-quality customer seating and delivery services. We also co-ordinated events programmes on fashion, private sales and a first time franchise with the Smurfs.

We also attended the Viva Technology 2018 event and presented our product innovation strategy with a number of our key innovations, including Style Seeker and the TwinswHeel droid. The droid, which allows shoppers to make hands-free purchases, was trialled as a world first for a weekend in April at Italie Deux.

To celebrate the 90th anniversary of the birth of Yves Klein, at Nicetoile we recently launched a digital interactive exhibition of the famous Nice-born artist's work, using the latest sound and 3D mapping technology to allow customers to fully interact with the art.

Footfall, sales and occupancy cost

Footfall in our centres increased by 2.3% in the first half of the year, 350 basis points ahead of the national CNCC Index which reported a 1.2% decline. Italie Deux and Les Terrasses du Port recorded the highest footfall increases of 9.1% and 8.0% respectively, the former benefitting from the decision, in late 2017, to be able to open on Sundays.

Retail sales, calculated on a same centre basis, increased by 2.9% which was an outperformance of 450 basis points compared with the CNCC index to May of -1.6% (the June 2018 index is not yet available). The occupational cost ratio increased from 13.8% at the beginning of the year to 14.3% due to higher service charges.

DEVELOPMENTS

The Group has a proven track record in delivering iconic retail developments. Our current development opportunities include two on-site extension schemes in Paris, major developments in London and a number of other potential future projects to enhance our portfolio and returns.

Project expenditure is tightly controlled and we will only commit to projects when the balance of risk and reward is acceptable and this is regularly assessed. Key factors include leasing confidence and pre-letting levels, cost and programme certainty, funding and financial returns. Whilst projects are assessed individually, our total exposure to development activities is also monitored. At 30 June 2018, developments represented 6% of the Group's total property portfolio and committed capital expenditure was £192 million (31 December 2017: £89 million). The majority of this outstanding expenditure related to the two on-site extension schemes in Paris and land acquisitions for the major London development schemes.

Given the current turbulence in the UK retail markets and whilst alternative uses of capital offer higher short-term financial returns, we have decided to defer the start on site at Brent Cross.

Completed developments

Scheme	Lettable area m^2	Completion	Total development cost[1] £m	ERV[2] £m	Let[3] %
Parc Tawe redevelopment, Swansea	21,400	Feb-18	16	2	78
Orchard Centre extension, Didcot	8,700	Mar-18	44	3	71
Total	**30,100**		**60**	**5**	

[1] Total capital cost of scheme including capitalised interest.

[2] Estimated rental value as per the Group's valuer, net of head rents and after expiry of rent-free periods.

[3] Let or in solicitors' hands by income at 23 July 2018.

In Swansea, the 21,400m^2, £16 million redevelopment of Parc Tawe was completed in February 2018. The scheme has created a modern retail and leisure park with new public realm and improved pedestrian links to the city centre. The scheme is 78% let with tenants including Iceland, Office Outlet, the UK's first Denny's restaurant and our second carbon neutral Costa Eco Pod, although the scheme was adversely impacted by the Toys R Us administration. When fully let, the project is forecast to achieve a yield on cost of 10%.

The 8,700m^2 extension to the Orchard Centre in Didcot opened in March 2018 and has been designed to attract Didcot's affluent and rapidly growing catchment. The scheme is currently 71% let and is anchored by a M&S Foodhall with other tenants including Boots, Costa, Fatface, H&M, Jojo Maman Bebe, Mountain Warehouse, Nandos, River Island, Soletrader and Starbucks. When fully let, the scheme is forecast to achieve a yield on cost of 6%.

On-site developments

Scheme	Lettable area m²	Expected completion	Value 30 June 2018 £m	Estimated cost to complete[1] £m	Estimated annual income[2] £m	Let[3] %
Italik, Italie Deux extension, Paris	6,400	Q4 2019	18	24	2	57
Les 3 Fontaines extension, Cergy, Paris[4]	44,300	Q2 2021	170	158	16	22
Total	**50,700**		**188**	**182**	**18**	

[1] Capital cost including capitalised interest outstanding at 30 June 2018.

[2] Incremental income net of head rents and after expiry of rent-free periods.

[3] Let or in solicitors' hands by income at 23 July 2018.

[4] Figures include the adjacent Cergy 3 centre acquired in October 2017.

The 6,400m² extension of Italie Deux commenced in June 2018 with completion scheduled for the end of 2019. The project, called "Italik", will deliver 12 retail, catering and leisure units in our central Paris scheme and create an attractive new façade for the existing centre and is expected to increase future footfall. The estimated total development cost of the scheme is £39 million, with £24 million of costs remaining and £3 million of valuation surplus recognised at 30 June 2018. The project is forecast to generate an estimated yield on cost of around 6% and is 57% pre-let over a year ahead of completion.

A major extension of Les 3 Fontaines commenced in January 2018 which is part of a wider city centre development in Cergy-Pontoise, in the suburbs of Paris. The project involves extending the existing scheme and adding new retail, leisure and catering space together with a major refurbishment of the adjacent Cergy 3 centre, which was acquired in October 2017. When complete in spring 2021, the project is forecast to achieve an estimated yield on cost of around 6% and will extend the entire trading space to over 100,000m² creating one of the leading centres in the Paris region. The costs to complete are £158 million and at 30 June 2018 we have recognised a total revaluation surplus from the project of £36 million.

Future developments

During the first half of 2018 we achieved important milestones at a number of potential future schemes as follows:

Brent Cross extension

In conjunction with our joint venture partner, Aberdeen Standard Investments, we signed agreements for lease with John Lewis and Showcase Cinema de Lux for this major extension. John Lewis is an existing anchor retailer and Showcase Cinema de Lux will deliver a new 7,350m², 1,800 seat state-of-the-art cinema following the success of the first Showcase Cinema de Lux with full laser projection at our Westquay South development which opened in 2017.

Whilst we have decided to defer the start on site of the scheme, it remains an important strategic project and we continue to recognise its role as one of London's leading retail destinations. It also forms part of the wider Brent Cross Cricklewood regeneration plans encompassing improved road and rail infrastructure and significant residential development and we remain engaged with retailers and stakeholders towards the future delivery of the scheme.

Croydon town centre

In May, the Croydon Partnership, a 50:50 joint venture with Unibail-Rodamco-Westfield, announced that John Lewis had agreed to anchor the Whitgift Centre development with a new 15,300m² four-storey John Lewis and Waitrose store.

The partnership intends to serve notice on the local council to exercise CPO (compulsory purchase order) powers to assemble the remaining areas of the site not currently owned by the partnership. The retail and leisure-led scheme will establish Croydon as a major lifestyle destination for south London and include up to 1,000 new homes. The development will involve the refurbishment of the existing Centrale shopping centre and is part of wider large-scale regeneration already underway in the town. There remain a number of planning and land assembly stages for the project ahead of a start on site.

The Goodsyard

Work to resubmit the design for a major mixed-use scheme at The Goodsyard in Bishopsgate has progressed with a submission targeted by the end of the year. This is expected to allow the GLA and the Mayor of London to determine the scheme in 2019. The Goodsyard is a 4.2ha site on the edge of the City of London and is owned 50:50 with our partner, Ballymore Properties.

Other schemes

The Group also has a number of larger pipeline opportunities. The nature and design of these schemes are fluid and they are at different stages of development. Progress to delivery will be dependent on factors including: planning permission; occupier demand; land assembly; scheme design; funding; and financial viability.

We are establishing a City Quarters concept to leverage our existing expertise and create schemes with a complementary mix of uses, including residential, workspace, retail and leisure. Utilising land surrounding our existing shopping centres in cities such as Birmingham, Bristol, Dublin and Leeds we will progress these opportunities to extract further value.

In 2018 we received planning permission for future opportunities in Bristol and Aberdeen and in February the Court of Appeal in Dublin overturned an earlier ruling relating to buildings on Moore Street and their national monument status, which has enabled us to engage with stakeholders on the future of this site.

Further details of these schemes are included in the Development Pipeline table on page 62.

PREMIUM OUTLETS

Our exposure to the Premium Outlets sector is gained through our investments in Value Retail ("VR") and VIA Outlets ("VIA"). At 30 June 2018 we had interests in 20 centres in 14 European countries offering 450,000m^2 of retail space for international luxury and fashion brands. These investments represent 22% of the Group's property portfolio, or 27% of EPRA net assets. Premium Outlets continue to outperform the wider retail sector in terms of both sales growth and investor demand.

Operational summary

	Value Retail[1]		VIA Outlets[1]	
	Six months ended 30 June 2018	Six months ended 30 June 2017	Six months ended 30 June 2018	Six months ended 30 June 2017
Brand sales (€m)[2]	**1,256**	1,190	**468**	388
Brand sales growth (%)[3]	**6**	10	**6**	16
Footfall (millions)[2]	**16.5**	16.1	**13.9**	11.7
Average spend per visit (€)[2]	**76**	74	**34**	33
Average sales densities growth (%)[4]	**3**	8	**4**	15
Like-for-like NRI growth (%)[5]	**6**	13	**18**	5
Occupancy (%)	**94**	94	**91**	92

[1] Figures reflect overall portfolio performance, not Hammerson's ownership share and 2017 figures have been restated at 30 June 2018 exchange rates.
[2] 2017 figures include assets from the date of acquisition. 2017 VIA footfall metrics have been restated following the collection of more accurate footfall figures.
[3] Sales growth excludes assets acquired in 2017.
[4] Sales density growth has been calculated for assets owned for 18 months.
[5] Like-for-like NRI growth includes the impact of extensions due to multiple tenant relocations from the existing schemes into the new phases. We estimate that extensions have contributed 4-5% to like-for-like NRI growth in 2018.

Our Premium Outlet investments, are managed by their founding shareholders, 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. The agreements also contain provisions which are triggered by a change of control of Hammerson plc whereby certain governance, information and liquidity rights held by the Group may be restricted. The management of VR have rights to acquire certain of the Group's investments in VR at market value.

VALUE RETAIL ('VR')

Portfolio and ownership overview

VR owns and operates nine high-end Villages in the UK and Western Europe which provide 189,000m^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. VR targets the growing shopping-tourism market and the Villages also benefit from attracting footfall from affluent domestic catchments.

We hold interests in the VR 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 around 40% over the last five years. At the beginning of 2018, we acquired a number of investor stakes in Villages including Bicester Village and La Vallée Village for £76 million. This acquisition increased our economic interest in Bicester Village, the largest asset within the portfolio, to 50%.

In July 2018, we signed an agreement to acquire €15 million of investor stakes in La Roca Village and Las Rozas Village. The transaction is subject to a pre-emption process and completion is expected in the autumn.

Income

The first half of 2018 has been affected by bad weather, which forced some Villages to close for a number of days. In 2018, VR's tax free sales fell by 3%, however this represented relative outperformance compared to the whole of Europe, where tax free sales were 8% lower than in 2017 (Source: Global Blue – May 2018). Despite these challenges, brand sales growth of 6% has again been strong in 2018. La Vallée Village achieved the strongest growth as it benefited from domestic marketing initiatives and new openings. The Village also achieved VR's highest growth in tax-free sales. Fidenza Village and Bicester Village were the other top performers with sales boosted by their recent extensions. Wertheim Village was the weakest performer with a single digit drop in year-on-year sales, although sales in June improved following the completion of major works on the nearby highway.

Average sales densities increased by 3%, the strongest performances being at La Vallée Village and Ingolstadt Village. Sales density growth in 2018 at Bicester Village has softened following the additional space opened in the final quarter of 2017.

Like-for-like net rental income growth was 6%, with the strongest contributions from Bicester Village, Kildare Village and La Vallée Village.

Occupancy and leasing

VR adopts an active leasing and asset management strategy to enhance and refresh the Villages to maximise the customer experience. During the first six months of 2018, 137 leases were signed, with a total of 72 new brands introduced to the Villages. Key brand openings included Gucci and Prada at La Vallée Village. There has also been a specific focus on enhancing the F&B offer across the portfolio, demonstrated by the opening of Menu Palais at La Vallée Village and Café Wolseley at Bicester Village.

Occupancy across the Villages was 94% and is expected to increase by year end with upcoming remerchandising initiatives. Occupancy at Premium Outlets tends to be slightly lower than the Group's other sectors to support proactive remerchandising.

VR management continues to develop successful marketing strategies. New loyalty apps have been implemented and the focus on digital is illustrated by the successful partnership with Instagram influencers. Other collaborations include the Diamond Exhibition held at Maasmechelen Village in partnership with the city of Antwerp.

Developments and extensions

In October 2017, a 5,800m^2 extension opened at Bicester Village. The extension is already performing strongly with the transfer of some brands such as Polo Ralph Lauren into new enlarged stores. This has enabled the acceleration of remerchandising and right-sizing activity at the Village which includes Gucci, who will relocate into an enlarged flagship store in the ex-Polo Ralph Lauren unit.

Progress has also been made on the extension and remodelling projects at a number of other VR Villages including Kildare Village and La Roca Village, where construction works could start later this year.

VIA OUTLETS ('VIA')

Portfolio overview

At 30 June 2018, VIA operated eleven outlets in nine European countries, providing 261,000m^2 of floor space and 1,100 stores. The centres include Batavia Stad Amsterdam Fashion Outlet, Fashion Arena Prague Outlet and Zweibrücken Fashion Outlet on the Germany/France border.

Over the last four 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. By using VR's expertise and brand relationships, the VIA management 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. This strategy has delivered strong operational and financial performance and at 30 June 2018 the total portfolio was valued at £1.3 billion, of which the Group's 47% share was £620 million.

Income

Despite poor weather at the start of the year, like-for-like brand sales growth was 6% in 2018. The highest growth was achieved at Mallorca Fashion Outlet which benefited from intense remerchandising with the recent opening of Polo Ralph Lauren and the relocation and enlargement of Nike. Strong growth was also achieved at Freeport Lisbon Fashion Outlet and Batavia Stad Fashion Outlet which both benefited from recent extension and reconfiguration schemes. The recently acquired Norwegian Outlet, Oslo has also seen double-digit sales growth partly as a result of the recent extension.

Wroclaw Fashion Outlet has been the weakest performer with lower year-on-year sales as the centre was impacted by new domestic regulations restricting Sunday trading and by temporary lower occupancy to accommodate significant remerchandising with the upcoming opening of a new restaurant and an extended Nike store.

The strong sales performance across the portfolio resulted in like-for-like net rental income growth of 18%, with the most significant contribution from Mallorca Fashion Outlet.

Occupancy and leasing

Occupancy remained stable throughout the first half of the year and was 91% at 30 June 2018.

The strong sales growth noted above reflects the benefits of VIA's management and remerchandising initiatives across the portfolio and 146 leases were signed during the first half of 2018, including 53 new brands.

Key leasing transactions included the introduction of new brands including Lacoste at Wroclaw Fashion Outlet, Swarovski at Fashion Arena Prague Outlet and Starbucks at both Batavia Stad Fashion Outlet and Freeport Lisbon Fashion Outlet. Leasing also focussed on refitting existing brands including some upsizing into flagship stores such as Nike at Batavia Stad Fashion Outlet and Adidas at Hede Fashion Outlet.

Developments and extensions

VIA has launched refurbishment projects at the five most recently acquired centres, being Seville Fashion Outlet, Vila do Conde Porto Fashion Outlet, Wroclaw Fashion Outlet, Zweibrücken Fashion Outlet and Norwegian Outlet. These outlets will be refurbished over the next two years, consistent with management's acquisition plans, and will improve significantly the customer experience, attract new visitors, increase dwell-times and enhance the trading proposition for premium brands.

Extension studies are also progressing on a number of the other centres, with works expected to start on a 2,300m^2 extension at Hede Fashion Outlet in autumn 2018. To complement the extension, the existing centre will be refurbished to welcome guests and brands to a larger and more premium environment.

In the first half of 2018, land has been acquired at Seville Fashion Outlet and Norwegian Outlet to provide additional car parking towards the end of the year to support the growth of the two centres.

PROPERTY PORTFOLIO REVIEW

Portfolio value analysis

The Group's total portfolio was valued at £10,626 million at 30 June 2018, £66 million higher than at the beginning of the year. The increase was due primarily to capital expenditure of £234 million, largely offset by disposals of £112 million and a revaluation deficit of £40 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	Premium Outlets	Total portfolio

			(excl. Premium Outlets) £m	£m	£m
Value at 1 January 2018	7,750	576	8,326	2,234	10,560
Revaluation (losses)/gains on properties	(83)	16	(67)	27	(40)
Capital expenditure					
Acquisitions	10	–	10	111	121
Other expenditure	34	63	97	16	113
	44	63	107	127	234
Capitalised interest	–	1	1	–	1
Transfers	40	(40)	–	–	–
Disposals	(112)	–	(112)	–	(112)
Exchange	(10)	(1)	(11)	(6)	(17)
Value at 30 June 2018	**7,629**	**615**	**8,244**	**2,382**	**10,626**

Capital expenditure

In the six months to 30 June 2018, capital expenditure totalled £234 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 shopping centres £m	UK retail parks £m	UK Other £m	France £m	Developments £m	Premium Outlets £m	Group £m
Acquisitions	–	–	–	10	–	111	121
Expenditure - creating area	3	5	–	1	53	2	64
Expenditure - no additional area	16	3	3	8	10	12	52
Tenant incentives	(2)	(2)	–	(1)	–	2	(3)
	17	**6**	**3**	**18**	**63**	**127**	**234**

Note: Capital expenditure totalled £0.2 million in Ireland in the first six months of 2018 and hence is not shown separately in the table above.

Acquisition expenditure totalled £121 million. £10 million was spent in France on land to enable the commencement of the Italik extension project at Italie Deux and further details of this project are provided on page 10. The £111 million Premium Outlets acquisition expenditure relates to the Group's additional share of the Value Retail unlevered property portfolio acquired through the acquisition of a number of direct investor interests including Bicester Village and La Vallée Village, further details are on pages 12.

Expenditure creating additional area totalled £64 million. £42 million related to the on-site extension project at Les 3 Fontaines, Cergy; £9 million related to the completion of the Orchard Centre extension in Didcot; and £4 million related to the second phase of Elliott's Field, Rugby which opened in November.

Capital expenditure creating no additional area totalled £52 million and related to numerous asset management initiatives across our portfolio. Key projects included £13 million reconfiguring the former House of Fraser store at Highcross and £3 million refurbishing SQY Ouest, Paris. £10 million was incurred on progressing the Brent Cross and Croydon major development schemes, whilst for Premium Outlets, expenditure totalled £12 million, of which £6 million related to Bicester Village.

Disposals

Disposals in the first half of the year totalled £112 million. The key transactions were Battery Retail Park in Birmingham for proceeds of £57 million and Wrekin Retail Park in Telford for £35 million, both sold in February. We also completed the sale of the residual stake of Saint Sébastien, Nancy for £10 million. The majority of the property had been sold in December 2017 for £129 million.

In July we have exchanged contracts to sell two further retail parks: Imperial Retail Park in Bristol and Fife Central Retail Park in Kirkcaldy for £164 million. The sales were broadly in line with their June 2018 valuations, although reflect a 10% discount to December 2017 values and completion is due in October. The Group has owned the retail parks since 2012 and 2005 respectively and we have completed a number of improvement initiatives.

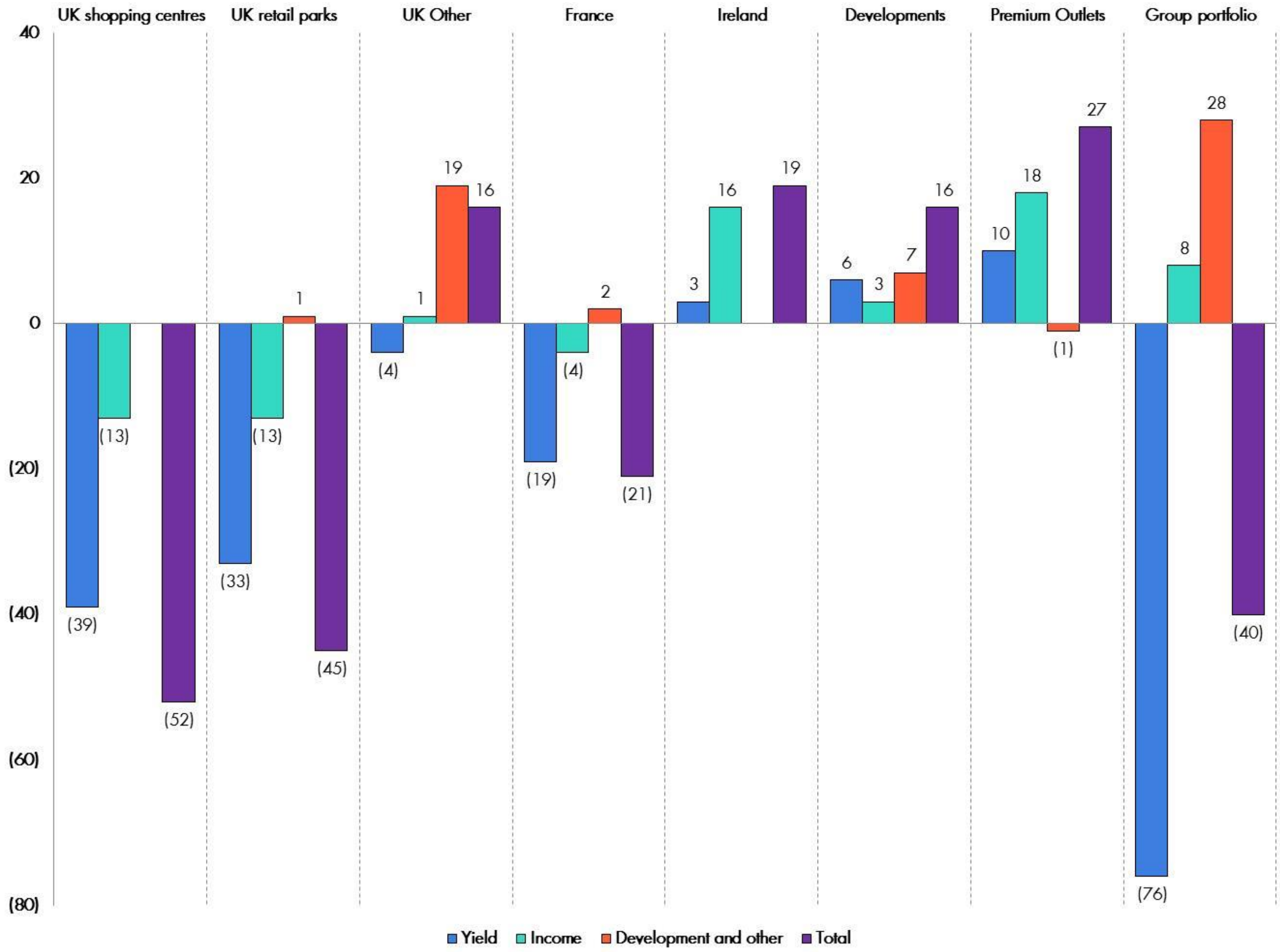
Also, since the half-year we sold Jeu de Paume, a small shopping centre in Beauvais, 60km north of Paris, which the Group developed and which opened in November 2015. It has since traded poorly, with weak tenant sales and leasing demand, and the disposal is in line with our strategy of focusing only on flagship retail destinations.

These disposals bring the total sale proceeds in 2018 to £300 million and as part of our strategy update we have announced plans to complete £1.1 billion of disposals, with an increased 2018 disposal target of £600 million (previously £500 million) and a further £500 million in 2019.

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 2018.

Components of valuation change in H1 2018 (£m)



During the first half of 2018, the Group's portfolio suffered a total net revaluation deficit of £40 million. In the UK, shopping centres experienced a deficit of £52 million of which £39 million was due to outward yield shift which averaged 6 basis points across the portfolio. All centres suffered valuation deficits, except for Westquay North which achieved a £4 million uplift associated with income growth as it continues to benefit from the recent opening of the adjacent Westquay South catering and leisure complex.

UK retail parks suffered a deficit of £45 million, principally due to outward yield shift at selected parks and reduced ERVs caused by the adverse impact of CVAs and administrations which have reduced this portfolio's occupancy rate by 490 basis points to 94.5%. This fall in income accounted for £13 million of the portfolio's valuation decline.

The UK Other portfolio achieved a revaluation surplus of £16 million, principally associated with progress made with a number of development opportunities including mixed-use schemes in Bristol and Birmingham.

The underlying value of the French portfolio fell by £21 million, £16 million of this reduction was associated with Jeu de Paume in Beauvais which was sold in July and the remainder was due to a small reduction in ERVs, principally at O'Parinor and Espace Saint-Quentin.

Ireland, where the retail environment is stronger than in the UK, achieved a £19 million revaluation surplus, of which £16 million was achieved through income growth at Dundrum Town Centre and Pavilions, Swords.

We recognised a £16 million surplus on our development portfolio, which is principally a combination of a yield improvement on our Dublin Central properties and a development surplus at the extension project at Les 3 Fontaines, Cergy, Paris where works started at the beginning of the year. Further details on our development portfolio are on pages 10 and 11.

Premium Outlets were again the Group's best performing sector, producing a surplus of £27 million. £18 million of this increase was due to income growth with a further £10 million from yield improvements mainly at La Vallée Village, Paris which has traded extremely well during the first half of the year.

Further valuation, returns and yield analysis is included in Tables 8 and 9 in the Additional Disclosures on page 57.

ERV growth

Like-for-like ERV growth

Proportionally consolidated, excluding Premium Outlets	UK shopping centres %	UK retail parks %	UK Other %	France %	Ireland %	Group investment portfolio %
30 June 2018	**0.1**	**(0.8)**	**–**	**0.2**	**2.0**	**0.2**

31 December 2017[1]	0.9	(0.1)	1.6	0.9	2.7		0.9
30 June 2017	0.5	0.3	0.4	0.5	2.5		0.6

[1] 31 December figures are for the full year

Like-for-like ERV growth at the Group's investment properties was 0.2% in the six months to 30 June 2018.

ERV growth at both UK shopping centres and retail parks was impacted by the turbulent retail backdrop. UK shopping centres recorded growth of 0.1%, with Westquay North and Highcross achieving growth of 2.1% and 1.9% respectively, whilst Silverburn and The Oracle suffered falls of 3.0% and 1.8% respectively.

ERVs at UK retail parks fell by 0.8%, consistent with the reduction in occupancy during 2018. The most significant reductions were at Cleveland Retail Park in Middlesbrough, Abbotsinch Retail Park in Paisley and Orchard Centre in Didcot where letting on the new development has been slower than anticipated.

In France, ERVs increased by 0.2% and the best performing centres were Les Terrasses du Port with growth of 1.1% and SQY Ouest where ERVs grew by 3.1% and which is benefiting from on-going refurbishment works. At Jeu de Paume, which was sold in July, ERVs fell by 4.4%.

In Ireland, ERVs grew by 2.0%, continuing the strong growth achieved since the portfolio was acquired in 2015. Dundrum Town Centre generated growth of 1.7% and Pavilions, Swords achieved 4.1%.

Property returns

Property returns analysis

Proportionally consolidated, including Premium Outlets	UK shopping centres %	UK retail parks %	UK Other %	France %	Ireland %	Developments %	Premium Outlets %	Group %
Income return	2.2	2.6	2.3	2.1	2.1	1.1	2.0	**2.1**
Capital return	(1.5)	(3.7)	10.6	(1.0)	1.9	2.9	1.2	**(0.3)**
Total return	0.7	(1.2)	13.0	1.0	4.1	4.0	3.2	**1.8**

The Group's portfolio, including Premium Outlets, generated a total return of 1.8% in the first six months of 2018. This comprised an income return of 2.1% and a capital return of --0.3%. The latter return is consistent with the underlying valuation performance explained in the "Valuation change" section on page 15 and an analysis of the capital and total returns by business segment is included in Table 8 in the Additional Disclosures on page 57.

We compare the performance of our properties against other industry indices. Consistent with 2017, we compare our total portfolio returns against a benchmark based on MSCI IPD All Retail indices for the UK and a bespoke MSCI IPD Europe Index, weighted on a 60:40 basis. At the date of this announcement neither of these indices are available.

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. For those accounted for as joint ventures and associated under IFRS, the results and net investment in these holdings are equity accounted and presented within single lines in the income statement and balance sheet.

The Group has property interests in a number of sectors and management reviews the performance of the Group's property interests in Shopping centres, Retail parks, UK Other properties and Developments on a proportionally consolidated basis to reflect the Group's different ownerships. Management does not proportionally consolidate the Group's Premium Outlet 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. Except for property valuations and returns, 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.

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 63 and 64.

In 2018 the Group has adopted two new accounting standards: IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. Neither of these standards has had a material impact on the Group's reported financial performance and the 2017 results have not been restated. Further details of these new standards is provided in note 1 to the financial statements on page 35.

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 53.

For other APMs, the Financial Review and Additional Disclosures sections contain supporting information, including reconciliations to the IFRS financial statements. Definitions for APMs are also included in the Glossary.

INCOME STATEMENT

Profit for the period

The Group's IFRS profit for the period, attributable to equity shareholders, was £55.7 million, £231.4 million lower than for the prior year. The most significant variance was the net revaluation deficit on the Group's property portfolio of £40.1 million in the first half of 2018 compared with net gains of £187.9 million in 2017.

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 profit to adjusted profit for the period is shown in the table below.

Reconciliation of IFRS profit to adjusted profit

Proportionally consolidated, including Premium Outlets	**Six months ended 30 June 2018 £m**	Six months ended 30 June 2017 £m
IFRS profit for the period attributable to equity shareholders	**55.7**	287.1
Adjustments:		
Net revaluation losses/(gains) on property portfolio*	**66.6**	(73.1)
Net revaluation gains on Premium Outlets property portfolio	**(26.5)**	(114.8)
	40.1	(187.9)
Gain on the sale of properties	**(4.4)**	(0.7)
Change in fair value of derivatives*	**11.9**	11.8
Deferred tax on Premium Outlets	**10.6**	15.4
Other adjustments	**6.1**	(6.3)
Adjusted profit for the period (note 8B)	**120.0**	119.4
Adjusted EPS, pence	**15.1**	15.1

* Proportionally consolidated, excluding Premium Outlets

The Group's income statement under IFRS, analysed between underlying "Adjusted" profit and "Capital and other", is shown in note 2 to the financial statements on pages 37 to 39 and further details of the EPRA adjustments are provided in note 8B on page 43 to the financial statements.

Adjusted profit

The Group's adjusted profit for the period in 2018 was £120.0 million, £0.6 million or 0.5% higher than in 2017. The table below bridges adjusted profit and adjusted EPS between the two periods and the movements are shown at constant exchange rates. Explanations of the 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 2017	**119.4**	15.1
Net rental income increase/(decrease):		
Acquisitions	**3.3**	0.4
Disposals	**(13.8)**	(1.7)
Development and other	**4.2**	0.5
Like-for-like portfolio	**(0.6)**	(0.1)
	(6.9)	(0.9)
Decrease in net administration expenses	**3.0**	0.4
Decrease in net finance costs	**1.8**	0.2
Disposal of non-controlling interests	**1.8**	0.2
Exchange and other	**0.9**	0.1
Adjusted profit – Six months ended 30 June 2018	**120.0**	15.1

Net rental income

Analysis of net rental income

Proportionally consolidated, excluding Premium Outlets	**Six months ended 30 June 2018 £m**	Six months ended 30 June 2017 £m	Change £m
Like-for-like investment properties	**146.3**	146.9	(0.6)
Acquisitions	**3.3**	–	3.3

Disposals	**6.9**	20.7	(13.8)
Developments and other	**22.0**	17.8	4.2
Exchange	**–**	(1.4)	1.4
Net rental income	**178.5**	184.0	(5.5)

In the first six months of 2018, net rental income decreased by £5.5 million, or 3.0%, to £178.5 million. At constant exchange rates the decrease was £6.9 million.

Like-for-like net rental income fell slightly by £0.6 million or 0.4%. In the UK, the turbulent retail market adversely impacted both the shopping centre and retail parks portfolios, which suffered like-for-like net rental income declines of 0.1% and 3.4% respectively. Whilst the Group has been less affected than the wider market by the spike in CVAs and administrations in the first half of 2018, they have still reduced income at our UK shopping centres by £0.7 million, equivalent to a 90 basis points reduction in like-for-like income and £1.4 million at our retail parks, equivalent to a 480 basis points income reduction. These adverse impacts are due to a combination of lost rent, increased vacancy costs and the write-off of unamortised tenant incentives. The full year impact of current CVAs and administrations is currently estimated to be £5.8 million, although this is dependent on the timing of re-letting certain units.

French like-for-like income fell by 1.1% due to lower leasing volumes in 2018 and back-dated turnover rent of £0.7 million at Les Terrasses du Port received in the first half of 2017. Ireland achieved like-for-like growth of 4.0% with strong growth at both Dundrum Town Centre and the Ilac Centre.

The performance by portfolio is further explained in the Business Review on pages 6 to 9.

Acquisitions generated £3.3 million of additional income and principally related to Pavilions, Swords, which was the final Irish loan to convert to property ownership in September 2017.

Disposals over the last 18 months had the most significant impact on the Group's net rental income with a year-on-year reduction of £13.8 million. Key sales included two French shopping centres sold at the end of 2017: Place des Halles, Strasbourg and Saint Sébastien, Nancy which together reduced income by £9.0 million. Also, UK retail park disposals of Westwood Gateway Retail Parks in Thanet, Battery Retail Park in Birmingham and Wrekin Retail Park in Telford reduced income by £4.1 million.

Developments and other factors increased net rental income by £4.2 million. Key elements included the completion of the second phase of Elliott's Field, Rugby in November 2017, the Cergy 3 acquisition which is part of the Les 3 Fontaines, Cergy extension project and increased rental income at Whitgift, Croydon.

Further analysis of net rental income is provided in Tables 2 and 5 of the Additional Disclosures on pages 54 and 55.

Administration expenses

Administration expense analysis

Proportionally consolidated, excluding Premium Outlets	**Six months ended 30 June 2018 £m**	Six months ended 30 June 2017 £m
Administration costs	**33.6**	37.0
Property fee income	**(8.0)**	(6.8)
Employee and corporate costs	**25.6**	30.2
Joint venture management fees	**(5.2)**	(6.9)
Net administration expenses	**20.4**	23.3

At £20.4 million net administration expenses reflected, at constant exchange rates, a year-on-year decrease of £3.0 million. This decrease was largely due to the first half of 2018 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.

Increased property fee income was due to additional property management services provided at our centres and a six month contract to manage Place des Halles, Strasbourg following its sale in December 2017. This additional income was offset by lower joint venture management fees as 2017 included a one-off development management fee paid on the full opening of the Westquay South development.

Cost ratio

The EPRA cost ratio for the six months ended 30 June 2018 was 19.9%, 60 basis points lower than for the first half of 2017. The property costs element of the ratio has increased by 60 basis points to 9.6% due to costs associated with CVAs and administrations and higher car park costs. The administration expenses element of the ratio has reduced by 120 basis points to 10.3% consistent with the change in net administration expenses explained above.

The calculation of the cost ratio is included as Table 7 of the Additional Disclosures on page 56. The Group's future cost base will also be improved by today's announcement of at least £7 million of cost savings where the steps to deliver these savings will be achieved by the end of 2019. Further details are provided on page 4.

Acquisition related costs

The Group recognised £6.4 million of acquisition related costs during 2018, in addition to £6.5 million recognised in the second half of 2017. These costs were principally professional advisor and finance facility fees incurred in relation to the proposed acquisition of intu properties plc, which was announced in December 2017, and the potential offers from Klépierre S.A. in March and April 2018. Both transactions were withdrawn in April 2018 and the costs have been excluded from the Group's adjusted earnings.

Share of results of joint ventures and associates, including investments in Premium Outlets

The Group has interests in 15 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 17, 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 Premium Outlet 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 and the investments in Premium Outlets.

Contribution to adjusted profit

	Six months ended 30 June 2018			Six months ended 30 June 2017		
	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	**56.4**	**13.3**	**69.7**	112.7	135.7	248.4
Revaluation losses/(gains) on properties	**17.0**	**(11.7)**	**5.3**	(43.2)	(123.8)	(167.0)
Other adjustments	**4.8**	**5.8**	**10.6**	13.1	(4.8)	8.3
Total adjustments	**21.8**	**(5.9)**	**15.9**	(30.1)	(128.6)	(158.7)
Adjusted earnings contribution	**78.2**	**7.4**	**85.6**	82.6	7.1	89.7
Analysed as:						
Share of Property interests	**70.4**	**0.7**	**71.1**	74.6	0.7	75.3
Premium Outlets	**7.8**	**6.7**	**14.5**	8.0	6.4	14.4

Adjusted earnings from the Share of Property interests decreased by £4.2 million primarily due to the conversion of the final Irish loan on Pavilions, Swords in September 2017. In 2017, the interest income was held by a joint venture but since the property was acquired it has been accounted for as a joint operation, with the Group's share of results proportionally consolidated in the Reported Group.

Adjusted earnings from Premium Outlets of £14.5 million were £0.1 million higher than in 2017. The Group's share of VIA earnings decreased by £0.2 million as increased net rental income was offset by higher administration costs to support the enlarged portfolio, increased finance costs from new debt financing and adverse year-on-year foreign exchange movements. VR's earnings were £0.3 million higher than 2017. Increased adjusted operating profit of £2.1 million was largely offset by higher finance costs principally associated with refinancing in late 2017 which involved VR increasing bank borrowings and extending its average debt maturity. Hammerson received a cash distribution of £101 million in late 2017 associated with this financing activity.

The operating performance of our investments in Premium Outlets is described in the Business Review on pages 12 and 13 and the combined profit contribution is shown in Table 12 of the Additional Disclosures on page 59.

Finance costs

Net finance costs, calculated on a proportionally consolidated basis, as shown in note 2 to the financial statements, totalled £64.4 million in 2018, compared with £65.7 million in the first half of 2017.

Adjusted finance costs, which excludes items such as the change in fair value of derivatives and debt cancellation costs which are not present in adjusted earnings, totalled £52.5 million in 2018, a decrease of £1.1 million, or £1.8 million at constant exchange rates compared with 2017. The supporting calculation is provided in Table 15 of the Additional Disclosures on page 60.

The decrease arose from the refinancing activity completed in 2017, particularly the redemption of the Group's £250 million 6.875% bonds in October 2017. The reduced interest cost of these activities was partly offset by £5.0 million lower year-on-year finance income, the reduction largely being due to the final Irish loan conversion in September 2017 as explained on page 19.

Tax

The Group has tax exempt status in the UK, France and Ireland and is exempt from corporation tax on rental income and gains arising on property sales. The current tax charge for the first half of 2018 was £0.1 million, £0.2 million lower than in the same period in 2017 following refunds received this year associated with prior year tax computations in France.

Dividend

The Directors have declared an interim dividend of 11.1 pence per share, an increase of 3.7% compared with the 2017 interim dividend of 10.7 pence. The interim dividend is payable on 8 October 2018 to shareholders on the register at the close of business on 31 August 2018 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.

NET ASSETS

During the first six months of 2018 equity shareholders' funds decreased by £69 million, or 1.1%, to £5,955 million at 30 June 2018. Net assets, calculated on an EPRA basis, were £6,159 million and on a per share basis were £7.76, the same as at 31 December 2017. 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 2017	6,024	140	**6,164**	7.76
Property revaluation				
Proportionally consolidated properties	(67)	–	**(67)**	(0.08)
Premium Outlets properties	27	–	**27**	0.03
	(40)	–	**(40)**	(0.05)
Adjusted profit for the period	120	–	**120**	0.15
Dividends	(117)	–	**(117)**	(0.15)
Fair value of derivatives	(11)	2	**(9)**	(0.01)
Deferred tax	(11)	11	**–**	–
Exchange and other movements[2]	(10)	51	**41**	0.06
30 June 2018	**5,955**	**204**	**6,159**	**7.76**

[1] Adjustments in accordance with EPRA best practice as shown in note 8D to the financial statement on page 44.

[2] The adjustments classified as "Exchange and other movements" include the removal of the need to treat separately the change in the fair value of the embedded derivative within the Group's underlying host participative loan included within its investment in Value Retail following the adoption of IFRS 9 from 1 January 2018. Further details are provided in note 1 to the financial statements on page 35.

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 14 to 16.

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 both IFRS and Adjusted bases, split between the proportionally consolidated Share of Property interests and investments in Premium Outlets.

Adjusted investment

	30 June 2018			31 December 2017		
	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	**3,630**	**1,185**	**4,815**	3,674	1,099	4,773
Adjustments	**61**	**143**	**204**	57	88	145
Adjusted investment in joint ventures/associates	**3,691**	**1,328**	**5,019**	3,731	1,187	4,918
Analysed as:						
Share of Property interests	**3,300**	**29**	**3,329**	3,312	31	3,343
Premium Outlets	**391**	**1,299**	**1,690**	419	1,156	1,575

In the first six months of 2018, the total adjusted investment in the Group's Share of Property interests decreased by £14 million. The key movements were adjusted earnings of £71 million offset by distributions associated with refinancing activity of £46 million and a net revaluation deficit of £32 million.

Over the same period, the Group's total adjusted investment in Premium Outlets increased by £115 million to £1,690 million. Property revaluation gains contributed £27 million to the uplift and we invested a further £91 million in VR primarily through the acquisition of direct investor stakes in a number of VR Villages, including Bicester Village and La Vallée Village for £76 million announced at the beginning of the year. Further details of the Group's additional investment in VR is provided in note 11E on page 50.

Analysis of the Group's combined net investment in Premium Outlets is shown in Table 13 in the Additional Disclosures on page 59.

FINANCING AND CASHFLOW

Key financing metrics

The Group's credit ratios are comfortable and shown in the table below. The disposal target of £1.1 billion by the end of 2019 will act to further reduce debt and improve a number of the financing metrics, particularly the Net debt:EBITDA and Loan to value ratios.

Proportionally consolidated, excluding Premium Outlets	Guideline[1]	**30 June 2018**	31 December 2017
Net debt (£m) [2]		**3,585**	3,501
Gearing (%)[3]	Maximum 85%	**60**	58

Loan to value (%)[3]	No more than 40%	**37**	36
Liquidity (£m)		**878**	958
Weighted average interest rate (%)		**2.8**	2.9
Weighted average maturity of debt (years)		**5.2**	5.6
Interest cover (times)	At least 2.0 times	**3.4**	3.4
Net debt:EBITDA (times)[4]	Less than 10.0 times	**10.0**	9.3
FX hedging (%)	70-90%	**78**	78
Fixed rate debt (%)	At least 50%	**81**	78

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 17 in the Additional Disclosures for supporting calculation.
4. See Table 18 in the Additional Disclosures for supporting calculation.

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 funds 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 plans 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.

Net debt position

On a proportionally consolidated basis, net debt at 30 June 2018 was £3,585 million, an increase of £84 million during the first half of the year and an analysis is provided in Table 16 in the Additional Disclosures on page 61. The movement in proportionally consolidated net debt is analysed in the table below.

Movement in net debt

Proportionally consolidated, excluding Premium Outlets	**Total £m**
Net debt at 1 January 2018	**3,501**
Net cash inflow from operations	**(100)**
Acquisitions	**10**
Disposals	**(117)**
Development and other capital expenditure	**119**
Equity dividends paid	**121**
Net investment in Value Retail and VIA Outlets	**32**
Exchange and other	**19**
Net debt at 30 June 2018	**3,585**

The Group's weighted average interest rate reduced further to 2.8% during the first six months of 2018 and was 10 basis points lower than the average for the whole of 2017.

In April, we signed a £1,500 million unsecured revolving credit facility with a syndicate of twelve banks at an initial margin of 100 basis points. The facility was to support the proposed acquisition of intu properties plc and had a maturity of three years. The facility was cancelled after the termination of the acquisition offer period following the Board's decision to withdraw its recommendation for the acquisition in April 2018. Whilst the facility was not used, it illustrates the support and strength of our relationship banking group.

Separately, in the first half of the year, we exercised extension options within our existing revolving credit facilities and have received approval to extend the maturities for commitments totalling £770 million by one year from April 2022 to April 2023.

Today, we are also announcing the redemption of the Group's €500 million 2.75% bonds due September 2019 and expect to redeem the bonds on 30 August 2018.

At 30 June 2018 the Group had significant liquidity, comprising cash and undrawn committed facilities, of £878 million compared with £958 million at the end of 2017. The Group's weighted average maturity of debt reduced marginally to 5.2 years (31 December 2017: 5.6 years).

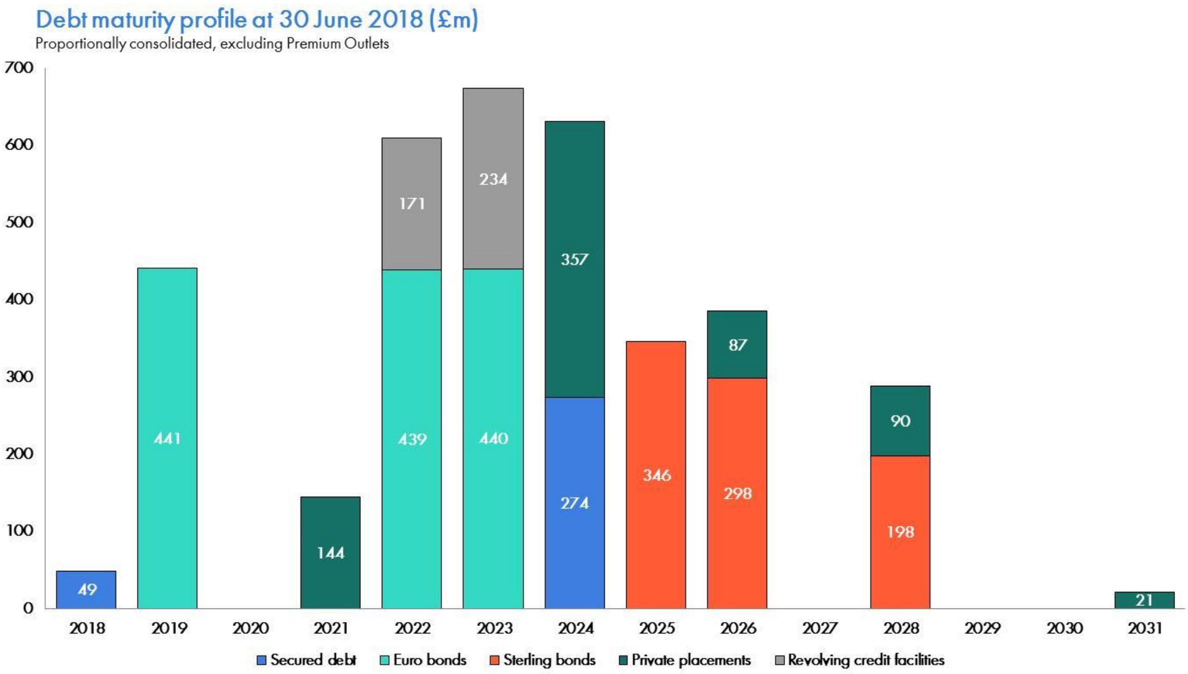
We manage exposure to foreign exchange translation differences on euro-denominated assets through a combination of euro borrowings and derivatives. At 30 June 2018, the value of euro-denominated liabilities as a proportion of the value of euro-denominated assets was unchanged from the beginning of the year at 78%. 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 2018.

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. The Group's financial ratios are comfortably within these covenants.

Following the termination of the Group's offer to acquire intu, in May 2018 Fitch removed the "rating watch negative" and affirmed Hammerson's credit rating of long-term Issuer Default Rating of BBB+ and senior unsecured rating of A–. This rating has remained unchanged since June 2011. Moody's rating for Hammerson of Baa1 (stable outlook) has also not changed since February 2015 when it was upgraded from Baa2.

At 30 June 2018, the Group's loan to value was 37% and gearing was 60%, compared with 36% and 58% respectively at the beginning of the year. Supporting calculations are in Table 17 in the Additional Disclosures on page 61.

At 30 June 2018, the Group's share of net debt in VR and VIA totalled £846 million (31 December 2017: £686 million). On a proforma 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 74% and loan to value would be 42%.



The above analysis excludes cash and deposits and the fair value of currency swaps.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's approach to risk management is explained on pages 61 to 69 of the 2017 Annual Report. This includes commentary on the Group's key principal risks, relevant mitigating factors and actions, links to the Group's strategy and the Board's assessment of residual risk for each risk area.

During the first half of 2018, the UK retail market dynamics have deteriorated and this was cited as a significant factor in the Board's decision to withdraw its recommendation for the intu acquisition in April 2018. The termination of the transaction and the actions determined by the subsequent strategy update explained on page 3 have materially impacted four of the Group's principal risks as explained below:

Risk and impact	Change during 2018
RETAIL MARKET • We own and operate retail property in a dynamic marketplace. Failure to anticipate and address developments in consumer and occupational markets, such as multichannel retailing and digital technology, will result in financial underperformance and future obsolescence. • Retailer profitability is under pressure due to increased costs and weak retail sales.	**Impact ↔** **Probability ↑** The financial strength of retailers and other tenants in the UK has worsened with an increased number of administrations or CVAs. Consumer confidence has also remained subdued with poor retail sales metrics. Our portfolio is well positioned to weather the current environment and has been less impacted by recent administrations and CVAs than the wider market; however we are not immune from their impact with an adverse NRI variance of £2.1 million in the first half of the year.
PROPERTY DEVELOPMENT • Property development is complex and inherently risky. Major projects have long delivery times with multiple milestones and are management intensive. Unsuccessful	**Impact ↑** **Probability ↑** During 2018, we have commenced two exciting extension projects in Paris.

projects result in adverse financial and reputational outcomes. • Over-exposure to developments increases the potential financial impact of an economic downturn which could overstretch the Group's financial capacity.	However, we believe the financial returns on other investment opportunities, in particular share buybacks, are now more attractive given the turbulent UK retail environment. We have therefore decided to defer the start on site of Brent Cross.
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.	**Impact ↓** **Probability ↓** The intu acquisition would have initially increased the Group's leverage and required significant refinancing activity. The termination of the transaction has removed this issue and at 30 June 2018 the Group's financial metrics are robust with liquidity of £878 million and gearing of 60%.
ACQUISITION COMPLETION • The intu acquisition fails to obtain shareholder or regulatory approval. • The enlarged group's reputation and financial position are adversely impacted by the failure to achieve the forecast financial performance or deliver the identified synergies. • There is significant organisational stress associated with completing the transaction and integrating the two businesses. • The acquisition may result in staff retention and motivational issues for key employees and teams.	**Impact n/a** **Probability n/a** The termination of the intu acquisition results in the removal of this risk.

Other principal risks

There has been no material change to the Group's other seven principal risks which are summarised below:

MACRO-ECONOMIC

- The Group's financial performance is impacted by the macro-economic environment in the countries in which the Group owns and operates properties. Key factors are GDP, disposable income growth, employment levels, inflation, business and consumer confidence, interest rates and foreign exchange movements.
- The UK's exit from the EU adversely impacts macro-economic performance in the UK and other EU countries in which the Group operates.

PROPERTY INVESTMENT

- Poor investment decisions involving acquisitions and disposals may result in suboptimal returns.
- Property valuations fall, adversely impacting the Group's financial position and delivery of future plans.
- Opportunities to divest of properties are missed, or are limited by adverse market conditions.

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 liquidity. Operational effectiveness may also be adversely impacted if partners are not strategically aligned.
- Our Premium Outlets are managed by their founding shareholders and this reduces control and visibility over performance and governance.

TAX AND REGULATORY

- There is an increasing burden from compliance and regulatory requirements which can act to impede operational and financial performance.
- The real estate sector has suffered a rising tax burden through increases in stamp duty and business rates. These adversely impact financial performance.
- The UK's future exit from the EU creates uncertainty around the future of UK tax and regulatory environment.

CATASTROPHIC EVENT

- Our operations, shopper safety, reputation or financial performance could be significantly impacted by a major event such as a terrorist or cyber-attack, power outage or civil unrest.

PEOPLE

- The Group has a relatively small headcount which can act to curtail the achievement of business objectives, particularly in times of significant activity.
- A failure to recruit or retain key executives and staff with appropriate skills would also adversely impact corporate performance.

ENVIRONMENT

- 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 are impacted by the failure to achieve our Net Positive targets or other environmental objectives.
- Emerging environmental regulation or legislation 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 2018. 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 2018;
- 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 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
23 July 2018

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 2017 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 23 July 2018

David Atkins
Director

Timon Drakesmith
Director

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2017 Audited £m		Notes	**Six months ended 30 June 2018 Unaudited £m**	Six months ended 30 June 2017 Unaudited £m
320.6	**Revenue***	4	**152.5**	160.1
174.2	**Operating profit before other net (losses)/gains and share of results of joint ventures and associates**	2	**83.7**	87.9
(15.5)	Gain/(Loss) on sale of properties		**4.4**	0.7
27.8	Net exchange gain previously recognised in equity, recycled on disposal of foreign operations		**–**	–
(6.5)	Acquisition related costs		**(6.4)**	–
1.9	Revaluation (losses)/gains on properties		**(34.8)**	20.9
7.7	Other net (losses)/gains	2	**(36.8)**	21.6
180.5	Share of results of joint ventures	10A	**56.4**	112.7
223.0	Share of results of associates	11A	**13.3**	135.7
585.4	**Operating profit**	2	**116.6**	357.9
(125.3)	Finance costs		**(55.1)**	(63.8)
(41.5)	Debt and loan facility cancellation costs		**–**	(0.3)
(21.3)	Change in fair value of derivatives		**(11.6)**	(11.8)
16.1	Finance income		**5.9**	7.7

(172.0)	Net finance costs	5	**(60.8)**	(68.2)
413.4	**Profit before tax**		**55.8**	289.7
(1.8)	Tax charge	6	**(0.1)**	(0.4)
411.6	**Profit for the period**		**55.7**	289.3
	Attributable to:			
388.4	Equity shareholders		**55.7**	287.1
23.2	Non-controlling interests		**–**	2.2
411.6	**Profit for the period**		**55.7**	289.3
49.0p	**Basic earnings per share**	8B	**7.0p**	36.2p
48.9p	**Diluted earnings per share**	8B	**7.0p**	36.2p

* The new financial statement line "Revenue" replaces the previously reported "Gross rental income". Comparative figures have been amended accordingly. See note 1 on page 35 for further details.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017 Audited £m		**Six months ended 30 June 2018 Unaudited £m**	Six months ended 30 June 2017 Unaudited £m
	Items recycled through the consolidated income statement on disposal of foreign operations		
(54.4)	Exchange gain previously recognised in the translation reserve	**–**	–
46.2	Exchange loss previously recognised in the hedging reserve	**–**	–
(8.2)	Net exchange gain relating to equity shareholders	**–**	–
(19.6)	Exchange gain relating to non-controlling interests	**–**	–
(27.8)		**–**	–
	Items that may subsequently be recycled through the consolidated income statement		
161.1	Foreign exchange translation differences	**(13.8)**	105.9
(99.6)	Net gain/(loss) on hedging activities	**6.0**	(58.3)
–	Share of other comprehensive loss of associates	**(2.6)**	–
61.5		**(10.4)**	47.6
	Items that may not subsequently be recycled through the consolidated income statement		
(0.5)	Change in fair value of participative loans within investment in associates	**–**	(0.4)
(0.3)	Net actuarial gains/(losses) on pension schemes	**5.9**	2.5
(0.8)		**5.9**	2.1
32.9	Total other comprehensive (loss)/income	**(4.5)**	49.7
411.6	Profit for the period	**55.7**	289.3
444.5	**Total comprehensive income for the period**	**51.2**	339.0
	Attributable to:		
437.7	Equity shareholders	**51.2**	334.4
6.8	Non-controlling interests	**–**	4.6
444.5	**Total comprehensive income for the period**	**51.2**	339.0

CONSOLIDATED BALANCE SHEET

	Notes	**30 June**

31 December 2017 Audited £m			2018 Unaudited £m	30 June 2017 Unaudited £m
	Non-current assets			
4,686.1	Investment and development properties	9	**4,621.3**	4,879.5
37.2	Interests in leasehold properties		**36.7**	37.1
5.1	Plant and equipment		**4.6**	5.8
3,673.7	Investment in joint ventures	10C	**3,629.9**	3,995.6
1,099.5	Investment in associates	11C	**1,185.0**	1,127.1
20.4	Receivables		**32.5**	13.9
9,522.0			**9,510.0**	10,059.0
	Current assets			
110.5	Receivables		**109.9**	99.9
37.3	Restricted monetary assets		**32.5**	39.4
205.9	Cash and deposits		**30.3**	67.3
353.7			**172.7**	206.6
9,875.7	**Total assets**		**9,682.7**	10,265.6
	Current liabilities			
(261.1)	Payables		**(238.9)**	(261.7)
(0.5)	Tax		**(0.7)**	(0.4)
(1.7)	Loans and other borrowings	12A	**(1.0)**	–
(263.3)			**(240.6)**	(262.1)
	Non-current liabilities			
(3,451.3)	Loans and other borrowings	12A	**(3,368.4)**	(3,789.9)
(0.5)	Deferred tax		**(0.5)**	(0.6)
(38.9)	Obligations under head leases		**(38.7)**	(38.5)
(84.2)	Payables		**(78.5)**	(88.7)
(3,574.9)			**(3,486.1)**	(3,917.7)
(3,838.2)	**Total liabilities**		**(3,726.7)**	(4,179.8)
6,037.5	**Net assets**		**5,956.0**	6,085.8
	Equity			
198.6	Share capital		**198.6**	198.3
1,265.9	Share premium		**1,266.0**	1,265.8
763.1	Translation reserve		**749.3**	763.1
(616.3)	Hedging reserve		**(610.3)**	(621.2)
374.1	Merger reserve		**374.1**	374.1
22.0	Other reserves		**18.7**	23.8
4,016.4	Retained earnings		**3,960.7**	3,998.1
(0.3)	Investment in own shares		**(1.8)**	(0.4)
6,023.5	**Equity shareholders' funds**		**5,955.3**	6,001.6
14.0	Non-controlling interests		**0.7**	84.2
6,037.5	**Total equity**		**5,956.0**	6,085.8
£7.76	**EPRA net asset value per share**	8D	**£7.76**	£7.71

The Half-year Report was approved by the Board on 23 July 2018.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

Share capital	Share premium	Translation reserve	Hedging reserve	Merger reserve	Other reserves	Retained earnings	Investment in own shares*	Equity shareholders' funds	Non-controlling interests	Total equity

Unaudited	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2018	198.6	1,265.9	763.1	(616.3)	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)
Net gain on hedging activities	–	–	–	6.0	–	–	–	–	6.0	–	6.0
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 (loss)/income for the period	–	–	(13.8)	6.0	–	–	59.0	–	51.2	–	51.2
Balance at 30 June 2018	**198.6**	**1,266.0**	**749.3**	**(610.3)**	**374.1**	**18.7**	**3,960.7**	**(1.8)**	**5,955.3**	**0.7**	**5,956.0**

* Investment in own shares is stated at cost.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

Unaudited	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Investment in own shares* £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2017	198.3	1,265.7	659.6	(562.9)	374.1	23.7	3,817.3	(0.2)	5,775.6	81.4	5,857.0
Issue of shares	–	0.1	–	–	–	–	–	–	0.1	–	0.1
Share-based employee remuneration	–	–	–	–	–	2.8	–	–	2.8	–	2.8
Cost of shares awarded to employees	–	–	–	–	–	(1.8)	–	1.8	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	(0.9)	0.9	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	–	0.1	–	0.1	–	0.1
Purchase of own shares	–	–	–	–	–	–	–	(2.0)	(2.0)	–	(2.0)
Dividends (note 7)	–	–	–	–	–	–	(109.4)	–	(109.4)	(1.8)	(111.2)
Foreign exchange translation differences	–	–	103.5	–	–	–	–	–	103.5	2.4	105.9
Net loss on hedging activities	–	–	–	(58.3)	–	–	–	–	(58.3)	–	(58.3)

	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Investment in own shares* £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Change in fair value of participative loans within investment in associates (note 11E)	–	–	–	–	–	–	(0.4)	–	(0.4)	–	(0.4)
Net actuarial gains on pension schemes	–	–	–	–	–	–	2.5	–	2.5	–	2.5
Profit for the period	–	–	–	–	–	–	287.1	–	287.1	2.2	289.3
Total comprehensive income/(loss) for the period	–	–	103.5	(58.3)	–	–	289.2	–	334.4	4.6	339.0
Balance at 30 June 2017	198.3	1,265.8	763.1	(621.2)	374.1	23.8	3,998.1	(0.4)	6,001.6	84.2	6,085.8

*Investment in own shares is stated at cost.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

Audited	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Investment in own shares* £m	Equity shareholders' funds £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2017	198.3	1,265.7	659.6	(562.9)	374.1	23.7	3,817.3	(0.2)	5,775.6	81.4	5,857.0
Issue of shares	0.3	0.2	–	–	–	–	–	(0.3)	0.2	–	0.2
Share-based employee remuneration	–	–	–	–	–	5.4	–	–	5.4	–	5.4
Cost of shares awarded to employees	–	–	–	–	–	(2.2)	–	2.2	–	–	–
Transfer on award of own shares to employees	–	–	–	–	–	(4.9)	4.9	–	–	–	–
Proceeds on award of own shares to employees	–	–	–	–	–	–	0.2	–	0.2	–	0.2
Purchase of own shares	–	–	–	–	–	–	–	(2.0)	(2.0)	–	(2.0)
Dividends (note 7)	–	–	–	–	–	–	(193.6)	–	(193.6)	(74.2)	(267.8)
Exchange gain previously recognised in equity recycled on disposal of foreign operation	–	–	(54.4)	–	–	–	–	–	(54.4)	(19.6)	(74.0)
Exchange loss previously recognised in the hedging reserve recycled on disposal of foreign operation	–	–	–	46.2	–	–	–	–	46.2	–	46.2
Foreign exchange translation differences	–	–	157.9	–	–	–	–	–	157.9	3.2	161.1
Net loss on hedging activities	–	–	–	(99.6)	–	–	–	–	(99.6)	–	(99.6)
Change in fair value of participative loans within investment in associates (note 11E)	–	–	–	–	–	–	(0.5)	–	(0.5)	–	(0.5)
Net actuarial losses on pension schemes	–	–	–	–	–	–	(0.3)	–	(0.3)	–	(0.3)
Profit for the year	–	–	–	–	–	–	388.4	–	388.4	23.2	411.6
Total comprehensive income/(loss) for the year	–	–	103.5	(53.4)	–	–	387.6	–	437.7	6.8	444.5
Balance at 31 December 2017	198.6	1,265.9	763.1	(616.3)	374.1	22.0	4,016.4	(0.3)	6,023.5	14.0	6,037.5

* Investment in own shares is stated at cost.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2017 Audited £m		Notes	**Six months ended 30 June 2018 Unaudited £m**	Six months ended 30 June 2017 Unaudited £m
	Operating activities			
174.2	Operating profit before other net (losses)/gains and share of results of joint ventures and associates	2	**83.7**	87.9
6.6	(Increase)/Decrease in receivables		**(3.2)**	3.9
(1.5)	Decrease/(Increase) in restricted monetary assets		**4.8**	(3.8)
(14.5)	(Decrease)/Increase in payables		**(5.3)**	3.6
9.1	Adjustment for non-cash items		**9.2**	5.9
173.9	**Cash generated from operations**		**89.2**	97.5
12.9	Interest received		**9.6**	5.7
(129.9)	Interest paid		**(58.5)**	(68.0)
–	Acquisition related costs paid		**(11.6)**	–
(41.5)	Debt and loan facility cancellation costs	5	**–**	(0.3)
(1.1)	Tax received/(paid)		**0.1**	0.1
125.0	Distributions and other receivables from joint ventures		**93.9**	62.5
139.3	**Cash flows from operating activities**		**122.7**	97.5
	Investing activities			
(122.5)	Property acquisitions		**(10.5)**	(6.7)
(46.7)	Development and major refurbishments		**(65.5)**	(15.3)
(66.7)	Other capital expenditure		**(31.6)**	(33.4)
490.8	Sale of properties		**116.6**	24.4
(165.6)	Repayments from/(Advances to) joint ventures	10E	**1.3**	(119.7)
275.0	Return of equity from joint ventures	10E	**–**	–
(56.2)	Acquisition of additional interest in Irish loan portfolio	10E	**–**	(55.6)
(39.3)	Acquisition of interest in associates		**(91.4)**	(39.3)
130.9	Distribution received from associates		**14.4**	10.0
19.9	Repayment of loans receivable		**–**	20.5
419.6	**Cash flows from investing activities**		**(66.7)**	(215.1)
	Financing activities			
0.2	Issue of shares		**0.1**	0.1
0.2	Proceeds from award of own shares		**0.1**	0.1
(2.0)	Purchase of own shares		**(4.6)**	(2.0)
526.9	Proceeds from new borrowings		**32.9**	624.4
(687.7)	Repayment of borrowings		**(126.0)**	(395.8)
(160.8)	Net (decrease)/increase in borrowings		**(93.1)**	228.6
(74.2)	Dividends paid to non-controlling interests		**(13.3)**	(1.7)
(191.7)	Equity dividends paid	7	**(120.6)**	(115.2)
(428.3)	**Cash flows from financing activities**		**(231.4)**	109.9
130.6	**Net (decrease)/increase in cash and deposits**		**(175.4)**	(7.7)
74.3	Opening cash and deposits		**205.9**	74.3
1.0	Exchange translation movement		**(0.2)**	0.7
205.9	**Closing cash and deposits**		**30.3**	67.3

An analysis of the movement in net debt is provided in note 14 on page 52.

NOTES TO THE FINANCIAL STATEMENTS

1. FINANCIAL INFORMATION

The information for the year ended 31 December 2017 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 auditor's 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 a number of new standards and amendments to standards have been issued and are now effective for the Group. The most significant of these, and their impact on the Group's accounting, are set out below:

IFRS 9 Financial Instruments (effective from 1 January 2018)

The standard applies to the classification and measurement of financial assets and liabilities, impairment provisioning and hedge accounting.

- Included in the Group's investment in Value Retail is a participative loan of £149.7 million (31 December 2017: £128.8 million; 30 June 2017: £126.4 million) as shown in note 11C to the financial statements. Under the new standard, this loan is classified entirely as a 'fair value through profit and loss' financial asset. For the six months ended 30 June 2018, the entire change in fair value of the asset of £3.2 million is included within the Group's share of profit from associates within the consolidated income statement.

  For the year ended 31 December 2017, under the previous accounting standard, the participative loan was split into two elements and each treated separately: (1) the underlying host participative loan of £6.9 million (30 June 2017: £7.0 million) was classified as an 'available for sale' financial asset with the change in fair value of £0.5 million (30 June 2017: £0.4 million) included within other comprehensive income; and (2) the embedded derivative element of the loan of £121.9 million (30 June 2017: £119.4 million) was classified as a 'fair value through profit and loss' financial asset and the change in fair value of £14.7 million (30 June 2017: £11.0 million) included in the consolidated income statement within the Group's share of profit from associates. The comparative financial information has not been restated with this change applied prospectively from 1 January 2018.

- The standard also introduced an expected credit losses model, which replaced the incurred loss impairment model. The financial impact of the new standard on the provisioning for the Group's financial assets is immaterial, although some presentational changes will be required in the Group's 2018 Annual Report.

- The Group's treasury and hedging documentation has been amended to reflect the requirements of the new standard.

IFRS 15 Revenue from Contracts with Customers (effective from 1 January 2018)

- The standard is based on the principle that revenue is recognised when control passes to a customer. The majority of the Group's income is from tenant leases and is outside the scope of the new standard. However, certain non-rental income streams, such as car park and service charge income and management fees are within the scope of the standard.

- There has been no financial impact of the new standard to the Group; however a new 'Revenue' line has been included within the consolidated income statement which replaces the previously presented 'Gross rental income'. An analysis of 'Revenue' is provided in note 4 to the financial statements. For management reporting purposes, Gross rental income and Net rental income remain the primary income measures as shown in notes 2, 3, 10A and 11A to the financial statements.

- Further presentational amendments within operating profit have been made in note 2 to the financial statements, which include providing further analysis of Property outgoings and Employee and corporate costs.

In addition, "Amendments to IFRS 2 Share Based Payments" and "Amendments to IAS 40 Investment Property" were effective from 1 January 2018. The impact on the Group from adopting these is immaterial. 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.

1. FINANCIAL INFORMATION

The following new standard has been issued but is not yet effective and has therefore not been adopted by the Group.

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 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 will be recognised in the consolidated income statement. Having reviewed the Group's current operating leases it is estimated that the Group would recognise a right-of-use asset and corresponding lease liability of approximately £15 million and the net impact on the consolidated income statement will not be material.

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 2017.

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 increased from £62 million at 31 December 2017 to £167 million at 30 June 2018. The Group's share of capital commitments arising within joint ventures has decreased from £27 million at 31 December 2017 to £25 million at 30 June 2018. Further details of Developments are provided on pages 10 and11. There have been no material changes in contingent liabilities since 31 December 2017.

Details of the Group's Principal Risks and Uncertainties are set out on pages 24 and 25.

The principal exchange rates used to translate foreign currency denominated amounts are:
Balance Sheet: £1 = €1.131 (30 June 2017: £1 = €1.139; 31 December 2017: £1 = €1.127)
Income Statement: £1 = €1.137 (30 June 2017: £1 = €1.162; 31 December 2017: £1 = €1.141)

GOING CONCERN

Hammerson's business activities, together with factors likely to affect its future development, performance, and position are set out in the 'Strategy Update', 'Business 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 'Business 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 the net current liabilities position, making reasonable assumptions about future trading performance, property valuations and capital expenditure plans. The review considered the Group's 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. PROFIT FOR THE PERIOD

As stated in the Financial Review on page 17 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 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 are shown within 'Share of results of joint ventures' and 'Share of results of associates' in column C.

The Group's proportionally consolidated 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 2018				
					Proportionally consolidated	
	Notes	**Reported Group £m**	Share of Property interests £m	Proportionally consolidated £m	**Adjusted £m**	**Capital and other £m**
Notes (see page 39)		A	B	C	D	D
Gross rental income[E]	3A, 4	**116.5**	86.6	203.1	**203.1**	**–**

	Notes	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Adjusted £m	Capital and other £m
Ground and equity rents payable		(0.8)	(1.2)	(2.0)	(2.0)	–
Property outgoings:						
- 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)	–
Total 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 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 the sale of properties		4.4	–	4.4	–	4.4
Acquisition related costs[F]		(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		116.6	3.6	120.2	172.6	(52.4)
Net finance costs[G]	5	(60.8)	(3.6)	(64.4)	(52.5)	(11.9)
Profit before tax		55.8	–	55.8	120.1	(64.3)
Current tax charge	6	(0.1)	–	(0.1)	(0.1)	–
Profit for the period attributable to equity shareholders	8B	55.7	–	55.7	120.0	(64.3)

2. PROFIT FOR THE PERIOD

		Six months ended 30 June 2017				
					Proportionally consolidated	
	Notes	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Adjusted £m	Capital and other £m
Notes (see page 39)		A	B	C	D	D
Gross rental income[E]	3A, 4	122.9	84.7	207.6	207.6	–
Ground and equity rents payable		(0.7)	(1.3)	(2.0)	(2.0)	–
Property outgoings:						
- Service charge income		23.5	13.6	37.1	37.1	–
- Service charge expenses		(26.8)	(15.0)	(41.8)	(41.8)	–
- Net service charge expenses		(3.3)	(1.4)	(4.7)	(4.7)	–
- Inclusive lease costs recovered through rent		(1.9)	(1.6)	(3.5)	(3.5)	–
- Other property outgoings		(6.0)	(7.4)	(13.4)	(13.4)	–
Total property outgoings		(11.2)	(10.4)	(21.6)	(21.6)	–
Net rental income	3A	111.0	73.0	184.0	184.0	–
Administration costs		(36.8)	(0.2)	(37.0)	(37.0)	–

Property fee income		6.8	–	6.8	6.8	–
Employee and corporate costs		(30.0)	(0.2)	(30.2)	(30.2)	–
Joint venture management fees		6.9	–	6.9	6.9	–
Net administration expenses		(23.1)	(0.2)	(23.3)	(23.3)	–
Operating profit before other net gains and share of results of joint ventures and associates		87.9	72.8	160.7	160.7	–
Gain on the sale of properties		0.7	–	0.7	–	0.7
Revaluation gains on properties	3B	20.9	52.2	73.1	–	73.1
Other net gains		21.6	52.2	73.8	–	73.8
Share of results of joint ventures	10A, 10B	112.7	(126.7)	(14.0)	8.0	(22.0)
Share of results of associates	11A, 11B	135.7	(0.8)	134.9	6.4	128.5
Operating profit		357.9	(2.5)	355.4	175.1	180.3
Net finance (costs)/income[G]	5	(68.2)	2.5	(65.7)	(53.6)	(12.1)
Profit before tax		289.7	–	289.7	121.5	168.2
Current tax charge	6	(0.3)	–	(0.3)	(0.3)	–
Deferred tax charge	6	(0.1)	–	(0.1)	–	(0.1)
Profit for the period		289.3	–	289.3	121.2	168.1
Non-controlling interests[H]		(2.2)	–	(2.2)	(1.8)	(0.4)
Profit for the period attributable to equity shareholders	8B	287.1	–	287.1	119.4	167.7

2. PROFIT FOR THE PERIOD

					Year ended 31 December 2017	
					Proportionally consolidated	
	Notes	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m	Adjusted £m	Capital and other £m
Notes		A	B	C	D	D
Gross rental income[E]	3A, 4	248.9	173.0	421.9	421.9	–
Ground and equity rents payable		(1.4)	(2.7)	(4.1)	(4.1)	–
Property outgoings:						
- Service charge income		45.9	31.9	77.8	77.8	–
- Service charge expenses		(50.1)	(35.3)	(85.4)	(85.4)	–
- Net service charge expenses		(4.2)	(3.4)	(7.6)	(7.6)	–
- Inclusive lease costs recovered through rent		(4.9)	(2.8)	(7.7)	(7.7)	–
- Other property outgoings		(15.8)	(16.3)	(32.1)	(32.1)	–
Total property outgoings		(24.9)	(22.5)	(47.4)	(47.4)	–
Net rental income	3A	222.6	147.8	370.4	370.4	–
Administration costs		(74.2)	(0.5)	(74.7)	(74.7)	–
Property fee income		13.7	–	13.7	13.7	–
Employee and corporate costs		(60.5)	(0.5)	(61.0)	(61.0)	–
Joint venture management fees		12.1	–	12.1	12.1	–
Net administration expenses		(48.4)	(0.5)	(48.9)	(48.9)	–
Operating profit before other net gains and share of results of joint ventures and associates		174.2	147.3	321.5	321.5	–
Loss on the sale of properties		(15.5)	–	(15.5)	–	(15.5)
Net exchange gain previously recognised in equity, recycled on disposal of foreign operations		27.8	–	27.8	–	27.8
Acquisition related costs[F]		(6.5)	–	(6.5)	–	(6.5)
Revaluation gains on properties	3B	1.9	19.4	21.3	–	21.3
Other net gains		7.7	19.4	27.1	–	27.1

Share of results of joint ventures	10A, 10B	180.5	(166.9)	13.6	13.2	0.4
Share of results of associates	11A, 11B	223.0	(1.4)	221.6	24.6	197.0
Operating profit		585.4	(1.6)	583.8	359.3	224.5
Net finance (costs)/income[G]	5	(172.0)	1.6	(170.4)	(107.6)	(62.8)
Profit before tax		413.4	–	413.4	251.7	161.7
Current tax charge	6	(1.8)	–	(1.8)	(1.8)	–
Profit for the year		411.6	–	411.6	249.9	161.7
Non-controlling interests[H]		(23.2)	–	(23.2)	(3.6)	(19.6)
Profit for the year attributable to equity shareholders	8B	388.4	–	388.4	246.3	142.1

Notes

A Reported Group results as shown in the consolidated income statement on page 28.

B 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 is £3.2 million (30 June 2017: £3.8 million; 31 December 2017: £7.9 million) of contingent rents calculated by reference to tenants' turnover.

F Acquisition related costs of £6.4 million (30 June 2017: £nil; 31 December 2017: £6.5 million) recognised in respect of the proposed acquisition of intu properties plc and the potential offers from Klépierre S.A.

G Adjusted finance costs presented on a proportionally consolidated basis are shown in Table 15 on page 60.

H The Group's non-controlling interests represented a 35.5% interest in an entity which disposed of its property in December 2017.

3. SEGMENTAL ANALYSIS

The factors used to determine the Group's reportable segments are the geographic locations (UK, France and Ireland) and sectors in which it operates, which 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 17, the Group has property interests in a number of sectors and management reviews the performance of the Group's property interests in Shopping centres, Retail parks, Other UK properties and Developments on a proportionally consolidated basis to reflect the Group's different ownership shares. Management does not proportionally consolidate the Group's Premium Outlet 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. Except for property valuation and returns, we review the performance of our Premium Outlet investments separately from the proportionally consolidated portfolio.

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 and operating profit 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 2017 Gross rental income £m	Year ended 31 December 2017 Net rental income £m		**Six months ended 30 June 2018 Gross rental income £m**	**Six months ended 30 June 2018 Net rental income £m**	Six months ended 30 June 2017 Gross rental income £m	Six months ended 30 June 2017 Net rental income £m
		United Kingdom				
180.2	152.9	Shopping centres	**88.6**	**77.2**	88.7	76.7
72.4	69.3	Retail parks	**33.4**	**31.2**	36.9	35.2
12.3	8.8	Other	**6.1**	**4.4**	5.8	4.2
264.9	231.0		**128.1**	**112.8**	131.4	116.1
104.6	95.3	**France**	**45.0**	**39.9**	51.8	47.5
37.9	34.8	**Ireland**	**22.2**	**20.2**	17.7	16.0
407.4	361.1	**Investment portfolio**	**195.3**	**172.9**	200.9	179.6
14.5	9.3	Developments	**7.8**	**5.6**	6.7	4.4
421.9	370.4	**Property portfolio**	**203.1**	**178.5**	207.6	184.0
(173.0)	(147.8)	Less Share of Property interests	**(86.6)**	**(74.6)**	(84.7)	(73.0)
248.9	222.6	**Reported Group**	**116.5**	**103.9**	122.9	111.0

B. Investment and development property assets by segment

31 December 2017				30 June 2018			30 June 2017		
Property valuation £m	Property additions £m	Revaluation gains/ (losses) £m		Property valuation £m	Property additions £m	Revaluation (losses)/ gains £m	Property valuation £m	Property additions £m	Revaluation gains £m
			United Kingdom						
3,488.9	28.4	23.9	Shopping centres	**3,454.2**	**17.0**	**(51.6)**	3,483.7	16.7	30.4
1,234.1	46.7	(27.2)	Retail parks	**1,135.1**	**6.2**	**(45.0)**	1,340.5	21.5	15.8
180.1	3.4	13.4	Other	**199.2**	**2.9**	**16.1**	168.8	2.3	3.1
4,903.1	78.5	10.1		**4,788.5**	**26.1**	**(80.5)**	4,993.0	40.5	49.3
1,887.0	55.4	(11.4)	**France**	**1,868.9**	**18.1**	**(20.6)**	2,232.5	11.6	0.6
959.6	124.5	(1.5)	**Ireland**	**971.7**	**0.2**	**18.5**	849.5	1.0	20.8
7,749.7	258.4	(2.8)	**Investment portfolio**	**7,629.1**	**44.4**	**(82.6)**	8,075.0	53.1	70.7
576.6	150.8	24.1	Developments	**615.1**	**62.3**	**16.0**	420.2	16.7	2.4
8,326.3	409.2	21.3	**Property portfolio – excluding Premium**	**8,244.2**	**106.7**	**(66.6)**	8,495.2	69.8	73.1
2,234.1	278.9	225.2	Premium Outlets	**2,381.9**	**127.2**	**26.5**	2,032.2	197.4	114.8
10,560.4	688.1	246.5	**Total Group**	**10,626.1**	**233.9**	**(40.1)**	10,527.4	267.2	187.9
(2,234.1)	(278.9)	(225.2)	Less Premium Outlets	**(2,381.9)**	**(127.2)**	**(26.5)**	(2,032.2)	(197.4)	(114.8)
(3,640.2)	(65.7)	(19.4)	Less Share of Property interests	**(3,622.9)**	**(18.0)**	**31.8**	(3,615.7)	(18.8)	(52.2)
4,686.1	343.5	1.9	**Reported Group**	**4,621.3**	**88.7**	**(34.8)**	4,879.5	51.0	20.9

4. REVENUE

Year ended 31 December 2017 £m		Notes	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m
217.0	Base rent		**103.8**	106.8
4.1	Turnover rent		**1.4**	2.0
18.8	Car park income*		**9.4**	8.6
(2.3)	Lease incentive recognition		**(2.9)**	(0.5)
11.3	Other rental income		**4.8**	6.0
248.9	Gross rental income	2	**116.5**	122.9
45.9	Service charge income*	2	**22.8**	23.5
13.7	Property fee income*	2	**8.0**	6.8
12.1	Joint venture management fees*	2	**5.2**	6.9
320.6	**Revenue**		**152.5**	160.1

* The above income streams reflect revenue recognised under IFRS15 "Revenue from Contracts with Customers "and total £45.4 million in the six months ended 30 June 2018 (31 December 2017: £90.6 million; 30 June 2017: £45.8 million). All other revenue streams relate to income recognised under IAS17 "Leases".

5. NET FINANCE COSTS

Year ended 31 December 2017 £m		Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m
12.3	Interest on bank loans and overdrafts	**5.0**	6.3
109.8	Interest on other borrowings	**48.0**	55.5
2.2	Interest on obligations under head leases	**1.1**	1.1
1.8	Other interest payable	**1.6**	1.2
126.1	Gross interest costs	**55.7**	64.1
(0.8)	Less: Interest capitalised	**(0.6)**	(0.3)
125.3	Finance costs	**55.1**	63.8
41.5	Debt and loan facility cancellation costs	**–**	0.3
21.3	Change in fair value of derivatives	**11.6**	11.8
(16.1)	Finance income	**(5.9)**	(7.7)
172.0	**Net finance costs**	**60.8**	68.2

6. TAX CHARGE

Year ended 31 December 2017 £m		Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m
0.2	UK current tax	–	–
1.6	Foreign current tax	**0.1**	0.3
1.8	Current tax charge	**0.1**	0.3
–	Deferred tax charge	–	0.1
1.8	**Total tax charge**	**0.1**	0.4

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, an increase of 3.7% compared with the 2017 interim dividend of 10.7 pence. The interim dividend is payable on 8 October 2018 to shareholders on the register at the close of business on 31 August 2018. 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.

	PID pence per share	Non-PID pence per share	Total pence per share	Equity dividends Six months ended 30 June 2018 £m	Equity dividends Year ended 31 December 2017 £m	Equity dividends Six months ended 30 June 2017 £m
Current period						
2018 interim dividend	11.1	–	11.1	–	–	–
Prior periods						
2017 final dividend	7.4	7.4	14.8	116.6	–	–
2017 interim dividend	10.7	–	10.7	–	84.2	–
	18.1	7.4	25.5			
2016 final dividend				–	109.4	109.4
Dividends as reported in the consolidated statement of changes in equity				**116.6**	193.6	109.4
2016 interim dividend withholding tax (paid 2017)				**–**	11.5	11.5
2016 final dividend withholding tax (paid July 2017)				**–**	–	(5.7)
2017 interim dividend withholding tax (paid 2018)				**13.4**	(13.4)	–
2017 final dividend withholding tax (paid July 2018)				**(9.4)**	–	–
Dividends paid as reported in the consolidated cash flow statement				**120.6**	191.7	115.2

8. EARNINGS AND HEADLINE 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 earnings and net asset value per share is provided in the Financial Review on pages 17 to 21. 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 earnings and headline earnings per share

Year ended 31 December 2017 Shares million		Six months ended 30 June 2018 Shares million	Six months ended 30 June 2017 Shares million
792.9	Basic, EPRA and Adjusted	**793.0**	792.5
794.0	Diluted	**793.9**	793.5

The calculations for 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.

8. EARNINGS AND HEADLINE EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE
B. Earnings per share

Year ended 31 December 2017 Earnings	Year ended 31 December 2017 Pence per	Six months ended 30 June 2018 Earnings	Six months ended 30 June 2018 Pence per	Six months ended 30 June 2017 Earnings	Six months ended 30 June 2017 Pence per

£m	share			Notes	£m	share	£m	share
388.4	49.0	**Basic**		2	**55.7**	**7.0**	287.1	36.2
–	(0.1)	Dilutive share options			**–**	**–**	–	–
388.4	48.9	**Diluted**			**55.7**	**7.0**	287.1	36.2
388.4	49.0	**Basic**			**55.7**	**7.0**	287.1	36.2
		Adjustments:						
(1.9)	(0.2)	Revaluation losses/(gains) on properties:	Reported Group	2	**34.8**	**4.4**	(20.9)	(2.6)
(19.4)	(2.5)		Share of Property interests	2	**31.8**	**4.0**	(52.2)	(6.6)
(21.3)	(2.7)				**66.6**	**8.4**	(73.1)	(9.2)
15.5	2.0	(Gain)/Loss on sale of properties:	Reported Group	2	**(4.4)**	**(0.5)**	(0.7)	(0.1)
(27.8)	(3.5)	Net exchange gain previously recognised in equity, recycled on disposal of foreign operations:	Reported Group	2	**–**	**–**	–	–
41.5	5.2	Debt and loan facility cancellation costs:	Reported Group	5	**–**	**–**	0.3	–
21.3	2.7	Change in fair value of derivatives:	Reported Group	5	**11.6**	**1.5**	11.8	1.5
–	–		Share of Property interests	10B	**0.3**	**–**	–	–
21.3	2.7				**11.9**	**1.5**	11.8	1.5
		Other adjustments:	Reported Group:					
6.5	0.8		Acquisition related costs	2	**6.4**	**0.8**	–	–
–	–		Deferred tax	2	**–**	**–**	0.1	–
19.6	2.5		Non-controlling interests	2	**–**	**–**	0.4	0.1
26.1	3.3				**6.4**	**0.8**	0.5	0.1
(225.2)	(28.4)	Premium Outlets:	Revaluation gains on properties	10B, 11B	**(26.5)**	**(3.3)**	(114.8)	(14.5)
35.0	4.4		Deferred tax (including on acquisition)	10B, 11B	**10.6**	**1.3**	15.4	2.0
(6.2)	(0.8)		Other adjustments	10B, 11B	**(0.8)**	**(0.1)**	(7.2)	(0.9)
(196.4)	(24.8)				**(16.7)**	**(2.1)**	(106.6)	(13.4)
(141.1)	(17.8)	Total adjustments			**63.8**	**8.1**	(167.8)	(21.1)
247.3	31.2	**EPRA**			**119.5**	**15.1**	119.3	15.1
(1.0)	(0.1)	Other adjustments	Translation movement on intragroup funding loan: Premium Outlets	10B	**0.5**	**–**	0.1	–
246.3	31.1	**Adjusted**			**120.0**	**15.1**	119.4	15.1

8. EARNINGS AND HEADLINE EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE

C. Headline earnings per share

Year ended 31 December 2017 Earnings £m		Notes	**Six months ended 30 June 2018 Earnings £m**	Six months ended 30 June 2017 Earnings £m
388.4	Profit for the period attributable to equity shareholders	2	**55.7**	287.1
(21.3)	Revaluation losses/(gains) on properties: Reported Group and Share of Property interests	8B	**66.6**	(73.1)
15.5	(Gain)/Loss on sale of properties: Reported Group	8B	**(4.4)**	(0.7)
	Net exchange gain previously recognised in equity, recycled on disposal of foreign operations:	8B		
(27.8)	Reported Group		**–**	–
–	Deferred tax: Reported Group	8B	**–**	0.1
19.6	Non-controlling interests	8B	**–**	0.4

(225.2)	Revaluation gains on properties: Premium Outlets	8B	**(26.5)**	(114.8)
35.0	Deferred tax (including on acquisition): Premium Outlets	8B	**10.6**	15.4
(1.0)	Translation movements on intragroup funding loan: Premium Outlets	10B	**0.5**	0.1
183.2	**Headline earnings**		**102.5**	114.5
23.1p	**Basic headline earnings per share (pence)**		**12.9p**	14.4p
23.1p	**Diluted headline earnings per share (pence)**		**12.9p**	14.4p

	Reconciliation of headline earnings to adjusted earnings			
183.2	Headline earnings as above		**102.5**	114.5
41.5	Debt and loan cancellation costs: Reported Group	8B	**–**	0.3
21.3	Change in fair value of derivatives: Reported Group and Share of Property interests	8B	**11.9**	11.8
6.5	Acquisition related costs: Reported Group	8B	**6.4**	–
3.6	Change in fair value of derivatives: Premium Outlets	10B,11B	**(0.5)**	3.0
(11.8)	Change in fair value of participative loans – revaluation movement: Premium Outlets	11B	**(1.2)**	(10.4)
2.0	Loan facility costs written off: Premium Outlets	11B	**0.9**	0.2
246.3	**Adjusted earnings**		**120.0**	119.4

D. Net asset value per share

31 December 2017 Net asset value per share £		**Equity shareholders' funds £m**	**Shares million**	**30 June 2018 Net asset value per share £**	30 June 2017 Net asset value per share £
7.58	**Basic**	**5,955.3**	**794.2**	**7.50**	7.57
n/a	Company's own shares held in Employee Share Ownership Plan	**–**	**(1.1)**	**n/a**	n/a
–	Dilutive share schemes	**2.3**	**1.0**	**–**	(0.01)
7.58	**Diluted**	**5,957.6**	**794.1**	**7.50**	7.56
(0.33)	Fair value adjustment to borrowings (note 13: footnote 1)	**(210.4)**		**(0.26)**	(0.40)
7.25	**EPRA NNNAV**	**5,747.2**		**7.24**	7.16
0.33	Fair value adjustment to borrowings	**210.4**		**0.26**	0.40
–	Deferred tax: Reported Group	**0.5**		**–**	–
(0.01)	Fair value of interest rate swaps (note 13: footnote 3)	**(3.7)**		**–**	(0.01)
	Premium Outlets (notes 10D and 11D)				
(0.01)	- Fair value of derivatives	**2.2**		**–**	(0.01)
0.27	- Deferred tax	**259.8**		**0.33**	0.24
(0.07)	- Goodwill as a result of deferred tax	**(57.8)**		**(0.07)**	(0.07)
0.19		**204.2**		**0.26**	0.16
7.76	**EPRA NAV**	**6,158.6**	**794.1**	**7.76**	7.71

9. INVESTMENT AND DEVELOPMENT PROPERTIES

	Investment properties Valuation £m	**Development properties Valuation £m**	**Total Valuation £m**
Balance at 1 January 2018	4,348.9	337.2	4,686.1
Exchange adjustment	(6.7)	(0.8)	(7.5)
Additions			
– Capital expenditure	27.1	51.1	78.2
– Asset acquisitions	10.1	0.4	10.5
	37.2	51.5	88.7
Disposals	(111.8)	–	(111.8)
Reclassification on completion of developments	39.5	(39.5)	–

Capitalised interest	–	0.6	0.6
Revaluation (losses)/gains	(48.1)	13.3	(34.8)
Balance at 30 June 2018	**4,259.0**	**362.3**	**4,621.3**

Properties are stated at fair value as at 30 June 2018, valued by professionally qualified external valuers. 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. Valuations have been prepared in accordance with the RICS Valuation – Professional Standards 2014.

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, sale contracts were exchange on three properties with a total value at 30 June 2018 of £187 million. One of these sales completed in July, with the other two transactions expected to complete in October.

Joint operations

At 30 June 2018, investment properties included two properties with a value of £208.5 million (31 December 2017: £202.4 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 17, 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 2017				**Six months ended 30 June 2018**			Six months ended 30 June 2017		
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
171.4	36.2	207.6	**Gross rental income**	**85.8**	**20.0**	**105.8**	83.9	15.5	99.4
146.4	25.6	172.0	**Net rental income**	**73.9**	**15.3**	**89.2**	72.3	11.6	83.9
(0.5)	(4.4)	(4.9)	Administration expenses	**(0.2)**	**(3.1)**	**(3.3)**	(0.2)	(1.9)	(2.1)
145.9	21.2	167.1	**Operating profit before other net (losses)/gains**	**73.7**	**12.2**	**85.9**	72.1	9.7	81.8
19.4	26.9	46.3	Revaluation (losses)/gains on properties	**(31.5)**	**14.5**	**(17.0)**	52.1	(8.9)	43.2
–	(12.9)	(12.9)	Deferred tax acquired	**–**	**–**	**–**	–	(9.7)	(9.7)
19.4	14.0	33.4	Revaluation (losses)/gains	**(31.5)**	**14.5**	**(17.0)**	52.1	(18.6)	33.5
165.3	35.2	200.5	**Operating profit/(loss)**	**42.2**	**26.7**	**68.9**	124.2	(8.9)	115.3
–	1.6	1.6	Change in fair value of derivatives	**(0.3)**	**(1.2)**	**(1.5)**	–	0.5	0.5
–	1.0	1.0	Translation movement on intragroup funding loan	**–**	**(0.5)**	**(0.5)**	–	(0.1)	(0.1)
1.6	(6.4)	(4.8)	Other finance (costs)/income	**(3.3)**	**(3.6)**	**(6.9)**	2.5	(1.0)	1.5
1.6	(3.8)	(2.2)	Net finance (costs)/income	**(3.6)**	**(5.3)**	**(8.9)**	2.5	(0.6)	1.9
166.9	31.4	198.3	**Profit/(Loss) before tax**	**38.6**	**21.4**	**60.0**	126.7	(9.5)	117.2
–	(1.6)	(1.6)	Current tax charge	**–**	**(0.8)**	**(0.8)**	–	(0.7)	(0.7)
–	(16.2)	(16.2)	Deferred tax charge	**–**	**(2.8)**	**(2.8)**	–	(3.8)	(3.8)
166.9	13.6	180.5	**Profit/(Loss) for the period**	**38.6**	**17.8**	**56.4**	126.7	(14.0)	112.7

B. Reconciliation to adjusted earnings

Year ended 31 December 2017				**Six months ended 30 June 2018**			Six months ended 30 June 2017		
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

166.9	13.6	180.5	Profit/(Loss) for the period	**38.6**	**17.8**	**56.4**	126.7	(14.0)	112.7
(19.4)	(14.0)	(33.4)	Revaluation losses/(gains)	**31.5**	**(14.5)**	**17.0**	(52.1)	18.6	(33.5)
–	(1.6)	(1.6)	Change in fair value of derivatives	**0.3**	**1.2**	**1.5**	–	(0.5)	(0.5)
–	(1.0)	(1.0)	Translation movement on intragroup funding loan[1]	**–**	**0.5**	**0.5**	–	0.1	0.1
–	16.2	16.2	Deferred tax charge	**–**	**2.8**	**2.8**	–	3.8	3.8
(19.4)	(0.4)	(19.8)	Total adjustments	**31.8**	**(10.0)**	**21.8**	(52.1)	22.0	(30.1)
147.5	13.2	160.7	**Adjusted earnings of joint ventures**	**70.4**	**7.8**	**78.2**	74.6	8.0	82.6

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.

10. INVESTMENT IN JOINT VENTURES

C. Share of assets and liabilities of joint ventures

31 December 2017				**30 June 2018**			30 June 2017		
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
			Non-current assets						
3,611.1	600.3	4,211.4	Investment and development properties	**3,594.1**	**620.2**	**4,214.3**	3,587.1	498.6	4,085.7
–	3.6	3.6	Goodwill	**–**	**3.6**	**3.6**	–	3.6	3.6
10.5	0.2	10.7	Other non-currents assets	**11.0**	**3.1**	**14.1**	10.8	0.3	11.1
3,621.6	604.1	4,225.7		**3,605.1**	**626.9**	**4,232.0**	3,597.9	502.5	4,100.4
			Current assets						
52.7	14.5	67.2	Other current assets[1]	**48.7**	**8.0**	**56.7**	157.2	9.9	167.1
58.5	20.9	79.4	Cash and deposits	**62.2**	**23.2**	**85.4**	55.7	35.4	91.1
111.2	35.4	146.6		**110.9**	**31.2**	**142.1**	212.9	45.3	258.2
			Current liabilities						
(79.6)	(20.2)	(99.8)	Other payables	**(76.0)**	**(13.6)**	**(89.6)**	(75.2)	(15.3)	(90.5)
(0.7)	–	(0.7)	Tax	**–**	**–**	**–**	–	–	–
(48.6)	(27.7)	(76.3)	Loans and other borrowings – secured	**(48.4)**	**(1.3)**	**(49.7)**	–	(27.8)	(27.8)
(128.9)	(47.9)	(176.8)		**(124.4)**	**(14.9)**	**(139.3)**	(75.2)	(43.1)	(118.3)
			Non-current liabilities						
(275.0)	(166.8)	(441.8)	Loans and other borrowings – secured	**(274.2)**	**(246.1)**	**(520.3)**	(48.0)	(131.1)	(179.1)
(10.4)	–	(10.4)	Obligations under head leases	**(10.5)**	**–**	**(10.5)**	(10.7)	–	(10.7)
(6.1)	(3.8)	(9.9)	Other payables	**(6.5)**	**(4.9)**	**(11.4)**	(5.9)	(5.1)	(11.0)
–	(59.7)	(59.7)	Deferred tax	**–**	**(62.7)**	**(62.7)**	–	(43.9)	(43.9)
(291.5)	(230.3)	(521.8)		**(291.2)**	**(313.7)**	**(604.9)**	(64.6)	(180.1)	(244.7)
3,312.4	361.3	3,673.7	**Net assets**	**3,300.4**	**329.5**	**3,629.9**	3,671.0	324.6	3,995.6

1 At 30 June 2017, other current assets of the Property joint ventures included loans of £111.2 million secured on retail properties located in Dublin. These loans were converted into property assets and transferred to the Reported Group in the second half of 2017.

D. Reconciliation to adjusted investment in joint ventures

31 December 2017				**30 June 2018**			30 June 2017		
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	Investment in joint ventures	**3,300.4**	**329.5**	**3,629.9**	3,671.0	324.6	3,995.6
–	1.2	1.2	Fair value of derivatives	**–**	**2.1**	**2.1**	–	2.7	2.7
–	59.7	59.7	Deferred tax	**–**	**62.7**	**62.7**	–	43.9	43.9
–	(3.6)	(3.6)	Goodwill as a result of deferred tax	**–**	**(3.6)**	**(3.6)**	–	(3.6)	(3.6)
–	57.3	57.3	Total adjustments	**–**	**61.2**	**61.2**	–	43.0	43.0
3,312.4	418.6	3,731.0	**Adjusted investment in joint ventures**	**3,300.4**	**390.7**	**3,691.1**	3,671.0	367.6	4,038.6

10. INVESTMENT IN JOINT VENTURES

E. Reconciliation of movements in investment in joint ventures

31 December 2017 Property joint ventures £m	31 December 2017 VIA Outlets £m	31 December 2017 Total £m		**30 June 2018 Property joint ventures £m**	**30 June 2018 VIA Outlets £m**	**30 June 2018 Total £m**	30 June 2017 Property joint ventures £m	30 June 2017 VIA Outlets £m	30 June 2017 Total £m
3,514.7	222.0	3,736.7	Balance at beginning of period	**3,312.4**	**361.3**	**3,673.7**	3,514.7	222.0	3,736.7
166.9	13.6	180.5	Share of results of joint ventures	**38.6**	**17.8**	**56.4**	126.7	(14.0)	112.7
35.7	129.9	165.6	(Repayments)/Advances	**(1.3)**	**–**	**(1.3)**	10.4	109.3	119.7
(111.9)	(14.5)	(126.4)	Distributions and other receivables	**(45.1)**	**(46.2)**	**(91.3)**	(55.6)	–	(55.6)
(275.0)	–	(275.0)	Return of equity	**–**	**–**	**–**	–	–	–
56.2	–	56.2	Acquisition of additional interest in Irish loan portfolio	**–**	**–**	**–**	55.6	–	55.6
(112.5)	–	(112.5)	Irish loan portfolio transferred to Reported Group	**–**	**–**	**–**	–	–	–
1.0	–	1.0	Other movements	**(2.0)**	**–**	**(2.0)**	(7.7)	–	(7.7)
37.3	10.3	47.6	Foreign exchange translation differences	**(2.2)**	**(3.4)**	**(5.6)**	26.9	7.3	34.2
3,312.4	361.3	3,673.7	**Balance at end of period**	**3,300.4**	**329.5**	**3,629.9**	3,671.0	324.6	3,995.6

11. INVESTMENT IN ASSOCIATES

At 30 June 2018, 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 19 and 20.

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 59.

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 2017 VR £m	Year ended 31 December 2017 Nicetoile £m	Year ended 31 December 2017 Total £m		**Six months ended 30 June 2018 VR £m**	**Six months ended 30 June 2018 Nicetoile £m**	**Six months ended 30 June 2018 Total £m**	Six months ended 30 June 2017 VR £m	Six months ended 30 June 2017 Nicetoile £m	Six months ended 30 June 2017 Total £m
103.1	1.6	104.7	**Gross rental income**	**52.8**	**0.8**	**53.6**	45.0	0.8	45.8
72.0	1.4	73.4	**Net rental income**	**35.8**	**0.7**	**36.5**	31.3	0.7	32.0
(33.8)	–	(33.8)	Administration expenses	**(20.1)**	**–**	**(20.1)**	(17.7)	–	(17.7)
38.2	1.4	39.6	**Operating profit before other net gains**	**15.7**	**0.7**	**16.4**	13.6	0.7	14.3
198.3	–	198.3	Revaluation gains/(losses) on properties	**12.0**	**(0.3)**	**11.7**	123.7	0.1	123.8
236.5	1.4	237.9	**Operating profit**	**27.7**	**0.4**	**28.1**	137.3	0.8	138.1
(15.8)	–	(15.8)	Net finance costs	**(10.9)**	**–**	**(10.9)**	(6.8)	–	(6.8)
(5.2)	–	(5.2)	Change in fair value of derivatives	**1.7**	**–**	**1.7**	(3.5)	–	(3.5)
11.8	–	11.8	Change in fair value of participative loans – revaluation movement	**1.2**	**–**	**1.2**	10.4	–	10.4
2.9	–	2.9	Change in fair value of participative loans – other movement	**2.0**	**–**	**2.0**	0.6	–	0.6
230.2	1.4	231.6	**Profit before tax**	**21.7**	**0.4**	**22.1**	138.0	0.8	138.8
(2.7)	–	(2.7)	Current tax charge	**(1.0)**	**–**	**(1.0)**	(1.2)	–	(1.2)
(5.9)	–	(5.9)	Deferred tax charge	**(7.8)**	**–**	**(7.8)**	(1.9)	–	(1.9)
221.6	1.4	223.0	**Profit for the period**	**12.9**	**0.4**	**13.3**	134.9	0.8	135.7

11. INVESTMENT IN ASSOCIATES

B. Reconciliation to adjusted earnings

Year ended 31 December 2017				Six months ended 30 June 2018			Six months ended 30 June 2017		
VR £m	Nicetoile £m	Total £m		VR £m	Nicetoile £m	Total £m	VR £m	Nicetoile £m	Total £m
221.6	1.4	223.0	Profit for the period	12.9	0.4	13.3	134.9	0.8	135.7
(198.3)	–	(198.3)	Revaluation (gains)/losses on properties	(12.0)	0.3	(11.7)	(123.7)	(0.1)	(123.8)
5.2	–	5.2	Change in fair value of derivatives	(1.7)	–	(1.7)	3.5	–	3.5
(11.8)	–	(11.8)	Change in fair value of participative loans – revaluation movement	(1.2)	–	(1.2)	(10.4)	–	(10.4)
2.0	–	2.0	Loan facility costs written off	0.9	–	0.9	0.2	–	0.2
5.9	–	5.9	Deferred tax charge	7.8	–	7.8	1.9	–	1.9
(197.0)	–	(197.0)	Total adjustments	(6.2)	0.3	(5.9)	(128.5)	(0.1)	(128.6)
24.6	1.4	26.0	**Adjusted earnings of**	6.7	0.7	7.4	6.4	0.7	7.1

When aggregated, the Group's share of VR's adjusted earnings for the six months ended 30 June 2018 amounted to 53% (31 December 2017: 46%; 30 June 2017: 43%).

C. Share of assets and liabilities of associates

31 December 2017				30 June 2018			30 June 2017		
VR £m	Nicetoile £m	Total £m		VR £m	Nicetoile £m	Total £m	VR £m	Nicetoile £m	Total £m
			Non-current assets						
80.4	–	80.4	Goodwill on acquisition	88.6	–	88.6	79.6	–	79.6
1,633.8	29.1	1,662.9	Investment properties	1,761.7	28.8	1,790.5	1,533.6	28.6	1,562.2
52.0	–	52.0	Other non-currents assets	69.7	–	69.7	49.1	–	49.1
1,766.2	29.1	1,795.3		1,920.0	28.8	1,948.8	1,662.3	28.6	1,690.9
			Current assets						
22.5	0.8	23.3	Other current assets	21.5	0.2	21.7	19.5	1.2	20.7
113.4	1.4	114.8	Cash and deposits	102.2	0.8	103.0	51.1	0.9	52.0
135.9	2.2	138.1		123.7	1.0	124.7	70.6	2.1	72.7
			Current liabilities						
(94.3)	(0.2)	(94.5)	Other payables	(47.1)	(0.2)	(47.3)	(45.3)	(0.2)	(45.5)
(1.1)	–	(1.1)	Loans and other borrowings	–	–	–	(1.1)	–	(1.1)
(95.4)	(0.2)	(95.6)		(47.1)	(0.2)	(47.3)	(46.4)	(0.2)	(46.6)
			Non-current liabilities						
(624.2)	–	(624.2)	Loans and other borrowings	(724.4)	–	(724.4)	(485.6)	–	(485.6)
(90.4)	(0.2)	(90.6)	Other payables	(97.1)	(0.2)	(97.3)	(83.5)	(0.2)	(83.7)
(152.3)	–	(152.3)	Deferred tax	(169.2)	–	(169.2)	(147.0)	–	(147.0)
(866.9)	(0.2)	(867.1)		(990.7)	(0.2)	(990.9)	(716.1)	(0.2)	(716.3)
939.8	30.9	970.7	**Net assets**	1,005.9	29.4	1,035.3	970.4	30.3	1,000.7
128.8	–	128.8	**Participative loans**[1]	149.7	–	149.7	126.4	–	126.4
1,068.6	30.9	1,099.5	**Investment in associates**	1,155.6	29.4	1,185.0	1,096.8	30.3	1,127.1

1 The Group's total investment in associates includes long-term debt which in substance forms part of the Group's investment. These 'participative loans' are not repayable in the foreseeable future and represent the Group's investor share of La Roca Village and Las Rozas Village. Following the adoption of IFRS 9 "Financial Instruments", as referred to in note 1 on page 35, the loans are classified as a 'fair value through profit and loss' financial asset. For the six months ended 30 June 2018, the entire change in fair value of the asset of £3.2 million is included within the Group's share of profit from associates within the consolidated income statement. For the year ended 31 December 2017, under the previous accounting standard, the participative loan was split into two elements and each treated separately: (1) the underlying host participative loan of £6.9 million (30 June 2017: £7.0 million) was classified as an 'available for sale' financial asset with the change in fair value of £0.5 million (30 June 2017: £0.4 million) included within other comprehensive income; and (2) the embedded derivative element of the loan of £121.9 million (30 June 2017: £119.4 million) was classified as a 'fair value through profit and loss' financial asset and the change in fair value of £14.7 million (30 June 2017: £11.0 million) included in the consolidated income statement within the Group's share of profit from associates. The comparative financial information has not been restated with this change applied prospectively from 1 January 2018.

2 The analysis in the tables above excludes liabilities in respect of distributions received in advance from VR amounting to £18.9 million (31 December 2017: £16.6 million; 30 June 2017: £17.5 million) which are included within non-current liabilities in the Group's balance sheet.

3 In addition to the above investments, non-current receivables of the Group include loans totalling €2.0 million (£1.8 million) (31 December 2017: €2 million, £1.8 million) secured against a number of VR assets.

4 At 30 June 2018, Hammerson's investment in VR, excluding goodwill, as a proportion of VR's net assets was 43% (31 December 2017: 40%). Adjusting for the participative loans, Hammerson's economic share is calculated as 38% (31 December 2017: 36%).

11. INVESTMENT IN ASSOCIATES

D. Reconciliation to adjusted investment in associates

31 December 2017 VR £m	31 December 2017 Nicetoile £m	31 December 2017 Total £m		30 June 2018 VR £m	30 June 2018 Nicetoile £m	30 June 2018 Total £m	30 June 2017 VR £m	30 June 2017 Nicetoile £m	30 June 2017 Total £m
1,068.6	30.9	1,099.5	Investment in joint ventures	**1,155.6**	**29.4**	**1,185.0**	1,096.8	30.3	1,127.1
(10.9)	–	(10.9)	Fair value of derivatives	**0.1**	–	**0.1**	(10.3)	–	(10.3)
152.3	–	152.3	Deferred tax	**169.2**	–	**169.2**	147.0	–	147.0
–	–	–	Deferred tax within participative loans	**27.9**	–	**27.9**	–	–	–
(53.5)	–	(53.5)	Goodwill as a result of deferred tax	**(54.2)**	–	**(54.2)**	(53.5)	–	(53.5)
87.9	–	87.9	Total adjustments	**143.0**	–	**143.0**	83.2	–	83.2
1,156.5	30.9	1,187.4	**Adjusted investment in associates**	**1,298.6**	**29.4**	**1,328.0**	1,180.0	30.3	1,210.3

E. Reconciliation of movements in investment in associates

31 December 2017 VR £m	31 December 2017 Nicetoile £m	31 December 2017 Total £m		30 June 2018 VR £m	30 June 2018 Nicetoile £m	30 June 2018 Total £m	30 June 2017 VR £m	30 June 2017 Nicetoile £m	30 June 2017 Total £m
959.1	29.0	988.1	Balance at beginning of period	**1,068.6**	**30.9**	**1,099.5**	959.1	29.0	988.1
221.6	1.4	223.0	Share of results of associate	**12.9**	**0.4**	**13.3**	134.9	0.8	135.7
0.9	–	0.9	Acquisitions[1]	**91.4**	–	**91.4**	0.9	–	0.9
(129.8)	(1.1)	(130.9)	Distributions[1]	**(13.2)**	**(1.2)**	**(14.4)**	(8.8)	(1.2)	(10.0)
(0.5)	–	(0.5)	Change in fair value of participative loans (note 11C)	–	–	–	(0.4)	–	(0.4)
–	–	–	Share of other comprehensive loss of associate	**(2.6)**	–	**(2.6)**	–	–	–
17.3	1.6	18.9	Exchange and other movements	**(1.5)**	**(0.7)**	**(2.2)**	11.1	1.7	12.8
1,068.6	30.9	1,099.5	**Balance at end of period**	**1,155.6**	**29.4**	**1,185.0**	1,096.8	30.3	1,127.1

1 The increase in the Group's investment of £76 million announced at the beginning of 2018 was transacted through acquisition expenditure of £84 million less £8 million of distributions. The Group invested a further £7 million in La Vallée Village in May 2018.

12. LOANS AND OTHER BORROWINGS

A. Analysis

31 December 2017 £m		30 June 2018 £m	30 June 2017 £m
	Unsecured		
198.3	£200 million 7.25% sterling bonds due 2028	**198.4**	198.3
297.9	£300 million 6% sterling bonds due 2026	**298.1**	297.8
345.8	£350 million 3.5% sterling bonds due 2025	**346.0**	345.6
441.3	€500 million 1.75% euro bonds due 2023	**439.9**	436.4
440.4	€500 million 2% euro bonds due 2022	**439.2**	435.4
–	£250 million 6.875% sterling bonds due 2020	–	249.1
442.4	€500 million 2.75% euro bonds due 2019	**441.2**	437.4
496.6	Bank loans and overdrafts	**404.5**	634.4
21.3	Senior notes due 2031[1]	**21.2**	21.1
89.9	Senior notes due 2028[1]	**89.8**	89.5
87.3	Senior notes due 2026[1]	**87.1**	86.1
350.0	Senior notes due 2024[1]	**356.4**	360.8
141.2	Senior notes due 2021[1]	**144.2**	146.1
3,352.4		**3,266.0**	3,738.0
100.6	Fair value of currency swaps[2]	**103.4**	51.9
3,453.0		**3,369.4**	3,789.9

1 Senior notes comprise £396.2 million (31 December 2017: £386.6 million; 30 June 2017: £402.1 million) denominated in US dollars, £207.5 million (31 December 2017: £208.1 million; 30 June 2017: £206.5 million) in euro and £95.0 million (31 December 2017: £95.0 million; 30 June 2017: £95.0 million) in sterling.

2 Currency swap assets of £13.3 million are also included in non-current receivables (31 December 2017: £10.3 million; 30 June 2017: £3.6 million in current receivables).

12. LOANS AND OTHER BORROWINGS

A. Analysis

31 December 2017 £m		30 June 2018 £m	30 June 2017 £m
	Analysed as		
1.7	Current liabilities	**1.0**	–
3,451.3	Non-current liabilities	**3,368.4**	3,789.9
3,453.0		**3,369.4**	3,789.9

B. Financing strategy

The Group generally borrows on an unsecured basis on the strength of its covenant in order to maintain operational flexibility, although secured borrowings are occasionally used, mainly in conjunction with joint venture partners. Borrowings are arranged to ensure an appropriate maturity profile and to maintain short-term liquidity. Acquisitions may be financed initially using short-term funds before being refinanced for the longer term when market conditions are appropriate. Long-term debt mainly comprises the Group's fixed rate unsecured bonds, private placements (senior notes) and secured bank borrowings with security on certain properties held by joint ventures. Short-term funding is raised principally through syndicated revolving credit facilities from a range of banks and financial institutions with which the Group maintains strong working relationships.

The Reported Group's borrowings position at 30 June 2018 is summarised below:

31 December 2017		30 June 2018				30 June 2017
Total £m		Receivables: Non-current assets £m	Loans and other borrowings < 1 year £m	Loans and other borrowings > 1 year £m	Total £m	Total £m
	Borrowings					
2,166.1	Bonds	–	–	**2,162.8**	**2,162.8**	2,400.0
496.6	Bank loans and overdrafts	–	–	**404.5**	**404.5**	634.4
689.7	Senior notes	–	–	**698.7**	**698.7**	703.6
90.3	Fair value of currency swaps	**(13.3)**	**1.0**	**102.4**	**90.1**	48.3
3,442.7		**(13.3)**	**1.0**	**3,368.4**	**3,356.1**	3,786.3

C. Undrawn committed facilities

31 December 2017 £m	Expiry	30 June 2018 £m	30 June 2017 £m
692.6	Within two to five years	**784.6**	554.1

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 balance sheet, are as follows:

31 December 2017					30 June 2018			30 June 2017		
Book value £m	Fair value £m	Variance £m		Hierarchy level	Book value £m	Fair value £m	Variance £m	Book value £m	Fair value £m	Variance £m
2,166.1	2,420.4	254.3	Bonds	1	**2,162.8**	**2,372.9**	**210.1**	2,400.0	2,704.0	304.0
496.6	502.4	5.8	Bank loans and overdrafts	2	**404.5**	**410.4**	**5.9**	634.4	640.9	6.5
689.7	691.6	1.9	Senior notes	2	**698.7**	**691.0**	**(7.7)**	703.6	707.4	3.8
90.3	90.3	–	Fair value of currency swaps	2	**90.1**	**90.1**	**–**	48.3	48.3	–
3,442.7	3,704.7	262.0	**Borrowings**[1]		**3,356.1**	**3,564.4**	**208.3**	3,786.3	4,100.6	314.3
(6.3)	(6.3)	–	**Fair value of interest rate**	2	**(4.0)**	**(4.0)**	**–**	(8.8)	(8.8)	–
128.8	128.8	–	**Participative loans to associates**	3	**149.7**	**149.7**	**–**	126.4	126.4	–

1 The fair value adjustment at 30 June 2018 to borrowings of £210.4 million shown in note 8D includes £208.3 million for the Reported Group, as shown above, together with £2.1 million in respect of borrowings within Share of Property interests.

2 Interest rate swaps are included within non-current receivables.

3 The fair value of interest swaps at 30 June 2018 of £3.7 million shown in note 8D includes an asset of £4.0 million for the Reported Group, as shown above, together with a liability of £0.3 million in respect of interest swaps within Share of Property interests.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

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	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

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

31 December 2017 £m	Participative loans within investment in associates (Note 11C)		30 June 2018 £m	30 June 2017 £m
113.7	Balance at beginning of period		**128.8**	113.7
14.7	Total gains	- in share of results of associates	**3.2**	11.0
4.1		- in other comprehensive income[1]	**(0.5)**	3.1
–	Other movements	- acquisitions	**18.3**	–
(3.7)		- distributions	**(0.1)**	(1.4)
128.8	**Balance at end of period**		**149.7**	126.4

1 For the year ended 31 December 2017 the total of £4.1million (30 June 2017: £3.1 million) comprised foreign exchange differences of £4.6 million (30 June 2017: £3.5 million) included in the translation reserve, partly offset by changes in the fair value of the participative loans of £0.5 million (30 June 2017: £0.4 million) included in retained earnings. For the six months ended 30 June 2018, £0.5 million of these foreign exchange differences have been included in the translation reserve. Following the adoption of IFRS 9 on 1 January 2018, fair value changes in the participative loans are included in share of results of associates (see note 1).

14. ANALYSIS OF MOVEMENT IN NET DEBT

31 December 2017				30 June 2018			30 June 2017		
Cash and deposits £m	Borrowings £m	Net debt £m		**Cash and deposits £m**	**Borrowings £m**	**Net debt £m**	Cash and deposits £m	Borrowings £m	Net debt £m
74.3	(3,496.3)	(3,422.0)	Balance at beginning of period	**205.9**	**(3,442.7)**	**(3,236.8)**	74.3	(3,496.3)	(3,422.0)
130.6	160.8	291.4	Cash flow	**(175.4)**	**93.1**	**(82.3)**	(7.7)	(228.6)	(236.3)
–	9.0	9.0	Change in fair value of currency swaps	**–**	**(13.0)**	**(13.0)**	–	12.8	12.8
1.0	(116.2)	(115.2)	Exchange	**(0.2)**	**6.5**	**6.3**	0.7	(74.2)	(73.5)
205.9	(3,442.7)	(3,236.8)	**Balance at end of period**	**30.3**	**(3,356.1)**	**(3,325.8)**	67.3	(3,786.3)	(3,719.0)

15. POST BALANCE SHEET EVENTS

The decision that the Group will exit the UK retail parks sector over the medium term stated on page 1 does not result in any disclosure adjustments in the interim financial statements.

ADDITIONAL DISCLOSURES

EXCLUDED FROM INDEPENDENT REVIEW

Loan to value and gearing	17	61
Net debt:EBITDA	18	61

EPRA MEASURES

TABLE 1: EPRA PERFORMANCE MEASURES

Performance measure	30 June 2018	31 December 2017	30 June 2017	Definition	Page
Earnings	£119.5m	£247.3m	£119.3m	Recurring earnings from core operational activities. In both 2018 and 2017, 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.	43
Earnings per share (EPS)	15.1p	31.2p	15.1p	EPRA earnings divided by the weighted average number of shares in issue during the period.	43
Net asset value (NAV) per share	£7.76	£7.76	£7.71	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.	44
Triple net asset value (NNNAV) per share	£7.24	£7.25	£7.16	Equity shareholders' funds adjusted to include the fair values of borrowings.	44
Net Initial Yield (NIY)	4.4%	4.4%	4.3%	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.	57
Topped-up NIY	4.5%	4.6%	4.5%	EPRA NIY adjusted for the expiry of rent-free periods.	57
Vacancy rate	3.4%	1.7%	2.7%	The estimated market rental value (ERV) of vacant space divided by the ERV of the whole portfolio. Occupancy is the inverse of vacancy.	54
Cost ratio	19.9%	21.6%	20.5%	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.	56

PORTFOLIO ANALYSIS

TABLE 2: RENTAL INFORMATION

Rental data for the six months ended 30 June 2018

Proportionally consolidated excluding Premium Outlets	Gross rental income £m	Net rental income £m	Vacancy rate %	Average rents passing[A] £/m^2	Rents passing £m	Estimated rental value[B] £m	Reversion/ (over-rented) %
United Kingdom							
Shopping centres	88.6	77.2	2.8	520	172.2	187.0	5.8
Retail parks	33.4	31.2	5.5	215	70.5	73.3	(1.7)
Other	6.1	4.4	9.3	150	12.3	14.1	3.7
	128.1	112.8	4.0	360	255.0	274.4	3.6
France	45.0	39.9	2.9	440	81.7	90.7	7.5
Ireland	22.2	20.2	1.1	495	42.9	44.4	2.5
Investment portfolio	**195.3**	**172.9**	**3.4**	**390**	**379.6**	**409.5**	**4.3**
Developments	7.8	5.6					
Property portfolio (note 2)	**203.1**	**178.5**					

Selected data for the year ended 31 December 2017							
Group							
UK	264.9	231.0	1.8	365	266.1	276.2	2.1
France	104.6	95.3	2.1	470	83.1	91.7	7.8
Ireland	37.9	34.8	0.3	495	41.6	43.3	3.9
Investment portfolio	**407.4**	**361.1**	**1.7**	**395**	**390.8**	**411.2**	**3.5**
Developments	14.5	9.3					
Property portfolio (note 2)	**421.9**	**370.4**					

Notes
A. Average rents passing at the period end before deducting head and equity rents and excluding rents passing from anchor units and car parks.
B. 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. On a like-for-like basis, ERVs grew by 0.2% in the first half of 2018.
C. 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 2018

	Rents passing subject to review in[A]				ERV of leases subject to review in[B]			
Proportionally consolidated excluding Premium Outlets	2018[C] £m	2019 £m	2020 £m	Total £m	2018[C] £m	2019 £m	2020 £m	Total £m
United Kingdom								
Shopping centres	30.4	23.1	16.5	70.0	32.2	24.8	17.7	74.7
Retail parks	12.4	8.6	18.5	39.5	12.8	9.3	19.2	41.3
Other	2.6	1.1	0.6	4.3	2.8	1.4	0.6	4.8
	45.4	**32.8**	**35.6**	**113.8**	**47.8**	**35.5**	**37.5**	**120.8**
Ireland	**13.4**	**3.3**	**17.0**	**33.7**	**14.8**	**3.6**	**18.9**	**37.3**
Total[D]	**58.8**	**36.1**	**52.6**	**147.5**	**62.6**	**39.1**	**56.4**	**158.1**

Notes
A. The amount of rental income, based on rents passing at 30 June 2018, for leases which are subject to review in each year.
B. 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 2018. For outstanding reviews the ERV is as at the review date.
C. 2018 includes outstanding rent reviews. These reviews have total rents passing of £50.6 million and ERV of £53.7 million.
D. Leases in France are not subject to rent reviews but instead increase annually based on French indexation indices.

TABLE 4: LEASE EXPIRIES AND BREAKS

Lease expiries and breaks as at 30 June 2018

	Rents passing that expire/break in[A]				ERV of leases that expire/break in[B]				Weighted average unexpired lease term	
Proportionally consolidated excluding Premium Outlets	2018[C] £m	2019 £m	2020 £m	Total £m	2018[C] £m	2019 £m	2020 £m	Total £m	to break years	to expiry years
United Kingdom										
Shopping centres	20.9	15.2	9.8	45.9	24.9	17.1	10.2	52.2	6.0	10.8
Retail parks	2.0	3.5	6.2	11.7	2.2	3.7	6.2	12.1	7.7	8.7
Other	3.1	0.9	1.5	5.5	3.5	1.1	1.7	6.3	7.8	8.8
	26.0	**19.6**	**17.5**	**63.1**	**30.6**	**21.9**	**18.1**	**70.6**	**6.6**	**10.0**
France	**9.0**	**2.0**	**4.2**	**15.2**	**10.9**	**2.4**	**4.5**	**17.8**	**2.6**	**5.5**
Ireland	**1.9**	**3.0**	**3.5**	**8.4**	**1.7**	**3.0**	**4.0**	**8.7**	**8.3**	**11.2**
Investment portfolio	**36.9**	**24.6**	**25.2**	**86.7**	**43.2**	**27.3**	**26.6**	**97.1**	**5.8**	**9.0**

Notes
A. The amount of rental income, based on rents passing at 30 June 2018, for leases which expire or, for the UK and Ireland only, are subject to tenant break options, which fall due in each year.
B. The ERV at 30 June 2018 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.
C. 2018 includes leases holding-over after their expiry date. At 30 June 2018 these leases have rents passing of £22.4million and ERV of £23.0 million.

TABLE 5: NET RENTAL INCOME

Net rental income for the six months ended 30 June 2018

Proportionally consolidated excluding Premium Outlets	Properties owned throughout 2017/18 £m	Increase/ (Decrease) for properties owned throughout 2017/18 %	Acquisitions £m	Disposals £m	Developments and other £m	Total net rental income £m
United Kingdom						
Shopping centres	75.5	**(0.1)**	–	0.1	1.6	77.2
Retail parks	23.9	**(3.4)**	–	6.4	1.0	31.3
Other	–	**–**	–	–	8.1	8.1
	99.4	**(1.0)**	**–**	**6.5**	**10.7**	**116.6**
France	**30.1**	**(1.1)**	**0.1**	**0.3**	**9.5**	**40.0**
Ireland	**16.8**	**4.0**	**3.2**	**0.1**	**1.8**	**21.9**
Property portfolio	**146.3**	**(0.4)**	**3.3**	**6.9**	**22.0**	**178.5**

Net rental income for the six months ended 30 June 2017

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
United Kingdom						
Shopping centres	75.6	–	–	–	1.1	76.7
Retail parks	24.7	–	–	10.5	–	35.2
Other	–	–	–	–	7.1	7.1
	100.3	–	–	10.5	8.2	119.0
France	30.4	(1.0)	–	10.1	8.1	47.6
Ireland	16.2	(0.4)	–	0.1	1.5	17.4
Property portfolio	146.9	(1.4)	–	20.7	17.8	184.0

TABLE 6: TOP TEN TENANTS

Ranked by passing rent at 30 June 2018

Proportionally consolidated excluding Premium Outlets	Passing rent £m	% of total passing rent
B&Q	12.6	3.3
H&M	8.8	2.3
Next	8.6	2.3
Inditex	8.5	2.2
Marks & Spencer	5.7	1.5
Boots	5.6	1.5
River Island	5.3	1.4
Debenhams	5.1	1.4
Sainsbury's	5.1	1.3
Dixons Carphone	4.9	1.3
Total	**70.2**	**18.5**

TABLE 7: COST RATIO

EPRA cost ratio

Proportionally consolidated excluding Premium Outlets	Six months ended 30 June 2018 £m	Year ended 31 December 2017 £m	Six months ended 30 June 2017 £m
Net service charge expenses – non-vacancy	**3.8**	7.8	3.4
Net service charge expenses – vacancy	**3.2**	7.5	4.8
Net service charge expenses – total	**7.0**	15.3	8.2
Other property outgoings	**15.6**	32.1	13.4
Less inclusive lease costs recovered through rent	**(3.7)**	(7.7)	(3.5)
Total property costs (for cost ratio)	**18.9**	39.7	18.1

Employee and corporate costs	**25.6**	61.0	30.2
Management fees receivable	**(5.2)**	(12.1)	(6.9)
Total operating costs (for cost ratio)	**39.3**	88.6	41.4
Gross rental income	**203.1**	421.9	207.6
Ground and equity rents payable	**(2.0)**	(4.1)	(2.0)
Less inclusive lease costs recovered through rent	**(3.7)**	(7.7)	(3.5)
Gross rental income (for cost ratio)	**197.4**	410.1	202.1
EPRA cost ratio including net service charge expenses – vacancy (%)	**19.9**	21.6	20.5
EPRA cost ratio excluding net service charge expenses – vacancy (%)	**18.3**	19.8	18.1

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 ending 30 June 2018, staff costs amounting to £0.6 million (31 December 2017: £0.1 million; 30 June 2017: £0.1 million) were capitalised as development costs and are not included within "Employee and corporate costs".

TABLE 8: VALUATION ANALYSIS

Valuation analysis at 30 June 2018

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[A] %
United Kingdom							
Shopping centres	3,454.2	(51.6)	(1.5)	0.7	4.4	5.2	5.0
Retail parks	1,135.1	(45.0)	(3.7)	(1.2)	5.5	6.3	6.1
Other	199.2	16.1	10.6	13.0	5.3	7.4	7.1
	4,788.5	**(80.5)**	**(1.6)**	**0.7**	**4.7**	**5.5**	**5.3**
France	1,868.9	(20.6)	(1.0)	1.0	3.9	4.4	4.3
Ireland	971.7	18.5	1.9	4.1	3.9	4.4	4.3
Investment portfolio	**7,629.1**	**(82.6)**	**(1.4)**	**0.8**	**4.4**	**5.1**	**5.0**
Developments	615.1	16.0	2.9	4.0			
Property portfolio – excluding Premium Outlets	**8,244.2**	**(66.6)**	**(0.7)**	**1.4**			
Premium Outlets[B]	2,381.9	26.5	1.2	3.2			
Total Group	**10,626.1**	**(40.1)**	**(0.3)**	**1.8**			
Selected data for the year ended 31 December 2017							
Group							
UK	4,903.1	10.1	0.1	4.9	4.7	5.5	5.3
France	1,887.0	(11.4)	(1.3)	3.1	3.9	4.4	4.3
Ireland	959.6	(1.5)	0.2	4.2	4.0	4.4	4.3
Investment portfolio	**7,749.7**	**(2.8)**	**(0.3)**	**4.3**	**4.4**	**5.0**	**4.9**
Developments	576.6	24.1	4.7	6.9			
Property portfolio – excluding Premium Outlets	**8,326.3**	**21.3**	**0.0**	**4.5**			
Premium Outlets[B]	2,234.1	225.2	11.5	16.8			
Total Group	**10,560.4**	**246.5**	**2.2**	**6.8**			

Notes
A. Nominal equivalent yields are included within the unobservable inputs to the portfolio valuations as defined by IFRS 13.
B. 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 2018

Proportionally consolidated excluding Premium Outlets	Income £m	Gross value £m	Net book value £m
Portfolio value (net of cost to complete)		8,098	8,098

Purchasers' costs[A]			(469)
Net investment portfolio valuation on a proportionally consolidated basis			**7,629**
Income and yields			
Rent for valuers' initial yield (equivalent to EPRA Net Initial Yield)	354.3	4.4%	4.6%
Rent-free periods (including pre-lets)[B]	12.2	0.1%	0.2%
Rent for 'topped-up' initial yield[C]	366.5	**4.5%**	**4.8%**
Non-recoverable costs (net of outstanding rent reviews)	13.1	0.2%	0.2%
Passing rents	**379.6**	**4.7%**	**5.0%**
ERV of vacant space	13.0	0.2%	0.2%
Reversions	16.9	0.2%	0.2%
Total ERV/Reversionary yield	**409.5**	**5.1%**	**5.4%**
True equivalent yield		5.1%	
Nominal equivalent yield		5.0%	

Notes
A. Purchasers' costs equate to 6.1% of the net portfolio value.
B. The weighted average remaining rent-free period is 0.5 years.
C. The yield of 4.5% 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 46 to 48 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 48 to 50.

TABLE 10: INCOME STATEMENT

	Six months ended 30 June 2018			Six months ended 30 June 2017		
	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	**85.8**	**0.8**	**86.6**	83.9	0.8	84.7
Net rental income	**73.9**	**0.7**	**74.6**	72.3	0.7	73.0
Administration expenses	**(0.2)**	**–**	**(0.2)**	(0.2)	–	(0.2)
Operating profit before other net gains	**73.7**	**0.7**	**74.4**	72.1	0.7	72.8
Revaluation (losses)/gains on properties	**(31.5)**	**(0.3)**	**(31.8)**	52.1	0.1	52.2
Operating profit	**42.2**	**0.4**	**42.6**	124.2	0.8	125.0
Change in fair value of derivatives	**(0.3)**	**–**	**(0.3)**	–	–	–
Other finance (costs)/income	**(3.3)**	**–**	**(3.3)**	2.5	–	2.5
Net finance (costs)/income	**(3.6)**	**–**	**(3.6)**	2.5	–	2.5
Profit before tax	**38.6**	**0.4**	**39.0**	126.7	0.8	127.5
Current tax charge	**–**	**–**	**–**	–	–	–
Profit for the period	**38.6**	**0.4**	**39.0**	126.7	0.8	127.5

TABLE 11: BALANCE SHEET

	30 June 2018			31 December 2017		
	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	**3,594.1**	**28.8**	**3,622.9**	3,611.1	29.1	3,640.2
Interests in leasehold properties	**10.5**	**–**	**10.5**	10.4	–	10.4
Receivables	**0.5**	**–**	**0.5**	0.1	–	0.1
	3,605.1	**28.8**	**3,633.9**	3,621.6	29.1	3,650.7
Current assets						
Receivables	**28.3**	**0.2**	**28.5**	31.4	0.8	32.2
Restricted monetary assets	**20.4**	**–**	**20.4**	21.3	–	21.3

Cash and deposits	**62.2**	**0.8**	**63.0**	58.5	1.4	59.9
	110.9	**1.0**	**111.9**	111.2	2.2	113.4
Total assets	**3,716.0**	**29.8**	**3,745.8**	3,732.8	31.3	3,764.1
Current liabilities						
Other payables	**(76.0)**	**(0.2)**	**(76.2)**	(79.6)	(0.2)	(79.8)
Tax	**–**	**–**	**–**	(0.7)	–	(0.7)
Loans and other borrowings	**(48.4)**	**–**	**(48.4)**	(48.6)	–	(48.6)
	(124.4)	**(0.2)**	**(124.6)**	(128.9)	(0.2)	(129.1)
Non-current liabilities						
Loans and other borrowings	**(274.2)**	**–**	**(274.2)**	(275.0)	–	(275.0)
Obligations under head leases	**(10.5)**	**–**	**(10.5)**	(10.4)	–	(10.4)
Other payables	**(6.5)**	**(0.2)**	**(6.7)**	(6.1)	(0.2)	(6.3)
	(291.2)	**(0.2)**	**(291.4)**	(291.5)	(0.2)	(291.7)
Total liabilities	**(415.6)**	**(0.4)**	**(416.0)**	(420.4)	(0.4)	(420.8)
Net assets	**3,300.4**	**29.4**	**3,329.8**	3,312.4	30.9	3,343.3

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 48 to 50 and for VIA Outlets in note 10 to the financial statements on pages 46 to 48.

TABLE 12: INCOME STATEMENT

Aggregated Premium Outlets income summary

	Six months ended 30 June 2018			Six months ended 30 June 2017		
	Value Retail £m	**VIA Outlets £m**	**Total £m**	Value Retail £m	VIA Outlets £m	Total £m
Share of results (IFRS)	**12.9**	**17.8**	**30.7**	134.9	(14.0)	120.9
Less adjustments:						
Revaluation (gains)/losses on properties	**(12.0)**	**(14.5)**	**(26.5)**	(123.7)	8.9	(114.8)
Deferred tax acquired	**–**	**–**	**–**	–	9.7	9.7
Revaluation (gains)/losses	**(12.0)**	**(14.5)**	**(26.5)**	(123.7)	18.6	(105.1)
Change in fair value of derivatives	**(1.7)**	**1.2**	**(0.5)**	3.5	(0.5)	3.0
Deferred tax charge	**7.8**	**2.8**	**10.6**	1.9	3.8	5.7
Other adjustments	**(0.3)**	**0.5**	**0.2**	(10.2)	0.1	(10.1)
	(6.2)	**(10.0)**	**(16.2)**	(128.5)	22.0	(106.5)
Adjusted earnings of Premium Outlets	**6.7**	**7.8**	**14.5**	6.4	8.0	14.4

TABLE 13: BALANCE SHEET

Aggregated Premium Outlets investment summary

	30 June 2018			31 December 2017		
	Value Retail £m	**VIA Outlets £m**	**Total £m**	Value Retail £m	VIA Outlets £m	Total £m
Investment properties	**1,761.7**	**620.2**	**2,381.9**	1,633.8	600.3	2,234.1
Net debt	**(622.2)**	**(224.2)**	**(846.4)**	(511.9)	(173.6)	(685.5)
Other net assets/(liabilities)	**(133.6)**	**(66.5)**	**(200.1)**	(182.1)	(65.4)	(247.5)
Participative loans	**149.7**	**–**	**149.7**	128.8	–	128.8
Investment (IFRS)	**1,155.6**	**329.5**	**1,485.1**	1,068.6	361.3	1,429.9
Less adjustments:						
Fair value of derivatives	**0.1**	**2.1**	**2.2**	(10.9)	1.2	(9.7)
Deferred tax	**197.1**	**62.7**	**259.8**	152.3	59.7	212.0
Goodwill as a result of deferred tax	**(54.2)**	**(3.6)**	**(57.8)**	(53.5)	(3.6)	(57.1)

	143.0	**61.2**	**204.2**	87.9	57.3	145.2
Adjusted investment	**1,298.6**	**390.7**	**1,689.3**	1,156.5	418.6	1,575.1

In addition to the above figures, at 30 June 2018 the Group provided loans of £1.8 million (31 December 2017 and 30 June 2017: £1.8 million) to Value Retail for which the Group received interest of £0.1million during the first half of 2018 (31 December 2017 and 30 June 2017: £0.3 million), which is included within finance income in note 5 to the financial statements on page 41.

PROPORTIONALLY CONSOLIDATED INFORMATION

Note 2 to the financial statements on pages 37 to 39 shows the proportionally consolidated income statement. The proportionally consolidated balance sheet, adjusted finance costs and net debt are shown in Tables 14, 15 and 16 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 46 and 47 and Nicetoile as shown in note 11 to the financial statements on pages 48 and 49. Column C shows the Group's proportionally consolidated figures by aggregating the Reported Group and Share of Property interests figures. As explained on page 17 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 2018

	30 June 2018			31 December 2017		
	Reported Group £m	**Share of Property interests £m**	**Proportionally consolidated £m**	Reported Group £m	Share of Property interests £m	Proportionally consolidated £m
Notes	A	B	C	A	B	C
Non-current assets						
Investment and development properties	**4,621.3**	**3,622.9**	**8,244.2**	4,686.1	3,640.2	8,326.3
Interests in leasehold properties	**36.7**	**10.5**	**47.2**	37.2	10.4	47.6
Plant and equipment	**4.6**	**–**	**4.6**	5.1	–	5.1
Investment in joint ventures	**3,629.9**	**(3,300.4)**	**329.5**	3,673.7	(3,312.4)	361.3
Investment in associates	**1,185.0**	**(29.4)**	**1,155.6**	1,099.5	(30.9)	1,068.6
Receivables	**32.5**	**0.5**	**33.0**	20.4	0.1	20.5
	9,510.0	**304.1**	**9,814.1**	9,522.0	307.4	9,829.4
Current assets						
Receivables	**109.9**	**28.5**	**138.4**	110.5	32.2	142.7
Restricted monetary assets	**32.5**	**20.4**	**52.9**	37.3	21.3	58.6
Cash and deposits	**30.3**	**63.0**	**93.3**	205.9	59.9	265.8
	172.7	**111.9**	**284.6**	353.7	113.4	467.1
Total assets	**9,682.7**	**416.0**	**10,098.7**	9,875.7	420.8	10,296.5
Current liabilities						
Payables	**(238.9)**	**(76.2)**	**(315.1)**	(261.1)	(79.8)	(340.9)
Tax	**(0.7)**	**–**	**(0.7)**	(0.5)	(0.7)	(1.2)
Loans and other borrowings	**(1.0)**	**(48.4)**	**(49.4)**	(1.7)	(48.6)	(50.3)
	(240.6)	**(124.6)**	**(365.2)**	(263.3)	(129.1)	(392.4)
Non-current liabilities						
Loans and other borrowings	**(3,368.4)**	**(274.2)**	**(3,642.6)**	(3,451.3)	(275.0)	(3,726.3)
Deferred tax	**(0.5)**	**–**	**(0.5)**	(0.5)	–	(0.5)
Obligations under finance leases	**(38.7)**	**(10.5)**	**(49.2)**	(38.9)	(10.4)	(49.3)
Payables	**(78.5)**	**(6.7)**	**(85.2)**	(84.2)	(6.3)	(90.5)
	(3,486.1)	**(291.4)**	**(3,777.5)**	(3,574.9)	(291.7)	(3,866.6)
Total liabilities	**(3,726.7)**	**(416.0)**	**(4,142.7)**	(3,838.2)	(420.8)	(4,259.0)
Net assets	**5,956.0**	**–**	**5,956.0**	6,037.5	–	6,037.5

TABLE 15: ADJUSTED FINANCE COSTS

Adjusted finance costs for the six months ended 30 June 2018

	Six months ended 30 June 2018			Six months ended 30 June 2017		
	Reported Group £m	**Share of Property interests £m**	**Total £m**	Reported Group £m	Share of Property interests £m	Total £m
Notes	A	B	C	A	B	C
Gross finance costs	**55.7**	**3.3**	**59.0**	64.1	0.7	64.8

Less: Interest capitalised	**(0.6)**	**–**	**(0.6)**	(0.3)	–	(0.3)
Finance costs	**55.1**	**3.3**	**58.4**	63.8	0.7	64.5
Finance income	**(5.9)**	**–**	**(5.9)**	(7.7)	(3.2)	(10.9)
Adjusted finance costs/(income) (note 2)	**49.2**	**3.3**	**52.5**	56.1	(2.5)	53.6

TABLE 16: NET DEBT

Net debt as at 30 June 2018

	30 June 2018			31 December 2017		
	Reported Group £m	**Share of Property interests £m**	**Total £m**	Reported Group £m	Share of Property interests £m	Total £m
Notes (see page 60)	A	B	C	A	B	C
Cash and deposits	**30.3**	**63.0**	**93.3**	205.9	59.9	265.8
Fair value of currency swaps*	**(90.1)**	**–**	**(90.1)**	(90.3)	–	(90.3)
Other loans and other borrowings	**(3,266.0)**	**(322.6)**	**(3,588.6)**	(3,352.4)	(323.6)	(3,676.0)
Net debt	**(3,325.8)**	**(259.6)**	**(3,585.4)**	(3,236.8)	(263.7)	(3,500.5)

* At 30 June 2018 the fair value of currency swaps in the Reported Group included currency swaps of £13.3 million (31 December 2017: £10.3 million) within non-current receivables.

TABLE 17: LOAN TO VALUE AND GEARING

Loan to value and gearing as at 30 June 2018

	30 June 2018 £m	31 December 2017 £m
Net debt – **"Loan" (A)**	**3,585.4**	3,500.5
Total property portfolio (Table 8)	**8,244.2**	8,326.3
Investment in VIA Outlets (note 10C)	**329.5**	361.3
Investment in Value Retail (note 11C)	**1,155.6**	1,068.6
Less non-controlling interest	**(0.7)**	(14.0)
"Value" (B)	**9,728.6**	9,742.2
Equity shareholders' funds (C)	**5,955.3**	6,023.5
Loan to value (%) – (A/B)	**36.9**	35.9
Gearing (%) – (A/C)	**60.2**	58.1

TABLE 18: NET DEBT: EBITDA

Net debt:EBITDA for the six months ended 30 June 2018

	Six months ended 30 June 2018 £m	Year ended 31 December 2017 £m
Adjusted operating profit (note 2)	**172.6**	359.3
Interest income from Irish loans	**–**	4.7
Tenant incentive amortisation	**4.0**	4.8
Share-based employee remuneration	**1.6**	5.4
Depreciation	**0.7**	2.1
EBITDA*	**178.9**	376.3
Net debt (Table 16)	**3,585.4**	3,500.5
Net debt: EBITDA – times	**10.0**	9.3

* EBITDA is doubled to calculate the above ratio at 30 June 2018.

DEVELOPMENT PIPELINE

EXCLUDED FROM INDEPENDENT REVIEW

Scheme	Scheme Area m²	Key facts
UK shopping centres		
Brent Cross extension	90,000	• Extension and refurbishment of Brent Cross, forming part of wider Brent Cross Cricklewood regeneration plans, totalling 175,000m^2 of retail, catering and leisure. • Reserved matters planning application approved October 2017. The compulsory purchase order was confirmed in December 2017. Both are now free from challenge. • Laing O'Rourke and Hochtief Graham have been selected as the preferred contractors for the retail extension and highway works.
Bristol Investment Properties*	74,000	• Planning permission was granted in July 2018 for the redevelopment of a 3.5ha area of joint venture-owned properties forming part of the Broadmead estate adjoining Cabot Circus. • Masterplan includes up to 74,000m^2 retail and leisure, 380 car parking spaces, and the potential for 150 residential units and a 150 room hotel.
Croydon Town Centre	200,000	• Redevelopment of Whitgift Centre and refurbishment of Centrale shopping centre. • Outline planning permission confirmed in April 2018 for the redevelopment of the Whitgift Centre. • Partnership intends to serve CPO land drawdown notice shortly.
Ladywood House, Birmingham*	10,000	• Vacant office building directly above Grand Central shopping centre with potential for leisure, hotel or residential usage. • Design works underway with planning submission expected within the next 12 months.
Martineau Galleries, Birmingham	285,000	• Work underway to produce masterplan for 2.6ha area in centre of Birmingham. • Site adjacent to proposed HS2 station with exciting mixed-use development opportunities.
Silverburn (Phase 4), Glasgow*	50,000	• Variation to planning condition consented in 2017 to permit phased delivery of a masterplan for a future extension of existing centre. • Masterplan includes 31,250m^2 retail, 8,500m^2 leisure, plus a hotel.
Union Square, Aberdeen*	27,800	• Planning permission was granted in July 2018 for an expansion of the existing shopping centre for up to 11,000m^2 of retail, 12,000m^2 of leisure and catering, plus up to 294 car parking spaces and a hotel.
Victoria, Leeds (Phase 2)*	95,000	• Phase 1 Victoria Gate completed October 2016. Operator being sought for up to 200 bed hotel adjacent to new multi-storey car park. • Phase 2 masterplanning underway to deliver a phased retail/leisure mixed-use scheme to complement Victoria Gate. • Freehold control of 4.1ha Phase 2 site obtained.
UK retail parks		
Oldbury, Dudley*	10,900	• Planning secured in May 2016 for new development of up to 11 retail and catering units. Leasing underway.
UK Other		
The Goodsyard, London E1	270,000	• 4.2ha site on edge of the City of London. • A planning application for a major mixed-use development of up to 270,000m^2 was deferred by the GLA in April 2016 to allow further consultation. This work is progressing and we are now targeting a submission of the necessary amendments to the GLA by the end of 2018 to allow the Major to determine the scheme.
France		
SQY Ouest, Saint Quentin-en-Yvelines*	32,000	• Opportunity to reposition existing shopping centre, creating a leisure-led destination. • Trading consent obtained. • Construction works and pre-letting on-going, Phase 1 completed with new units due to open in the second half of 2018.
Ireland		
Dundrum Phase II, Dublin*	100,000	• 2.4ha site located adjacent to Dundrum Town Centre. • Masterplan for a residential-led mixed-use scheme including retail.
Dublin Central, Dublin*	130,000	• Extension of duration of planning consent granted until May 2022 to create a retail-led city centre scheme including 60,000m^2 of retail. • The Court of Appeal in Dublin overturned the earlier ruling relating to buildings on Moore Street and their national monument status. Previously constrained by the court case, we are now engaging with stakeholders on the future of the site.
Pavilions Swords Phase III, Dublin*	272,000	• Extension of planning consent granted to August 2021 to create a mixed-use development including 124,000m^2 of retail and commercial uses. • Loan-to-own process complete. Masterplan for extension currently under review.
Total	1,646,700	

* Schemes are on Group owned land and no additional land acquisitions are required. This excludes occupational and long leaseholds.

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, usually a department or DIY store, a supermarket or leisure facility, occupying a large unit within a shopping centre or 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 after taking account of exchange translation movements.
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.
CPI	Consumer Price Index. A measure of inflation based on the weighted average of prices of consumer goods and services.
CVA	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 for the period 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.
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 exchange translation movements, calculated on a 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 management fees	Fees charged to joint ventures for accounting, secretarial and asset and development management services.
Like-for-like (LFL) NRI	The percentage change in net rental income for shopping centres and retail parks 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 metrics.
LTV (Loan to value)	Net debt expressed as a percentage of the property portfolio value calculated on a proportionally consolidated basis.
MSCI IPD	Property market benchmark indices produced by MSCI.
Net asset value (NAV) per share	Equity shareholders' funds divided by the number of shares in issue at the balance sheet date.

GLOSSARY

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 being: rent, business rates, service charge and insurance. Calculated excluding anchor stores.
Over-rented	The amount, or percentage, by which the ERV falls short of rents passing, together with the estimated rental value 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 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 consolidates 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 shopping centre and retail park 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.
Total development cost (TDC)	All capital expenditure on a development project, including capitalised interest.
Total property return (TPR) (or total return)	Net rental income and capital growth expressed as a percentage of the opening value of property adjusted for capital expenditure, calculated on a monthly time-weighted basis after taking account of exchange translation movements.
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.
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.
Value Retail (VR)	Owner and operator of luxury outlet Villages in Europe in which the Group has an investment and accounts for as an associate.
VIA Outlets (VIA)	A joint venture which owns and operates Premium Outlet centres in Europe, in which the Group has an investment and accounts for as a joint venture.
Yield on cost	Passing rents expressed as a percentage of the total development cost of a property.

Hammerson has its primary listing on the London Stock Exchange and a secondary inward listing on the Johannesburg Stock Exchange.

Joint Sponsors:
Deutsche Securities (SA) Proprietary Limited
Java Capital