



Hammerson

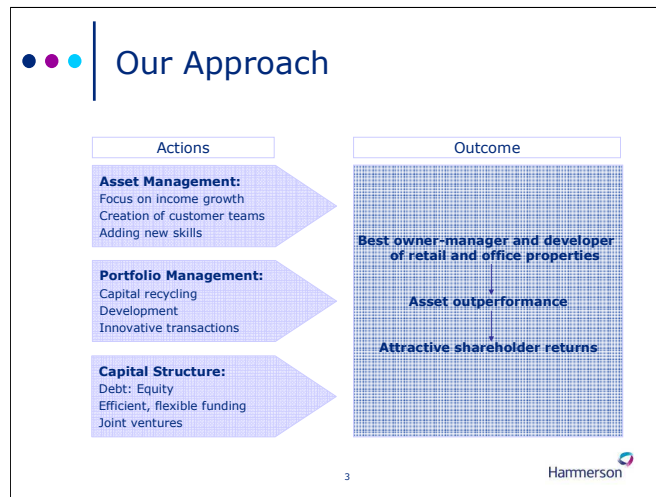
2010 Half-Year Results

2 August 2010



Agenda

- Introduction and overview
- Financial results
- Investment markets
- Operational review
- Positioning for growth
- Conclusion



Last year I set out a clear strategy for the business and as you'll see from the results today we have made excellent progress with its implementation.

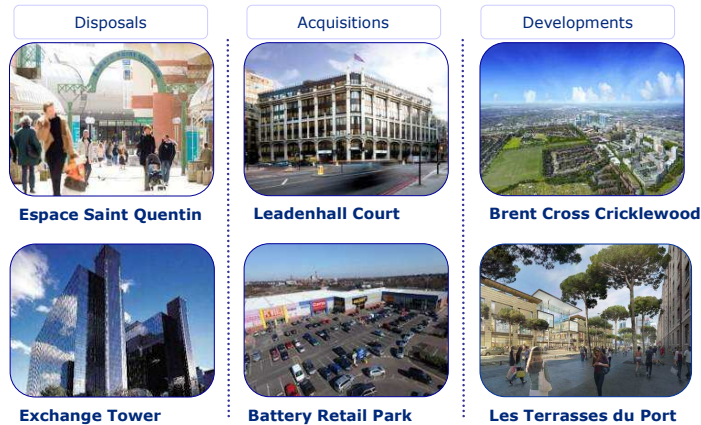
- A focus on income and costs has led to a healthy growth in our like-for-like income
- A rigorous review of each of our assets has led to active recycling of capital and the advancing of our valuable development pipeline
- And we've done this while maintaining a prudent approach to our finances

By following this strategy, I believe we will meet our ultimate objective of delivering attractive returns for shareholders.

Turning to some of our recent transactions...



Portfolio Management



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We sold a 75% stake in Espace St Quentin to Allianz, whilst keeping the asset management role

We sold Exchange Tower, realising value which can be reinvested elsewhere

On the buy side we acquired Leadenhall Court out of the White Tower portfolio and we bought out the 75% stake of Battery Retail Park from Teachers', giving us full control of the asset

Developments remain an important element of our portfolio management I'll talk a bit more about this later.



Delivering on Our Strategy

- Intensive asset management
- Improved growth prospects
- Transactions release £161 million
- Pro-forma gearing 60%
- Advanced developments

We are moving our business to be more aligned with our customers. In the UK, we've restructured our teams and introduced new skills and working practices into our business.

The deals which we have done in the first half, coming on the back of significant transactions at the year end, have been focused on improving the future performance of our portfolio by selling mature assets and reinvesting in properties with better growth prospects.

I'm pleased to say that we have been able to do this whilst releasing capital for further investment.



Strong Results

	Six months to 30 June 2010	Six months to 30 June 2009
Adjusted profit before tax	£70.2m	£65.6m
Adjusted earnings per share	9.7p	11.0p
Interim dividend per share	7.15p	6.95p
	30 June 2010	31 Dec 2009
Adjusted NAV per share, EPRA basis	£4.54	£4.21
Gearing	67%	72%

Here are the headlines for our results.

Profit before tax is up on the prior year. However, because of the increased number of shares in issue the earnings per share figure is lower at 9.7 pence.

We've increased the interim dividend to 7.15 pence, up nearly 3% on last year.

And finally the NAV figure is up nearly 8% to £4.54 and gearing is down to 67%, and that's before the receipt of funds from recent disposals.

With that I'll hand over to Simon to run through the numbers...



Financial Results



In the first six months of 2010 we have seen like-for-like growth in our net rental income of £6.3 million or 5% to £132.5 million.

That's the net rental position. If we turn to gross rents, i.e. before property costs, underlying income is up 1.6%.

We are showing progress in all areas, against a difficult market backdrop. There is no doubt that strong retail locations are benefiting when compared with weaker locations.

Within Hammerson's portfolio we have seen a reduction in vacancy levels.


Reduced Vacancy

	30 June 2010	31 Dec 2009	30 June 2009
UK Retail	4.4%	5.5%	6.4%
UK Offices	5.1%	8.4%	20.4%
French Retail	2.1%	1.5%	2.2%
Total	3.8%	4.8%	7.4%

At the end of June the vacancy level was just below 4%.

A year ago overall voids were 7.4%. At that time, this vacancy represented a loss of income of around £23 million. Today, the equivalent figure is £13 million, reflecting the much reduced vacancy level.

Turning to underlying profit...




Growth in Underlying Profit

£ million

Six months to 30 June	2010	2009
Operating profit	124.8	137.1
Interest	(54.6)	(71.5)
Underlying profit before tax	70.2	65.6
Tax and minorities	(1.9)	(2.3)
Profit for the year	68.3	63.3

Interest cover	2.6x	2.0x
Adjusted earnings per share	9.7p	11.0p
Dividend per share	7.15p	6.95p
Average number of shares in issue	705 m	575 m

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Our underlying profit before tax increased to £70.2 million in the first half of 2010.

The increase of £5 million from £65.6 million last year can be explained as follows:

Benefit of lettings and rent reviews	£6m
Lower financing costs	£12m
	<u>£18m</u>
Offset by:	
Income effect of 2009 property sales	£(13)m
	<u>£5 m</u>
	<u><u> </u></u>

Interest cover has improved to 2.6 times whilst very little interest has been capitalised. Accordingly our accounting profit is very close to a cash flow profit.

As David mentioned we have increased the interim dividend by 2.9%.



Strong Balance Sheet

	Pro-forma ¹	30 June 2010	31 Dec 2009
Property assets	5,144	5,355	5,142
Net debt	(1,931)	(2,142)	(2,124)
Other net assets/(liabilities)	3	3	(68)
Shareholders' equity	3,216	3,216	2,950
Adjusted net asset value per share	£4.54	£4.54	£4.21
Gearing	60%	67%	72%
Net debt/EBITDA	7.9	8.8	8.3

Note:

1) Pro-forma figures take into account contracted property acquisitions and disposals.

Net debt at 30 June this year was £2.1 billion, virtually unchanged on the figure at the end of 2009.

In June, we contracted to buy Leadenhall Court in the City, to sell Exchange Tower; and to sell a 75% interest in the St Quentin shopping centre. These transactions complete in the second half of 2010. Taking these into account produces a pro-forma net debt of £1.9 billion and gearing of 60%.

NAV increased by nearly 8% to £4.54 at 30 June, with the increase attributable to the uplift in values.



Property Returns

Six months to 30 June 2010

	Shopping Centres		Retail Parks		Offices		Total	
	Value £m	Capital return %	Value £m	Capital return %	Value £m	Capital return %	Value £m	Capital return %
UK	2,157	8.4	940	6.1	637	5.8	3,734	7.3
France	1,530	0.1	91	7.1	-	-	1,621	0.5
Total	3,687	4.9	1,031	6.1	637	5.8	5,355	5.2
Total return	7.6		9.3		8.9		8.1	

Note:
1) Returns shown above are for the total portfolio.


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In the UK, the capital return was 7.3%. London offices benefited from both lower yields and moderately increased rental values.

In France the small increase in value reflected a very slight yield reduction offsetting a very slight fall in rental values.

Overall the total return for the half year was 8.1%.


The capital uplift was overwhelmingly attributable to lower yields. However, within our UK retail portfolio it was noticeable that the rental values of our shopping centres actually increased by 1.1% in the first half. An encouraging sign.



Cash Flow

£ million

Six months to 30 June	2010	2009
Cash generated from operations	112	128
Net interest	(85)	(116)
	27	12
Working capital movements	(9)	2
Dividends	(39)	(43)
Taxation	(1)	2
Acquisitions	(55)	-
Capital expenditure	(53)	(106)
Disposals	2	572
	(106)	466
Share issues	-	584
Cash flow	(128)	1,023
Exchange translation	110	249
(Increase)/decrease in net debt	(18)	1,272




Over the last six months, there has been a cash outflow of £128 million, which was largely offset by exchange translation movements on Euro denominated debt of £110 million.

The principal acquisition was the 75% interest in Battery Retail Park, Birmingham.

Capital expenditure was £53 million and included £9 million at Marseille and further payments in respect of recent developments such as Aberdeen.


Turning to our financing position.



Financing

- o Net debt £2.1 billion
- o Gearing 67%; pro-forma 60%
- o Cash and undrawn committed facilities of £637 million
- o Average cost of debt 5.1%
- o 97% of gross debt unsecured
- o Moody's rating improved to Baa2 (stable)
- o No borrowings mature until March 2012
- o Weighted average maturity of debt of nearly eight years

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Our financial position is strong. Pro-forma gearing is 60% and interest cover improved.

We have substantial committed facilities in place.

Our average cost of debt in the first six months was 5.1%

In June, Moody's announced that they had improved the rating of Hammerson from negative to stable outlook.

Finally, none of our drawn debt matures before 2012.



Summary

- Encouraging underlying growth in income
- Capital returns of 5.2% in first six months
- Credit ratios improved
- Substantial financial facilities in place

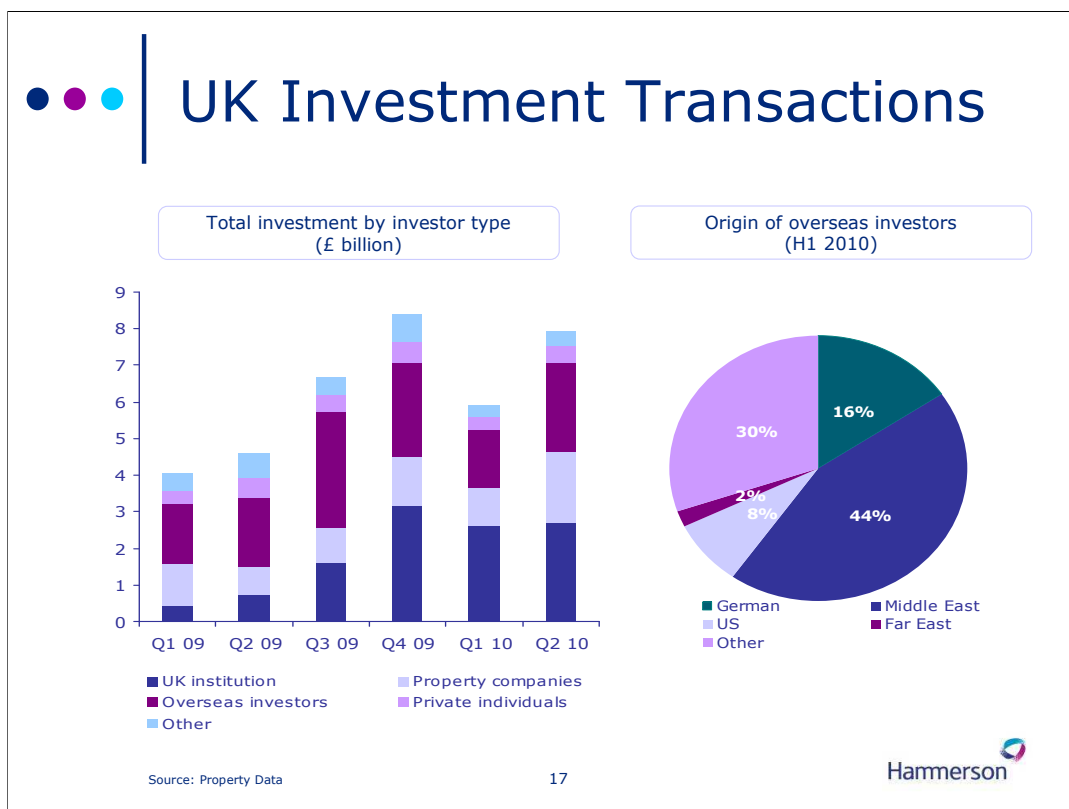
So to summarise:

Underlying rental income has increased and we have seen a further recovery in capital values.

We have further strengthened our financial position with improved credit ratios. We have great flexibility to take advantage of opportunities by having substantial unutilised committed facilities in place.



Investment Markets



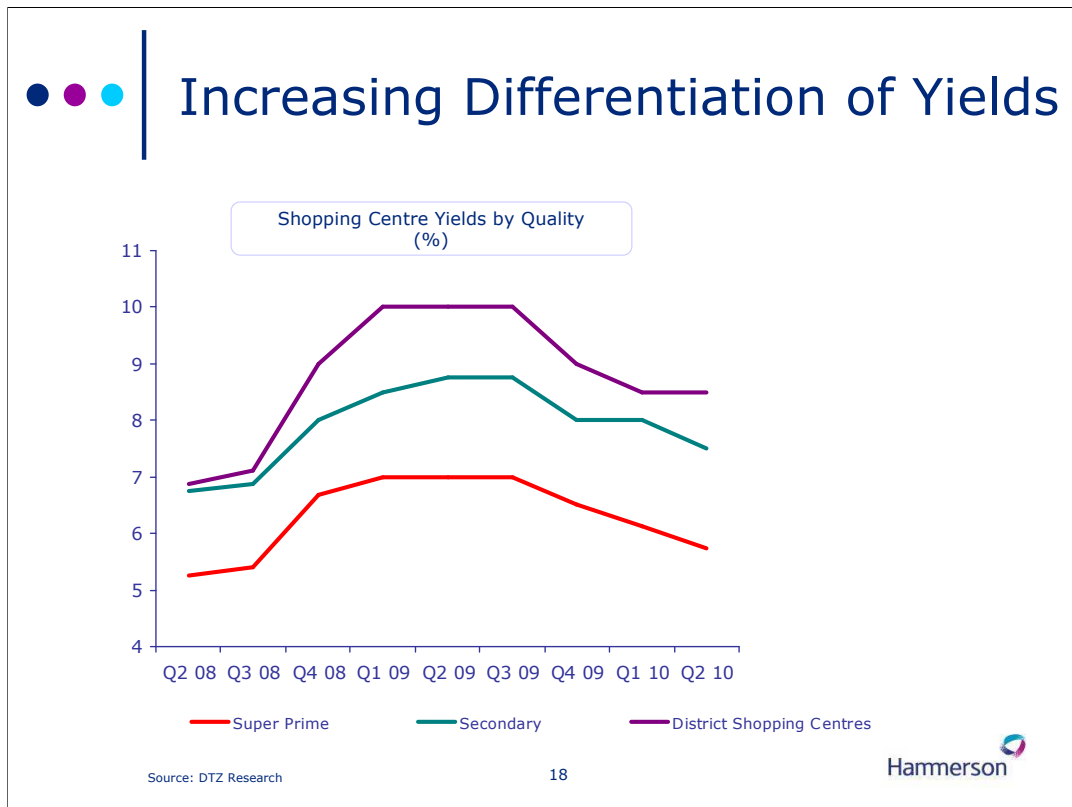
Looking first at the UK, investment volumes remained strong throughout the first half.

UK institutions have been consistently active over the year, and overseas buyers have remained a significant force.

The UK has been attractive to overseas buyers accounting for 30% of all transactions, with nearly half of these from the Middle East.

Investors were focused on high quality assets with strong income streams, but were also buying some weaker assets, but this area in the market has slowed in the last few months.

You can see the impact that's had on yields...

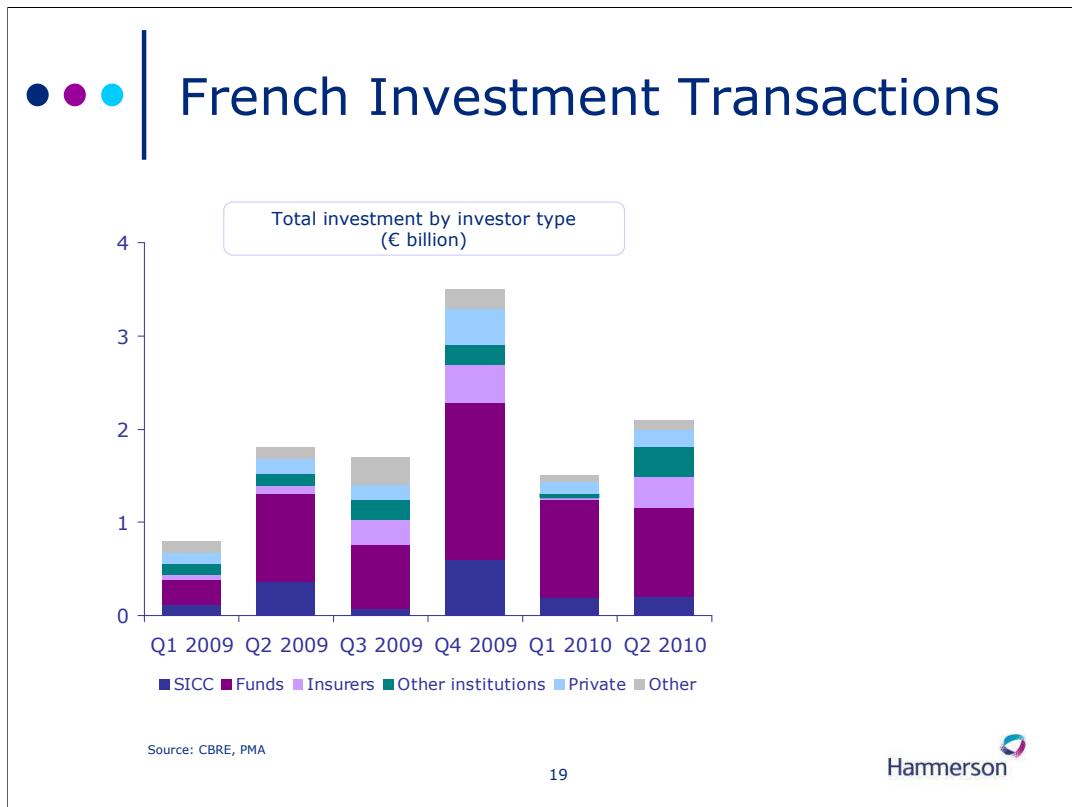


This graph shows shopping centres, but the pattern is the same as in the other sectors.

Yields have come in and the spread between prime and other classes has remained very wide.

The market for secondary assets has been less liquid and we believe the yield differential will continue. We don't think at these yields they are adequately reflecting the income risk on weaker retail assets or obsolescence on older offices and therefore could move out.

Turning to France...

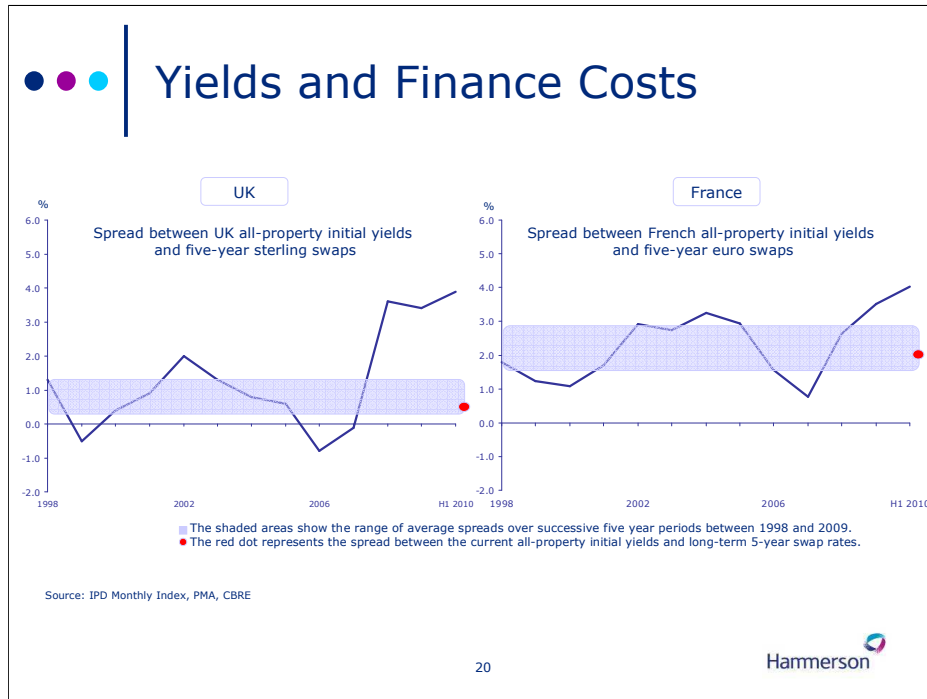


As usual the overall volumes are much lower than in the UK, with funds being the majority purchasers over the six month period.

We believe, the volume of sales has been limited by a lack of product availability, particularly prime office and retail assets, which remain in high demand.

We are now seeing greater interest from international investors in the French market. Yields have firmed slightly over the last six months and we see prime yields being maintained at these levels.

One of the key attractions of real estate is the income return compared with other asset classes...



As shown here, there is still a large gap between property yields and interest rates in both the UK and France.

However, a degree of caution. Against long-term average swap rates, spreads are closer to “fair value”.

It is our view that interest rates will stay low for some time, but also that finance for real estate will remain restrictive and so availability of equity and corporate debt will be increasingly valuable.

As banks work through their loan books there is also going to be an increase in assets available on the market, but these are predominantly likely to be of poorer quality and put further pressure on that area of the market.

● ● ● | International Joint Venture Partners



ADIA 50%
The Oracle, Reading



**Canada Pension Plan
Investment Board 50%**
Silverburn, Glasgow



GIC 50%
WestQuay,
Southampton



Future Fund 33%
**Henderson Global
Investors 33%**
Bullring, Birmingham



Allianz 75%
Espace St Quentin,
Paris



Oman Investment Fund 75%
Bishops Square, London

One of the great assets we have is the ability to attract strong equity co-investors.

Our partners who are active in the market, like Canada Pension Plan and Allianz, want access to quality assets.

But they also need someone like Hammerson with proven skills and expertise.

In a market where transactions are likely to be driven by equity, joint ventures are beneficial for both parties and it is a policy we will continue.

In the market, we see some buying opportunities, but we will continue to be selective.

So looking at the deals we've done...



Improving the Office Portfolio



Exchange Tower, London E14



Leadenhall Court, London EC3

- Asset management opportunities at Leadenhall with high initial income
- Sold Exchange Tower, reducing risk
- Released capital to deploy in better opportunities

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In the office portfolio, the Exchange Tower in Docklands has performed well for us showing a 14% IRR over the last ten years.

However we judged that future returns would not meet our benchmark and have exchanged contracts for its sale for £134 million.

In June, we purchased Leadenhall Court from the administrators for the White Tower portfolio, at a price of £65 million.

This shows an initial yield of 11% and will allow us to create further value by using our asset management skills.



Improving the Retail Portfolio



Silverburn, Glasgow



Espace Saint Quentin, Paris



Battery Retail Park, Birmingham

- Silverburn performing well
- New joint venture at Espace Saint Quentin
- Battery Retail Park now 100% owned

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In the retail portfolio, at Silverburn, which we bought at the end of last year, footfall is up 4% and the scheme is trading well. The value has increased since year end, and we are very pleased with this investment.

In France, we sold 75% of Espace St Quentin, realising €176 million and forming a joint venture with Allianz.

By keeping a 25% stake we retain critical mass in the sector and improve our returns through the asset management role.

By contrast at Battery Retail Park, an open A1 scheme, we wanted to gain sole control and improve liquidity, so we bought out Teachers for £49 million, a yield of 6%, and have now secured a planning consent for a restructuring of the scheme.

So, the overall result of our most recent transactions is to maintain current income, improving growth prospects, whilst also releasing capital for future re-investment.

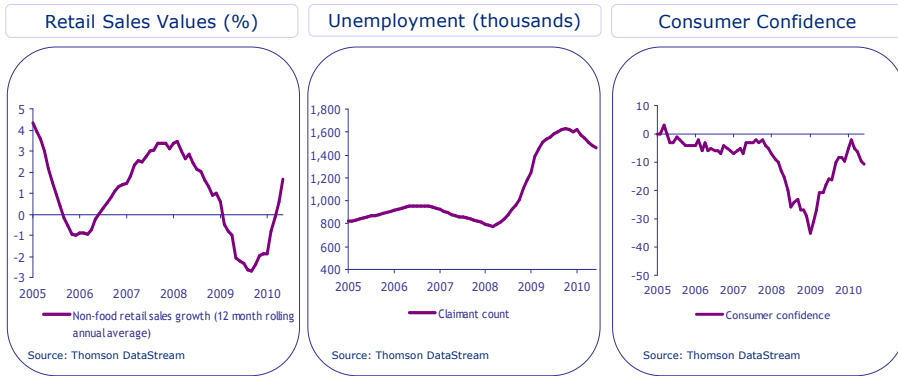
Finally, working with the administrators of Thornfield, we have sold the smaller assets and we have successfully completed the Rock shopping centre in Bury which opened two weeks ago over 75% let with good retailer interest. We will now take forward the asset management of the centre and we see further opportunities for working with the banks over the next few years.

I'll hand over to David to talk through the operational activity..



Operational Review

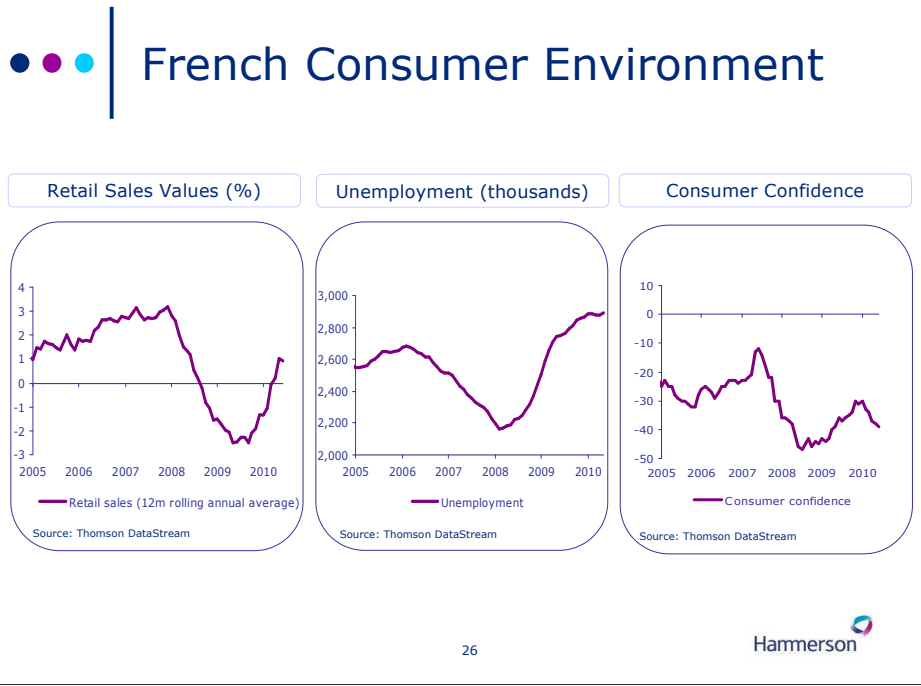
UK Consumer Environment



I want to start by looking at the economic backdrop...

In the UK, retail sales trends have been volatile, but positive in the last few months.

However, unemployment remains high and with continued uncertainties it's no surprise that consumer confidence, which had been recovering, has faltered recently.

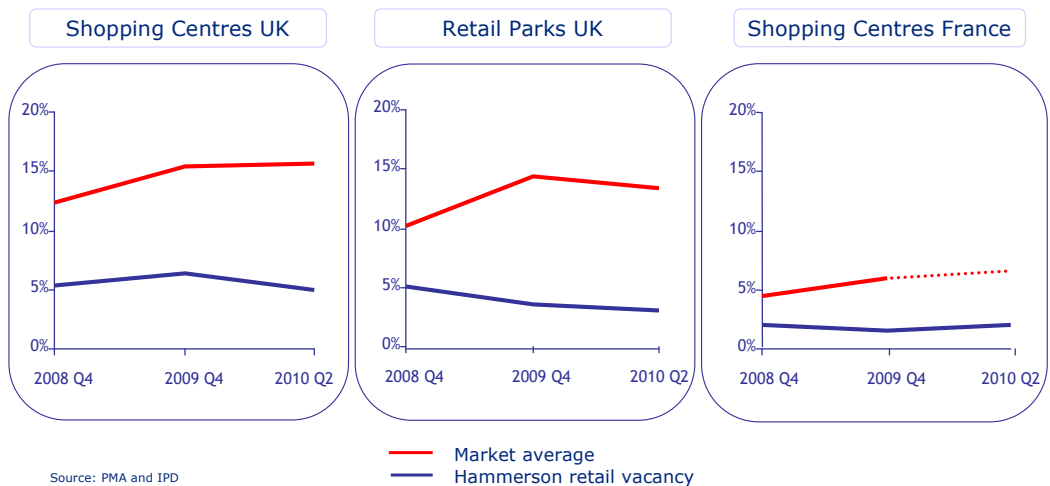


In France, the trends are the same. Retails sales have been recovering but consumer confidence is fragile.

Our view is that in both countries the retail environment will therefore remain challenging.

So that's the general consumer environment, however, we are continuing to see a marked differentiation between our schemes and the rest of the market.

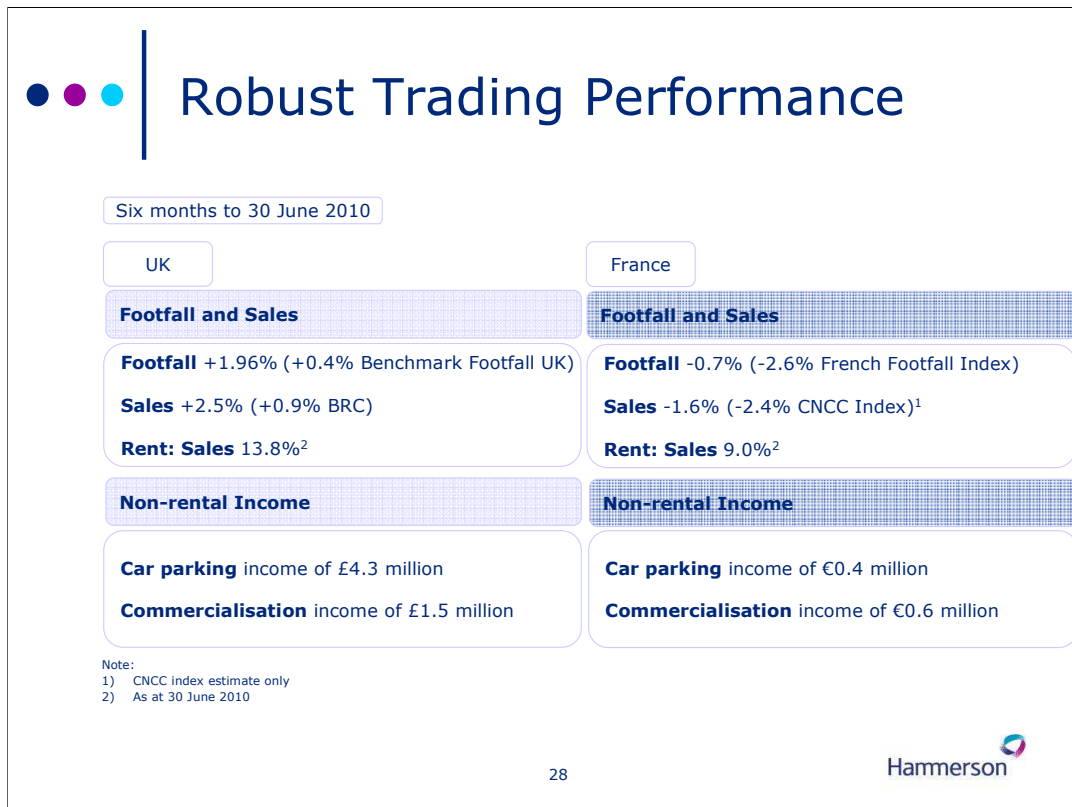
Low Vacancy Levels



In particular, I'm very pleased with our vacancy performance.

Our figures are good, but compared to the market they are excellent.

I set our teams a target to reduce vacancy by 20% during the year. We've managed to achieve this in the first six months of the year and that's one of the key reasons we have grown like-for-like income by 5%.



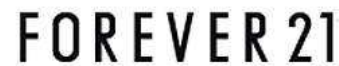
And our trading performance is also encouraging.

In the UK, both footfall and sales figures have been strong in the first half, showing that robust retail formats operating in good locations will thrive even in a tough consumer environment.

And in France, we have outperformed the market at both a footfall and sales level.

In part, our strong performance is because we have picked the right locations, but we need to remain imaginative and dynamic in the management of our assets....

● ● ● | Attracting Retailers



We work hard at building good relationships with both existing and prospective retailers. We recently launched our new customer strategy to retail tenants. We set out our commitments to improve our service and work with them to drive sales.

We have a track record of signing major international brands into our centres – Scotland's first Hollister and Apple stores and Europe's first Forever 21 store in the Bullring.

Equally important, we have signed major tenants into the retail parks, such as DSGi, Next Home, and Poundstretcher.

The Poundstretcher letting was in a former Allied Carpets unit at Drakehouse retail park and it gets the park back to 100% occupancy.

...

Quality Retail Park Portfolio



Cyfarthfa, Merthyr Tydfil



Orchard Centre, Didcot



St Oswald's, Gloucester

- 15 parks – 366,000 m²
- High occupancy rate >97%
- Average rent £17/ft² or £185/m²
- Majority have open A1 consent
- Attractive and profitable locations for retailers
- Asset management and extension opportunities

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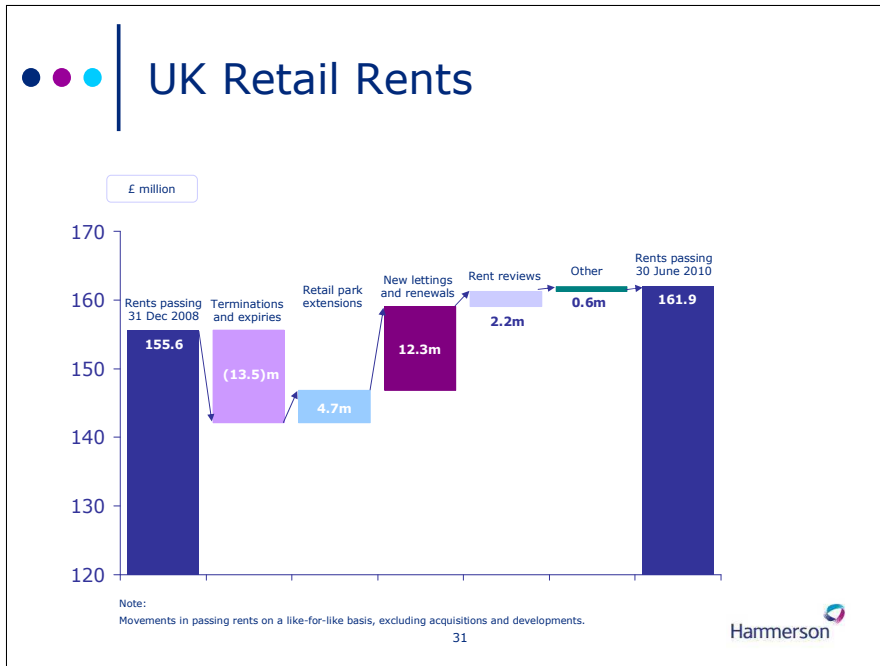
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Our UK retail park portfolio is a high quality portfolio in its own right, valued at nearly a billion pounds.

The quality of the portfolio is demonstrated by its high occupancy levels and rents are very affordable at an average of £17/ft².

13 of the 15 parks have full or partial open A1 consent, and we have a number of opportunities to extend and enhance the assets, so I'm enthusiastic about the future for this part of our business.

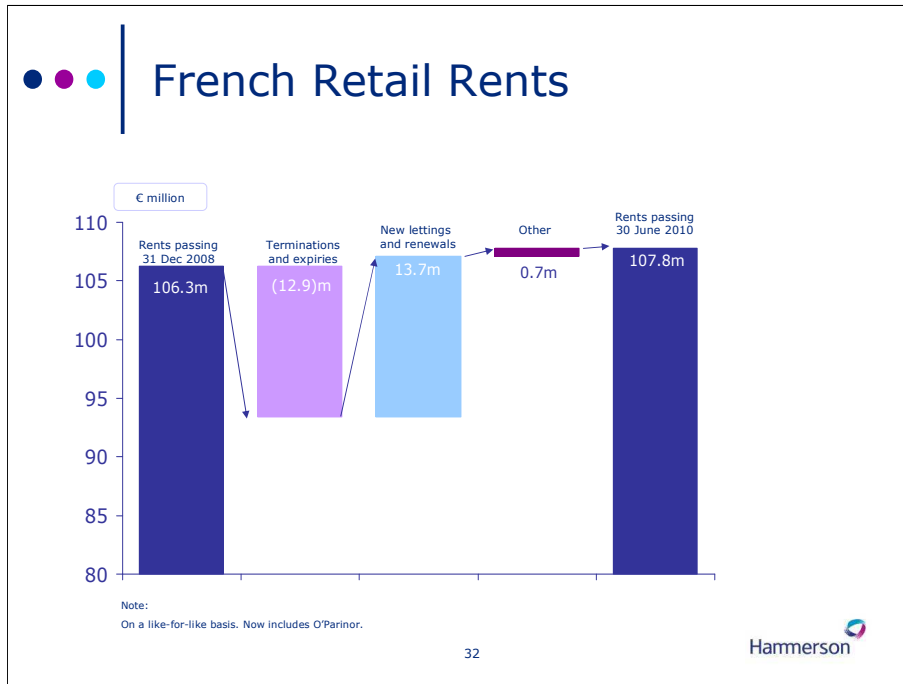
So looking at the net result of our actions...



This slide shows how passing rents have moved over the last eighteen months.

Clearly, over a difficult period, we've more than compensated for terminations and expiries so that our like for like passing rents increased by more than six million pounds over that period.

In France...



We have marginally increased rents in spite of having no real benefit from indexation over the 18 month period.

So in the UK and France, the Hammerson portfolio continues to show growth in like for like rents.

Now looking at future income, in addition to what we can achieve from our standing portfolio...



Contracted Income Growth

	£ million					
	2009	2010	2011	2012	2013	2014
Offices - UK	2.2	3.7	6.2	9.4	15.4	16.2
Shopping centres - UK	14.7	26.3	31.5	32.4	32.4	32.6
Shopping centres - France	7.2	8.1	10.6	12.0	12.4	19.5 ²
Total - cash flow	24.1	38.1	48.3	53.8	60.2	68.3
- accounting basis	35.6	50.5	54.7	56.1	56.4	63.7

Note:

- 1) Figures include Hammerson's share of the income for joint ventures.
- 2) Includes £7 million from Marseille

This slide shows the income progression arising from deals signed at our recent developments.

As you see here, as the rent free periods expire, the cashflow increases by £22 million from £38 million this year to £60 million by 2013.



That's what has been happening in the existing portfolio, I just want to take a few minutes on our approach to progressing our valuable development pipeline...



Development Approach

- Substantial pipeline of major opportunities
- Excellent reputation for urban regeneration
- Extension and improvement potential in current retail portfolio
- Current financial targets:

>7.25% yield on total cost
>12.5% IRR
- Phased programme
- Rigorous risk management
- Schemes designed to reflect changing markets

First let me set developments in context.

We have a substantial pipeline of opportunities and an unrivalled reputation for urban regeneration.

I've set out here our current financial targets with a minimum yield on cost of 7.25%.

We will bring schemes forward in a controlled manner, taking account of market conditions.

And we will remain flexible and pragmatic about schemes in order that we can meet the changing requirements of our customers.

Turning to the specific opportunities...

● ● ● | Major Development Opportunities

UK Retail	French Retail	UK Offices
		
<ul style="list-style-type: none"> • Sevenstone, Sheffield • Watermark WestQuay, Southampton • Eastgate Quarters, Leeds • Brent Cross Cricklewood, London • Retail parks: Gloucester, Didcot and Cramlington • Shopping centre extensions/enhancements 	<ul style="list-style-type: none"> • Les Terrasses du Port, Marseille • Halle en Ville, Mantes • Retail extensions: Place des Halles, Angers, Italie 2, Bercy 2 	<ul style="list-style-type: none"> • Bishops Place, London EC2 • St Alphage, London EC2 • Bishopsgate Goodsyrd, London E1

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You can see here we have a substantial pipeline across all areas of our business.

We have been advancing these opportunities without spending significant capital.

In UK retail:

- We acquired Brookfield's interest in the Cricklewood element of the Brent Cross project giving us greater control.

- In Sheffield we have made significant changes to the design, simplifying the scheme to reduce costs.

- At Eastgate Quarters in Leeds – we've refined the design and will submit a revised planning application shortly.



Les Terrasses du Port, Marseille



54,000 m² with 160 shops
44% pre-let
70-year ground lease with the Port

Total development cost¹ €434 m

Construction cost €280 m

Net rents receivable² €32 m

Development yield 7.4%

Average retail rents €540/m²



Note:

1) Includes land and interest

2) Rental income net of rents payable

In France, Terrasses du Port in Marseille has already attracted significant retail interest from high quality brands before construction has begun.

We have redesigned the project, improving the retail layout while reducing costs.

Enabling works should start on site this month, with the main construction expected to begin early next year.



Faubourg St Honoré, Paris



60 m window facade
Redevelopment of 3,000 m²
5 MSUs and 2 shops

Additional rental income **€3 m**

Development costs **€35 m**

Practical completion **Q4 2010**

Stores opening **Q2 2011**



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At Faubourg, which is fully pre-let, we have secured luxury brands such as Burberry, Moschino and Blumarine.

And in doing so, we have created a prestigious retail block in one of Paris' most exclusive shopping destinations.

The scheme shows a healthy development profit based on June valuation, which should increase further as the project completes.

Now looking at the London office opportunities...



Bishops Place, London EC2



Mixed use planning consent:

- 65,000 m² offices
- 118 bedroom hotel
- 240 apartments
- New public space, including retail
- Potential for office pre-letting
- Potential for specialist partner for residential/hotel

We have two of the biggest development sites in the city.

St Alphage and Bishops Place could in total accommodate over a million square feet of office space over four buildings.

And Bishops Place is one of the few sites in London which has planning consent and is effectively ready for a start on site.

It is a viable project but we won't start without a significant pre-let for the office element, and we will bring in partners for the residential element and the hotel. It is a large project which can be developed in stages because of its mixed-use nature.



Conclusion



Conclusion

- Strong retail locations providing income growth
- London office portfolio well positioned
- Operational excellence attracting joint venture partners
- Prudent financial approach
- Greater visibility of development potential
- Potential for good shareholder returns

The fundamental attractions of property are clear and I believe Hammerson is well placed to prosper in this environment.

Our retail assets are in the best locations and attract the best retailers, ensuring that footfall and sales remain strong. Our centres and parks will outperform the market.

The outlook for both our existing assets and our developments in London looks good.

Our reputation as a best-in-class manager is continuing to attract investment which brings both capital and income into our business.

And we have a development pipeline which will create significant additional income over the coming years.

I am pleased with the progress which we have made, I am confident in our prospects and I believe we will deliver good returns to shareholders.



Disclaimer

This presentation contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking in nature and are subject to risks and uncertainties. Actual future results may differ materially from those expressed in or implied by these statements.

Many of these risks and uncertainties relate to factors that are beyond Hammerson's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of governmental regulators and other risk factors such as the Company's ability to continue to obtain financing to meet its liquidity needs, changes in the political, social and regulatory framework in which the Company operates or in economic or technological trends or conditions, including inflation and consumer confidence, on a global, regional or national basis.

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