

## Who we are

Hammerson has been creating and managing some of the most exciting retail destinations and office buildings in Europe for over 60 years.

Hammerson's vision is to be the best owner-manager and developer of retail and office property in the UK and France. We focus on prime regional shopping centres and out-of-town retail, while exploiting opportunities in the office sector.

Our strategy is to outperform through two areas of focus: income growth and high quality property, both of which are underpinned by our capital strength.

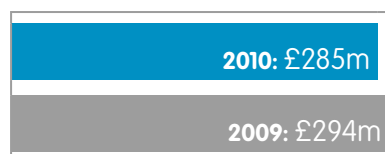
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## Financial highlights

### INCOME

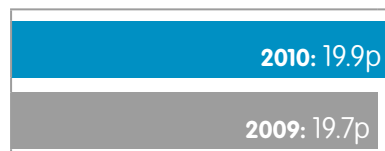
#### Net rental income



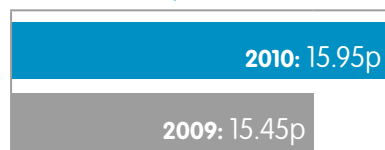
#### Adjusted profit before tax<sup>(1)</sup>



#### Adjusted earnings per share<sup>(1)</sup>

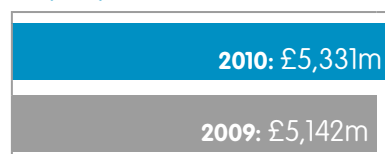


#### Total dividend per share<sup>(2)</sup>



### CAPITAL

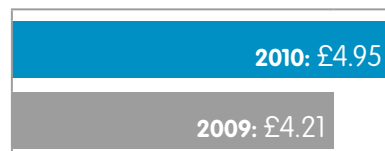
#### Property assets



#### Equity shareholders' funds

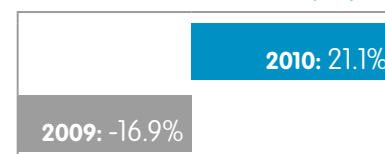


#### Adjusted net asset value per share, EPRA basis<sup>(1)</sup>

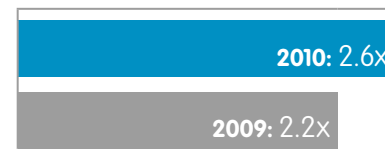


### RATIOS

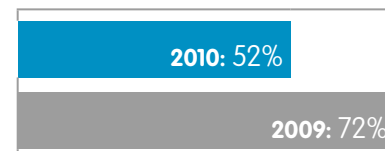
#### Return on shareholders' equity



#### Interest cover



#### Gearing



#### Notes

(1) The calculations for adjusted figures are shown on pages 27 and 30 and in note 10 to the accounts.

(2) The average number of shares in issue in 2010 was 706.0 million (2009: 637.2 million).

(3) The profit for the year ended 31 December 2010 was £619.5 million (2009: loss of £350.4 million).

## Business highlights

<b>ACQUISITIONS AND DISPOSALS</b>	<p>In 2010 Hammerson raised £555 million from disposals including: stakes in French shopping centres Espace Saint Quentin and O'Parinor; Exchange Tower, an office in London's Docklands; and its remaining stake in Bishops Square, a City of London office building.</p> <p>Hammerson invested £219 million in acquisitions offering superior returns in the year, including: Leadenhall Court and a stake in 10 Gresham Street, both offices in the City of London; Wrekin Retail Park in Telford; and the remaining 75% stake of Battery Retail Park in Birmingham.</p>
<b>DEVELOPMENTS</b>	<p>In 2010 Hammerson began enabling works at Les Terrasses du Port, a major shopping centre development in Marseille, and handed over retail units to tenants at the redevelopment of 54-60 rue du Faubourg Saint-Honoré, Paris.</p> <p>Hammerson acquired Brookfield's stake in the Brent Cross Cricklewood project, London NW4, assuming full control of the Cricklewood element. The project received planning consent in October 2010.</p> <p>Hammerson submitted a detailed planning application in November 2010 for a 46,000m<sup>2</sup> office development at London Wall Place, London EC2.</p> <p>In January 2010 Hammerson was appointed as development and asset manager of The Rock, a shopping centre in Bury, by the administrators of Thornfield Ventures Limited.</p>
<b>LEASING</b>	<p>328 leases in respect of approximately 119,000m<sup>2</sup> were signed in 2010.</p> <p>Hammerson brought major international retailers into its portfolio in the UK and France, as well as signing leases with successful, established customers.</p> <p>Occupancy at the year-end was 97.3%, compared with 95.4% at December 2009.</p>
<b>INCOME</b>	<p>Passing rents at 31 December were £315 million, and like-for-like net rental income grew by 3.5% in 2010.</p> <p>Rent reviews in the UK in the year secured an uplift of £2.3 million per annum.</p> <p>Hammerson has a diverse base of high quality tenants, and the average unexpired lease term at 31 December 2010 was nearly nine years.</p>
<b>FINANCING</b>	<p>Net debt at 31 December was £1.8 billion, with gearing of 52%.</p> <p>The Company has a strong, flexible financial position with virtually all debt unsecured and liquidity (cash and undrawn facilities) at the year-end of £1.0 billion.</p>

## Chairman's statement



**John Nelson, Chairman**

"Our rigorous focus on the performance of each asset is improving occupancy and income."

### STRATEGY

Hammerson aims to be the best owner-manager and developer of retail and office property in the UK and France. Our strategy is to outperform through two areas of focus: maximising income growth; and creating a high quality property portfolio through acquisition, development and asset management. Both areas are underpinned by prudent financial management.

We have a portfolio of exceptional quality that continues to provide strong like-for-like income growth in a challenging environment. Nevertheless, we are committed to enhancing our returns by disposing of mature assets and reinvesting in higher return opportunities where we aim to take advantage of our strong financial position, first-class in-house property skills and occupier relationships. Further, we are taking forward development schemes from our significant pipeline.

In 2010 we made good progress in the management of both our portfolio and our assets, as well as making important changes to our operations, all of which should deliver improved returns for shareholders.

### RESULTS

The Group's adjusted profit before tax increased by £15 million to £145 million, and adjusted earnings per share were 19.9 pence compared with 19.7 pence for 2009. The Board has proposed a final dividend of 8.8 pence per share, giving a total dividend for the year of 15.95 pence per share, which compares to 15.45 pence for 2009. The final dividend will be paid as a PID, but

shareholders will be offered a scrip dividend alternative, details of which will be sent in a separate letter.

Capital values increased over the year, with the value of the UK and French portfolios rising by 12.5% and 1.9% respectively. Adjusted net asset value per share was £4.95 at 31 December 2010, a 17.6% increase over the year.

### MAXIMISING INCOME AND OPERATIONAL CHANGES

At the beginning of the year we restructured our UK leasing teams and created the new role of UK Sales and Marketing Director, as part of our approach to generate value for both retailers and Hammerson by focusing on key measures including footfall, retail sales, affordability and customer satisfaction. In France, towards the end of the year, we made significant new hires, including the Director of Finance and Director of Operations.

Retailers' preference for strong trading locations was clear throughout 2010, and we have seen an improving trend in retail demand. We continue to attract successful, expanding retailers into the portfolio, such as Forever 21 who opened their first European store at Bullring. We signed 328 leases in respect of approximately 119,000m<sup>2</sup> across our portfolio in 2010, and at the year-end the Group's overall occupancy rate was 97.3%, up from 95.4% at December 2009. In the second half of the year, overall, new leases in the UK were signed 1% below ERV, with those in France 2% above. UK rent reviews agreed in the year secured an annual uplift of £2.3 million.

Our regionally dominant shopping centres and accessible, conveniently located retail parks continued to perform well. Footfall was up at our shopping centres in both the UK and France, which resulted in like-for-like sales increases of 3.5% and 0.7% respectively, ahead of national benchmarks. Total like-for-like net rental income for the year increased 3.5% on 2009.

### PORTFOLIO

We completed a number of disposals in 2010 to release capital for reinvestment in assets offering superior returns. In France, we sold stakes in both Espace Saint Quentin and O'Parinor, whilst retaining the management of the schemes. In London, we sold Exchange Tower and our remaining stake in Bishops Square. In aggregate, disposals in the year raised £555 million, and £219 million was invested in acquisitions. These transactions resulted in us recycling the equivalent of 15% of our portfolio, which at the year-end was valued at £5.3 billion.

In the City of London, we purchased Leadenhall Court and a stake in 10 Gresham Street. These provide the opportunity to use our asset management skills, whilst giving us increased exposure to high quality property in the heart of the City. Retail parks remain in demand from our tenants and their customers. We took full control of Battery Retail Park in Birmingham by acquiring our partner's 75% stake, and acquired Wrekin Retail Park in Telford. In February 2011 we acquired SQY Ouest, a shopping centre in Saint Quentin-en-Yvelines, Paris, adjacent to our existing Espace Saint Quentin centre. We can create value by improving the tenant mix

"We have sold mature assets and reinvested in properties which offer better growth prospects through active management."

at SQY Ouest and providing common management of both centres.

In 2010 we made good progress with a number of our development schemes in the UK and France. At Brent Cross Cricklewood, where we have full planning consent, we assumed control of the Cricklewood project by acquiring Brookfield's stake. We have begun construction of Les Terrasses du Port, Marseille, which will be one of the largest retail developments in France over the next few years. We are currently discussing with retailers new schemes at Mantes and Beauvais in northern France. In the City of London, we submitted a detailed planning application for a 46,000m<sup>2</sup> office development at London Wall Place on the former St Alphage site. We also have a cleared site and are seeking a pre-let at Bishops Place, our proposed mixed-use development with 52,000m<sup>2</sup> of office space. We have a significant pipeline of other development opportunities, in both the UK and France, which we will progress in a phased manner.

We seek continually to improve our portfolio through extensions and redevelopments which create new retail space, increasing the attractiveness to retailers and enhancing the quality of the schemes. We received planning consents for an additional 7,700m<sup>2</sup> of retail and leisure space at Silverburn, and for a 1,000m<sup>2</sup> restaurant quarter at Bullring. We also received consent for extensions at Abbey Retail Park, Belfast, and Battery Retail Park. In January 2011 we received consent for a 930m<sup>2</sup> extension to Queensgate, which will allow us to accommodate Primark in a

new 5,500m<sup>2</sup> unit as part of a £20 million upgrade of the scheme.

### FINANCING

Net debt at the year-end was £1.8 billion, resulting in gearing of 52%, compared to 67% at 30 June 2010, with liquidity, cash and undrawn facilities, of £1.0 billion. At the end of 2010 the weighted average maturity of the Group's borrowings, virtually all of which are unsecured, was eight years, with 94% of gross debt at fixed rates of interest.

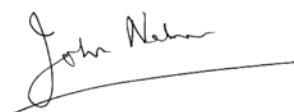
### BOARD CHANGES

Earlier this year we announced that Simon Melliss will retire in June 2011 after 20 years with the Company, including 16 years as Chief Financial Officer. Simon has played a central role as a member of both the Board and the senior management team and on behalf of the Board and shareholders I would like to thank him for his great contribution to Hammerson and wish him well for the future. I am delighted to welcome Timon Drakesmith as Simon's successor. Timon has proven capability and sector expertise, as well as wider industry and financial experience.

David Edmonds, who has served as a Non-Executive Director for eight years, will step down from the Board at the AGM in April. David's wisdom and advice have been invaluable, and I thank him for his significant input.

### OUTLOOK

Our rigorous focus on the performance of each asset is improving occupancy and income. We have sold mature assets and reinvested in properties which offer better growth prospects through active management. Looking forward, our financial flexibility and continued asset recycling will allow us to continue to take advantage of opportunities which we believe will arise in the coming period.



**John Nelson**  
Chairman  
21 February 2011

"We have a portfolio of exceptional quality that continues to provide strong like-for-like income growth in a challenging environment."

## Board of Directors



### **John Nelson, Chairman**

John Nelson, a Chartered Accountant, was appointed Chairman in 2005 and is a member of the Remuneration Committee and Chairman of the Nomination Committee. He is deputy chairman and the senior independent director of Kingfisher plc and senior advisor to Charterhouse Capital Partners LLP. He is also a trustee of The National Gallery and chairman of its development board.



### **Jacques Espinasse, Non-Executive Director**

Jacques Espinasse was appointed a Non-Executive Director and member of the Audit Committee in 2007. He is a non-executive director of AXA Belgium, Maroc Telecom, SES and LBPAM.



### **David Atkins, Chief Executive**

David Atkins, a Chartered Surveyor, joined the Company in 1998 and was appointed to the Board of the Company's UK business in 2003. He was appointed an Executive Director of Hammerson in 2007 and Chief Executive in 2009. He is a board member of the European Public Real Estate Association, a member of the policy committee of the British Property Federation and the advisory committee of the British Council of Shopping Centres.



### **John Hirst, Non-Executive Director**

John Hirst, a Chartered Accountant, joined the Board as a Non-Executive Director in 2004 and is Chairman of the Audit Committee. He is chief executive of the Met Office, a director of Epilepsy Research UK and a trustee of Epilepsy Bereaved. He is chairman of the audit committee of the World Meteorological Organization and a member of Exeter University Business School's advisory board.



### **Peter Cole, Chief Investment Officer**

Peter Cole, a Chartered Surveyor, joined the Company in 1989 as a senior development surveyor and was appointed to the Board of the Company's UK business in 1992. He was appointed an Executive Director of Hammerson in 1999. He is a general council member and past president of the City Property Association.



### **Simon Melliss, Chief Financial Officer**

Simon Melliss, a Chartered Accountant, joined the Company in 1991 as group financial controller, having worked in various financial positions for other companies, and was appointed Chief Financial Officer in 1995. He will be retiring from the Board on 30 June 2011. He is a non-executive director and chairman of the audit committee of Whitbread PLC and a member of the committee of management of Hermes Property Unit Trust.



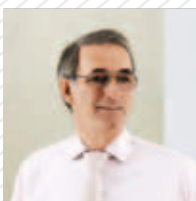
### **Terry Duddy, Non-Executive Director**

Terry Duddy was appointed a Non-Executive Director of Hammerson in 2009 and is a member of the Audit, Remuneration and Nomination Committees. He is chief executive of Home Retail Group plc.



### **Anthony Watson CBE, Non-Executive Director**

Tony Watson was appointed a Non-Executive Director of Hammerson in 2006. He is the Senior Independent Director, Chairman of the Remuneration Committee and is a member of the Audit and Nomination Committees. He is chairman of Marks & Spencer Pension Trust Limited and the Asian Infrastructure Fund Limited and a member of the Shareholder Executive Board. He is also a non-executive director of Lloyds Banking Group plc, Witan Investment Trust plc and Vodafone Group Plc and is on the advisory board of Norges Bank Investment Management.



### **David Edmonds CBE, Non-Executive Director**

David Edmonds was appointed a Non-Executive Director of Hammerson in 2003 and is a member of the Remuneration Committee. He will be retiring from the Board at the Annual General Meeting on 28 April 2011. He acts as Chairman to the Hammerson Pension Scheme Trustees. He is chairman of Wincanton plc, the Legal Services Board and NHS Shared Business Services Limited. He is also a non-executive director of William Hill plc and the Olympic Park Legacy Company.

## Chief Executive's Q&A



**David Atkins**, Chief Executive

"The business never stands still and there are always things we can do better."

### 2010 HIGHLIGHTS

#### What are the highlights of the results?

Well I'm obviously pleased that values have gone up this year, but there are a number of other important things behind that headline. Like-for-like rental income is up by 3.5% and we have increased the dividend by 3.2%. At the property level, we have reduced vacancy to below 3%. Looking at our financing we have net debt of £1.8 billion which resulted in gearing of 52% at the year-end, which positions us well to take advantage of opportunities in 2011.

#### What were the operational highlights for the year?

There were many things. We successfully opened The Rock in Bury on behalf of the administrators of Thornfield, and we had some significant signings into our portfolio, for example bringing Forever 21 into Bullring. We also made good progress on our developments, such as starting work on Les Terrasses du Port, getting a crucial planning consent for Brent Cross and submitting a detailed planning application for London Wall Place. In line with our stated strategy, we also sold a number of assets where we felt there was scope to reinvest for better returns.

"We've made significant progress implementing our customer strategy, but it is far from over."

### STRATEGY

#### What have you learnt in your first full year as CEO?

The business never stands still and there are always things we can do better. I'm pleased with what we have achieved in 2010, but there are still many things that I want to do to improve our portfolio, our asset management and our relationships with customers and staff.

#### What progress have you made implementing the customer strategy?

We've made significant progress, but it is far from over. The first year was really about embedding the processes internally and making sure that we had opened the lines of communication with customers to ensure they understood what we are trying to do. We're measuring that every year with the customer survey, and I'm hopeful that when we get the results of the 2010 survey they will show an improvement, but also highlight areas where we can keep getting better.

#### What is the strategy for the Company?

Our strategy is very clear: we focus on three things. First, managing the assets and the relationships with our customers to actively grow sales and income generated by the portfolio. Second, ensuring that we actively manage the portfolio so that we hold high quality assets offering superior returns. Third, we operate within a prudent and flexible financial framework which allows us to be entrepreneurial and capitalise on opportunities at the property level.

## OUTLOOK

### **With action being taken to tackle fiscal deficits in both your markets, what is the outlook for your tenants?**

It is clearly a difficult environment in which our customers are operating, but the prime nature of our assets means that we attract excellent tenants into our shopping centres, retail parks and offices. I'm by no means complacent, but our retail assets attract some of the most successful fashion, home and catering brands, and I think that our results show that we are well positioned to thrive in these challenging conditions.

### **What are the biggest challenges facing the business in 2011?**

The biggest challenges are macro – action to tackle government deficits domestically, concerns over sovereign debt defaults in Europe and the growing tensions caused by global trade imbalances. All of these factors make us cautious about the outlook, but I believe that our regionally dominant shopping centres will continue to outperform the sector. I believe that the City of London is also in strong shape and that as a business not only are we well positioned to withstand further economic instability, but to benefit relative to our sector.

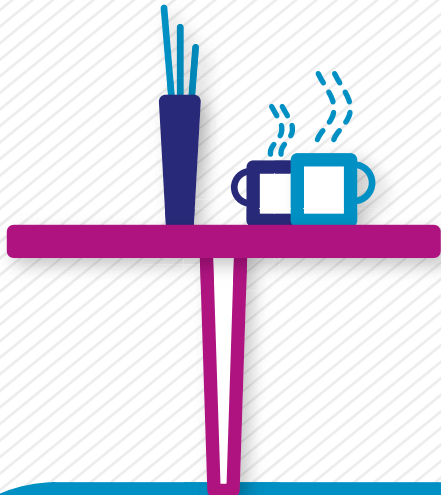
### **What are the catalysts for starting UK retail developments?**

Many of our retail customers are keen to expand into new, modern space in thriving retail environments in order to grow their own sales. However, the outlook remains mixed for many retailers, and whilst we are developing in France and have had expressions of interest at sensible rental levels from some UK retailers, we cannot start a new retail scheme until we have sufficient confidence in the depth of retail demand in an area – commencing an uneconomic scheme is simply not in the interests of our shareholders, our retail customers or our council partners.

### **What are your areas of focus this year?**

Having been a net seller in 2010 I'm looking for opportunities to add to our portfolio, but only if we can find reasonably priced assets that offer us the opportunity to use our skills to increase returns. The drive to improve the performance of our existing properties is ongoing, as is the progression of our significant development pipeline to ensure that we can capitalise on those opportunities when the demand is there. In terms of relationships, I want to demonstrate the value this year of some of the important hires we made in 2010 and also continue to improve the internal communication with staff.

"We attract excellent tenants into our shopping centres, retail parks and offices."



It's about getting the right mix of tenants – whether it's a retail brand new to the UK or a high quality office tenant.

FOCUS ON INCOME GROWTH

FOCUS ON INCOME GROWTH

It's about keeping our retail centres vibrant, finding creative ways to maximise both footfall and additional sources of income.

ABERCROMBIE  
 FNAC & FITCH DEBENHAMS C&A  
 DARTY BURBERRY KURT CARREFOUR  
 REISS HARVEY GEIGER  
 NICHOLS  
 ALL SAINTS BLUMARINE  
 MOSCHINO HOBBS JOHN  
 SATURN SELFRIDGES LEWIS



# Our strategy

Our 3-point strategy threads through everything we do.

We have two areas of focus: **income growth** and **high quality property**.

Both are underpinned by one principle: our **capital strength**.

So what's it about?

It's about creating environments for our customers to thrive...



It's about talking and responding to our customers: their success is our success.

**FOCUS ON INCOME GROWTH**

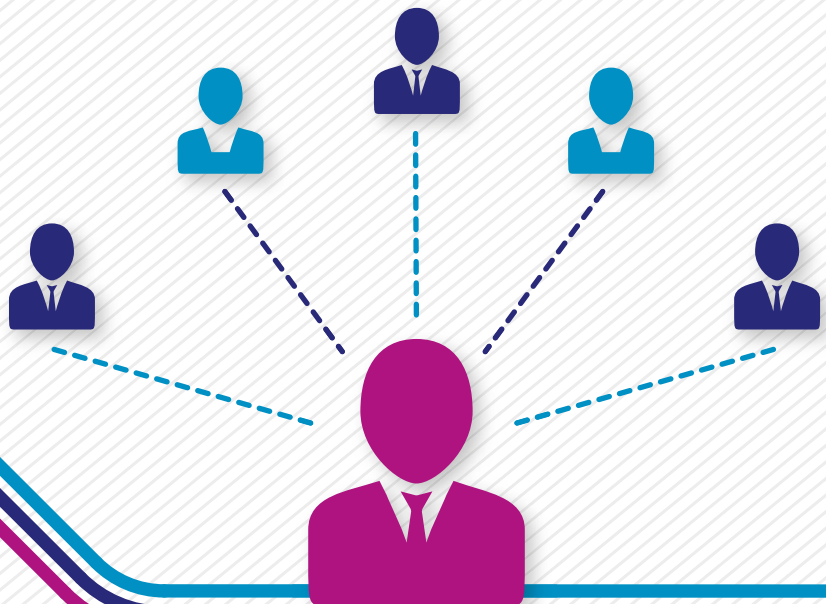
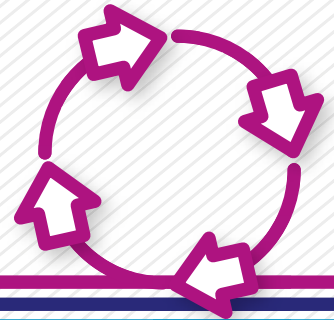
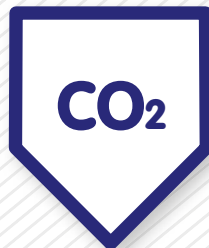


**HIGH QUALITY PROPERTY**

It's about location: either the dominance of prime sites or the convenience of out-of-town.

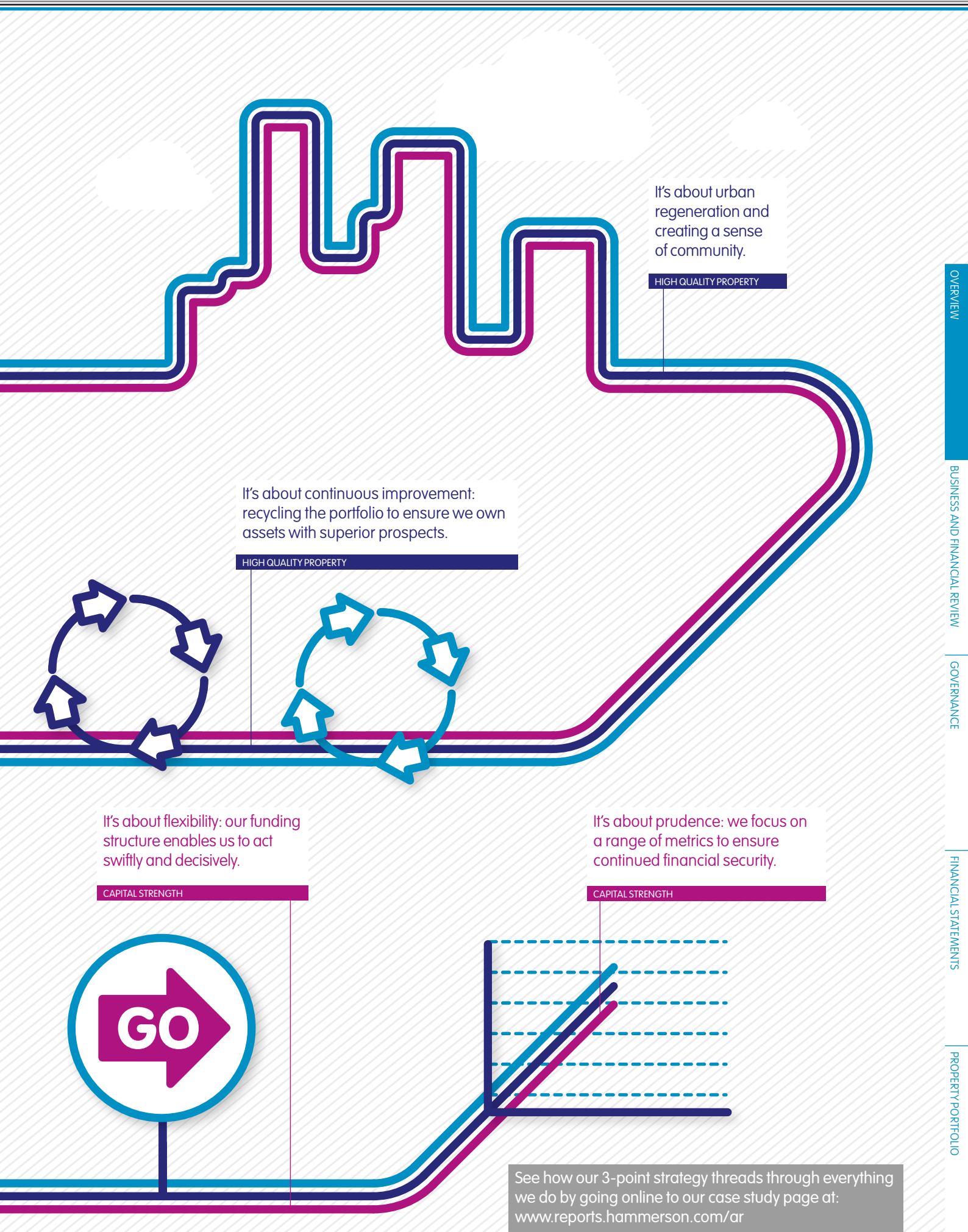
It's about making our developments and investments sustainable. Our latest office developments have an A1 rating making them the greenest in the sector.

**HIGH QUALITY PROPERTY**



**CAPITAL STRENGTH**

It's about expertise: our retail skills and market presence attract capital into our portfolio.



It's about urban regeneration and creating a sense of community.

HIGH QUALITY PROPERTY

It's about continuous improvement: recycling the portfolio to ensure we own assets with superior prospects.

HIGH QUALITY PROPERTY

It's about flexibility: our funding structure enables us to act swiftly and decisively.

CAPITAL STRENGTH

It's about prudence: we focus on a range of metrics to ensure continued financial security.

CAPITAL STRENGTH

See how our 3-point strategy threads through everything we do by going online to our case study page at: [www.reports.hammerson.com/ar](http://www.reports.hammerson.com/ar)