

HAMMERSON plc

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

Financial highlights

	30 June 2010	30 June 2009	Change	Like-for- like change
Six months ended:				
Net rental income	£140.0m	£156.4m	-10.5%	+5.0%
Profit/(Loss) before tax	£335.6m	£(818.5)m		
Adjusted profit before tax ⁽¹⁾	£70.2m	£65.6m	+7.0%	
Basic earnings/(loss) per share	47.3p	(136.8)p		
Adjusted earnings per share ⁽¹⁾	9.7p	11.0p	-11.8%	
Interim dividend per share	7.15p	6.95p	+2.9%	
As at:	30 June 2010	31 December 2009		
Equity shareholders' funds	£3,216m	£2,950m	+9.0%	
Adjusted net asset value per share, EPRA basis ⁽¹⁾	£4.54	£4.21	+7.8%	
Return on shareholders' equity	10.4%	(16.9)%		
Gearing	67%	72%		

Note

(1) Calculations for adjusted figures are shown on pages 9 and 11 and in note 7 on page 34.

Key points

- **Improved occupancy levels since December 2009.** Good letting progress, particularly in the second quarter, has reduced vacancy levels. Occupancy was 96% at 30 June 2010, compared with 95% at 31 December 2009.
- **Growth in like-for-like net rental income of 5%.** Overall net rental income was lower due to property disposals in 2009.
- **Adjusted profit before tax rose by 7%.** Lower finance costs, new lettings and rent reviews more than offset the effect of property disposals in 2009. However, adjusted eps reduced due to the increased average number of shares in issue following the 2009 rights issue.
- **Continued activity to improve the growth prospects of the portfolio.** The acquisitions of Leadenhall Court, London EC3 and Battery Retail Park, combined with the disposals of Exchange Tower in Docklands and a stake in Espace Saint Quentin shopping centre, will release capital and improve growth prospects.
- **Good progress on the development pipeline in the UK and France.** We will start enabling works on site at Les Terrasses du Port, Marseille, this month and we have made encouraging progress with our retail and office development pipeline in the UK.
- **Capital values increased in the UK, stable in France.** The value of Hammerson's property portfolio rose by 5.2% over the first half of 2010 (UK +7.3%, France +0.5%).

- **Strong financial position.** Gearing at 30 June 2010 was 67% whilst the average cost of finance was 5.1%. Cash and unutilised committed facilities totalled £637 million. Proforma gearing, taking account of transactions contracted at 30 June 2010, was 60%.
- **Interim dividend increased to 7.15 pence per share.** The dividend will be paid, in cash, as a normal dividend on 1 October 2010. Shareholders who elected for the 2009 scrip dividends need take no action.

John Nelson, Chairman of Hammerson, said:

“Although our markets have continued to recover from recession over the first half of 2010, the outlook remains uncertain. Against this background we are maintaining a clear focus on improving our portfolio, maximising the income from each of our assets and sound financial management.

We have made good progress this year in each of these areas. The underlying quality of our portfolio has been demonstrated in our results, with lower vacancy and growing income in a challenging environment. Over the period we have executed a number of transactions which will improve the future growth prospects of our business whilst releasing capital for potential reinvestment. We have advanced our valuable development pipeline in the UK and France which will provide a basis for additional future growth.”

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Results presentation today:

Time	9.30 a.m.
Venue	City Presentation Centre 4 Chiswell Street Finsbury Square London EC1Y 4UP Tel: 020 7628 5646

Webcast:

A live webcast of Hammerson’s results presentation will be broadcast today at 9.30 a.m. via the Company’s website: www.hammerson.com.

At the end of the presentation, you will be able to participate in a question and answer session by dialling either +44 (0)20 7138 0833 or 1 866 602 0258 (US toll free). Please quote confirmation code 4506187.

Financial calendar:

Ex-dividend date	Wednesday 18 August
Record date	Friday 20 August
Interim dividend payable	Friday 1 October

Contents:

	Page		Page
Chairman’s Statement	3	Responsibility Statement	20
Property Markets and Outlook	5	Financial Statements	21
Principal Risks and Uncertainties	6	Notes to the Accounts	28
Key Performance Indicators	7	Other Information	40
Business and Financial Review	9	Glossary of Terms	41
Property Portfolio Information	18		

The terms used in this announcement are defined in the glossary on pages 41 and 42.

CHAIRMAN'S STATEMENT

RESULTS

The Group's adjusted profit before tax increased by £4.6 million to £70.2 million. However, reflecting the increased number of shares in issue following the 2009 rights issue, adjusted earnings per share reduced to 9.7 pence against 11.0 pence for the equivalent period last year. The Board has declared an interim dividend of 7.15 pence per share, which compares with 6.95 pence for the first half of 2009. The dividend will be paid, in cash, as a normal dividend on 1 October 2010.

The first six months of this year saw an underlying increase in the value of the portfolio of 7.3% in the UK and 0.5% in France. Adjusted net asset value per share was £4.54 at 30 June 2010, an 8% increase since the year end.

STRATEGY

In February we set out our aim of becoming the best owner-manager and developer of retail and office property in the UK and France. To achieve this objective we focus on improving our portfolio through capital recycling and development, and maximising the income from each of our assets. At the same time we maintain a prudent approach to financial management. We have made good progress in each of these areas over the first six months of 2010.

IMPROVING THE PORTFOLIO

Our strengthened financial position and proven transaction execution ability have enabled us to capitalise on a number of opportunities to improve the growth prospects of our portfolio whilst releasing capital. In June we announced four transactions: the sale of Exchange Tower in London's Docklands; the disposal of a 75% stake in Espace Saint Quentin shopping centre near Paris; the acquisition of Leadenhall Court in the City of London; and the purchase of the remaining 75% interest in Battery Retail Park in Selly Oak, near Birmingham. Overall these transactions, which should all complete by the end of 2010, will release around £160 million.

Our retail redevelopment of 54-60 rue du Faubourg St Honoré, Paris, which is fully pre-let to high quality brands such as Blumarine, Burberry and Moschino, is expected to conclude later this year. At Les Terrasses du Port, Marseille, we have made significant progress since the scheme was purchased. We have refined the design of the project, improving the retail layout while reducing costs. The development is 44% pre-let and we are now resuming letting discussions with prospective occupiers, from whom demand remains strong. We will start enabling works this month, with construction expected to start on site early next year.

Following the decision by the UK Government not to call in the Brent Cross Cricklewood regeneration plan, in June we acquired Brookfield's 50% interest in the Cricklewood element of the plan. We have secured an extension to our current outline consent for the Eastgate Quarters scheme in Leeds. We have continued to enhance the scheme and improve its viability, and anticipate submitting a revised planning application by the end of the year. Elsewhere we continue to progress the design and planning phases of our significant retail development pipeline.

In the City of London we have two significant development sites, Bishops Place and St. Alphage, which could together accommodate over 100,000m² of office space. We are actively seeking pre-let tenants for Bishops Place, and at St Alphage, we are continuing detailed consultation with all stakeholders on the office-led development with a view to submitting a planning application before the end of the year.

Following our appointment by the administrators to Thornfield Ventures Limited in January, on 16 July we opened successfully The Rock in Bury, a 57,000m² shopping centre development. On opening, leases for 78% of the projected income had been exchanged or were in solicitors' hands, meeting the target set on our appointment.

MAXIMISING THE INCOME FROM OUR ASSETS

Like-for-like net rental income for the six month period was up 5% on the prior year, and rent collection remains excellent. In total we signed 150 leases in respect of approximately 51,000m² in the period, and at 30 June 2010 the Group's overall occupancy rate was 96.2%, compared to 95.2% at December.

Major retailers have a clear preference for stores in robust retail locations. Accordingly we believe our regionally dominant centres will continue to outperform secondary locations. Trading in our centres remained strong over the first six months of 2010, and we further refreshed the tenant mix. In May we agreed terms with US retailer Forever 21 to open their first UK store in the Bullring, Birmingham. This follows our successful introduction of major international brands like Apple and Hollister to our shopping centres in both the UK and France. We have recently agreed terms with Fat Face to take a unit in Silverburn, Glasgow. Since acquisition in December 2009 this centre has performed well with growth in footfall of 4% in 2010. At Union Square, Aberdeen, which is now 89% let or in solicitors' hands, Gio-Goi are due to open their first standalone UK store.

In the City of London we have let space in our recently completed developments to a wide range of tenants, with 60 Threadneedle Street and 125 Old Broad Street 100% and 92% let or in solicitors' hands respectively.

In line with our strategy of providing industry-leading asset management, we have restructured our leasing teams and created a new senior management role of UK Sales and Marketing Director. In June we launched our new customer strategy to an audience of around 80 retailers. The strategy is designed to build on Hammerson's existing customer relationships, generating value for retailers and for Hammerson by focusing on key measures including retail sales, affordability and customer satisfaction.

FINANCING

Net debt at 30 June, prior to the receipt of funds for transactions exchanged but not completed, was unchanged at £2.1 billion. However, reflecting the increased portfolio value, gearing was 67%, compared to 72% at the end of 2009. At 30 June cash and undrawn committed facilities totalled £637 million, providing substantial financial resources.

In the period we agreed terms for the refinancing of the £75 million debt facility on our 125 Old Broad Street joint venture, and have no debt maturing until March 2012.

OUTLOOK

Our markets have continued to recover from recession over the first half of 2010 and there has been sustained investment activity. The underlying quality of our portfolio has been demonstrated in our results, with lower vacancy and growing income in a challenging environment.

With an uncertain economic outlook we will focus on the performance of our assets, increasing income and controlling costs. We will continue to improve the portfolio, looking for opportunities to recycle capital into assets with better growth prospects. We are actively advancing our valuable development pipeline which offers the potential for superior growth. We anticipate continued demand from both occupiers and investors for the high-quality properties which we develop, own and manage.

John Nelson
Chairman
2 August 2010

PROPERTY MARKETS AND OUTLOOK

INVESTMENT MARKETS

The UK and France have continued to recover from recession during the first six months of the year, although economic growth has been uneven. The problems of eurozone sovereign debt have gained prominence throughout 2010, leading governments to accelerate plans to cut deficits. However property remains an attractively priced asset class and consequently the UK and French investment markets showed further improvement in the first six months of the year, as sustained demand and lower interest rates pushed commercial property yields lower.

In the UK, transactions valued at £14 billion were completed in the first half of 2010, some 60% higher than the same period a year earlier. This activity was influenced by record capital inflows into UK institutional funds and a return to the market by domestic property companies. The IPD all-property equivalent yield has moved in 70 basis points to 7.5% during 2010. We expect investors to remain cautious about the outlook for secondary properties. Demand is likely to be stronger for high quality assets, particularly those with secure or growing incomes.

The property downturn in France was less deep than in the UK, and therefore the recovery has been less marked. Transaction volumes since the start of the year have been modest, with around €4 billion of completed sales. In part, sales have been limited by a lack of assets for sale rather than poor demand, particularly for prime properties. The yield on prime assets has moved in during 2010, and demand for good quality assets is expected to be maintained.

RETAIL OCCUPATIONAL MARKETS

The retailing environment has improved during 2010 as consumers in both the UK and France increased spending on non-food goods. However, consumer confidence in both countries has faltered in recent months, potentially hampering further recovery over the remainder of the year.

In the UK, while the retail environment remains difficult, some retailers have reported double digit like-for-like sales growth. The rise in retail spending in the year to June has been apparent across all sectors, and those retailers that have come through the downturn are also benefiting from less competition and potentially increased market share. As a result of these improvements, average UK shopping centre vacancy rates have increased only marginally since the start of the year and retail warehouse vacancies have declined. Vacancy levels at prime, well-let properties, as evidenced by the Hammerson portfolio, are significantly lower than average, and we expect this divergence to be a feature of the market for some years. Rental levels in our prime centres have remained stable, although overall market retail rental values have declined over the last six months. Higher sales and fewer vacancies are expected to lead to a return to market rental growth from the end of this year.

French consumers proved more resilient during the economic downturn, and although confidence is weakening, a higher level of savings and low levels of personal debt have allowed French households to maintain spending. Overall shopping centre vacancy rates continue to be lower than the UK, and as such rents are likely to record positive growth in 2010, possibly returning to pre-recession levels in the best centres.

OFFICE OCCUPATIONAL MARKETS

Demand for office space in Central London reached a three-year high during the first quarter of the year, as an increasingly optimistic finance and business services sector took advantage of lower rents and generous incentive packages. Although equity markets fell sharply in the second quarter and Central London take-up softened, the availability of space reduced, putting further upward pressure on headline rents and shortening incentives. Beyond 2010, the outlook for Central London is for a period of rental recovery, particularly in the City of London. Although further uncertainty in financial markets and increased banking regulation are possible, limited supply over the next two years and a spike in large lease expiries will support higher prime headline rents.

PRINCIPAL RISKS AND UNCERTAINTIES

PROPERTY VALUATIONS

The value of Hammerson's property portfolio is affected by conditions prevailing in the property investment market and the general economic environment. Accordingly, the Group's net asset value may rise and fall due to external factors beyond management's control. Since the peak of the financial crisis, global financial markets have stabilised, investors have become more active in the real estate investment market and property values have risen.

Our property portfolio is of high quality, geographically diversified and let to a large number of tenants. These factors should continue to mitigate any negative impact arising from changes in the financial and property markets. The Property Markets and Outlook section of this report provides further discussion of these issues.

The portfolio is valued in compliance with international standards by external, professionally qualified valuers. The primary source of evidence for valuations should be recent, comparable market transactions on arms' length terms. The improvement in the economic environment has resulted in an increase in the number of transactions for the types of property owned by Hammerson, providing more evidence for the valuers.

LIQUIDITY RISK

Conditions in the financial markets have improved significantly since the peak of the financial crisis, although companies with short-term financing requirements may continue to find it difficult to secure sufficient funding at costs comparable with their existing facilities. Having successfully refinanced £64 million of secured debt which was due to mature on 30 June 2010, Hammerson has no debt maturing until March 2012, and there is time to plan for its refinancing requirements.

At 30 June 2010 gearing stood at 67%. The risk that the Group could breach its borrowing covenants, the most stringent of which is that gearing should not exceed 150%, is low. We also have the option of further property sales if considered necessary.

TENANT DEFAULT

The trading environment has stabilised over the last six months and fewer UK retailers have gone into administration during the period. However, some tenants continue to face difficult operating conditions, and this increases the risk that they may be unable to pay their rents. The large number of tenants and the Group's geographical diversity mean the impact of individual tenant default for Hammerson is low. Furthermore, our occupational leases are generally long-term contracts, making the income relatively secure. Additional information on the trading environment and the Group's quality of income is provided in the Property Markets and Outlook and the Business and Financial Review sections of this report on pages 5 and 15 respectively.

INTEREST RATE AND EXCHANGE RISK

The interest charged on borrowings is a significant cost for Hammerson. To manage the risk of changes in interest rates, we set guidelines for our exposure to fixed and floating interest rates, using interest rate and currency swaps as appropriate. At 30 June 2010, 76% of the Group's gross debt was at fixed rates of interest. The short-term outlook is for interest rates to remain low.

Exchange risk is managed partly by matching foreign currency assets with foreign currency borrowings or derivatives. At 30 June 2010, 77% of the value of the Group's French portfolio was hedged.

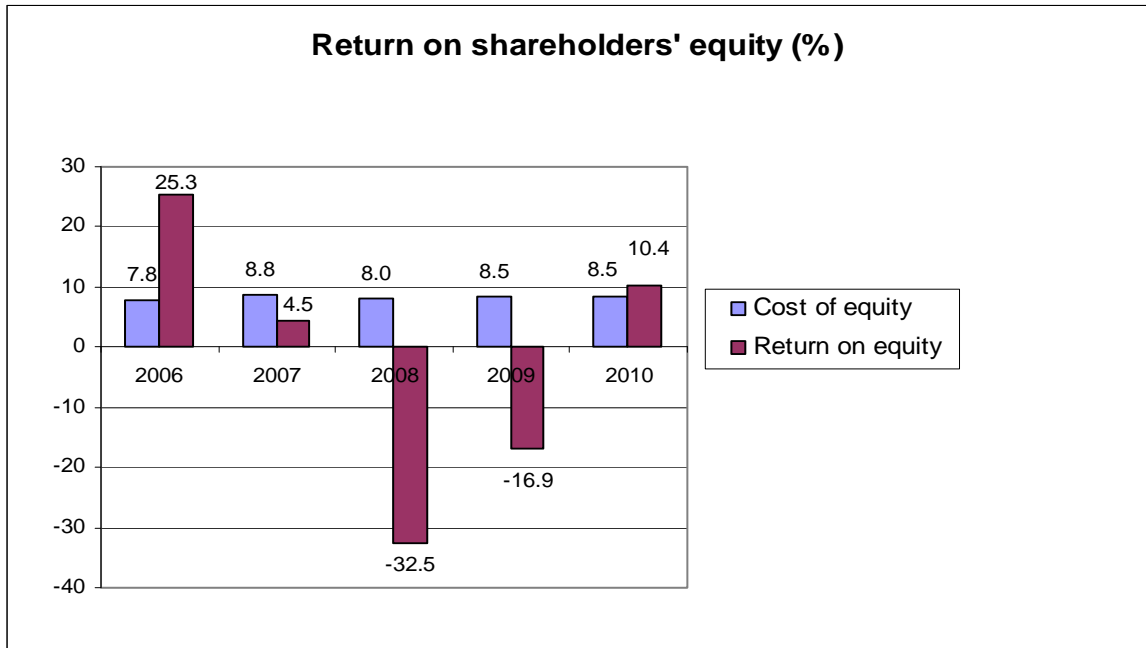
DEVELOPMENT AND LETTING

The general economic uncertainty means that potential occupiers remain cautious about entering into commitments to lease space. We currently have no major developments underway.

KEY PERFORMANCE INDICATORS

- Return on shareholders' equity**

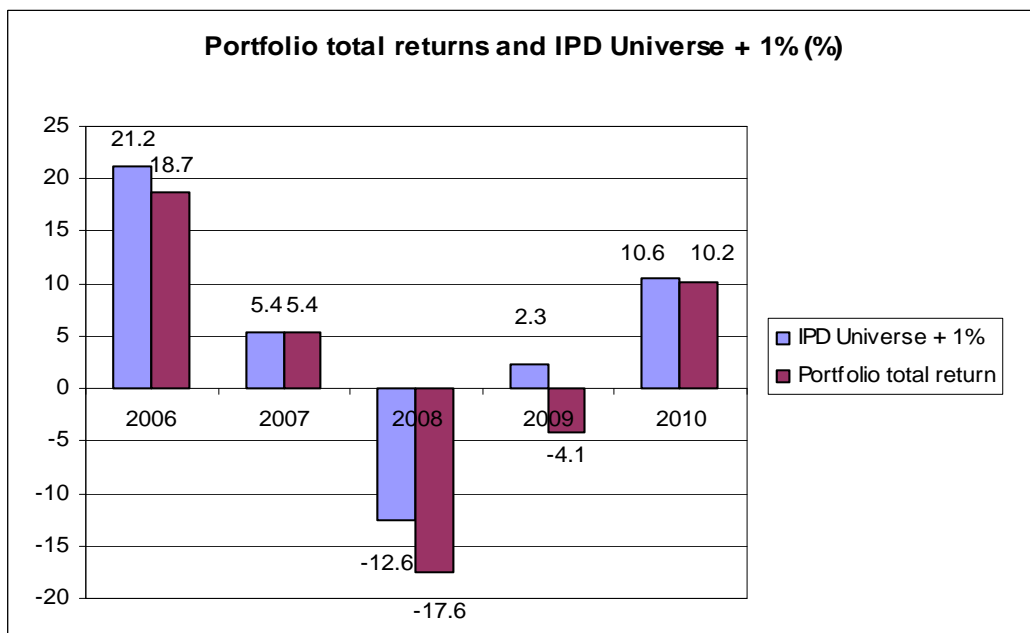
For the six months ended 30 June 2010, our return on shareholders' equity was 10.4%, principally reflecting the increase in the portfolio value during the period. This may be compared with our current cost of equity of 8.5%.



The ROE for 2010 is for the first six months of the year only.

- Portfolio total returns relative to IPD**

For the six months ended 30 June 2010, the total return for our UK portfolio was 10.2% compared with the IPD UK monthly index, which excludes developments, of 9.6%. Our target is to exceed the IPD benchmark by 1%. Our French portfolio generated a total return of 3.0%. IPD has not yet published an index for France for the first six months of the year. The overall total return for the Group's portfolio was 8.1%.



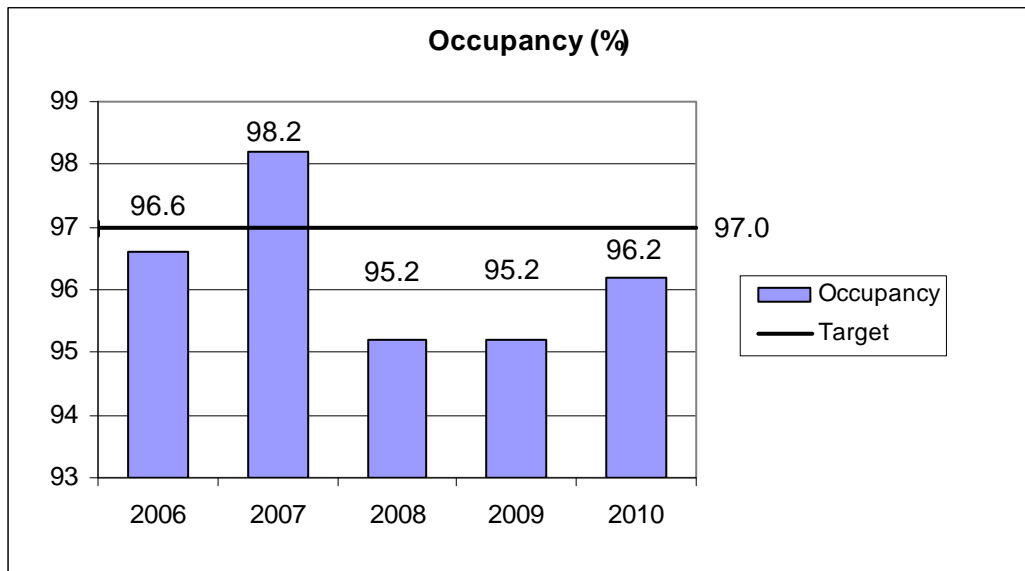
The chart above shows total returns and weighted indices for 2006 to 2009 for the total portfolio. The returns for 2010 are those for the six months ended 30 June 2010 for the UK portfolio only.

KEY PERFORMANCE INDICATORS

CONTINUED

- **Occupancy**

At 30 June 2010, the occupancy level in the investment portfolio was 96.2%, compared with 95.2% at the end of 2009 and our target of 97.0%.



BUSINESS AND FINANCIAL REVIEW

The financial information contained in this review is extracted from or calculated using the attached condensed financial statements and the glossary of terms.

PROFIT BEFORE TAX

There was a profit before tax of £335.6 million for the six months ended 30 June 2010, which reflected a £258.7 million increase in the value of the property portfolio.

Adjusted profit before tax was £70.2 million, £4.6 million or 7.0% higher than for the equivalent period in 2009. Profits rose because of lower interest rates, lettings and rent reviews in the UK, additional management fees and a positive contribution from acquisitions. These increases were partly offset by disposals and the effects of exchange.

Analysis of profit/(loss) before tax	Six months to 30 June 2010 £m	Six months to 30 June 2009 £m
Adjusted profit before tax	70.2	65.6
Adjustments:		
Profit/(Loss) on the sale of investment properties	1.1	(77.9)
Loss on the sale of subsidiary	-	(25.4)
Revaluation gains/(losses) on property portfolio	258.7	(766.2)
Share of revaluation gains/(losses) and change in fair value of derivatives in associate	4.3	(9.3)
Change in fair value of derivatives	1.3	(5.3)
Profit/(Loss) before tax	335.6	(818.5)

For the six months ended 30 June 2010, adjusted earnings per share were 11.8% lower than for the equivalent period in 2009 at 9.7 pence. The increase in adjusted profit explained above was more than offset by the increased number of shares in issue following the 2009 rights issue.

Note 7A to the accounts sets out detailed calculations for earnings per share.

NET RENTAL INCOME

Net rental income for the period to 30 June was £140.0 million in 2010 and £156.4 million in the prior year, with the reduction reflecting property disposals in 2009. On a like-for-like basis, net rental income increased by 5.0%, due to new lettings, rent reviews and the release of bad debt provisions in the UK retail portfolio.

Further details on income security and quality are provided on pages 15 and 16.

Net rental income	Six months to 30 June 2010 £m	Six months to 30 June 2009 £m
Properties owned throughout	132.5	126.2
Acquisitions	3.8	(0.4)
Developments	3.8	0.4
Properties sold	(0.1)	28.6
Exchange translation and other	-	1.6
Total net rental income	140.0	156.4

ADMINISTRATION EXPENSES

Administration expenses were £16.3 million compared with £19.4 million for the first six months of 2009. The reduction was primarily due to increased asset and development management fees receivable in 2010.

BUSINESS AND FINANCIAL REVIEW

CONTINUED

FINANCE COSTS

Net finance costs for the first half of 2010, excluding the change in fair value of derivatives and capitalised interest, were £54.8 million compared with £77.3 million for the equivalent period in 2009. The reduction principally resulted from the repayment of debt, following the disposal programme and the rights issue in 2009, and lower interest rates. Interest capitalised was minimal as no significant developments were underway during the period.

The Group's average cost of borrowing for the period to 30 June 2010 was 5.1%, unchanged on the figure for 2009 as a whole.

TAX

The Group bears minimal current tax as a result of its UK REIT and French SIIC status.

DIVIDEND

The Directors have declared an interim dividend of 7.15 pence per share, which will be paid as a normal cash dividend, rather than as a PID, on 1 October 2010 to shareholders on the register at the close of business on 20 August. There will be no scrip alternative. The 2009 first interim dividend was 6.95 pence.

BUSINESS AND FINANCIAL REVIEW

CONTINUED

BALANCE SHEET

Equity shareholders' funds at 30 June 2010 were £3.2 billion, an increase of £267 million during the period. Adjusted net asset value per share was £4.54 compared with £4.21 at the end of 2009.

The increase in property values during the period was the principal contributor to the increase in equity shareholders' funds and net asset value per share. Note 7B to the accounts sets out the calculations for net asset value per share.

Movement in net asset value	Equity shareholders' funds* £m	Adjusted NAV* £ per share
31 December 2009	2,960	4.21
Revaluation - property portfolio	259	0.37
Disposals	1	-
Profit for the period (excluding revaluation changes)	67	0.10
Dividends	(41)	(0.06)
Exchange and other movements	(30)	(0.08)
30 June 2010	3,216	4.54

* Excluding deferred tax and the fair value of derivatives, calculated in accordance with EPRA best practice.

FINANCING

Borrowings were £2.3 billion at 30 June 2010 and cash and deposits £158 million, so that net debt stood at £2.1 billion.

The Group's unsecured bank facilities contain financial covenants that the Group's gearing, defined as the ratio of net debt to shareholders' equity, should not exceed 150% and that interest cover, defined as net rental income divided by net interest payable, should be not less than 1.25 times. Three of the Company's unsecured bonds contain the same gearing covenant and two contain a covenant that gearing should not exceed 175%. The bonds contain no covenant for interest cover. Further discussion of financing risk is included within Principal Risks and Uncertainties on page 6.

The Group's financial structure is monitored against guidelines approved by the Board. These guidelines currently include: gearing of no more than 85% for an extended period; minimum interest cover of 2.0 times; and a net debt to EBITDA ratio of less than ten times. For the first six months of 2010, these ratios were 67%, 2.6 times and 8.8 times respectively. In June, Fitch affirmed Hammerson's BBB+ unsecured credit rating. Moody's upgraded its outlook assessment of Hammerson from 'negative' to 'stable' and affirmed its unsecured rating for Hammerson of Baa2.

Property sales with net proceeds of £276 million and purchases amounting to £65 million were contracted in June and July 2010. Taking account of these transactions, proforma gearing at 30 June 2010 would be 60%. Further details of the transactions are provided in the Investment Portfolio section on page 13.

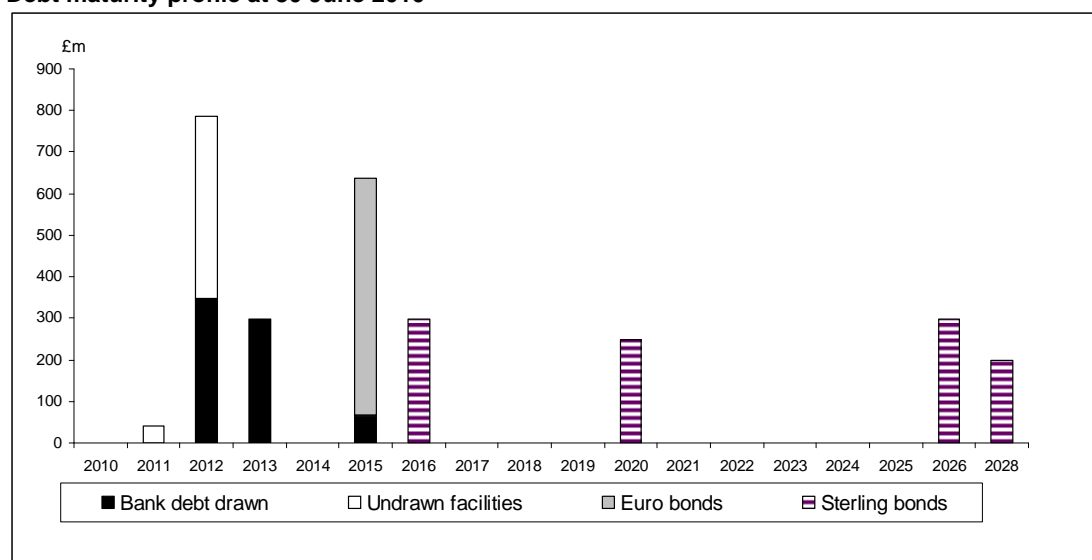
In June, the debt secured on 125 Old Broad Street, London EC2, a property in which we have a 50% interest, was refinanced. Hammerson's share of the amount drawn under the new facility was £65 million at 30 June and the loan has a five-year term.

Liquidity, comprising cash and undrawn committed facilities, totalled £637 million at 30 June and the average maturity of debt was 7.5 years. The Group has no debt maturing before March 2012.

BUSINESS AND FINANCIAL REVIEW

CONTINUED

Debt maturity profile at 30 June 2010



CASH FLOW

In the first half of 2010, cash generated from operations was £106 million, compared with £130 million in the same period in 2009. The cash inflow from operating activities in 2010 was £20 million and the comparator for 2009 was £16 million, with the increase reflecting lower net interest payments as a result of reduced debt and interest rates.

The cash outflow from investing activities, principally in respect of property acquisitions and capital expenditure, was £105 million. After taking account of the cash inflow from financing activities of £62 million, there was a net decrease in cash and deposits of £23 million for the six months ended 30 June 2010.

CAPITAL RETURNS

The total return for the portfolio for the six months ended 30 June 2010, was 8.1%, and comprised a capital return of 5.2% and an income return of 2.7%.

Capital returns – total portfolio

For the six months ended 30 June 2010

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

For the UK retail portfolio, virtually all of the valuation uplift resulted from changes to investment yields. Around three-quarters of the increase in UK office valuations arose from changes to investment yields whilst increased rental income accounted for the balance.

In France, the benefit of improved investment yields on valuations more than offset the impact of a slight decline in rental values.

BUSINESS AND FINANCIAL REVIEW

CONTINUED

INVESTMENT PORTFOLIO

Our redevelopment of the retail space at 54-60 rue du Faubourg St Honoré, Paris 8ème, is progressing well, the first retail unit having been handed over to Bally. We expect works to be completed by the end of this year and the stores to open during the second quarter of 2011. The scheme is fully pre-let and the estimated annual rental uplift is £2.5 million. The total development cost is estimated at £30 million.

In June, we exchanged conditional contracts with the receivers of the White Tower portfolio for the acquisition of a long leasehold interest in Leadenhall Court, London EC3, and the purchase completed in July. The office building was built in 1988, provides 10,100m² of space in a prime City location at the corner of Gracechurch Street and Leadenhall Street and is fully let to a subsidiary of RSA Insurance Group plc. Rents passing are £7.2 million per annum, reflecting an initial yield of 11% on the acquisition cost of £65 million. The building is let until March 2014, after which there is potential for refurbishment or a full redevelopment.

We acquired a 75% leasehold interest in Battery Retail Park, Birmingham, in June for £49.5 million including costs and now have a 100% interest in the property. The 13,000m² park consists of eight units, all of which are let, and there are opportunities for further development. Hammerson's 25% share of net rental income from the property in 2009 was £0.9 million.

Conditional contracts were exchanged in June for the sale of Exchange Tower in London's Docklands for net proceeds of £134 million. Completion is scheduled for September 2010. We originally acquired the 16-storey office tower in 1999 for £77 million and at 31 December 2009 it was valued at £131 million and had passing rents of £10.7 million.

Also in June, we exchanged conditional contracts for the sale of a 75% interest in Espace Saint Quentin, Saint Quentin-en-Yvelines near Paris, to Allianz Real Estate GmbH. The transaction is expected to complete in October 2010. The proceeds of the sale of the 75% share will be £144 million net of costs, of which £2 million is contingent upon the exercise of the purchaser's option to acquire one particular unit in 2012. Following completion, the property will be held in a 75:25 joint venture and will continue to be managed by Hammerson. Hammerson's annual net income from the joint venture, comprising rental income and management fees, is estimated at £3.8 million. The valuation of Espace Saint Quentin at the end of 2009 was £196 million, translated at the 30 June 2010 exchange rate, at which time passing rents were £11.7 million, whilst net income from the property in 2009 was £11.1 million.

BUSINESS AND FINANCIAL REVIEW

CONTINUED

INVESTMENT PORTFOLIO OVERVIEW

Investment portfolio at 30 June 2010

	Income £m	Gross value £m	Net book value £m
Portfolio value (net of cost to complete)		5,516	5,516
Purchasers' costs			(286)
Net portfolio valuation as reported in the financial statements			5,230
Income and yields			
Rent for valuers' initial yield	291.7	5.3%	5.6%
Void allowance (net of outstanding rent reviews)	10.6	0.2%	0.2%
Rent free periods	18.9	0.3%	0.4%
Passing rents	321.2	5.8%	6.2%
ERV of vacant space	12.6	0.2%	0.2%
Reversions	10.1	0.2%	0.2%
Total ERV*/Reversionary yield	343.9	6.2%	6.6%
True equivalent yield		6.3%	
Nominal equivalent yield		6.0%	

* Total ERV at 31 December 2009 was £347.8 million (£339.6 million at 30 June 2010 exchange rates).

The table above analyses the net and gross valuations, income and yields for the Group's investment portfolio, excluding developments. Purchasers' costs equate to 5.5% of the net portfolio value.

The occupancy rate at the end of June, at 96.2%, was up by one percentage point on the rate at the 2009 year end as the impact of lettings in the UK office and retail portfolios more than offset a slight increase in vacancy at our French shopping centres. The office buildings at 60 Threadneedle Street and 125 Old Broad Street are now 100% and 92% let or in solicitors' hands respectively. Progress has also been made at Union Square, Aberdeen, which opened in October last year, where £10.0 million of rental income has been secured with leases representing a further £0.7 million in solicitors' hands. We continue to work on letting the 12 remaining units which are targeted to produce a further £1.3 million of rent. The table below compares occupancy by portfolio segment at the current and previous reporting dates.

Occupancy %	UK retail	France retail	UK offices	Total
30 June 2010	95.6	97.9	94.9	96.2
31 December 2009	94.5	98.5	91.6	95.2

BUSINESS AND FINANCIAL REVIEW

CONTINUED

INCOME SECURITY AND QUALITY

Hammerson's investment portfolio provides a secure income stream with potential for growth and benefits from leases with long terms. The weighted average unexpired lease term for the investment portfolio was almost nine years at 30 June 2010.

Rent collection rates continue to be excellent with 99% of UK rent and 95% in France collected within fourteen days of the June quarter day.

Compared with the end of 2009, the number of retail units in administration at 30 June 2010 in the UK retail portfolio has reduced from 45 to 36, of which 16 were still trading. In France, 26 retail units were in administration at 30 June, up from 19 at the beginning of the year and, of the former, 18 units continue to trade. Overall, income from tenants in administration represents 1.3% of the Group's rents passing.

Hammerson's ten largest retailers account for 16.7% of passing rents at 30 June 2010, whilst our five most significant office occupiers contribute 7.0%.

Retail		Office	
Tenant	% of total passing rent	Tenant	% of total passing rent
B&Q	3.1	Deutsche Bank	3.2
H&M Hennes Limited	2.4	Latham & Watkins LLP	1.5
Arcadia	1.7	HM Government	1.0
DSG Retail Limited	1.7	Barclays Bank	0.7
New Look Retailers	1.6	DTZ Debenham Tie Leung	0.6
Home Retail Group	1.5		
Next Group	1.4		
Inditex	1.2		
Boots	1.1		
Vivarte	1.0		
Total	16.7		7.0

Our credit control team assesses the covenant strength of prospective tenants and monitors the credit ratings of major tenants, using a credit rating agency's risk indicator scale of one to five, where a score of one is 'low risk' and two 'lower than average risk'. At the end of June 2010, nine of the top ten retail tenants scored one whilst the other had a rating of two.

We also monitor risk indicators for tenants in our office portfolio, although they are generally of lower risk than retailers. Four of our top five office tenants at 30 June had a low or lower than average risk indicator and the rent of the fifth was guaranteed by its parent company. To date in 2010, there have been no significant rent payment defaults in our office portfolio.

In addition to the tenants shown in the table above, we have a 25% interest in Bishops Square, London E1, where the principal tenant, international law firm Allen & Overy, pays annual rent of £34.6 million.

Retailer performance and affordability of rents

Like-for-like sales at Hammerson's shopping centres showed a mixed picture with performance at our UK shopping centres up by 2.5% during the first half, while our French centres saw a decline of 1.6%. In both cases, the portfolios showed out-performance against local indices.

BUSINESS AND FINANCIAL REVIEW

CONTINUED

Footfall in the UK improved but by less than turnover, whilst in France the decline was lower than the sales experience, suggesting increased sales per visit. In the UK, the stronger trading sectors included sports and outdoors, department stores and catering whilst toys and games, menswear and ladieswear specialists suffered by comparison. In France, phones, games and perfumes outperformed while weaker sectors included mixed fashion.

Affordability, expressed in terms of rent-to-sales ratios, was broadly consistent with the position at the end of 2009. In both of the Group's key retail markets, weaker tenants with higher rent-to-sales ratios have reduced in number or secured temporary concessions, thereby lowering the overall ratio, although this has been offset by lower sales in certain locations.

CONTRACTED INCOME

The table below shows projected income from leases and contracts secured at developments completed in 2008 and 2009, the redevelopment of Faubourg St Honoré and Les Terrasses du Port, Marseille on cash and accounting bases. Cash flow, before costs, is expected to increase by approximately £30 million per annum between 2010 and 2014, including around £7 million in respect of Marseille.

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

Figures include Hammerson's share of income for joint ventures.

DEVELOPMENTS

Hammerson has a reputation as one of the leading property developers in the UK and France, managing complex urban regeneration schemes and forging strong links with local authorities and occupiers. We have a substantial pipeline of potential future developments and have continued to progress planning, legal and design work so that we may benefit from the developments as market conditions improve.

The developments shown in note 8 to the accounts on page 35 principally represent the costs incurred to date on this pipeline.

We have made excellent progress in advancing the development of Les Terrasses du Port in Marseille. Since our acquisition of the site last December, we have built relationships with local stakeholders and re-engineered the scheme to optimise the retail layout, reduce costs and achieve a BREEAM Very Good environmental rating. We have also reduced risk by renegotiating the construction contracts to a fixed cost basis and devised comprehensive tenant mix and leasing strategies. The scheme comprises a 54,000m² shopping centre with 160 shops and 2,600 car parking spaces and will be one of the largest shopping centre developments in France over the next few years. The total development cost is estimated at £355 million, rents receivable, net of head rents payable, are projected to be £26 million and 44% of the income is pre-let or under offer. We will start enabling works this month, with the main works expected to start on site early in 2011.

BUSINESS AND FINANCIAL REVIEW

CONTINUED

In June, we reached agreement with Brookfield Europe for Hammerson to take full control of the Cricklewood project which comprises part of the wider 150 hectare Brent Cross Cricklewood regeneration proposals. The change in the Cricklewood interest does not affect the joint venture between Hammerson and Standard Life Investments UK Shopping Centre Trust which owns Brent Cross Shopping Centre. The transaction follows the announcement by the Greater London Authority and The Secretary of State for Communities and Local Government that the scheme would not be called in, giving the green light to the £4.5 billion project to create a new town centre in the area. The regeneration scheme will involve an extended Brent Cross shopping centre, new leisure facilities, 7,500 homes, 27,000 jobs, three schools, a new train station, a new bus station and new public open space. Start on site for the scheme is expected to be around 2014.

We have been granted planning permission for the Bishops Place Regeneration Project, London EC2. The 140,000m² project, designed by Foster + Partners, includes two high quality office buildings, a 51-storey mixed use tower, providing residential and hotel accommodation, retail space and 50 affordable housing units. Our approach is to seek a pre-let for a significant part of the office space and partner the residential element with a specialist developer.

At our St Alphage House, London EC2 site, our agreement with The City of London Corporation provides us with a development option. We intend to follow a full consultation process and to submit a planning application by the end of the year.

Watermark WestQuay, a project set on a four hectare brownfield site adjacent to our existing WestQuay Shopping Centre, has outline planning consent. The consent was subject to confirming S106 provisions, which were agreed in February of this year, and we have a development agreement with Southampton City Council. The mixed-use scheme will include up to 24,000m² of retail space, a hotel, a residential building with up to 240 apartments and leisure facilities.

We also have a development agreement with Sheffield City Council for the retail-led Sevenstone development. The scheme has outline planning consent and some of the buildings within the scheme have detailed planning consent and we are working closely with key stakeholders, including John Lewis, to progress the project. Discussions continue with the city council to complete the land acquisition phase of the project.

Outline planning consent has been renewed for our proposed retail-led regeneration of Leeds city centre, Eastgate Quarters, following agreement of the S106 provisions in July. We have a development agreement with Leeds City Council and agreements for lease with anchors John Lewis and Marks & Spencer. A revised outline planning application should be submitted by the end of the year.

The Rock, Bury, the shopping centre for which we were engaged in January as development and asset manager by the administrators of Thornfield Ventures Limited, opened on schedule on 16 July. On opening, leases for 78% of the projected income had been exchanged or were in solicitors' hands, meeting the target set on our appointment. More than 11,000 people visited the 57,000m² centre in its first hour of trading.

PROPERTY PORTFOLIO INFORMATION

RENTAL DATA FOR INVESTMENT PORTFOLIO

For the six months ended 30 June 2010

Notes	Gross rental income £m	Net rental income £m	Vacancy rate %	Average rent passing £/m ²	Rents passing £m	Estimated rental value £m	Reversion/(over-rented) %
			1	2	3	4	5
United Kingdom							
Retail: Shopping centres	64.2	53.6	5.0	430	129.5	143.8	6.0
Retail parks	26.8	25.0	3.0	185	55.9	59.7	3.6
	91.0	78.6	4.4	335	185.4	203.5	5.3
Office: City	15.2	12.9	2.8	470	30.5	27.3	(15.3)
Other	8.0	7.0	9.6	270	15.9	16.7	(5.5)
	23.2	19.9	5.1	385	46.4	44.0	(11.6)
Total United Kingdom	114.2	98.5	4.5	345	231.8	247.5	2.1
Continental Europe							
France: Retail	47.8	42.5	2.1	330	89.4	96.4	5.6
Group							
Retail	138.8	121.1	3.6	335	274.8	299.9	5.4
Office	23.2	19.9	5.1	385	46.4	44.0	(11.6)
Total investment portfolio	162.0	141.0	3.8	340	321.2	343.9	3.1
Income from developments and other sources not analysed above	0.2	(1.0)					
As disclosed in note 2 to the accounts	162.2	140.0					

Selected data for the year ended 31 December 2009

Group							
Retail	275.4	234.8	4.1	340	274.7	306.0	7.0
Office	68.2	59.2	8.4	365	43.7	41.8	(15.1)
Total investment portfolio	343.6	294.0	4.8	345	318.4	347.8	4.1

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 sum of the rents passing and the ERV of vacant space for that property or portfolio.
- (2) Average rent passing at 30 June 2010 before deducting head and equity rents and excluding rents passing from anchor units and car parks.
- (3) The annual rental income receivable from an investment property at 30 June 2010, after any rent-free periods and after deducting head and equity rents.
- (4) The estimated market rental value of the total lettable space in a property at 30 June 2010, after deducting head and equity rents, calculated by the Group's external valuers.
- (5) The percentage by which the ERV exceeds, or falls short of, rents passing together with the estimated rental value of vacant space, all at 30 June 2010.

PROPERTY PORTFOLIO INFORMATION

VALUATION DATA FOR INVESTMENT PORTFOLIO

For the six months ended 30 June 2010

	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	2,146	167	8.5	11.2	5.3	6.5
Retail parks	933	52	6.1	9.2	5.7	6.4
	3,079	219	7.8	10.6	5.4	6.5
Office: City	382	29	8.5	12.0	4.6	6.1
Other	194	4	3.3	7.0	6.1	7.0
	576	33	6.5	10.1	5.1	6.4
Total United Kingdom	3,655	252	7.5	10.5	5.3	6.5
Continental Europe						
France: Retail	1,575	8	0.5	3.1	5.1	5.8
Group						
Retail	4,654	227	5.2	8.0	5.3	6.2
Office	576	33	6.5	10.1	5.1	6.4
Total investment portfolio	5,230	260	5.4	8.3	5.3	6.3
Developments	125	(1)	0.1	(0.7)		
Total Group	5,355	259	5.2	8.1		

Selected data for the year ended 31 December 2009

Group						
Retail	4,488	(342)	(7.8)	(2.6)	5.5	6.6
Office	534	(62)	(11.7)	(6.1)	5.4	6.8
Total investment portfolio	5,022	(404)	(8.7)	(3.4)	5.5	6.6

Notes

- (1) Annual cash rents receivable (net of head and equity rents and the cost of vacancy, and, in the case of France, net of an allowance for costs of approximately 5.2%, primarily for management fees) as a percentage of gross property value, as provided by the Group's external valuers. Rents receivable of £18.9 million following the expiry of rent-free periods are not included. Rent reviews are assumed to have been settled at the contractual review date at ERV.
- (2) The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect the timing of future rents resulting from lettings, lease renewals and rent reviews based on current ERVs and assuming rents are received quarterly in advance. The property true equivalent yields are determined by the Group's external valuers.
- (3) Further analysis of development properties by segment is provided in note 3B on page 31.

INDEPENDENT REVIEW REPORT TO HAMMERSON plc

INTRODUCTION

We have been engaged by the Company to review the condensed set of financial statements in the Half-year Report for the six months ended 30 June 2010, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement, the analysis of movement in net debt and related notes 1 to 19. We have read the other information contained in the Half-year Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

DIRECTORS' RESPONSIBILITIES

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

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this Half-year Report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Half-year Report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half-year Report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditors
London, UK
2 August 2010

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting;
- the Interim Management Report, comprising pages 3 to 19 of this Half-year Report, includes a fair review of the information required by DTR 4.2.7R; and
- a fair review of related party transactions, as required by DTR 4.2.8R, is disclosed in note 1 to the accounts.

Signed on behalf of the Board on 2 August 2010

David Atkins
Director

Simon Melliss
Director

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009 Audited £m		Notes	Six months ended 30 June 2010 Unaudited £m	Six months ended 30 June 2009 Unaudited £m
344.3*	Gross rental income	2	162.2	181.6*
	Operating profit before other net gains/(losses) and share of result of associate			
252.6		2	123.7	137.0
(590.4)	Other net gains/(losses)	2	259.8	(869.5)
(0.8)	Share of results of associate	2	5.4	(9.2)
(338.6)	Operating profit/(loss)	2	388.9	(741.7)
(129.0)	Finance costs		(56.7)	(73.5)
(4.1)	Change in fair value of derivatives		1.3	(5.3)
18.6	Finance income		2.1	2.0
(114.5)	Net finance costs	4	(53.3)	(76.8)
(453.1)	Profit/(Loss) before tax		335.6	(818.5)
(0.9)	Current tax	5A	-	(0.4)
103.6	Deferred tax	5A	(0.1)	27.8
102.7	Tax (charge)/credit		(0.1)	27.4
(350.4)	Profit/(Loss) for the period		335.5	(791.1)
	Attributable to:			
(344.5)	Equity shareholders		333.0	(786.1)
(5.9)	Equity minority interests		2.5	(5.0)
(350.4)	Profit/(Loss) for the period		335.5	(791.1)
(54.1)p	Basic earnings/(loss) per share	7A	47.3p	(136.8)p
(54.1)p	Diluted earnings/(loss) per share	7A	47.3p	(136.6)p

* Comparative figures for gross rental income have been amended to reflect the reclassification of lease incentives (see note 1).

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009 Audited £m	Notes	Six months ended 30 June 2010 Unaudited £m	Six months ended 30 June 2009 Unaudited £m
(209.0)	Foreign exchange translation differences	(146.8)	(290.6)
176.3	Net gain on hedge of net investment in foreign subsidiaries	111.7	251.8
(28.2)	Exchange gain previously recognised in the translation reserve, recycled on disposal of foreign operation	-	-
18.4	Exchange loss previously recognised in the hedging reserve, recycled on disposal of foreign operation	-	-
(6.4)	Revaluation gains/(losses) on owner-occupied property	3.2	(7.6)
3.9	Revaluation gains on investments	0.6	8.1
(14.3)	Actuarial losses on pension schemes	(0.9)	(4.4)
4.4	Deferred tax on items taken directly to equity	-	1.2
(54.9)	Net loss recognised directly in equity	(32.2)	(41.5)
(350.4)	Profit/(Loss) for the period	335.5	(791.1)
(405.3)	Total comprehensive income/(loss) for the period	303.3	(832.6)
	Attributable to:		
(392.1)	Equity shareholders	306.6	(816.9)
(13.2)	Equity minority interests	(3.3)	(15.7)
(405.3)	Total comprehensive income/(loss) for the period	303.3	(832.6)

CONSOLIDATED BALANCE SHEET

31 December 2009 Audited £m		Notes	30 June 2010 Unaudited £m	30 June 2009 Unaudited £m
Non-current assets				
5,141.5	Investment and development properties	8	5,355.3	4,716.8
23.0	Interests in leasehold properties		23.0	23.0
30.4	Plant, equipment and owner-occupied property		32.8	29.7
10.4	Investment in associate	9B	15.8	2.0
114.0	Other investments	10	114.0	117.8
61.5	Receivables	11	58.8	73.1
5,380.8			5,599.7	4,962.4
Current assets				
102.7	Receivables	12	114.3	110.5
182.9	Cash and deposits	13	158.0	264.2
285.6			272.3	374.7
5,666.4	Total assets		5,872.0	5,337.1
Current liabilities				
228.4	Payables	14	173.7	210.7
1.6	Tax	5B	0.7	3.5
-	Provision		-	6.0
62.9	Borrowings	15A	-	60.6
292.9			174.4	280.8
Non-current liabilities				
2,256.1	Borrowings	15A	2,323.0	2,294.5
0.4	Deferred tax	5B	0.5	60.7
1.3	Tax	5B	1.0	0.3
22.8	Obligations under finance leases		22.8	22.8
69.8	Payables	17	67.0	60.3
2,350.4			2,414.3	2,438.6
2,643.3	Total liabilities		2,588.7	2,719.4
3,023.1	Net assets		3,283.3	2,617.7
Equity				
175.7	Share capital	18	176.9	174.2
1,223.6	Share premium		1,222.4	1,225.2
477.7	Translation reserve		336.7	427.7
(385.4)	Hedging reserve		(273.7)	(328.3)
7.2	Capital redemption reserve		7.2	7.2
10.3	Other reserves		6.7	9.9
78.6	Revaluation reserve		82.4	81.6
1,372.4	Retained earnings		1,662.2	961.2
(4.6)	Investment in own shares		(4.5)	(0.4)
(5.8)	Treasury shares		-	(11.6)
2,949.7	Equity shareholders' funds		3,216.3	2,546.7
73.4	Equity minority interests		67.0	71.0
3,023.1	Total equity		3,283.3	2,617.7
£4.20	Diluted net asset value per share	7B	£4.55	£3.66
£4.21	EPRA net asset value per share	7B	£4.54	£3.73

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2010

Unaudited	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Capital redemption reserve £m	Other reserves £m	Revaluation reserve £m	Retained earnings £m	Investment in own shares £m	Treasury shares £m	Equity shareholders' funds £m	Equity minority interests £m	Total equity £m
Balance at 1 January 2010	175.7	1,223.6	477.7	(385.4)	7.2	10.3	78.6	1,372.4	(4.6)	(5.8)	2,949.7	73.4	3,023.1
Share-based employee remuneration	-	-	-	-	-	1.0	-	-	-	-	1.0	-	1.0
Cost of shares awarded to employees	-	-	-	-	-	(5.9)	-	-	5.9	-	-	-	-
Transfer on award of own shares to employees	-	-	-	-	-	1.3	-	(1.3)	-	-	-	-	-
Transfer from treasury shares	-	-	-	-	-	-	-	-	(5.8)	5.8	-	-	-
Dividends	-	-	-	-	-	-	-	(41.0)	-	-	(41.0)	(3.1)	(44.1)
Scrip dividends	1.2	(1.2)	-	-	-	-	-	-	-	-	-	-	-
Exchange adjustment	-	-	(141.0)	-	-	-	-	-	-	-	(141.0)	(5.8)	(146.8)
Net gain on hedging activities	-	-	-	111.7	-	-	-	-	-	-	111.7	-	111.7
Revaluation gains on owner-occupied property	-	-	-	-	-	-	3.2	-	-	-	3.2	-	3.2
Revaluation gains on investments	-	-	-	-	-	-	0.6	-	-	-	0.6	-	0.6
Actuarial losses on pension schemes	-	-	-	-	-	-	-	(0.9)	-	-	(0.9)	-	(0.9)
Profit for the period attributable to equity shareholders	-	-	-	-	-	-	-	333.0	-	-	333.0	2.5	335.5
Total comprehensive (loss)/income for the period	-	-	(141.0)	111.7	-	-	3.8	332.1	-	-	306.6	(3.3)	303.3
Balance at 30 June 2010	176.9	1,222.4	336.7	(273.7)	7.2	6.7	82.4	1,662.2	(4.5)	-	3,216.3	67.0	3,283.3

Investment in own shares and treasury shares are stated at cost.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

Audited	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Capital redemption reserve £m	Other reserves £m	Revaluation reserve £m	Retained earnings £m	Investment in own shares £m	Treasury shares £m	Equity shareholders' funds £m	Equity minority interests £m	Total equity £m
Balance at 1 January 2009	72.7	742.2	707.6	(580.1)	7.2	11.5	100.0	1,775.6	(4.5)	(11.6)	2,820.6	89.3	2,909.9
Rights issue	101.5	507.2	-	-	-	-	-	-	-	-	608.7	-	608.7
Expenses of rights issue	-	(24.4)	-	-	-	-	-	-	-	-	(24.4)	-	(24.4)
Issue of other shares	-	0.1	-	-	-	-	-	-	-	-	0.1	-	0.1
Share-based employee remuneration	-	-	-	-	-	5.1	-	-	-	-	5.1	-	5.1
Cost of shares awarded to employees	-	-	-	-	-	(5.7)	-	-	5.7	-	-	-	-
Transfer on award of own shares to employees	-	-	-	-	-	(0.6)	-	0.6	-	-	-	-	-
Transfer on sale of investments	-	-	-	-	-	-	(0.4)	0.4	-	-	-	-	-
Transfer on change in accounting policy relating to development properties	-	-	-	-	-	-	(18.5)	18.5	-	-	-	-	-
Proceeds on award of own shares to employees	-	-	-	-	-	-	-	0.1	-	-	0.1	-	0.1
Transfer from treasury shares	-	-	-	-	-	-	-	-	(5.8)	5.8	-	-	-
Dividends	-	-	-	-	-	-	-	(68.4)	-	-	(68.4)	(2.7)	(71.1)
Scrip dividends	1.5	(1.5)	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange translation differences	-	-	(201.7)	-	-	-	-	-	-	-	(201.7)	(7.3)	(209.0)
Net gain on hedge of net investment in foreign subsidiaries	-	-	-	176.3	-	-	-	-	-	-	176.3	-	176.3
Exchange gain previously recognised in the translation reserve recycled on disposal of foreign operation	-	-	(28.2)	-	-	-	-	-	-	-	(28.2)	-	(28.2)
Exchange loss previously recognised in the hedging reserve recycled on disposal of foreign operation	-	-	-	18.4	-	-	-	-	-	-	18.4	-	18.4
Revaluation losses on owner-occupied property	-	-	-	-	-	-	(6.4)	-	-	-	(6.4)	-	(6.4)
Revaluation gains on investments	-	-	-	-	-	-	3.9	-	-	-	3.9	-	3.9
Actuarial losses on pension schemes	-	-	-	-	-	-	-	(14.3)	-	-	(14.3)	-	(14.3)
Deferred tax on items taken directly to equity	-	-	-	-	-	-	-	4.4	-	-	4.4	-	4.4
Loss for the year attributable to equity shareholders	-	-	-	-	-	-	-	(344.5)	-	-	(344.5)	(5.9)	(350.4)
Total comprehensive (loss)/income for the year	-	-	(229.9)	194.7	-	-	(2.5)	(354.4)	-	-	(392.1)	(13.2)	(405.3)
Balance at 31 December 2009	175.7	1,223.6	477.7	(385.4)	7.2	10.3	78.6	1,372.4	(4.6)	(5.8)	2,949.7	73.4	3,023.1

Investment in own shares and treasury shares are stated at cost.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2009

Unaudited	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Capital redemption reserve £m	Other reserves £m	Revaluation reserve £m	Retained earnings £m	Investment in own shares £m	Treasury shares £m	Equity shareholders' funds £m	Equity minority interests £m	Total equity £m
Balance at 1 January 2009	72.7	742.2	707.6	(580.1)	7.2	11.5	100.0	1,775.6	(4.5)	(11.6)	2,820.6	89.3	2,909.9
Rights issue	101.5	507.2	-	-	-	-	-	-	-	-	608.7	-	608.7
Expenses of rights issue	-	(24.3)	-	-	-	-	-	-	-	-	(24.3)	-	(24.3)
Issue of other shares	-	0.1	-	-	-	-	-	-	-	-	0.1	-	0.1
Share-based employee remuneration	-	-	-	-	-	2.7	-	-	-	-	2.7	-	2.7
Cost of shares awarded to employees	-	-	-	-	-	(4.1)	-	-	4.1	-	-	-	-
Transfer on award of own shares to employees	-	-	-	-	-	(0.2)	-	0.2	-	-	-	-	-
Transfer on sale of investments	-	-	-	-	-	-	(0.4)	0.4	-	-	-	-	-
Transfer on change in accounting policy relating to development properties	-	-	-	-	-	-	(18.5)	18.5	-	-	-	-	-
Proceeds on award of own shares to employees	-	-	-	-	-	-	-	0.1	-	-	0.1	-	0.1
Dividends	-	-	-	-	-	-	-	(44.3)	-	-	(44.3)	(2.6)	(46.9)
Exchange adjustment	-	-	(279.9)	-	-	-	-	-	-	-	(279.9)	(10.7)	(290.6)
Net gain on hedging activities	-	-	-	251.8	-	-	-	-	-	-	251.8	-	251.8
Revaluation losses on owner-occupied property	-	-	-	-	-	-	(7.6)	-	-	-	(7.6)	-	(7.6)
Revaluation gains on investments	-	-	-	-	-	-	8.1	-	-	-	8.1	-	8.1
Actuarial losses on pension schemes	-	-	-	-	-	-	-	(4.4)	-	-	(4.4)	-	(4.4)
Deferred tax on items taken directly to equity	-	-	-	-	-	-	-	1.2	-	-	1.2	-	1.2
Loss for the period attributable to equity shareholders	-	-	-	-	-	-	-	(786.1)	-	-	(786.1)	(5.0)	(791.1)
Total comprehensive (loss)/income for the period	-	-	(279.9)	251.8	-	-	0.5	(789.3)	-	-	(816.9)	(15.7)	(832.6)
Balance at 30 June 2009	174.2	1,225.2	427.7	(328.3)	7.2	9.9	81.6	961.2	(0.4)	(11.6)	2,546.7	71.0	2,617.7

Investment in own shares and treasury shares are stated at cost.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2009 Audited £m		Notes	Six months ended 30 June 2010 Unaudited £m	Six months ended 30 June 2009 Unaudited £m
	Operating activities			
252.6	Operating profit before other net gains/(losses) and share of results of associate	2	123.7	137.0
31.7	(Increase)/Decrease in receivables		(5.8)	27.8
(48.1)	Decrease in payables		(0.4)	(25.2)
2.3	Adjustment for non-cash items	19	(11.3)	(9.4)
238.5	Cash generated from operations		106.2	130.2
(149.0)	Interest paid		(87.9)	(116.7)
3.9	Interest received		2.5	0.6
13.1	Distribution received from other investments		-	-
(1.2)	Tax (paid)/repaid	5B	(0.6)	2.0
105.3	Cash flows from operating activities		20.2	16.1
	Investing activities			
(39.5)	Property and corporate acquisitions		(55.3)	-
(164.1)	Development and major refurbishments		(39.8)	(98.8)
(23.7)	Other capital expenditure		(12.8)	(7.3)
394.9	Sale of properties		1.5	186.2
3.0	Sale of subsidiary		-	33.9
(5.0)	Investment in associate		-	(5.0)
1.3	Sale of investments		-	1.3
-	Decrease/(Increase) in non-current receivables		1.0	(31.0)
166.9	Cash flows from investing activities		(105.4)	79.3
	Financing activities			
584.3	Rights issue		-	584.4
0.1	Issue of other shares		0.1	0.1
0.1	Proceeds from award of own shares		0.1	0.1
(647.2)	Increase/(Decrease) in non-current borrowings		140.7	(549.5)
(74.3)	(Decrease)/Increase in current borrowings		(36.7)	66.4
(2.7)	Dividends paid to minorities		(3.1)	(2.6)
(64.5)	Equity dividends paid		(39.3)	(42.7)
(204.2)	Cash flows from financing activities		61.8	56.2
68.0	Net (decrease)/increase in cash and deposits		(23.4)	151.6
119.9	Opening cash and deposits		182.9	119.9
(5.0)	Exchange translation movement		(1.5)	(7.3)
182.9	Closing cash and deposits	13	158.0	264.2

ANALYSIS OF MOVEMENT IN NET DEBT

For the six months ended 30 June 2010

	Short-term deposits £m	Cash at bank £m	Current borrowings including currency swaps* £m	Non-current borrowings £m	Net debt £m
Balance at 1 January 2010	111.9	71.0	(50.8)	(2,256.1)	(2,124.0)
Cash flow	(41.1)	17.7	36.7	(140.7)	(127.4)
Exchange	(0.5)	(1.0)	37.3	73.8	109.6
Balance at 30 June 2010	70.3	87.7	23.2	(2,323.0)	(2,141.8)

* At 30 June 2010, the fair value of currency swaps was an asset of £23.2 million (31 December 2009: £12.1 million), which is included in current receivables (see note 12).

NOTES TO THE ACCOUNTS

1. FINANCIAL INFORMATION

The financial information contained in this Half-year Report does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The results for the year ended 31 December 2009 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 section 498(2) or (3) of the Companies Act 2006 or include a reference to any matter to which the auditors drew attention by way of emphasis without qualifying their report, and have been filed with the Registrar of Companies. The annual financial statements of Hammerson plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this Half-year Report has been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in Hammerson's latest annual audited financial statements, with the exceptions that the Group has adopted IFRS3 'Business Combinations'(revised) with effect from 1 January 2010, and reclassified lease incentives as explained below.

Previously, the amortisation of lease incentives and other related costs had been included within other property outgoings. These items have now been included within gross rental income, which is considered to be a more appropriate classification. As a result of this reclassification, for the six months ended 30 June 2010, gross rental income and other property outgoings have been reduced by £3.9 million. Comparative figures for the year ended 31 December 2009 and the six months ended 30 June 2009 have been reduced by £7.2 million and £2.6 million respectively. There is no impact on net rental income or profit.

The Group's financial performance is not seasonal. 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 contingent liabilities since 31 December 2009.

The management fees receivable in note 2 include fees paid to Hammerson in respect of joint ventures and an associate for investment and development management services. Loans to an associate are disclosed in note 11. All other related party transactions, with the exception of Directors' remuneration, are eliminated on consolidation.

The principal exchange rates used to translate foreign currency denominated amounts are:
Balance sheet: £1 = €1.221 (30 June 2009: £1 = €1.174; 31 December 2009: £1 = €1.126)
Income statement: £1 = €1.150 (30 June 2009: £1 = €1.119; 31 December 2009: £1 = €1.123).

The Half-year Report was approved by the Board on 2 August 2010.

GOING CONCERN

The current economic conditions have created a number of uncertainties. Hammerson's business activities, together with factors likely to affect its future development, performance, and position are set out in the 'Chairman's statement', 'Property markets and outlook', 'Principal risks and uncertainties' and the 'Business and financial review'. The financial position of the Group, its liquidity position and borrowing facilities are described in the 'Business and financial review' and in the notes to the accounts.

The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance. As part of the review, the Directors considered the Group's cash balances, its debt maturity profile, including undrawn facilities, and the long-term nature of tenant leases. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Half-year Report.

NOTES TO THE ACCOUNTS

CONTINUED

2. RESULT FOR THE PERIOD

Year ended 31 December 2009			Six months ended 30 June 2010			Six months ended 30 June 2009			
Adjusted £m	Capital and other £m	Total £m		Adjusted £m	Capital and other £m	Total £m	Adjusted £m	Capital and other £m	Total £m
344.3	-	344.3	Gross rental income	162.2	-	162.2	181.6	-	181.6
(5.4)	-	(5.4)	Ground and equity rents payable	(2.5)	-	(2.5)	(3.1)	-	(3.1)
338.9	-	338.9	Gross rental income, after rents payable	159.7	-	159.7	178.5	-	178.5
57.6	-	57.6	Service charge income	30.8	-	30.8	31.9	-	31.9
(69.3)	-	(69.3)	Service charge expenses	(35.0)	-	(35.0)	(37.7)	-	(37.7)
(11.7)	-	(11.7)	Net service charge expenses	(4.2)	-	(4.2)	(5.8)	-	(5.8)
(33.6)	-	(33.6)	Other property outgoings	(15.5)	-	(15.5)	(16.3)	-	(16.3)
(45.3)	-	(45.3)	Property outgoings	(19.7)	-	(19.7)	(22.1)	-	(22.1)
293.6	-	293.6	Net rental income	140.0	-	140.0	156.4	-	156.4
2.9	-	2.9	Management fees receivable	4.5	-	4.5	1.5	-	1.5
(28.2)	-	(28.2)	Cost of property activities	(14.0)	-	(14.0)	(13.2)	-	(13.2)
(15.7)	-	(15.7)	Corporate expenses	(6.8)	-	(6.8)	(7.7)	-	(7.7)
(41.0)	-	(41.0)	Administration expenses	(16.3)	-	(16.3)	(19.4)	-	(19.4)
252.6	-	252.6	Operating profit before other net gains/(losses) and share of results of associate	123.7	-	123.7	137.0	-	137.0
-	(138.0)	(138.0)	Gain/(Loss) on the sale of investment properties	-	1.1	1.1	-	(77.9)	(77.9)
-	(25.4)	(25.4)	Loss on the sale of subsidiary	-	-	-	-	(25.4)	(25.4)
-	(403.9)	(403.9)	Revaluation gains/(losses) on investment properties	-	259.4	259.4	-	(693.9)	(693.9)
-	(40.2)	(40.2)	Revaluation losses on development properties	-	(0.7)	(0.7)	-	(72.3)	(72.3)
-	(1.4)	(1.4)	Goodwill impairment	-	-	-	-	-	-
-	3.4	3.4	Negative goodwill	-	-	-	-	-	-
-	9.8	9.8	Net exchange gain previously recognised in equity, recycled on disposal of foreign operation	-	-	-	-	-	-
-	(595.7)	(595.7)		-	259.8	259.8	-	(869.5)	(869.5)
-	5.3	5.3	Release of provision relating to formerly owned property	-	-	-	-	-	-
-	(590.4)	(590.4)	Other net gains/(losses)	-	259.8	259.8	-	(869.5)	(869.5)
0.9	(1.7)	(0.8)	Share of results of associate	1.1	4.3	5.4	0.1	(9.3)	(9.2)
253.5	(592.1)	(338.6)	Operating profit/(loss)	124.8	264.1	388.9	137.1	(878.8)	(741.7)
(123.5)	9.0	(114.5)	Net finance (costs)/income	(54.6)	1.3	(53.3)	(71.5)	(5.3)	(76.8)
130.0	(583.1)	(453.1)	Profit/(Loss) before tax	70.2	265.4	335.6	65.6	(884.1)	(818.5)
(0.9)	-	(0.9)	Current tax	-	-	-	(0.4)	-	(0.4)
-	103.6	103.6	Deferred tax	-	(0.1)	(0.1)	-	27.8	27.8
129.1	(479.5)	(350.4)	Profit/(Loss) for the period	70.2	265.3	335.5	65.2	(856.3)	(791.1)
(3.8)	9.7	5.9	Equity minority interest	(1.9)	(0.6)	(2.5)	(1.9)	6.9	5.0
125.3	(469.8)	(344.5)	Profit/(Loss) for the period attributable to equity shareholders	68.3	264.7	333.0	63.3	(849.4)	(786.1)

NOTES TO THE ACCOUNTS

CONTINUED

3. SEGMENTAL ANALYSIS

The factors used to determine the Group's reportable segments are the geographic locations (UK and Continental Europe) and sectors in which it operates, which are generally managed by separate teams and are the basis on which performance is assessed and resources allocated. Gross rental income represents the Group's revenue from external customers, or tenants. Net rental income is the principal profit measure used to determine the performance of each sector. Total assets are not monitored by segment and resource allocation is based on the distribution of property assets between segments.

A. REVENUE AND PROFIT BY SEGMENT

Year ended 31 December 2009				Six months ended 30 June 2010				Six months ended 30 June 2009				
Gross rental income	Net rental income	Within net rental income	Non-cash items	Gross rental income	Net rental income	Within net rental income	Non-cash items	Gross rental income	Net rental income	Within net rental income	Non-cash items	
			Revaluation gains/(losses) on properties				Revaluation gains/(losses) on properties				Revaluation losses on properties	
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
United Kingdom												
117.4	92.4	2.8	(152.2)	Retail: Shopping centres	64.2	53.6	(0.5)	166.8	56.3	44.6	2.2	(249.1)
54.7	50.1	0.5	18.7	Retail parks	26.8	25.0	(0.2)	51.7	26.6	25.3	(0.1)	(134.3)
172.1	142.5	3.3	(133.5)		91.0	78.6	(0.7)	218.5	82.9	69.9	2.1	(383.4)
39.9	33.4	2.7	(27.5)	Office: City	15.2	12.9	4.1	29.5	26.7	22.0	0.3	(69.9)
15.9	14.7	-	(34.7)	Other	8.0	7.0	0.7	3.9	8.4	8.1	(0.1)	(36.6)
55.8	48.1	2.7	(62.2)		23.2	19.9	4.8	33.4	35.1	30.1	0.2	(106.5)
227.9	190.6	6.0	(195.7)	Total United Kingdom	114.2	98.5	4.1	251.9	118.0	100.0	2.3	(489.9)
Continental Europe												
France												
101.1	91.2	1.0	(208.2)	Retail	47.8	42.5	0.3	7.5	50.2	44.7	0.6	(164.0)
12.4	11.1	(1.2)	-	Office	-	-	-	-	10.6	9.9	(0.6)	(19.2)
113.5	102.3	(0.2)	(208.2)	Total France	47.8	42.5	0.3	7.5	60.8	54.6	-	(183.2)
Germany												
2.2	1.1	(0.5)	-	Retail	-	-	-	-	2.2	1.2	(0.5)	(20.8)
115.7	103.4	(0.7)	(208.2)	Total Continental Europe	47.8	42.5	0.3	7.5	63.0	55.8	(0.5)	(204.0)
Group												
275.4	234.8	3.8	(341.7)	Retail	138.8	121.1	(0.4)	226.0	135.3	115.8	2.2	(568.2)
68.2	59.2	1.5	(62.2)	Office	23.2	19.9	4.8	33.4	45.7	40.0	(0.4)	(125.7)
343.6	294.0	5.3	(403.9)	Total investment portfolio	162.0	141.0	4.4	259.4	181.0	155.8	1.8	(693.9)
0.7	(0.4)	-	(40.2)	Developments and other sources not analysed above	0.2	(1.0)	-	(0.7)	0.6	0.6	-	(72.3)
344.3	293.6	5.3	(444.1)	Total portfolio	162.2	140.0	4.4	258.7	181.6	156.4	1.8	(766.2)
2	2	19	As disclosed in note	2	2	19	8	2	2	19		

NOTES TO THE ACCOUNTS

CONTINUED

3. SEGMENTAL ANALYSIS *continued*

B. PROPERTY ASSETS BY SEGMENT

		31 December 2009							30 June 2010			
Investment properties	Development properties	Total	Capital expenditure		Investment properties	Development properties	Total	Capital expenditure	Investment properties	Development properties	Total	Capital expenditure
£m	£m	£m	£m		£m	£m	£m	£m	£m	£m	£m	£m
United Kingdom												
1,966	12	1,978	290	Retail: Shopping centres	2,146	11	2,157	15	1,532	87	1,619	65
826	7	833	23	Retail parks	933	7	940	56	714	7	721	15
2,792	19	2,811	313		3,079	18	3,097	71	2,246	94	2,340	80
345	57	402	15	Office: City	382	56	438	7	297	56	353	9
189	5	194	-	Other	194	5	199	1	187	6	193	-
534	62	596	15		576	61	637	8	484	62	546	9
3,326	81	3,407	328	Total United Kingdom	3,655	79	3,734	79	2,730	156	2,886	89
Continental Europe												
France												
1,696	39	1,735	57	Retail	1,575	46	1,621	11	1,684	5	1,689	4
-	-	-	(1)	Office	-	-	-	-	83	-	83	-
1,696	39	1,735	56	Total France	1,575	46	1,621	11	1,767	5	1,772	4
Germany												
-	-	-	-	Retail	-	-	-	-	59	-	59	-
1,696	39	1,735	56	Total Continental Europe	1,575	46	1,621	11	1,826	5	1,831	4
Group												
4,488	58	4,546	370	Retail	4,654	64	4,718	82	3,989	99	4,088	84
534	62	596	14	Office	576	61	637	8	567	62	629	9
5,022	120	5,142	384	Total	5,230	125	5,355	90	4,556	161	4,717	93

NOTES TO THE ACCOUNTS

CONTINUED

4. NET FINANCE COSTS

Year ended 31 December 2009 £m		Six months ended 30 June 2010 £m	Six months ended 30 June 2009 £m
31.7	Interest on bank loans and overdrafts	4.6	26.0
102.9	Interest on other borrowings	49.0	51.9
2.3	Interest on obligations under finance leases	1.1	1.1
2.1	Other interest payable	2.2	0.3
139.0	Gross interest costs	56.9	79.3
(10.0)	Less: Interest capitalised	(0.2)	(5.8)
129.0	Finance costs	56.7	73.5
(3.1)	Change in fair value of interest rate swaps	(0.8)	(1.7)
7.2	Change in fair value of currency swaps outside hedge accounting designation	(0.5)	7.0
4.1	Change in fair value of derivatives	(1.3)	5.3
(13.1)	Distribution from other investments	-	-
(5.5)	Other finance income	(2.1)	(2.0)
(18.6)	Finance income	(2.1)	(2.0)
114.5	Net finance costs	53.3	76.8

5. TAX

A. TAX CHARGE/(CREDIT)

Year ended 31 December 2009 £m		Six months ended 30 June 2010 £m	Six months ended 30 June 2009 £m
0.9	Current tax charge	-	0.4
(103.6)	Deferred tax charge/(credit)	0.1	(27.8)
(102.7)	Tax charge/(credit)	0.1	(27.4)
(4.4)	Deferred tax on items taken directly to equity	-	(1.2)

NOTES TO THE ACCOUNTS

CONTINUED

5. TAX (Continued)

B. CURRENT AND DEFERRED TAX MOVEMENTS

	1 January 2010 £m	Recognised in income £m	Tax paid £m	Corporate transactions £m	Exchange movements £m	30 June 2010 £m
Current tax						
UK tax	0.1	0.1	-	-	-	0.2
Overseas tax	2.5	(0.1)	(0.6)	(0.4)	(0.1)	1.3
	2.6	-	(0.6)	(0.4)	(0.1)	1.5
Deferred tax	0.4	0.1	-	-	-	0.5
	3.0	0.1	(0.6)	(0.4)	(0.1)	2.0

Analysed as:	1 January 2010 £m	30 June 2010 £m
Current assets: Corporation tax	(0.3)	(0.2)
Current liabilities: Tax	1.6	0.7
Non-current liabilities: Deferred tax	0.4	0.5
Non-current liabilities: Tax	1.3	1.0
	3.0	2.0

C. COMMENTARY

Hammerson has been a UK REIT since 1 January 2007 and a French SIIC since 1 January 2004 and therefore substantially all the Group's property rental income and gains on properties are exempt from tax.

Following a change in legislation in France, a listing on the French stock exchange is no longer required for SIIC status and Hammerson plc delisted from NYSE Euronext in July 2010.

6. DIVIDENDS

The Board approved a 2010 interim dividend of 7.15 pence per share on 2 August 2010, payable on 1 October 2010 to shareholders on the register at the close of business on 20 August 2010. This will be paid as a normal cash dividend.

	PID pence per share	Non-PID pence per share	Total pence per share	Equity dividends		
				Six months ended 30 June 2010 £m	Year ended 31 December 2009 £m	Six months ended 30 June 2009 £m
Current period						
2010 first interim dividend	-	7.15	7.15	-	-	-
Prior periods						
2009 second interim dividend ¹	8.5	-	8.5	41.0	-	-
2009 first interim dividend ¹	6.95	-	6.95	-	24.1	-
	15.45	-	15.45			
2008 final dividend				-	44.3	44.3
Dividends as reported in the consolidated statement of changes in equity				41.0	68.4	44.3
2009 withholding tax (paid July 2010)				(5.6)	-	-
2009 withholding tax (paid January 2010)				3.9	(3.9)	-
2008 withholding tax (paid May 2009)				-	-	(1.6)
Dividends paid as reported in the consolidated cash flow statement				39.3	64.5	42.7

1 The Company offered shareholders a scrip dividend alternative for these dividends.

NOTES TO THE ACCOUNTS

CONTINUED

7. EARNINGS PER SHARE AND NET ASSET VALUE PER SHARE

The European Public Real Estate Association (EPRA) has recommended bases for the calculation of certain per share information and these are included in the following tables.

A. 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 and the treasury shares, which are treated as cancelled.

Earnings £m	Year ended 31 December 2009			Six months ended 30 June 2010			Six months ended 30 June 2009		
	Shares million	Pence per share		Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
(344.5)	637.2	(54.1)	Basic	333.0	704.5	47.3	(786.1)	575.0	(136.8)
-	-	-	Dilutive share options	-	0.2	-	-	0.3	0.2
(344.5)	637.2	(54.1)	Diluted	333.0	704.7	47.3	(786.1)	575.3	(136.6)
			Adjustments:						
595.7		93.5	Other net (gains)/losses (note 2)	(259.8)		(36.9)	869.5		151.1
1.7		0.3	Adjustment for associate (note 9A)	(4.3)		(0.6)	9.3		1.6
4.1		0.6	Change in fair value of derivatives	(1.3)		(0.2)	5.3		0.9
(13.1)		(2.0)	Distribution from other investments	-		-	-		-
(103.6)		(16.3)	Deferred tax charge/(credit)	0.1		-	(27.8)		(4.8)
(9.7)		(1.5)	Equity minority interests in respect of the above	0.6		0.1	(6.9)		(1.2)
130.6		20.5	EPRA	68.3		9.7	63.3		11.0
			Release of provision relating to formerly owned property	-		-	-		-
(5.3)		(0.8)		-		-	-		-
125.3		19.7	Adjusted	68.3		9.7	63.3		11.0

B. NET ASSET VALUE PER SHARE

31 December 2009		Equity shareholders' funds £m	Shares million	30 June 2010 Net asset value per share £	30 June 2009 Net asset value per share £
4.20	Basic	3,216.3	707.6	4.55	3.66
n/a	Company's own shares held in Employee Share Ownership Plan	-	(0.6)	n/a	n/a
n/a	Unexercised share options	4.3	0.9	n/a	n/a
4.20	Diluted	3,220.6	707.9	4.55	3.66
0.01	Fair value adjustment to borrowings (net of tax)	(50.5)		(0.07)	0.42
4.21	EPRA triple net	3,170.1		4.48	4.08
-	Fair value of derivatives	(15.2)		(0.02)	(0.03)
(0.01)	Fair value adjustment to borrowings (net of tax)	50.5		0.07	(0.42)
-	Deferred tax	0.5		-	0.09
0.01	Adjustment for associate (note 9B)	10.2		0.01	0.01
4.21	EPRA	3,216.1		4.54	3.73

NOTES TO THE ACCOUNTS

CONTINUED

8. INVESTMENT AND DEVELOPMENT PROPERTIES

	Investment properties		Development properties		Total	
	Cost £m	Valuation £m	Cost £m	Valuation £m	Cost £m	Valuation £m
Balance at 1 January 2010	4,515.5	5,022.4	160.2	119.1	4,675.7	5,141.5
Exchange adjustment	(77.6)	(131.9)	(3.3)	(3.1)	(80.9)	(135.0)
Additions - capital expenditure	79.8	79.8	10.5	10.5	90.3	90.3
Disposals	(0.9)	(0.4)	-	-	(0.9)	(0.4)
Capitalised interest	0.2	0.2	-	-	0.2	0.2
Revaluation adjustment	-	259.4	-	(0.7)	-	258.7
Balance at 30 June 2010	4,517.0	5,229.5	167.4	125.8	4,684.4	5,355.3

Properties are stated at market value as at 30 June 2010, valued by professionally qualified external valuers. In the United Kingdom, the Group's properties were valued by DTZ Debenham Tie Leung, Chartered Surveyors. In France, 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.

Included in the table above is property held for sale valued at £280.7 million as at 30 June 2010.

9. INVESTMENT IN ASSOCIATE

In June 2009, the Group sold its interest in Hammerson (Bishops Square) Limited to Bishops Square Holdings Limited, a company in which the Group holds a 25% interest and which is accounted for as an associate.

A. SHARE OF RESULTS OF ASSOCIATE

Year ended 31 December 2009 £m		Six months ended 30 June 2010 £m	Six months ended 30 June 2009 £m
5.2	Gross rental income	4.6	0.7
0.9	Other operating profits and finance costs	1.1	0.1
(1.2)	Revaluation gains/(losses) on investment properties	6.1	(10.1)
(0.5)	Change in fair value of derivatives	(1.1)	0.8
-	Deferred tax	(0.7)	-
(1.7)		4.3	(9.3)
(0.8)	Profit/(Loss) after tax for the period	5.4	(9.2)

B. SHARE OF ASSETS AND LIABILITIES OF ASSOCIATE

31 December 2009 £m		30 June 2010 £m	30 June 2009 £m
120.2	Investment properties	127.4	111.3
4.4	Other assets	4.2	5.1
124.6	Total assets	131.6	116.4
(7.6)	Fair value of derivatives	(9.5)	(6.2)
-	Deferred tax	(0.7)	-
(7.6)		(10.2)	(6.2)
(88.6)	Borrowings	(89.3)	(88.8)
(18.0)	Other liabilities	(16.3)	(19.4)
(114.2)	Total liabilities	(115.8)	(114.4)
10.4	Net assets	15.8	2.0

NOTES TO THE ACCOUNTS

CONTINUED

10. OTHER INVESTMENTS

Available for sale investments

31 December 2009 £m		30 June 2010 £m	30 June 2009 £m
56.4	Value Retail Investors Limited Partnerships Investments in Value Retail plc and related companies	57.0	60.6
57.5	Other investments	57.0	57.2
0.1		-	-
114.0		114.0	117.8

11. RECEIVABLES: NON-CURRENT ASSETS

31 December 2009 £m		30 June 2010 £m	30 June 2009 £m
27.6	Loans receivable	26.2	39.3
30.1	Loans to associate	29.2	31.0
3.8	Other receivables	3.4	2.8
61.5		58.8	73.1

Loans receivable includes £26.2 million (31 December 2009: £26.6 million) representing a loan of €30.0 million, plus accrued interest, to SCI Quantum, the purchaser of a property in France. The loan is secured by way of a second charge on the property, bears interest at 6.1% and is for a term of two years from June 2009, extendable at the option of the purchaser for a further two years.

The loans to associate of £29.2 million (31 December 2009: £30.1 million) comprises £8.2 million (31 December 2009: £9.1 million) loaned to Bishops Square Holdings Limited which is non-interest bearing and repayable at the earlier of the termination of the shareholder agreement; the sale of the property at Bishops Square, London E1; or as agreed between Hammerson and the company, and a mezzanine loan of £21.0 million to Bishops Square Investments Limited, which bears interest at 6.27%, matures in April 2013 and is secured by way of a second charge on the property.

12. RECEIVABLES: CURRENT ASSETS

31 December 2009 £m		30 June 2010 £m	30 June 2009 £m
35.1	Trade receivables	34.3	33.4
14.2	Loans receivable	13.1	-
37.3	Other receivables	39.7	42.0
0.3	Corporation tax	0.2	0.3
3.7	Prepayments	3.8	4.6
12.1	Fair value of currency swaps	23.2	30.2
102.7		114.3	110.5

Loans receivable comprised a loan of €16 million (£13.1 million) to Value Retail plc bearing interest based on EURIBOR and maturing on 22 August 2010.

NOTES TO THE ACCOUNTS

CONTINUED

13. CASH AND DEPOSITS

31 December 2009 £m		30 June 2010 £m	30 June 2009 £m
71.0	Cash at bank	87.7	68.7
111.9	Short-term deposits	70.3	195.5
182.9		158.0	264.2
Currency profile			
87.9	Sterling	141.6	97.4
95.0	Euro	16.4	166.8
182.9		158.0	264.2

Short-term deposits principally comprise deposits placed on money markets with rates linked to LIBOR. Included in cash at bank at 30 June 2010 is £61.6 million held in escrow following the exchange of contracts to acquire Leadenhall Court. The transaction completed on 23 July. In addition, cash at bank includes £3.8 million (31 December 2009: £3.6 million) which may be used only in relation to certain development projects or in respect of secured borrowings.

14. PAYABLES: CURRENT LIABILITIES

31 December 2009 £m		30 June 2010 £m	30 June 2009 £m
59.4	Trade payables	64.8	79.0
138.0	Other payables	84.6	108.0
29.1	Accruals	24.3	21.3
1.9	Fair value of interest rate swaps	-	2.4
228.4		173.7	210.7

15. BORROWINGS

A. MATURITY

31 December 2009 £m		30 June 2010 £m	30 June 2009 £m
62.9	Current borrowings	-	60.6
2,256.1	Non-current borrowings	2,323.0	2,294.5
2,319.0		2,323.0	2,355.1

B. ANALYSIS

31 December 2009 £m			30 June 2010 £m	30 June 2009 £m
596.8	Bank loans and overdrafts:	Unsecured	646.3	660.7
62.9		Secured	65.2	60.6
1,659.3	Other borrowings:	Unsecured	1,611.5	1,633.8
2,319.0			2,323.0	2,355.1
(12.1)	Fair value of currency swaps - receivable (note 12)		(23.2)	(30.2)
2,306.9			2,299.8	2,324.9

Security for secured borrowings at 30 June 2010 is provided by a first legal charge on property for which the Group's share of the carrying value is £60.3 million.

NOTES TO THE ACCOUNTS

CONTINUED

15. BORROWINGS *continued*

C. UNDRAWN COMMITTED FACILITIES

31 December 2009 £m		30 June 2010 £m	30 June 2009 £m
27.0	Expiring within one year	40.0	14.2
70.0	Expiring between one and two years	438.0	150.0
487.3	Expiring after more than two years	1.2	477.8
584.3		479.2	642.0

D. CURRENCY PROFILE

31 December 2009 Total £m		Borrowings excluding currency swaps £m	Fair value of currency swaps £m	30 June 2010 Total £m	30 June 2009 Total £m
885.8	Sterling	1,525.2	(459.6)	1,065.6	725.5
1,421.1	Euro	797.8	436.4	1,234.2	1,599.4
2,306.9		2,323.0	(23.2)	2,299.8	2,324.9

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of borrowings and currency swaps, together with their carrying amounts included in the balance sheet are as follows:

31 December 2009				30 June 2010		30 June 2009	
Book value £m	Fair value £m			Book value £m	Fair value £m	Book value £m	Fair value £m
2,319.0	2,314.2	Borrowings, excluding currency swaps		2,323.0	2,393.2	2,355.1	1,951.5
(12.1)	(12.1)	Currency swaps		(23.2)	(23.2)	(30.2)	(30.2)
2,306.9	2,302.1	Total borrowings		2,299.8	2,370.0	2,324.9	1,921.3
10.2	10.2	Interest rate swaps		7.9	7.9	9.5	9.5

At 30 June 2010, the fair value of financial liabilities exceeded their book value by £70.2 million (at 31 December 2009, book values exceeded fair values by £4.8 million) equivalent to 10 pence per share (31 December 2009: 1 pence per share) on an adjusted net asset value per share basis. On a post-tax basis, the difference was equivalent to 7 pence per share (31 December 2009: 1 pence per share).

17. PAYABLES: NON-CURRENT LIABILITIES

31 December 2009 £m		30 June 2010 £m	30 June 2009 £m
20.9	Net pension liability	21.5	11.1
40.6	Other payables	37.6	42.1
8.3	Fair value of interest rate swaps	7.9	7.1
69.8		67.0	60.3

NOTES TO THE ACCOUNTS

CONTINUED

18. SHARE CAPITAL

31 December 2009 £m		30 June 2010 £m	30 June 2009 £m
175.7	Called up, allotted and fully paid	176.9	174.2
Ordinary shares of 25p each			Number
Movements in issued share capital			
	Number of shares in issue at 1 January 2010		702,809,926
	Issued in respect of scrip dividend		4,709,275
	Share options exercised - Share option schemes		55,258
	Share options exercised - Save As You Earn		1,266
	Number of shares in issue at 30 June 2010		707,575,725

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

Year ended 31 December 2009 £m		Six months ended 30 June 2010 £m	Six months ended 30 June 2009 £m
5.3	Amortisation of lease incentives and other costs	3.1	3.0
(10.6)	Increase in accrued rents receivable	(7.5)	(4.8)
(5.3)	Non-cash items included within net rental income	(4.4)	(1.8)
1.5	Depreciation	0.7	0.7
5.1	Share-based employee remuneration	1.0	2.7
1.0	Exchange and other items	(8.6)	(11.0)
2.3		(11.3)	(9.4)

OTHER INFORMATION

DIRECTORS

John Nelson* Chairman

David Atkins Chief Executive

Peter Cole

Terry Duddy*

David Edmonds* CBE

Jacques Espinasse*

John Hirst*

Simon Melliss

Tony Watson* CBE Senior Independent Director

*Non-Executive Director

SECRETARY

Stuart Haydon

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WEBSITE

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

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.

The 2010 interim dividend is being paid entirely as a normal dividend as the Company is able to meet its PID obligations from previous dividends paid.

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. Hammerson's website includes a form to be used by shareholders to certify if they qualify to receive PIDs without withholding tax. Further information on UK REITs is available on the Company's website.

DIVIDEND REINVESTMENT PLAN (DRIP)

Shareholders can reinvest dividend payments in additional shares in Hammerson under the DRIP operated by the Company's Registrars by completing an application form online at www.capitashareportal.com or calling Capita IRG Trustees: Tel: 0871 664 0381 (from the UK calls cost 10p per minute plus network extras) or +44 (0) 20 8639 3402 (from overseas) email: ssd@capitaregistrars.com.

FINANCIAL CALENDAR

Ex-dividend date	18 August 2010
Record date	20 August 2010
Interim dividend payable	1 October 2010

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, variety or DIY 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 property value during the period after taking account of capital expenditure and exchange translation movements, calculated on a monthly time-weighted basis.
Dividend cover	Adjusted earnings per share divided by dividend per share.
DTR	Disclosure and Transparency Rules, issued by the United Kingdom Listing Authority.
Earnings per share (EPS)	Profit for the period attributable to equity shareholders divided by the average number of shares in issue during the period.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
EPRA	European Public Real Estate Association. This organisation has issued recommended bases for the calculation of earnings per share and net asset value per share.
Equivalent yield (true and nominal)	The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect the timing of future rents resulting from lettings, lease renewals and rent reviews based on current ERVs. The true equivalent yield assumes rents are received quarterly in advance. The nominal equivalent yield assumes rents are received annually in arrears. The property true and nominal equivalent yields are determined by the Group's external valuers.
ERV	The estimated market rental value of the total lettable space in a property, after deducting head and equity rents, calculated by the Group's external valuers.
Gearing	Net debt expressed as a percentage of equity shareholders' funds.
Gross property value	Property value before deduction of purchaser's costs, as provided by the Group's external valuers.
Gross rental income	Income from rents, car parks and commercial income.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standard.
Initial yield	Annual cash rents receivable (net of head and equity rents and the cost of vacancy, and, in the case of France, net of an allowance for costs of approximately 5.2%, primarily for management fees) as a percentage of gross property value, as provided by the Group's external valuers. Rents receivable following the expiry of rent-free periods are not included. Rent reviews are assumed to have been settled at the contractual review date at ERV.
Interest cover	Net rental income divided by net cost of finance before capitalised interest and the change in fair value of derivatives.
Interest rate or currency swap (or derivatives)	An agreement with another party to exchange an interest or currency rate obligation for a pre-determined period of time.
IPD	Investment Property Databank. An organisation supplying independent market indices and portfolio benchmarks to the property industry.
Like-for-like net rental income	The percentage change in net 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.

GLOSSARY OF TERMS

CONTINUED

Net rental income	Income from rents, car parks and commercial income, after deducting head and equity rents payable, and other property related costs.
Occupancy rate	The ERV of the area in a property, or portfolio, excluding developments, which is let, expressed as a percentage of the sum of the rents passing and the ERV of vacant space in that property or portfolio.
Over-rented	The amount by which the 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.
Property Income Distribution (PID)	A dividend, generally subject to withholding tax, that a UK REIT is required to pay from its tax-exempt property rental business and which is taxable for UK-resident shareholders at their marginal tax rate.
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 or passing rents	The annual rental income receivable from an investment property, 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).
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 and certain non-recurring items.
Reversionary or under-rented	The amount by which the ERV exceeds the rents passing, together with the estimated rental value of vacant space.
Reversionary yield	The income on reversion to ERV, irrespective of timing, expressed as a percentage of the gross property valuation, as provided by the Group's external valuers.
Scrip dividend	A dividend received in the form of shares.
SIIC	Sociétés d'Investissements Immobiliers Côtées. A French tax-exempt regime available to listed property companies owning French properties.
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.
Total shareholder return	Dividends and capital growth in the share price, expressed as a percentage of the share price at the beginning of the year.
Turnover rent	Rental income which is related to an occupier's turnover.
Vacancy rate	The ERV of the area in a property, or portfolio, excluding developments, which is currently available for letting, expressed as a percentage of the sum of the rents passing and the ERV of vacant space for that property or portfolio.
Yield on cost	Rents passing expressed as a percentage of the total development cost of a property.

DISCLAIMER

This document 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 document relating to the Company should not be relied upon as a guide to future performance.