Hammerson

PRESS RELEASE
25 February 2019

HAMMERSON plc – RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

2018 Headlines

- £570m of disposals realised at an average disposal price of 7% below December 2017 book value
- Further progress on reducing net debt, down £179m from 30 June 2018 to £3.4bn. Net debt target of £3.0bn for 2019 to maintain balance sheet strength
- 2018 Group leasing volumes in line with 2017 performance with UK flagship destinations achieving record levels (+7.5%). Group leasing secured at 5% ahead of previous passing rent
- Impacted by a weaker investment market, UK property values fell during the second half of 2018 by -9.3%, the overall portfolio produced a 12 month capital return of -4.3%
- Group LfL NRI growth of 0.3%, with declines at UK flagship destinations (-1.3%) and retail parks (-4.3%) following CVAs and tenant failure. France flagship destinations -0.9%
- Strong performance from premium outlets and Ireland with LfL NRI up 5.2% and 1.6% respectively, with exceptional brand sales growth of 8% across premium outlets
- Final 2018 dividend maintained at 14.8p per share. Total dividend for the year up 1.6%
- City Quarters platform to create vibrant mixed-use neighbourhoods in thriving locations in the UK and Ireland surrounding our flagship destinations. 97 acres of land holdings capable of delivering up to 6,600 residential units, 1,200 hotel rooms and 200,000m^2 of workspace

2019 Strategic Disposal Programme

- A portfolio-wide review to accelerate transactions has identified additional disposal opportunities
- 2019 disposal target in excess of £500m
- We are open-minded about the upper limit of the disposal programme and are in active discussions on transactions with a total value of over £900m
- These potential transactions are in the form of portfolio sales, joint ventures and individual asset disposals from multiple sectors and territories. This includes a limited number of retail parks, which we remain committed to exiting over the medium term. Disposals are subject to market conditions and achieving attractive terms
- Assuming the disposal programme is successful, Hammerson's net debt would be below £3bn by the end of the year
- Given the importance of the Company's disposal programme, the Board has decided to establish an Investment and Disposal Committee to provide additional oversight and focus in this area
- The Committee will be chaired by Andrew Formica. It will have three other members: Pierre Bouchut and two other Non-Executive Directors that the Board plans to appoint in 2019. These new appointments reflect the Board's wish to ensure a broad balance of skills and experience to enable it to fulfil its role and to ensure orderly succession planning for Directors

David Atkins, Chief Executive of Hammerson, said:

"2018 was a tough year particularly in the UK. Tenant failures, the structural shift in retail and a more considered consumer created a difficult operating environment, putting pressure on property values. Outside of the UK our destinations performed better with a strong contribution from premium outlets.

"We believe that a successful deleveraging programme will best position Hammerson for the current environment and beyond. Disposals will also enable us to prove the inherent value of this business - which we believe is not recognised in the current equity market.

"Having successfully achieved £570m of disposals in 2018, we are aiming to dispose of at least £500m in 2019. We remain committed to exiting retail parks over the medium term and are in active portfolio-wide discussions on transactions of over £900m, which would add further strength to our balance sheet.

"Over the longer term we will generate opportunities to create additional value through City Quarters, which will see us transform many of our city venues beyond pure retail into successful, thriving neighbourhoods. The job of creating flagship spaces is never done, but through expert management, innovation and investment we are confident in the future of Hammerson and in maximising value creation for shareholders."

Full Year 2018 results at a glance

12 months ended:	31 Dec 2018	31 Dec 2017	Change
Net rental income [1]	**£347.5m**	£370.4m	- 6.2%
Adjusted profit [2]	**£240.3m**	£246.3m	- 2.4%
Adjusted earnings per share [2]	**30.6p**	31.1p	-1.6%
IFRS (loss)/profit [3]	**£(268.1)m**	£388.4m	
Basic (loss)/earnings per share [3]	**(34.1)p**	49.0p	
Final dividend per share	**14.8p**	14.8p	
As at:	**31 Dec 2018**	31 Dec 2017	
Portfolio value [4]	**£9,938m**	£10,560m	- 5.9%
Equity shareholders' funds	**£5,433m**	£6,024m	- 9.8%
EPRA net asset value per share [2]	**£7.38**	£7.76	-4.9%
Gearing [5]	**63%**	58%	+5p.p.
Loan to value - headline [5]	**38%**	36%	+2p.p.

1. Proportionally consolidated, excluding premium outlets. See page 20 of the Financial Review for a description of the presentation of financial information.
2. Calculations for adjusted and EPRA figures are shown in note 8 to the financial statements on pages 44 and 45.
3. Attributable to equity shareholders, includes portfolio non-cash revaluation losses of £392m (2017: £247m gain).
4. Proportionally consolidated, including premium outlets. See page 20 of the Financial Review for a description of the presentation of financial information.
5. See Table 18 on page 68 for supporting calculations for gearing and loan to value.

Results presentation today

The results presentation is being held today at 9.00a.m GMT at JP Morgan Cazenove, Great Hall, 60 Victoria Embankment, EC4Y 0JP. The results presentation will also be broadcast via a webcast and a conference call. Please see the webcast link and dial-in details below:

Title: Hammerson 2018 Full-year results presentation **Webcast link:** https://edge.media-server.com/m6/p/kqrp7b3r

Dial-in details:

London	+44 (0) 2071 928000
Paris	+33 (0) 176700794
New York	+16315107495
Amsterdam	+31 (0) 207143545
Johannesburg	+27 105007996
Dublin	+353 (0) 14319615
Confirmation Code:	**7363469**

A playback of the webcast will be available at www.hammerson.com

Financial calendar

Ex-dividend date (SA)	19 March 2019
Ex-dividend date (UK)	21 March 2019
Record date (UK and SA)	22 March 2019
Final dividend payable (UK and SA)	2 May 2019

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The person responsible for making this Announcement is Sarah Booth, General Counsel and Company Secretary.

Contents

Index to key data

Unless otherwise stated, figures have been prepared on a proportionally consolidated basis, excluding premium outlets

Income and operational – Year ended:	**31 December 2018**	31 December 2017	Page
Occupancy	**97.2%**	98.3%	6
Like-for-like NRI growth	**–1.3%**	1.7%	5
Adjusted earnings per share	**30.6p**	31.1p	5
Leasing activity	**£27.7m**	£33.3m	6
Leasing v ERV	**+6%**	+8%	6
Like-for-like ERV growth	**–0.9%**	+0.9%	19
Retail sales growth – UK flagship destinations	**–2.9%**	–2.7%	7
Footfall growth – UK flagship destinations	**–1.8%**	+0.4%	7
Retail sales growth – France flagship destinations	**+2.2%**	+0.1%	9
Footfall growth – France flagship destinations	**+2.5%**	+1.6%	9
Cost ratio	**21.9%**	21.6%	22
Final dividend per share	**14.8p**	14.8p	23

Capital and financing – As at:	**31 December 2018**	31 December 2017	Page
Property portfolio value (including premium outlets)	**£9.9bn**	£10.6bn	17
Total property return (including premium outlets)	**0.0%**	6.8%	5
Capital return (including premium outlets)	**–4.3%**	2.2%	19
Net debt	**£3.4bn**	£3.5bn	25
Gearing	**63%**	58%	25
Loan to value - headline	**38%**	36%	25
Liquidity	**£729m**	£958m	25
Weighted average interest rate	**2.7%**	2.9%	25
Interest cover	**3.4 times**	3.4 times	25
Net debt/EBITDA	**9.5 times**	9.3 times	25
Fixed rate debt	**74%**	78%	25
Portfolio currency hedge	**79%**	78%	25
Equity shareholders' funds	**£5.4bn**	£6.0bn	24
EPRA net asset value per share	**£7.38**	£7.76	24

Introduction

Who we are

At Hammerson, we create vibrant, continually evolving spaces, in and around thriving cities, where people and brands want to be. We seek to deliver value for all our stakeholders and to create a positive and sustainable impact for generations to come. We own and operate high-quality flagship destinations and premium outlets in selected European countries.

Market themes

The retail property market is affected by a number of structural trends which influence and guide our strategy.

Structural shift to online: There has been a steady progression of online penetration in the UK, which is now 18%, and this trend is expected to continue, although it will vary across different retail categories. This is also the case in Ireland and France, although it is starting from a lower base. As a direct consequence, we have seen increasing store closures over the same timeframe, and retailers are working to update their business models to meet this challenge. With the growth in online shopping and the increasing scale of the largest players in the market, it is more important than ever for brands to stand out from the crowded and expensive first page of Google's shop window. The very best physical stores in prime locations are proving more and more important for consumer brands seeking to stand out and deliver a true omnichannel offer.

Elevating experience: The role of experience is now a crucial factor in consumer behaviour. It might be a large-scale event that everyone is talking about or a beautifully instagrammable meal with friends and family. The most popular reason for consumers to visit a flagship destination is for a 'big day out'. It needs to be genuinely new and exciting; when people are offered the chance to experience something fantastic, they will leap at the opportunity.

Luxury sales outperform: Sales of personal luxury goods are outperforming, and the luxury, off-price sector in particular has strong growth rates, with off-price stores sales forecast to grow by over 6% a year on average between now and 2025 (Source: 2018 Bain luxury goods study). Off-price channels are particularly popular with premium brands as they offer high profitability and access to new customers.

Thriving cities: While household finances are under pressure, a number of cities in the UK, Ireland, and across continental Europe are thriving like never before, and many are also significant tourist destinations. By 2030, 78% of the European population is expected to live in cities. Often driven by a well-educated workforce and strong transport links, these cities are growing fast and setting themselves up for sustained success.

Our strategy

Our strategy has been led and informed by these themes, as well as the broader market conditions and our near term priorities. There are three elements to our strategy, which together will enable the business to drive returns for shareholders and deliver for customers and brands.

- **Capital efficiency:** Reducing debt
- **Optimised portfolio:** Exiting retail parks; pursuing portfolio-wide disposals
- **Operational excellence:** Managing structural shift in retail

Differentiated by our product experience framework and Positive Places strategy

We create desirable spaces where people and brands want to be, by developing iconic destinations which at their core have the very best brands and experiences. Our **product experience framework** is embedded across the entire business, and ensures we put the customer at the heart of everything we do; delivering a journey that is truly frictionless and supported. The four principles of our framework are:

- **Iconic destinations**
- **Retail specialism**
- **Experience-led**
- **Customer first**

The Group's **Positive Places** strategy ensures we create destinations that deliver net positive impacts economically, socially and environmentally. In 2017, Hammerson launched its most ambitious target to date and a global first for the property sector: to be Net Positive for carbon, resource use, water, waste and socio-economic impacts by 2030 and we have made strong progress towards these targets in 2018.

Governance

As previously disclosed, the Company has appointed Carol Welch as a Non-Executive Director, effective 1 March 2019. The Company also intends to appoint two further independent Non-Executive Directors during the course of 2019. This recruitment reflects the Board's wish to ensure a broad balance of skills and experience to enable it to fulfil its role and to ensure orderly succession planning for Directors.

Given the importance of the Company's disposal programme, the Board has decided to establish an Investment and Disposal Committee to provide additional oversight and focus in this area. The Committee will be chaired by Andrew Formica. It will have three other members: Pierre Bouchut and the two other Non-Executive Directors that the Board plans to appoint in 2019.

The Company has appointed Morgan Stanley & Co. International plc as Joint Corporate Broker. J.P. Morgan Cazenove will continue to act as Joint Corporate Broker to the Company.

Agreement with Elliott Advisors

The Board has been in discussions with key shareholders about the execution of its strategy and governance changes. As part of those discussions, the Company has entered into a relationship agreement with Elliott Advisors. Elliott has confirmed its support for the Company's accelerated disposal programme and the Company's decision to expand the Board and establish a Board Investment and Disposals Committee.

This agreement contains certain other voting and governance terms, including a commitment that Elliott will vote in favour of the ordinary course resolutions recommended by the Board at the upcoming general meeting of the Company. Elliott has also agreed not to increase its voting interests and economic interests in the Company above 10% and 15% respectively. This agreement will remain in force for a maximum of 12 months, subject to certain conditions.