NEWS RELEASE

Hammerson

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HAMMERSON HALF-YEAR RESULTS

Hammerson plc, the European REIT, announces its unaudited results for the six months to 30 June 2007.

Six months to:	**30 June 2007**	30 June 2006	Change
Net rental income	**£138.3m**	£109.3m	+26.5%
Profit before tax	**£367.8m**	£384.8m	-4.4%
Adjusted profit before tax[(1)]	**£54.8m**	£44.8m	+22.3%
Basic earnings per share[(1)]	**126.8p**	112.3p	+12.9%
Adjusted earnings per share[(1)]	**18.4p**	15.1p	+21.9%
Interim dividend per share	**12.0p**	6.38p	+88%
	30 June 2007	31 Dec 2006	
Equity shareholders' funds	**£4,649m**	£4,165m	+11.6%
Adjusted net asset value per share, EPRA basis[(1)]	**£16.35**	£15.00	+9.0%

Note
(1) Details of the calculations for basic and adjusted data are shown on page 5 and in note 7 on page 24.

Key points

- Adjusted earnings per share up 22% compared with the first half of 2006, reflecting increased rental income from lettings, asset management initiatives, rent reviews, indexation of rent from leases in France and development completions.
- Strong growth in net asset value per share, reflecting a portfolio capital return of 5.9%.
- The group invested £389 million in the first half of 2007. Since 30 June the sale of two major assets raised over £500 million, some £40 million in excess of their value at 31 December 2006.
- Good progress made with the current development programme and in advancing the substantial development pipeline.
- Strong balance sheet with gearing of 54%, since reduced by disposals to 43% on a pro-forma basis.
- The Directors intend to recommend an increase in the total dividend for 2007 of around 25% compared with 2006. The interim dividend has been increased by 88% to provide a better balance between the interim and final dividends.

The Chairman, John Nelson, said today:

> "Against a background of greater uncertainty in financial markets, we are maintaining our strategy of creating value through asset management, development activity and capital recycling in key property markets in the UK and France. We have an investment portfolio of exceptional quality which, coupled with our outstanding development programme and pipeline, will enable us to continue to drive the performance of the business. I have great confidence in Hammerson's future."

Copies of the Chairman's statement, income statement, balance sheet, cash flow statement and notes are attached. The terms used in the commentary that follows, and in the key points above, are defined in the glossary of terms at the end of the document.

Presentation

Hammerson is making a presentation on the half-year results to investors and analysts at 9.30 a.m. today at the City Presentation Centre, 4 Chiswell Street, London, EC1Y 4UP. A live webcast will be available on the morning of the announcement on the Company's website (www.hammerson.com).

Financial calendar:

Ex dividend date	19 September 2007
Record date	21 September 2007
Interim dividend payable	19 October 2007

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CHAIRMAN'S STATEMENT

I am delighted to announce excellent results for the six months to 30 June 2007. Adjusted net asset value per share increased by 9.0% to £16.35, principally reflecting a capital return of 5.9% on the portfolio. Adjusted earnings per share of 18.4 pence were 21.9% higher than in the first half of 2006, reflecting increased rental income from asset management initiatives, rent reviews, indexation of rent from leases in France and the completion last year of two major developments.

Earlier this year, I stated our intention to recommend a total dividend for 2007 around 25% higher than the total for 2006. This remains the case. The Board has decided that it is also appropriate to provide a more balanced profile between the interim and final dividends and has therefore declared an interim dividend of 12 pence per share, an increase of 88% over the interim dividend paid in 2006.

On 1 January 2007 we took advantage of the new tax-exempt regime for property companies in the UK by converting to a Real Estate Investment Trust (REIT). We continue to benefit from tax-exempt status in France following our entry three years ago into the similar SIIC tax regime. It is therefore anticipated that Hammerson will bear minimal tax in the future.

This has been an active year for Hammerson. We have continued our policy of recycling capital, achieving growth in rents from the existing portfolio, advancing developments and ensuring that the group remains in robust financial shape. In the first half of the year, we invested £389 million, principally on property acquisitions and our development programme. The six major developments currently underway should demonstrate further substantial capital growth over the next two years as they are completed and let. Progress has been maintained since 30 June with two major disposals, which raised over £500 million, some £40 million in excess of the value of the assets at 31 December 2006.

In the first half of the year, demand for office accommodation both in central London and Paris strengthened further, leading to increased rental values. Conditions for retailers remained somewhat challenging, particularly in the UK, but we continued to attract retailers to our existing schemes and developments. After several years of rising values, investment activity in commercial property in the UK showed signs of slowing in the second quarter, whilst in France, property investment markets remained robust.

Looking ahead, in both the UK and France, we anticipate modest increases in rents at our shopping centres and retail parks. In relation to the office markets, with vacancy rates at their lowest level for five years and limited availability in both markets, the fundamentals are positive. Nevertheless, recent weakness in global financial markets may affect demand for office space, with the impact in the City of London likely to be greater than in Paris. With regard to investment markets, higher borrowing costs and concerns about risk are likely to have a greater effect on the values of secondary property than on prime property of the type owned by Hammerson.

Against this background, I believe that there are several reasons why Hammerson remains extremely well placed to continue its out-performance over the medium-term.

First, we have an investment portfolio of the highest quality, diversified between the retail and office sectors in both the UK and France. It generates a robust and growing income stream from a wide range of tenants, providing more resilience than secondary property.

Second, we have a current development programme of nearly £1 billion and a future pipeline providing the potential for capital investment of a further £5 billion over the next ten years. Our management team has consistently demonstrated its ability to achieve excellent returns from development.

Third, we have a strong balance sheet, with only one major borrowing facility maturing in the next four years. This will enable us to withstand any short-term market weakness and continue to pursue attractive acquisition and development opportunities.

In conclusion, we are maintaining our strategy of creating value through asset management, development activity and capital recycling in key property markets in the UK and France. We have an investment portfolio of exceptional quality which, coupled with our outstanding development programme and pipeline, will enable us to continue to drive the performance of the business. I have great confidence in Hammerson's future.

John Nelson, Chairman
4 September 2007

BUSINESS AND FINANCIAL REVIEW

The financial information contained in this review is extracted or calculated from the attached income statement, balance sheet, cash flow statement, other statements, notes and glossary of terms.

Profit before tax

For the six months to 30 June 2007, profit before tax, which includes property revaluation gains, was £367.8 million, compared with £384.8 million in 2006. The table below shows adjusted profit before tax, which rose by £10.0 million to £54.8 million compared with the equivalent period in 2006. During the first half of the year the group benefited from letting activity, rent reviews, rental indexation in France and income following the completion in 2006 of two major developments at Bishops Square in London and 9 place Vendôme in Paris. These were partly offset by an increase in administration and finance costs.

Analysis of profit before tax	**Six months to 30 June 2007 £m**	Six months to 30 June 2006 £m	Year to 31 December 2006 £m
Profit before tax	**367.8**	384.8	792.4
Adjustments:			
Loss/(Profit) on the sale of investment properties			
Revaluation gains on investment properties	**0.5**	(0.9)	(95.8)
Goodwill impairment	**(323.4)**	(382.5)	(664.8)
Bond redemption costs	**-**	-	12.6
Change in fair value of interest rate swaps	**0.1**	33.7	34.0
	9.8	9.7	16.1
Adjusted profit before tax	**54.8**	44.8	94.5

Adjusted earnings per share increased by 21.9% to 18.4 pence, reflecting the underlying profit growth discussed above. Details of the calculations for earnings per share are provided in note 7 on page 24.

The Directors have declared an interim dividend of 12 pence per share, an increase of 88%, payable on 19 October 2007, reflecting a decision to provide a more even balance between the interim and final dividends.

Net rental income

Net rental income for the six months to 30 June 2007 was £138.3 million, compared with £109.3 million for the corresponding period in 2006. For properties owned throughout both periods, there was an increase of £11.7 million to £111.7 million. An analysis of net rental income is shown below.

Net rental income	**Six months to 30 June 2007 £m**	Six months to 30 June 2006 £m
Properties owned throughout	**111.7**	100.0
Acquisitions	**10.2**	-
Developments	**16.3**	0.9
Properties sold	**-**	8.6
Exchange translation and other	**0.1**	(0.2)
Total net rental income	**138.3**	109.3

Administration costs

Administration costs totalled £21.4 million for the six months to 30 June 2007 compared with £16.8 million for the equivalent period in 2006. The increase principally reflected higher staffing costs resulting from increased business activity and performance related remuneration.

Finance costs

Net finance costs at £72.0 million were £19.1 million lower than in the first six months of 2006, reflecting the £33.7 million premium paid to redeem bonds last year. An increase in the group's net debt and higher interest rates partially offset this reduction. Interest capitalised totalled £11.7 million, some £2.9 million lower than the equivalent figure during 2006 following completion of two major developments in 2006. The group's average cost of borrowing in the first half of 2007 was 6.1%, compared with 5.7% for the corresponding period in 2006.

Tax

The current tax charge of £17.8 million for the six months to 30 June 2007 included £17.4 million in respect of the capital gain arising on the sale of 9 place Vendôme, which was completed in July 2007. This was Hammerson's only French property outside the SIIC regime. The related deferred tax provision of £28.8 million has been released.

As a UK REIT and French SIIC, it is anticipated that the group will bear minimal tax.

Balance sheet and financing

Hammerson's property portfolio was valued at £7.5 billion at 30 June 2007, compared with £6.7 billion at 31 December 2006. The increase arose principally from capital additions, including capitalised interest, of £389 million and a revaluation surplus of £396 million.

At 30 June, group borrowings amounted to £2.6 billion, whilst cash and short-term deposits were £76 million. Gearing was 54%.

Equity shareholders' funds increased by £484 million to £4.6 billion in the six months to 30 June 2007, due mainly to the property valuation uplift of £396 million and the issue of five million shares in connection with the acquisition of Ravenhead Retail Park, St Helens, which increased net assets by £79 million.

During the first half of the year, adjusted net asset value per share increased by £1.35, or 9.0%, to £16.35. An analysis of adjusted net asset value per share is shown below.

	At 30 June 2007		At 31 December 2006	
Analysis of net asset value	**£m**	**£ per share**	£m	£ per share
Basic	**4,649**	**16.00**	4,165	14.60
Effect of dilution:				
On exercise of share options	**6**	**n/a**	9	n/a
Diluted	**4,655**	**15.99**	4,174	14.61
Adjustments:				
Fair value of interest rate swaps	**19**	**0.06**	9	0.03
Deferred tax on revaluation surpluses and other items	**85**	**0.30**	103	0.36
EPRA, diluted	**4,759**	**16.35**	4,286	15.00
Basic shares in issue used for calculation (million)		**290.6**		285.2
Diluted shares used for calculation (million)		**291.1**		285.7

In April a new £340 million five-year bank facility was arranged, further strengthening Hammerson's financial resources. At 30 June 2007, the average maturity of the group's borrowings was nearly nine years with only £402 million maturing in the next four years. In July we received proceeds of £506 million from the sale of two properties. On a pro-forma basis the latter reduced net debt to £2.0 billion and gearing to 43%.

Also in July, we made a tender offer for the £106 million 10.75% 2013 sterling bonds outstanding. Following this, these bonds were redeemed and cancelled at a premium of £26 million, including costs. The transaction will reduce future annual interest costs by approximately £3.5 million.

Cash flow

There was a net cash inflow from operating activities of £46 million for the six months ended 30 June 2007, compared with an outflow of £33 million for the same period last year. The principal reasons for the change were the payment in 2006 of bond redemption costs, the timing of working capital receipts and payments, particularly VAT and increased rental income in 2007. Capital expenditure in the first half of this year totalled £285 million and overall there was a net cash inflow, after financing, of £37 million.

Key performance indicators

Return on shareholders' equity

Hammerson achieved a return on shareholders' equity of 10.5% for the six months ended 30 June 2007. Our estimated cost of equity is 8.5% per annum.

Ungeared portfolio returns relative to IPD

In the UK, Hammerson achieved a total ungeared property return of 6.0% in the first six months of 2007, compared with the IPD UK property benchmark of 4.9%. We aim to exceed the IPD benchmark by 1.0%.

In France, Hammerson showed a return of 13.4%. IPD does not publish an index for France for the first six months of the year.

Occupancy levels

At 30 June 2007, the overall occupancy level in the investment portfolio was 96.8%. This compares with 96.6% at 31 December 2006 and a target of 97.0%.

Real estate portfolio

At 30 June 2007, Hammerson's portfolio was valued at £7.5 billion, of which investment properties accounted for £6.7 billion or 89%. Our objective for the investment portfolio is to achieve good growth in both capital and income and outperform comparable benchmark indices. We pursue an active management policy aimed at minimising vacancy rates in the portfolio and enhancing rental values. We also follow a policy of actively recycling capital from mature assets into properties and development projects offering the potential for higher returns.

At 30 June 2007, approximately 30% of the total portfolio was in respect of our interests in ten major properties held in joint ventures. In most instances, Hammerson has management responsibility for these assets and receives management fees, which enhance our overall profitability.

Hammerson made two major acquisitions in the first six months of 2007. In March, we acquired Ravenhead Retail Park, near St Helens town centre, for £120 million. It provides 27,500m² of retail accommodation with a current annual net rental income of £4.5 million. We anticipate starting construction of a £12 million extension early in 2008.

In May, we acquired the freehold of Stockley House, London SW1 for a total of £71 million. Completed in 1985, the 6,500m^2 eight-storey office building generates an annual net rental income of £3.1 million from leases expiring in 2010 and 2011. The property is adjacent to Victoria Station where we have existing ownerships and are in discussions with Network Rail for the regeneration of the station, which will include a major mixed-use development of up to 100,000m². We intend to incorporate proposals for Stockley House into our broader masterplan for Victoria.

A table of property valuations and capital returns for the six months to 30 June 2007 is shown below.

	Shopping Centres		Retail Parks		Offices		Total	
	Value £m	Capital return %	Value £m	Capital return %	Value £m	Capital return %	Value £m	Capital return %
UK	2,508	2.9	1,391	3.3	1,593	6.9	5,492	4.0
France	1,247	11.6	107	(13.1)	573	16.3	1,927	11.2
Germany	80	8.3	-	-	-	-	80	8.3
Total	**3,835**	**5.6**	**1,498**	**1.9**	**2,166**	**9.2**	**7,499**	**5.9**

The capital return from the group's portfolio overall was 5.9%, with returns from the retail and office portfolios of 4.5% and 9.2% respectively. In the UK, the capital return was 4.0%, which compares with an increase of 2.6% in the IPD All Property Capital Growth Index. In France there was a strong uplift in the values of the group's shopping centres, although the value of the retail park at Villebon decreased as rental values were revised downwards. The value of the French office portfolio includes 9 place Vendôme at the agreed sale price.

Overall the vacancy rate decreased marginally from 3.4% at the end of 2006 to 3.2% at 30 June 2007. Success in letting empty space in the office portfolio was offset by a slight increase in vacancy in the retail portfolio.

Several transactions initiated in the first six months of the year have been completed since 30 June. In July, we entered into agreements to acquire two retail park developments in France. Contracts were exchanged for the acquisition of the freehold of a proposed development, St Omer Retail Park, for £20 million. The site is located 2 km south of St Omer, between Calais and Lille. Hammerson's ownership upon completion will be 19,300m². Around 89% of the scheme is pre-let and the estimated net rental income upon completion in mid-2009 is £1.2 million per annum, representing an initial yield of 5.9%.

Hammerson has also signed heads of terms to acquire the development site of Cap Malo Retail Park, near Rennes. Hammerson will pay £7 million for the five hectare site. A planning application has been submitted for 10,700m² of retail park accommodation and the decision is expected shortly. Additional development costs are estimated at £7 million, with work on site expected to start in April 2008 for completion in April 2009.The forecast initial yield on completion is 6.2%.

A contract to purchase Grand Maine shopping mall, Angers, Maine et Loire, for £44 million has been signed, with completion expected in October 2007. The centre is anchored by a Carrefour hypermarket and produces an annual net rental income of £1.9 million. There are opportunities to increase the income and value of the centre.

In July, we concluded the sale of our 50% interest in 9 place Vendôme, Paris 1er, a major office building developed in joint venture with AXA REIM France. Hammerson's net sale proceeds amounted to £207 million giving rise to a development profit of £117 million on our £90 million share of the total development cost. Taking into account acquisition fees, the net yield to the purchaser was below 3.5%, demonstrating the continuing strength of the investment market in France.

Also in July, we sold a 50% interest in WestQuay Shopping Centre, Southampton for £299 million. Opened in 2000, WestQuay was developed by Hammerson in a 50:50 joint venture with Barclays. We acquired the latter's 50% interest in December 2004 for £203 million. The scheme provides 76,200m² of high quality retail accommodation anchored by John Lewis and Marks & Spencer. Hammerson and GIC Real Estate, the purchaser, will each hold their respective 50% interests in WestQuay in a joint venture partnership, with Hammerson retained as asset manager.

Current developments

Our strategy is to maintain a development programme with the objectives of achieving good returns and creating high quality properties of a type which are not generally available in the open market.

At 30 June 2007, six major projects were underway with a current cost of £377 million and an estimated cost on completion of £920 million. At 30 June, development profits of £191 million were reflected in the overall portfolio value. In addition, a further £46 million was realised on the sale in 2006 of a 50% interest in 125 Old Broad Street. The table below summarises these schemes, which are forecast to generate aggregate net rental income of £73 million when completed and fully let. Based on current valuation yields for comparable completed investment properties, the additional total development profits from these schemes could be of the order of £250 million, equivalent to a further NAV uplift of 86 pence per share.

Current developments	**Ownership interest %**	**Lettable area m²**	**Cost at 30/6/07 £m**	**Value at 30/6/07 £m**	**Costs to complete £m**	**Forecast total cost £m**	**Projected annual rent £m**	**Let at 31/8/07 %**	**Forecast completion date**
Notes			(1) (2)	(1) (2)	(1) (2)	(1) (2)	(2)	(3)	
Retail									
Cabot Circus, Bristol	50	92,000	134	158	111	245	18	66	Sep 2008
Highcross, Leicester	60	60,000	101	149	109	210	13	49	Sep 2008
Union Square, Aberdeen	100	49,000	58	68	162	220	15	21	Sep 2009
Parinor extension, Aulnay-sous-Bois	100	24,000	31	60	44	75	6	48	Apr 2008
Offices									
125 Old Broad Street, London EC2[4]	50	31,000	11	106	34	45	9	-	Dec 2007
60 Threadneedle Street, London EC2	100	20,400	42	73	83	125	12	-	Nov 2008
TOTAL			**377**	**614**	**543**	**920**	**73**		
Other development properties			206	199					
Profit realised on 50% disposal of 125 Old Broad Street in 2006			46	-					
Total development properties (note 8 to the accounts)			**629**	**813**					

Notes
(1) Capital costs including capitalised interest.
(2) Indicates Hammerson's share of costs, value and income.
(3) Amount let or under offer by income at 31 August 2007.
(4) Cost to 30 June 2007 and forecast total cost shown net of disposal profit of £46 million arising in 2006.

Cabot Circus in Bristol is a major retail-led regeneration project we are carrying out in a joint venture with Land Securities. Construction and letting are progressing well with leases for 66% of the projected scheme income either signed or under offer. Hammerson's estimated total development cost is £245 million and our share of the projected income is £18 million. On opening in September 2008, the scheme will re-establish Bristol as a top ten UK retail destination.

In Leicester, we are carrying out an expansion of the existing Shires shopping centre, which will more than double its size to 100,000m². The anchor store will be handed over soon to John Lewis for its fit out. Leases for 49% of the projected scheme income have either been signed or are under offer. Hammerson's share of the total development cost is £210 million, whilst our share of the projected annual income is around £13 million. We believe this project will prove to be the catalyst for an increase in rental values within the refurbished existing scheme.

With 12 months to opening at the schemes in both Bristol and Leicester our letting progress is consistent with our experience at other major retail developments. We are achieving our target rents but there is pressure from retailers for greater lease incentives, which have increased over the last year to the equivalent of a rent-free period averaging 18 months.

At Union Square in Aberdeen, we are creating almost 50,000m² of retail park and mall type space. Pre-letting is at an early stage but we are seeing good demand from retailers seeking large units at cost-effective rents in a city with a shortage of such space. The anticipated total development cost is £220 million with projected net rental income of approximately £15 million per annum. Completion is scheduled for autumn 2009.

In France, work is progressing well on a 24,000m² extension and restructuring project at Parinor, our existing shopping centre to the north of Paris. The works will increase the size of the scheme to over 90,000m², making it the largest shopping centre serving the north of Paris. The programme will be completed in April 2008, at an estimated development cost of £75 million. Around 48% of the forecast annual rental income of £6 million has been secured or is under offer.

We are currently carrying out two major developments on the site of the former London Stock Exchange in the City of London. Work is well underway on the first building, 125 Old Broad Street, where we are creating 29,400m² of office accommodation and 1,600m² of retail units with completion due at the end of this year. Following the sale of a 50% interest in this scheme in November 2006, Hammerson's share of the total costs will amount to £45 million, whilst our share of the forecast rental income is £9 million, a potential yield on cost of 20%. The second project on this site is 60 Threadneedle Street, where we are building a nine-storey office building of 20,400m² with completion scheduled for November 2008. The original site purchase cost was low and we anticipate an attractive profit on this development.

Development pipeline

The developments now underway have all been brought forward through Hammerson's development pipeline. Future schemes can be advanced when we consider it appropriate. At present, the pipeline includes more than 20 schemes, providing the potential for capital investment of over £5 billion during the next ten years, in addition to the cost of the current developments. The pipeline covers all areas of our business and includes major retail-led mixed-use schemes, extensions to our existing retail centres, retail parks and offices. The total investment made by Hammerson in land and work up fees to secure these opportunities now amounts to £206 million and they currently provide an income of around £5 million per annum.

Within the development pipeline there are six schemes where a start on site is possible within the next two years. These schemes, which have an estimated total development cost of over £2 billion, are summarised in the table on the following page.

Future development starts

Projects	Ownership %	Area m²	Cost at 30/6/07 £m[1]	Forecast total cost £m[1]	Earliest potential start
Shopping Centres					
New Retail Quarter, Sheffield	100	105,000	31	600	2008
Eastgate & Harewood Quarters, Leeds	90	100,000	50	600	2009
Retail Parks					
Fife Central Retail Park, Kirkcaldy	100	13,000	-	30	2007
Westmorland Retail Park and Manor Walks, Cramlington, Northumberland	100	29,000	-	150	2008
Offices					
Bishops Place, London E1	100	100,000	17	650	2008
The Triangle, Paddington, London W2	50	20,000	5	70	2008
Total			**103**	**2,100**	

Note
(1) Indicates Hammerson's share of costs.

The New Retail Quarter in Sheffield is a major retail-led mixed-use regeneration project on a site of over eight hectares in the heart of the city. Totalling around 105,000m², the scheme will be anchored by a John Lewis department store. We are already seeing encouraging interest from other retailers as the city centre has suffered a lack of new retail space over the last 20 years. We received planning consent for our proposals in August 2006 and enabling works are underway.

In Leeds, the Council granted planning consent for our proposed 100,000m² shopping centre earlier this year. Leeds has been an extremely successful retail destination, but in recent years has been slipping down the rankings as it suffers from a lack of the large high quality shops required by retailers. Our Eastgate site, which comprises eight hectares on the Headrow and adjoining Bargate, is the natural direction for the retail core to expand. The scheme, in which our interest is 90%, will also be anchored by a new store for John Lewis and a second department store. The majority of the site is controlled by Hammerson and site assembly will be completed by a compulsory purchase order later this year.

In Scotland, Hammerson has recently received planning permission to create 13,000m² of retail warehousing and 360 car parking spaces on a site adjacent to its existing retail park in Kirkcaldy, Fife. Approximately 50% of the new accommodation has been pre-let to B&Q and Argos. A start on site is imminent.

Also within the retail parks sector, we are planning a major expansion of our existing interests in Cramlington town centre, which we purchased for £164 million in August 2006. Situated 16 km north of Newcastle, Cramlington currently provides just over 50,000m² of retail space. We will be making a planning application later this year to increase the size of the centre by over 50%.

In central London, we have a number of interesting future developments. The most immediate of these is Bishops Place on a one hectare site we have assembled just north of Liverpool Street station in the City. A planning application will be submitted later this year for a mixed-use scheme of around 100,000m², including some 60,000m² of offices, a hotel and around 300 residential units.

In Paddington we are preparing a planning application for a 20,000m² office tower, on a site adjoining Paddington Station acquired with our purchase five years ago of the former Railtrack property portfolio. This is an improving office location where we see significant growth potential. The scheme will be carried out in a 50:50 joint venture with Ballymore, possibly starting at the end of 2008.

In May this year we announced that Hammerson, together with its partner the City Corporation of London, had entered into an exclusivity agreement with leading international bank, JPMorgan Chase, to develop a new European headquarters building for the bank. We are working with our partners to create a building of around 100,000m² on the site of an existing building, St Alphage House, owned by the City Corporation of London. We aim to submit a planning application later this year for a start on site in 2008. JPMorgan Chase will own the building.

PROPERTY MARKETS AND OUTLOOK

Retail property

In the first half of the year, UK consumer expenditure grew solidly, in line with the economy. However, in the light of rising interest rates and increased constraints on disposable income, conditions for retailers are somewhat challenging. Nevertheless retailers continue to seek representation in the best shopping centres and retail parks where we anticipate modest growth both in retail sales and rents over the next 18 months.

In France, a reduction in unemployment and more positive sentiment following the Presidential elections in May has led to an upturn in consumer spending. With a more favourable outlook for French consumer spending, steady rental growth is expected.

Office property

The central London office market has continued to benefit from the City's growing dominance as an international financial centre. Strong rental growth in 2006 was followed by further increases in the first half of the year, reflecting the highest levels of take up of space since 2000. With vacancy rates at their lowest level for five years and limited supply, the fundamentals remain positive. However, continued weakness in financial markets could adversely affect occupier demand from the financial services sector.

The central Paris office occupational market remains buoyant with strong demand both from the private and the public sectors. The limited supply of prime accommodation has led to historically low vacancy rates in the CBD and record rents.

Investment markets

Demand from investors for UK real estate has been strong, particularly for London offices, but slowed in the second quarter. Yields for prime retail property remained broadly unchanged in the first half of 2007, with increases in capital values due principally to rental growth. Yields for London offices reduced slightly. However, higher interest rates have resulted in many debt-backed investors being unable to use high levels of leverage to fund property acquisitions. This has been a factor behind the re-establishment of a risk premium and weaker demand for secondary property.

In France, investment activity reached a record level in the first half of the year, driven predominantly by international buyers. Office investment accounted for the majority of transactions, with few prime assets coming to the market in the retail sector. However, after a period of very strong growth and in the light of increased interest rates, it is likely that yields will now stabilise.

If the recent volatility in financial markets continues, investors are likely to become more cautious about property investment in the short-term. Nevertheless, property will remain an important part of a diversified investment portfolio and, with interest rates now believed to be near their peak in this cycle, the medium-term outlook for the real estate markets in both the UK and France remains favourable.

Property portfolio information

RENTAL DATA: INVESTMENT PROPERTY

For the six months ended 30 June 2007

		Gross rental income £m	Net rental income £m	Vacancy rate %	Rents passing £m	Estimated rental value £m	Reversionary/ (Over-rented) %
Notes				(1)	(2)	(3)	(4)
United Kingdom							
Retail:	Shopping centres	53.6	47.4	1.7	93.3	104.5	9.1
	Retail parks	24.6	23.5	3.8	49.4	59.5	15.2
		78.2	70.9	2.5	142.7	164.0	11.2
Office:	City	27.7	23.9	1.4	53.6	53.3	(3.4)
	Other	5.9	5.2	5.5	18.2	20.4	6.9
		33.6	29.1	2.5	71.8	73.7	(0.7)
Total United Kingdom		111.8	100.0	2.5	214.5	237.7	7.3
Continental Europe							
France							
Retail		29.4	26.3	3.2	59.0	64.2	5.2
Office		10.4	9.6	8.7	23.3	24.4	(3.7)
Total France		39.8	35.9	4.3	82.3	88.6	2.6
Germany							
Retail		1.6	0.7	19.8	3.4	4.7	7.8
Total Continental Europe		41.4	36.6	5.1	85.7	93.3	2.9
Group							
Retail		109.2	97.9	3.1	205.1	232.9	9.4
Office		44.0	38.7	3.6	95.1	98.1	(1.4)
Total Investment Portfolio		**153.2**	**136.6**	**3.2**	**300.2**	**331.0**	**6.0**
Developments and other sources not analysed above		2.4	1.7				
As disclosed in note 2 to the accounts		**155.6**	**138.3**				

Selected information at 31 December 2006

	Vacancy rate %	Rents passing £m	Estimated rental value £m	Reversionary/ (Over-rented) %
Group				
Retail	2.4	200.9	225.9	9.3
Office	5.6	87.7	91.7	(3.9)
Total Investment Portfolio	**3.4**	**288.6**	**317.6**	**5.2**

Notes

(1) The ERV of the area in a property, or portfolio, excluding developments, which is currently available for letting, expressed as a percentage of the total ERV of the property or portfolio.

(2) The annual rental income receivable from an investment property, after any rent-free periods and after deducting head and equity rents.

(3) The estimated market rental value of lettable space in a property after deducting head and equity rents, calculated by the group's valuers.

(4) The percentage by which the ERV exceeds, or falls short of, rents passing together with the estimated rental value of vacant space.

Property portfolio information *continued*

VALUATION DATA: INVESTMENT PROPERTY

For the six months ended 30 June 2007

		Properties at valuation £m	Revaluation in the period £m	Capital return %	Total return %	Initial yield %	True equivalent yield %
Notes						(1)	(2)
United Kingdom							
Retail:	Shopping centres	2,107	43	2.1	4.3	4.3	4.8
	Retail parks	1,273	29	2.4	4.4	3.7	4.7
		3,380	72	2.2	4.3	4.1	4.8
Office:	City	1,057	49	4.8	7.3	3.9	5.0
	Other	307	23	11.1	13.4	3.9	5.5
		1,364	72	6.0	8.4	3.9	5.1
Total United Kingdom		4,744	144	3.3	5.5	4.0	4.8
Continental Europe							
France							
Retail		1,289	93	7.7	10.0	4.4	4.6
Office		573	81	16.3	18.4	3.1	4.1
Total France		1,862	174	10.3	12.5	3.8	4.4
Germany							
Retail		80	6	8.3	9.2	4.5	6.5
Total Continental Europe		1,942	180	10.2	12.4	3.8	4.5
Group							
Retail		4,749	171	3.7	5.8	4.1	4.7
Office		1,937	153	8.8	11.2	3.7	4.8
Total Investment Portfolio		**6,686**	**324**	**5.1**	**7.3**	**4.0**	**4.7**
Developments		813	72	13.1	13.3		
Total Group including developments		**7,499**	**396**	**5.9**	**7.9**		

Selected information at 31 December 2006

	Properties at valuation £m	Initial yield %	True equivalent yield %
Group			
Retail	4,483	4.2	4.9
Office	1,698	2.8	5.0
Total Investment Portfolio	**6,181**	**3.8**	**4.9**

Notes

(1) Annual cash rents receivable, net of head and equity rents and the cost of vacancy, as a percentage of property value.

(2) The average income return, reflecting the timing of future rental increases, based on current ERV, resulting from lettings, lease renewals and rent reviews, assuming rents are received quarterly in advance.

Consolidated income statement

Year ended 31 December 2006 Audited £m		Notes	**Six months ended 30 June 2007 Unaudited £m**	Six months ended 30 June 2006 Unaudited £m
278.2	**Gross rental income**	*2*	**155.6**	129.6
201.3	**Operating profit before gains on investment properties**	*2*	**116.9**	92.5
748.0	Gains on investment properties	*2*	**322.9**	383.4
949.3	**Operating profit**	*2*	**439.8**	475.9
(118.0)	Finance costs		**(68.4)**	(55.7)
(34.0)	Bond redemption costs		**(0.1)**	(33.7)
(16.1)	Change in fair value of interest rate swaps		**(9.8)**	(9.7)
11.2	Finance income		**6.3**	8.0
(156.9)	Net finance costs	*4*	**(72.0)**	(91.1)
792.4	**Profit before tax**		**367.8**	384.8
(99.4)	Current tax	*5A*	**(17.8)**	(0.7)
333.8	Deferred tax	*5A*	**22.7**	(61.1)
234.4	Tax credit/(charge)		**4.9**	(61.8)
1,026.8	**Profit for the period**		**372.7**	323.0
	Attributable to:			
1,016.9	Equity shareholders		**365.1**	319.3
9.9	Minority interests		**7.6**	3.7
1,026.8	**Profit for the period**		**372.7**	323.0
357.5p	**Basic earnings per share**	*7*	**126.8p**	112.3p
356.9p	**Diluted earnings per share**	*7*	**126.6p**	112.1p

Adjusted earnings per share are shown in note 7. All results derive from continuing operations.

Consolidated balance sheet

31 December 2006 Audited £m		Notes	**30 June 2007 Unaudited £m**	30 June 2006 Unaudited £m
	Non-current assets			
6,716.0	Investment and development properties	*8*	**7,498.5**	6,253.2
32.4	Interests in leasehold properties		**32.4**	34.3
42.2	Plant, equipment and owner-occupied property		**45.4**	36.9
64.9	Investments	*9*	**89.3**	57.2
13.6	Receivables	*10*	**11.3**	2.8
6,869.1			**7,676.9**	6,384.4
	Current assets			
148.0	Receivables	*11*	**108.7**	93.2
39.4	Cash and deposits	*12*	**76.4**	293.0
187.4			**185.1**	386.2
7,056.5	**Total assets**		**7,862.0**	6,770.6
	Current liabilities			
218.2	Payables	*13*	**219.4**	161.7
111.1	Tax liabilities		**180.0**	60.1
210.2	Borrowings	*14*	**331.9**	277.1
539.5			**731.3**	498.9
	Non-current liabilities			
2,072.4	Borrowings	*14*	**2,267.0**	2,173.2
103.3	Deferred tax	*5C*	**84.6**	477.1
55.1	Tax liabilities		**4.8**	25.6
32.3	Obligations under finance leases		**32.3**	34.2
11.2	Net pension liability	*16*	**9.1**	7.2
21.0	Other payables		**19.9**	18.5
2,295.3			**2,417.7**	2,735.8
2,834.8	**Total liabilities**		**3,149.0**	3,234.7
4,221.7	**Net assets**		**4,713.0**	3,535.9
	Equity			
71.3	Share capital		**72.6**	71.3
660.5	Share premium account	*17*	**740.0**	660.2
(62.9)	Translation reserve	*17*	**(64.9)**	(38.6)
59.9	Hedging reserve	*17*	**62.9**	39.1
7.2	Capital redemption reserve	*17*	**7.2**	7.2
8.9	Other reserves	*17*	**9.5**	8.0
78.9	Revaluation reserve	*17*	**153.8**	234.7
3,348.3	Retained earnings	*17*	**3,671.8**	2,504.1
(7.0)	Investment in own shares	*18*	**(4.0)**	(4.0)
4,165.1	**Equity shareholders' funds**		**4,648.9**	3,482.0
56.6	Equity minority interests		**64.1**	53.9
4,221.7	**Total equity**		**4,713.0**	3,535.9
£14.61	**Diluted net asset value per share**	*7*	**£15.99**	£12.21
£15.00	**EPRA net asset value per share**	*7*	**£16.35**	£13.89

Consolidated statement of recognised income and expense

Year ended 31 December 2006 Audited £m		Notes	**Six months ended 30 June 2007 Unaudited £m**	Six months ended 30 June 2006 Unaudited £m
(31.1)	Foreign exchange translation differences		**(2.1)**	(5.5)
27.0	Net gain on hedge of net investment in foreign subsidiaries	*17*	**3.0**	6.2
67.0	Revaluation gains on development properties	*17*	**72.3**	70.0
7.6	Revaluation gains on owner-occupied property	*17*	**3.2**	3.4
14.4	Revaluation gains on investments	*17*	**2.8**	6.1
(2.2)	Acquisition of minority interests		**-**	-
(0.9)	Actuarial gains/(losses) on pension schemes	*17*	**3.7**	3.2
(4.0)	Tax recognised directly in equity	*5B*	**(4.3)**	(9.4)
77.8	Net gain recognised directly in equity		**78.6**	74.0
1,026.8	Profit for the period		**372.7**	323.0
1,104.6	**Total recognised income and expense**		**451.3**	397.0
	Attributable to:			
1,095.7	Equity shareholders		**443.8**	393.0
8.9	Minority interests		**7.5**	4.0
1,104.6	**Total recognised income and expense**		**451.3**	397.0

Reconciliation of equity

Year ended 31 December 2006 Audited £m		Notes	**Six months ended 30 June 2007 Unaudited £m**	Six months ended 30 June 2006 Unaudited £m
3,125.8	Opening equity shareholders' funds		**4,165.1**	3,125.8
1.1	Issue of shares		**80.8**	0.8
(4.0)	Purchase of own shares		**-**	-
3.8	Share-based employee remuneration	*17*	**3.3**	1.7
0.4	Gain on award of own shares to employees	*17*	**0.2**	0.3
3,127.1			**4,249.4**	3,128.6
1,095.7	Total recognised income and expense		**443.8**	393.0
4,222.8			**4,693.2**	3,521.6
(57.7)	Dividends		**(44.3)**	(39.6)
4,165.1	**Closing equity shareholders' funds**		**4,648.9**	3,482.0

Consolidated cash flow statement

Year ended 31 December 2006 Audited £m		Notes	**Six months ended 30 June 2007 Unaudited £m**	Six months ended 30 June 2006 Unaudited £m
	Operating activities			
201.3	Operating profit before gains on investment properties	*2*	**116.9**	92.5
(12.7)	Adjustment for non-cash items	*19*	**(11.4)**	(0.2)
14.1	Decrease in receivables		**40.8**	38.8
(31.9)	Increase/(Decrease) in payables		**4.0**	(40.5)
170.8	**Cash generated from operations**		**150.3**	90.6
(155.2)	Interest and bond redemption costs paid		**(109.1)**	(128.8)
11.0	Interest received		**5.9**	6.4
(21.1)	Tax paid		**(1.2)**	(1.1)
5.5	**Cash flows from operating activities**		**45.9**	(32.9)
	Investing activities			
(116.4)	Purchase of property and capital expenditure		**(131.4)**	(33.1)
(250.5)	Development of properties		**(133.6)**	(133.2)
628.0	Sale of properties		**-**	137.7
(132.7)	Purchase of interests in subsidiary companies		**-**	-
(1.0)	Purchase of investments		**(19.5)**	(1.4)
(9.2)	Decrease/(Increase) in non-current receivables		**-**	1.7
118.2	**Cash flows from investing activities**		**(284.5)**	(28.3)
	Financing activities			
1.1	Issue of shares		**1.7**	0.8
(4.0)	Purchase of own shares	*18*	**-**	-
0.2	Proceeds from award of own shares		**0.2**	0.2
(277.7)	Increase/(Decrease) in non-current borrowings		**195.7**	71.0
211.0	Increase in current borrowings		**122.3**	276.2
(2.4)	Dividends paid to minorities		**-**	-
(57.7)	Equity dividends paid		**(44.3)**	(39.6)
(129.5)	**Cash flows from financing activities**		**275.6**	308.6
(5.8)	**Net increase/(decrease) in cash and deposits**		**37.0**	247.4
45.5	Opening cash and deposits		**39.4**	45.5
(0.3)	Exchange translation movement		**-**	0.1
39.4	**Closing cash and deposits**	*12*	**76.4**	293.0

Analysis of movement in net debt

For the six months ended 30 June 2007

	Short-term deposits £m	**Cash at bank £m**	**Current borrowings £m**	**Non-current borrowings £m**	**Net debt £m**
Balance at 1 January 2007	13.1	26.3	(210.2)	(2,072.4)	(2,243.2)
Cash flow	3.3	33.7	(122.3)	(195.7)	(281.0)
Exchange	-	-	0.6	1.1	1.7
Balance at 30 June 2007	**16.4**	**60.0**	**(331.9)**	**(2,267.0)**	**(2,522.5)**

Notes to the accounts

1. FINANCIAL INFORMATION

The financial information contained in this report does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The results for the year ended 31 December 2006 are an abridged version of the full accounts for that year, which received an unqualified report from the auditors, did not contain a statement under s237(2) or (3) of the Companies Act 1985 and have been filed with the Registrar of Companies. The unaudited financial information contained in this report has been prepared on the basis of the accounting policies set out in the full accounts for the year ended 31 December 2006. This half-year financial report has been prepared using accounting policies consistent with IFRS and in accordance with IAS 34 'Interim Financial Reporting'.

The group's financial performance does not suffer materially from seasonal fluctuations. There have been no changes in estimates of amounts reported in prior periods which have a material impact on the current half-year period. There have been no material changes in reportable contingent liabilities since 31 December 2006.

The principal exchange rates used to translate foreign currency denominated amounts are:

Balance sheet: £1 = €1.486
Income statement: £1 = €1.482

The half-year report was approved by the Board on 4 September 2007.

2. OPERATING PROFIT

Year ended 31 December 2006 £m		**Six months ended 30 June 2007 £m**	Six months ended 30 June 2006 £m
278.2	**Gross rental income**	**155.6**	129.6
(5.1)	Rents payable	**(2.6)**	(2.3)
273.1	Gross rental income, after rents payable	**153.0**	127.3
45.4	Service charge income	**25.6**	22.4
(53.0)	Service charge expenses	**(27.9)**	(26.7)
(7.6)	Net service charge expenses	**(2.3)**	(4.3)
(28.1)	Other property outgoings	**(12.4)**	(13.7)
(35.7)	Property outgoings	**(14.7)**	(18.0)
237.4	**Net rental income**	**138.3**	109.3
4.1	Management fees receivable	**2.0**	2.3
(20.9)	Cost of property activities	**(12.6)**	(10.3)
(19.3)	Corporate expenses	**(10.8)**	(8.8)
(36.1)	Administration expenses	**(21.4)**	(16.8)
201.3	**Operating profit before gains on investment properties**	**116.9**	92.5
95.8	(Loss)/Profit on the sale of investment properties	**(0.5)**	0.9
664.8	Revaluation gains on investment properties	**323.4**	382.5
(12.6)	Goodwill impairment	**-**	-
748.0	**Gains on investment properties**	**322.9**	383.4
949.3	**Operating profit**	**439.8**	475.9

Notes to the accounts *continued*

3. SEGMENTAL ANALYSIS

The group's primary segments are the geographical locations of its properties. The properties in Continental Europe are located principally in France, with one property located in Germany.

Year ended 31 December 2006 £m			**Six months ended 30 June 2007 £m**	Six months ended 30 June 2006 £m
200.9	**Gross rental income**	UK	**114.1**	90.7
77.3		Continental Europe	**41.5**	38.9
278.2			**155.6**	129.6
689.3	**Segment result**	UK	**238.3**	354.0
279.3		Continental Europe	**212.3**	130.7
(19.3)		Unallocated corporate costs	**(10.8)**	(8.8)
949.3	**Operating profit**		**439.8**	475.9

4. NET FINANCE COSTS

Year ended 31 December 2006 £m		**Six months ended 30 June 2007 £m**	Six months ended 30 June 2006 £m
13.7	Interest on bank loans and overdrafts	**7.6**	8.9
121.5	Interest on other loans	**67.2**	57.7
3.1	Interest on obligations under finance leases	**1.6**	1.6
6.3	Other interest payable	**3.7**	2.1
144.6	Gross interest costs	**80.1**	70.3
(26.6)	Less: Interest capitalised	**(11.7)**	(14.6)
118.0	Finance costs	**68.4**	55.7
34.0	Bond redemption costs	**0.1**	33.7
16.1	Change in fair value of interest rate swaps	**9.8**	9.7
(11.2)	Finance income	**(6.3)**	(8.0)
156.9	**Net finance costs**	**72.0**	91.1

In May 2006, £93.8 million of the £200 million 10.75% 2013 sterling bonds were redeemed, leaving £106.2 million outstanding as at 31 December 2006. In April 2007 a further £0.4 million of these bonds were redeemed, and the remaining £105.8 million were redeemed in July 2007.

Notes to the accounts *continued*

5. TAX

A. TAX (CREDIT)/CHARGE

Year ended 31 December 2006 £m		Notes	**Six months ended 30 June 2007 £m**	Six months ended 30 June 2006 £m
	UK current tax			
0.2	On net income before revaluations and disposals		**0.1**	0.2
(0.5)	Credit in respect of prior years		**-**	-
100.5	Entry charge payable on election for UK REIT status		**-**	-
100.2			**0.1**	0.2
	Foreign current tax			
1.1	On net income before revaluations and disposals		**0.3**	0.5
(1.9)	Credit in respect of prior years		**-**	-
-	On revaluations and disposals	*5F*	**17.4**	-
(0.8)			**17.7**	0.5
99.4	**Total current tax charge**		**17.8**	0.7
	Deferred tax			
17.9	On net income before revaluations and disposals		**(5.2)**	10.4
127.6	On revaluations and disposals		**(9.7)**	53.6
(10.2)	On bond redemption costs		**-**	-
(4.8)	On movements in fair value of interest rate swaps		**(2.8)**	(2.9)
(15.7)	Credit in respect of prior years		**-**	-
-	Effect of reduction in UK corporation tax rate		**(5.0)**	-
(448.6)	Released on election for UK REIT status		**-**	-
(333.8)			**(22.7)**	61.1
(234.4)	**Tax (credit)/charge**		**(4.9)**	61.8

B. TAX RECOGNISED DIRECTLY IN EQUITY

Year ended 31 December 2006 £m		**Six months ended 30 June 2007 £m**	Six months ended 30 June 2006 £m
12.1	Deferred tax charge on revaluations	**3.3**	8.6
(8.5)	Deferred tax released on election for UK REIT status	**-**	-
0.4	Deferred tax charge on actuarial gains on pension schemes	**1.0**	0.8
4.0	**Tax recognised directly in equity**	**4.3**	9.4

C. DEFERRED TAX MOVEMENTS

	1 January 2007 £m	Recognised in income £m	Recognised in equity £m	Foreign exchange £m	**30 June 2007 £m**
UK					
Dividends receivable from France	97.2	17.1	2.8	(0.2)	**116.9**
Surpluses in trading subsidiaries	17.7	(1.0)	-	-	**16.7**
Other timing differences	(3.2)	(2.7)	1.5	-	**(4.4)**
Revenue tax losses	(37.2)	(7.4)	-	-	**(44.6)**
	74.5	6.0	4.3	(0.2)	**84.6**
France	28.8	(28.7)	-	(0.1)	**-**
Net deferred tax provision	103.3	(22.7)	4.3	(0.3)	**84.6**

Notes to the accounts *continued*

5. TAX *continued*

D. UK REIT STATUS

The group elected to be treated as a UK REIT with effect from 1 January 2007. The UK REIT rules exempt the profits of the group's UK property rental business from corporation tax. Gains on UK properties are also exempt from tax, provided they are not held for trading or, for properties completed after 1 January 2007, sold in the three years after completion of development. The group is otherwise subject to UK corporation tax.

As a REIT, Hammerson plc is required to pay Property Income Distributions equal to at least 90% of the group's exempted net income.

On entering the REIT regime, entry tax became payable equal to 2% of the market value of the group's qualifying UK properties at 31 December 2006. The financial statements for the year ended 31 December 2006 provided for this entry charge and showed the corresponding release of deferred tax relating to UK capital gains and UK capital allowances. The total entry charge of £100.5 million is being paid in quarterly instalments between July 2007 and April 2008.

E. FRENCH SIIC STATUS

Hammerson plc has been a French SIIC since 1 January 2004 and all the French properties with the exception of 9 place Vendôme are within the SIIC tax exempt regime. Income and gains are exempted from French tax but the French subsidiaries are required to distribute a proportion of their profits to Hammerson plc, which will then pay UK dividends to its shareholders. Under current UK tax rules, Hammerson plc will be taxed on dividends received from France, subject to available UK tax losses. If all the properties were realised at their 30 June 2007 values, a total of £418 million of dividends would arise (31 December 2006: £324 million), and deferred tax is provided for the potential UK tax thereon.

F. COMMENTARY

Current tax is reduced by the UK REIT and French SIIC tax exemptions.

UK deferred tax has been recalculated at a rate of 28% rather than 30%, reflecting the reduction in the UK corporation tax rate that will apply from 1 April 2008.

Provision has been made in current tax for the £17.4 million of French tax arising on the sale of the company owning 9 place Vendôme, which completed on 6 July 2007. Deferred tax of £28.7 million, which had been calculated on the basis of a sale of the property, has been written back.

6. DIVIDENDS

The interim dividend of 12.0 pence per share (30 June 2006: 6.38 pence per share) was approved by the Board on 4 September 2007 and is payable on 19 October 2007 to shareholders on the register at the close of business on 21 September 2007.

The interim dividend will be paid as a Property Income Distribution and will be subject to withholding tax at a rate of 22%.

The £44.3 million dividend included in the reconciliation of equity on page 18 is the 2006 final dividend, representing 15.3 pence per share, which was paid on 14 May 2007.

Notes to the accounts *continued*

7. 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 the following tables.

EARNINGS PER SHARE

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 (note 18), which are treated as cancelled.

Year ended 31 December 2006 Earnings £m	Year ended 31 December 2006 Shares million	Year ended 31 December 2006 Pence per share		**Six months ended 30 June 2007 Earnings £m**	**Six months ended 30 June 2007 Shares million**	**Six months ended 30 June 2007 Pence per share**	Six months ended 30 June 2006 Earnings £m	Six months ended 30 June 2006 Shares million	Six months ended 30 June 2006 Pence per share
1,016.9	284.4	357.5	**Basic**	**365.1**	**287.9**	**126.8**	319.3	284.4	112.3
			Adjustments:						
-	0.5	(0.6)	Dilutive share options	**-**	**0.4**	**(0.2)**	-	0.5	(0.2)
1,016.9	284.9	356.9	**Diluted**	**365.1**	**288.3**	**126.6**	319.3	284.9	112.1
			Adjustments:						
(664.8)		(233.3)	Revaluation gains on investment properties	**(323.4)**		**(112.2)**	(382.5)		(134.2)
(95.8)		(33.6)	Loss/(Profit) on the sale of investment properties	**0.5**		**0.2**	(0.9)		(0.3)
12.6		4.4	Goodwill impairment	**-**		**-**	-		-
16.1		5.7	Change in fair value of interest rate swaps	**9.8**		**3.5**	9.7		3.4
(333.8)		(117.2)	Deferred tax (credit)/charge	**(22.7)**		**(7.9)**	61.1		21.4
100.5		35.3	UK REIT entry tax charge	**-**		**-**	-		-
-		-	Tax on property disposals	**17.4**		**6.0**	-		-
7.8		2.7	Minority interests in respect of the above	**6.3**		**2.2**	2.6		0.9
59.5		20.9	**EPRA, diluted**	**53.0**		**18.4**	9.3		3.3
34.0		11.9	Bond redemption costs	**0.1**		**-**	33.7		11.8
93.5		32.8	**Adjusted, diluted**	**53.1**		**18.4**	43.0		15.1

NET ASSET VALUE PER SHARE

31 December 2006 Net asset value per share £		**Equity shareholders' funds £m**	**Shares million**	**30 June 2007 Net asset value per share £**	30 June 2006 Net asset value per share £
14.60	**Basic**	**4,648.9**	**290.6**	**16.00**	12.21
n/a	Company's own shares held in Employee Share Ownership Plan	**-**	**(0.3)**	**n/a**	n/a
n/a	Unexercised share options	**6.7**	**0.8**	**n/a**	n/a
14.61	**Diluted**	**4,655.6**	**291.1**	**15.99**	12.21
(0.22)	Fair value adjustment to borrowings (net of tax)	**2.5**		**0.01**	(0.24)
14.39	**EPRA triple net, diluted**	**4,658.1**		**16.00**	11.97
0.03	Fair value of interest rate swaps	**18.6**		**0.06**	0.01
0.22	Fair value adjustment to borrowings (net of tax)	**(2.5)**		**(0.01)**	0.24
0.36	Deferred tax	**84.6**		**0.30**	1.67
15.00	**EPRA, diluted**	**4,758.8**		**16.35**	13.89

Notes to the accounts *continued*

8. INVESTMENT AND DEVELOPMENT PROPERTIES

	Investment properties		Development properties			**Total**
	Valuation	Cost	Valuation	Cost	**Valuation**	**Cost**
	£m	£m	£m	£m	**£m**	**£m**
Balance at 1 January 2007	6,181.2	3,820.5	534.8	423.3	**6,716.0**	**4,243.8**
Exchange adjustment	(2.3)	(1.4)	-	-	**(2.3)**	**(1.4)**
Additions	183.7	183.7	193.8	193.8	**377.5**	**377.5**
Disposals	(0.1)	(0.1)	-	-	**(0.1)**	**(0.1)**
Capitalised interest	-	-	11.7	11.7	**11.7**	**11.7**
Revaluation adjustment	323.4	-	72.3	-	**395.7**	**-**
Balance at 30 June 2007	**6,685.9**	**4,002.7**	**812.6**	**628.8**	**7,498.5**	**4,631.5**

Properties are stated at market value as at 30 June 2007, valued by professionally qualified external valuers. In the United Kingdom, office properties and the group's interests in the Birmingham Alliance properties were valued by DTZ Debenham Tie Leung, Chartered Surveyors, and all other retail properties were valued by Donaldsons, Chartered Surveyors. Since 30 June 2007, DTZ Debenham Tie Leung and Donaldsons have merged.

In France and Germany, the group's properties were valued by Cushman & Wakefield, Chartered Surveyors. The valuations have been prepared in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors and with IVA 1 of the International Valuation Standards.

At 30 June 2007 the total amount of interest included in development properties was £23.8 million (31 December 2006: £12.1 million) calculated using the group's average cost of borrowings.

9. INVESTMENTS

Available for sale investments

31 December 2006 £m		**30 June 2007 £m**	30 June 2006 £m
47.3	Value Retail Investors Limited Partnerships	**50.1**	38.8
16.1	Interests in Value Retail plc and related companies	**37.9**	17.1
1.5	Other investments	**1.3**	1.3
64.9		**89.3**	57.2

10. RECEIVABLES: NON-CURRENT ASSETS

31 December 2006 £m		**30 June 2007 £m**	30 June 2006 £m
10.8	Loans receivable	**10.8**	-
2.8	Other receivables	**0.5**	2.8
13.6		**11.3**	2.8

Loans receivable comprised a loan of €16.0 million (£10.8 million) to Value Retail plc bearing interest based on EURIBOR and maturing on 22 August 2008. The loan is classified as 'available for sale' and is included in the balance sheet at fair value, which equates to cost.

Notes to the accounts *continued*

11. RECEIVABLES: CURRENT ASSETS

31 December 2006 £m		**30 June 2007 £m**	30 June 2006 £m
57.1	Trade receivables	**42.4**	39.5
-	Loans receivable	**-**	20.7
87.0	Other receivables	**57.7**	30.9
0.6	Corporation tax	**0.3**	0.2
3.3	Prepayments	**8.3**	1.9
148.0		**108.7**	93.2

12. CASH AND DEPOSITS

31 December 2006 £m		**30 June 2007 £m**	30 June 2006 £m
26.3	Cash at bank	**60.0**	16.1
13.1	Short-term deposits	**16.4**	276.9
39.4		**76.4**	293.0
	Analysis by currency		
27.3	Sterling	**59.0**	36.0
12.1	Euro	**17.4**	257.0
39.4		**76.4**	293.0

Short-term deposits principally comprised deposits placed on money markets with rates linked to LIBOR.

13. PAYABLES: CURRENT LIABILITIES

31 December 2006 £m		**30 June 2007 £m**	30 June 2006 £m
48.7	Trade payables	**63.7**	49.5
137.3	Other payables	**121.9**	91.5
23.4	Accruals	**15.2**	18.3
8.8	Fair value of interest rate swaps	**18.6**	2.4
218.2		**219.4**	161.7

14. BORROWINGS

31 December 2006 £m			**30 June 2007 £m**	30 June 2006 £m
90.8	Bank loans and overdrafts:	Unsecured	**590.7**	205.7
15.5		Secured	**39.7**	71.7
2,175.3	Other loans:	Unsecured	**1,972.6**	2,174.5
2,281.6			**2,603.0**	2,451.9
1.0	Exchange difference on currency swaps		**(4.1)**	(1.6)
2,282.6			**2,598.9**	2,450.3

In June 2007, the group's unsecured €300 million 5% euro bond was redeemed on maturity by drawing down existing committed banking facilities, which were repaid in July 2007 following the disposal of the group's interest in 9 place Vendôme.

Notes to the accounts *continued*

14. BORROWINGS *continued*

ANALYSIS BY CURRENCY

31 December 2006 £m		**30 June 2007 £m**	30 June 2006 £m
1,274.1	Sterling	**1,440.9**	1,211.5
1,008.5	Euro	**1,158.0**	1,238.8
2,282.6		**2,598.9**	2,450.3

As part of the group's foreign currency hedging programme, at 30 June 2007 the group had sold €594.2 million (31 December 2006: €369.2 million) forward against sterling: €225 million for value in December 2007, at a rate of £1 = €1.462; and €369.2 million for value in July 2007, at a rate of £1 = €1.487, which was rolled for value in December 2007, at a rate of £1 = €1.464.

UNDRAWN COMMITTED FACILITIES

31 December 2006 £m		**30 June 2007 £m**	30 June 2006 £m
-	Expiring within one year	**-**	8.8
845.0	Expiring after more than two years	**497.9**	722.7
845.0		**497.9**	731.5

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

31 December 2006			**30 June 2007**		30 June 2006	
Book value £m	Fair value £m		**Book value £m**	**Fair value £m**	Book value £m	Fair value £m
(209.4)	(210.4)	Current borrowings	**(336.5)**	**(340.8)**	(279.1)	(282.0)
(2,091.3)	(2,181.0)	Non-current borrowings	**(2,285.4)**	**(2,277.5)**	(2,193.1)	(2,286.7)
19.1	19.1	Unamortised borrowing costs	**18.9**	**18.9**	20.3	20.3
(1.0)	(1.0)	Currency swaps	**4.1**	**4.1**	1.6	1.6
(2,282.6)	(2,373.3)	**Total borrowings**	**(2,598.9)**	**(2,595.3)**	(2,450.3)	(2,546.8)
(8.8)	(8.8)	**Interest rate swaps**	**(18.6)**	**(18.6)**	(2.4)	(2.4)

The fair values of the group's borrowings have been estimated on the basis of quoted market prices. The fair values of the group's outstanding interest rate swaps have been estimated by calculating the present value of future cash flows, using appropriate market discount rates.

Details of the group's cash and short-term deposits are set out in note 12. Their fair values and those of other financial assets and liabilities equate to their book values.

At 30 June 2007, the book value of financial liabilities exceeded their fair value by £3.6 million (31 December 2006: book value £90.7 million less than fair value), equivalent to 1 pence per share (31 December 2006: 32 pence per share) on an adjusted net asset value per share basis. On a post-tax basis, the difference was equivalent to 1 pence per share (31 December 2006: 22 pence per share).

16. NET PENSION LIABILITY

The net pension liability of £9.1 million (31 December 2006: £12.0 million) includes £nil (31 December 2006: £0.8 million) analysed within current payables. The liability has reduced since 31 December 2006 principally due to actuarial gains.

Notes to the accounts *continued*

17. RESERVES

	Share premium account £m	Translation reserve £m	Hedging reserve £m	Capital redemption reserve £m
Balance at 1 January 2007	660.5	(62.9)	59.9	7.2
Exchange adjustment	-	(2.0)	-	-
Net gain on hedging activities	-	-	3.0	-
Premium on issue of shares	79.5	-	-	-
Balance at 30 June 2007	**740.0**	**(64.9)**	**62.9**	**7.2**

	Other reserves £m	Revaluation reserve £m	Retained earnings £m
Balance at 1 January 2007	8.9	78.9	3,348.3
Share-based employee remuneration	3.3	-	-
Cost of shares awarded to employees	(3.0)	-	-
Transfer on award of own shares to employees	0.3	-	(0.3)
Revaluation gains on development properties	-	72.3	-
Revaluation gains on owner-occupied property	-	3.2	-
Revaluation gains on investments	-	2.8	-
Transfer on sale of investments	-	(0.1)	0.1
Actuarial gains on pension schemes	-	-	3.7
Gain on award of own shares to employees	-	-	0.2
Dividends paid	-	-	(44.3)
Deferred tax recognised directly in equity	-	(3.3)	(1.0)
Profit for the period attributable to equity shareholders	-	-	365.1
Balance at 30 June 2007	**9.5**	**153.8**	**3,671.8**

The revaluation reserve and £2,659 million of retained earnings represent unrealised revaluation gains and do not constitute distributable reserves.

18. INVESTMENT IN OWN SHARES

At cost

31 December 2006 £m		**30 June 2007 £m**	30 June 2006 £m
4.4	Opening balance	**7.0**	4.4
4.0	Purchase of own shares	**-**	-
(1.4)	Cost of shares awarded to employees	**(3.0)**	(0.4)
7.0	**Closing balance**	**4.0**	4.0

The Trustees of the Hammerson Employee Share Ownership Plan acquire the Company's own shares to award to participants in accordance with the terms of the Plan. The expense related to share-based employee remuneration is calculated in accordance with IFRS 2 and the terms of the Plan, and recognised in the income statement within administration expenses. The corresponding credit is included in other reserves. When the Company's shares are awarded to employees as part of their remuneration, the cost of the shares is transferred to other reserves. Should this not equal the credit previously recorded against other reserves, the balance is adjusted against retained earnings.

Notes to the accounts *continued*

19. ADJUSTMENTS FOR NON-CASH ITEMS IN THE CASH FLOW STATEMENT

Year ended 31 December 2006 £m		**Six months ended 30 June 2007 £m**	Six months ended 30 June 2006 £m
0.8	Depreciation	**0.6**	0.4
3.8	Share-based employee remuneration	**3.3**	1.7
1.2	Amortisation of lease inducements and other direct costs	**0.7**	2.1
(17.5)	Increase in accrued rents receivable	**(15.4)**	(4.5)
(1.0)	Other items	**(0.6)**	0.1
(12.7)		**(11.4)**	(0.2)

20. ACQUISITIONS

On 8 March 2007 the group acquired the company owning Ravenhead Retail Park. The acquisition cost of the property was £120 million, including costs, which was satisfied through the issue of 5,019,875 ordinary shares in Hammerson plc, with a value of £79 million and the assumption and immediate repayment of debt of £39 million. No other significant assets or liabilities were acquired and the transaction has been accounted for as an asset acquisition.

Other information

UK REIT TAXATION

As a UK REIT, Hammerson plc is exempted from corporation tax on rental income and gains on UK investment properties but is required to pay Property Income Distributions (PIDs). UK shareholders will be taxed on PIDs received at their full marginal tax rates. A REIT may in addition pay normal dividends and Hammerson currently expects that its interim dividends will be paid entirely as PIDs while its final dividends will have both a PID and a normal dividend element.

For most shareholders, PIDs will be paid after deducting withholding tax at the basic rate. However, certain categories of shareholder are entitled to receive PIDs without withholding tax, principally: UK resident companies; UK public bodies; UK pension funds; and managers of ISAs, PEPs and Child Trust Funds. As was announced on 13 August 2007, Hammerson's website includes a form to be used by shareholders to certify if they qualify to receive PIDs without withholding tax. Completed forms need to be received by the Company's registrar by 21 September 2007 for the 2007 interim dividend. Further information on UK REITs is available on the Company's website.

WEBSITE

This half-year report, the most recent annual report and other current and historic information are available on the Company's website, www.hammerson.com. The Company operates a service whereby all registered users of the Company's website can choose to receive, via e-mail, notice of all Company announcements which can be viewed on the website.

DISCLAIMER

This announcement 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.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document. Hammerson does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document. Information contained in this announcement relating to the Company should not be relied upon as a guide to future performance.

Glossary of terms

Adjusted figures (per share)	Reported amounts adjusted to exclude certain items as set out in note 7 to the accounts.
Anchor store	A major store, usually a department store or supermarket, occupying a large unit within a shopping centre or retail park, which serves as a draw to other retailers and consumers.
Average cost of borrowing	The cost of finance expressed as a percentage of the weighted average of borrowings during the period.
Capital return	The change in value during the period for properties held at the balance sheet date, after taking account of capital expenditure and exchange translation movements, calculated on a monthly time weighted basis.
Earnings per share (EPS)	Profit for the period attributable to equity shareholders divided by the average number of shares in issue during the period.
EPRA	European Public Real Estate Association. This organisation has issued recommended bases for the calculation of earnings per share and net asset value per share.
ERV	The estimated market rental value of the total lettable space in a property, after deducting head and equity rents, calculated by the group's valuers.
Gearing	Net debt expressed as a percentage of equity shareholders' funds.
IAS	International Accounting Standard.
IFRS	International Financial Reporting Standard.
IPD	Investment Property Databank. An organisation supplying independent market indices and portfolio benchmarks to the property industry.
Initial yield	Annual cash rents receivable, net of head and equity rents and the cost of vacancy, as a percentage of property value.
Interest rate and currency swap	An agreement with another party to exchange an interest or currency rate obligation for a pre-determined period of time.
Like-for-like / underlying net rental income	The percentage change in rental income for completed investment properties owned throughout both current and prior periods, after taking account of exchange translation movements.
Net asset value per share (NAV)	Equity shareholders' funds divided by the number of shares in issue at the balance sheet date.
Over-rented	The amount by which ERV falls short of rents passing, together with the estimated rental value of vacant space.
Pre-let	A lease signed with a tenant prior to completion of a development.
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.
Rents passing	The annual rental income receivable from an investment, after any rent-free periods and after deducting head and equity rents. This may be more or less than the ERV (see over-rented and reversionary or under-rented).

Glossary of terms *continued*

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 period, all excluding deferred tax.
Reversionary or under-rented	The amount by which the ERV exceeds the rents passing, together with the estimated rental value of vacant space.
SIIC	Sociétés d'Investissements Immobiliers Côtées. A French tax-exempt regime available to property companies listed in France.
Total development cost	All capital expenditure on a development project, including capitalised interest.
Total return	Net rental income and capital return expressed as a percentage of the opening book value of property adjusted for capital expenditure and exchange translation movements, calculated on a monthly time weighted basis.
True equivalent yield	The average income return, reflecting the timing of future rental increases, based on current ERV, resulting from lettings, lease renewals and rent reviews, assuming rents are received quarterly in advance.
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 total ERV of the property or portfolio.