



THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE MARKET ABUSE REGULATION (EC NO. 596/2014) ("MAR")

**PRESS RELEASE**  
**25 February 2020**

## **HAMMERSON Plc – RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019**

### **FURTHER PROGRESS IN PORTFOLIO OPTIMISATION**

**Disposal update:** Total disposals of £975m, including £542m generated in 2019 ahead of £500m target

- £433m of disposals to date in 2020, including contracts exchanged on retail parks portfolio for £400m

**Debt reduction:** Pro forma<sup>1</sup> net debt reduced to £2.4bn, significantly below the £3bn target with headline LTV 35% and gearing 55%

**City Quarters:** Planning approval secured for Martineau Galleries, Birmingham, Victoria Hotel, Leeds and Podium at Dundrum, Dublin, to transition the portfolio beyond pure retail. Totalling 1.9m sq ft (176,000m<sup>2</sup>) of commercial space and 1,400 homes

**Premium outlets:** Increased stake of VIA Outlets by up weighting of joint venture partnership with APG to 50:50

**Net Positive:** Carbon emissions across flagship destinations down 12% and making strong progress towards our ambitious Net Positive targets

### **Financial performance**

**2019 EPS & Dividend:** Earnings impacted by ongoing disposal programme with adjusted EPS 28.0p (-8.5%);

- Final 2019 dividend of 14.8p and full year 2019 dividend of 25.9p, in line with 2018

**2020 Dividend:** To be rebased to a sustainable level, removing the direct link between earnings generated and dividend paid, whilst covering REIT and SIIC tax obligations

- The Board expects to recommend a full year dividend of 14.0p for 2020

**Lfl NRI:** Diversity of Group portfolio softens weakness in UK flagships -6.7% with a Group performance of +0.5% including premium outlets +10.8%

**NAVPS & portfolio valuations:** NAVPS of £6.01 (-18.6%); decline in flagship valuations driven by challenged UK retail performance

Group capital return of -9.8%; UK flagships -19.9%; French flagships -10.2% and Ireland flagships -7.5%; Premium outlets +8.2%

### **Operational overview and maintaining vibrant destinations**

**Repurposing space:** At Dundrum, Dublin a new Brown Thomas store secured to replace existing House of Fraser unit

**Occupancy:** Continued high level of Group occupancy at 97.2% (FY2018: 97.2%); UK flagships 97.0%; French flagships 97.0%; Ireland flagships 99.6%

**Tenant restructuring:** 234 units affected by restructuring since Jan 2018 (149 UK flagship units)

- 91% of affected UK flagship units remain trading with 48% of those subject to a CVA paying original rental level (vs 37% of the market)
- **Leasing:** £22.6m (FY2018: £27.7m); leasing secured with 70% at or above previous passing rent; weaker UK metrics diluted by stronger performance in France and Ireland
- 100% of new UK flagship leasing during the period to target categories; consumer brands, aspirational fashion, leisure and F&B

**Footfall:** Consumer visits up with flagship destinations delivering sustained outperformance of national benchmarks highlighting continued desirability of the portfolio;

- UK flagships +0.6%; French flagships +1.9% and Ireland flagships +1.8%

**Premium Outlets:** Strong performance maintained demonstrating depth of consumer appetite for this sector

- Brand sales uplift: Value Retail +9% and VIA Outlets +8%
- Over 70m consumer visits during 2019; Value Retail footfall +5% and VIA Outlets footfall +6%

<sup>1</sup> On a pro forma basis for the £433m 2020 retail park disposals announced on 21 February 2020 (portfolio of 7 parks and Abbey Retail Park, Belfast)

### **David Atkins, Chief Executive of Hammerson, said:**

"We have taken decisive action over the past 12 months to reduce debt and significantly reshape the portfolio. Against a challenged retail and investment backdrop, we have exceeded our 2019 disposal target, exited the retail parks sector as we said we would and reduced debt by a third. This delivered nearly £1bn of transactions in the process. With the outlook for the UK retail market remaining uncertain, we believe we should maintain our focus on reducing debt during 2020. In strengthening our balance sheet further, we will create a more resilient business and also generate significant liquidity which could, at the appropriate time, be deployed to create enhanced returns for shareholders.

"The magnitude of the challenge facing UK retail is significant. However, as brands look to optimise their store estates and strike the right balance between online and physical retail, the best destinations continue to be highly relevant - this is highlighted by the rise in visitor numbers across all our regions. We remain committed to creating a portfolio of exceptional venues and, as we drive a faster pace of change in shifting our brand line-up and repurposing space, we expect to see improved results in the UK. We will build a stronger business for the future with our focus on this, alongside improved performances in France and Ireland, the extensive opportunity offered by City Quarters and the outstanding contribution from premium outlets."

## Full Year 2019 results at a glance

| <b>12 months ended<sup>(6)</sup>:</b>         | <b>31 Dec<br/>2019</b> | <b>31 Dec<br/>2018</b> | <b>Change</b> |
|---|------------------------|------------------------|---------------|
| Net rental income <sup>(1)</sup>              | <b>£308.5m</b>         | £347.5m                | - 11.2%       |
| Adjusted profit <sup>(2)</sup>                | <b>£214.0m</b>         | £240.3m                | - 10.9%       |
| Adjusted earnings per share <sup>(2)</sup>    | <b>28.0p</b>           | 30.6p                  | - 8.5%        |
| IFRS loss <sup>(3)</sup>                      | <b>£(781.2)m</b>       | £(268.1)m              |               |
| Basic loss per share <sup>(3)</sup>           | <b>(102.1)p</b>        | (34.1)p                |               |
| Final dividend per share                      | <b>14.8p</b>           | 14.8p                  |               |
| Full year dividend per share                  | <b>25.9p</b>           | 25.9p                  |               |
| <b>As at:</b>                                 | <b>31 Dec<br/>2019</b> | <b>31 Dec<br/>2018</b> |               |
| Portfolio value <sup>(4)</sup>                | <b>£8,327m</b>         | £9,938m                | - 16.2%       |
| Equity shareholders' funds                    | <b>£4,377m</b>         | £5,433m                | - 19.4%       |
| EPRA net asset value per share <sup>(2)</sup> | <b>£6.01</b>           | £7.38                  | - 18.6%       |
| Gearing - headline <sup>(5)</sup>             | <b>65%</b>             | 63%                    | + 2p.p.       |
| Loan to value <sup>(5)</sup>                  | <b>38%</b>             | 38%                    | -             |

1. Proportionally consolidated, excluding premium outlets. See page 22 of the Financial Review for a description of the presentation of financial information.
2. Calculations for adjusted and EPRA figures are shown in note 9 to the financial statements on pages 50 to 53.
3. Attributable to equity shareholders, includes portfolio non-cash revaluation losses of £828m (2018: £392m loss).
4. Proportionally consolidated, including premium outlets. See page 22 of the Financial Review for a description of the presentation of financial information.
5. See Table 18 on page 80 for supporting calculations for gearing and loan to value.
6. All figures include results from discontinued operations.

## Results presentation today

The results presentation is being held today at 8.15a.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:

|                           |   |                      |   |
|---------------------------|---|----------------------|---|
| <b>Title:</b>             | Hammerson 2019 Full-year results presentation | <b>Webcast link:</b> | <a href="https://edge.mediaserver.com/mmc/p/twfsvev">https://edge.mediaserver.com/mmc/p/twfsvev</a> |
| <b>Dial-in details:</b>   |   |                      |   |
| London                    | +44 (0) 2071 928000                           |                      |   |
| Paris                     | +33 (0) 176700794                             |                      |   |
| New York                  | +16315107495                                  |                      |   |
| Amsterdam                 | +31 (0) 207143545                             |                      |   |
| Johannesburg              | +27 105007996                                 |                      |   |
| Dublin                    | +353 (0) 14319615                             |                      |   |
| <b>Confirmation Code:</b> | <b>5290005</b>                                |                      |   |

A playback of the webcast will be available at [www.hammerson.com](http://www.hammerson.com)

## Financial calendar

|                                    |               |
|------------------------------------|---------------|
| Ex-dividend date (SA)              | 18 March 2020 |
| Ex-dividend date (UK)              | 19 March 2020 |
| Record date (UK and SA)            | 20 March 2020 |
| Final dividend payable (UK and SA) | 30 April 2020 |

## Enquiries

|  |  |
|--|--|
| David Atkins, Chief Executive                  | Tel: +44 (0)20 7887 1000   |
| James Lenton, Chief Financial Officer          |  |
| Richard Shaw, Director of Finance              |  |
| Josh Warren, Head of Investor Relations        | Tel: +44 (0)20 7887 1053   |
|  | <a href="mailto:josh.warren@hammerson.com">josh.warren@hammerson.com</a>   |
| Catrin Sharp, Head of Corporate Communications | Tel: +44 (0)20 7887 1063   |
|  | <a href="mailto:catrin.sharp@hammerson.com">catrin.sharp@hammerson.com</a> |
| John Waples and Dido Laurimore, FTI Consulting | Tel: +44 (0)20 3727 1000   |

## Contents

|                            | Page |  | Page |
|----------------------------|------|--|------|
| Corporate overview         | 4    | Risks and uncertainties                  | 30   |
| Key performance indicators | 5    | Statement of Directors' responsibilities | 35   |
| Operating review           | 7    | Financial statements                     | 36   |
| Sustainability review      | 17   | Notes to the financial statements        | 42   |
| Property portfolio review  | 18   | Additional disclosures                   | 69   |
| Financial review           | 22   | Glossary                                 | 81   |

## Index to key data

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

|  | 31 December<br>2019 | 31 December<br>2018 | Page |
|--|---------------------|---------------------|------|
| <b>Income and operational – Year ended:</b>          |                     |                     |      |
| Occupancy  | 97.2%               | 97.2%               | 6    |
| Like-for-like NRI growth                             | -4.2%               | -1.3%               | 5    |
| Like-for-like NRI growth including premium outlets   | +0.5%               | +0.3%               | 5    |
| Adjusted earnings per share                          | 28.0p               | 30.6p               | 5    |
| Leasing activity                                     | £22.6m              | £27.7m              | 6    |
| Leasing v ERV  | -3%                 | +6%                 | 6    |
| Like-for-like ERV growth                             | -5.9%               | -0.9%               | 21   |
| Retail sales growth – UK flagship destinations       | -1.8%               | -2.9%               | 7    |
| Footfall growth – UK flagship destinations           | +0.6%               | -1.8%               | 7    |
| Retail sales growth – France flagship destinations   | +2.6%               | +2.2%               | 10   |
| Footfall growth – France flagship destinations       | +1.9%               | +2.5%               | 10   |
| Cost ratio   | 25.7%               | 21.9%               | 24   |
| Final dividend per share                             | 14.8p               | 14.8p               | 25   |
| <b>Capital and financing – As at:</b>                |                     |                     |      |
| Property portfolio value (including premium outlets) | £8.3bn              | £9.9bn              | 18   |
| Total property return (including premium outlets)    | -5.6%               | 0.0%                | 5    |
| Capital return (including premium outlets)           | -9.8%               | -4.3%               | 21   |
| Net debt   | £2.8bn              | £3.4bn              | 27   |
| Gearing - headline                                   | 65%                 | 63%                 | 27   |
| Loan to value  | 38%                 | 38%                 | 27   |
| Liquidity  | £1,210m             | £729m               | 27   |
| Weighted average interest rate                       | 2.6%                | 2.7%                | 27   |
| Interest cover                                       | 3.3 times           | 3.4 times           | 27   |
| Net debt/EBITDA                                      | 8.9 times           | 9.5 times           | 27   |
| Fixed rate debt                                      | 86%                 | 74%                 | 27   |
| Portfolio currency hedge                             | 73%                 | 79%                 | 27   |
| Equity shareholders' funds                           | £4.4bn              | £5.4bn              | 26   |
| EPRA net asset value per share                       | £6.01               | £7.38               | 26   |

## Corporate overview

### 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 and have a City Quarters strategy to evolve our portfolio beyond retail.

### Market themes

We operate in a complex series of markets, which are characterised by three key themes:

**Retail landscape:** While retail sales in the UK have increased by 50% since 2008, retailer profits have fallen by more than 30%, driven by channel shift, growth in business rates and employment costs, and weak sterling. Oversized store estates are putting retail businesses under stress, while the shift to buying online in the UK continues at c.1% pa, forecast to rise to 20% by 2024; online clothing sales are now 29%. Structural factors, such as population density and less granular postcode systems that slow home delivery, are limiting the rate of channel shift in France (c.11%) and Ireland (c.10%). Discretionary spend in the UK is shifting from retail to leisure. Recreation and culture spend is forecast to grow at 1.8% pa in real terms from 2018 to 2025, against flat spend on clothing and footwear.

**Thriving cities:** By 2030, 78% of the European population is expected to live in cities. Large cities provide the best economic opportunities for an increasingly mobile population gravitating to cities, attracting younger and more educated residents. This in turn drives a positive cycle of inward investment. Key opportunities in offices, residential, hotels, student accommodation and healthcare are driven by local market requirements.

**Luxury:** The European luxury retail market grew c.4% in 2019, and overall luxury sales are forecast to continue to grow by 3-5% pa to 2025. Tourist flows underpin the luxury retail market in Europe, with long haul tourism, especially from Asia, a key driver of sales growth. Recent travel bans on Chinese travellers as a result of coronavirus will have an impact on global luxury sales in the first half of 2020. However, the growth of long haul Asian travel is expected to recover and remain robust in coming years. Online luxury sales are well below the wider market at c.12%, with growth forecast to accelerate over the next five years. This will be driven by the emerging generation of customer who view online as a key channel. The luxury, off-price sector is currently one of the fastest growing channels, with off-price store sales having grown an average of 14% over the last five years. Off-price channels are particularly popular with premium brands as they offer high profitability and access to new customers.

### Our strategy

Our strategy has been 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, brands and colleagues.

**Capital efficiency:** Reducing debt; disciplined capital expenditure and cost control

**Optimised portfolio:** Pursuing further portfolio-wide disposals

**Operational excellence:** Managing structural shift in retail and maintaining flagship vibrancy

The disposal programme remains a key element of the strategy and we will continue to consider additional disposal opportunities including individual assets and portfolio options from across our geographies and sectors, including premium outlets.

### Differentiated by the Hammerson Blueprint

We are uniquely differentiated by the Hammerson Blueprint the principles of which are embedded across everything we do. The Blueprint provides a consistent frame of reference for all areas of the business to ensure an excellent experience for stakeholders.

The three objectives that drive the Blueprint are:

- Positive place makers – Delivering positive impacts economically, socially and environmentally
- Destination makers – Creating places to enjoy, shop, live and work
- Relationship makers – Collaborating with experts to deliver value

In 2017, we launched our sector-leading, comprehensive target to be Net Positive for carbon, water, resource-use and socio-economic impacts by 2030. We were the first real estate company globally to launch such ambitious targets and we reach the end of phase one at the close of 2020. We made significant progress in 2019, including reducing energy demand by 12%, delivering £0.9 million in cost savings. Further details are found in the Sustainability review on page 17.

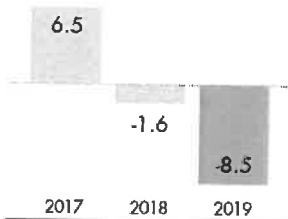
## Key performance indicators

### Monitoring our performance

We monitor Key Performance Indicators, or KPIs, to measure our achievements against our strategic priorities. The KPIs comprise financial and operational measures and each links to the three pillars of our strategy as shown on page 4.

#### Financial KPIs

##### Adjusted EPS growth (%)



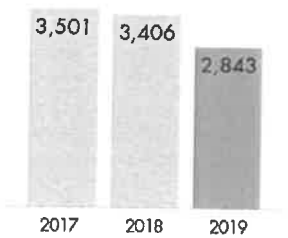
Adjusted earnings per share (EPS) is the Group's primary profit measure and reflects underlying profit divided by the average number of shares in issue and is calculated in line with EPRA guidelines as explained on page 69.

##### Performance

In 2019, adjusted EPS decreased by 2.6 pence, or 8.5%, to 28.0p. This was primarily driven by the reduction in NRI associated with disposals in 2018 and 2019 and a weaker performance across the UK like-for-like portfolio.

These factors were partially offset by a reduction in interest costs due to refinancing activity in 2018 and higher earnings from premium outlets.

##### Net debt (£m)<sup>1</sup>



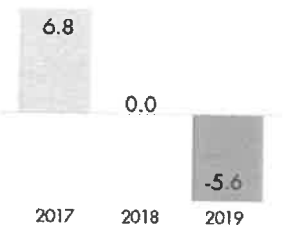
Net debt is the measure by which we monitor the indebtedness of our business, and comprises borrowings less cash and deposits.

##### Performance

During 2019, net debt was reduced by £563 million to £2,843 million. The reduction was principally derived from net disposal proceeds received in relation to the sales in France and the UK. Consequently credit metrics remain within our internal guidelines with gearing at 65% and LTV of 38%, compared to 63% and 38% respectively in 2018.

The Group continues to focus on balance sheet strengthening as a key priority. The £500 million disposal target outlined at the beginning of 2019 was exceeded and we remain committed to further debt reduction through disposals across the portfolio.

##### Total property return (%)



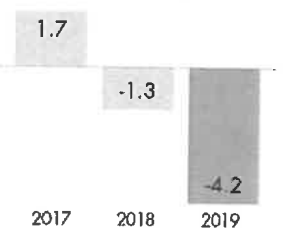
Total property return (TPR) measures the income and capital growth of our property portfolio. It is calculated on a monthly time-weighted basis consistent with MSCI methodology. We judge success in generating property returns by comparing our performance with a weighted MSCI All Retail benchmark which was 6.9% in 2017 and 1.3% in 2018. At the date of this report, our 2019 MSCI benchmark is unavailable.

##### Performance

During 2019, the Group's properties produced a total return of -5.6% compared with a 0.0% total property return in 2018. For our flagship assets, the total returns were -15.8% in the UK, -6.5% in France and -3.6% in Ireland. Premium outlets again produced the Group's highest return of 13.6%.

Valuation changes were the predominant driver impacting returns.

##### Like-for-like NRI growth (%)



Net rental income (NRI) is the Group's primary revenue measure. Like-for-like NRI growth is key to earnings and dividend growth.

##### Performance

Like-for-like NRI declined by 4.2% during 2019. Negative movements of -6.7% and -5.0% respectively at our UK and Ireland flagships were partially offset by an increase of 2.1% in France. NRI at our UK retail parks fell by 1.4%.

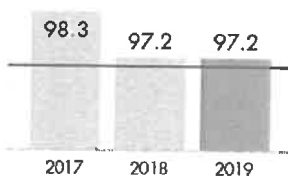
Tenant restructuring made the single largest impact in the year, reducing total NRI by £6 million.

Consistent with our view of the business, as explained on page 22, NRI from premium outlets has been excluded from this metric as these are externally managed. Proportionally consolidating the premium outlets growth of 10.8% would result in Group like-for-like NRI growth of 0.5%.

1. Proportionally consolidated, excluding premium outlets and including the UK retail parks portfolio. See the Financial review on page 22 for further explanation.

## Operational KPIs

### Occupancy (%)<sup>1</sup>



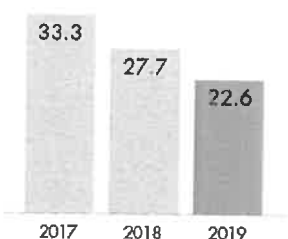
— Target (97.0)

Keeping our properties occupied ensures we generate rental income and enlivens our destinations. The occupancy ratio measures the amount of space which is currently let. The ratio is calculated in line with EPRA guidance using the estimated rental value (ERV) of occupied space.

### Performance

Occupancy remains above our 97.0% target, with 97.2% of the portfolio occupied at the end of 2019, flat year-on-year. Year end occupancy across our flagships in the UK, France and Ireland was 97.5%. The total occupancy was reduced by 30 basis points by higher vacancy within the UK retail parks and strategic portfolios. This is a resilient performance in a challenging leasing environment.

### Leasing activity (£m)<sup>1</sup>



Our leasing strategy is designed to improve brand mix towards winning brands and categories, and differentiate our assets. This KPI shows the amount of income secured across the investment portfolio, including new lettings and lease renewals.

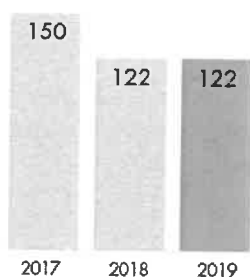
### Performance

At £22.6 million, leasing levels were £5.1 million, or 18% below those experienced in 2018.

£3.2 million of the decline was due to challenging leasing across the UK flagships.

In total there were 361 lettings, compared to 423 in 2018. For principal leases, the rent was 3% below December 2018 ERVs and 4% lower than the previous passing rent.

### Global emissions intensity ratio (mtCO<sub>2</sub>e/£m)

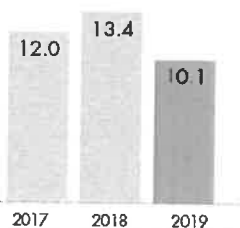


Reducing carbon emissions is a key sustainability target. This ratio measures the amount of emissions from our properties and facilities, including corporate offices. The denominator is adjusted profit before tax. This ratio demonstrates our progress in decoupling business growth from increasing carbon emissions.

### Performance

The ratio has remained constant at 122mtCO<sub>2</sub>e/£m during 2019 in spite of a drop in the denominator and a significant increase in the electricity carbon factor in France. This shows our continuing success in improving the carbon efficiency of the business through investment in cross-portfolio efficiency projects and focused energy management.

### Voluntary employee turnover (%)



Our talented people are key to our success and we strive to retain, engage and develop them. We continue to monitor voluntary employee turnover, together with other people metrics including the annual staff survey, to highlight any potential signs of demotivation or other people-related issues and include both corporate and centre-based employees in this measure.

### Performance

Voluntary employee turnover fell from 13.4% in 2018 to 10.1% in 2019 reflecting improved retention rates across all areas of the Group. The most significant change was in France, where voluntary churn reduced from 17.1% to 11.4% during the period. We continue to monitor leavers, retention rates and other employee metrics to ensure we are retaining talent within the organisation. Turnover is low compared to the wider industry.

1. Proportionally consolidated, excluding premium outlets and including the UK retail parks portfolio. See the Financial review on page 22 for further explanation.

## Operating review

This Operating review provides an overview of the performance of our portfolio sectors. Consistent with internal reporting as described on page 22 of the Financial review, the operational metrics in this section are presented on a proportionally consolidated basis, including discontinued operations. Further portfolio analysis is provided in the Additional disclosures section on pages 69 to 80.

# Flagship destinations

## Overview

Not all destinations are equal and able to support the future needs of brands in today's dynamic omnichannel trading environment. Properties are differentiated by scale, catchment size, customer experience, the quality of the brand mix and breadth of offer.

Flagship destinations are those with the ability to attract customers from a wide area and provide a superior trading environment for tenants. They are also capable of being repurposed away from traditional retail and introducing a broader offer, including shopping, dining, leisure and, more recently, mixed uses such as services, workspace and residential.

Brands are contending with the structural shift towards omnichannel retailing and increased operating expenses, and this is resulting in tenants restructuring their store portfolios and cost bases. This trend is particularly prevalent in the UK, and whilst it is currently resulting in falling rents in a number of retail categories, the relative cost of physical and online retailing is beginning to tip back in favour of physical space. This dynamic will underpin the performance of flagship destinations, particularly those in thriving city centres, as these offer the optimal omnichannel trading environment.

A further differentiating factor is how destinations are managed. Expertise, experience and insight are required to ensure the brand and consumer offer matches its location and catchment and provide superior events and customer service. These factors are vital in drawing regular visitors and brands. The latter continue to seek space in these venues which are well-invested, provide high footfall and support their growth and omnichannel strategies.

## UK

### Operational summary

| Key metrics             | Like-for-like<br>NRI growth<br>% | Occupancy<br>% | Leasing<br>activity<br>£m | Leasing vs<br>ERV<br>% | Retail sales<br>growth<br>% | Footfall<br>growth<br>% |
|-------------------------|----------------------------------|----------------|---------------------------|------------------------|-----------------------------|-------------------------|
| <b>31 December 2019</b> | <b>(6.7)</b>                     | <b>97.0</b>    | <b>11.2</b>               | <b>-8</b>              | <b>(1.8)</b>                | <b>0.6</b>              |
| 31 December 2018        | (1.3)                            | 97.6           | 14.4                      | +5                     | (2.9)                       | (1.8)                   |

### Our portfolio

We invest in 11 flagship destinations in the UK, all of which are within, or close to, thriving city centres. At 31 December 2019, the assets represent 28% of the Group's portfolio by value and provide more than 830,000m<sup>2</sup> of lettable area. Over 1,000 tenants provide a diverse offer of retail, F&B, services and leisure. Our destinations attracted more than 180 million visitors in 2019 and include Bullring, Birmingham; Cabot Circus, Bristol; Union Square, Aberdeen; and Westquay, Southampton.

### Net rental income

Market conditions in UK retail continue to be challenging and net rental income, on a like-for-like basis, decreased by 6.7% during the year. Tenant restructuring, in the form of CVAs and administrations, has been the largest single factor reducing income. CVAs enable struggling retailers to restructure their debt and costs to allow them to continue trading by applying to court and seeking approval from creditors. Landlords are usually the most compromised creditor group as cost reduction plans invariably focus on rent cuts and store closures determined by unit profitability.

During 2019, 33 of our retailers undertook a CVA or went into administration affecting 94 units and reducing passing rent of £12.7 million by £2.9 million. In total, since the beginning of 2018, 149 units have been impacted by CVAs or administrations, of which 91% are currently trading, including 28 units which have been relet on permanent basis. The annualised rent reduction at 31 December 2019 was £7.5 million, equivalent to 2.5% of the Group's passing rent.

Whilst tenant restructuring may reduce income and occupancy, it also provides opportunities to introduce new brands and improve the tenant mix at our destinations as landlords receive a break option in return for lower rents under a CVA.

On a like-for-like NRI basis, these restructurings have reduced income by £4.1 million. This equates to 290 basis points of the 6.7% like-for-like NRI reduction and includes the impact of tenant incentive write-offs, reduced rent and vacancy costs. The next most significant factor, accounting for 190 basis points of the decline, was the cost of vacancy which increased by £2.7 million, consistent with lower occupancy and leasing volumes, particularly at the beginning of 2019 when Brexit uncertainty delayed retailers' letting commitments.

Despite the challenging trading conditions, collection rates remain high with 96.8% of rent collected within 14 days of the December 2019 quarter day.

### Occupancy and leasing

Occupancy stood at 97.0% at 31 December 2019, 60 basis points lower than the prior year comparative.

Leasing volumes were lower in 2019, although we signed 143 leases representing 56,000m<sup>2</sup> of space and £11.2 million of income. This performance is consistent with the more challenged retail market and also reflects the record volumes achieved in 2018 when 196 leases were signed representing rent of £14.4 million. We also settled 50 rent reviews in 2019 on leases with a total passing rent of £8.5 million, securing an uplift of 5%.

For principal leases, which accounted for 72% of the total leasing volume, the average rent secured was 8% below December 2018 ERVs and 11% below the previous passing rent. The average lease term secured was eight years with an incentive package of only three months, four months less than the average in 2018. Whilst the average statistics weakened during the year, individual leases vary and 60% of principal leases were secured at or above December 2018 ERVs.

During 2019, 22% of leasing, by income, has been on a flexible basis, compared with 14% in 2018. Flexible leases act to enhance the tenant offer across our portfolio, trial new concepts and brands, generate short term income and mitigate void costs including business rates and service charge. However, rents tend to be significantly below ERV and previous passing rent. Over the course of the year, on average, flexible leases were 38% below the previous passing rent and 57% below the December 2018 ERV, contributing to the weak NRI performance during 2019.

Our leasing strategy continues to focus on reducing the amount of floor space occupied by challenged retail categories, principally department stores and high street fashion, and repurposing the space to introduce new aspirational fashion, leisure and F&B brands. Whilst this will broaden our offer and enhance the visitor experience, the speed of execution is hindered by existing lease structures. Nonetheless, during 2019, all new lettings, by area, have been to target categories. Key leasing deals during 2019 were:

- A new 450m<sup>2</sup> Samsung Experience store at Cabot Circus. This will be the first Experience store in the South West and is due to open in spring 2020
- In July, LEGO Group signed to open two stores, their only UK openings in 2019, at Bullring and Westquay. These are the first LEGO stores in our UK portfolio and opened before Christmas. Following the LEGO letting, we secured new lettings at Westquay with Oliver Bonas and The White Company
- In Birmingham, we opened a H&M Home Concept store at Bullring and at Grand Central we secured Base, the independent childrenswear retailer. Both of these were the first openings outside London and the South East
- At Victoria Leeds, we have strengthened the luxury offer with lettings to Mulberry, Aspinal of London and Prestons, who opened a Rolex boutique in late summer
- Whilst the broader F&B market has struggled in the UK, like-for-like F&B sales grew across our portfolio. We continue to attract new and exciting F&B offers which are carefully tailored to appeal to their catchments. Examples include:
  - D&D London, which is due to open its first restaurant in the South West, at Cabot Circus and will provide events in the Quakers Friars piazza
  - In Birmingham, @pizza, an Edinburgh-based pizza brand, opened its second ever restaurant at Grand Central, and North Fish, a Norwegian seafood specialist, opened its first UK restaurant at Bullring
  - We signed two leases with Kitty Café, a F&B operator where customers can interact with rescue cats, at Highcross and Grand Central. The latter opened in May and replaced Handmade Burger which had closed following administration
- We also introduced a number of exclusive brands with pop-up stores for Rapha and Peloton at Victoria Leeds, tapping into the passion for cycling in the catchment. Recognising the growing demand for sustainable products, we opened pop-ups with Seekd, the sustainable jewellery and accessories brand at Brent Cross and at Cabot Circus, Lone Design Club, which specialises in unique, sustainable fashion and lifestyle products

In November, we applied for planning consent to redevelop the existing House of Fraser store at The Oracle. This is a prime example of our repurposing strategy. We have made good progress with pre-letting, having secured lettings with bowling and indoor golf operators, and are in active discussions on the remainder of the space. Works to repurpose the space will cost approximately £13 million (50% share) but will deliver a significant rental uplift compared with the current concessionary House of Fraser rent following its administration in August 2018.

## Footfall and sales

Footfall grew by 0.6% in 2019, significantly outperforming the Shoppertrak benchmark which fell by 4.1%. We have beaten the benchmark for the past three years, demonstrating the market polarisation towards flagship destinations.

Retail sales at our centres fell by 1.8%, calculated on a same centre basis, ahead of the Visa index which fell by 2.2%. Sales performance by centre and retail category has been mixed with stronger performances from F&B, sportswear, services and jewellery offset by weak high-street fashion and mainstream department stores. The occupational cost ratio, calculated as total occupancy cost as a percentage of sales, decreased from 22.6% for 2018 to 22.2% for 2019, whilst rent to sales has reduced from 13.3% to 12.7%.

As we have previously explained, in-store sales figures are less relevant in an omnichannel retail environment as they do not capture the additional online sales benefit that tenants derive from their stores in our high-footfall flagship destinations. During 2019, we have further enhanced our insight capabilities and have used new geo-location insight tools to accurately assess the volumes and quality of footfall driven by our events and marketing programmes.



# Ireland

## Operational summary

| Key metrics             | Like-for-like NRI growth % | Occupancy % | Leasing activity £m | Leasing vs ERV % | Footfall growth % |
|-------------------------|----------------------------|-------------|---------------------|------------------|-------------------|
| <b>31 December 2019</b> | <b>(5.0)</b>               | <b>99.6</b> | <b>2.1</b>          | <b>-2</b>        | <b>1.8</b>        |
| 31 December 2018        | 1.6                        | 99.0        | 2.6                 | +8               | (2.4)             |

Note: Sales data not available for Ireland portfolio due to restrictions in majority of leases.

### Overview

The Irish economy continues to perform strongly, with rising employment and GDP growth of 5.4% forecast for 2019 (Source: Oxford Economics). Inward foreign investment remains a key driver of economic productivity, employment and wage growth.

Dublin's growing urban population of 1.4 million, significant tourism industry and positive net migration trends, support retail performance across the city. Grafton Street and Henry Street are the focus of Dublin city centre's retail offer with a number of large shopping centres around the city's perimeter.

### Our portfolio

Our Irish portfolio consists of three flagship destinations in Dublin: Dundrum Town Centre ('Dundrum') to the south of Dublin; the Ilac Centre in the city centre; and Pavilions in Swords, north Dublin. These assets represent 10% of the Group's portfolio by value and Dundrum, which is the country's pre-eminent retail and leisure destination, accounts for two-thirds of the Irish portfolio's value. When combined, the portfolio provides almost 200,000m<sup>2</sup> of high quality space, with 320 tenants and annual footfall of 45 million.

We also own 30 acres of development land adjacent to the flagship venues. This provides the potential to expand and diversify the portfolio and is a key element of our City Quarters concept (see page 13).

### Net rental income

During 2019, like-for-like NRI fell by 5.0%. Income increased at both the Ilac Centre and Pavilions, the latter by 8% associated with the strong leasing achieved over the past 24 months including increasing the F&B provision. However, NRI at Dundrum was lower primarily due to the House of Fraser administration in late 2018 which resulted in a significant year-on-year reduction in rent. This will be remedied by the recently announced letting to Brown Thomas.

Like-for-like income was also impacted by the receipt of a surrender premium from Hamleys in the first half of 2018 following the withdrawal of the brand from the Irish market. This provided an opportunity to redevelop the store as part of the new Pembroke leisure hub.

### Occupancy and leasing

Occupancy remained very high at 99.6% and tenant demand continues to be strong.

During 2019, we signed 51 leases representing £2.1 million of annual rental income. For principal leases, rents secured were 9% above previous passing rents although 2% lower than December 2018 ERVs. The latter figure was skewed by two brand mix deals at Dundrum, and in total, 72% of principal leasing was secured above ERV. Key lettings across the portfolio in 2019 include:

- At Dundrum: Holland & Barrett; Kurt Geiger, taking its first full-line store in Ireland; Mad Egg, the Irish fried chicken brand's first store in a flagship destination; and Ely, the award-winning Irish wine bar and restaurant operator, as a key anchor to our Pembroke redevelopment
- At Pavilions: Five Guys; Milano; Rituals; Superdry; and Zaytoon, a contemporary Persian restaurant, opening its third store in Ireland
- At the Ilac Centre, Dunnes Stores reconfigured its store to introduce an upmarket foodhall, which opened in August 2019 and is a key element of plans to enhance the F&B offer at the asset

In addition to our leasing programme, we have made strong progress with our repurposing strategy, particularly at Dundrum. Works are onsite to reconfigure the former Hamleys building into a mixed use offer anchored by a penthouse office, an eight-lane Stella Bowl bowling alley and five new restaurants including LEON and PFChang's. The project will also provide a new public square.

We also recently announced that we had secured Brown Thomas to take a 5,850m<sup>2</sup> store to replace House of Fraser on two floors of their anchor store and are in active discussions on the remaining space. Works are due to commence in Q2 2020 at a cost of £14 million (50% share) and complete in the first half of 2021. The project will both deliver increased rent and enhance the overall brand and customer offer at the centre.

Apart from House of Fraser in late 2018, our Irish portfolio has been largely unaffected by tenant restructuring, with UK CVAs usually excluding Irish stores. In 2019, there has been only one unit impacted by restructuring.

### Footfall and sales

In 2019, footfall increased by 1.8%, 200 basis points higher than the Shoppertrak index. Footfall growth was driven by the new F&B opening at Pavilions and Dunnes new food hall at the Ilac Centre.

Due to restrictions in leases, sales data is not available for the majority of tenants in our Irish portfolio.

# France

## Operational summary

| Key metrics             | Like-for-like<br>NRI growth<br>% | Occupancy<br>% | Leasing<br>activity<br>£m | Leasing vs<br>ERV<br>% | Retail sales<br>growth<br>% | Footfall<br>growth<br>% |
|-------------------------|----------------------------------|----------------|---------------------------|------------------------|-----------------------------|-------------------------|
| <b>31 December 2019</b> | <b>2.1</b>                       | <b>97.0</b>    | <b>6.0</b>                | <b>+5</b>              | <b>2.6</b>                  | <b>1.9</b>              |
| 31 December 2018        | (0.9)                            | 97.1           | 7.3                       | +5                     | 2.2                         | 2.5                     |

### Overview

The retail environment has been broadly stable in France during 2019. However, sales and footfall suffered during the beginning of the year due to the disruption caused by the 'Gilets Jaunes' protests and at the end of the year from pension reform strikes. Nonetheless, the overall outlook for GDP and employment remains positive.

French leases differ from those in the UK and Ireland. They are subject to annual indexation changes instead of five-yearly rent reviews and have three or six-year break clauses, although in practice these are seldom exercised. Indexation averaged 2.1% in 2019 and will increase to 2.2% in 2020.

Online penetration levels are lower in France (11%) compared to the UK (17%) (Source: Global Data). Nonetheless, online retail continues to grow and retailers are focusing on their omnichannel strategies in a similar way to retailers operating in the UK, driving a polarisation in the retail market towards flagship destinations. Key market and cultural differences are also expected to support physical retail more than has been seen in the UK.

### Our portfolio

We invest in and manage seven high-quality flagship destinations in France which accommodate 800 tenants and attract over 70 million visitors each year. The portfolio represented 15% of the Group's portfolio value at 31 December 2019.

The assets are in urban locations in Paris, Marseille and Nice, and at 31 December 2019, the two wholly-owned centres, Les Terrasses du Port, Marseille and Les 3 Fontaines, Cergy, accounted for 77% of the value of the French portfolio.

Our French team works closely with our UK and Irish teams to ensure operational excellence is maintained across our destinations. A number of functions, including marketing, IT and product innovation have Group-wide remits.

2019 has been an active year in France, with the sale of 75% of Italie Deux (see page 19) and progress with the two onsite extension projects at Italie Deux and Les 3 Fontaines. Further details of these schemes are provided on page 14.

### Net rental income

On a like-for-like basis, net rental income increased by 2.1% in 2019. This was largely driven by indexation and strong leasing.

Les Terrasses du Port was the strongest performing asset with NRI growth of 4.2%.

### Occupancy and leasing

The retail environment in France has been stronger than in the UK during 2019, although tenants are becoming more selective and leasing activity was particularly slow at the beginning of the year as tenants were cautious until the 'Gilets Jaunes' protests eased.

Occupancy was almost unchanged at 97.0%, and we signed 114 leases representing £6.0 million of rental income and 29,700m<sup>2</sup> of space. For principal leases, which represented 89% of total leasing volume in the year, the new rents were 5% above December 2018 ERVs and 8% above the previous passing rent.

We apply a consistent leasing strategy across the Group and during 2019, key leasing transactions included:

- New brands in our portfolio: LEGO and Vorwerk at Les Terrasses du Port; Daniel Wellington and Emilie's and the Cookies at Nicctoire; Nin & Laur at Les 3 Fontaines
- Significant reconfigurations or transfers: Rituals, Diesel, Mango and Monoprix at Les Terrasses du Port; Levi's and Pull & Bear at O'Parinor; Undiz and La Poste at Espace Saint Quentin

The rate of tenant restructuring has been lower in France than in the UK due to the strong trading environment and different tenant legal rights. In 2019, 20 stores with passing rent of £1.5 million suffered tenant administration, only one of which was in the second half of the year. Tenant restructuring reduced 2019 NRI by £0.2 million, and at 31 December 2019 a total of 21 units were in administration, two less than at the beginning of the year. All of these units continue to trade and represent 0.7% of the Group's passing rent.

### Footfall and sales

Footfall in our centres increased by 1.9% in 2019, 160 basis points ahead of the national CNCC Index. Les Terrasses du Port recorded the highest footfall increase of 5.8%.

Retail sales, calculated on a same centre basis, increased by 2.6% which was 170 basis points higher than the CNCC index.

The occupational cost ratio fell slightly from 13.7% at the beginning of the year to 13.4%, while the rent to sales ratio decreased by 30 basis points to 10.4% at 31 December 2019.

# Premium outlets

## Operational summary

|                                       | Value Retail <sup>1</sup>      |                                | VIA Outlets <sup>1</sup>       |                                |
|---------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|                                       | Year ended<br>31 December 2019 | Year ended<br>31 December 2018 | Year ended<br>31 December 2019 | Year ended<br>31 December 2018 |
| Brand sales (€m) <sup>2</sup>         | 3,181                          | 2,911                          | 1,162                          | 1,072                          |
| Brand sales growth (%) <sup>2,3</sup> | 9                              | 8                              | 8                              | 10                             |
| Footfall growth (%) <sup>3</sup>      | 5                              | 4                              | 6                              | 4                              |
| Spend per visit (€)                   | 82                             | 79                             | 36                             | 35                             |
| Sales density growth (%) <sup>3</sup> | 9                              | 4                              | 2                              | 5                              |
| Like-for-like NRI (%) <sup>4</sup>    | 13                             | 4                              | 6                              | 10                             |
| Occupancy (%)                         | 97                             | 97                             | 93                             | 92                             |

1. With the exception of like-for-like NRI growth, figures reflect overall portfolio performance, not Hammerson's ownership share, and 2018 figures have been restated at 31 December 2019 exchange rates
2. 2018 VIA Outlets sales figures have been updated to reflect the collection of more accurate data
3. Figures include assets owned for 24 months and include extensions and reconfigurations
4. Like-for-like NRI excludes the impact of extensions and reconfigurations.

## Overview

Outlets offer a distribution channel for brands to sell excess inventory at a material discount to the original price. Premium outlets are at the top of this sector, offering visitors international fashion and luxury brands in an upscale shopping environment where retailers are able to maintain and protect their brand identity.

Over recent years, the European outlets sector has seen both strong sales growth and increasing retailer demand. The market for discounted luxury and fashion items is attractive for international tourists, in particular from Greater China, Russia, South East Asia and the Middle East.

There are a limited number of specialist outlet operators in Europe, and planning consent for new schemes is often difficult to achieve. Consequently, growth of space tends to be delivered through extensions to existing schemes and brands are attracted to well-managed centres where they can be confident of strong footfall and sales.

## Our portfolio

Our exposure to the sector is through investments in Value Retail (VR) and VIA Outlets (VIA).

At 31 December 2019, we had interests in 20 centres in 14 European countries offering 457,000m<sup>2</sup> of retail space for international luxury and fashion brands. These investments represent 32% of the Group's total property portfolio value. Since 2014, a Compound Annual Growth Rate (CAGR) of 21% in investment property values has been achieved, 48% of which has been driven by underlying revaluation growth, 37% by acquisitions and 15% by capital expenditure.

Our premium outlet investments are externally managed, independently financed and have operating metrics which differ from the Group's other sectors. The relevant legal agreements have pre-emption rights in favour of the Group and other owners of VR and VIA in the case of transactions of interests in the two businesses, and have certain governance and liquidity provisions which are triggered by a change of control of Hammerson plc.

During 2019, Timon Drakesmith was on the Value Retail Plc Board and was the Chairman of the VIA Outlets Advisory Committee. Following his resignation, Simon Travis has assumed the role of Managing Director, Premium outlets, with David Atkins, Hammerson CEO, taking over the VR Board seat.

## Value Retail (VR)

### Portfolio overview

We hold our VR interests in the holding companies, as well as direct investments in the Villages, and have grown our economic interest in the net assets of VR. At 31 December 2019, the total property portfolio was valued at £5.4 billion of which the Group's share was £2.0 billion. Details of our investments are shown in note 12 to the financial statements.

VR owns and operates nine high-end Villages in the UK and Western Europe which provide 190,000m<sup>2</sup> of floor space across more than 1,000 stores. VR focuses on international fashion and luxury brands and attracts long-haul tourists and wealthy domestic customers.

The Villages, which include Bicester Village outside London, La Vallée Village, Paris and La Roca Village, Barcelona, are among the best outlet centres in Europe.

In 2019, the Villages had an average sales density of €17,800/m<sup>2</sup> and generated total sales of €3.2 billion, placing them in the top echelons of the premium outlets sector.

The Villages actively target the growing shopping-tourism market as well as attracting footfall from affluent domestic catchments. This strategy has been very successful and VR has delivered annual compound brand sales growth of 12% over the last 10 years.

## Income

Brand sales growth has again been strong in 2019 at 9%, driven by domestic and international guests. Tax-free sales at VR have increased by 15% in the 12 months to December 2019. This significantly outperformed overall European tax-free sales which were up 9% due to average spend growth (Source: Global Blue - December 2019). VR continues to invest in broadening long-haul tourist markets, with China, South Korea, India and Hong Kong being strong growth drivers in 2019.

As in 2018, La Vallée Village achieved the highest brand sales growth as it continued to benefit from remerchandising activity and from high tax-free sales growth. Bicester Village was the other top performer as a result of increased footfall and occupancy. After a subdued performance in H1 2019, Maasmechelen Village has also grown significantly, benefiting from active re-letting and marketing initiatives.

Sales densities increased by 9%, the best performances being at La Vallée Village, Las Rozas Village and La Roca Village.

This strong sales and leasing performance resulted in like-for-like NRI growth of 13%. The largest contributions were from La Vallée Village and Bicester Village, where income growth in 2019 was driven by a full year of higher occupancy following the lease up of the 2017 extension during 2018.

## Occupancy and leasing

VR adopts an active leasing and asset management strategy to enhance and refresh the Villages and maximise the customer experience. This strategy drives sales and footfall. During 2019, 245 leases were signed, with a total of 144 new brands introduced to the Villages. Key brand openings included Breitling at Bicester Village, Kooples at La Roca Village, Balenciaga at La Vallée Village and a temporary Burberry boutique at Kildare Village. There has also been a specific focus on enhancing the F&B offer across the portfolio, demonstrated by the opening of Mordisco at La Roca Village and Made in Belgium Café at Maasmechelen Village.

Occupancy across the Villages was 97% which was in line with the prior year.

VR management continues to develop successful marketing strategies. Village apps have been enhanced and the focus on digital is illustrated by the successful partnerships with Instagram influencers and Privilege programme members. The roll out of the new Bicester Village Shopping Collection® website completed in November 2019, reflecting VR's rebranding of its Villages under this umbrella.

Collaborations include partnerships with Citizen K, benefiting from high media coverage in central Paris, and the British Fashion Council at Bicester Village, demonstrating the Collection's commitment to the future of the global fashion industry. Innovative events, such as the Enchanted Lights at Kildare Village, have also been a key footfall driver in 2019.

## Developments and extensions

In March 2019, construction commenced on a 2,600m<sup>2</sup> development and remodelling at La Roca Village, Barcelona with practical completion targeted in Q4 2020. The development will provide a further of 21 units and over 300 underground car parking spaces. The total development cost for VR is estimated at €50 million.

Construction works are also due to commence shortly at Kildare Village, Dublin on a 5,500m<sup>2</sup> development, with practical completion targeted for Q2 2021. The development will provide approximately 27 units and over 400 car parking spaces at an estimated total development cost of €62 million including land.

## VIA Outlets (VIA)

### Portfolio overview

VIA is a joint venture formed in 2014 in partnership with APG, VR and Meyer Bergman in which we originally held a 47% stake. In September 2019, Hammerson and APG purchased the VR and Meyer Bergman shares for €32 million (£29 million) each, a slight premium to June 2019 NAV, resulting in a 50:50 joint venture structure. This transaction streamlines the ownership structure of VIA, enhances the governance of this strategically important investment and increases our exposure to a high growth sector.

At 31 December 2019, VIA operated 11 outlets in nine European countries, providing 267,000m<sup>2</sup> of floor space and over 1,140 stores. The centres include Batavia Stad Amsterdam Fashion Outlet, Freeport Lisboa Fashion Outlet and Zweibrücken Fashion Outlet on the Germany/France border.

Since formation, VIA has built a significant pan-European portfolio by acquiring existing European outlet centres within strong catchments, focused on mainstream fashion brands and with potential for growth through active asset and development management. The team have implemented initiatives to enhance centre appearance, tenant mix, the provision of flagship stores and international brands, the leisure and catering offers, tourism marketing and overall centre management. This strategy has delivered strong operational and financial performance.

At 31 December 2019, the total portfolio was valued at £1.4 billion of which the Group's 50% share was £693 million. VIA has become a leading premium outlet operator in Europe, with the third largest portfolio by area, and has further evolved in 2019, with the continued internalisation of its management structure and appointed Otto Ambagtsheer as CEO in July 2019.

## Income

Like-for-like brand sales growth was 8% in 2019 (2018: 10%). The highest growth was achieved at Freeport Lisboa Fashion Outlet, which benefited from the opening of Polo Ralph Lauren in November 2018 and a number of other brands in 2019 including Karl Lagerfeld and Boggi.

Double-digit sales growth was also achieved at Landquart Fashion Outlet and Hede Fashion Outlet, the latter following the launch of a 2,400m<sup>2</sup> extension. Strong sales growth was also exhibited at Batavia Stad Amsterdam Fashion Outlet driven by a concentrated leasing strategy, resulting in occupancy increasing in the year from 91% to 98%.

Oslo Fashion Outlet has been the weakest performer with flat year-on-year sales, as the centre was impacted by a particularly mild winter affecting its outdoor gear retailers.

Tax-free sales at VIA have increased by 17% in the 12 months to December 2019, but remain only 4% of total sales (2018: 4%). This is primarily driven by double-digit rises in tax free sales at Freeport Lisboa Fashion Outlet, Fashion Arena Prague Fashion Outlet and Batavia Stad Amsterdam Fashion

Outlet, who made up 73% of total portfolio tax free sales in 2019. Brazilian, Angolan, Chinese and Israeli visitors were the main drivers of the year-on-year increase.

The sales performance resulted in like-for-like NRI growth of 6%, with the most significant contribution from Freeport Lisboa Fashion Outlet.

#### Occupancy and leasing

Occupancy levels increased to 93% at the end of 2019, compared with 92% in 2018. Occupancy at premium outlets is often marginally lower than the Group's other sectors to support proactive asset management.

The strong sales growth outlined above reflects the benefits of VIA's management and remerchandising initiatives across the portfolio, resulting in 266 leases being signed during 2019, including 128 new brands.

Key leasing transactions included the introduction of new brands such as Skechers at Fashion Arena Prague Fashion Outlet, Hugo Boss Woman at Landquart Fashion Outlet, L'Occitane at Hede Fashion Outlet, Hugo Boss at Wroclaw Fashion Outlet and Adidas at Vila do Conde Porto and Oslo Fashion Outlet. Leasing also included a number of first brand openings in the country such as Invicta and WMF at Freeport Lisboa Fashion Outlet, Simone Pérèle at Landquart Fashion Outlet, a Furla pop up at Wroclaw Fashion Outlet and Hünkemöller at Oslo Fashion Outlet.

In 2019, VIA completed the deployment of its loyalty programme, Fashion Club, at all centres in the portfolio. In partnership with brands, VIA continued to implement cross-portfolio marketing campaigns, including a recent sports and holiday campaign which all centres took part in during the spring/summer. VIA will continue to develop further portfolio marketing initiatives in 2020.

#### Developments and extensions

In October 2019, a 2,400m<sup>2</sup> extension and refurbishment completed at Hede Fashion Outlet, Gothenburg. The scheme delivered 15 new units and a children's play area, increasing the area of the centre by 15% and enhancing its aesthetics. This has improved the tenant mix by introducing a number of new international brands such as Lindt and L'Occitane (a first for the VIA portfolio) and upsizes of Gant and Calvin Klein. The total development cost (at 100%) was €10 million and the project has achieved a yield on cost of 10%.

In early 2019, a new train station adjacent to the outlet also opened, allowing visitors to travel from Gothenburg's city centre to the outlet in just 20 minutes. These enhancements to the centre have resulted in a strong 2019 performance, helping to generate double-digit sales growth.

Following their acquisition in 2016 and 2017, refurbishment works are continuing at Sevilla Fashion Outlet, Zweibrücken Fashion Outlet, Vila do Conde Porto Fashion Outlet and Oslo Fashion Outlet, with completion due in 2020. Refurbishment works have completed at Wroclaw Fashion Outlet and will play an important part in delivering an enhanced experience to guests and welcoming new brands.

In 2020, VIA will also progress feasibility and planning applications for extensions at Sevilla, Mallorca, Batavia Stad, Amsterdam and Zweibrücken Fashion Outlets.

## City Quarters and developments

### Development overview

The Group has a proven track record in delivering iconic, sustainable urban developments, including destinations such as Bullring, Birmingham and Les Terrasses du Port, Marseille.

Reflecting current uncertainty in the UK and wider retail markets, our near-term focus is to reduce debt and we do not plan to commit to any major projects until markets stabilise. We expect future schemes to include a wider variety of uses, with less space dedicated to retail and with our Net Positive targets fully embedded within all new projects. This principle is at the core of our City Quarters concept under which we intend to unlock future opportunities across our existing 100 acre land ownership.

Capital expenditure is tightly controlled and we will only commit to projects when the balance of risk and reward is acceptable. Factors evaluated include funding and financial returns, cost and programme certainty, leasing confidence and pre-letting performance. Whilst projects are controlled individually, our total exposure to development is also closely monitored.

At 31 December 2019, the value of the Group's development portfolio was £600 million, representing 7% of the Group's total property portfolio. 80% of the value relates to five schemes: Les 3 Fontaines extension; the Whitgift Centre, Croydon; Dublin Central; Victoria Phase 2, Leeds; and The Goodsyard.

Committed capital expenditure has fallen by £59 million during the year to £104 million at 31 December 2019. This reduction is mainly due to progress made on our two onsite Paris extension schemes, which still represent the majority of the future committed spend.

### City Quarters overview

Our City Quarters concept aims to leverage existing land interests around our flagship destinations, located in major European cities and near to key transport links. These provide opportunities to develop a mix of uses including residential, workspace, hotel and leisure, and will deliver financial returns for the Group and complement our existing flagship destinations.

This concept represents a significant opportunity and has the potential to deliver 6,600 residential units, 1,600 hotel rooms, 300,000m<sup>2</sup> of workspace and nine parks and public spaces. An overview of a number of the projects is set out in the table on page 15.

We intend to use our existing strong relationships with local authorities and landowners to drive forward these opportunities. However, we recognise that in order to build on our track record of great sustainable place-making and create truly integrated communities, broader skillsets are required within our teams. With this in mind, we have appointed Simon Betty as Managing Director, City Quarters. Simon has extensive experience of the broader business and in-depth knowledge of the Irish schemes.

The projects each have different timescales and phasing opportunities. Whilst schemes are being progressed and planning consents secured, we will determine the optimal implementation plan for each project. This could include development by the Group, in partnership with expert third parties, or realisation of value through disposal whilst retaining a degree of control to ensure optimal future estate management.

We have made good progress with this new concept and have secured three major consents. Key achievements include:

- Outline planning consent for our masterplan to regenerate the Martineau Galleries site in Birmingham city centre into a thriving new neighbourhood. The proposals for the seven acre site include up to 1,300 homes, 130,000m<sup>2</sup> of workspace, a new city centre hotel, restaurants and cafés. Work could commence in 2022
- In Leeds, we recently received full planning consent for a new 205-bed hotel adjacent to Victoria Gate. The site is currently a surface car park, and we are in advanced negotiations with an exciting, modern operator to allow construction to commence in late 2020
- In Ireland, we received final planning consent for a residential scheme of over 100 apartments directly adjacent to Dundrum. We intend starting onsite in summer 2020, with the Group's future development cost being £16 million
- Also at Dundrum, a tender process has commenced to select an architect to masterplan a residential-led scheme on the Phase 2 land to the north of the centre
- The planning process is underway to redevelop the six-acre Dublin Central site, adjacent to our existing Ilac Centre. The scheme involves redeveloping buildings on O'Connell Street and Moore Street. In April, we appointed ACME as the designer for the project. The scheme will be a mixed-use, open scheme with improved pedestrian links and public spaces. Plans are at an early stage, and significant engagement is ongoing with local stakeholders to ensure the scheme reflects the heritage and commercial vibrancy of the area

## Onsite developments

### Les 3 Fontaines extension

Works have continued with the major extension of Les 3 Fontaines which coincides with the wider city centre development of Cergy-Pontoise, in the suburbs of Paris. The project involves a number of phases, including a 1,700-space car park to be completed in September followed by a new food hall opening in spring 2020.

During 2019, we revised the scheme, particularly the final phases, to reduce the space allocated to fashion and increase the area for F&B and leisure, including the redevelopment of the existing roof terraces. These revisions have increased the projected income by €1 million to €19 million and the total development cost by €47 million to €382 million (£324 million), including additional future cost contingency.

The opening of the main extension is planned for Q3 2021, with a new fully-let food court opening in April 2020 and the final leisure phase in Cergy 3, expected to open in mid-2023. At 31 December 2019, costs to complete totalled €156 million (£132 million) and the project was valued at €207 million (£176 million). Due to outward yield shift and the revisions to the scheme, the development suffered a revaluation deficit of £57 million in 2019. This reversed cumulative revaluation gains recognised at the start of the year of £41 million.

When fully complete and let, at current yields, the project is forecast to achieve an estimated additional revaluation uplift of £50 million and a yield on cost of 5%. The project will extend the entire trading space to over 100,000m<sup>2</sup> and create one of the leading flagship destinations in the Paris region. Leasing is progressing well, with pre-let income increasing from 23% to 49% during the year. Key tenants secured include Adidas, Big Fernand, Fnac, Footlocker, JD Sports, Levis, and Vapiano.

### Italik extension

Italik, a 6,400m<sup>2</sup> extension of Italic Deux, commenced in June 2018. The project will add 12 new retail, F&B and leisure units to the central Paris scheme and will create an attractive new façade for the existing centre. As previously reported, the scheme was delayed following a dispute with the contractor in late 2018.

During 2019, the contractor was replaced and work relaunched in March. Whilst this process has not increased the total cost of the project, it delayed the opening of the scheme, which is now due in Q4 2020.

At 31 December 2019, the total development cost is estimated at €44 million (£37 million), with €15 million (£13 million) of costs remaining. The project was valued at €36 million (£30 million), and we have recognised €5 million (£5 million) of revaluation gains to date. The project has been forward sold as part of the disposal of 75% of Italic Deux. Whilst the contracted 75% sale price is €41 million (£35 million), the final price is dependent on the passing rent when the sale completes in March 2022, 18 months after the extension opens.

The price is based on the forecast passing rent of £2 million, equivalent to a yield on cost in excess of 5%. Leasing is progressing well, with the scheme currently 85% pre-let, 51% higher than at the beginning of the year, to brands including M&S Foodhall and Prêt-à-Manger.

## Future major developments

Whilst we do not expect to commit to any new major expenditure in the near term, progress has been made in 2019 with our future major schemes as explained below.

### Brent Cross and Croydon

We are reviewing plans for the future major schemes at Brent Cross and Croydon. This work, consistent with our City Quarters strategy, is to ensure the developments address changing customer and occupier requirements and include a greater mixed-use element than originally planned.

We remain in active discussions with local stakeholders to support the ongoing third-party regeneration around both existing interests, such as the new Brent Cross West Thameslink station and the mixed-use regeneration to the south of Brent Cross. Reviews of the schemes are progressing and we continue to ensure the existing assets are actively managed.

### The Goodsyard

In conjunction with Ballymore, our 50:50 joint venture partner, revised plans were submitted to the GLA in July as an amendment to the existing planning application for the site.

The major mixed-use scheme includes workspace, retail and residential elements at the 4.2ha site on the edge of the City of London. The amended application has additional housing, including a greater number of affordable homes and a larger public park. The complicated planning process has been slower than expected and determination from the Mayor of London is now targeted by the middle of 2020.

## Overview of City Quarters and major developments

|                                 | Area                 | Next planning submission | Start onsite | Retail | F&B | Residential | Workspace | Leisure | Education | Culture | Hotel | Public spaces |
|---------------------------------|----------------------|--------------------------|--------------|--------|-----|-------------|-----------|---------|-----------|---------|-------|---------------|
| <b>Near term</b>                |                      |                          |              |        |     |             |           |         |           |         |       |               |
| Les 3 Fontaines, Cergy          | 8,400m <sup>2</sup>  | n/a                      | Onsite       |        | ✓   |             | ✓         | ✓       |           |         |       |               |
| The Podium at Dundrum, Dublin   | 10,000m <sup>2</sup> | n/a                      | Q3 2020      | ✓      |     | ✓           |           |         |           |         |       |               |
| Victoria Hotel, Leeds           | 8,400m <sup>2</sup>  | n/a                      | Q3 2020      |        |     |             |           |         |           |         | ✓     |               |
| Ladywood House, Birmingham      | 9,300m <sup>2</sup>  | 2020                     | Q4 2020      |        |     |             | ✓         |         |           |         |       |               |
| <b>Strategic</b>                |                      |                          |              |        |     |             |           |         |           |         |       |               |
| Victoria Phase 2, Leeds         | 10 acres             | 2020                     |              | ✓      | ✓   | ✓           | ✓         | ✓       | ✓         | ✓       | ✓     | ✓             |
| Martineau Galleries, Birmingham | 7 acres              | 2021                     |              | ✓      | ✓   | ✓           | ✓         |         |           |         | ✓     | ✓             |
| Callowhill Court, Bristol       | 9 acres              | 2021                     |              | ✓      | ✓   | ✓           | ✓         | ✓       | ✓         | ✓       | ✓     | ✓             |
| Dublin Central                  | 6 acres              | 2021                     |              | ✓      | ✓   | ✓           | ✓         |         |           |         | ✓     | ✓             |
| Dundrum Phase 2                 | 6 acres              | 2021                     |              | ✓      | ✓   | ✓           |           |         |           |         | ✓     | ✓             |
| Pavilions Phase 3, Swords       | 18 acres             | 2023                     |              | ✓      | ✓   | ✓           |           | ✓       |           |         |       | ✓             |
| <b>Major developments</b>       |                      |                          |              |        |     |             |           |         |           |         |       |               |
| Brent Cross                     | 15 acres             | n/a                      |              | ✓      | ✓   | ✓           | ✓         | ✓       |           | ✓       | ✓     | ✓             |
| Croydon                         | 22 acres             | n/a                      |              | ✓      | ✓   | ✓           | ✓         | ✓       |           |         | ✓     | ✓             |
| The Goodsyard, London           | 10 acres             | In planning              |              | ✓      | ✓   | ✓           | ✓         |         |           | ✓       | ✓     | ✓             |

# UK retail parks

## Operational summary

| Key metrics             | like-for-like<br>NRI growth<br>% | Occupancy<br>% | Leasing<br>activity<br>£m | Leasing vs<br>ERV<br>% | Footfall<br>growth<br>% |
|-------------------------|----------------------------------|----------------|---------------------------|------------------------|-------------------------|
| <b>31 December 2019</b> | <b>(1.4)</b>                     | <b>97.3</b>    | <b>2.6</b>                | <b>+1</b>              | <b>1.4</b>              |
| 31 December 2018        | (4.3)                            | 96.9           | 2.4                       | +1                     | (1.3)                   |

## Sector overview

Retail parks tend to be situated in out-of-town locations. They offer efficient and flexible space formats with larger units, lower rents per square metre than those in flagship destinations, and the ability to accommodate a wide range of retailers. Accessibility is a key success factor for retail parks with the majority of shoppers using cars or public transport.

Demand for space has been subdued during 2019, with further high profile tenant failures increasing the supply of available space in the market. This imbalance will take some time to work through the sector, although there is demand from a pool of occupiers for well-managed parks where trading remains strong.

## Our portfolio

We announced in our July 2018 strategy update that we intended to exit this sector over the medium term and sold four parks in 2019.

As at 31 December 2019, we owned nine retail parks, representing 5% of the Group's portfolio by value. The portfolio provides 234,000m<sup>2</sup> of lettable space and has more than 210 tenants and includes shopping parks, hybrid parks and key homeware parks where occupational demand has been strongest. Our parks are intentionally located on the edge of town centres with ample free parking and are let to a wide spectrum of retailers, including fashion, furniture, homewares and bulky goods.

In February 2020 we announced the disposal of eight retail parks for gross proceeds of £433 million. We are marketing for sale the remaining park, Brent South.

## Net rental income

On a like-for-like basis, NRI fell by 1.4% in 2019. Given the subdued nature of the occupational market, there were few growth drivers in 2019 and NRI was £0.4 million lower due to the impact of further CVAs and administrations.

## Occupancy and leasing

Occupancy has been stable during 2019, ending the year at 97.3%.

Whilst leasing activity at £2.6 million was slightly higher than 2018, this principally related to existing tenants who extended their leases at a reduced rent to support our sales process. There were eight lettings to new tenants for total passing rent of £0.7 million. The most significant being Superdrug at Telford Forge and Waterstones at Didcot.

For all principal leases, rents were contracted at 1% above December 2018 ERVs but 10% below previous passing rent.

During 2019, the portfolio suffered three tenant restructurings (Arcadia, Debenhams and The Bathstore) impacting eight units. These units were generally performing well and only one closed, meaning that overall we suffered an annualised rent reduction of £0.5 million, or 22% of the previous passing rent. Including units affected during 2018, at 31 December 2019, the portfolio had 17 units which had been impacted by tenant restructuring with rent passing of £2.9 million, equivalent to 1.0% of the Group's passing rents.

## Footfall and sales

During 2019, the number of visitors to the portfolio increased by 1.4%, 130 basis points above the Springboard Retail Parks index. Footfall increased at all but two of our parks. Ravenhead in St. Helens reported the highest footfall increase of 13% following the opening of a new M&S store. Also, following this opening, the average drivetime grew by 5%.

Whilst we do not receive tenant sales information for our retail parks, we do undertake customer surveys. Based on these, in 2019 average retail spend has grown by 5%, catering spend by 1% and visit frequency by 3%.



# Sustainability review

Our Net Positive target remains the most ambitious commitment globally in the real estate sector, and our progress against our targets shows we are on course to achieve our ambitions by the end of 2030.

This is made possible by successfully embedding our targets within our strategy, business model and processes. We have clear leadership and commitment from the Board and senior leadership team which empowers colleagues to implement initiatives that deliver meaningful and impactful change.

As a reminder, we have committed to reaching the first phase of our targets by the end of 2020. This means that from 1 January 2021, we aim to be in a position to operate with less than zero scope 1 and 2 absolute carbon emissions, water demand and resource-use on a proportionate ownership basis across our operationally managed portfolio.

Our consistent approach to energy management and engagement with key stakeholder groups has delivered a 26% year-on-year reduction in our Net Positive carbon footprint (4719 tonnes of CO<sub>2</sub>e) in 2019, and we reduced energy demand by 12% across our total managed assets, which equates to £0.9 million pa in operational cost savings at our assets. In total, we have reduced our carbon footprint by 52% since the end of 2015.

In 2020, our key initiatives with regards to carbon will include investing in further efficiency technologies, expanding our renewable energy generation capacity, and introducing a procurement approach that brings additional renewable energy to the market.

We have made similarly strong progress in terms of resource-use, water and socio-economic impacts. Our Net Positive water footprint has fallen by 44% since 2015, saving an estimated 150,000m<sup>3</sup> of drinking water, and as a result of engagement with our contractors, last year 607 tonnes of recycled content in concrete and steel was used within our developments.

Phase Two of our targets covers both development and Hammerson control impacts, for the period from 2021 to the end of 2025.

Being one of the first to make a Net Positive commitment undeniably makes it more challenging to achieve, as we are developing solutions that others can follow. However, it also makes it more powerful as the earlier global reductions in environmental impacts are made, the more effective they are, particularly for carbon emissions.

Climate change is arguably the biggest challenge facing the global economy. We firmly believe that it is necessary to take action now.

## 2019 sustainability performance

| EPRA like-for-like portfolio           | Year ended<br>31 December 2019 | Year ended<br>31 December 2018 | Year-on-year reduction<br>% | 2020 Target reduction<br>% |
|--|--------------------------------|--------------------------------|-----------------------------|----------------------------|
| Electricity Demand (mWh)               | <b>80,180</b>                  | 90,702                         | 12                          | 4                          |
| Natural Gas Demand (mWh)               | <b>15,097</b>                  | 19,030                         | 21                          | 4                          |
| Energy Demand (mWh)                    | <b>102,609</b>                 | 116,252                        | 12                          | 5.5                        |
| Carbon Emissions (mtCO <sub>2</sub> e) | <b>22,399</b>                  | 25,571                         | 12                          | 13                         |

## Property portfolio review

# Valuation reductions reflect challenging markets

## Investment markets

Investment markets for the Group's property sectors have remained subdued throughout 2019, with buyers remaining reluctant to invest, reflecting a challenging occupational market and the negative impact of domestic and international uncertainty.

In the UK, shopping centre transaction volumes totalled £0.5 billion in 2019, approximately 60% lower than 2018. UK retail yields for prime and super prime assets weakened by between 65 and 125 basis points. (Source: C&W).

The French market saw an increase in shopping centre investment volumes in 2019 to €0.9 billion (2018: €0.4 billion). Recent transactions have reinforced the widening gap in demand between prime and secondary assets. In addition to our sale of 75% of Italie Deux, Paris for €432 million, Passage du Havre in Paris sold for €200 million in the second half of 2019 representing a net initial yield of 3.7%.

Ireland has seen a softening of investment sentiment for retail assets in 2019, although transaction volumes in Ireland are estimated to be €0.7 billion (2018: €0.1 billion). Prime shopping centre yields ranged from 4.25% to 5.5% (Source: C&W).

Retail parks investment remains very selective, with buyers favouring smaller lot sizes (less than £50 million) with long unexpired lease terms, fixed income uplifts and secure covenants. Transactions in the year totalled £1.0 billion (2018: £1.9 billion) (Source: C&W). Yields moved out by approximately 100 points during 2019, with London and the South East the least impacted.

Investor sentiment towards the outlets sector remained positive, underpinned by continuing growth in sales and rental income, although pricing has come under pressure for non-prime schemes. In 2019, there were five key transactions totalling €0.7 billion (2018: €0.5 billion) with the largest being sales of the Percassi portfolio and Barberino Designer Outlet, both in Italy. Yields for the best European centres remain in the range of 4.5% - 5.5%, consistent with 2018.

## Portfolio valuation

As announced at the time of our 2018 annual results, the Board decided to tender the Group's valuation instruction during 2019. The tender covered all of the Group's properties, except for premium outlets where the valuation expertise is concentrated in a smaller pool of valuers, and Brent Cross where C&W had recently been appointed by the joint venture. The decision to exclude premium outlets from the tender process was based on the deep knowledge of the Cushman and Wakefield LLP(C&W) team, the views of our partners, Value Retail and VIA Outlets, and also overcomes existing valuation conflicts with other external valuers undertaking premium outlet bank valuations.

For the remainder of the Group's portfolio, C&W was the incumbent external valuer and along with CBRE Limited (CBRE), Jones Lang LaSalle Ltd (JLL) and Knight Frank LLP were invited to submit written tender proposals in November. Following presentations to a selection panel, comprising both divisional and Group senior management, a recommendation was made to the Board to broaden the Group's external valuation instruction to include CBRE, C&W and JLL. CBRE and JLL will value our UK flagship destinations and other UK properties, JLL will value our French portfolio and C&W will continue to value the Irish portfolio, residual UK retail parks and Brent Cross. We believe these changes will provide an increased breadth of valuation expertise across the Group. The first external valuation under the new appointments will be as at 30 June 2020.

At 31 December 2019, the Group's total portfolio was valued at £8,327 million, a reduction of £1,611 million or 16.2% during the year. At the balance sheet date, the UK retail parks portfolio was reclassified as assets held for sale and impaired to its fair value less selling costs, resulting in a £92 million impairment loss in 2019 as detailed in note 7 of the financial statements. For the purposes of the Property portfolio review, valuation movements and capital returns have been calculated excluding this impairment loss, which was in addition to the external valuer's valuation. Movements in the portfolio valuation are shown in the table below.

| Proportionally consolidated, including premium outlets and UK retail parks | Investment<br>£m | Development<br>£m | Total<br>(excl. outlets)<br>£m | Premium<br>outlets<br>£m | Total<br>Group<br>£m |
|--|------------------|-------------------|--------------------------------|--------------------------|----------------------|
| Value at 1 January 2019  | 6,831            | 648               | 7,479                          | 2,459                    | 9,938                |
| Revaluation (losses)/gains   | (950)            | (78)              | (1,028)                        | 200                      | (828)                |
| Additions  |                  |                   |                                |                          |                      |
| Acquisitions   | -                | 1                 | 1                              | 54                       | 55                   |
| Capital expenditure  | 47               | 50                | 97                             | 34                       | 131                  |
| Disposals  | 47               | 51                | 98                             | 88                       | 186                  |
| Capitalised interest   | (621)            | (5)               | (626)                          | -                        | (626)                |
| Exchange   | 1                | 2                 | 3                              | -                        | 3                    |
| Exchange   | (148)            | (18)              | (166)                          | (88)                     | (254)                |
| Impairment on reclassification to assets held for sale                     | (92)             | -                 | (92)                           | -                        | (92)                 |
| Value at 31 December 2019  | 5,068            | 600               | 5,668                          | 2,659                    | 8,327                |

## Property additions

In 2019, property additions totalled £186 million. The table below shows the expenditure on a sector basis and analyses the spend between the creation of additional area and the creation of value through the enhancement of existing space.

### Capital expenditure analysis

| Proportionally consolidated, including premium outlets and discontinued operations | UK<br>£m | France<br>£m | Ireland<br>£m | Flagship destinations<br>£m | UK retail parks<br>£m | Developments and UK other<br>£m | Total excl. outlets<br>£m | Premium outlets<br>£m | Total Group<br>£m |
|--|----------|--------------|---------------|-----------------------------|-----------------------|---------------------------------|---------------------------|-----------------------|-------------------|
| Acquisitions   | –        | –            | –             | –                           | –                     | 1                               | 1                         | 54                    | 55                |
| Capital expenditure – creating area  | 1        | 13           | 4             | 18                          | –                     | 46                              | 64                        | 9                     | 73                |
| Capital expenditure – no additional area   | 10       | 5            | 1             | 16                          | 4                     | 7                               | 27                        | 23                    | 50                |
| Capital expenditure – tenant incentives  | 1        | 5            | –             | 6                           | –                     | –                               | 6                         | 2                     | 8                 |
|  | 12       | 23           | 5             | 40                          | 4                     | 54                              | 98                        | 88                    | 186               |

Further analysis of capital expenditure between Reported Group and Share of Property interests is provided in table 9 on page 75.

Acquisitions during 2019 totalled £55 million. The principal transactions were:

- The purchase of an additional 3.125% stake in VIA Outlets, increasing the Group's share of property held within VIA by £43 million
- £11 million relating to the purchase of land adjacent to Bicester Village, Oxfordshire and the exercise of an option to purchase land at Kildare Village, Dublin to enable future development

In the UK, flagship destinations incurred capital expenditure of £12 million, principally in relation to car park works at Silverburn in Glasgow, upgrade and improvement works at Grand Central, Birmingham and capital contributions at Bullring, Birmingham.

Capital expenditure on the French investment portfolio of £23 million comprised space accretive expenditure of £13 million, largely in relation to the extension project at Italik, Italie Deux and a further £10 million of renovation works and lease incentives across the portfolio.

UK retail parks incurred £4 million of capital expenditure on the completion of works at a number of parks prior to disposal.

Within Developments and UK other portfolios, capital expenditure totalled £53 million, of which £46 million created additional area and related to the extension at Les 3 Fontaines, Cergy.

Capital expenditure within the premium outlets portfolio totalled £34 million, of which £12 million was incurred by Value Retail and £22 million by VIA Outlets. Expenditure creating additional area of £9 million related to the extensions at: Hede Fashion Outlet, Gothenberg; La Roca Village, Barcelona; and Kildare Village, Dublin.

## Disposals

Disposals reduced the portfolio by £626 million during 2019. The most significant transactions were:

- The sale of Dallow Road, Luton in June for £24 million, representing a 7.6% net initial yield and a 6% discount to December 2018 book value. Hammerson acquired the site in 2002 and subsequently redeveloped it in 2006
- In October, we sold Abbotsinch Retail Park, Paisley for £67 million, representing a net initial yield of 7.8%. The site was acquired in 2012 for £42 million and was expanded by more than 8,700m<sup>2</sup> through phased developments, at a cost of £17 million
- The disposal of St Oswald's Retail Park, Gloucester in November to a local authority for £54 million. The sale price reflected a net initial yield of 8.5%. We originally developed the site in 2005, and subsequently increased the number of units on the park to improve the brand mix
- In December, we completed the sale of a 75% interest in Italie Deux, Paris to AXA Investment Managers for €432 million (£363 million). The sale price represented a 4.1% net initial yield and an 8.5% discount to the December 2018 value. Contracts were also exchanged for the forward sale of 75% of the Italik extension for an additional €41 million (£35 million) 18 months after completion of the scheme in 2020
- The sale of Parc Tawe Retail Park, Swansea in December for £22 million, representing a 28% discount to December 2018 book value due to increased vacancy through 2019
- When combined, these disposals meant that the Group exceeded its target of disposal proceeds of at least £500 million. Since the year end, the Group has completed the sale of Abbey Retail Park, Belfast for £33 million, and exchanged contracts on a portfolio of seven retail parks for gross proceeds of £400 million. The latter transaction is due to complete in late April 2020 and represented a net initial yield of 8.9% and resulted in a £92 million impairment compared to C&W's formal valuation at 31 December 2019, reflecting the portfolio discount

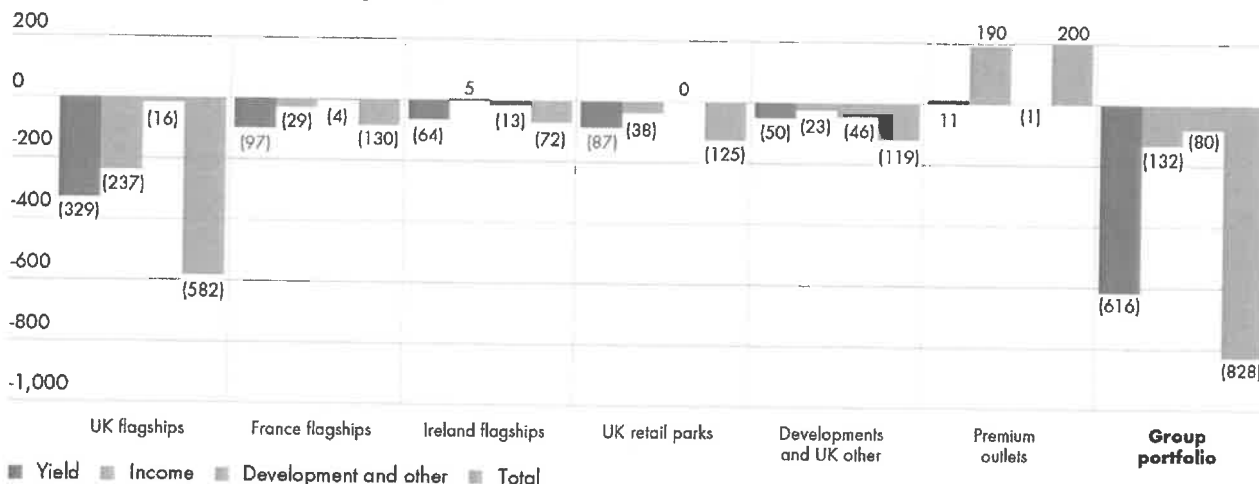
## Valuation change

The chart below analyses the valuation change for the Group's property portfolio, including premium outlets, allocating the underlying valuation movement between yield, income and development and other impacts.

### Components of valuation change (£m)

Chart 20

#### Components of valuation change (£m)



In 2019, the Group's portfolio suffered a net revaluation deficit of £828 million. This comprised a deficit on the core portfolio of £1,028 million and valuation gains on the premium outlets of £200 million.

During the year, particularly in the UK, a lack of transactional evidence coupled with continuing market uncertainty and a weak occupational market challenged the valuation process. As a result, the portfolio has been subject to outward yield movements driven largely by a change in market sentiment, rather than recent transactions. The other component of the valuation decline was income driven, reflecting the latest leasing information.

In the UK, flagship destinations suffered a revaluation deficit of £582 million, or 19.9%, driven primarily by outward yield shift averaging 64 basis points across the portfolio. All centres suffered revaluation losses, with yield expansion ranging from 31 to 122 basis points. A reduction in ERVs due to weaker occupational demand reduced valuations by a further £237 million.

The underlying value of the French portfolio fell by £130 million, principally as a result of outward yield movements averaging 38 basis points. All assets were subject to yield expansion, with the higher yielding assets the worst affected, consistent with the polarisation in the investment markets.

In Ireland, yield expansion of approximately 25 basis points across the portfolio was partially offset by strong income growth at the Ilac Centre and Swords Pavilions. Increased stamp duty rates reduced the value of the portfolio by £15 million.

UK retail parks suffered a 14% reduction in property values during the year due to a combination of outward yield movement across all parks and reduced ERVs.

A deficit of £119 million was recognised on the development and UK other portfolio. This principally reflected revisions to the latter stages of the scheme at Les 3 Fontaines, Cergy to change the future tenant mix, resulting in an increase of €38 million to the total project cost as detailed in the Operating review on page 14.

Premium outlets continued to outperform other sectors, achieving a valuation gain of £200 million, of which £190 million was attributable to income growth. The most significant uplifts were at Bicester Village, Oxfordshire; La Vallée Village, Paris; La Roca Village, Barcelona; and Freeport Lisboa Fashion Outlet.

Further analysis is included in Tables 7 and 8 in the Additional disclosures on pages 74 to 75.

## ERV growth

### Like-for-like ERV growth

| Proportionally consolidated, excluding premium outlets <sup>1</sup> | UK %  | France % | Ireland % | Flagship destinations % | UK retail parks % | Group investment portfolio % |
|---|-------|----------|-----------|-------------------------|-------------------|------------------------------|
| 2019  | (8.6) | (1.9)    | 1.2       | (5.5)                   | (6.7)             | (5.9)                        |
| 2018  | (2.0) | 0.5      | 2.8       | (0.6)                   | (2.7)             | (0.9)                        |

1. The UK other portfolio is not shown above and reported like-for-like ERV growth of -11.4% (2018: +0.3%).

Like-for-like ERVs at the Group's investment properties declined by 5.9% in 2019 compared to a reduction of 0.9% in 2018.

ERVs at UK flagships fell by 8.6% in 2019, compared with a decline of 2.0% in 2018. The most significant reductions were at Westquay South, Grand Central and Brent Cross, primarily due to lower demand for units following recent tenant restructuring. The reduction in ERVs in 2019 has been focused on anchor and MSU space where ERVs have fallen by 8.4% and 12.8% respectively. This reflects the challenging trading environment for many of the occupiers of this space such as department and high street fashion stores. Our ongoing work to repurpose space to our target categories will support future rental values.

ERVs in France reduced by 1.9%, principally driven by lower ERVs on the MSUs at Les 3 Fontaines, Cergy. This compares with a 0.5% increase in 2018. Les Terrasses du Port, Marseille continued to be the strongest performer, achieving ERV growth of 0.6%.

Ireland produced positive growth of 1.2%, having generated 2.8% in 2018. A reduction in ERVs of 0.4% at Dundrum, largely due to a change in car park ERVs, was offset by positive movements on the Ilac Centre and Swords Pavilions of +4.0% and +6.9% respectively.

ERVs at UK retail parks fell by 6.7%, compared with a 2.7% decline in the prior year, principally due to challenging leasing conditions following the tenant failures experienced in 2018 and 2019.

## Returns

### Property returns

#### Property returns analysis

##### 2019

| Proportionally consolidated, including premium outlets <sup>1</sup> | UK %   | France % | Ireland % | Flagship destinations % | UK retail parks % | Developments % | Premium outlets % | Group % |
|---|--------|----------|-----------|-------------------------|-------------------|----------------|-------------------|---------|
| Income return   | 5.0    | 4.1      | 4.2       | 4.6                     | 6.7               | 1.7            | 5.1               | 4.7     |
| Capital return  | (19.9) | (10.2)   | (7.5)     | (14.8)                  | (19.5)            | (10.7)         | 8.2               | (9.8)   |
| Total return  | (15.8) | (6.5)    | (3.6)     | (10.8)                  | (14.0)            | (9.2)          | 13.6              | (5.6)   |

1. The UK other portfolio is not shown above and produced an income return of 5.5%, a capital return of -23.6% and a total return of -19.3%. The combined total return for the UK portfolio was -14.6% with a capital return of -18.9% and an income return of 5.1%.

The Group's property portfolio generated a total return of -5.6% in 2019, comprising a capital return of -9.8% and an income return of 4.7%. The strongest performer was again the premium outlets sector, generating a total return of 13.6%, primarily due to revaluation gains of £171 million at Value Retail and £29 million for VIA Outlets.

We compare the individual portfolio returns against their respective MSCI benchmarks and compare the Group's portfolio against a weighted 50:50 UK All Retail Universe: Bespoke Europe (excluding UK) All Retail Universe index. These indices include returns from all types of retail property.

As the annual MSCI benchmarks are not available until after this Annual Report has been published, it is not yet possible to gauge the Group's comparative performance. The UK MSCI Quarterly All Retail Universe to December 2019 is available and reported a total return of -6.7%, 790 basis points higher than the Group's UK portfolio return of -14.6%. The Quarterly UK MSCI index included a total return of -15.3% for large shopping centres, -12.6% for standard shopping centres and -9.2% for retail warehouses.

In 2019, the Reported Group portfolio (see Financial review on page 22 for explanation) produced a total return of -11.3%, whilst properties held by our joint ventures and associates generated a total return of -2.8%. The performance of the latter portfolio was boosted by the strong return from premium outlets. An analysis of the capital and total returns by business segment is included in Table 7 on page 74.

### Shareholder returns

| Return   | %      | Benchmark                                       | %    |
|--|--------|---|------|
| Total shareholder return over one year         | 1.1    | FTSE EPRA/NAREIT UK index over one year         | 25.5 |
| Total shareholder return over three years p.a. | (28.2) | FTSE EPRA/NAREIT UK index over three years p.a. | 13.9 |
| Total shareholder return over five years p.a.  | (26.9) | FTSE EPRA/NAREIT UK index over five years p.a.  | 9.9  |

For the year ended 31 December 2019, the Group's return on shareholders' equity was -14.8%, which compares to the Group's estimated cost of equity of 7.9%. The income element of the return on equity tends to be relatively low given the high-quality nature of the Group's property portfolio. The capital element of the return was driven by the portfolio's adverse valuation movement during the year.

Hammerson's total shareholder return for 2019 was 1.1%, an underperformance compared with the FTSE EPRA/NAREIT UK index of 24.4 percentage points as the wider index has seen a strong performance during 2019. Over the last five years, the Group's average annual total shareholder return has been a reduction of 26.9%, compared to growth of 9.9% for the FTSE EPRA/NAREIT UK index.

## Focus on balance sheet resilience

|  |  |  |
|--|--|--|
| <b>IFRS loss for the year<sup>1</sup></b><br><b>£(781)m</b><br>(2018: £268 million loss) | <b>Adjusted EPS<sup>2</sup></b><br><b>28.0p</b><br>(2018: 30.6p) | <b>Shareholders' funds<sup>1</sup></b><br><b>£4,377m</b><br>(2018: £5,433 million) |
| <b>EPRA NAV per share<sup>3</sup></b><br><b>£6.01</b><br>(2018: £7.38)                   | <b>Dividend per share</b><br><b>25.9p</b><br>(2018: 25.9p)       | <b>Net debt</b><br><b>£2,843m</b><br>(2018: £3,406 million)                        |

1. Attributable to equity shareholders.
2. See note 9B to the financial statements for calculation.
3. See note 9D to the financial statements for calculation.

### Presentation of financial information

The information presented in this Financial review is derived from the Group's financial statements, prepared under IFRS. A significant proportion of the Group's property interests are held in conjunction with third parties in joint ventures and associates. Under IFRS, the Group's share of joint operations is proportionally consolidated and the results and net investment in joint ventures and associates are equity accounted and presented within single lines in the income statement and balance sheet.

The Group has property interests in a number of sectors and management reviews the performance of the Group's property interests in flagship destinations, retail parks, UK other properties and developments on a proportionally consolidated basis to reflect the Group's different ownership shares. Management does not proportionally consolidate the Group's investments in Value Retail and VIA Outlets, which are externally managed by experienced outlet operators, independently financed and have operating metrics which differ from the Group's other sectors. We review the performance of our premium outlet investments separately from the proportionally consolidated portfolio.

The key financial metrics for our premium outlets are: income growth; earnings contribution; property valuations and returns. However, for a number of the Group's Alternative Performance Measures (APMs), we aggregate the premium outlets for enhanced disclosure. These include like-for-like net rental income, property valuations and returns and certain credit metrics.

Within the Financial review, the Group financial statements and the Additional disclosures, properties which are wholly owned or where the Group's share is in a joint operation, are defined as being held by the 'Reported Group', whilst those in joint ventures and associates are defined as 'Share of Property interests'.

Further explanation of the accounting treatments of the Group's different types of ownership is provided in the Glossary on pages 81 to 83.

### Presentation of UK retail parks

At 31 December 2019, the UK retail parks portfolio was being actively marketed with an expectation of transacting within 12 months of the balance sheet date. Consequently, this met the IFRS 5 criteria of 'held for sale' and the retail parks properties, together with associated assets and liabilities, were separately classified as assets and liabilities held for sale in the balance sheet. As this constituted substantially the remainder of the segment, the results for 2018 and 2019 have been reclassified as discontinued operations within the Reported Group. More detail is provided in note 7 to the financial statements on page 48. As we owned these properties throughout the reporting period, for the purposes of the Financial review and Property portfolio review, analysis has been prepared on a consolidated basis including the UK retail parks portfolio.

### IFRS 16

In 2019, the Group has adopted the new accounting standard, IFRS 16 Leases. This standard has not had a material impact on the Group's reported financial performance and the 2018 results have not been restated.

### Alternative Performance Measures (APMs)

The Group uses a number of APMs, being financial measures not specified under IFRS, to monitor the performance of the business. These include a number of the Group's Key Performance Indicators on pages 5 and 6. Many of these measures are based on the EPRA Best Practice Recommendations (BPR) reporting framework which aims to improve the transparency, comparability and relevance of the published results of listed European real estate companies. The Group's key EPRA metrics are shown in within the Additional disclosures section on page 69.

For other APMs, the Financial review and Additional disclosures sections contain supporting information, including reconciliations to the IFRS financial statements. Definitions for APMs are also included in the Glossary on pages 81 to 83.

## Loss for the year

The Group's IFRS loss for the year, attributable to equity shareholders, was £781 million, compared to a loss of £268 million in 2018. The most significant variance was the net revaluation loss on the Group's property portfolio of £1,028 million compared with a loss of £449 million in the prior year. This was partially offset by larger revaluation gains on the premium outlets portfolio of £200 million, £144 million higher than in 2018.

Management principally reviews the Group's performance on an adjusted basis to monitor the Group's underlying earnings as it excludes capital and non-recurring items such as valuation movements, gains or losses on the disposal of properties and other one-off exceptional items. This approach is consistent with other property companies and we follow EPRA guidance to calculate adjusted figures. A reconciliation of the loss to adjusted profit for the year is shown in the table below.

### Reconciliation of loss for the year to adjusted profit for the year

| Proportionally consolidated, including premium outlets and discontinued operations                  | Year ended<br>31 December 2019<br>£m | Year ended<br>31 December 2018<br>£m |
|---|--------------------------------------|--------------------------------------|
| <b>Loss for the year attributable to equity shareholders</b>  | <b>(781.2)</b>                       | (268.1)                              |
| Adjustments:  |                                      |                                      |
| Net revaluation losses on property portfolio*   | <b>1,028.0</b>                       | 448.6                                |
| Net revaluation gains on premium outlets property portfolio   | <b>(199.8)</b>                       | (56.2)                               |
| Impairment losses on reclassification of UK retail parks as assets held for sale                    | <b>92.0</b>                          | -                                    |
| Recycling of net exchange gain on disposal of foreign operations (net of non-controlling interests) | <b>(13.8)</b>                        | (2.0)                                |
| Loss on sale of properties  | <b>91.7</b>                          | 64.9                                 |
| Debt and loan facility cancellation costs*  | -                                    | 15.3                                 |
| Change in fair value of derivatives*  | <b>(3.6)</b>                         | 15.9                                 |
| Deferred tax on premium outlets   | <b>6.4</b>                           | 13.8                                 |
| Other adjustments   | <b>(5.7)</b>                         | 8.1                                  |
| <b>Adjusted profit for the year (note 9B)</b>   | <b>214.0</b>                         | 240.3                                |
| Adjusted EPS, pence   | <b>28.0</b>                          | 30.6                                 |

\* Proportionally consolidated, excluding premium outlets.

Analysis of the Group's IFRS income statement split between 'Adjusted' profit and 'Capital and other' profit is shown in note 2 of the financial statements on page 43 and further details of the EPRA adjustments are provided in note 9B of the financial statements on page 51.

## Adjusted profit

The Group's adjusted profit for 2019 was £214.0 million, £26.3 million or 10.9%, lower than in 2018. The table below bridges adjusted profit and adjusted EPS between the two years. The movements in each line are shown at constant exchange rates with the impact of foreign exchange movements included in 'Foreign exchange and other'. Explanations of the movements are provided later in this financial review.

### Reconciliation of adjusted profit for the year

| Including premium outlets and discontinued operations | Reported<br>Group<br>£m | Share of<br>joint ventures<br>£m | Share of<br>associates<br>£m | Adjusted profit<br>for the year<br>£m | Adjusted EPS<br>pence |
|---|-------------------------|----------------------------------|------------------------------|---------------------------------------|-----------------------|
| <b>Adjusted profit – Year ended 31 December 2018</b>  | <b>55.7</b>             | <b>157.2</b>                     | <b>27.4</b>                  | <b>240.3</b>                          | <b>30.6</b>           |
| Net rental income (decrease)/increase*                | <b>(37.4)</b>           | <b>(1.0)</b>                     | <b>0.3</b>                   | <b>(38.1)</b>                         | <b>(4.9)</b>          |
| Increase in net administration expenses               | <b>(3.4)</b>            | <b>(0.3)</b>                     | <b>-</b>                     | <b>(3.7)</b>                          | <b>(0.5)</b>          |
| Decrease/(Increase) in net finance costs              | <b>13.3</b>             | <b>(1.9)</b>                     | <b>-</b>                     | <b>11.4</b>                           | <b>1.5</b>            |
| (Decrease)/Increase in premium outlets earnings       | <b>-</b>                | <b>(0.4)</b>                     | <b>5.2</b>                   | <b>4.8</b>                            | <b>0.6</b>            |
| Foreign exchange and other                            | <b>(0.1)</b>            | <b>(0.5)</b>                     | <b>(0.1)</b>                 | <b>(0.7)</b>                          | <b>(0.1)</b>          |
| Share buyback   | <b>-</b>                | <b>-</b>                         | <b>-</b>                     | <b>-</b>                              | <b>0.8</b>            |
| <b>Adjusted profit – Year ended 31 December 2019</b>  | <b>28.1</b>             | <b>153.1</b>                     | <b>32.8</b>                  | <b>214.0</b>                          | <b>28.0</b>           |

\* Like-for-like NRI for the Reported Group was unchanged year-on-year. Like-for-like NRI relating to Share of joint ventures fell by £9.4 million or -6.8% in 2019.

## Net rental income

### Analysis of net rental income

| Proportionally consolidated, excluding premium outlets, including discontinued operations | Reported<br>Group<br>£m | Share of Property<br>interests*<br>£m | Year ended<br>31 December<br>2019<br>£m | Year ended<br>31 December<br>2018<br>£m | Change<br>£m  |
|---|-------------------------|---------------------------------------|---|---|---------------|
| Like-for-like investment properties   | <b>109.2</b>            | <b>138.7</b>                          | <b>247.9</b>                            | <b>258.9</b>                            | <b>(11.0)</b> |
| Disposals   | <b>24.9</b>             | <b>0.6</b>                            | <b>25.5</b>                             | <b>49.1</b>                             | <b>(23.6)</b> |
| Developments and other  | <b>24.7</b>             | <b>10.4</b>                           | <b>35.1</b>                             | <b>38.6</b>                             | <b>(3.5)</b>  |
| Foreign exchange  | <b>-</b>                | <b>-</b>                              | <b>-</b>                                | <b>0.9</b>                              | <b>(0.9)</b>  |
| <b>Net rental income</b>  | <b>158.8</b>            | <b>149.7</b>                          | <b>308.5</b>                            | <b>347.5</b>                            | <b>(39.0)</b> |

\* Share of Property interests includes £1.6 million of like-for-like net rental income from Nicetoile and Italie Deux, Paris, both of which are accounted for as associates (see note 12 of the financial statements).

During 2019, net rental income (NRI) decreased by £39.0 million to £308.5 million. At constant exchange rates, the decrease was £38.1 million. Proportionally consolidating the premium outlets net rental income growth of 10.8% would result in Group like-for-like growth of 0.5%.

The like-for-like portfolio suffered a reduction in NRI of £11.0 million compared with the prior year, comprising £9.3 million in relation to UK flagships, a £0.6 million decline in UK retail parks and the remaining £1.1 million from flagship destinations in Ireland and France. This was principally as a result of tenant restructuring totalling £5.8 million across the Group, an increase in vacancy costs of £3.0 million and leasing costs of £1.5 million in the UK and Ireland.

Disposals reduced income in the year by £23.6 million. 2018 disposals of: Fife Retail Park, Kirkcaldy; Imperial Retail Park, Bristol; Highcross, Leicester (50%); and Battery Retail Park, Birmingham, contributed £20.6 million of the reduction. Subsequent sales in 2019 of: St Oswalds, Gloucester; Dallow Road, Luton; Abbotsinch, Paisley; Parc Tawe, Swansea; and the 75% disposal of Italie Deux resulted in a further income reduction of £3.0 million compared with 2018. The majority of these disposals transacted in the latter part of the year.

Developments and other factors reduced net rental income year-on-year by £3.5 million. This was principally in relation to the development at Les 3 Fontaines, Cergy, which impacted the existing centre, and a decline in income at Whitgift and Centrale in Croydon.

## Administration expenses

| Proportionally consolidated, excluding premium outlets, including discontinued operations | Year ended<br>31 December 2019<br>£m | Year ended<br>31 December 2018<br>£m |
|---|--------------------------------------|--------------------------------------|
| Employee costs – excluding variable costs   | <b>42.9</b>                          | 42.5                                 |
| Variable employee costs   | <b>7.7</b>                           | 4.3                                  |
| Property fee income   | <b>(15.7)</b>                        | (14.8)                               |
| Other corporate costs   | <b>22.3</b>                          | 23.0                                 |
| <b>Employee and corporate costs</b>   | <b>57.2</b>                          | 55.0                                 |
| Management fees receivable  | <b>(8.9)</b>                         | (10.3)                               |
| <b>Net administration expenses*</b>   | <b>48.3</b>                          | 44.7                                 |

\* In 2019, £0.5 million (2018: £0.2 million) of the Group's proportionally consolidated administration expenses related to the Group's Share of Property interests.

At £48.3 million, net administration expenses increased by £3.6 million, or £3.7 million at constant exchange rates. A significant factor was the inclusion in 2018 of a £1.9 million reversal of the total property return element of the annual bonus accrual for the prior year, where the payout threshold was not met on finalisation of the outcome in April 2018. The decline in management fees receivable of £1.4 million was principally due to reduced fees receivable at Whitgift, Croydon, and the threshold for the out-performance fee on Dundrum not being achieved in 2019.

As announced as part of the Strategy Update in July 2018, the Group targeted £7 million of cost savings through operational efficiencies and lower corporate costs, with up to £4 million of these savings to be reinvested in technology and innovation and the Group's 'super events' programme. The cost savings target has been achieved through a combination of Board and management changes and operational cost reductions. Whilst elements of these cost savings have acted to reduce administration costs in 2019, the benefit has been partially offset by redundancy costs, totalling £1.3 million.

Our accounting policy is to capitalise the cost of staff working directly on onsite development projects. In 2019, £1.8 million of staff costs were capitalised on this basis, compared with £1.3 million in 2018.

Administration expenses in relation to discontinued operations are included in the above and totalled £1.4 million in 2019 (2018: £1.3 million).

## Cost ratio

The EPRA cost ratio for the year ended 31 December 2019 was 25.7%, 380 basis points higher than 2018. The net administration expenses element of the ratio has increased from 11.5% in 2018 to 13.8% in the current year, consistent with the changes in expenses explained above. The property costs element of the ratio has increased by 150 basis points to 11.9%, primarily reflecting the impact of the sale of retail parks which have a lower cost base than flagship destinations, coupled with higher costs associated with vacancy.

## Loss on sale of properties

During 2019, the Group raised proceeds of £542 million from disposals, or £525 million after deducting selling costs. The majority of the proceeds related to the sale of 75% of Italie Deux, Paris for £363 million (€432 million). Other sales included retail parks in Gloucester, Luton, Paisley and Swansea. These disposals resulted in a combined loss of £92 million against December 2018 valuations.

## Share of results of joint ventures and associates, including investments in premium outlets

The Group has interests in 16 joint ventures (2018: 16) and the share of the results of joint ventures under IFRS for the year ended 31 December 2019 was a loss of £423.0 million (2018: £103.7 million loss). From December 2019, the remaining 25% investment in Italie Deux, Paris is held as an associate, together with Value Retail (VR) and Nicetoile. The share of results from associates under IFRS for 2019 was a profit of £209.4 million (2018: £57.7 million profit). Further details are provided in note 12 to the financial statements.

As explained at the beginning of the Financial review on page 22, for management reporting purposes we review the Group's property portfolio on a proportionally consolidated basis, to reflect the Group's different ownership shares. We do not proportionally consolidate the Group's premium outlet investments in VR and VIA Outlets (VIA). These are externally managed by experienced outlet operators, independently financed and have operating metrics which differ from the Group's other properties. Due to the differing nature of the Group's control, VIA is accounted for as a joint venture and VR is accounted for as an associate.

The table below shows the contribution to the Group's adjusted profit from joint ventures and associates, split between the proportionally consolidated properties and the investments in premium outlets



## Contribution to adjusted profit

|  | Joint ventures*<br>(incl. VIA)<br>£m | Associates<br>(incl. VR)<br>£m | Year ended<br>31 December 2019<br>Total<br>£m | Joint ventures*<br>(incl. VIA)<br>£m | Associates<br>(incl. VR)<br>£m | Year ended<br>31 December<br>2018<br>Total<br>£m |
|--|--------------------------------------|--------------------------------|---|--------------------------------------|--------------------------------|--|
| Share of results – IFRS                  | (423.0)                              | 209.4                          | <b>(213.6)</b>                                | (103.7)                              | 57.7                           | (46.0)   |
| Revaluation losses/(gains) on properties | 562.4                                | (167.9)                        | <b>394.5</b>                                  | 255.9                                | (44.5)                         | 211.4  |
| Other adjustments (notes 11B/12B)        | 12.0                                 | (8.7)                          | <b>3.3</b>                                    | 3.1                                  | 14.2                           | 17.3   |
| Total adjustments                        | 574.4                                | (176.6)                        | <b>397.8</b>                                  | 259.0                                | (30.3)                         | 228.7  |
| <b>Adjusted earnings contribution</b>    | 151.4                                | 32.8                           | <b>184.2</b>                                  | 155.3                                | 27.4                           | 182.7  |
| Analysed as:                             |                                      |                                |   |                                      |                                |  |
| Share of Property interests              | 136.8                                | 1.6                            | <b>138.4</b>                                  | 140.2                                | 1.4                            | 141.6  |
| Premium outlets                          | 14.6                                 | 31.2                           | <b>45.8</b>                                   | 15.1                                 | 26.0                           | 41.1   |

\* Joint ventures exclude the investment in Brent South Retail Park which was reclassified to assets held for sale at 31 December 2019 as detailed in note 7 to the financial statements.

Adjusted earnings from the Share of Property interests reduced by £3.2 million. Whilst the sale of 50% of Highcross into a joint venture in November 2018 increased adjusted earnings by £7.5 million, this was more than offset by reductions in NRI across existing joint ventures in the UK and Ireland.

Adjusted earnings from premium outlets of £45.8 million were £4.7 million higher than the prior year, or £4.8 million at constant exchange rates. Adjusted earnings from VR were £5.2 million higher than 2018, reflecting an increase in operating profit of £7.3 million, driven by the leasing of the Bicester Village extension and strong operational performance at La Vallée Village, Paris. This was partially offset by higher finance costs associated with refinancing in 2018 of La Roca Village, Las Rozas Village and Fidenza Village. The Group's share of VIA earnings reduced by £0.5 million. Strong trading at Freeport Lisboa Fashion Outlet and the effect of the acquisition of an additional 3.125% stake in the second half of 2019 were offset by higher costs, reflecting the internalisation of the senior management team and refinancings in 2018.

Further details of the Group's joint ventures and associates are shown in notes 11 and 12 to the financial statements respectively. The operating performance of premium outlets is described in the Operating review on pages 11 to 13 and the combined profit contribution is in Table 12 of the Additional disclosures on page 77.

## Finance costs

Net finance costs, calculated on a proportionally consolidated basis, totalled £86.2 million in 2019, compared with £132.9 million in 2018. £74.6 million related to the Reported Group, £11.4 million was in respect of the Share of Property interests and £0.2 million related to discontinued operations as shown in note 2 to the financial statements.

Adjusted finance costs, which excludes the change in fair value of derivatives, debt cancellation costs and other non-recurring items, totalled £89.8 million in 2019, a reduction of £11.9 million, or £11.4 million at constant exchange rates. The decrease is principally due to the redemption of the €500 million 2019 2.75% bonds in August 2018.

Interest capitalised on our two Paris development schemes at Italie Deux and Les 3 Fontaines, Cergy totalled £2.8 million in 2019, compared with £1.9 million in 2018.

The supporting calculation for adjusted finance costs is shown in Table 15 of the Additional disclosures on page 79.

## Tax

The Group has tax exempt status in the UK, France and Ireland, and is exempt from corporation tax on rental income and gains arising on property sales. The current tax charge, on a proportionally consolidated basis, was £2.2 million, £0.3 million higher than the previous year. The tax charge for the Reported Group increased by £0.1m to £1.9 million in 2019.

We publish guidance explaining the Group's tax strategy and have updated this for 2020. Hammerson's Approach to Tax for the year ending 31 December 2020 is available on the Group's website [www.hammerson.com](http://www.hammerson.com).

## Dividends and share buyback

The Directors have proposed a final dividend of 14.8 pence per share. Together with the interim dividend of 11.1 pence, the total for 2019 is 25.9 pence, consistent with 2018.

The final dividend is payable on 30 April 2020 to shareholders on the register at the close of business on 20 March 2020 and will be paid as a PID, net of withholding tax where appropriate.

For 2020, the Board has decided to take a prudent and disciplined approach to dividends, over and above that implied by the disposals programme, and therefore removing the link between earnings and dividend, whilst still enabling the Company to meet REIT and SIIC tax obligations. Therefore, the Board expects to recommend a 2020 full year dividend of 14.0 pence, a 46% cut from 2019. Dividends will be reset from this sustainable level from 2021 onwards dependent on future disposals, rental income, balance sheet strength and the broader market.

In July 2018, the Company announced the commencement of a £300 million share buyback programme, returning proceeds realised from disposals to shareholders over a 12 month period. At 31 December 2018, the Company had purchased 28 million shares at a total cost of £129 million. The accretive effect of the buyback on EPS is shown in reconciliation of adjusted profit on page 23. At the time of the 2018 annual results, the Board announced the suspension of the share buyback programme and formally the programme came to an end in July 2019.

## Net assets

During 2019, equity shareholders' funds decreased by £1,056 million, or 19.4%, to £4,377 million. Net assets, calculated on an EPRA basis, were £4,599 million and on a per share basis reduced by 137 pence to £6.01. The movement during the year is shown in the table below.

### Movement in net assets

| Proportionally consolidated, including discontinued operations | Equity shareholders' funds<br>£m | Adjustments <sup>1</sup><br>£m | EPRA<br>net assets<br>£m | EPRA<br>NAV pence<br>per share |
|--|----------------------------------|--------------------------------|--------------------------|--------------------------------|
| 31 December 2018   | 5,433                            | 217                            | 5,650                    | 738                            |
| Property revaluation   |                                  |                                |                          |                                |
| Proportionally consolidated property portfolio                 | (1,028)                          | –                              | (1,028)                  | (134)                          |
| Premium outlet properties                                      | 200                              | –                              | 200                      | 26                             |
|  | (828)                            | –                              | (828)                    | (108)                          |
| Impairment on reclassification to assets held for sale         | (92)                             | –                              | (92)                     | (12)                           |
| Adjusted profit for the year                                   | 214                              | –                              | 214                      | 28                             |
| Loss on sale of properties                                     | (92)                             | –                              | (92)                     | (12)                           |
| Change in deferred tax   | (6)                              | 6                              | –                        | –                              |
| Dividends  | (198)                            | –                              | (198)                    | (26)                           |
| Foreign exchange and other movements                           | (54)                             | (1)                            | (55)                     | (7)                            |
| <b>31 December 2019</b>  | <b>4,377</b>                     | <b>222</b>                     | <b>4,599</b>             | <b>601</b>                     |

\* Adjustments in accordance with EPRA best practice shown in note 9D to the financial statements on page 53.

The reduction in EPRA net assets was primarily the result of net property revaluation losses, totalling £828 million, mainly in the UK and French flagships and UK retail parks portfolios as explained in the Property portfolio review on page 18.

## Assets held for sale and discontinued operations

At 31 December 2019, the Group's retail parks portfolio met the criteria under IFRS 5 for reclassification to 'assets held for sale' as these were being actively marketed at a reasonable price, and management concluded it was probable that the transaction would complete within 12 months of the balance sheet date. Consequently, the retail parks properties, together with associated assets and liabilities, were reclassified to assets and liabilities held for sale in the Reported Group, and consequently suffered a £92 million impairment.

As this formed substantially the remainder of the UK retail parks segment, these also met the criteria for reclassification to discontinued operations. The results of the UK retail parks for both the current and prior year were therefore removed from the Reported Group line by line reporting and recognised as a single 'loss from discontinued operations' line in the Income statement, with further detail provided in note 7 to the financial statements. For the purposes of the Financial Review, proportionally consolidated figures include the UK retail parks on a line by line basis, consistent with management reporting.

## Investment and development properties

The valuation of investment and development properties in the Reported Group at 31 December 2019 was £2,099 million, £1,732 million lower than the prior year. £523 million of the movement relates to the reclassification of the UK retail parks portfolio to assets held for sale as explained above and detailed in note 7 to the financial statements. The movement in investment and development properties is shown in note 10 to the financial statements.

The Group's property portfolio valuation calculated on a proportionally consolidated basis plus the Group's premium outlets is provided in note 3B to the financial statements on page 46.

## Investment in joint ventures and associates, including investments in premium outlets

Details of the Group's joint ventures and associates are shown in notes 11 and 12 to the financial statements. The table below shows the Group's investment in joint ventures and associates on both IFRS and adjusted bases, split between the proportionally consolidated Share of Property interests and investments in premium outlets.

### Adjusted investment in joint ventures and associates

|   | 31 December 2019                     |                                |              | 31 December 2018                    |                                |              |
|---|--------------------------------------|--------------------------------|--------------|-------------------------------------|--------------------------------|--------------|
|   | Joint ventures*<br>(incl. VIA)<br>£m | Associates<br>(incl. VR)<br>£m | Total<br>£m  | Joint ventures<br>(incl. VIA)<br>£m | Associates<br>(incl. VR)<br>£m | Total<br>£m  |
| IFRS investment in joint ventures/associates            | 3,017                                | 1,505                          | 4,522        | 3,604                               | 1,242                          | 4,846        |
| Adjustments (see notes 11C/12D)                         | 70                                   | 150                            | 220          | 61                                  | 157                            | 218          |
| <b>Adjusted investment in joint ventures/associates</b> | <b>3,087</b>                         | <b>1,655</b>                   | <b>4,742</b> | <b>3,665</b>                        | <b>1,399</b>                   | <b>5,064</b> |
| Analysed as:  |                                      |                                |              |                                     |                                |              |
| Share of Property interests                             | 2,642                                | 149                            | 2,791        | 3,279                               | 31                             | 3,310        |
| Premium outlets   | 445                                  | 1,506                          | 1,951        | 386                                 | 1,368                          | 1,754        |

\* Joint ventures exclude the investment in Brent South Retail Park which was reclassified to assets held for sale at 31 December 2019 as detailed in note 7 to the financial statements.

The total adjusted investment in the Group's Share of Property interests reduced by £519 million to £2,791 million during 2019. Net revaluation losses totalling £594 million were partially offset by adjusted earnings of £138 million and the transfer of 25% of Italie Deux, Paris, out of the Reported Group into an associate (an increase of £123 million).

During 2019, the Group's total adjusted investment in premium outlets increased by £197 million to £1,951 million. The increase was primarily derived from property revaluation gains totalling £200 million and the acquisition of an additional 3.125% share in VIA outlets during the year for £29 million.

An analysis of the Group's combined investment in premium outlets is shown in Table 13 in the Additional disclosures on page 77.

## Financing

Our financing strategy is to borrow predominantly on an unsecured basis under the Group's standard financial covenants to maintain flexibility at a low operational cost. Secured borrowings are occasionally used, mainly in conjunction with joint venture partners. Borrowings are arranged to maintain short term liquidity and to ensure an appropriate maturity profile. Acquisitions may initially be financed using short term funds before being refinanced with longer term funding when market conditions are appropriate. Short term funding is raised principally through syndicated revolving credit facilities from a range of banks and financial institutions with which we maintain strong working relationships. Long term debt mainly comprises the Group's fixed rate unsecured bonds, private placements and secured borrowings raised within certain joint ventures.

Derivative financial instruments are used to manage exposure to fluctuations in foreign currency exchange rates and interest rates, but are not employed for speculative purposes.

The Board regularly reviews the Group's financing strategy and approves financing guidelines against which it monitors the Group's financial structure. These guidelines, together with the relevant metrics, are summarised in the table below, which illustrates the Group's robust financial position.

### Key financing metrics

| Proportionally consolidated, excluding premium outlets, including discontinued operations | Guideline <sup>1</sup> | 31 December 2019 | 31 December 2018 |
|---|------------------------|------------------|------------------|
| Net debt (£m)   |                        | <b>2,843</b>     | 3,406            |
| Gearing (%) <sup>2</sup>  | Maximum 85%            | <b>65</b>        | 63               |
| Loan to value - headline (%) <sup>2</sup>   | No more than 40%       | <b>38</b>        | 38               |
| Loan to value (%) <sup>2</sup> - fully proportionally consolidated                        | No more than 45%       | <b>45</b>        | 43               |
| Unencumbered asset ratio (times) <sup>3</sup>   | At least 1.75 times    | <b>1.9</b>       | 2.1              |
| Secured borrowings/equity shareholders' funds(%)  |                        | <b>15</b>        | 13               |
| Liquidity (£m)  |                        | <b>1,210</b>     | 729              |
| Weighted average interest rate (%)  |                        | <b>2.6</b>       | 2.7              |
| Weighted average maturity of debt (years)   |                        | <b>4.7</b>       | 5.4              |
| Interest cover (times)  | At least 2.0           | <b>3.3</b>       | 3.4              |
| Net debt/EBITDA (times) <sup>4</sup>  | Less than 10.0         | <b>8.9</b>       | 9.5              |
| FX hedging (%)  | 70-90%                 | <b>73</b>        | 79               |
| Debt fixed (%)  | At least 50%           | <b>86</b>        | 74               |

1. Guidelines should not be exceeded for an extended period.

2. See Table 18 on page 80 for supporting calculation.

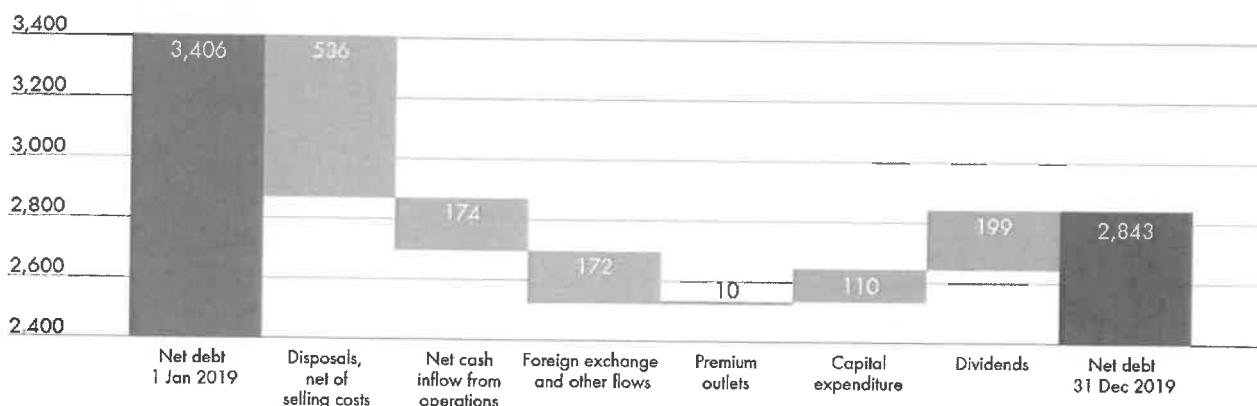
3. See Table 20 on page 80 for supporting calculation.

4. See Table 19 on page 80 for supporting calculation.

## Net debt

### Movement in proportionally consolidated net debt (£m)

Proportionally consolidated, excluding premium outlets, including discontinued operations



On a proportionally consolidated basis, net debt reduced by £563 million to £2,843 million at 31 December 2019. This comprised loans of £2,897 million and the fair value of currency swaps of £43 million, less cash and deposits of £97 million.

The Group's weighted average interest rate was 2.6% for 2019, 10 basis points lower than the 2.7% average rate in 2018.

In the first half of the year, we exercised the final extension option within our existing revolving credit facilities and extended the maturities for commitments totalling £320 million by one year from April 2023 to April 2024.

Separately, the Group's total amount of revolving credit facilities was increased from £1,195 million to £1,245 million, with the new £50 million commitment maturing in April 2024. The increase arose when a new lender joined the facility with a final maturity date in April 2024, increasing total commitments under this facility from £360 million to £410 million.

The Group's liquidity at 31 December 2019, comprising cash and undrawn committed facilities, was £1,210 million, £481 million higher than at the beginning of the year. The Group's weighted average maturity of debt reduced to 4.7 years (2018: 5.4 years).

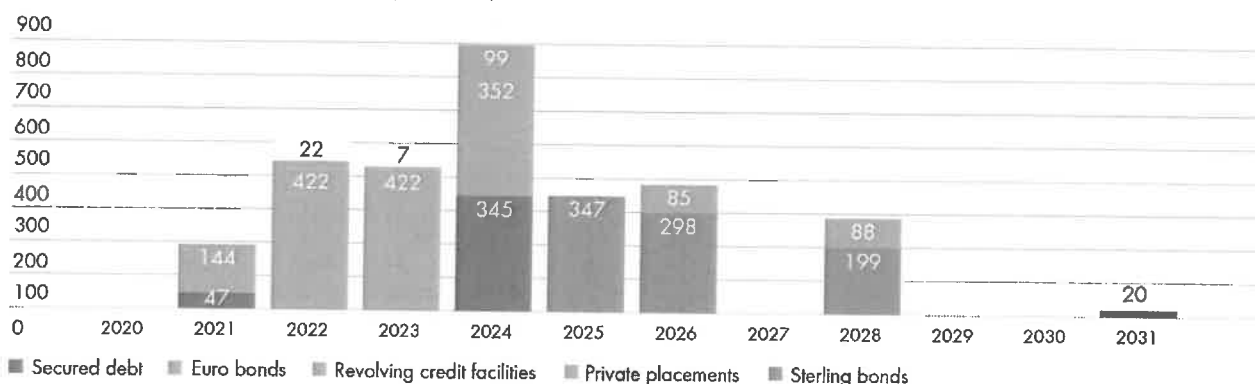
## Leverage

At 31 December 2019, the Group's loan to value ratio was 38% (2018: 38%) and gearing was 65% (2018: 63%). Supporting calculations are in Table 18 in Additional disclosures on page 80. On a pro forma basis, including the retail park disposals announced in February 2020, the Group's loan to value would be 35% and gearing would be 55%.

At 31 December 2019, the Group's share of net debt in VR and VIA totalled £896 million (2018: £900 million). Proportionally consolidating this net debt with the Group's share of net debt and including property values held by VR and VIA, the Group's gearing would be 85% (2018: 79%) and loan to value would be 45% (2018: 43%). On a pro forma basis, including retail park disposals, the Group's gearing, consolidating VR and VIA would be 76% and loan to value would be 42%.

## Debt maturity profile at 31 December 2019 (£m)

Proportionally consolidated, excluding premium outlets, including discontinued operations



## Unsecured borrowings and covenants

The terms of the Group's unsecured borrowings contain a number of covenants which provide protection to the lenders. The financial covenants within the Group's borrowing are:

### Bonds: Gearing and secured borrowings

- Gearing should not exceed 150% for two of the bonds and 175% for the remaining bonds. All the bonds include a limitation that secured borrowings should not exceed 50% of equity shareholders' funds

### Bank facilities: Gearing, secured borrowings and interest cover

- Gearing should not exceed 150%, secured borrowings should not exceed 50% of equity shareholders' funds and interest cover should be not less than 1.25 times

### Private placement senior notes: Gearing, secured borrowings, unencumbered assets and interest cover

- Gearing should not exceed 150%, secured borrowings should not exceed 50% of equity shareholders' funds, unencumbered assets should not be less than 150% of net unsecured borrowings and interest cover should be not less than 1.25 times

The Group's financial ratios are comfortably within these covenants. The valuation of the Group's property portfolio at 31 December 2019, on a pro forma basis for the disposal announced on 21 February 2020 of seven retail parks and Abbey Retail Park, would have to fall by 28%, or 45% for the UK portfolio only, to breach the unencumbered asset covenant in the private placement senior notes. Valuations would have to fall by 32% (UK only 65%) to breach the Group's tightest gearing covenant. Net rental income would need to fall by 64% in order to breach the interest cover covenant in the Group's bank facilities and private placement notes. Further disposals will act to increase this headroom.

In addition, some joint ventures and associates have secured debt facilities which include specific covenants to those properties, including covenants for loan to value and interest cover. This secured debt is non-recourse to the Group.

## **Credit ratings**

Fitch and Moody's rate Hammerson's unsecured credit as BBB+ and Baa1 respectively. On 28 June 2019, Fitch changed its rating from a long term issuer default rating of BBB+ (stable outlook) and senior unsecured rating of A- to a long term issuer default rating of BBB (stable outlook) and senior unsecured rating of BBB+. This was predominantly due to Fitch's change in methodology for calculating the debt:EBITDA ratio which, on Fitch's basis, included deductions from EBITDA in relation to joint venture and associate cash reinvested in capital expenditure and acquisitions. On 16 August 2019, Moody's changed Hammerson's outlook to negative, noting in their press release the challenging retail environment and investment markets, as well as the risk of a disorderly Brexit.

## **Managing foreign exchange exposure**

The Group's exposure to foreign exchange translation differences on euro-denominated assets is managed through a combination of euro borrowings and derivatives. At 31 December 2019, the value of euro-denominated liabilities as a proportion of the value of euro-denominated assets was 73%, compared with 79% at the beginning of the year. Interest on euro debt also acts as a partial hedge against exchange differences arising on net income from our overseas operations. Sterling strengthened against the euro during the year by 6%, which resulted in modest losses to net asset value and earnings in 2019.

## Risks and uncertainties

Multiple risks exist in our business and are often interrelated, so effective risk management is key to support the delivery of our strategy. Our risk management policies and procedures are designed to protect the Group's revenues, assets and reputation and underpin our business model. The Board is responsible for determining the Group's risk appetite which reflects its combined attitude to market, financial, operational and reputational risks. Whilst the responsibility for risk management ultimately rests with the Board, effective risk management can only occur if it is integrated throughout the business and embedded within the Group's culture and values.

To support the risk management process, the Group has designed a Risk Management Framework ('RMF') which documents the significant risks impacting the Group and includes mitigating factors/actions and management responsibility. The RMF enables the Board to assess the level of residual risk relative to its risk appetite. Where residual risk levels are deemed too high, additional mitigating actions are agreed to reduce the future risk level back in line with the Group's risk appetite.

The general risk environment in which the Group operates has heightened during 2019. This was largely due to uncertainty associated with the future impact of the UK's exit from the EU, the further deterioration in the UK retail market and weaker investment markets. Achieving the Group's strategic objectives will reduce the overall level of residual risk, in particular, disposals will reduce debt and strengthen the Group's balance sheet.

### Brexit

In January 2020, the UK formally left the EU and has now entered a transition period until the end of 2020 and must negotiate its future trading relationship with the EU. Whilst these developments have provided some clarity, there remains significant uncertainty over the future impact of Brexit on a number of the Group's principal risks. From a risk perspective, the main impact of Brexit is on Macroeconomic, Retail market, Property investment and Tax and regulatory risks. The absolute impact will be dependent on the terms of the UK's relationship with the EU. Any significant change, such as the inability to reach a trade agreement, resulting in the application of WTO rules, is likely to have an adverse impact on the Group.

The Board, having undertaken a Brexit review, believes the Group's strategy and geographical and sector diversification will provide resilience until the outcome and wider impact of Brexit is determined.

### Coronavirus

The emerging threat from coronavirus is incorporated within our Catastrophic event principal risk. At the time of writing this report, whilst the threat from the disease is increasing, cases outside of China remain low, although supply chains, travel and tourism are being affected. From a Group perspective, the latter risk is likely to impact our premium outlets, particularly Value Retail. However, exposure is limited, as at Value Retail only 9% of sales come from Chinese guests shopping tax free.

### Climate risk

The awareness of climate-related risks have been elevated during 2019, although we have been focused on this subject for over 10 years. The portfolio-wide physical climate risk review carried out in 2018 was updated in 2019 and shows we have very limited short term exposure. Medium term risk to 2030 is being mitigated through asset plans and longer-term risks are being reflected in future project design. For transition risk, our sustainability strategy (see page 17) is the key mitigating factor, whilst longer term risks will be addressed through our climate scenario analysis.

### Risk overview

A summary of the Group's principal risks, key mitigating factors/actions and an explanation of changes in residual risk assessment during the year is summarised in the table below. A more comprehensive explanation of the Group's approach to risk management is included in the 2019 Annual Report.

| Risk and impact  | Key mitigating factors/actions   | Change during 2019 and outlook  |
|--|--|---|
| <b>1. Macroeconomic (Residual risk assessment: Medium/High)</b>  |  | <b>Impact ↔ Probability ↓</b>   |
| <p>Our financial performance is directly impacted by the macroeconomic performance in the countries in which we operate. Key factors affecting our tenants and shoppers are GDP and disposable income growth, employment levels, inflation, business and consumer confidence, interest rates and foreign exchange movements.</p> <p>The precise terms of the UK's future relationship with the EU are yet to be agreed. This creates macroeconomic and property market uncertainty, adversely impacting the Group's performance.</p> | <ul style="list-style-type: none"> <li>– Diversified portfolio (sectors, geography and tenants)</li> <li>– Flagship destinations in the heart of thriving cities</li> <li>– Premium outlets in affluent catchments with strong tourist appeal</li> <li>– Monitoring of macroeconomic research</li> <li>– Economic review at annual Board Strategy Day</li> <li>– Business Plan projections stress-tested</li> <li>– Resilient business model and financial position</li> <li>– Brexit assessment undertaken and ongoing monitoring of relationship negotiations</li> </ul> | <p>The continued uncertainty over Brexit has hindered the UK's economic performance during 2019. Nonetheless, GDP has grown by 1.4% (Source: ONS) in the year and the recent decisive general election result and approval of the EU Withdrawal Bill have removed some elements of uncertainty.</p> <p>Across the EU, macroeconomic indicators are broadly stable, and in France and Ireland economic prospects remain favourable. However, the recent Irish election result has increased uncertainty whilst a new government is formed.</p> <p>The Group's diversification enhances our resilience. We remain committed to pursuing disposals across our portfolio to strengthen the Group's balance sheet and reduce debt.</p> |

| Risk and impact   | Key mitigating factors/actions   | Change during 2019 and outlook  |
|---|--|---|
| <b>2. Retail market (Residual risk assessment: Very high)</b>   |  | <b>Impact ↔ Probability ↔</b>   |
| <p>We own and operate property in a dynamic retail marketplace. Failure to anticipate and address developments and trends in consumer and occupational markets, such as omnichannel retailing and digital technology, will impair future performance.</p> <p>Retailer profitability, particularly in the UK, is challenged due to increased costs, such as business rates and employment costs, and the erosion of margins from channel shift. This adversely affects landlords through tenant restructuring, demands for rent concessions and weaker lease negotiations.</p> <p>Changing consumer shopping habits, including channel shift, are adversely affecting certain retail categories, such as high street fashion. This has resulted in tenant restructuring and shrinking store portfolios, causing an oversupply of physical retail space. This hinders our leasing negotiations and there has been an increase in flexible leases.</p> | <ul style="list-style-type: none"> <li>- High quality portfolio of flagship destinations in thriving city centres</li> <li>- Premium outlets in affluent catchments with strong tourist appeal</li> <li>- Significant diversity of retail categories and tenants</li> <li>- Exit from UK retail parks sector</li> <li>- Bespoke leasing strategies to repurpose space away from challenged retail categories</li> <li>- Deep retailer insight and relationships</li> <li>- Clear focus on experience with tailored F&amp;B, leisure and events offers</li> <li>- Dynamic, diverse and multi-skilled internal team</li> <li>- Digital innovation strategy to provide detailed consumer insight and enable communication with our shoppers</li> <li>- Ambitious Net Positive strategy</li> </ul> | <p>2019 has been another turbulent year, with further tenant failures in the UK flagships portfolio reducing income by £4.1 million. We remain cautious about the trading environment in 2020, and are repurposing space away from challenged retail categories. Trading conditions in France and Ireland have been stronger, with significantly fewer tenant failures.</p> <p>Occupancy has been broadly stable in 2019, although leasing volumes and terms have weakened in the UK. The retail market continues to polarise, with tenants seeking space in vibrant locations which are able to support their omnichannel strategies. We remain confident that our portfolio of high footfall, city centre flagship destinations will be beneficiaries of this evolution. However, this transition will take time and there is downward pressure on rents in the near-term.</p> <p>Our premium outlets have again delivered strong sales and rental growth. We forecast continued demand for off-price luxury brands which will support growth from both our premium outlet investments.</p> |
| <b>3. Property investment (Residual risk assessment: Very high)</b>   |  | <b>Impact ↑ Probability ↑</b>   |
| <p>Property valuations fall, impacting the Group's financial position and delivery of future strategic plans.</p> <p>Opportunities to divest properties are missed, or are limited by market conditions, which reduce financial returns and adversely affect the Group's credit metrics and funding strategy.</p> <p>Poor investment decisions involving acquisitions and disposals result in suboptimal returns.</p>   | <ul style="list-style-type: none"> <li>- Board approval for all significant investment decisions</li> <li>- Thorough due diligence, research and risk assessment to support investment decisions</li> <li>- Twice yearly external valuations</li> <li>- Diversified portfolio limits impact of downturn or liquidity squeeze in a single market</li> <li>- Dedicated and skilful investment team to undertake complex disposals</li> <li>- Exit from UK retail parks sector</li> <li>- Pursuing disposals from across portfolio</li> <li>- Properties held 'ready for sale'</li> <li>- Proactive treasury planning to maintain liquidity (see Treasury risk)</li> <li>- Stress tests included in annual Business Plan to assess balance sheet strength</li> </ul>                              | <p>We have sold £975 million of property since the beginning of 2019 and will continue to target further disposals in 2020 to reduce debt and strengthen the balance sheet.</p> <p>The Group's properties have fallen in value by an average of 10% in 2019, which includes a reduction in UK values of 20%. We expect further weakness in UK values during 2020 whilst Brexit negotiations are ongoing and the retail market continues to polarise.</p> <p>Outside the UK, values of the Group's properties are forecast to be underpinned by the continuing low interest rate environment and stronger economic backdrop. Overall, we expect future investor demand to focus on high quality assets which are well positioned for the dynamic retail marketplace.</p>   |

| Risk and impact  | Key mitigating factors/actions  | Change during 2019 and outlook  |
|--|---|---|
| <b>4. Property development (Residual risk assessment: Medium)</b>  |   | <b>Impact ↑ Probability ↑</b>   |
| <p>Property development is complex and inherently risky. Major projects have long delivery times with multiple milestones, including planning and leasing. Unsuccessful projects result in adverse financial and reputational outcomes.</p> <p>Over-exposure to developments increases the potential financial impact of adverse valuation, cost inflation or other market factors which could overstretch the Group's financial capacity.</p> <p>Projects require appropriate resource and can be management intensive.</p>   | <ul style="list-style-type: none"> <li>– Proven track record of developing successful iconic destinations</li> <li>– Low level of capital commitments of £104 million at 2019 year end</li> <li>– Development plans and exposure included in annual Business Plan</li> <li>– Board approves all major commitments and formally reviews twice-yearly</li> <li>– Clear project ownership and resourcing plans</li> <li>– Projects typically use fixed price contracts and have appropriate contingencies</li> <li>– City Quarters concept requires initial low levels of capital expenditure to deliver planning approvals</li> </ul>   | <p>The Group's development exposure is low. At 31 December 2019, the development portfolio represented only 7% (2018: 7%) of our total portfolio. During 2019, we had two onsite extension schemes at Les 3 Fontaines and Italie Deux. The former was revised to ensure it better meets the future demands of brands and customers.</p> <p>We have progressed our City Quarters concept to bring forward development opportunities on land we own adjacent to our existing flagship destinations. Over the last 12 months, we received three planning approvals and are awaiting a decision on The Goodsyard submission.</p>  |
| <b>5. Treasury (Residual risk assessment: Medium/High)</b>   |   | <b>Impact ↑ Probability ↑</b>   |
| <p>Poor treasury planning or external factors, including failures in the banking market, leads to the Group having insufficient liquidity.</p> <p>The Group's financial position is unable to support the delivery of our strategy.</p> <p>Deterioration in our financial position due to property valuation declines could result in a breach of borrowing covenants.</p> <p>Significant fluctuations in sterling or euro exchange rates, or a significant increase in interest rates, could result in financial losses.</p>  | <ul style="list-style-type: none"> <li>– Proactive treasury planning to ensure adequate liquidity levels are maintained</li> <li>– Board approves and monitors key financing guidelines and metrics</li> <li>– Annual Business Plan includes a financing plan and associated stress tests</li> <li>– Capital provided by a diverse range of counterparties (banks, investors and JV partners)</li> <li>– No debt maturities due until mid-2021</li> <li>– Significant headroom on Group debt covenants. Further details of covenants are given on page 27 of the Financial review</li> <li>– Interest rate and currency hedging programme used to mitigate market volatility with hedging of 73% at 31 December 2019</li> </ul>                         | <p>Our balance sheet and key financing metrics remained robust. Taking account of the 2020 disposals, on a pro forma basis, we have liquidity of £1.6 billion, loan to value of 35% and gearing of 55%. Our average debt maturity is 4.7 years (2018: 5.4 years) and the next debt maturity is not until mid-2021.</p> <p>Nonetheless, given the current and forecast challenges in the retail and investment property markets, debt reduction through disposals and tight control over expenditure remains a key priority for the Group in 2020.</p>   |
| <b>6. Partnerships (Residual risk assessment: Medium)</b>  |   | <b>Impact ↑ Probability ↑</b>   |
| <p>A significant proportion of the Group's properties are held in conjunction with third parties. These structures can limit the Group's control and reduce liquidity.</p> <p>Operational effectiveness may also be adversely impacted if partners are not strategically aligned.</p> <p>Our premium outlet investments are externally managed and this reduces control and transparency over performance and governance. They also contain pre-emption rights in favour of the Group and other owners in the event of transactions in the interests of the two investments.</p> | <ul style="list-style-type: none"> <li>– Proven track record of working with diverse range of partners</li> <li>– Contracts provide liquidity for partners whilst protecting Group interests</li> <li>– Annual joint venture business plans ensure operational and strategic alignment</li> <li>– The Group has governance rights and Board representation for both its premium outlet investments</li> <li>– Whilst externally managed, VIA Outlets restructured during 2019 to a 50:50 joint venture with APG</li> <li>– Value Retail and VIA Outlets are both subject to local external audit. The properties are valued by Cushman &amp; Wakefield LLP and are subject to review by the Audit Committee and the Group's external auditor</li> </ul> | <p>Our partners provide capital to support our strategy. At 31 December 2019, 72% (2018: 63%) of the Group's portfolio, including premium outlets, was held with third parties. The partnership exposure has increased due to a combination of valuation changes across the Group, the disposal of 75% of Italie Deux and the sale of wholly-owned retail parks. Post year-end, it has increased further following the sale of eight retail parks in February 2020.</p> <p>Our intention to achieve further cross-portfolio disposals in 2020 may encompass partnership interests, including, as previously stated, interests in premium outlets. There is a risk that the structure of individual partnerships, and existing pre-exemption rights, may make the disposal process more complex and lengthy.</p> |



| Risk and impact  | Key mitigating factors/actions   | Change during 2019 and outlook  |
|--|--|---|
| <b>7. Tax and regulatory (Residual risk assessment: Medium/High)</b>   |  | <b>Impact ↔ Probability ↔</b>   |
| <p>There is an increasing burden from compliance and regulatory requirements which can impede operational and financial performance.</p> <p>The real estate and physical retail sector has suffered rising costs through recent increases in business rates, living wage, stamp duty etc. These adversely affect the profitability of our tenants and our financial performance.</p> <p>The UK's future relationship with the EU creates uncertainty over the future tax and regulatory environment.</p> | <ul style="list-style-type: none"> <li>- Maintenance of our low-risk tax status</li> <li>- Regular meetings with key officials, including from HMRC and government</li> <li>- Regular tax compliance reviews and audits</li> <li>- Advance planning for future regulatory and tax changes</li> <li>- Participation in policy consultations and in industry-led dialogue with policy makers through bodies such as REVO, BPF and EPRA</li> <li>- GDPR review undertaken in 2019 to assess latest best practice</li> <li>- Brexit assessment undertaken and monitoring of future relationship terms ongoing</li> </ul>   | <p>We believe the Group is structured appropriately to mitigate the impact of future tax changes, and we continue to review all new legislation. However, the continued uncertainty over future regulatory and tax matters associated with Brexit heightens the Group's residual risk.</p> <p>Real estate continues to be seen as a source of additional tax revenues. In 2019, the value of the Group's Irish portfolio suffered a £15 million valuation reduction following an increase in stamp duty from 6% to 7.5% in the 2020 Budget. In 2020, there have been calls for further increases in Irish stamp duty, particularly from Sinn Fein.</p> <p>We support calls for a review of business rates and wider real estate taxation to ensure that taxation is fair.</p> |
| <b>8. Catastrophic event (Residual risk assessment: Medium/High)</b>   |  | <b>Impact ↔ Probability ↔</b>   |
| <p>Our operations, shopper safety, reputation or financial performance could be significantly affected by a major event such as a terrorist attack, flood, power shortage, civil unrest or pandemic disease.</p> <p>The wider use of digital technology across the Group increases the risks associated with cyber security. Risks in this area are continually evolving and internal teams must design, implement and monitor best practice controls to protect the Group from a cyber attack.</p>      | <ul style="list-style-type: none"> <li>- Continuity plans at both corporate and individual property levels</li> <li>- Core crisis group for dealing with major incidents and mock role play incidents to test internal processes and plans</li> <li>- Dialogue with security agencies to assess threat levels and best practice</li> <li>- Flood defences in place and regularly reviewed (see Climate risk)</li> <li>- Insurance cover for terrorism and property damage</li> <li>- Third-party support and regular testing for IT security</li> <li>- Internal audits undertaken in 2019 for business continuity and cyber security</li> <li>- 2020 coronavirus contingency planning underway with enhanced operational regime already implemented and communicated</li> </ul> | <p>Whilst there were fewer incidents in 2019, the threat of terrorism at public venues remains high. Whilst the UK threat level has been reduced to substantial, the recent outbreak of coronavirus in China means that the residual risk assessment is unchanged.</p> <p>We regularly review our processes and procedures to counter the threat of a major incident. Examples include Core Crisis Group and onsite operational mock incident drills. We have also recently implemented plans to counter the coronavirus threat from both an operational and corporate perspective, including enhanced business continuity plans.</p>   |
| <b>9. People (Residual risk assessment: Low/Medium)</b>  |  | <b>Impact   Probability  </b>   |
| <p>The Group has a relatively small headcount which could hinder the achievement of strategic objectives, particularly in times of significant activity.</p> <p>A failure to recruit and retain key management and other employees with appropriate skills could adversely affect performance.</p> <p>Market uncertainty adversely impacts staff morale, retention and external recruitment.</p>   | <ul style="list-style-type: none"> <li>- Annual Business Plan includes human resources plan covering team structures, training and talent management initiatives</li> <li>- Succession planning undertaken across the senior management team and direct reports</li> <li>- Annual employee appraisal process</li> <li>- Annual 'Great Places to Work' survey to record engagement and capture staff feedback</li> <li>- Internal diversity and inclusion programme increases awareness and fosters engagement</li> <li>- Group Employee Forum established to enable formal Board engagement</li> </ul>   | <p>People are a key factor in the Group's performance. We continue to encourage and support their training and development. During the year, voluntary employee turnover across the Group has reduced to 10.1% (2018: 13.4%).</p> <p>Additional staff engagement has been undertaken during the year, including senior management strategy sessions across the whole portfolio and an employee conference in Birmingham. Feedback has been positive and is further evidenced by an improved engagement score across the Group in the recent 'Great Places to Work' survey.</p>  |

| Risk and impact  | Key mitigating factors/actions   | Change during 2019 and outlook  |
|--|--|---|
| <b>10. Climate (Residual risk assessment: Low)</b>   |  | <b>Impact ↑ Probability ↑</b>   |
| <p>The Group's operations could be adversely affected by a climate related incident such as extreme weather, flooding or energy supply issues.</p> <p>The Group's reputation and financial performance could be adversely impacted by the failure to achieve our Net Positive targets or other environmental objectives.</p> <p>Emerging environmental regulations and legislation, including amended legislation following Brexit or local climate-related initiatives, may increase costs or make properties obsolete.</p> | <ul style="list-style-type: none"> <li>– Experienced sustainability team designs and implements our environmental and corporate responsibility strategy in collaboration with the wider business</li> <li>– Management committees monitor key sustainability metrics, including progress towards our Net Positive targets</li> <li>– Detailed climate risk framework maintained</li> <li>– Electricity sourced through green energy contracts</li> <li>– Core crisis group for dealing with major incidents</li> <li>– Annual Board review of sustainability performance and strategy</li> <li>– External assurance of environmental reporting</li> <li>– Increasing engagement with investors on ESG</li> <li>– Assessment by external benchmarks such as GRESB and MSCI</li> </ul> | <p>2019 has seen a significant increase in awareness of climate-related issues with an increased number of national and local policies being implemented to address carbon emissions and air quality issues.</p> <p>Combined with the increasing frequency of extreme weather events, we have identified that both our transition and physical climate risks are rising.</p> <p>We have a long track record of focusing on sustainability matters and have a comprehensive strategy to address climate change risks. Our physical risk review provides asset-level management information.</p> <p>We will address longer-term transitional risks through climate risk scenario work. This will be initiated in 2020 and inform wider business strategy. Climate risks also have implications for our City Quarters concept.</p> <p>However, our Net Positive commitment positions us well to match the rapidly changing expectations of stakeholders and wider society.</p> |

## Statement of Directors' responsibilities

### Directors' responsibilities in respect of the preparation of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- State whether applicable IFRS as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements
- Make judgements and accounting estimates that are reasonable and prudent
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Corporate Governance Report, confirms that to the best of their knowledge:

- The Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company
- The Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face

In the case of each Director in office at the date the Directors' Report is approved:

- So far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware
- They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information

By order of the Board

**David Atkins**  
Chief Executive

**James Lenton**  
Chief Financial Officer

25 February 2020

**Consolidated income statement**  
for the year ended 31 December 2019

|   | Notes | 2019<br>£m      | 2018 <sup>1</sup><br>£m |
|---|-------|-----------------|-------------------------|
| <b>Revenue</b>  | 4     | <b>190.3</b>    | 224.8                   |
| <b>Operating profit before other net losses and share of results of joint ventures and associates</b> | 2     | <b>65.0</b>     | 96.3                    |
| Loss on sale of properties  |       | <b>(69.7)</b>   | (53.5)                  |
| Net exchange gain previously recognised in equity, recycled on disposal of foreign operations         |       | <b>13.8</b>     | 2.0                     |
| Acquisition-related costs   |       | -               | (6.4)                   |
| Revaluation losses on properties  |       | <b>(294.7)</b>  | (41.4)                  |
| Other net losses  | 2     | <b>(350.6)</b>  | (99.3)                  |
| Share of results of joint ventures  | 11A   | <b>(423.0)</b>  | (103.7)                 |
| Share of results of associates  | 12A   | <b>209.4</b>    | 57.7                    |
| <b>Operating loss</b>   | 2     | <b>(499.2)</b>  | (49.0)                  |
| Finance costs   |       | <b>(102.3)</b>  | (109.0)                 |
| Debt and loan facility cancellation costs   |       | -               | (15.3)                  |
| Change in fair value of derivatives   |       | <b>6.2</b>      | (14.5)                  |
| Finance income  |       | <b>21.5</b>     | 14.5                    |
| Net finance costs   | 5     | <b>(74.6)</b>   | (124.3)                 |
| <b>Loss before tax</b>  |       | <b>(573.8)</b>  | (173.3)                 |
| Tax charge  | 6A    | <b>(1.9)</b>    | (1.8)                   |
| <b>Loss from continuing operations</b>  |       | <b>(575.7)</b>  | (175.1)                 |
| Loss from discontinued operations   | 7B    | <b>(205.5)</b>  | (93.4)                  |
| <b>Loss for the year</b>  |       | <b>(781.2)</b>  | (268.5)                 |
| <b>Attributable to:</b>   |       |                 |                         |
| Equity shareholders   |       | <b>(781.2)</b>  | (268.1)                 |
| Non-controlling interests <sup>2</sup>  | 24    | -               | (0.4)                   |
| <b>Loss for the year</b>  |       | <b>(781.2)</b>  | (268.5)                 |
| <b>Basic and diluted loss per share</b>   |       |                 |                         |
| Continuing operations   | 9B    | <b>(75.2)p</b>  | (22.2)p                 |
| Discontinued operations   | 9B    | <b>(26.9)p</b>  | (11.9)p                 |
| <b>Total</b>  | 9B    | <b>(102.1)p</b> | (34.1)p                 |

1. The results reported for the year ended 31 December 2018 have been reclassified to represent discontinued operations in line with the requirements of IFRS 5 'Non-current assets held for sale and discontinued operations'.

2. Non-controlling interests relate to continuing operations.

**Consolidated statement of comprehensive income**  
for the year ended 31 December 2019

|   | 2019<br>£m     | 2018<br>£m     |
|---|----------------|----------------|
| <b>Items recycled through the consolidated income statement on disposal of foreign operations</b> |                |                |
| Exchange gain previously recognised in the translation reserve                                    | (69.1)         | (10.3)         |
| Exchange loss previously recognised in the net investment hedge reserve                           | 55.3           | 8.3            |
| Net exchange gain relating to equity shareholders <sup>1</sup>                                    | (13.8)         | (2.0)          |
| <b>Items that may subsequently be recycled through the consolidated income statement</b>          |                |                |
| Foreign exchange translation differences  | (204.4)        | 41.5           |
| Gain/(Loss) on net investment hedge   | 138.6          | (29.0)         |
| Net gain on cash flow hedge   | 6.8            | 4.1            |
| Share of other comprehensive loss of associates   | (4.0)          | (3.3)          |
|   | (63.0)         | 13.3           |
| <b>Items that may not subsequently be recycled through the consolidated income statement</b>      |                |                |
| Net actuarial (losses)/gains on pension schemes   | (1.5)          | 0.8            |
| Total other comprehensive (loss)/income <sup>2</sup>  | (78.3)         | 12.1           |
| Loss for the year from continuing operations  | (575.7)        | (175.1)        |
| Loss for the year from discontinued operations  | (205.5)        | (93.4)         |
| Loss for the year   | (781.2)        | (268.5)        |
| <b>Total comprehensive loss for the year</b>  | <b>(859.5)</b> | <b>(256.4)</b> |
| <b>Attributable to:</b>   |                |                |
| Equity shareholders   | (859.4)        | (256.0)        |
| Non-controlling interests   | (0.1)          | (0.4)          |
| <b>Total comprehensive loss for the year</b>  | <b>(859.5)</b> | <b>(256.4)</b> |

1. Relates to the sale of a 75% interest in Italie Deux, Paris in 2019 and the sale of Jeu de Paume, Beauvais in 2018.

2. All items within total other comprehensive (loss)/income relate to continuing operations.

## Consolidated balance sheet

As at 31 December 2019

|  | Notes | 2019<br>£m       | 2018<br>£m       |
|--|-------|------------------|------------------|
| <b>Non-current assets</b>                        |       |                  |                  |
| Investment and development properties            | 10    | 2,098.7          | 3,830.4          |
| Interests in leasehold properties                |       | 34.3             | 39.9             |
| Right of use assets                              |       | 10.1             | –                |
| Plant and equipment                              |       | 3.2              | 4.5              |
| Investment in joint ventures                     | 11A   | 3,017.1          | 3,604.5          |
| Investment in associates                         | 12C   | 1,504.5          | 1,241.5          |
| Derivative financial instruments                 | 18A   | 31.6             | 24.5             |
| Receivables                                      |       | 3.4              | 3.6              |
|  |       | <b>6,702.9</b>   | <b>8,748.9</b>   |
| <b>Current assets</b>                            |       |                  |                  |
| Receivables                                      | 13    | 96.3             | 113.8            |
| Derivative financial instruments                 | 18A   | 0.8              | 4.1              |
| Restricted monetary assets                       | 14    | 21.5             | 24.0             |
| Cash and deposits                                | 15    | 28.2             | 31.2             |
|  |       | <b>146.8</b>     | <b>173.1</b>     |
| Assets held for sale                             | 7D    | 465.7            | –                |
|  |       | <b>612.5</b>     | <b>173.1</b>     |
| <b>Total assets</b>                              |       | <b>7,315.4</b>   | <b>8,922.0</b>   |
| <b>Current liabilities</b>                       |       |                  |                  |
| Payables   | 16    | (193.5)          | (233.7)          |
| Tax  |       | (1.5)            | (0.9)            |
| Derivative financial instruments                 | 18A   | (4.1)            | (9.8)            |
|  |       | <b>(199.1)</b>   | <b>(244.4)</b>   |
| Liabilities associated with assets held for sale | 7D    | (19.7)           | –                |
|  |       | <b>(218.8)</b>   | <b>(244.4)</b>   |
| <b>Non-current liabilities</b>                   |       |                  |                  |
| Loans  | 17    | (2,504.9)        | (3,013.9)        |
| Deferred tax                                     |       | (0.4)            | (0.5)            |
| Derivative financial instruments                 | 18A   | (70.7)           | (101.0)          |
| Obligations under head leases                    |       | (36.9)           | (42.3)           |
| Payables   | 19    | (106.5)          | (87.0)           |
|  |       | <b>(2,719.4)</b> | <b>(3,244.7)</b> |
| <b>Total liabilities</b>                         |       | <b>(2,938.2)</b> | <b>(3,489.1)</b> |
| <b>Net assets</b>                                |       | <b>4,377.2</b>   | <b>5,432.9</b>   |
| <b>Equity</b>                                    |       |                  |                  |
| Share capital                                    | 20    | 191.6            | 191.6            |
| Share premium                                    |       | 1,266.0          | 1,266.0          |
| Translation reserve                              |       | 520.9            | 794.3            |
| Net investment hedge reserve                     |       | (430.8)          | (624.7)          |
| Cash flow hedge reserve                          |       | (1.4)            | (8.2)            |
| Merger reserve                                   |       | 374.1            | 374.1            |
| Other reserves                                   |       | 25.6             | 27.2             |
| Retained earnings                                |       | 2,433.2          | 3,415.3          |
| Investment in own shares                         |       | (2.2)            | (3.0)            |
| <b>Equity shareholders' funds</b>                |       | <b>4,377.0</b>   | <b>5,432.6</b>   |
| Non-controlling interests                        | 24    | 0.2              | 0.3              |
| <b>Total equity</b>                              |       | <b>4,377.2</b>   | <b>5,432.9</b>   |
| <b>EPRA net asset value per share</b>            | 9D    | <b>£6.01</b>     | <b>£7.38</b>     |

**Consolidated statement of changes in equity**  
for the year ended 31 December 2019

|   | Share capital<br>£m | Share premium<br>£m | Translation reserve<br>£m | Net investment hedge reserve<br>£m | Cash flow hedge reserve<br>£m | Merger reserve<br>£m | Other reserves <sup>1</sup><br>£m | Retained earnings<br>£m | Investment in own shares <sup>2</sup><br>£m | Equity shareholders' funds<br>£m | Non-controlling interests<br>£m | Total equity<br>£m |
|---|---------------------|---------------------|---------------------------|------------------------------------|-------------------------------|----------------------|-----------------------------------|-------------------------|---|----------------------------------|---------------------------------|--------------------|
| Balance at 1 January 2019   | 191.6               | 1,266.0             | 794.3                     | (624.7)                            | (8.2)                         | 374.1                | 27.2                              | 3,415.3                 | (3.0)                                       | 5,432.6                          | 0.3                             | 5,432.9            |
| Share buyback – release of 2018 accrual   | -                   | -                   | -                         | -                                  | -                             | -                    | -                                 | 0.8                     | -   | 0.8                              | -                               | 0.8                |
| Share-based employee remuneration   | -                   | -                   | -                         | -                                  | -                             | -                    | 3.0                               | -                       | -   | 3.0                              | -                               | 3.0                |
| Cost of shares awarded to employees   | -                   | -                   | -                         | -                                  | -                             | -                    | (2.6)                             | -                       | 2.6   | -                                | -                               | -                  |
| Transfer on award of own shares to employees  | -                   | -                   | -                         | -                                  | -                             | -                    | (2.0)                             | 2.0                     | -   | -                                | -                               | -                  |
| Proceeds on award of own shares to employees  | -                   | -                   | -                         | -                                  | -                             | -                    | -                                 | 0.2                     | -   | 0.2                              | -                               | 0.2                |
| Purchase of own shares  | -                   | -                   | -                         | -                                  | -                             | -                    | -                                 | -                       | (1.8)                                       | (1.8)                            | -                               | (1.8)              |
| Dividends (note 8)  | -                   | -                   | -                         | -                                  | -                             | -                    | -                                 | (198.4)                 | -   | (198.4)                          | -                               | (198.4)            |
| Exchange (gain)/loss previously recognised in equity recycled on disposal of foreign operations | -                   | -                   | (69.1)                    | 55.3                               | -                             | -                    | -                                 | -                       | -   | (13.8)                           | -                               | (13.8)             |
| Foreign exchange translation differences  | -                   | -                   | (204.3)                   | -                                  | -                             | -                    | -                                 | -                       | -   | (204.3)                          | (0.1)                           | (204.4)            |
| Gain on net investment hedge  | -                   | -                   | -                         | 138.6                              | -                             | -                    | -                                 | -                       | -   | 138.6                            | -                               | 138.6              |
| Loss on cash flow hedge   | -                   | -                   | -                         | -                                  | (8.4)                         | -                    | -                                 | -                       | -   | (8.4)                            | -                               | (8.4)              |
| Loss on cash flow hedge recycled to net finance costs   | -                   | -                   | -                         | -                                  | 15.2                          | -                    | -                                 | -                       | -   | 15.2                             | -                               | 15.2               |
| Share of other comprehensive loss of associates (note 12E)                                      | -                   | -                   | -                         | -                                  | -                             | -                    | -                                 | (4.0)                   | -   | (4.0)                            | -                               | (4.0)              |
| Net actuarial losses on pension schemes   | -                   | -                   | -                         | -                                  | -                             | -                    | -                                 | (1.5)                   | -   | (1.5)                            | -                               | (1.5)              |
| Loss for the year <sup>3</sup>  | -                   | -                   | -                         | -                                  | -                             | -                    | -                                 | (781.2)                 | -   | (781.2)                          | -                               | (781.2)            |
| Total comprehensive (loss)/income for the year  | -                   | -                   | (273.4)                   | 193.9                              | 6.8                           | -                    | -                                 | (786.7)                 | -   | (859.4)                          | (0.1)                           | (859.5)            |
| <b>Balance at 31 December 2019</b>  | <b>191.6</b>        | <b>1,266.0</b>      | <b>520.9</b>              | <b>(430.8)</b>                     | <b>(1.4)</b>                  | <b>374.1</b>         | <b>25.6</b>                       | <b>2,433.2</b>          | <b>(2.2)</b>                                | <b>4,377.0</b>                   | <b>0.2</b>                      | <b>4,377.2</b>     |

1. Other reserves comprise a capital redemption reserve of £14.3 million (2018: £14.3 million) relating to share buybacks and £11.3 million (2018: £12.9 million) relating to share-based employee remuneration.

2. Investment in own shares is stated at cost.

3. Relates to continuing and discontinued operations.

**Consolidated statement of changes in equity** continued  
for the year ended 31 December 2019

|   | Share capital<br>£m | Share premium<br>£m | Translation reserve<br>£m | Net investment<br>hedge reserve<br>£m | Cash flow<br>hedge<br>reserve<br>£m | Merger<br>reserve<br>£m | Other<br>reserves <sup>1</sup><br>£m | Retained<br>earnings<br>£m | Investment<br>in own<br>shares <sup>2</sup><br>£m | Equity<br>shareholders'<br>funds<br>£m | Non-<br>controlling<br>interests<br>£m | Total equity<br>£m |
|---|---------------------|---------------------|---------------------------|---------------------------------------|-------------------------------------|-------------------------|--------------------------------------|----------------------------|---|--|--|--------------------|
| Balance at 1 January 2018   | 198.6               | 1,265.9             | 763.1                     | (604.0)                               | (12.3)                              | 374.1                   | 22.0                                 | 4,016.4                    | (0.3)   | 6,023.5                                | 14.0                                   | 6,037.5            |
| Issue of shares   | -                   | 0.1                 | -                         | -                                     | -                                   | -                       | -                                    | -                          | -   | 0.1                                    | -                                      | 0.1                |
| Share buyback   | (7.0)               | -                   | -                         | -                                     | -                                   | -                       | 7.0                                  | (128.9)                    | -   | (128.9)                                | -                                      | (128.9)            |
| Share-based employee remuneration   | -                   | -                   | -                         | -                                     | -                                   | -                       | 3.4                                  | -                          | -   | 3.4                                    | -                                      | 3.4                |
| Cost of shares awarded to employees   | -                   | -                   | -                         | -                                     | -                                   | -                       | (3.6)                                | -                          | 3.6   | -                                      | -                                      | -                  |
| Transfer on award of own shares to employees  | -                   | -                   | -                         | -                                     | -                                   | -                       | (1.6)                                | 1.6                        | -   | -                                      | -                                      | -                  |
| Proceeds on award of own shares to employees  | -                   | -                   | -                         | -                                     | -                                   | -                       | -                                    | 0.2                        | -   | 0.2                                    | -                                      | 0.2                |
| Purchase of own shares  | -                   | -                   | -                         | -                                     | -                                   | -                       | -                                    | -                          | (6.3)   | (6.3)                                  | -                                      | (6.3)              |
| Dividends (note 8)  | -                   | -                   | -                         | -                                     | -                                   | -                       | -                                    | (203.4)                    | -   | (203.4)                                | (13.3)                                 | (216.7)            |
| Exchange (gain)/loss previously recognised in equity recycled on disposal of foreign operations | -                   | -                   | (10.3)                    | 8.3                                   | -                                   | -                       | -                                    | -                          | -   | (2.0)                                  | -                                      | (2.0)              |
| Foreign exchange translation differences  | -                   | -                   | 41.5                      | -                                     | -                                   | -                       | -                                    | -                          | -   | 41.5                                   | -                                      | 41.5               |
| Loss on net investment hedge  | -                   | -                   | -                         | (29.0)                                | -                                   | -                       | -                                    | -                          | -   | (29.0)                                 | -                                      | (29.0)             |
| Gain on cash flow hedge   | -                   | -                   | -                         | -                                     | 27.7                                | -                       | -                                    | -                          | -   | 27.7                                   | -                                      | 27.7               |
| Gain on cash flow hedge recycled to net finance costs   | -                   | -                   | -                         | -                                     | (23.6)                              | -                       | -                                    | -                          | -   | (23.6)                                 | -                                      | (23.6)             |
| Share of other comprehensive loss of associates (note 12E)                                      | -                   | -                   | -                         | -                                     | -                                   | -                       | -                                    | (3.3)                      | -   | (3.3)                                  | -                                      | (3.3)              |
| Net actuarial gains on pension schemes  | -                   | -                   | -                         | -                                     | -                                   | -                       | -                                    | 0.8                        | -   | 0.8                                    | -                                      | 0.8                |
| Loss for the year <sup>3</sup>  | -                   | -                   | -                         | -                                     | -                                   | -                       | -                                    | (268.1)                    | -   | (268.1)                                | (0.4)                                  | (268.5)            |
| Total comprehensive income/(loss) for the year  | -                   | -                   | 31.2                      | (20.7)                                | 4.1                                 | -                       | -                                    | (270.6)                    | -   | (256.0)                                | (0.4)                                  | (256.4)            |
| Balance at 31 December 2018   | 191.6               | 1,266.0             | 794.3                     | (624.7)                               | (8.2)                               | 374.1                   | 27.2                                 | 3,415.3                    | (3.0)   | 5,432.6                                | 0.3                                    | 5,432.9            |

1. Other reserves comprise a capital redemption reserve of £14.3 million (2017: £7.3 million) relating to share buybacks and £12.9 million (2017: £14.7 million) relating to share-based employee remuneration.
2. Investment in own shares is stated at cost.
3. Relates to continuing and discontinued operations.



**Consolidated cash flow statement**  
for the year ended 31 December 2019

|  | Notes | 2019<br>£m     | 2018<br>£m |
|--|-------|----------------|------------|
| <b>Operating activities</b>  |       |                |            |
| Operating profit before other net losses and share of results of joint ventures and associates |       |                |            |
| - continuing operations  | 2     | 65.0           | 96.3       |
| - discontinued operations  | 7B    | 46.0           | 55.9       |
|  |       | <b>111.0</b>   | 152.2      |
| (Increase)/Decrease in receivables   |       | <b>(0.1)</b>   | 1.4        |
| (Increase)/Decrease in restricted monetary assets  |       | <b>(0.2)</b>   | 13.6       |
| Decrease in payables   |       | <b>(8.3)</b>   | (32.7)     |
| Adjustment for non-cash items  | 22    | 8.9            | 10.3       |
| <b>Cash generated from operations</b>  |       | <b>111.3</b>   | 144.8      |
| Interest received  |       | 21.4           | 14.5       |
| Interest paid  |       | <b>(102.9)</b> | (110.0)    |
| Acquisition-related costs paid   |       | -              | (12.9)     |
| Debt and loan facility cancellation costs  | 5     | -              | (15.3)     |
| Tax paid   |       | <b>(1.9)</b>   | (1.6)      |
| Distributions and other receivables from joint ventures  |       | <b>139.2</b>   | 95.0       |
| <b>Cash flows from operating activities</b>  |       | <b>167.1</b>   | 114.5      |
| <b>Investing activities</b>  |       |                |            |
| Property acquisitions  |       | <b>(0.7)</b>   | (12.0)     |
| Developments and major refurbishments  |       | <b>(40.2)</b>  | (89.3)     |
| Other capital expenditure  |       | <b>(39.7)</b>  | (60.3)     |
| Sale of properties   |       | <b>536.1</b>   | 553.2      |
| Advances to joint ventures   |       | <b>(29.1)</b>  | (30.0)     |
| Funds from financing transferred from joint ventures   | 11D   | -              | 144.2      |
| Acquisition of interest in joint venture   | 11D   | <b>(29.0)</b>  | -          |
| Acquisition of interest in associates  |       | <b>(1.3)</b>   | (108.6)    |
| Distributions received from associates   |       | <b>30.5</b>    | 37.6       |
| <b>Cash flows from investing activities</b>  |       | <b>426.6</b>   | 434.8      |
| <b>Financing activities</b>  |       |                |            |
| Issue of shares  |       | -              | 0.1        |
| Proceeds from award of own shares  |       | 0.2            | 0.2        |
| Purchase of own shares   |       | <b>(1.8)</b>   | (5.1)      |
| Share buyback  |       | <b>(1.5)</b>   | (126.5)    |
| Proceeds from new borrowings   |       | 48.2           | 240.3      |
| Repayment of borrowings  |       | <b>(439.9)</b> | (616.3)    |
| Net decrease in borrowings   | 21    | <b>(391.7)</b> | (376.0)    |
| Dividends paid to non-controlling interests  | 24    | -              | (13.3)     |
| Equity dividends paid  | 8     | <b>(198.9)</b> | (204.1)    |
| <b>Cash flows from financing activities</b>  |       | <b>(593.7)</b> | (724.7)    |
| <b>Net decrease in cash and deposits</b>   |       | -              | (175.4)    |
| Opening cash and deposits  |       | 31.2           | 205.9      |
| Exchange translation movement  |       | <b>(1.4)</b>   | 0.7        |
| <b>Closing cash and deposits</b>   |       | <b>29.8</b>    | 31.2       |
| Less: cash and deposits classified as held for sale  | 7D    | <b>(1.6)</b>   | -          |
| <b>Closing cash and deposits as stated on balance sheet</b>                                    | 15    | <b>28.2</b>    | 31.2       |

The cash flows above relate to continuing and discontinued operations. See note 7 for information on discontinued operations.

An analysis of the movement in net debt is provided in note 21.

## Notes to the company financial statements for the year ended 31 December 2019

### 1: Financial information

#### Statement of compliance

The financial information contained in this announcement has been prepared on the basis of the accounting policies set out in the financial statements for the year ended 31 December 2019. Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRS. The financial information does not constitute the Company's financial statements for the years ended 31 December 2019 or 2018, but is derived from those financial statements. Those financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole. Financial statements for 2018 have been delivered to the Registrar of Companies and those for 2019 will be delivered following the Company's Annual General Meeting. The auditors' reports on both the 2019 and 2018 financial statements were unqualified; did not draw attention to any matters by way of emphasis; and did not contain statements under s498(2) or (3) of the Companies Act 2006 or preceding legislation.

Transactions with joint ventures including distributions, interest and management fees are eliminated on a proportional basis.

During 2019, the following new and revised Standards and Interpretations have been adopted but these have not had a material impact on the amounts reported in these financial statements:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over income tax treatments

The principal exchange rate used to translate foreign currency denominated amounts in the balance sheet is the rate at the end of the year, £1 = €1.180 (2018: £1 = €1.115). The principal exchange rates used for the income statement are the following average quarterly rates:

Quarter 1 2019: £1 = €1.147; Quarter 2 2019: £1 = €1.144; Quarter 3 2019: £1 = €1.109; Quarter 4 2019: £1 = €1.163; 2018: £1 = €1.131.

From 1 January 2019, the Group adopted a quarterly average exchange rate for the consolidated income statement, replacing an annual average rate.

#### Going concern

The Group's business activities, together with factors likely to affect its future development, performance, and position are set out in the Operating Review, the Property Portfolio Review, the Financial Review and the Risks and Uncertainties. The financial position of the Group, its liquidity position and borrowing facilities are described in the Operating Review, the Financial Review and in the Notes to the Financial Statements.

The Directors have reviewed the current and projected financial position of the Group, including current assets and liabilities, making reasonable assumptions about future trading performance, property valuations and capital expenditure plans. The review considered the Group's current liquidity position, current assets and liabilities, its debt maturity profile, future commitments and forecast cash flows.

Based on this review the Directors are able to conclude that they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least the next 12 months and continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2019.

## 2: Loss for the year

As stated in the Financial review on page 22 and in note 3, management reviews the performance of the Group's property portfolio on a proportionally consolidated basis. Management does not proportionally consolidate the Group's premium outlet investments in Value Retail and VIA Outlets, and reviews the performance of these investments separately from the rest of the proportionally consolidated portfolio.

The following tables have been prepared on a basis consistent with how management reviews the performance of the business and show the Group's loss for the year on a proportionally consolidated basis in column D, by aggregating the Reported Group results (shown in column A) with those from its Share of Property interests – continuing operations (shown in column B), and discontinued operations shown in column C. Columns B and C have been reallocated to the relevant financial statement lines. Further analysis of Share of Property interests is in table 10 of the Additional disclosures and Discontinued operations in note 7 to the financial statements.

The Group's share of results arising from its interests in premium outlets has not been proportionally consolidated and hence these have not been reallocated to the relevant financial statement lines, but are shown within 'Share of results of joint ventures' and 'Share of results of associates' in column D.

The Group's proportionally consolidated loss for the year in column D is then allocated between 'Adjusted' and 'Capital and other' for the purposes of calculating figures in accordance with EPRA best practice.

| Notes (see page 45) | Notes | Reported Group<br>£m | Share of Property<br>interests<br>£m | Discontinued<br>operations<br>(see note 7B)<br>£m | Proportionally<br>consolidated<br>£m | 2019                        |                            |
|---------------------|-------|----------------------|--------------------------------------|---|--------------------------------------|-----------------------------|----------------------------|
|                     |       |                      |                                      |   |                                      | Proportionally consolidated |                            |
|                     |       |                      |                                      |   |                                      | Adjusted<br>£m              | Capital<br>and other<br>£m |
|                     |       | A                    | B                                    | C   | D                                    | E                           | E                          |
|                     |       | <b>131.4</b>         | 177.1                                | 52.5  | 361.0                                | <b>361.0</b>                | -                          |
|                     |       | <b>(1.0)</b>         | (1.8)                                | (0.4)   | (3.2)                                | <b>(3.2)</b>                | -                          |
|                     |       | <b>130.4</b>         | 175.3                                | 52.1  | 357.8                                | <b>357.8</b>                | -                          |
|                     |       | <b>34.3</b>          | 32.6                                 | 5.3   | 72.2                                 | <b>72.2</b>                 | -                          |
|                     |       | <b>(37.6)</b>        | (37.5)                               | (6.0)   | (81.1)                               | <b>(81.1)</b>               | -                          |
|                     |       | <b>(3.3)</b>         | (4.9)                                | (0.7)   | (8.9)                                | <b>(8.9)</b>                | -                          |
|                     |       | <b>(4.5)</b>         | (2.9)                                | (0.2)   | (7.6)                                | <b>(7.6)</b>                | -                          |
|                     |       | <b>(11.2)</b>        | (19.5)                               | (2.1)   | (32.8)                               | <b>(32.8)</b>               | -                          |
|                     |       | <b>(19.0)</b>        | (27.3)                               | (3.0)   | (49.3)                               | <b>(49.3)</b>               | -                          |
|                     |       | <b>111.4</b>         | 148.0                                | 49.1  | 308.5                                | <b>308.5</b>                | -                          |
|                     |       | <b>(71.0)</b>        | (0.5)                                | (1.4)   | (72.9)                               | <b>(72.9)</b>               | -                          |
|                     |       | <b>15.7</b>          | -                                    | -   | 15.7                                 | <b>15.7</b>                 | -                          |
|                     |       | <b>(55.3)</b>        | (0.5)                                | (1.4)   | (57.2)                               | <b>(57.2)</b>               | -                          |
|                     |       | <b>8.9</b>           | -                                    | -   | 8.9                                  | <b>8.9</b>                  | -                          |
|                     |       | <b>(46.4)</b>        | (0.5)                                | (1.4)   | (48.3)                               | <b>(48.3)</b>               | -                          |
|                     |       | <b>65.0</b>          | 147.5                                | 47.7  | 260.2                                | <b>260.2</b>                | -                          |
|                     |       | <b>(69.7)</b>        | 14.1                                 | (36.1)  | (91.7)                               | -                           | <b>(91.7)</b>              |
|                     |       | <b>13.8</b>          | -                                    | -   | 13.8                                 | -                           | <b>13.8</b>                |
|                     |       | <b>(294.7)</b>       | (608.4)                              | (124.9)   | (1,028.0)                            | -                           | <b>(1,028.0)</b>           |
|                     |       | -                    | -                                    | (92.0)  | (92.0)                               | -                           | <b>(92.0)</b>              |
|                     |       | <b>(350.6)</b>       | (594.3)                              | (253.0)   | (1,197.9)                            | -                           | <b>(1,197.9)</b>           |
|                     |       | <b>(423.0)</b>       | 457.3                                | -   | 34.3                                 | <b>14.6</b>                 | <b>19.7</b>                |
|                     |       | <b>209.4</b>         | 1.2                                  | -   | 210.6                                | <b>31.2</b>                 | <b>179.4</b>               |
|                     |       | <b>(499.2)</b>       | 11.7                                 | (205.3)   | (692.8)                              | <b>306.0</b>                | <b>(998.8)</b>             |
|                     |       | <b>(74.6)</b>        | (11.4)                               | (0.2)   | (86.2)                               | <b>(89.8)</b>               | <b>3.6</b>                 |
|                     |       | <b>(573.8)</b>       | 0.3                                  | (205.5)   | (779.0)                              | <b>216.2</b>                | <b>(995.2)</b>             |
|                     |       | <b>(1.9)</b>         | (0.3)                                | -   | (2.2)                                | <b>(2.2)</b>                | -                          |
|                     |       | <b>(575.7)</b>       | -                                    | (205.5)   | (781.2)                              | <b>214.0</b>                | <b>(995.2)</b>             |
|                     |       | <b>(205.5)</b>       | -                                    | 205.5   | -                                    | -                           | -                          |
|                     |       | <b>(781.2)</b>       | -                                    | -   | (781.2)                              | <b>214.0</b>                | <b>(995.2)</b>             |
|                     |       | <b>(575.7)</b>       | -                                    | -   | (575.7)                              | <b>166.5</b>                | <b>(742.2)</b>             |
|                     |       | <b>(205.5)</b>       | -                                    | -   | (205.5)                              | <b>47.5</b>                 | <b>(253.0)</b>             |
|                     |       | <b>(781.2)</b>       | -                                    | -   | (781.2)                              | <b>214.0</b>                | <b>(995.2)</b>             |

## 2: Loss for the year *continued*

2018

| Notes (see page 45)   | Notes    | Reported<br>Group<br>£m | Share of Property<br>interests<br>£m | Discontinued<br>operations<br>(see note 7B)<br>£m | Proportionally<br>consolidated<br>£m | Proportionally consolidated |                            |
|---|----------|-------------------------|--------------------------------------|---|--------------------------------------|-----------------------------|----------------------------|
|   |          |                         |                                      |   |                                      | Adjusted<br>£m              | Capital<br>and other<br>£m |
|   |          |                         |                                      |   |                                      | E                           | E                          |
|   |          | A                       | B                                    | C   | D                                    |                             |                            |
| <b>Gross rental income<sup>F</sup></b>  | 3A       | 161.6                   | 173.6                                | 63.6  | 398.8                                | 398.8                       | -                          |
| Ground and equity rents payable   |          | (0.8)                   | (2.1)                                | (0.6)   | (3.5)                                | (3.5)                       | -                          |
| Gross rental income, after rents payable  |          | 160.8                   | 171.5                                | 63.0  | 395.3                                | 395.3                       | -                          |
| Service charge income   |          | 38.1                    | 38.4                                 | 6.0   | 82.5                                 | 82.5                        | -                          |
| Service charge expenses   |          | (40.4)                  | (41.9)                               | (6.8)   | (89.1)                               | (89.1)                      | -                          |
| Net service charge expenses   |          | (2.3)                   | (3.5)                                | (0.8)   | (6.6)                                | (6.6)                       | -                          |
| Inclusive lease costs recovered through rent  |          | (5.0)                   | (2.4)                                | (0.3)   | (7.7)                                | (7.7)                       | -                          |
| Other property outgoings  |          | (14.0)                  | (16.7)                               | (2.8)   | (33.5)                               | (33.5)                      | -                          |
| Property outgoings  |          | (21.3)                  | (22.6)                               | (3.9)   | (47.8)                               | (47.8)                      | -                          |
| <b>Net rental income</b>  | 3A       | 139.5                   | 148.9                                | 59.1  | 347.5                                | 347.5                       | -                          |
| Administration costs  |          | (68.3)                  | (0.2)                                | (1.3)   | (69.8)                               | (69.8)                      | -                          |
| Property fee income   |          | 14.8                    | -                                    | -   | 14.8                                 | 14.8                        | -                          |
| Employee and corporate costs  |          | (53.5)                  | (0.2)                                | (1.3)   | (55.0)                               | (55.0)                      | -                          |
| Joint venture and associate management fees   |          | 10.3                    | -                                    | -   | 10.3                                 | 10.3                        | -                          |
| Net administration expenses   |          | (43.2)                  | (0.2)                                | (1.3)   | (44.7)                               | (44.7)                      | -                          |
| <b>Operating profit before other net losses and share of results of joint ventures and associates</b> |          | 96.3                    | 148.7                                | 57.8  | 302.8                                | 302.8                       | -                          |
| (Loss)/Profit on sale of properties <sup>I</sup>  |          | (53.5)                  | 15.0                                 | (26.4)  | (64.9)                               | -                           | (64.9)                     |
| Net exchange gain previously recognised in equity, recycled on disposal of foreign operations         |          | 2.0                     | -                                    | -   | 2.0                                  | -                           | 2.0                        |
| Acquisition-related costs <sup>J</sup>  |          | (6.4)                   | -                                    | -   | (6.4)                                | -                           | (6.4)                      |
| Revaluation losses on properties <sup>I</sup>   |          | (41.4)                  | (282.6)                              | (124.6)   | (448.6)                              | -                           | (448.6)                    |
| <b>Other net losses</b>   |          | (99.3)                  | (267.6)                              | (151.0)   | (517.9)                              | -                           | (517.9)                    |
| <b>Share of results of joint ventures</b>   | 11A, 11B | (103.7)                 | 128.3                                | -   | 24.6                                 | 15.1                        | 9.5                        |
| <b>Share of results of associates</b>   | 12A, 12B | 57.7                    | (0.9)                                | -   | 56.8                                 | 26.0                        | 30.8                       |
| <b>Operating (loss)/profit</b>  |          | (49.0)                  | 8.5                                  | (93.2)  | (133.7)                              | 343.9                       | (477.6)                    |
| Net finance costs <sup>II</sup>   | 5        | (124.3)                 | (8.4)                                | (0.2)   | (132.9)                              | (101.7)                     | (31.2)                     |
| <b>(Loss)/Profit before tax</b>   |          | (173.3)                 | 0.1                                  | (93.4)  | (266.6)                              | 242.2                       | (508.8)                    |
| Tax charge  | 6A       | (1.8)                   | (0.1)                                | -   | (1.9)                                | (1.9)                       | -                          |
| <b>(Loss)/Profit for the year from continuing operations</b>  |          | (175.1)                 | -                                    | (93.4)  | (268.5)                              | 240.3                       | (508.8)                    |
| Loss for the year from discontinued operations  | 7B, 9B   | (93.4)                  | -                                    | 93.4  | -                                    | -                           | -                          |
| <b>(Loss)/Profit for the year</b>   |          | (268.5)                 | -                                    | -   | (268.5)                              | 240.3                       | (508.8)                    |
| Non-controlling interests <sup>K</sup>  | 24       | 0.4                     | -                                    | -   | 0.4                                  | -                           | 0.4                        |
| <b>(Loss)/Profit for the year attributable to equity shareholders</b>                                 | 9B       | (268.1)                 | -                                    | -   | (268.1)                              | 240.3                       | (508.4)                    |
| Attributable to:  |          |                         |                                      |   |                                      |                             |                            |
| <b>Continuing operations</b>  | 9B       | (174.7)                 | -                                    | -   | (174.7)                              | 182.7                       | (357.4)                    |
| <b>Discontinued operations</b>  | 9B       | (93.4)                  | -                                    | -   | (93.4)                               | 57.6                        | (151.0)                    |
|   | 9B       | (268.1)                 | -                                    | -   | (268.1)                              | 240.3                       | (508.4)                    |

## 2: Loss for the year continued

### Notes

- A. Reported Group results as shown in the consolidated income statement on page 36.  
 B. Property interests reflect the Group's share of results of Property joint ventures as shown in note 11A plus the Group's share of Nicetoile and Italie Deux as included within note 12A.  
 C. Discontinued operations including properties wholly owned and held by joint ventures (see note 7).  
 D. Aggregated results on a proportionally consolidated basis showing Reported Group together with Share of Property interests.  
 E. Aggregated results on a proportionally consolidated basis allocated between 'Adjusted' and 'Capital and other' for the purposes of calculating adjusted earnings per share as shown in note 9B.  
 F. Included in gross rental income on a proportionally consolidated basis in Column D is £8.5 million (2018: £8.0 million) of contingent rents calculated by reference to tenants' turnover.  
 G. Reclassification of £14.1 million between '(Loss)/Profit on sale of properties' and 'Revaluation losses on properties' in column B, to present the sale of the 75% interest in Italie Deux on a proportionally consolidated basis.  
 H. Adjusted finance costs presented on a proportionally consolidated basis are shown in Table 15 on page 79.  
 I. Reclassification of £15.0 million between '(Loss)/Profit on sale of properties' and 'Revaluation losses on properties' in column B, to present the sale of the 50% interest in Highcross on a proportionally consolidated basis.  
 J. Acquisition-related costs of £nil million (2018: £6.4 million) recognised in respect of the proposed acquisition of Intu and the offers from Klépierre S.A.  
 K. The Group's non-controlling interests represent a 35.5% interest in an entity which disposed of its property in December 2017. See note 24.

## 3: Segmental analysis

The factors used to determine the Group's reportable segments are the sectors in which it operates and geographic locations. These are generally managed by separate teams and are the basis on which performance is assessed and resources allocated. As stated in the Financial review on page 22, the Group has property interests in a number of sectors and management reviews the performance of the Group's property interests in flagship destinations, retail parks, other UK properties and developments on a proportionally consolidated basis to reflect the Group's different ownership shares. Management does not proportionally consolidate the Group's premium outlet investments in Value Retail and VIA Outlets, which are externally managed by experienced outlet operators, independently financed and have operating metrics which differ from the Group's other sectors. Except for property valuation and returns, we review the performance of our premium outlet investments separately from the proportionally consolidated portfolio.

The segmental analysis has been prepared on the same basis that management uses to review the business, rather than on a statutory basis. Property interests represent the Group's non wholly-owned properties which management proportionally consolidates when reviewing the performance of the business. The results of discontinued operations and assets reclassified as 'held for sale' have also been included in the segmental analysis, consistent with management's internal reporting, but have been separately identified. For reconciliation purposes the Reported Group figures, being properties either wholly owned or held within joint operations, are shown in the following tables.

Gross rental income represents the Group's revenue from its tenants and customers. As stated in the Key Performance indicators section on page 5, net rental income is the Group's primary revenue measure and is 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: Income and profit by segment

|   | 2019                      |                         | 2018                      |                         |
|---|---------------------------|-------------------------|---------------------------|-------------------------|
|   | Gross rental income<br>£m | Net rental income<br>£m | Gross rental income<br>£m | Net rental income<br>£m |
| <b>Flagship destinations</b>                              |                           |                         |                           |                         |
| UK  | 158.2                     | 130.7                   | 178.2                     | 151.9                   |
| France  | 82.1                      | 72.0                    | 83.4                      | 74.8                    |
| Ireland   | 41.8                      | 38.0                    | 44.2                      | 40.4                    |
|   | <b>282.1</b>              | <b>240.7</b>            | 305.8                     | 267.1                   |
| UK retail parks   | 52.5                      | 49.1                    | 63.5                      | 59.1                    |
| UK other  | 11.3                      | 8.2                     | 12.4                      | 8.9                     |
| <b>Investment portfolio</b>                               | <b>345.9</b>              | <b>298.0</b>            | 381.7                     | 335.1                   |
| Developments  | 15.1                      | 10.5                    | 17.1                      | 12.4                    |
| <b>Property portfolio</b>                                 | <b>361.0</b>              | <b>308.5</b>            | 398.8                     | 347.5                   |
| Less share of Property interests -- continuing operations | (177.1)                   | (148.0)                 | (173.6)                   | (148.9)                 |
| Less discontinued operations*                             | (52.5)                    | (49.1)                  | (63.6)                    | (59.1)                  |
| <b>Reported Group -- continuing operations</b>            | <b>131.4</b>              | <b>111.4</b>            | 161.6                     | 139.5                   |

\* 2018 gross rental income from discontinued operations comprises £63.5 million previously disclosed as UK retail parks and £0.1 million previously included in developments.

### 3: Segmental analysis continued

#### B: Investment and development property assets by segment

|  | 2019                     |                          |                                  | 2018                     |                          |                                  |
|--|--------------------------|--------------------------|----------------------------------|--------------------------|--------------------------|----------------------------------|
|  | Property valuation<br>£m | Property additions<br>£m | Revaluation (losses)/gains<br>£m | Property valuation<br>£m | Property additions<br>£m | Revaluation (losses)/gains<br>£m |
| <b>Flagship destinations</b>                             |                          |                          |                                  |                          |                          |                                  |
| UK   | 2,351.3                  | 12.3                     | (581.8)                          | 2,920.9                  | 29.7                     | (346.6)                          |
| France   | 1,269.0                  | 22.8                     | (130.6)                          | 1,885.2                  | 37.9                     | (14.3)                           |
| Ireland  | 860.0                    | 5.2                      | (71.6)                           | 978.5                    | 2.9                      | 9.0                              |
|  | <b>4,480.3</b>           | <b>40.3</b>              | <b>(784.0)</b>                   | <b>5,784.6</b>           | <b>70.5</b>              | <b>(351.9)</b>                   |
| UK retail parks  | 453.3                    | 4.1                      | (124.9)                          | 873.1                    | 13.3                     | (126.3)                          |
| UK other   | 134.5                    | 2.4                      | (41.2)                           | 173.3                    | 15.0                     | 6.9                              |
| <b>Investment portfolio</b>                              | <b>5,068.1</b>           | <b>46.8</b>              | <b>(950.1)</b>                   | <b>6,831.0</b>           | <b>98.8</b>              | <b>(471.3)</b>                   |
| Developments   | 599.6                    | 50.9                     | (77.9)                           | 648.5                    | 84.2                     | 22.7                             |
| <b>Property portfolio – excluding premium outlets</b>    | <b>5,667.7</b>           | <b>97.7</b>              | <b>(1,028.0)</b>                 | <b>7,479.5</b>           | <b>183.0</b>             | <b>(448.6)</b>                   |
| Premium outlets  | 2,659.1                  | 88.0                     | 199.8                            | 2,458.8                  | 153.9                    | 56.2                             |
| <b>Total Group</b>                                       | <b>8,326.8</b>           | <b>185.7</b>             | <b>(828.2)</b>                   | <b>9,938.3</b>           | <b>336.9</b>             | <b>(392.4)</b>                   |
| Less premium outlets                                     | (2,659.1)                | (88.0)                   | (199.8)                          | (2,458.8)                | (153.9)                  | (56.2)                           |
| Less share of Property interests – continuing operations | (3,112.5)                | (19.8)                   | 608.4                            | (3,649.1)                | (35.0)                   | 282.6                            |
| Less assets held for sale/discontinued operations*       | (456.5)                  | (4.2)                    | 124.9                            | –                        | –                        | 124.6                            |
| <b>Reported Group – property portfolio</b>               | <b>2,098.7</b>           | <b>73.7</b>              | <b>(294.7)</b>                   | <b>3,830.4</b>           | <b>148.0</b>             | <b>(41.4)</b>                    |

\* Shown as part of 'assets held for sale' in current assets on the consolidated balance sheet on page 38. In addition to revaluation losses of £124.9 million (2018: £124.6 million) incurred during the year, an impairment loss of £92.0 million (2018: £nil) was recognised on the transfer of retail parks from investment properties to assets held for sale, which is shown separately in note 2. Revaluation losses of £124.9 million (2018: £124.6 million) include £7.4 million (2018: £4.6 million) relating to Hammerson (Brent South) which was previously classified as a joint venture as detailed in note 7B.

#### C: Analysis of non-current assets employed

|                    | Non-current assets employed |                |
|--------------------|-----------------------------|----------------|
|                    | 2019<br>£m                  | 2018<br>£m     |
| UK                 | 3,013.0                     | 4,305.8        |
| Continental Europe | 2,943.8                     | 3,581.7        |
| Ireland            | 746.1                       | 861.4          |
|                    | <b>6,702.9</b>              | <b>8,748.9</b> |

Included in the above table are investments in joint ventures of £3,017.1 million (2018: £3,604.5 million), which are further analysed in note 11 on pages 55 to 60. The Group's share of the property valuations held within Property interests of £3,112.5 million (2018: £3,649.1 million) has been included in note 3B above, of which £2,145.5 million (2018: £2,664.4 million) relates to the UK, £281.6 million (2018: £194.4 million) relates to Continental Europe and £685.4 million (2018: £790.3 million) relates to Ireland.

### 4: Revenue

|  | 2019<br>£m   | 2018<br>£m   |
|--|--------------|--------------|
| Base rent  | 109.3        | 135.2        |
| Turnover rent  | 3.5          | 3.1          |
| Car park income <sup>1</sup>                             | 14.6         | 18.9         |
| Lease incentive recognition                              | (1.5)        | (4.3)        |
| Other rental income                                      | 5.5          | 8.7          |
| Gross rental income                                      | 131.4        | 161.6        |
| Service charge income <sup>1</sup>                       | 34.3         | 38.1         |
| Property fee income <sup>1</sup>                         | 15.7         | 14.8         |
| Joint venture and associate management fees <sup>1</sup> | 8.9          | 10.3         |
| <b>Revenue – continuing operations</b>                   | <b>190.3</b> | <b>224.8</b> |
| Revenue – discontinued operations <sup>2</sup>           | 55.9         | 67.6         |
| <b>Revenue – Reported Group</b>                          | <b>246.2</b> | <b>292.4</b> |

1. The above income streams reflect revenue recognised under IFRS 15 Revenue from Contracts with Customers and total £73.5 million (2018: £82.1 million). All other revenue streams relate to income recognised under IFRS 16 Leases.

2. Comprises £5.3 million (2018: £5.9 million) of income recognised under IFRS 15 Revenue from Contracts with Customers and £50.6 million (2018: £61.7 million) relating to income recognised under IFRS 16 Leases.

## 5: Net finance costs

|   | 2019<br>£m  | 2018<br>£m   |
|---|-------------|--------------|
| Interest on bank loans and overdrafts         | 15.1        | 13.2         |
| Interest on other borrowings                  | 86.2        | 92.7         |
| Interest on obligations under head leases     | 2.2         | 2.4          |
| Interest on other lease obligations           | 0.2         | -            |
| Other interest payable                        | 1.4         | 2.6          |
| Gross interest costs                          | 105.1       | 110.9        |
| Less: Interest capitalised                    | (2.8)       | (1.9)        |
| Finance costs                                 | 102.3       | 109.0        |
| Debt and loan facility cancellation costs     | -           | 15.3         |
| Change in fair value of derivatives           | (6.2)       | 14.5         |
| Finance income                                | (21.5)      | (14.5)       |
| <b>Reported Group – continuing operations</b> | <b>74.6</b> | <b>124.3</b> |
| Reported Group – discontinued operations      | 0.2         | 0.2          |
| <b>Reported Group – total</b>                 | <b>74.8</b> | <b>124.5</b> |

## 6: Tax

### A: Tax charge

|                     | 2019<br>£m | 2018<br>£m |
|---------------------|------------|------------|
| UK current tax      | 0.1        | 0.1        |
| Foreign current tax | 1.8        | 1.7        |
| <b>Tax charge</b>   | <b>1.9</b> | <b>1.8</b> |

The Group's tax charge remains low because it has tax exempt status in its principal operating countries. In the UK, the Group has been a REIT since 2007 and a SIIC in France since 2004. These tax regimes exempt the Group's property income and gains from corporate taxes provided a number of conditions in relation to the Group's activities are met including, but not limited to, distributing at least 90% of the Group's UK tax-exempt profit as property income distributions (PID). The residual businesses in both the UK and France are subject to corporation tax as normal. The Irish properties are held in a QIAIF which provides similar tax benefits to those of a UK REIT but which subjects distributions and, since 2019, certain excessive interest payments from Ireland to the UK to a 20% withholding tax.

### B: Tax charge reconciliation

|   | Notes | 2019<br>£m | 2018<br>£m |
|---|-------|------------|------------|
| Loss before tax – continuing operations                           | 2     | (573.8)    | (173.3)    |
| Loss before tax – discontinued operations                         | 7B    | (205.5)    | (93.4)     |
| Less: Loss after tax of joint ventures – continuing operations    | 11A   | 423.0      | 103.7      |
| Less: Loss after tax of joint ventures – discontinued operations  | 7B    | 6.1        | 2.7        |
| Less: Profit after tax of associates                              | 12A   | (209.4)    | (57.7)     |
| Loss on ordinary activities before tax                            |       | (559.6)    | (218.0)    |
| Loss multiplied by the UK corporation tax rate of 19% (2018: 19%) |       | (106.3)    | (41.4)     |
| UK REIT tax exemption   |       | 68.1       | 43.4       |
| French SIIC tax exemption   |       | 30.9       | (8.9)      |
| Irish QIAIF tax exemption   |       | 5.9        | (0.2)      |
| Losses for the year not utilised                                  |       | 2.0        | 4.5        |
| Non-deductible and other items                                    |       | 1.3        | 4.4        |
| <b>Tax charge</b>   |       | <b>1.9</b> | <b>1.8</b> |

### C: Unrecognised deferred tax

A deferred tax asset is not recognised for UK revenue losses or capital losses where their future utilisation is uncertain. At 31 December 2019, the total of such losses was £490 million (2018: £475 million) and £505 million (2018: £440 million) respectively, and the potential tax effect of these was £84 million (2018: £81 million) and £86 million (2018: £75 million) respectively.

Deferred tax is not provided on potential gains on investments in subsidiaries when the Group can control whether gains crystallise and it is probable that gains will not arise in the foreseeable future. At 31 December 2019, the total of such gains was £272 million (2018: £535 million) and the potential tax effect before the offset of losses was £46 million (2018: £91 million).

If a UK REIT sells a property within three years of completion of development, the REIT exemption will not apply. At 31 December 2019, the value of such completed properties was £212 million (2018: £464 million). If these properties were to be sold without the benefit of the tax exemption, the tax arising would be £nil (2018: £nil) due to the availability of capital losses.

## 7: Discontinued operations and assets and liabilities classified as held for sale

### A: Disposals

As part of the Group's strategic review in 2018, a decision was taken to exit the retail parks sector. To date a number of retail parks have been disposed of and as at 31 December 2019 the remaining retail parks have been reclassified as assets held for sale. As this constitutes the remainder of the UK retail parks segment, the profits and losses arising in 2018 and 2019 from the segment have been classified as discontinued operations.

Detailed below are the key entities and properties classified as discontinued operations:

#### Entity disposed of in 2018:

| Entity                        | Property owned:                     |
|-------------------------------|-------------------------------------|
| Hammerson (Kirkcaldy) Limited | Fife Central Retail Park, Kirkcaldy |

#### Entity disposed of in 2019:

| Entity                          | Property owned:                |
|---------------------------------|--------------------------------|
| Hammerson (Parc Tawe I) Limited | Parc Tawe Retail Park, Swansea |

#### Properties disposed of in 2018:

Battery Retail Park, Birmingham  
Wrekin Retail Park, Telford  
Thurrock Shopping Park, Thurrock  
Imperial Retail Park, Bristol

#### Properties disposed of in 2019:

Dallow Road, Luton  
Abbotsinch Retail Park, Glasgow  
St. Oswald's Retail Park, Gloucester

#### On 12 February 2020 the Group exchanged and completed contracts for the sale of the following entity:

| Entity                    | Property owned:            |
|---------------------------|----------------------------|
| Hammerson (Abbey) Limited | Abbey Retail Park, Belfast |

#### On 21 February 2020 the Group exchanged contracts for the sale of the following entities<sup>1</sup>:

| Entity  | Property owned:                       |
|---|---------------------------------------|
| Grantchester Developments (Falkirk) Limited     | Central Retail Park, Falkirk          |
| Grantchester Properties (Middlesbrough) Limited | Cleveland Retail Park, Middlesbrough  |
| Hammerson (Didcot) Limited                      | The Orchard Centre, Phase 1, Didcot   |
| Hammerson (Didcot II) Limited                   | The Orchard Centre, Phase 2, Didcot   |
| Hammerson (Merthyr) Limited                     | Cyfarthfa Retail Park, Merthyr Tydfil |
| Hammerson (Ravenhead) Limited                   | Ravenhead Retail Park, St. Helens     |
| Hammerson (Rugby) Limited                       | Elliott's Field, Rugby                |
| Telford Forge Retail Park Unit Trust            | Telford Forge Shopping Park, Telford  |

#### Retail park entities intended for sale within the near term:

| Entity                                       | Property owned:                   |
|--|-----------------------------------|
| Hammerson (Brent South) Limited <sup>2</sup> | Brent South Shopping Park, London |

1. Completion is expected before 30 April 2020.

2. Hammerson (Brent South) Limited was previously included within Share of results of joint ventures.



## 7: Discontinued operations and assets and liabilities classified as held for sale

continued

### B: Loss for the year

|  | 2019                 |                                   |                                   | 2018                 |                                   |                                   |
|--|----------------------|-----------------------------------|-----------------------------------|----------------------|-----------------------------------|-----------------------------------|
|  | Reported Group<br>£m | Share of Property interests<br>£m | Proportionally consolidated<br>£m | Reported Group<br>£m | Share of Property interests<br>£m | Proportionally consolidated<br>£m |
| <b>Revenue</b>   | <b>55.9</b>          | <b>1.8</b>                        | <b>57.7</b>                       | 67.6                 | 2.0                               | 69.6                              |
| <b>Gross rental income</b>   | <b>50.7</b>          | <b>1.8</b>                        | <b>52.5</b>                       | 61.7                 | 1.9                               | 63.6                              |
| Ground and equity rents payable  | (0.4)                | -                                 | (0.4)                             | (0.6)                | -                                 | (0.6)                             |
| Gross rental income, after rents payable   | 50.3                 | 1.8                               | 52.1                              | 61.1                 | 1.9                               | 63.0                              |
| Service charge income  | 5.2                  | 0.1                               | 5.3                               | 5.9                  | 0.1                               | 6.0                               |
| Service charge expenses  | (5.9)                | (0.1)                             | (6.0)                             | (6.7)                | (0.1)                             | (6.8)                             |
| Net service charge expenses  | (0.7)                | -                                 | (0.7)                             | (0.8)                | -                                 | (0.8)                             |
| Inclusive lease costs recovered through rent   | (0.2)                | -                                 | (0.2)                             | (0.3)                | -                                 | (0.3)                             |
| Other property outgoings   | (2.0)                | (0.1)                             | (2.1)                             | (2.8)                | -                                 | (2.8)                             |
| Property outgoings   | (2.9)                | (0.1)                             | (3.0)                             | (3.9)                | -                                 | (3.9)                             |
| <b>Net rental income</b>   | <b>47.4</b>          | <b>1.7</b>                        | <b>49.1</b>                       | 57.2                 | 1.9                               | 59.1                              |
| Net administration expenses  | (1.4)                | -                                 | (1.4)                             | (1.3)                | -                                 | (1.3)                             |
| <b>Operating profit before other net losses and share of results of joint ventures</b> | <b>46.0</b>          | <b>1.7</b>                        | <b>47.7</b>                       | 55.9                 | 1.9                               | 57.8                              |
| Loss on sale of properties   | (36.1)               | -                                 | (36.1)                            | (26.4)               | -                                 | (26.4)                            |
| Revaluation losses on properties   | (117.5)              | (7.4)                             | (124.9)                           | (120.0)              | (4.6)                             | (124.6)                           |
| Impairment recognised on reclassification to held for sale                             | (91.6)               | (0.4)                             | (92.0)                            | -                    | -                                 | -                                 |
| <b>Other net losses</b>  | <b>(245.2)</b>       | <b>(7.8)</b>                      | <b>(253.0)</b>                    | (146.4)              | (4.6)                             | (151.0)                           |
| <b>Share of results of joint ventures</b>  | <b>(6.1)</b>         | <b>6.1</b>                        | <b>-</b>                          | (2.7)                | 2.7                               | -                                 |
| <b>Operating loss</b>  | <b>(205.3)</b>       | <b>-</b>                          | <b>(205.3)</b>                    | (93.2)               | -                                 | (93.2)                            |
| Net finance costs  | (0.2)                | -                                 | (0.2)                             | (0.2)                | -                                 | (0.2)                             |
| <b>Loss from discontinued operations</b>   | <b>(205.5)</b>       | <b>-</b>                          | <b>(205.5)</b>                    | (93.4)               | -                                 | (93.4)                            |

### C: Cash flows from discontinued operations

|   | 2019<br>£m   | 2018<br>£m   |
|---|--------------|--------------|
| Cash flows from operating activities                  | 51.0         | 55.7         |
| Cash flows from investing activities                  | 168.9        | 236.4        |
| <b>Net cash outflow from discontinued operations*</b> | <b>219.9</b> | <b>292.1</b> |

\* There were no cash flows from financing activities in 2019 or 2018.

### D: Summary of assets and liabilities associated with assets held for sale

|   | 2019                 |                                   |                                   |
|---|----------------------|-----------------------------------|-----------------------------------|
|   | Reported Group<br>£m | Share of Property interests<br>£m | Proportionally consolidated<br>£m |
| Investment properties*                                  | 431.6                | 24.9                              | 456.5                             |
| Interests in leasehold properties                       | 3.0                  | -                                 | 3.0                               |
| Investment in joint ventures                            | 24.7                 | (24.7)                            | -                                 |
| Current receivables                                     | 3.0                  | 1.1                               | 4.1                               |
| Restricted monetary assets                              | 1.8                  | -                                 | 1.8                               |
| Cash and deposits                                       | 1.6                  | -                                 | 1.6                               |
| <b>Assets held for sale</b>                             | <b>465.7</b>         | <b>1.3</b>                        | <b>467.0</b>                      |
| Obligations under head leases                           | (3.0)                | -                                 | (3.0)                             |
| Current payables  | (16.6)               | (1.3)                             | (17.9)                            |
| Non-current payables                                    | (0.1)                | -                                 | (0.1)                             |
| <b>Liabilities associated with assets held for sale</b> | <b>(19.7)</b>        | <b>(1.3)</b>                      | <b>(21.0)</b>                     |
| <b>Net assets associated with assets held for sale</b>  | <b>446.0</b>         | <b>-</b>                          | <b>446.0</b>                      |

\* Upon transfer to held for sale, investment properties were re-measured at their fair value less anticipated selling costs. This resulted in an impairment loss of £92.0 million, of which £91.6 million related to Reported Group and £0.4 million related to Share of Property interests.

## 8: Dividends

The proposed final dividend of 14.8 pence per share was recommended by the Board on 25 February 2020 and, subject to approval by shareholders, is payable on 30 April 2020 to shareholders on the register at the close of business on 20 March 2020. The dividend will be paid as a PID, net of withholding tax at the basic rate (currently 20%) if applicable. There will be no scrip alternative, although the dividend reinvestment plan (DRIP) remains available to shareholders. The aggregate amount of the 2019 final dividend is £113.4 million. This has been calculated using the total number of eligible shares outstanding at 31 December 2019.

The interim dividend of 11.1 pence per share was paid on 7 October 2019 as a PID, net of withholding tax where appropriate. The total dividend for the year ended 31 December 2019 would be 25.9 pence per share (2018: 25.9 pence per share).

|   | PID<br>pence<br>per share | Non-PID<br>pence<br>per share | Total<br>pence<br>per share | Equity<br>dividends<br>2019<br>£m | Equity<br>dividends<br>2018<br>£m |
|---|---------------------------|-------------------------------|-----------------------------|-----------------------------------|-----------------------------------|
| <b>Current year</b>   |                           |                               |                             |                                   |                                   |
| 2019 final dividend   | 14.8                      | –                             | 14.8                        | –                                 | –                                 |
| 2019 interim dividend   | 11.1                      | –                             | 11.1                        | 84.9                              | –                                 |
|   | 25.9                      | –                             | 25.9                        |                                   |                                   |
| <b>Prior years</b>  |                           |                               |                             |                                   |                                   |
| 2018 final dividend   | 7.4                       | 7.4                           | 14.8                        | 113.5                             | –                                 |
| 2018 interim dividend   | 11.1                      | –                             | 11.1                        | –                                 | 86.8                              |
|   | 18.5                      | 7.4                           | 25.9                        |                                   |                                   |
| 2017 final dividend   |                           |                               |                             | –                                 | 116.6                             |
| <b>Dividends as reported in the consolidated statement of changes in equity</b> |                           |                               |                             | <b>198.4</b>                      | <b>203.4</b>                      |
| 2017 interim dividend withholding tax (paid 2018)                               |                           |                               |                             | –                                 | 13.4                              |
| 2018 interim dividend withholding tax (paid 2019)                               |                           |                               |                             | 12.7                              | (12.7)                            |
| 2019 interim dividend withholding tax (paid 2020)                               |                           |                               |                             | (12.2)                            | –                                 |
| <b>Dividends paid as reported in the consolidated cash flow statement</b>       |                           |                               |                             | <b>198.9</b>                      | <b>204.1</b>                      |

## 9: (Loss)/Earnings per share and net asset value per share

The European Public Real Estate Association (EPRA) has issued recommended bases for the calculation of certain per share information and these are included in the following tables B and D. Commentary on (loss)/earnings and net asset value per share is provided in the Financial review on pages 22 to 29. Headline earnings per share has been calculated and presented in note 9C as required by the Johannesburg Stock Exchange listing requirements.

### A: Number of shares for per share calculations

|                  | 2019                        |          | 2018                        |          |
|------------------|-----------------------------|----------|-----------------------------|----------|
|                  | Basic, EPRA<br>and adjusted | Diluted* | Basic, EPRA and<br>adjusted | Diluted* |
| Shares (million) | 765.3                       | 765.3    | 786.3                       | 786.3    |

\* In 2019 and 2018, there was no difference in the weighted average number of shares used for the calculation of basic and diluted loss per share as the effect of all potentially dilutive shares outstanding was anti-dilutive. The total number of shares including potentially dilutive shares is 765.9 million (2018: 787.4 million).

The calculations for (loss)/earnings per share use the weighted average number of shares, which excludes those shares held in the Hammerson Employee Share Ownership Plan, which are treated as cancelled. The calculations for net asset value per share use the number of shares in issue at 31 December as shown in note 20.

## 9: (Loss)/Earnings per share and net asset value per share *continued*

### B: (Loss)/Earnings per share

|  |  | 2019                      |                    | 2018                      |                    |       |
|--|--|---------------------------|--------------------|---------------------------|--------------------|-------|
|  |  | (Loss)/<br>Earnings<br>£m | Pence<br>per share | (Loss)/<br>Earnings<br>£m | Pence<br>per share |       |
| <b>Basic and diluted</b>   |  | <b>(781.2)</b>            | <b>(102.1)</b>     | <b>(268.1)</b>            | <b>(34.1)</b>      |       |
| Basic – continuing operations  |  | <b>(575.7)</b>            | <b>(75.2)</b>      | (174.7)                   | (22.2)             |       |
| Basic – discontinued operations  |  | <b>(205.5)</b>            | <b>(26.9)</b>      | (93.4)                    | (11.9)             |       |
| <b>Basic and diluted – total</b>   |  | <b>(781.2)</b>            | <b>(102.1)</b>     | <b>(268.1)</b>            | <b>(34.1)</b>      |       |
| Adjustments:   |  |                           |                    |                           |                    |       |
| Revaluation losses on properties:  |  |                           |                    |                           |                    |       |
| continuing operations  | Reported Group                                   | 2                         | <b>294.7</b>       | <b>38.5</b>               | 41.4               | 5.3   |
|  | Share of Property interests <sup>1</sup>         | 2                         | <b>608.4</b>       | <b>79.5</b>               | 282.6              | 35.9  |
| discontinued operations  | Reported Group                                   | 2,7B                      | <b>124.9</b>       | <b>16.3</b>               | 124.6              | 15.8  |
|  |  |                           | <b>1,028.0</b>     | <b>134.3</b>              | 448.6              | 57.0  |
| Loss/(Profit) on sale of properties: continuing operations   |  |                           |                    |                           |                    |       |
|  | Reported Group                                   | 2                         | <b>69.7</b>        | <b>9.1</b>                | 53.5               | 6.8   |
|  | Share of Property interests                      | 2                         | <b>(14.1)</b>      | <b>(1.8)</b>              | (15.0)             | (1.9) |
| discontinued operations  | Reported Group                                   | 2,7B                      | <b>36.1</b>        | <b>4.7</b>                | 26.4               | 3.4   |
|  |  |                           | <b>91.7</b>        | <b>12.0</b>               | 64.9               | 8.3   |
| Impairment recognised on reclassification to held for sale: discontinued operations                        | Reported Group                                   | 2,7B                      | <b>92.0</b>        | <b>12.0</b>               | -                  | -     |
| Net exchange gain previously recognised in equity, recycled on disposal of foreign operations <sup>2</sup> | Reported Group                                   | 2                         | <b>(13.8)</b>      | <b>(1.8)</b>              | (2.0)              | (0.3) |
| Debt and loan facility cancellation costs <sup>2</sup>   | Reported Group                                   | 5                         | -                  | -                         | 15.3               | 1.9   |
| Change in fair value of derivatives <sup>2</sup>   | Reported Group                                   | 5                         | <b>(6.2)</b>       | <b>(0.8)</b>              | 14.5               | 1.8   |
|  | Share of Property interests                      | 11B                       | <b>2.6</b>         | <b>0.4</b>                | 1.4                | 0.2   |
|  |  |                           | <b>(3.6)</b>       | <b>(0.4)</b>              | 15.9               | 2.0   |
| Other adjustments <sup>2</sup>   |  |                           |                    |                           |                    |       |
|  | Reported Group                                   |                           |                    |                           |                    |       |
|  | Acquisition-related costs                        | 2                         | -                  | -                         | 6.4                | 0.8   |
|  | Non-controlling interests                        | 2,24                      | -                  | -                         | (0.4)              | -     |
|  |  |                           | -                  | -                         | 6.0                | 0.8   |
| Premium outlets <sup>2</sup>   | Revaluation gains on properties                  | 11B, 12B                  | <b>(199.8)</b>     | <b>(26.1)</b>             | (56.2)             | (7.1) |
|  | Change in fair value of derivatives              | 11B, 12B                  | <b>(5.1)</b>       | <b>(0.7)</b>              | 1.3                | 0.2   |
|  | Deferred tax                                     | 11B, 12B                  | <b>6.4</b>         | <b>0.8</b>                | 13.8               | 1.7   |
|  | Other adjustments                                | 11B, 12B                  | <b>(0.3)</b>       | -                         | 0.7                | 0.1   |
|  |  |                           | <b>(198.8)</b>     | <b>(26.0)</b>             | (40.4)             | (5.1) |
| <b>Total adjustments</b>   |  |                           | <b>995.5</b>       | <b>130.1</b>              | 508.3              | 64.6  |
| <b>EPRA</b>  |  |                           | <b>214.3</b>       | <b>28.0</b>               | 240.2              | 30.5  |
| Other adjustments <sup>2</sup>   |  |                           |                    |                           |                    |       |
|  | Translation movement on intragroup funding loan: |                           |                    |                           |                    |       |
|  | Premium outlets                                  | 11B                       | <b>(0.3)</b>       | -                         | 0.1                | 0.1   |
| <b>Adjusted</b>  |  |                           | <b>214.0</b>       | <b>28.0</b>               | 240.3              | 30.6  |

1. The revaluation losses on properties relating to the Share of Property interests includes: £591.5 million (2018: £267.1 million) in respect of Property joint ventures (note 11B); £2.8 million (2018: £0.5 million) in respect of associates (note 12B); and the reclassification of £14.1 million (2018: £15.0 million) from 'loss on sale of properties' referred to in footnote G (2018: footnote I) of note 2, to reflect the sale of a 75% interest in Italic Deux (2018: sale of a 50% interest in Highcross).

2. Relate to continuing operations.

## 9: (Loss)/Earnings per share and net asset value per share *continued*

### C: Headline earnings per share

|  | Notes | 2019<br>Earnings<br>£m | 2018<br>Earnings<br>£m |
|--|-------|------------------------|------------------------|
| Loss for the year attributable to equity shareholders  |       | <b>(781.2)</b>         | (268.1)                |
| Revaluation losses on properties: Reported Group and Share of Property interests                               | 9B    | <b>1,028.0</b>         | 448.6                  |
| Loss on sale of properties: Reported Group and Share of Property interests                                     | 9B    | <b>91.7</b>            | 64.9                   |
| Impairment recognised on reclassification to held for sale – discontinued operations                           | 9B    | <b>92.0</b>            | –                      |
| Net exchange gain previously recognised in equity, recycled on disposal of foreign operations: Reported Group* | 9B    | <b>(13.8)</b>          | (2.0)                  |
| Non-controlling interests*   | 9B    | –                      | (0.4)                  |
| Revaluation gains on properties: Premium outlets*  | 9B    | <b>(199.8)</b>         | (56.2)                 |
| Deferred tax: Premium outlets*   | 9B    | <b>6.4</b>             | 13.8                   |
| Translation movements on intragroup funding loan: Premium outlets*   | 11B   | <b>(0.3)</b>           | 0.1                    |
| <b>Headline earnings</b>   |       | <b>223.0</b>           | 200.7                  |

### **Basic headline earnings per share (pence)**

**29.1p**      25.5p

### **Diluted headline earnings per share (pence)**

**29.1p**      25.5p

|  |          | 2019<br>Earnings<br>£m | 2018<br>Earnings<br>£m |
|--|----------|------------------------|------------------------|
| Reconciliation of headline earnings to adjusted earnings                             |          |                        |                        |
| Headline earnings as above   |          | <b>223.0</b>           | 200.7                  |
| Debt and loan facility cancellation costs: Reported Group*                           | 9B       | –                      | 15.3                   |
| Change in fair value of derivatives: Reported Group and Share of Property interests* | 9B       | <b>(3.6)</b>           | 15.9                   |
| Acquisition-related costs: Reported Group*   | 9B       | –                      | 6.4                    |
| Change in fair value of derivatives: Premium outlets*                                | 11B, 12B | <b>29.4</b>            | 3.5                    |
| Change in fair value of participative loans – revaluation movement: Premium outlets* | 12B      | <b>(34.5)</b>          | (2.2)                  |
| Change in fair value of financial assets: Premium outlets*                           | 12B      | <b>(0.3)</b>           | –                      |
| Loan facility costs written off: Premium outlets*                                    | 12B      | –                      | 0.7                    |
| <b>Adjusted earnings</b>   |          | <b>214.0</b>           | 240.3                  |

\* Relate to continuing operations.

## 9: (Loss)/Earnings per share and net asset value per share *continued*

### D: Net asset value per share

|  | Notes    | 2019                             |                   | 2018                              |                                  |                   |                                   |
|--|----------|----------------------------------|-------------------|-----------------------------------|----------------------------------|-------------------|-----------------------------------|
|  |          | Equity shareholders' funds<br>£m | Shares<br>million | Net asset value<br>per share<br>£ | Equity shareholders' funds<br>£m | Shares<br>million | Net asset value<br>per share<br>£ |
| <i>Continuing and discontinued operations</i>              |          |                                  |                   |                                   |                                  |                   |                                   |
| <b>Basic</b>   |          | <b>4,377.0</b>                   | <b>766.3</b>      | <b>5.71</b>                       | 5,432.6                          | 766.4             | 7.09                              |
| Company's own shares held in Employee Share Ownership Plan |          | –                                | (1.1)             | n/a                               | –                                | (1.5)             | n/a                               |
| Dilutive share schemes                                     |          | 1.6                              | 0.4               | n/a                               | 2.0                              | 1.2               | n/a                               |
| <b>Diluted</b>   |          | <b>4,378.6</b>                   | <b>765.6</b>      | <b>5.72</b>                       | 5,434.6                          | 766.1             | 7.09                              |
| Fair value adjustment to borrowings                        |          |                                  |                   |                                   |                                  |                   |                                   |
| – Reported Group   | 18B      | (180.9)                          |                   | (0.24)                            | (110.0)                          |                   | (0.14)                            |
| – Share of Property interests                              |          | (2.4)                            |                   | –                                 | (3.2)                            |                   | –                                 |
|  |          | <b>(183.3)</b>                   |                   | <b>(0.24)</b>                     | (113.2)                          |                   | (0.14)                            |
| <b>EPRA NNNNAV</b>   |          | <b>4,195.3</b>                   |                   | <b>5.48</b>                       | 5,321.4                          |                   | 6.95                              |
| Fair value adjustment to borrowings                        |          |                                  |                   |                                   |                                  |                   |                                   |
|  |          | <b>183.3</b>                     |                   | <b>0.24</b>                       | 113.2                            |                   | 0.14                              |
| Deferred tax   |          |                                  |                   |                                   |                                  |                   |                                   |
| – Reported Group   |          | 0.4                              |                   | –                                 | 0.5                              |                   | –                                 |
| – Share of Property interests                              | 11C      | 0.1                              |                   | –                                 | –                                |                   | –                                 |
|  |          | <b>0.5</b>                       |                   | –                                 | 0.5                              |                   | –                                 |
| Fair value of interest rate swaps                          |          |                                  |                   |                                   |                                  |                   |                                   |
| – Reported Group   | 18B      | (0.7)                            |                   | –                                 | (2.7)                            |                   | –                                 |
| – Share of Property interests                              | 11C      | 3.9                              |                   | 0.01                              | 1.4                              |                   | –                                 |
|  |          | <b>3.2</b>                       |                   | <b>0.01</b>                       | (1.3)                            |                   | –                                 |
| Premium outlets  |          |                                  |                   |                                   |                                  |                   |                                   |
| – Fair value of derivatives                                | 11C, 12D | 16.7                             |                   | 0.02                              | 8.8                              |                   | 0.01                              |
| – Deferred tax   | 11C, 12D | 270.2                            |                   | 0.35                              | 274.4                            |                   | 0.36                              |
| – Goodwill as a result of deferred tax                     | 11C, 12D | (70.6)                           |                   | (0.09)                            | (66.7)                           |                   | (0.08)                            |
|  |          | <b>216.3</b>                     |                   | <b>0.28</b>                       | 216.5                            |                   | 0.29                              |
| <b>EPRA NAV</b>  |          | <b>4,598.6</b>                   | <b>765.6</b>      | <b>6.01</b>                       | 5,650.3                          | 766.1             | 7.38                              |

## 10: Investment and development properties

|  | 2019                        |                              |                | 2018                        |                              |                |
|--|-----------------------------|------------------------------|----------------|-----------------------------|------------------------------|----------------|
|  | Investment properties<br>£m | Development properties<br>£m | Total<br>£m    | Investment properties<br>£m | Development properties<br>£m | Total<br>£m    |
| Valuation at 1 January                               | 3,440.7                     | 389.7                        | 3,830.4        | 4,348.9                     | 337.2                        | 4,686.1        |
| Exchange adjustment                                  | (95.6)                      | (17.3)                       | (112.9)        | 20.3                        | 2.5                          | 22.8           |
| Additions – Asset acquisitions                       | –                           | 0.9                          | 0.9            | 11.5                        | 0.4                          | 11.9           |
| – Capital expenditure                                | 29.9                        | 47.1                         | 77.0           | 70.7                        | 65.4                         | 136.1          |
|  | 29.9                        | 48.0                         | 77.9           | 82.2                        | 65.8                         | 148.0          |
| Transfer to investment in joint ventures (note 11D)  | –                           | –                            | –              | (235.7)                     | –                            | (235.7)        |
| Transfer to investments in associates                | (121.1)                     | –                            | (121.1)        | –                           | –                            | –              |
| Disposals  | (637.5)                     | (5.5)                        | (643.0)        | (631.3)                     | –                            | (631.3)        |
| Capitalised interest                                 | 0.5                         | 2.3                          | 2.8            | 0.2                         | 1.7                          | 1.9            |
| Reclassification on completion of developments       | –                           | –                            | –              | 39.5                        | (39.5)                       | –              |
| Revaluation (losses)/gains – continuing operations   | (232.2)                     | (62.5)                       | (294.7)        | (61.8)                      | 20.4                         | (41.4)         |
| Revaluation (losses)/gains – discontinued operations | (117.5)                     | –                            | (117.5)        | (121.6)                     | 1.6                          | (120.0)        |
|  | (349.7)                     | (62.5)                       | (412.2)        | (183.4)                     | 22.0                         | (161.4)        |
| <b>Valuation at 31 December – total portfolio</b>    | <b>2,267.2</b>              | <b>354.7</b>                 | <b>2,621.9</b> | <b>3,440.7</b>              | <b>389.7</b>                 | <b>3,830.4</b> |
| Less: transfer to assets held for sale*              | (520.0)                     | (3.2)                        | (523.2)        | –                           | –                            | –              |
| <b>Valuation at 31 December</b>                      | <b>1,747.2</b>              | <b>351.5</b>                 | <b>2,098.7</b> | <b>3,440.7</b>              | <b>389.7</b>                 | <b>3,830.4</b> |

\* On 31 December 2019, properties valued at £523.2 million were transferred to assets held for sale and subsequently impaired by £91.6 million, resulting in a carrying value of £431.6 million as disclosed in note 7D.

| Analysis of properties by tenure     | Freehold<br>£m | Long leasehold<br>£m | Total<br>£m    |
|--------------------------------------|----------------|----------------------|----------------|
| <b>Valuation at 31 December 2019</b> | <b>1,151.4</b> | <b>947.3</b>         | <b>2,098.7</b> |
| Valuation at 31 December 2018        | 2,563.6        | 1,266.8              | 3,830.4        |

Properties are stated at fair value as at 31 December 2019, valued by professionally qualified external valuers. Cushman & Wakefield Debenham Tie Leung Limited, Chartered Surveyors, have valued the Group's properties, excluding those held by the Group's premium outlet investments which have been valued by Cushman & Wakefield LLP, Chartered Surveyors. Valuations have been prepared in accordance with the RICS Valuation – Global Standards based on certain assumptions. Valuation fees are based on a fixed amount agreed between the Group and the valuers and are independent of the portfolio value. Summaries of the valuers' reports are available on the Company's website: [www.hammerson.com](http://www.hammerson.com).

In the case of leasehold properties, valuations are net of any obligation to freeholders or superior leaseholders. To comply with IAS 40 and IFRS 16 these obligations and the related leasehold assets are included in the balance sheet within 'Obligations under head leases' and 'Interests in leasehold properties' respectively.

The total amount of interest included in development properties at 31 December 2019 was £3.8 million (2018: £1.5 million). Capitalised interest is calculated using the cost of secured debt or the Group's weighted average cost of borrowings, as appropriate, and the effective rate applied in 2019 was 2.6% (2018: 2.7%). At 31 December 2019, the historical cost of investment and development properties was £2,698.6 million (2018: £3,145.9 million).

Included within investment properties at 31 December 2019 is £30.3 million relating to the onsite development of Italik on which contracts have been exchanged for a forward sale 18 months after completion, which is due in Q4 2020.

Since the year end, the Group has completed the sale of Abbey Retail Park for £33 million and exchanged unconditional contracts for the sale of seven retail parks for net proceeds of £395 million as detailed in note 25.

### Joint operations

At 31 December 2019, investment properties included properties with a value of £199.5 million (2018: £215.1 million) held within joint operations which are jointly controlled and proportionally consolidated. The Hammerson ICAV acquired a 50% interest in the Ilac Centre, Dublin in December 2016 and at 31 December 2019 a co-ownership agreement was in place with Irish Life Assurance plc, the holder of the remaining 50% interest. The Hammerson ICAV also holds a 50% interest in Pavilions, Swords, acquired in September 2017 and at 31 December 2019 a Co-ownership agreement was in place with Irish Life Assurance plc.

## 11: Investment in joint ventures

The Group has investments in a number of jointly controlled property and corporate interests, which have been equity accounted under IFRS in the consolidated financial statements.

As explained in the Financial review on page 22, management reviews the business principally on a proportionally consolidated basis, except for its premium outlet investments. The Group's share of assets and liabilities of joint ventures is split between Property joint ventures, being joint ventures which are proportionally consolidated, and VIA Outlets, a premium outlets investment, which is not proportionally consolidated. The Group's significant joint venture interests are set out in the table below.

|   | Partner   | Principal property <sup>A</sup> | Group share % |
|---|---|---------------------------------|---------------|
| <b>United Kingdom</b>   |   |                                 |               |
| Bishopsgate Goodsyards Regeneration Limited                               | Ballymore Properties                              | The Goodsyards                  | 50            |
| Brent Cross   | Aberdeen Standard Investments                     | Brent Cross                     | 41            |
| Brent South Shopping Park <sup>C</sup>                                    | Aberdeen Standard Investments                     | Brent South                     | 41            |
| Bristol Alliance Limited Partnership                                      | AXA Real Estate                                   | Cabot Circus                    | 50            |
| Croydon Limited Partnership/Whitgift Limited Partnership                  | Unibail-Rodamco-Westfield                         | Centrale/Whitgift               | 50            |
| Grand Central Limited Partnership   | CPPIB   | Grand Central                   | 50            |
| Highcross Leicester Limited Partnership                                   | Asian investor introduced by M&G Real Estate      | Highcross                       | 50            |
| Silverburn Unit Trust <sup>B</sup>  | CPPIB   | Silverburn                      | 50            |
| The Bull Ring Limited Partnership   | Nuveen, CPPIB                                     | Bullring                        | 50            |
| The Oracle Limited Partnership  | ADIA  | The Oracle                      | 50            |
| The West Quay Limited Partnership   | GIC   | Westquay                        | 50            |
| VIA Limited Partnership <sup>B</sup>                                      | APG   | VIA Outlets                     | 50            |
| <b>Ireland</b>  |   |                                 |               |
| Dundrum Retail Limited Partnership / Dundrum Car Park Limited Partnership | Allianz   | Dundrum                         | 50            |
| <b>France</b>   |   |                                 |               |
| SCI ESQ   | Allianz   | Espace Saint-Quentin            | 25            |
| SCI RC Aulnay 1 and SCI RC Aulnay 2                                       | Client of Rockspring Property Investment Managers | O'Parinor                       | 25            |

A. The names of the principal properties operated by each partnership have been used in the summary income statements and balance sheets in note 11A. The two Dundrum partnerships are presented together as the 'Dundrum'. The Goodsyards, Espace Saint-Quentin and O'Parinor are presented together as 'Other'.

B. Registered in Jersey.

C. Brent South Shopping Park is classified as a discontinued operation in both 2018 and 2019 and its share of results are shown in note 7B. At 31 December 2019, the Group's investment in Brent South Shopping Park was reclassified as 'assets held for sale' as detailed in note 7D. The share of assets and liabilities for 2018 are included in investment in joint ventures in note 11B.

The Reported Group's investment in joint ventures at 31 December 2019 was £3,017.1 million (2018: £3,604.5 million). An analysis of the movements in the year is provided in note 11D on page 60.

The following footnotes apply to the summarised income statements and balance sheets in note 11A which show 100% of the results, assets and liabilities of joint ventures, and where appropriate have been restated to the Group's accounting policies and exclude all balances which are eliminated on consolidation.

- In addition to the distributions payable, the Group received interest from its joint ventures of £12.3 million (2018: £10.3 million).
- Included within the 100% cash and deposits figures are balances of £5.0 million (2018: £4.1 million) and £7.2 million (2018: £4.5 million) in respect of Highcross and the Irish Portfolio respectively, which are classed as 'restricted' under the terms of the loan agreements.
- The Group and its partners invest in joint ventures principally by way of equity investment. To provide further clarity of this investment, those balances which are not equity have been included within other payables as a liability of the joint venture, and the Group's interest has been shown separately.
- In September 2019, the Group acquired an additional 3.125% stake in VIA Outlets for €32.1 million (£29.0 million), resulting in the recognition of goodwill of €6.8 million (£6.1 million) and increasing its ownership share from 46.875% to 50%.

## 11: Investment in joint ventures continued

### A. Summary financial statements of joint ventures

#### Share of results of joint ventures for the year ended 31 December 2019

See page 55 for footnotes.

|   | Brent Cross<br>£m | Cabot Circus<br>£m | Bullring<br>£m | Grand<br>Central<br>£m | The Oracle<br>£m | Westquay<br>£m |
|---|-------------------|--------------------|----------------|------------------------|------------------|----------------|
| Ownership (%)   | 41                | 50                 | 50             | 50                     | 50               | 50             |
| <b>Gross rental income</b>                                  | <b>39.2</b>       | <b>35.5</b>        | <b>55.0</b>    | <b>11.3</b>            | <b>33.1</b>      | <b>34.6</b>    |
| <b>Net rental income</b>                                    | <b>36.0</b>       | <b>29.9</b>        | <b>46.1</b>    | <b>9.1</b>             | <b>28.0</b>      | <b>26.8</b>    |
| Administration expenses                                     | (0.1)             | -                  | -              | (0.1)                  | -                | -              |
| <b>Operating profit before other net (losses)/gains</b>     | <b>35.9</b>       | <b>29.9</b>        | <b>46.1</b>    | <b>9.0</b>             | <b>28.0</b>      | <b>26.8</b>    |
| Revaluation (losses)/gains on properties                    | (196.3)           | (107.1)            | (189.0)        | (83.1)                 | (120.1)          | (124.8)        |
| <b>Operating (loss)/profit</b>                              | <b>(160.4)</b>    | <b>(77.2)</b>      | <b>(142.9)</b> | <b>(74.1)</b>          | <b>(92.1)</b>    | <b>(98.0)</b>  |
| Change in fair value of derivatives                         | -                 | -                  | -              | -                      | -                | -              |
| Translation movement on intragroup funding loan             | -                 | -                  | -              | -                      | -                | -              |
| Other finance (costs)/income                                | (0.4)             | (0.7)              | -              | (0.1)                  | -                | (0.3)          |
| Net finance (costs)/income                                  | (0.4)             | (0.7)              | -              | (0.1)                  | -                | (0.3)          |
| <b>(Loss)/Profit before tax</b>                             | <b>(160.8)</b>    | <b>(77.9)</b>      | <b>(142.9)</b> | <b>(74.2)</b>          | <b>(92.1)</b>    | <b>(98.3)</b>  |
| Current tax charge  | -                 | -                  | -              | -                      | (0.2)            | -              |
| Deferred tax charge   | -                 | -                  | -              | -                      | -                | -              |
| <b>(Loss)/Profit for the year</b>                           | <b>(160.8)</b>    | <b>(77.9)</b>      | <b>(142.9)</b> | <b>(74.2)</b>          | <b>(92.3)</b>    | <b>(98.3)</b>  |
| <b>Hammerson share of (loss)/profit for the year</b>        | <b>(65.3)</b>     | <b>(38.9)</b>      | <b>(71.4)</b>  | <b>(37.1)</b>          | <b>(46.1)</b>    | <b>(49.1)</b>  |
| <b>Hammerson share of distributions payable<sup>1</sup></b> | <b>16.7</b>       | <b>21.6</b>        | <b>24.0</b>    | <b>5.1</b>             | <b>14.9</b>      | <b>5.3</b>     |

#### Share of assets and liabilities of joint ventures as at 31 December 2019

|  | Brent Cross<br>£m | Cabot Circus<br>£m | Bullring<br>£m | Grand<br>Central<br>£m | The Oracle<br>£m | Westquay<br>£m |
|--|-------------------|--------------------|----------------|------------------------|------------------|----------------|
| <b>Non-current assets</b>                          |                   |                    |                |                        |                  |                |
| Investment and development properties              | 754.4             | 470.2              | 961.2          | 203.8                  | 454.1            | 530.6          |
| Goodwill   | -                 | -                  | -              | -                      | -                | -              |
| Other non-current assets                           | 12.8              | 13.8               | -              | 2.7                    | -                | 4.2            |
|  | <b>767.2</b>      | <b>484.0</b>       | <b>961.2</b>   | <b>206.5</b>           | <b>454.1</b>     | <b>534.8</b>   |
| <b>Current assets</b>                              |                   |                    |                |                        |                  |                |
| Other current assets                               | 8.7               | 6.7                | 16.4           | 5.0                    | 7.3              | 6.7            |
| Cash and deposits <sup>2</sup>                     | 9.4               | 15.9               | 12.7           | 9.1                    | 4.1              | 4.8            |
|  | <b>18.1</b>       | <b>22.6</b>        | <b>29.1</b>    | <b>14.1</b>            | <b>11.4</b>      | <b>11.5</b>    |
| <b>Current liabilities</b>                         |                   |                    |                |                        |                  |                |
| Other payables                                     | (15.2)            | (13.4)             | (24.4)         | (7.0)                  | (10.7)           | (11.3)         |
| Loans – secured                                    | -                 | -                  | -              | -                      | -                | -              |
|  | <b>(15.2)</b>     | <b>(13.4)</b>      | <b>(24.4)</b>  | <b>(7.0)</b>           | <b>(10.7)</b>    | <b>(11.3)</b>  |
| <b>Non-current liabilities</b>                     |                   |                    |                |                        |                  |                |
| Loans – secured                                    | -                 | -                  | -              | -                      | -                | -              |
| Derivative financial instruments                   | -                 | -                  | -              | -                      | -                | -              |
| Obligations under head leases                      | (12.8)            | (14.1)             | -              | (2.8)                  | -                | (4.2)          |
| Other payables                                     | (0.4)             | (0.7)              | (1.5)          | (0.7)                  | (1.4)            | (697.5)        |
| Deferred tax                                       | -                 | -                  | -              | -                      | (0.2)            | -              |
|  | <b>(13.2)</b>     | <b>(14.8)</b>      | <b>(1.5)</b>   | <b>(3.5)</b>           | <b>(1.6)</b>     | <b>(701.7)</b> |
| <b>Net assets/(liabilities)</b>                    | <b>756.9</b>      | <b>478.4</b>       | <b>964.4</b>   | <b>210.1</b>           | <b>453.2</b>     | <b>(166.7)</b> |
| <b>Hammerson share of net assets/(liabilities)</b> | <b>307.4</b>      | <b>239.2</b>       | <b>482.2</b>   | <b>105.0</b>           | <b>226.6</b>     | <b>(83.3)</b>  |
| Balance due to Hammerson <sup>3</sup>              | -                 | -                  | -              | -                      | -                | 348.2          |
| <b>Total investment in joint ventures</b>          | <b>307.4</b>      | <b>239.2</b>       | <b>482.2</b>   | <b>105.0</b>           | <b>226.6</b>     | <b>264.9</b>   |



| 100%             |               |                 |                |                   |               |                     | Hammerson share                  |                                |                     |
|------------------|---------------|-----------------|----------------|-------------------|---------------|---------------------|----------------------------------|--------------------------------|---------------------|
| Silverburn<br>£m | Croydon<br>£m | Highcross<br>£m | Dundrum<br>£m  | VIA Outlets<br>£m | Other<br>£m   | Total<br>2019<br>£m | Property joint<br>ventures<br>£m | VIA Outlets <sup>4</sup><br>£m | Total<br>2019<br>£m |
| 50               | 50            | 50              | 50             | 50                | various       |                     |                                  |                                |                     |
| <b>21.1</b>      | <b>21.1</b>   | <b>28.9</b>     | <b>61.6</b>    | <b>94.9</b>       | <b>32.6</b>   | <b>468.9</b>        | <b>175.3</b>                     | <b>45.6</b>                    | <b>220.9</b>        |
| <b>19.0</b>      | <b>13.0</b>   | <b>22.6</b>     | <b>54.5</b>    | <b>66.4</b>       | <b>28.9</b>   | <b>380.3</b>        | <b>146.4</b>                     | <b>31.8</b>                    | <b>178.2</b>        |
| <b>(0.1)</b>     | <b>(0.1)</b>  | <b>(0.1)</b>    | <b>(0.4)</b>   | <b>(13.6)</b>     | <b>(0.1)</b>  | <b>(14.6)</b>       | <b>(0.5)</b>                     | <b>(6.5)</b>                   | <b>(7.0)</b>        |
| <b>18.9</b>      | <b>12.9</b>   | <b>22.5</b>     | <b>54.1</b>    | <b>52.8</b>       | <b>28.8</b>   | <b>365.7</b>        | <b>145.9</b>                     | <b>25.3</b>                    | <b>171.2</b>        |
| <b>(80.1)</b>    | <b>(57.2)</b> | <b>(81.2)</b>   | <b>(134.5)</b> | <b>60.3</b>       | <b>(92.4)</b> | <b>(1,205.5)</b>    | <b>(591.5)</b>                   | <b>29.1</b>                    | <b>(562.4)</b>      |
| <b>(61.2)</b>    | <b>(44.3)</b> | <b>(58.7)</b>   | <b>(80.4)</b>  | <b>113.1</b>      | <b>(63.6)</b> | <b>(839.8)</b>      | <b>(445.6)</b>                   | <b>54.4</b>                    | <b>(391.2)</b>      |
| -                | -             | <b>(2.6)</b>    | <b>(2.5)</b>   | <b>(2.0)</b>      | -             | <b>(7.1)</b>        | <b>(2.6)</b>                     | <b>(0.9)</b>                   | <b>(3.5)</b>        |
| -                | -             | -               | -              | <b>0.6</b>        | -             | <b>0.6</b>          | -                                | <b>0.3</b>                     | <b>0.3</b>          |
| -                | <b>0.2</b>    | <b>(5.1)</b>    | <b>(10.7)</b>  | <b>(17.2)</b>     | <b>(2.9)</b>  | <b>(37.2)</b>       | <b>(8.8)</b>                     | <b>(8.2)</b>                   | <b>(17.0)</b>       |
| -                | <b>0.2</b>    | <b>(7.7)</b>    | <b>(13.2)</b>  | <b>(18.6)</b>     | <b>(2.9)</b>  | <b>(43.7)</b>       | <b>(11.4)</b>                    | <b>(8.8)</b>                   | <b>(20.2)</b>       |
| <b>(61.2)</b>    | <b>(44.1)</b> | <b>(66.4)</b>   | <b>(93.6)</b>  | <b>94.5</b>       | <b>(66.5)</b> | <b>(883.5)</b>      | <b>(457.0)</b>                   | <b>45.6</b>                    | <b>(411.4)</b>      |
| -                | <b>(0.4)</b>  | -               | -              | <b>(5.3)</b>      | <b>(0.1)</b>  | <b>(6.0)</b>        | <b>(0.3)</b>                     | <b>(2.5)</b>                   | <b>(2.8)</b>        |
| -                | -             | -               | -              | <b>(18.2)</b>     | -             | <b>(18.2)</b>       | -                                | <b>(8.8)</b>                   | <b>(8.8)</b>        |
| <b>(61.2)</b>    | <b>(44.5)</b> | <b>(66.4)</b>   | <b>(93.6)</b>  | <b>71.0</b>       | <b>(66.6)</b> | <b>(907.7)</b>      |                                  |                                |                     |
| <b>(30.6)</b>    | <b>(22.2)</b> | <b>(33.2)</b>   | <b>(46.8)</b>  | <b>34.3</b>       | <b>(16.6)</b> | <b>(423.0)</b>      | <b>(457.3)</b>                   | <b>34.3</b>                    | <b>(423.0)</b>      |
| <b>6.2</b>       | -             | <b>4.6</b>      | <b>18.0</b>    | -                 | <b>0.5</b>    | <b>116.9</b>        |                                  |                                |                     |

| 100%             |               |                 |                |                   |                |                     | Hammerson share                  |                                |                     |
|------------------|---------------|-----------------|----------------|-------------------|----------------|---------------------|----------------------------------|--------------------------------|---------------------|
| Silverburn<br>£m | Croydon<br>£m | Highcross<br>£m | Dundrum<br>£m  | VIA Outlets<br>£m | Other<br>£m    | Total<br>2019<br>£m | Property joint<br>ventures<br>£m | VIA Outlets <sup>4</sup><br>£m | Total<br>2019<br>£m |
| <b>238.8</b>     | <b>316.8</b>  | <b>391.8</b>    | <b>1,370.8</b> | <b>1,386.9</b>    | <b>645.9</b>   | <b>7,725.3</b>      | <b>2,964.6</b>                   | <b>693.5</b>                   | <b>3,658.1</b>      |
| -                | -             | -               | -              | -                 | -              | -                   | -                                | <b>8.9</b>                     | <b>8.9</b>          |
| -                | -             | -               | <b>0.8</b>     | <b>11.9</b>       | -              | <b>46.2</b>         | <b>18.2</b>                      | <b>6.0</b>                     | <b>24.2</b>         |
| <b>238.8</b>     | <b>316.8</b>  | <b>391.8</b>    | <b>1,371.6</b> | <b>1,398.8</b>    | <b>645.9</b>   | <b>7,771.5</b>      | <b>2,982.8</b>                   | <b>708.4</b>                   | <b>3,691.2</b>      |
| <b>6.3</b>       | <b>82.4</b>   | <b>8.7</b>      | <b>17.2</b>    | <b>29.7</b>       | <b>11.2</b>    | <b>206.3</b>        | <b>78.0</b>                      | <b>11.1</b>                    | <b>89.1</b>         |
| <b>5.9</b>       | <b>20.9</b>   | <b>13.9</b>     | <b>26.4</b>    | <b>59.4</b>       | <b>18.5</b>    | <b>201.0</b>        | <b>65.3</b>                      | <b>29.7</b>                    | <b>95.0</b>         |
| <b>12.2</b>      | <b>103.3</b>  | <b>22.6</b>     | <b>43.6</b>    | <b>89.1</b>       | <b>29.7</b>    | <b>407.3</b>        | <b>143.3</b>                     | <b>40.8</b>                    | <b>184.1</b>        |
| <b>(7.4)</b>     | <b>(15.1)</b> | <b>(12.5)</b>   | <b>(16.4)</b>  | <b>(47.2)</b>     | <b>(9.5)</b>   | <b>(190.1)</b>      | <b>(69.0)</b>                    | <b>(23.6)</b>                  | <b>(92.6)</b>       |
| -                | -             | -               | -              | <b>(6.6)</b>      | -              | <b>(6.6)</b>        | -                                | <b>(3.3)</b>                   | <b>(3.3)</b>        |
| <b>(7.4)</b>     | <b>(15.1)</b> | <b>(12.5)</b>   | <b>(16.4)</b>  | <b>(53.8)</b>     | <b>(9.5)</b>   | <b>(196.7)</b>      | <b>(69.0)</b>                    | <b>(26.9)</b>                  | <b>(95.9)</b>       |
| -                | -             | <b>(163.9)</b>  | <b>(526.6)</b> | <b>(527.9)</b>    | <b>(186.7)</b> | <b>(1,405.1)</b>    | <b>(391.9)</b>                   | <b>(263.9)</b>                 | <b>(655.8)</b>      |
| -                | -             | <b>(4.0)</b>    | <b>(3.8)</b>   | <b>(8.0)</b>      | -              | <b>(15.8)</b>       | <b>(3.9)</b>                     | <b>(4.0)</b>                   | <b>(7.9)</b>        |
| -                | -             | -               | -              | -                 | -              | <b>(33.9)</b>       | <b>(15.8)</b>                    | -                              | <b>(15.8)</b>       |
| <b>(0.2)</b>     | <b>(68.1)</b> | <b>(2.1)</b>    | <b>(14.1)</b>  | <b>(12.3)</b>     | <b>(179.7)</b> | <b>(978.7)</b>      | <b>(7.3)</b>                     | <b>(6.2)</b>                   | <b>(13.5)</b>       |
| -                | -             | -               | -              | <b>(138.4)</b>    | -              | <b>(138.6)</b>      | <b>(0.1)</b>                     | <b>(69.2)</b>                  | <b>(69.3)</b>       |
| <b>(0.2)</b>     | <b>(68.1)</b> | <b>(170.0)</b>  | <b>(544.5)</b> | <b>(686.6)</b>    | <b>(366.4)</b> | <b>(2,572.1)</b>    | <b>(419.0)</b>                   | <b>(343.3)</b>                 | <b>(762.3)</b>      |
| <b>243.4</b>     | <b>336.9</b>  | <b>231.9</b>    | <b>854.3</b>   | <b>747.5</b>      | <b>299.7</b>   | <b>5,410.0</b>      |                                  |                                |                     |
| <b>121.7</b>     | <b>168.4</b>  | <b>115.9</b>    | <b>427.1</b>   | <b>379.0</b>      | <b>84.2</b>    | <b>2,573.4</b>      |                                  |                                |                     |
| -                | <b>26.0</b>   | -               | <b>6.6</b>     | -                 | <b>62.9</b>    | <b>443.7</b>        |                                  |                                |                     |
| <b>121.7</b>     | <b>194.4</b>  | <b>115.9</b>    | <b>433.7</b>   | <b>379.0</b>      | <b>147.1</b>   | <b>3,017.1</b>      | <b>2,638.1</b>                   | <b>379.0</b>                   | <b>3,017.1</b>      |

## 11: Investment in joint ventures continued

### A. Summary financial statements of joint ventures

#### Share of results of joint ventures for the year ended 31 December 2018

See page 55 for footnotes.

|   | Brent Cross<br>£m | Cabot Circus<br>£m | Bullring<br>£m | Grand<br>Central<br>£m | The Oracle<br>£m | Westquay<br>£m |
|---|-------------------|--------------------|----------------|------------------------|------------------|----------------|
| Ownership (%)   | 41                | 50                 | 50             | 50                     | 50               | 50             |
| <b>Gross rental income</b>                                  | 41.2              | 38.1               | 58.8           | 12.0                   | 32.8             | 36.2           |
| <b>Net rental income</b>                                    | 37.4              | 32.6               | 51.2           | 11.0                   | 28.1             | 28.6           |
| Administration expenses                                     | -                 | -                  | -              | -                      | -                | -              |
| <b>Operating profit before other net (losses)/gains</b>     | 37.4              | 32.6               | 51.2           | 11.0                   | 28.1             | 28.6           |
| Revaluation (losses)/gains on properties                    | (47.7)            | (77.0)             | (118.7)        | (62.8)                 | (121.3)          | (50.2)         |
| <b>Operating (loss)/profit</b>                              | (10.3)            | (44.4)             | (67.5)         | (51.8)                 | (93.2)           | (21.6)         |
| Change in fair value of derivatives                         | -                 | -                  | -              | -                      | -                | -              |
| Translation movement on intragroup funding loan             | -                 | -                  | -              | -                      | -                | -              |
| Other finance (costs)/income                                | (0.1)             | (0.7)              | -              | (0.2)                  | -                | (0.4)          |
| Net finance (costs)/income                                  | (0.1)             | (0.7)              | -              | (0.2)                  | -                | (0.4)          |
| <b>(Loss)/Profit before tax</b>                             | (10.4)            | (45.1)             | (67.5)         | (52.0)                 | (93.2)           | (22.0)         |
| Current tax charge  | -                 | -                  | -              | -                      | -                | -              |
| Deferred tax credit   | -                 | -                  | -              | -                      | -                | -              |
| <b>(Loss)/Profit for the year</b>                           | (10.4)            | (45.1)             | (67.5)         | (52.0)                 | (93.2)           | (22.0)         |
| <b>Hammerson share of (loss)/profit for the year</b>        | (4.2)             | (22.6)             | (33.7)         | (26.0)                 | (46.6)           | (11.0)         |
| <b>Hammerson share of distributions payable<sup>1</sup></b> | 0.2               | 9.8                | 27.2           | -                      | 6.2              | -              |

#### Share of assets and liabilities of joint ventures as at 31 December 2018

|  | Brent Cross<br>£m | Cabot Circus<br>£m | Bullring<br>£m | Grand<br>Central<br>£m | The Oracle<br>£m | Westquay<br>£m |
|--|-------------------|--------------------|----------------|------------------------|------------------|----------------|
| <b>Non-current assets</b>                          |                   |                    |                |                        |                  |                |
| Investment and development properties              | 1,026.3           | 574.1              | 1,145.9        | 283.2                  | 573.5            | 654.5          |
| Goodwill   | -                 | -                  | -              | -                      | -                | -              |
| Other non-current assets                           | 12.8              | 13.9               | -              | 2.7                    | -                | 4.2            |
|  | 1,039.1           | 588.0              | 1,145.9        | 285.9                  | 573.5            | 658.7          |
| <b>Current assets</b>                              |                   |                    |                |                        |                  |                |
| Other current assets                               | 9.6               | 6.3                | 12.8           | 4.7                    | 6.5              | 8.8            |
| Cash and deposits <sup>2</sup>                     | 18.0              | 15.9               | 19.2           | 13.7                   | 9.6              | 8.8            |
|  | 27.6              | 22.2               | 32.0           | 18.4                   | 16.1             | 17.6           |
| <b>Current liabilities</b>                         |                   |                    |                |                        |                  |                |
| Other payables                                     | (17.4)            | (12.7)             | (21.7)         | (6.2)                  | (11.7)           | (12.4)         |
| Loans – secured                                    | -                 | -                  | -              | -                      | -                | -              |
|  | (17.4)            | (12.7)             | (21.7)         | (6.2)                  | (11.7)           | (12.4)         |
| <b>Non-current liabilities</b>                     |                   |                    |                |                        |                  |                |
| Loans – secured                                    | -                 | -                  | -              | -                      | -                | -              |
| Derivative financial instruments                   | -                 | -                  | -              | -                      | -                | -              |
| Obligations under head leases                      | (12.8)            | (13.9)             | -              | (2.7)                  | -                | (4.2)          |
| Other payables                                     | (1.3)             | (0.6)              | (1.4)          | (0.6)                  | (1.1)            | (697.7)        |
| Deferred tax                                       | -                 | -                  | -              | -                      | (0.2)            | -              |
|  | (14.1)            | (14.5)             | (1.4)          | (3.3)                  | (1.3)            | (701.9)        |
| <b>Net assets/(liabilities)</b>                    | 1,035.2           | 583.0              | 1,154.8        | 294.8                  | 576.6            | (38.0)         |
| <b>Hammerson share of net assets/(liabilities)</b> | 420.3             | 291.5              | 577.4          | 147.4                  | 288.3            | (19.0)         |
| Balance due to Hammerson <sup>3</sup>              | -                 | -                  | -              | -                      | -                | 348.2          |
| <b>Total investment in joint ventures</b>          | 420.3             | 291.5              | 577.4          | 147.4                  | 288.3            | 329.2          |

| 100%             |               |                 |               |                   |             |                     | Hammerson share                  |                   |                     |
|------------------|---------------|-----------------|---------------|-------------------|-------------|---------------------|----------------------------------|-------------------|---------------------|
| Silverburn<br>£m | Croydon<br>£m | Highcross<br>£m | Dundrum<br>£m | VIA Outlets<br>£m | Other<br>£m | Total<br>2018<br>£m | Property joint<br>ventures<br>£m | VIA Outlets<br>£m | Total<br>2018<br>£m |
| 50               | 50            | 50              | 50            | 47                | various     |                     |                                  |                   |                     |
| 21.2             | 24.6          | 3.3             | 66.5          | 90.7              | 33.2        | 458.6               | 172.1                            | 42.6              | 214.7               |
| 19.4             | 16.0          | 2.8             | 60.2          | 68.0              | 28.6        | 383.9               | 147.5                            | 31.9              | 179.4               |
| (0.1)            | (0.1)         | -               | (0.2)         | (15.4)            | (0.1)       | (15.9)              | (0.2)                            | (7.2)             | (7.4)               |
| 19.3             | 15.9          | 2.8             | 60.0          | 52.6              | 28.5        | 368.0               | 147.3                            | 24.7              | 172.0               |
| (25.8)           | (2.1)         | (1.4)           | 4.5           | 23.9              | (81.1)      | (559.7)             | (267.1)                          | 11.2              | (255.9)             |
| (6.5)            | 13.8          | 1.4             | 64.5          | 76.5              | (52.6)      | (191.7)             | (119.8)                          | 35.9              | (83.9)              |
| -                | -             | (1.4)           | (1.5)         | (4.6)             | -           | (7.5)               | (1.4)                            | (2.2)             | (3.6)               |
| -                | -             | -               | -             | (0.2)             | -           | (0.2)               | -                                | (0.1)             | (0.1)               |
| -                | 0.1           | (0.4)           | (10.8)        | (15.7)            | (2.9)       | (31.1)              | (7.0)                            | (7.4)             | (14.4)              |
| -                | 0.1           | (1.8)           | (12.3)        | (20.5)            | (2.9)       | (38.8)              | (8.4)                            | (9.7)             | (18.1)              |
| (6.5)            | 13.9          | (0.4)           | 52.2          | 56.0              | (55.5)      | (230.5)             | (128.2)                          | 26.2              | (102.0)             |
| -                | (0.1)         | -               | -             | (4.8)             | (0.1)       | (5.0)               | (0.1)                            | (2.2)             | (2.3)               |
| -                | -             | -               | -             | 1.1               | -           | 1.1                 | -                                | 0.6               | 0.6                 |
| (6.5)            | 13.8          | (0.4)           | 52.2          | 52.3              | (55.6)      | (234.4)             |                                  |                   |                     |
| (3.2)            | 6.9           | (0.2)           | 26.1          | 24.6              | (13.8)      | (103.7)             | (128.3)                          | 24.6              | (103.7)             |
| 10.6             | -             | -               | 16.8          | 62.2              | 0.6         | 133.6               |                                  |                   |                     |

| 100%             |               |                 |               |                   |             |                     | Hammerson share                  |                   |                     |
|------------------|---------------|-----------------|---------------|-------------------|-------------|---------------------|----------------------------------|-------------------|---------------------|
| Silverburn<br>£m | Croydon<br>£m | Highcross<br>£m | Dundrum<br>£m | VIA Outlets<br>£m | Other<br>£m | Total<br>2018<br>£m | Property joint<br>ventures<br>£m | VIA Outlets<br>£m | Total<br>2018<br>£m |
| 312.1            | 373.7         | 470.7           | 1,580.7       | 1,354.6           | 767.9       | 9,117.2             | 3,619.8                          | 635.8             | 4,255.6             |
| -                | -             | -               | -             | -                 | -           | -                   | -                                | 3.6               | 3.6                 |
| 0.2              | -             | -               | 0.7           | 7.0               | -           | 41.5                | 16.2                             | 3.4               | 19.6                |
| 312.3            | 373.7         | 470.7           | 1,581.4       | 1,361.6           | 767.9       | 9,158.7             | 3,636.0                          | 642.8             | 4,278.8             |
| 5.7              | 67.8          | 5.8             | 16.6          | 23.9              | 12.7        | 181.2               | 75.4                             | 7.7               | 83.1                |
| 7.4              | 17.8          | 5.5             | 19.5          | 70.7              | 15.8        | 221.9               | 70.0                             | 33.2              | 103.2               |
| 13.1             | 85.6          | 11.3            | 36.1          | 94.6              | 28.5        | 403.1               | 145.4                            | 40.9              | 186.3               |
| (7.2)            | (22.2)        | (12.3)          | (14.7)        | (33.5)            | (11.0)      | (183.0)             | (71.0)                           | (15.8)            | (86.8)              |
| -                | -             | -               | -             | (68.4)            | -           | (68.4)              | -                                | (32.0)            | (32.0)              |
| (7.2)            | (22.2)        | (12.3)          | (14.7)        | (101.9)           | (11.0)      | (251.4)             | (71.0)                           | (47.8)            | (118.8)             |
| -                | -             | (163.6)         | (556.6)       | (518.7)           | (196.9)     | (1,435.8)           | (409.3)                          | (243.6)           | (652.9)             |
| -                | -             | (1.3)           | (1.5)         | (6.6)             | -           | (9.4)               | (1.4)                            | (3.1)             | (4.5)               |
| -                | -             | -               | -             | -                 | -           | (33.6)              | (15.6)                           | -                 | (15.6)              |
| -                | (53.5)        | -               | (0.9)         | (6.6)             | (189.1)     | (952.8)             | (5.9)                            | (3.1)             | (9.0)               |
| -                | -             | -               | -             | (127.4)           | -           | (127.6)             | -                                | (59.8)            | (59.8)              |
| -                | (53.5)        | (164.9)         | (559.0)       | (659.3)           | (386.0)     | (2,559.2)           | (432.2)                          | (309.6)           | (741.8)             |
| 318.2            | 383.6         | 304.8           | 1,043.8       | 695.0             | 399.4       | 6,751.2             |                                  |                   |                     |
| 159.1            | 191.8         | 152.4           | 521.9         | 326.3             | 109.2       | 3,166.6             |                                  |                   |                     |
| -                | 26.7          | -               | -             | -                 | 63.0        | 437.9               |                                  |                   |                     |
| 159.1            | 218.5         | 152.4           | 521.9         | 326.3             | 172.2       | 3,604.5             | 3,278.2                          | 326.3             | 3,604.5             |

## 11: Investment in joint ventures continued

### B. Reconciliation to adjusted earnings

|   | Property joint ventures¹<br>£m | VIA Outlets<br>£m | Total 2019<br>£m | Property joint ventures¹<br>£m | VIA Outlets<br>£m | Total 2018<br>£m |
|---|--------------------------------|-------------------|------------------|--------------------------------|-------------------|------------------|
| (Loss)/Profit for the year                        | (457.3)                        | 34.3              | (423.0)          | (128.3)                        | 24.6              | (103.7)          |
| Revaluation losses/(gains) on properties          | 591.5                          | (29.1)            | 562.4            | 267.1                          | (11.2)            | 255.9            |
| Change in fair value of derivatives               | 2.6                            | 0.9               | 3.5              | 1.4                            | 2.2               | 3.6              |
| Translation movements on intragroup funding loan² | -                              | (0.3)             | (0.3)            | -                              | 0.1               | 0.1              |
| Deferred tax charge                               | -                              | 8.8               | 8.8              | -                              | (0.6)             | (0.6)            |
| Total adjustments                                 | 594.1                          | (19.7)            | 574.4            | 268.5                          | (9.5)             | 259.0            |
| <b>Adjusted earnings</b>                          | <b>136.8</b>                   | <b>14.6</b>       | <b>151.4</b>     | <b>140.2</b>                   | <b>15.1</b>       | <b>155.3</b>     |

1. Relates to continuing operations. See note 7B for details of discontinued operations.

2. Foreign exchange differences on intragroup loan balances which are either commercially hedged or arise upon retranslation of euro-denominated loans between entities with different functional currencies from the euro-denominated VIA Outlets group. These exchange differences do not give rise to any cash flow exposures in the VIA Outlets group and are therefore excluded from the Group's adjusted earnings.

### C. Reconciliation to adjusted investment in joint ventures

|                                      | Property joint ventures¹<br>£m | VIA Outlets<br>£m | Total 2019<br>£m | Property joint ventures¹<br>£m | VIA Outlets<br>£m | Total 2018<br>£m |
|--------------------------------------|--------------------------------|-------------------|------------------|--------------------------------|-------------------|------------------|
| Investment in joint ventures         | 2,638.1                        | 379.0             | 3,017.1          | 3,278.2                        | 326.3             | 3,604.5          |
| Fair value of derivatives            | 3.9                            | 4.0               | 7.9              | 1.4                            | 3.1               | 4.5              |
| Deferred tax                         | 0.1                            | 69.2              | 69.3             | -                              | 59.8              | 59.8             |
| Goodwill as a result of deferred tax | -                              | (7.4)             | (7.4)            | -                              | (3.6)             | (3.6)            |
| Total adjustments                    | 4.0                            | 65.8              | 69.8             | 1.4                            | 59.3              | 60.7             |
| <b>Adjusted investment</b>           | <b>2,642.1</b>                 | <b>444.8</b>      | <b>3,086.9</b>   | <b>3,279.6</b>                 | <b>385.6</b>      | <b>3,665.2</b>   |

1. Relates to continuing operations. See note 7D for details of discontinued operations.

### D. Reconciliation of movements in investment in joint ventures

|  | Property joint ventures¹<br>£m¹ | VIA Outlets<br>£m | Total 2019<br>£m | Property joint ventures¹<br>£m | VIA Outlets<br>£m | Total 2018<br>£m |
|--|---------------------------------|-------------------|------------------|--------------------------------|-------------------|------------------|
| Balance at 1 January                                 | 3,278.2                         | 326.3             | 3,604.5          | 3,312.4                        | 361.3             | 3,673.7          |
| Share of results of joint ventures                   | (457.3)                         | 34.3              | (423.0)          | (128.3)                        | 24.6              | (103.7)          |
| Acquisition  | -                               | 29.0              | 29.0             | -                              | -                 | -                |
| Advances   | 19.7                            | 9.4               | 29.1             | 30.0                           | -                 | 30.0             |
| Distributions and other receivables                  | (139.2)                         | -                 | (139.2)          | (98.6)                         | (62.2)            | (160.8)          |
| Transfer of investment property from Reported Group² | -                               | -                 | -                | 235.7                          | -                 | 235.7            |
| Funds from financing transferred to Reported Group³  | -                               | -                 | -                | (81.9)                         | -                 | (81.9)           |
| Transfer to assets held for sale⁴                    | (25.1)                          | -                 | (25.1)           | -                              | -                 | -                |
| Exchange and other movements                         | (38.2)                          | (20.0)            | (58.2)           | 8.9                            | 2.6               | 11.5             |
| <b>Balance at 31 December</b>                        | <b>2,638.1</b>                  | <b>379.0</b>      | <b>3,017.1</b>   | <b>3,278.2</b>                 | <b>326.3</b>      | <b>3,604.5</b>   |

1. Relates to continuing operations. See note 7D for details of discontinued operations.

2. In 2018, the Group sold a 50% investment in Highcross for £236 million. The total is shown separately in note 10 on page 54 as a transfer to investment in joint ventures.

3. Finance raised in 2018, and secured on Highcross, was used to repay intragroup debt due to the Reported Group. This finance is classified as 'loans - secured' and included in non-current liabilities within the 100% results for Highcross in note 11A on page 56.

4. The Group's investment in Brent South Shopping Park was transferred to assets held for sale and subsequently impaired by £0.4 million, to £24.7 million (see note 7D).

## 12: Investment in associates

At 31 December 2019, the Group had three associates: Value Retail PLC and its group entities ('VR'), a 25% interest in Italie Deux and a 10% interest in Nicetoile. Hammerson is the asset manager for both Italie Deux and Nicetoile. On 11 December 2019, the Group disposed of a 75% share in Italie Deux for €432.0 million (£363.3 million). Prior to this, the results of Italie Deux were consolidated into the Reported Group figures. Following part disposal the remaining 25% holding is treated as an investment in associate as the Group has significant influence but not joint control, based on the terms of the underlying shareholder agreement. The above three investments are equity accounted under IFRS, although the share of results in Italie Deux and Nicetoile are included with the Group's Share of Property interests when presenting figures on a proportionally consolidated basis. Further details are provided in the Financial review on page 22.

Summaries of aggregated income and investment for the interest in premium outlets, which includes VR and the Group's investment in VIA Outlets, which is accounted for as a joint venture (see note 11), are provided in Tables 12 and 13 of the Additional disclosures on page 77.

### A: Share of results of associates

|   | VR                         |                          | Nicetoile    |                          | Italie Deux  |                          | 2019<br>Total |                          |
|---|----------------------------|--------------------------|--------------|--------------------------|--------------|--------------------------|---------------|--------------------------|
|   | 100%<br>£m                 | Hammerson<br>share<br>£m | 100%<br>£m   | Hammerson<br>share<br>£m | 100%<br>£m   | Hammerson<br>share<br>£m | 100%<br>£m    | Hammerson<br>share<br>£m |
|   | <b>Gross rental income</b> | <b>404.4</b>             | <b>135.7</b> | <b>15.3</b>              | <b>1.5</b>   | <b>1.2</b>               | <b>0.3</b>    | <b>420.9</b>             |
| <b>Net rental income</b>  | <b>277.7</b>               | <b>95.1</b>              | <b>13.5</b>  | <b>1.3</b>               | <b>1.2</b>   | <b>0.3</b>               | <b>292.4</b>  | <b>96.7</b>              |
| Administration expenses   | (140.0)                    | (44.4)                   | -            | -                        | -            | -                        | (140.0)       | (44.4)                   |
| <b>Operating profit before other net gains/(losses)</b>             | <b>137.7</b>               | <b>50.7</b>              | <b>13.5</b>  | <b>1.3</b>               | <b>1.2</b>   | <b>0.3</b>               | <b>152.4</b>  | <b>52.3</b>              |
| Revaluation gains/(losses) on properties                            | 444.4                      | 170.7                    | (22.9)       | (2.3)                    | (2.0)        | (0.5)                    | 419.5         | 167.9                    |
| <b>Operating profit/(loss)</b>                                      | <b>582.1</b>               | <b>221.4</b>             | <b>(9.4)</b> | <b>(1.0)</b>             | <b>(0.8)</b> | <b>(0.2)</b>             | <b>571.9</b>  | <b>220.2</b>             |
| Change in fair value of derivatives                                 | (107.8)                    | (28.5)                   | -            | -                        | -            | -                        | (107.8)       | (28.5)                   |
| Change in fair value of participative loans – revaluation movement* | -                          | 34.5                     | -            | -                        | -            | -                        | -             | 34.5                     |
| Change in fair value of participative loans – other movement*       | -                          | 5.1                      | -            | -                        | -            | -                        | -             | 5.1                      |
| Other finance costs   | (59.5)                     | (21.0)                   | -            | -                        | -            | -                        | (59.5)        | (21.0)                   |
| Net finance costs   | (167.3)                    | (9.9)                    | -            | -                        | -            | -                        | (167.3)       | (9.9)                    |
| <b>Profit/(loss) before tax</b>                                     | <b>414.8</b>               | <b>211.5</b>             | <b>(9.4)</b> | <b>(1.0)</b>             | <b>(0.8)</b> | <b>(0.2)</b>             | <b>404.6</b>  | <b>210.3</b>             |
| Current tax charge  | (15.6)                     | (3.3)                    | (0.1)        | -                        | -            | -                        | (15.7)        | (3.3)                    |
| Deferred tax credit   | 6.8                        | 2.4                      | -            | -                        | -            | -                        | 6.8           | 2.4                      |
| <b>Profit/(loss) for the year</b>                                   | <b>406.0</b>               | <b>210.6</b>             | <b>(9.5)</b> | <b>(1.0)</b>             | <b>(0.8)</b> | <b>(0.2)</b>             | <b>395.7</b>  | <b>209.4</b>             |

\* Investments in the VR Spanish villages are by way of participative loans, which are held at fair value based on the underlying net assets of the individual Villages. During the year, assumptions behind the fair value assessment have been revisited resulting in a change to the participative loan asset and liability. The net impact of these changes was an increase in the investment in associate of £3.7 million, comprising an increase in the participative loan liability of £13.4 million (included in £28.5 million above), and a corresponding increase in the fair value of the participative loan asset of £17.1 million (included in £34.5 million above). Comparative figures have not been restated.

|  | VR                         |                          | Nicetoile    |                          | 2018<br>Total |                          |
|--|----------------------------|--------------------------|--------------|--------------------------|---------------|--------------------------|
|  | 100%<br>£m                 | Hammerson<br>share<br>£m | 100%<br>£m   | Hammerson<br>share<br>£m | 100%<br>£m    | Hammerson<br>share<br>£m |
|  | <b>Gross rental income</b> | <b>369.6</b>             | <b>117.7</b> | <b>16.3</b>              | <b>1.6</b>    | <b>385.9</b>             |
| <b>Net rental income</b>   | <b>250.7</b>               | <b>81.2</b>              | <b>14.0</b>  | <b>1.4</b>               | <b>264.7</b>  | <b>82.6</b>              |
| Administration expenses  | (128.2)                    | (37.8)                   | -            | -                        | (128.2)       | (37.8)                   |
| <b>Operating profit before other net gains/(losses)</b>            | <b>122.5</b>               | <b>43.4</b>              | <b>14.0</b>  | <b>1.4</b>               | <b>136.5</b>  | <b>44.8</b>              |
| Revaluation gains/(losses) on properties                           | 174.5                      | 45.0                     | (4.7)        | (0.5)                    | 169.8         | 44.5                     |
| <b>Operating profit</b>  | <b>297.0</b>               | <b>88.4</b>              | <b>9.3</b>   | <b>0.9</b>               | <b>306.3</b>  | <b>89.3</b>              |
| Change in fair value of derivatives                                | (13.4)                     | (1.3)                    | -            | -                        | (13.4)        | (1.3)                    |
| Change in fair value of participative loans – revaluation movement | -                          | 2.2                      | -            | -                        | -             | 2.2                      |
| Change in fair value of participative loans – other movement       | -                          | 3.7                      | -            | -                        | -             | 3.7                      |
| Other finance costs  | (63.2)                     | (19.5)                   | -            | -                        | (63.2)        | (19.5)                   |
| Net finance costs  | (76.6)                     | (14.9)                   | -            | -                        | (76.6)        | (14.9)                   |
| <b>Profit before tax</b>   | <b>220.4</b>               | <b>73.5</b>              | <b>9.3</b>   | <b>0.9</b>               | <b>229.7</b>  | <b>74.4</b>              |
| Current tax charge   | (11.6)                     | (2.3)                    | -            | -                        | (11.6)        | (2.3)                    |
| Deferred tax charge  | (58.8)                     | (14.4)                   | -            | -                        | (58.8)        | (14.4)                   |
| <b>Profit for the year</b>   | <b>150.0</b>               | <b>56.8</b>              | <b>9.3</b>   | <b>0.9</b>               | <b>159.3</b>  | <b>57.7</b>              |

## 12: Investment in associates continued

### B: Reconciliation to adjusted earnings

|  | VR<br>£m    | Nicetoile<br>£m | Italie Deux<br>£m | Total<br>2019<br>£m | VR<br>£m    | Nicetoile<br>£m | Total<br>2018<br>£m |
|--|-------------|-----------------|-------------------|---------------------|-------------|-----------------|---------------------|
| Profit/(loss) for the year   | 210.6       | (1.0)           | (0.2)             | 209.4               | 56.8        | 0.9             | 57.7                |
| Revaluation (gains)/losses on properties                           | (170.7)     | 2.3             | 0.5               | (167.9)             | (45.0)      | 0.5             | (44.5)              |
| Change in fair value of derivatives                                | 28.5        | -               | -                 | 28.5                | 1.3         | -               | 1.3                 |
| Change in fair value of participative loans - revaluation movement | (34.5)      | -               | -                 | (34.5)              | (2.2)       | -               | (2.2)               |
| Change in fair value of financial assets                           | (0.3)       | -               | -                 | (0.3)               | -           | -               | -                   |
| Loan facility costs written off                                    | -           | -               | -                 | -                   | 0.7         | -               | 0.7                 |
| Deferred tax (credit)/charge                                       | (2.4)       | -               | -                 | (2.4)               | 14.4        | -               | 14.4                |
| Total adjustments  | (179.4)     | 2.3             | 0.5               | (176.6)             | (30.8)      | 0.5             | (30.3)              |
| <b>Adjusted earnings of associates</b>                             | <b>31.2</b> | <b>1.3</b>      | <b>0.3</b>        | <b>32.8</b>         | <b>26.0</b> | <b>1.4</b>      | <b>27.4</b>         |

When aggregated, the Group's share of VR's adjusted earnings for the year ended 31 December 2019 amounted to 52% (2018: 50%). This figure is dependent on the relative profitability of the component Villages in which the Group has differing ownership shares.

### C: Share of assets and liabilities of associates

|                                  | VR               |                          | Nicetoile    |                          | Italie Deux  |                          | 2019<br>Total    |                          |
|----------------------------------|------------------|--------------------------|--------------|--------------------------|--------------|--------------------------|------------------|--------------------------|
|                                  | 100%<br>£m       | Hammerson<br>share<br>£m | 100%<br>£m   | Hammerson<br>share<br>£m | 100%<br>£m   | Hammerson<br>share<br>£m | 100%<br>£m       | Hammerson<br>share<br>£m |
| Investment properties            | 5,364.5          | 1,965.6                  | 262.0        | 26.2                     | 486.7        | 121.7                    | 6,113.2          | 2,113.5                  |
| Goodwill                         | -                | 89.3                     | -            | -                        | -            | -                        | -                | 89.3                     |
| Other non-current assets         | 260.8            | 71.1                     | -            | -                        | -            | -                        | 260.8            | 71.1                     |
| <b>Non-current assets</b>        | <b>5,625.3</b>   | <b>2,126.0</b>           | <b>262.0</b> | <b>26.2</b>              | <b>486.7</b> | <b>121.7</b>             | <b>6,374.0</b>   | <b>2,273.9</b>           |
| Other current assets             | 80.6             | 32.5                     | -            | -                        | 4.9          | 1.2                      | 85.5             | 33.7                     |
| Cash and deposits                | 201.6            | 61.4                     | 10.3         | 1.0                      | 5.4          | 1.3                      | 217.3            | 63.7                     |
| <b>Current assets</b>            | <b>282.2</b>     | <b>93.9</b>              | <b>10.3</b>  | <b>1.0</b>               | <b>10.3</b>  | <b>2.5</b>               | <b>302.8</b>     | <b>97.4</b>              |
| <b>Total assets</b>              | <b>5,907.5</b>   | <b>2,219.9</b>           | <b>272.3</b> | <b>27.2</b>              | <b>497.0</b> | <b>124.2</b>             | <b>6,676.8</b>   | <b>2,371.3</b>           |
| Other payables                   | (90.3)           | (55.5)                   | (4.6)        | (0.4)                    | (2.6)        | (0.6)                    | (97.5)           | (56.5)                   |
| <b>Current liabilities</b>       | <b>(90.3)</b>    | <b>(55.5)</b>            | <b>(4.6)</b> | <b>(0.4)</b>             | <b>(2.6)</b> | <b>(0.6)</b>             | <b>(97.5)</b>    | <b>(56.5)</b>            |
| Loans                            | (1,971.6)        | (719.6)                  | -            | -                        | -            | -                        | (1,971.6)        | (719.6)                  |
| Derivative financial instruments | (38.7)           | (12.7)                   | -            | -                        | -            | -                        | (38.7)           | (12.7)                   |
| Other payables                   | (36.7)           | (14.5)                   | (1.6)        | (0.2)                    | (3.9)        | (1.0)                    | (42.2)           | (15.7)                   |
| Participative loan liabilities*  | (366.6)          | (90.6)                   | -            | -                        | -            | -                        | (366.6)          | (90.6)                   |
| Deferred tax                     | (616.8)          | (166.9)                  | -            | -                        | -            | -                        | (616.8)          | (166.9)                  |
| <b>Non-current liabilities</b>   | <b>(3,030.4)</b> | <b>(1,004.3)</b>         | <b>(1.6)</b> | <b>(0.2)</b>             | <b>(3.9)</b> | <b>(1.0)</b>             | <b>(3,035.9)</b> | <b>(1,005.5)</b>         |
| <b>Total liabilities</b>         | <b>(3,120.7)</b> | <b>(1,059.8)</b>         | <b>(6.2)</b> | <b>(0.6)</b>             | <b>(6.5)</b> | <b>(1.6)</b>             | <b>(3,133.4)</b> | <b>(1,062.0)</b>         |
| <b>Net assets</b>                | <b>2,786.8</b>   | <b>1,160.1</b>           | <b>266.1</b> | <b>26.6</b>              | <b>490.5</b> | <b>122.6</b>             | <b>3,543.4</b>   | <b>1,309.3</b>           |
| Participative loans              | -                | 195.2                    | -            | -                        | -            | -                        | -                | 195.2                    |
| <b>Investment in associates</b>  | <b>2,786.8</b>   | <b>1,355.3</b>           | <b>266.1</b> | <b>26.6</b>              | <b>490.5</b> | <b>122.6</b>             | <b>3,543.4</b>   | <b>1,504.5</b>           |

## 12: Investment in associates continued

### C: Share of assets and liabilities of associates continued

|   | VR               |                          | Nicetoile    |                          | 2018<br>Total    |                          |
|---|------------------|--------------------------|--------------|--------------------------|------------------|--------------------------|
|   | 100%<br>£m       | Hammerson<br>share<br>£m | 100%<br>£m   | Hammerson<br>share<br>£m | 100%<br>£m       | Hammerson<br>share<br>£m |
| Investment properties                       | 5,054.0          | 1,823.0                  | 293.5        | 29.3                     | 5,347.5          | 1,852.3                  |
| Goodwill                                    | -                | 93.1                     | -            | -                        | -                | 93.1                     |
| Other non-current assets                    | 247.0            | 67.8                     | -            | -                        | 247.0            | 67.8                     |
| <b>Non-current assets</b>                   | <b>5,301.0</b>   | <b>1,983.9</b>           | <b>293.5</b> | <b>29.3</b>              | <b>5,594.5</b>   | <b>2,013.2</b>           |
| Other current assets                        | 97.5             | 36.3                     | 3.0          | 0.3                      | 100.5            | 36.6                     |
| Cash and deposits                           | 269.5            | 77.8                     | 12.0         | 1.2                      | 281.5            | 79.0                     |
| <b>Current assets</b>                       | <b>367.0</b>     | <b>114.1</b>             | <b>15.0</b>  | <b>1.5</b>               | <b>382.0</b>     | <b>115.6</b>             |
| <b>Total assets</b>                         | <b>5,668.0</b>   | <b>2,098.0</b>           | <b>308.5</b> | <b>30.8</b>              | <b>5,976.5</b>   | <b>2,128.8</b>           |
| Other payables                              | (96.9)           | (48.6)                   | (2.2)        | (0.2)                    | (99.1)           | (48.8)                   |
| <b>Current liabilities</b>                  | <b>(96.9)</b>    | <b>(48.6)</b>            | <b>(2.2)</b> | <b>(0.2)</b>             | <b>(99.1)</b>    | <b>(48.8)</b>            |
| Loans                                       | (2,032.8)        | (735.4)                  | -            | -                        | (2,032.8)        | (735.4)                  |
| Derivative financial instruments            | (19.3)           | (5.7)                    | -            | -                        | (19.3)           | (5.7)                    |
| Other payables                              | (34.6)           | (13.9)                   | (2.3)        | (0.2)                    | (36.9)           | (14.1)                   |
| Participative loan liabilities <sup>4</sup> | (298.4)          | (73.7)                   | -            | -                        | (298.4)          | (73.7)                   |
| Deferred tax                                | (660.0)          | (179.0)                  | -            | -                        | (660.0)          | (179.0)                  |
| <b>Non-current liabilities</b>              | <b>(3,045.1)</b> | <b>(1,007.7)</b>         | <b>(2.3)</b> | <b>(0.2)</b>             | <b>(3,047.4)</b> | <b>(1,007.9)</b>         |
| <b>Total liabilities</b>                    | <b>(3,142.0)</b> | <b>(1,056.3)</b>         | <b>(4.5)</b> | <b>(0.4)</b>             | <b>(3,146.5)</b> | <b>(1,056.7)</b>         |
| <b>Net assets</b>                           | <b>2,526.0</b>   | <b>1,041.7</b>           | <b>304.0</b> | <b>30.4</b>              | <b>2,830.0</b>   | <b>1,072.1</b>           |
| <b>Participative loans</b>                  | -                | 169.4                    | -            | -                        | -                | 169.4                    |
| <b>Investment in associates</b>             | <b>2,526.0</b>   | <b>1,211.1</b>           | <b>304.0</b> | <b>30.4</b>              | <b>2,830.0</b>   | <b>1,241.5</b>           |

- The analysis in the tables above excludes liabilities in respect of distributions received in advance from VR amounting to £24.1 million (2018: £26.4 million) which are included within payables - non-current liabilities in note 19.
- In addition to the above investments, non-current receivables of the Group include loans to Value Retail European Holdings BV totalling €2.0 million (£1.7 million) (2018: €2.0 million, £1.8 million) secured against a number of VR assets and maturing on 30 November 2043.
- At 31 December 2019, Hammerson's economic interest in VR is calculated as 40.1% (2018: 38.6%) adjusting for the Participative Loans, which at 100% are included within other payables in non-current liabilities.
- The participative loan liability previously included in other payables has been presented separately to improve the clarity of reporting. Comparative figures have been amended accordingly.

### D: Reconciliation to adjusted investment in associates

|   | VR<br>£m       | Nicetoile<br>£m | Italie Deux<br>£m | Total<br>2019<br>£m | VR<br>£m       | Nicetoile<br>£m | Total<br>2018<br>£m |
|---|----------------|-----------------|-------------------|---------------------|----------------|-----------------|---------------------|
| Investment in associates                | 1,355.3        | 26.6            | 122.6             | 1,504.5             | 1,211.1        | 30.4            | 1,241.5             |
| Fair value of derivatives               | 12.7           | -               | -                 | 12.7                | 5.7            | -               | 5.7                 |
| Deferred tax*                           | 166.7          | -               | -                 | 166.7               | 179.0          | -               | 179.0               |
| Deferred tax within participative loans | 34.3           | -               | -                 | 34.3                | 35.6           | -               | 35.6                |
| Goodwill as a result of deferred tax    | (63.2)         | -               | -                 | (63.2)              | (63.1)         | -               | (63.1)              |
| Total adjustments                       | 150.5          | -               | -                 | 150.5               | 157.2          | -               | 157.2               |
| <b>Adjusted investment</b>              | <b>1,505.8</b> | <b>26.6</b>     | <b>122.6</b>      | <b>1,655.0</b>      | <b>1,368.3</b> | <b>30.4</b>     | <b>1,398.7</b>      |

\* Is shown net of a deferred tax asset of £0.2 million (2018: £nil), which is included in non-current assets in note 12C.

## 12: Investment in associates continued

### E: Reconciliation of movements in investment in associates

|  | VR<br>£m       | Nicetoile<br>£m | Italie Deux<br>£m | Total<br>2019<br>£m | VR<br>£m       | Nicetoile<br>£m | Total<br>2018<br>£m |
|--|----------------|-----------------|-------------------|---------------------|----------------|-----------------|---------------------|
| Balance at 1 January   | 1,211.1        | 30.4            | -                 | 1,241.5             | 1,068.6        | 30.9            | 1,099.5             |
| Acquisitions <sup>1</sup>  | 1.4            | -               | -                 | 1.4                 | 113.8          | -               | 113.8               |
| Share of results of associates                                   | 210.6          | (1.0)           | (0.2)             | 209.4               | 56.8           | 0.9             | 57.7                |
| Distributions <sup>2</sup>                                       | (30.9)         | (0.6)           | -                 | (31.5)              | (31.8)         | (1.2)           | (33.0)              |
| Transfer of investment property from Reported Group <sup>3</sup> | -              | -               | 121.1             | 121.1               | -              | -               | -                   |
| Share of other comprehensive loss of associate <sup>4</sup>      | (4.0)          | -               | -                 | (4.0)               | (3.3)          | -               | (3.3)               |
| Exchange and other movements                                     | (32.9)         | (2.2)           | 1.7               | (33.4)              | 7.0            | (0.2)           | 6.8                 |
| <b>Balance at 31 December</b>                                    | <b>1,355.3</b> | <b>26.6</b>     | <b>122.6</b>      | <b>1,504.5</b>      | <b>1,211.1</b> | <b>30.4</b>     | <b>1,241.5</b>      |

1. During 2019, the Group acquired additional investor stakes in Value Retail for £1.4 million. This included advances of £0.1 million, resulting in cash consideration of £1.3 million.

2. Included within distributions of £31.5 million (2018: £33.0 million) are distributions totalling £5.5 million (2018: £24.7 million) in relation to Value Retail refinancing.

3. In 2019, the Group sold a 75% stake in Italie Deux for €432.0 million (£363.3 million). The remaining 25% holding was transferred to investment in associates. The total is shown separately in note 10 on page 54.

4. Relates to the change in fair value of derivative financial instruments in an effective hedge relationship within Value Retail.

### 13: Receivables: current assets

|                   | 2019<br>£m  | 2018<br>£m   |
|-------------------|-------------|--------------|
| Trade receivables | 32.1        | 43.7         |
| Other receivables | 60.4        | 66.4         |
| Corporation tax   | 0.7         | 0.2          |
| Prepayments       | 3.1         | 3.5          |
|                   | <b>96.3</b> | <b>113.8</b> |

Trade receivables are shown after deducting a loss allowance provision of £9.9 million (2018: £9.8 million). To measure the loss allowance provision, trade receivables have been grouped based on shared credit risk characteristics and the days overdue. The level of provision required is determined after taking account of rent deposits and personal or corporate guarantees held. Management have performed an assessment of the effectiveness of this approach by comparing actual losses to provisions estimated in prior periods. Based on the minimal differences identified within this assessment, management has concluded that there is no material difference between the expected credit loss model prescribed by IFRS 9 and the current provisioning method being applied. Consequently, no allowance has been made for losses on receivables not yet falling due. Management will continue to review this assertion at each reporting period.

### 14: Restricted monetary assets

|                                      | 2019<br>£m | 2018<br>£m |
|--------------------------------------|------------|------------|
| Cash held on behalf of third parties | 21.5       | 24.0       |

The Group and its managing agents hold cash on behalf of its tenants and co-owners to meet future service charge costs and related expenditure. The cash has restricted use and, as such, does not meet the definition of cash and cash equivalents as defined in IAS 7 Statement of Cash Flows.

### 15: Cash and deposits

|                         | Total<br>£m | Reclassified to<br>assets held for sale<br>£m | 2019<br>£m  | 2018<br>£m  |
|-------------------------|-------------|---|-------------|-------------|
| Cash at bank            | 29.8        | (1.6)   | 28.2        | 31.2        |
| <b>Currency profile</b> |             |   |             |             |
| Sterling                | 3.3         | (1.6)   | 1.7         | 8.4         |
| Euro                    | 26.5        | -   | 26.5        | 22.8        |
|                         | <b>29.8</b> | <b>(1.6)</b>                                  | <b>28.2</b> | <b>31.2</b> |



## 16: Payables: current liabilities

|   | 2019<br>£m   | 2018<br>£m   |
|---|--------------|--------------|
| Trade payables                                | 13.1         | 17.4         |
| Net pension liability                         | 0.9          | 0.9          |
| Withholding tax on interim dividends (note 8) | 12.2         | 12.7         |
| Capital expenditure payables                  | 24.1         | 28.5         |
| Other payables*                               | 57.6         | 64.5         |
| Accruals                                      | 78.1         | 91.6         |
| Deferred income                               | 7.5          | 18.1         |
|   | <b>193.5</b> | <b>233.7</b> |

\* Other payables include lease liabilities of £3.5 million (2018: £nil) in relation to the Group's offices in London, Reading, Dublin and Paris, as a result of adopting IFRS 16 in 2019. The non-current portion is included in note 19.

## 17: Loans

|  | 2019<br>£m     | 2018<br>£m     |
|--|----------------|----------------|
| <b>Unsecured</b>                           |                |                |
| £200 million 7.25% sterling bonds due 2028 | 198.6          | 198.4          |
| £300 million 6% sterling bonds due 2026    | 298.4          | 298.1          |
| £350 million 3.5% sterling bonds due 2025  | 346.7          | 346.3          |
| €500 million 1.75% euro bonds due 2023     | 422.3          | 446.4          |
| €500 million 2% euro bonds due 2022        | 422.0          | 445.9          |
| Sterling bank loans and overdrafts         | 127.6          | 562.8          |
| Senior notes due 2031*                     | 20.3           | 21.5           |
| Senior notes due 2028*                     | 88.1           | 90.4           |
| Senior notes due 2026*                     | 84.8           | 88.5           |
| Senior notes due 2024*                     | 352.4          | 366.6          |
| Senior notes due 2021*                     | 143.7          | 149.0          |
|  | <b>2,504.9</b> | <b>3,013.9</b> |

\* Senior notes comprise £393.5 million (2018: £408.4 million) denominated in US dollar, £200.8 million (2018: £212.6 million) denominated in euro and £95.0 million (2018: £95.0 million) denominated in sterling.

At 31 December 2019 and 2018, no loans were repayable by instalments.

## 18: Financial instruments and risk management

### A: Financing strategy

The Group generally borrows on an unsecured basis on the strength of its covenant in order to maintain operational flexibility. Borrowings are arranged to ensure an appropriate maturity profile and to maintain short term liquidity. Acquisitions may be financed initially using short term funds before being refinanced for the longer term when market conditions are appropriate. Long term debt mainly comprises the Group's fixed rate unsecured bonds. Short term funding is raised principally through syndicated revolving credit facilities from a range of banks and financial institutions with which the Group maintains strong working relationships. An analysis of the maturity of the undrawn element of these revolving credit facilities is shown in note 18C.

The Group's borrowing position at 31 December 2019 is summarised below:

| Note  | Derivative financial instruments |                          |                           |                               | Loans > 1 year<br>£m | 2019<br>Total<br>£m |
|---|----------------------------------|--------------------------|---------------------------|-------------------------------|----------------------|---------------------|
|   | Current assets<br>£m             | Non-current assets<br>£m | Current liabilities<br>£m | Non-current liabilities<br>£m |                      |                     |
|   |                                  |                          |                           |                               | 17                   |                     |
| Bonds   | -                                | -                        | -                         | -                             | 1,688.0              | 1,688.0             |
| Bank loans and overdrafts                         | -                                | -                        | -                         | -                             | 127.6                | 127.6               |
| Senior notes                                      | -                                | -                        | -                         | -                             | 689.3                | 689.3               |
| Fair value of currency swaps                      | (0.1)                            | (31.6)                   | 4.1                       | 70.7                          | -                    | 43.1                |
| <b>Borrowings</b>                                 | <b>(0.1)</b>                     | <b>(31.6)</b>            | <b>4.1</b>                | <b>70.7</b>                   | <b>2,504.9</b>       | <b>2,548.0</b>      |
| Interest rate swaps                               | (0.7)                            | -                        | -                         | -                             | -                    | (0.7)               |
| <b>Loans and derivative financial instruments</b> | <b>(0.8)</b>                     | <b>(31.6)</b>            | <b>4.1</b>                | <b>70.7</b>                   | <b>2,504.9</b>       | <b>2,547.3</b>      |

Comparative information for 31 December 2018 is detailed below:

| Note  | Derivative financial instruments |                          |                           |                               | Loans > 1 year<br>£m | 2018<br>Total<br>£m |
|---|----------------------------------|--------------------------|---------------------------|-------------------------------|----------------------|---------------------|
|   | Current assets<br>£m             | Non-current assets<br>£m | Current liabilities<br>£m | Non-current liabilities<br>£m |                      |                     |
|   |                                  |                          |                           |                               | 17                   |                     |
| Bonds   | -                                | -                        | -                         | -                             | 1,735.1              | 1,735.1             |
| Bank loans and overdrafts                         | -                                | -                        | -                         | -                             | 562.8                | 562.8               |
| Senior notes                                      | -                                | -                        | -                         | -                             | 716.0                | 716.0               |
| Fair value of currency swaps                      | (4.1)                            | (21.8)                   | 9.8                       | 101.0                         | -                    | 84.9                |
| <b>Borrowings</b>                                 | <b>(4.1)</b>                     | <b>(21.8)</b>            | <b>9.8</b>                | <b>101.0</b>                  | <b>3,013.9</b>       | <b>3,098.8</b>      |
| Interest rate swaps                               | -                                | (2.7)                    | -                         | -                             | -                    | (2.7)               |
| <b>Loans and derivative financial instruments</b> | <b>(4.1)</b>                     | <b>(24.5)</b>            | <b>9.8</b>                | <b>101.0</b>                  | <b>3,013.9</b>       | <b>3,096.1</b>      |

### B: Fair values of financial instruments

The fair values of the Reported Group's borrowings, interest rate swaps and participative loans, together with their book value included in the balance sheet, are as follows:

| Hierarchy level                           | 2019             |                  |                | 2018             |                  |                |
|---|------------------|------------------|----------------|------------------|------------------|----------------|
|   | Book value<br>£m | Fair value<br>£m | Variance<br>£m | Book value<br>£m | Fair value<br>£m | Variance<br>£m |
| Unsecured bonds                           | 1,688.0          | 1,847.2          | 159.2          | 1,735.1          | 1,842.0          | 106.9          |
| Senior notes                              | 689.3            | 706.6            | 17.3           | 716.0            | 713.9            | (2.1)          |
| Unsecured bank loans and overdrafts       | 127.6            | 132.0            | 4.4            | 562.8            | 568.0            | 5.2            |
| Fair value of currency swaps              | 43.1             | 43.1             | -              | 84.9             | 84.9             | -              |
| <b>Borrowings</b>                         | <b>2,548.0</b>   | <b>2,728.9</b>   | <b>180.9</b>   | <b>3,098.8</b>   | <b>3,208.8</b>   | <b>110.0</b>   |
| <b>Fair value of interest rate swaps*</b> | <b>(0.7)</b>     | <b>(0.7)</b>     | <b>-</b>       | <b>(2.7)</b>     | <b>(2.7)</b>     | <b>-</b>       |
| <b>Participative loans to associates</b>  | <b>195.2</b>     | <b>195.2</b>     | <b>-</b>       | <b>169.4</b>     | <b>169.4</b>     | <b>-</b>       |

\* Interest rate swaps are included within current derivative financial instruments on the consolidated balance sheet (see note 18A) at 31 December 2019. At 31 December 2018, interest rate swaps were included within non-current derivative financial instruments.

### C. Undrawn committed facilities

The maturity analysis of the undrawn element of the revolving credit facilities at 31 December 2018 is summarised below:

|                          | 2019<br>£m | 2018<br>£m |
|--------------------------|------------|------------|
| <b>Expiry</b>            |            |            |
| Within two to five years | 1,113.0    | 627.0      |

## 19: Payables: non-current liabilities

|                       | 2019<br>£m   | 2018<br>£m  |
|-----------------------|--------------|-------------|
| Net pension liability | 44.4         | 46.9        |
| Other payables*       | 62.1         | 40.1        |
|                       | <b>106.5</b> | <b>87.0</b> |

\* Other payables include lease liabilities of £6.7 million (2018: £nil) as a result of adopting IFRS 16 to the Group's offices in London, Reading, Dublin and Paris (see note 1). The lease liabilities are payable as follows: £3.1 million from one to two years; £3.5 million from two to five years; and £0.1 million from five to 25 years.

## 20: Share capital

| Called-up, allotted and fully paid | 2019<br>£m   | 2018<br>£m   |
|------------------------------------|--------------|--------------|
| <b>Ordinary shares of 25p each</b> | <b>191.6</b> | <b>191.6</b> |

|   | Number             |
|---|--------------------|
| <b>Movements in number of shares in issue</b>                 |                    |
| Number of shares in issue at 1 January 2019                   | 766,352,172        |
| Share buyback   | (59,400)           |
| Share options exercised – Savings-Related Share Option Scheme | 841                |
| <b>Number of shares in issue at 31 December 2019</b>          | <b>766,293,613</b> |

## 21: Analysis of movement in net debt

|  | 2019                    |                  |                  | 2018                    |                  |                  |
|--|-------------------------|------------------|------------------|-------------------------|------------------|------------------|
|  | Cash and deposits<br>£m | Borrowings<br>£m | Net debt<br>£m   | Cash and deposits<br>£m | Borrowings<br>£m | Net debt<br>£m   |
| Notes  | 15                      |                  |                  | 15                      |                  |                  |
| At 1 January   | 31.2                    | (3,098.8)        | (3,067.6)        | 205.9                   | (3,442.7)        | (3,236.8)        |
| Cash flow  | –                       | 391.7            | 391.7            | (175.4)                 | 376.0            | 200.6            |
| Change in fair value of currency swaps                 | –                       | 10.7             | 10.7             | –                       | (5.6)            | (5.6)            |
| Exchange   | (1.4)                   | 148.4            | 147.0            | 0.7                     | (26.5)           | (25.8)           |
| <b>At 31 December</b>                                  | <b>29.8</b>             | <b>(2,548.0)</b> | <b>(2,518.2)</b> | <b>31.2</b>             | <b>(3,098.8)</b> | <b>(3,067.6)</b> |
| Cash and deposits reclassified as assets held for sale | (1.6)                   | –                | (1.6)            | –                       | –                | –                |
| <b>At 31 December – excluding assets held for sale</b> | <b>28.2</b>             | <b>(2,548.0)</b> | <b>(2,519.8)</b> | <b>31.2</b>             | <b>(3,098.8)</b> | <b>(3,067.6)</b> |

## 22: Adjustment for non-cash items in the cash flow statement

|  | 2019<br>£m | 2018<br>£m  |
|--|------------|-------------|
| Amortisation of lease incentives and other costs | 6.2        | 7.9         |
| Increase in loss allowance provision             | 1.4        | 1.0         |
| Increase in accrued rents receivable             | (1.3)      | (1.7)       |
| Depreciation                                     | 5.1        | 1.5         |
| Share-based employee remuneration                | 3.0        | 3.4         |
| Other  | (5.5)      | (1.8)       |
|  | <b>8.9</b> | <b>10.3</b> |

## 23: Contingent liabilities and capital commitments

There are contingent liabilities of £159.2 million (2018: £73.5 million) relating to guarantees given by the Reported Group and a further £60.4 million (2018: £22.0 million) relating to claims against the Reported Group arising in the normal course of business, which are considered to be unlikely to crystallise. In addition, the Group's share of contingent liabilities arising within joint ventures is £18.8 million (2018: £8.7 million). Contingent liabilities have increased during the year as a result of liabilities associated with potential works on the Group's properties and recent property disposals, although no individual contingency is material to the Group.

The Reported Group also had capital commitments of £70.6 million (2018: £141.2 million) in relation to future capital expenditure on investment and development properties. The Group's share of the capital commitments arising within joint ventures is £33.2 million (2018: £21.8 million).

The risks and uncertainties facing the Group are detailed on pages 30 to 34.

## 24. Non-controlling interests

The Group's non-controlling interest represents a 35.5% interest held by Assurbail in a French entity which owned Place des Halles, Strasbourg. The entity disposed of its interest in this property in December 2017 and incurred post-disposal costs of £0.4 million in 2018, as shown in note 2 on page 44.

As a result of exchange differences of £0.1 million during the year, at 31 December 2019, non-controlling interests in the consolidated balance sheet were £0.2 million (2018: £0.3 million). Distributions of £nil (2018: £13.3 million), were paid to Assurbail during the year.

## 25. Post balance sheet event

Since the year end, the Group has completed the sale of Abbey Retail Park for £33 million and exchanged unconditional contracts for the sale of seven retail parks for net proceeds of £395 million. These properties were reclassified as assets held for sale as at 31 December 2019, and impaired to their fair value less selling costs in accordance with IFRS 5 as detailed in note 7. The sale price was in line with the value utilised to calculate the impairment. Following these disposals, the Group will have £34 million remaining in properties classified as held for sale.

## Additional disclosures

### EPRA measures

Hammerson is a member of the European Public Real Estate Association (EPRA) and has representatives who actively participate in a number of EPRA committees and initiatives. This includes working with peer group companies, real estate investors and analysts and the large audit firms, to improve the transparency, comparability and relevance of the published results of listed real estate companies in Europe.

As with other real estate companies, we have adopted the EPRA Best Practice Recommendations (BPR) and were again awarded an EPRA Gold Award for compliance with the EPRA BPR and sustainability BPR for our 2018 Annual Report. Further information on EPRA and the EPRA BPR can be found on their website [www.epra.com](http://www.epra.com). Details of our key EPRA metrics are shown below.

### EPRA performance measures

| Performance  | 2019           | 2018    | Definition and commentary  | Page |
|--|----------------|---------|--|------|
| Earnings   | <b>£214.3m</b> | £240.2m | Recurring earnings from core operational activities. In 2019, EPRA earnings were £0.3 million higher (2018: £0.1 million lower) than the Group's adjusted earnings due to the inclusion of a 'Company specific adjustment' in relation to foreign exchange translation movements on an intragroup funding loan in VIA Outlets which has no cash flow impact (see note 9B of the financial statements) and which management believes distorts the underlying earnings of the Group. | 51   |
| Earnings per share (EPS)                                 | <b>28.0p</b>   | 30.5p   | EPRA earnings divided by the weighted average number of shares in issue during the period. Despite the adjustment due to the VIA Outlets intragroup funding loan, stated in 'Earnings' above, for 2019 the EPRA EPS is equal to the Group's adjusted EPS of 28.0p.   | 51   |
| Net asset value (NAV) per share                          | <b>£6.01</b>   | £7.38   | Equity shareholders' funds excluding the fair values of certain financial derivatives, deferred tax balances and any associated goodwill divided by the diluted number of shares in issue.   | 53   |
| Triple net asset value (NNNAV) per share                 | <b>£5.48</b>   | £6.95   | Equity shareholders' funds adjusted to include the fair values of borrowings.  | 53   |
| Net Initial Yield (NIY)                                  | <b>5.1%</b>    | 4.6%    | Annual cash rents receivable, less head and equity rents and any non-recoverable property operating expenses, as a percentage of the gross market value of the property, including estimated purchasers' costs, as provided by the Group's external valuers.   | 75   |
| Topped-up NIY  | <b>5.2%</b>    | 4.7%    | EPRA NIY adjusted for the expiry of rent-free periods and future rent on signed leases.  | 75   |
| Vacancy rate   | <b>2.8%</b>    | 2.8%    | The estimated market rental value (ERV) of vacant space divided by the ERV of the lettable area. Occupancy is the inverse of vacancy.  | 70   |
| Cost ratio (incl. net service charge expenses – vacancy) | <b>25.7%</b>   | 21.9%   | Total operating costs as a percentage of gross rental income, after rents payable. Both operating costs and gross rental income are adjusted for costs associated with inclusive leases.   | 73   |
| Cost ratio (excl. net service charge expenses – vacancy) | <b>23.3%</b>   | 20.4%   | Total operating costs as a percentage of gross rental income, after rents payable. Both operating costs and gross rental income are adjusted for costs associated with inclusive leases. This metric excludes net service charges in relation to vacancy.  | 73   |
| <b>Sustainability (LFL annual change)*</b>               |                |         |  |      |
| Electricity  | <b>-12%</b>    | -10%    | Electricity consumption of the EPRA like-for-like portfolio for a full reporting year.   |      |
| Fuels  | <b>-15%</b>    | -18%    | Gas consumption of the EPRA like-for-like portfolio for a full reporting year.   |      |
| GHG Direct   | <b>-11%</b>    | -11%    | Greenhouse gas emissions emitted from onsite combustion of energy.   |      |
| GHG Indirect   | <b>-13%</b>    | -19%    | Greenhouse gas emissions emitted from offsite combustion (purchased electricity and heat) over a full reporting year.  |      |

\* Further details of the Group's Positive Places sustainability strategy can be found on our website [www.hammerson.com](http://www.hammerson.com)

### Basis of preparation

At 31 December 2019, the UK retail parks portfolio was reclassified as 'held for sale' as detailed in note 7 to the financial statements. This required the re-measurement of the portfolio to its fair value less anticipated selling costs, resulting in the recognition of a £92 million impairment loss. Furthermore, as this represented the majority of the UK retail parks segment, the results for both the current and prior year were reclassified as "discontinued operations". For the purposes of the Additional disclosures metrics, the results of the UK retail parks have been fully consolidated, consistent with management reporting. Valuation movements, yield and returns metrics are based on the formal valuation at 31 December 2019 and exclude the subsequent impairment loss.

## Portfolio analysis

### Rental information

Table 1

#### Rental data for the year ended 31 December 2019

| Proportionally consolidated excluding premium outlets | Gross rental income<br>£m | Net rental income<br>£m | Vacancy rate <sup>1</sup><br>% | ERV of vacant space<br>£m | Average rents passing <sup>2</sup><br>£/m | Rents passing <sup>3</sup><br>£m | Estimated rental value (ERV) <sup>4</sup><br>£m | Reversion/ (over-rented)<br>% |
|---|---------------------------|-------------------------|--------------------------------|---------------------------|---|----------------------------------|---|-------------------------------|
| UK  | 158.2                     | 130.7                   | 3.0                            | 4.0                       | 490                                       | 145.9                            | 154.5   | 3.0                           |
| France  | 82.1                      | 72.0                    | 3.0                            | 2.0                       | 455                                       | 60.2                             | 65.1  | 4.9                           |
| Ireland   | 41.8                      | 38.0                    | 0.4                            | 0.1                       | 500                                       | 39.6                             | 42.2  | 6.3                           |
| <b>Flagship destinations</b>                          | <b>282.1</b>              | <b>240.7</b>            | <b>2.5</b>                     | <b>6.1</b>                | <b>480</b>                                | <b>245.7</b>                     | <b>261.8</b>                                    | <b>4.0</b>                    |
| UK retail parks                                       | 52.5                      | 49.1                    | 2.7                            | 1.1                       | 220                                       | 44.5                             | 42.5  | (7.5)                         |
| UK other  | 11.3                      | 8.2                     | 7.5                            | 0.9                       | 150                                       | 10.6                             | 12.0  | 3.8                           |
| <b>Investment portfolio</b>                           | <b>345.9</b>              | <b>298.0</b>            | <b>2.8</b>                     | <b>8.1</b>                | <b>405</b>                                | <b>300.8</b>                     | <b>316.3</b>                                    | <b>2.4</b>                    |
| Developments <sup>5</sup>                             | 15.1                      | 10.5                    |                                |                           |   |                                  |   |                               |
| <b>Property portfolio</b>                             | <b>361.0</b>              | <b>308.5</b>            |                                |                           |   |                                  |   |                               |

#### Analysed as:

|                                      |              |              |
|--------------------------------------|--------------|--------------|
| Continuing operations                | <b>308.5</b> | <b>259.4</b> |
| Discontinued operations <sup>6</sup> | <b>52.5</b>  | <b>49.1</b>  |

#### Data for the year ended 31 December 2018

|                              |              |              |            |            |            |              |              |            |
|------------------------------|--------------|--------------|------------|------------|------------|--------------|--------------|------------|
| UK                           | 178.2        | 151.9        | 2.4        | 3.6        | 515        | 155.5        | 169.3        | 6.4        |
| France                       | 83.4         | 74.8         | 2.9        | 2.6        | 480        | 79.9         | 89.3         | 8.3        |
| Ireland                      | 44.2         | 40.4         | 1.0        | 0.4        | 525        | 43.2         | 45.3         | 3.9        |
| <b>Flagship destinations</b> | <b>305.8</b> | <b>267.1</b> | <b>2.4</b> | <b>6.6</b> | <b>505</b> | <b>278.6</b> | <b>303.9</b> | <b>6.6</b> |
| UK retail parks              | 63.5         | 59.1         | 3.1        | 1.8        | 210        | 58.4         | 59.7         | (1.1)      |
| UK other                     | 12.4         | 8.9          | 10.8       | 1.4        | 170        | 11.4         | 13.3         | 4.3        |
| <b>Investment portfolio</b>  | <b>381.7</b> | <b>335.1</b> | <b>2.8</b> | <b>9.8</b> | <b>415</b> | <b>348.4</b> | <b>376.9</b> | <b>5.2</b> |
| Developments                 | 17.1         | 12.4         |            |            |            |              |              |            |
| <b>Property portfolio</b>    | <b>398.8</b> | <b>347.5</b> |            |            |            |              |              |            |

#### Analysed as:

|                                      |              |              |
|--------------------------------------|--------------|--------------|
| Continuing operations                | <b>335.2</b> | <b>288.4</b> |
| Discontinued operations <sup>6</sup> | <b>63.6</b>  | <b>59.1</b>  |

#### Notes

1. More information on vacancy is provided in the Operating review on pages 7 to 10.
2. Average rents passing at the year end before deducting head and equity rents and excluding rents passing from anchor units and car parks.
3. Passing rent is the annual rental income receivable from an investment property, after any rent-free periods and after deducting head and equity rents and car parking and commercialisation running costs.
4. The estimated market rental value at the year end calculated by the Group's valuers. ERVs in the above table are included within the unobservable inputs to the portfolio valuations as defined by IFRS 13. This information has been subject to audit. The total ERV for the Reported Group at 31 December 2019 was £141.3 million (2018: £190.2 million).
5. Rental income for developments is principally in relation to the Whitgift Centre, Croydon, Dublin Central and ancillary properties associated with future City Quarters projects in Dublin and Leeds.
6. Discontinued operations relates solely to the UK retail parks portfolio.

## Rent reviews

Table 2

### Rent reviews as at 31 December 2019

| Proportionally consolidated<br>excluding premium outlets | Rents passing subject to review in <sup>1</sup> |             |             |             |              | Current ERV of leases subject to review in <sup>2</sup> |             |             |             |              |
|--|---|-------------|-------------|-------------|--------------|---|-------------|-------------|-------------|--------------|
|  | Outstanding<br>£m                               | 2020<br>£m  | 2021<br>£m  | 2022<br>£m  | Total<br>£m  | Outstanding<br>£m                                       | 2020<br>£m  | 2021<br>£m  | 2022<br>£m  | Total<br>£m  |
| UK   | 21.9  | 12.6        | 14.9        | 13.3        | 62.7         | 22.7  | 12.9        | 15.0        | 13.6        | 64.2         |
| Ireland  | 4.0   | 14.5        | 4.3         | 2.7         | 25.5         | 4.6   | 16.3        | 4.8         | 3.1         | 28.8         |
| <b>Flagship destinations</b>                             | <b>25.9</b>                                     | <b>27.1</b> | <b>19.2</b> | <b>16.0</b> | <b>88.2</b>  | <b>27.3</b>   | <b>29.2</b> | <b>19.8</b> | <b>16.7</b> | <b>93.0</b>  |
| UK retail parks  | 5.8   | 10.5        | 8.3         | 4.4         | 29.0         | 5.9   | 10.7        | 8.4         | 4.5         | 29.5         |
| UK other   | 1.4   | 0.6         | 0.6         | 0.6         | 3.2          | 1.5   | 0.6         | 0.6         | 0.6         | 3.3          |
| <b>Investment portfolio<sup>3</sup></b>                  | <b>33.1</b>                                     | <b>38.2</b> | <b>28.1</b> | <b>21.0</b> | <b>120.4</b> | <b>34.7</b>   | <b>40.5</b> | <b>28.8</b> | <b>21.8</b> | <b>125.8</b> |

#### Notes

- The amount of rental income, based on rents passing at 31 December 2019, for leases which are subject to review in each year.
- Projected rental income for leases that are subject to review in each year, based on the higher of the current rental income and the ERV at 31 December 2019.
- Leases in France are not subject to rent reviews but are adjusted annually based on French indexation indices.

## Lease expiries and breaks

Table 3

### Lease expiries and breaks as at 31 December 2019

| Proportionally consolidated<br>excluding premium outlets | Rents passing that expire/break in <sup>1</sup> |             |             |             |             | ERV of leases that expire/break in <sup>2</sup> |             |             |             |             | Weighted average<br>unexpired<br>lease term |                    |
|--|---|-------------|-------------|-------------|-------------|---|-------------|-------------|-------------|-------------|---|--------------------|
|  | Outstanding<br>£m                               | 2020<br>£m  | 2021<br>£m  | 2022<br>£m  | Total<br>£m | Outstanding<br>£m                               | 2020<br>£m  | 2021<br>£m  | 2022<br>£m  | Total<br>£m | to break<br>years                           | to expiry<br>years |
| UK   | 10.0  | 12.4        | 13.8        | 15.3        | 51.5        | 11.5  | 16.9        | 12.7        | 14.4        | 55.5        | 6.3   | 11.7               |
| France   | 3.9   | 2.9         | 1.7         | 2.4         | 10.9        | 4.2   | 3.7         | 1.8         | 2.4         | 12.1        | 2.3   | 4.9                |
| Ireland  | 1.4   | 3.0         | 2.6         | 2.8         | 9.8         | 1.4   | 3.8         | 2.8         | 2.9         | 10.9        | 6.5   | 9.6                |
| <b>Flagship destinations</b>                             | <b>15.3</b>                                     | <b>18.3</b> | <b>18.1</b> | <b>20.5</b> | <b>72.2</b> | <b>17.1</b>                                     | <b>24.4</b> | <b>17.3</b> | <b>19.7</b> | <b>78.5</b> | <b>5.2</b>                                  | <b>9.5</b>         |
| UK retail parks  | 2.0   | 4.5         | 4.6         | 2.9         | 14.0        | 1.9   | 4.3         | 4.1         | 2.7         | 13.0        | 6.4   | 7.8                |
| UK other   | 1.5   | 1.6         | 1.6         | 0.7         | 5.4         | 1.6   | 1.9         | 1.6         | 0.8         | 5.9         | 6.7   | 8.7                |
| <b>Investment portfolio</b>                              | <b>18.8</b>                                     | <b>24.4</b> | <b>24.3</b> | <b>24.1</b> | <b>91.6</b> | <b>20.6</b>                                     | <b>30.6</b> | <b>23.0</b> | <b>23.2</b> | <b>97.4</b> | <b>5.5</b>                                  | <b>9.2</b>         |

#### Notes

- The amount of rental income, based on rents passing at 31 December 2019, for leases which expire or, for the UK and Ireland only, are subject to tenant break options, which fall due in each year.
- The ERV at 31 December 2019 for leases that expire or, for the UK and Ireland only, are subject to tenant break options which fall due in each year and ignoring the impact of rental growth and any rent-free periods.

## Net rental income

Table 4

### Net rental income for the year ended 31 December 2019

| Proportionally consolidated excluding premium outlets | Properties owned throughout 2018/19<br>£m | Inc/(Dec) for properties owned throughout 2018/19<br>% | Acquisitions<br>£m | Disposals<br>£m | Developments and other<br>£m | Total<br>£m  |
|---|---|--|--------------------|-----------------|------------------------------|--------------|
| UK  | 130.1                                     | (6.7)  | –                  | 0.6             | –                            | 130.7        |
| France  | 42.0                                      | 2.1  | –                  | 14.9            | 16.3                         | 73.2         |
| Ireland   | 37.9                                      | (5.0)  | –                  | –               | 3.4                          | 41.3         |
| <b>Flagship destinations</b>                          | <b>210.0</b>                              | <b>(4.7)</b>   | <b>–</b>           | <b>15.5</b>     | <b>19.7</b>                  | <b>245.2</b> |
| UK retail parks                                       | 37.9                                      | (1.4)  | –                  | 9.9             | 1.3                          | 49.1         |
| UK other  | –   | –  | –                  | 0.1             | 14.1                         | 14.2         |
| <b>Property portfolio<sup>1</sup></b>                 | <b>247.9</b>                              | <b>(4.2)</b>   | <b>–</b>           | <b>25.5</b>     | <b>35.1</b>                  | <b>308.5</b> |
| <b>Analysed as:</b>                                   |   |  |                    |                 |                              |              |
| Continuing operations (note 2)                        | 210.0                                     | (4.7)  | –                  | 15.6            | 33.8                         | 259.4        |
| Discontinued operations (note 10) <sup>2</sup>        | 37.9                                      | (1.4)  | –                  | 9.9             | 1.3                          | 49.1         |

### Net rental income for the year ended 31 December 2018

| Proportionally consolidated excluding premium outlets | Properties owned throughout 2018/19<br>£m | Exchange<br>£m | Acquisitions<br>£m | Disposals<br>£m | Developments and other<br>£m | Total<br>£m  |
|---|---|----------------|--------------------|-----------------|------------------------------|--------------|
| UK  | 139.3                                     | –              | –                  | 12.0            | 0.9                          | 152.2        |
| France  | 41.1                                      | 0.6            | –                  | 16.6            | 18.5                         | 76.8         |
| Ireland   | 39.9                                      | 0.3            | –                  | 0.1             | 3.5                          | 43.8         |
| <b>Flagship destinations</b>                          | <b>220.3</b>                              | <b>0.9</b>     | <b>–</b>           | <b>28.7</b>     | <b>22.9</b>                  | <b>272.8</b> |
| UK retail parks                                       | 38.6                                      | –              | –                  | 19.8            | 0.7                          | 59.1         |
| UK other  | –   | –              | –                  | 0.6             | 15.0                         | 15.6         |
| <b>Property portfolio<sup>1</sup></b>                 | <b>258.9</b>                              | <b>0.9</b>     | <b>–</b>           | <b>49.1</b>     | <b>38.6</b>                  | <b>347.5</b> |
| <b>Analysed as:</b>                                   |   |                |                    |                 |                              |              |
| Continuing operations (note 2)                        | 220.3                                     | 0.9            | –                  | 29.3            | 37.9                         | 288.4        |
| Discontinued operations (note 10) <sup>2</sup>        | 38.6                                      | –              | –                  | 19.8            | 0.7                          | 59.1         |

Notes

1. The Property portfolio value on which LFL growth is based was £4,542 million as at 31 December 2019 (2018: £6,012 million)
2. Discontinued operations relates solely to the UK retail parks portfolio.



## Top ten tenants

Table 5

### Ranked by passing rent at 31 December 2019

| Proportionally consolidated excluding premium outlets, including UK retail parks | Passing rent<br>£m | % of total<br>passing rent |
|--|--------------------|----------------------------|
| H&M  | 8.9                | 3.0                        |
| Inditex  | 8.4                | 2.8                        |
| Next   | 7.4                | 2.5                        |
| Boots  | 5.4                | 1.8                        |
| Marks & Spencer  | 5.1                | 1.7                        |
| B&Q  | 4.6                | 1.5                        |
| TK Maxx  | 4.6                | 1.5                        |
| River Island   | 4.6                | 1.5                        |
| Frasers Group  | 4.5                | 1.5                        |
| Debenhams  | 3.9                | 1.3                        |
| <b>Total</b>   | <b>57.4</b>        | <b>19.1</b>                |

## Cost ratio

Table 6

### EPRA cost ratio

| Proportionally consolidated excluding premium outlets                      | Continuing operations<br>£m | Discontinued operations<br>£m | Year ended<br>31 December<br>2019<br>£m | Continuing operations<br>£m | Discontinued operations<br>£m | Year ended<br>31 December<br>2018<br>£m |
|--|-----------------------------|-------------------------------|---|-----------------------------|-------------------------------|---|
| Net service charge expenses – non-vacancy                                  | 7.8                         | 0.2                           | 8.0                                     | 8.1                         | 0.3                           | 8.4                                     |
| Net service charge expenses – vacancy                                      | 7.8                         | 0.7                           | 8.5                                     | 5.1                         | 0.8                           | 5.9                                     |
| Net service charge expenses – total  | 15.6                        | 0.9                           | 16.5                                    | 13.2                        | 1.1                           | 14.3                                    |
| Other property outgoings   | 30.7                        | 2.1                           | 32.8                                    | 30.7                        | 2.8                           | 33.5                                    |
| Less inclusive lease costs recovered through rent                          | (7.4)                       | (0.2)                         | (7.6)                                   | (7.4)                       | (0.3)                         | (7.7)                                   |
| <b>Total property costs (for cost ratio)</b>                               | <b>38.9</b>                 | <b>2.8</b>                    | <b>41.7</b>                             | <b>36.5</b>                 | <b>3.6</b>                    | <b>40.1</b>                             |
| Employee and corporate costs   | 55.8                        | 1.4                           | 57.2                                    | 53.7                        | 1.3                           | 55.0                                    |
| Management fees receivable   | (8.9)                       | –                             | (8.9)                                   | (10.3)                      | –                             | (10.3)                                  |
| <b>Total operating costs (for cost ratio)</b>                              | <b>85.8</b>                 | <b>4.2</b>                    | <b>90.0</b>                             | <b>79.9</b>                 | <b>4.9</b>                    | <b>84.8</b>                             |
| Gross rental income  | 308.5                       | 52.5                          | 361.0                                   | 335.2                       | 63.6                          | 398.8                                   |
| Ground and equity rents payable  | (2.8)                       | (0.4)                         | (3.2)                                   | (2.9)                       | (0.6)                         | (3.5)                                   |
| Less inclusive lease costs recovered through rent                          | (7.4)                       | (0.2)                         | (7.6)                                   | (7.4)                       | (0.3)                         | (7.7)                                   |
| <b>Gross rental income (for cost ratio)</b>                                | <b>298.3</b>                | <b>51.9</b>                   | <b>350.2</b>                            | <b>324.9</b>                | <b>62.7</b>                   | <b>387.6</b>                            |
| <b>EPRA cost ratio including net service charge expenses – vacancy (%)</b> | <b>28.8</b>                 | <b>8.1</b>                    | <b>25.7</b>                             | <b>24.6</b>                 | <b>7.8</b>                    | <b>21.9</b>                             |
| <b>EPRA cost ratio excluding net service charge expenses – vacancy (%)</b> | <b>26.1</b>                 | <b>6.7</b>                    | <b>23.3</b>                             | <b>23.0</b>                 | <b>6.5</b>                    | <b>20.4</b>                             |

Our business model for developments is to use a combination of in-house staff and external advisors. The cost of external advisors is capitalised to the cost of developments. The cost of staff working on developments is generally expensed, but capitalised subject to meeting certain criteria related to the degree of time spent on and the stage of progress of specific projects. During the year ended 31 December 2019, staff costs of £1.8 million (2018: £1.3 million) were capitalised as development costs and are not included within 'Employee and corporate costs'.

## Valuation analysis

Table 7

### Valuation analysis at 31 December 2019

| Proportionally consolidated including premium outlets | Properties at valuation <sup>1</sup><br>£m | Revaluation in the year<br>£m | Capital return<br>% | Total return<br>% | Initial yield<br>% | True equivalent yield<br>% | Nominal equivalent yield <sup>2</sup><br>% |
|---|--|-------------------------------|---------------------|-------------------|--------------------|----------------------------|--|
| UK  | 2,351.3                                    | (581.8)                       | (19.9)              | (15.8)            | 5.5                | 6.2                        | 6.0  |
| France  | 1,269.0                                    | (130.6)                       | (10.2)              | (6.5)             | 4.1                | 4.7                        | 4.6  |
| Ireland   | 860.0                                      | (71.6)                        | (7.5)               | (3.6)             | 4.1                | 4.7                        | 4.6  |
| <b>Flagship destinations</b>                          | <b>4,480.3</b>                             | <b>(784.0)</b>                | <b>(14.8)</b>       | <b>(10.8)</b>     | <b>4.8</b>         | <b>5.5</b>                 | <b>5.3</b>                                 |
| UK retail parks                                       | 453.3                                      | (124.9)                       | (19.5)              | (14.0)            | 7.3                | 7.6                        | 7.3  |
| UK other  | 134.5                                      | (41.2)                        | (23.6)              | (19.3)            | 7.4                | 9.4                        | 8.8  |
| <b>Investment portfolio</b>                           | <b>5,068.1</b>                             | <b>(950.1)</b>                | <b>(15.6)</b>       | <b>(11.5)</b>     | <b>5.1</b>         | <b>5.8</b>                 | <b>5.6</b>                                 |
| Developments  | 599.6                                      | (77.9)                        | (10.7)              | (9.2)             |                    |                            |  |
| <b>Property portfolio – excluding premium outlets</b> | <b>5,667.7</b>                             | <b>(1,028.0)</b>              | <b>(15.8)</b>       | <b>(11.9)</b>     |                    |                            |  |
| Premium outlets <sup>3</sup>                          | 2,659.1                                    | 199.8                         | 8.2                 | 13.6              |                    |                            |  |
| <b>Total Group<sup>4</sup></b>                        | <b>8,326.8</b>                             | <b>(828.2)</b>                | <b>(9.8)</b>        | <b>(5.6)</b>      |                    |                            |  |

#### Analysed as:

|                                      |                |                |
|--------------------------------------|----------------|----------------|
| Continuing operations                | <b>7,870.3</b> | <b>(703.3)</b> |
| Discontinued operations <sup>5</sup> | <b>456.5</b>   | <b>(124.9)</b> |

Data for the year ended 31 December 2018

|   |                |                |              |              |            |            |            |
|---|----------------|----------------|--------------|--------------|------------|------------|------------|
| UK  | 2,920.9        | (346.6)        | (10.6)       | (6.5)        | 4.8        | 5.5        | 5.3        |
| France  | 1,885.2        | (14.3)         | (1.7)        | 2.2          | 3.7        | 4.3        | 4.2        |
| Ireland   | 978.5          | 9.0            | 0.9          | 5.2          | 3.9        | 4.5        | 4.4        |
| <b>Flagship destinations</b>                          | <b>5,784.6</b> | <b>(351.9)</b> | <b>(6.2)</b> | <b>(2.1)</b> | <b>4.3</b> | <b>4.9</b> | <b>4.8</b> |
| UK retail parks                                       | 873.1          | (126.3)        | (13.2)       | (8.5)        | 6.0        | 6.8        | 6.5        |
| UK other  | 173.3          | 6.9            | 4.5          | 9.2          | 5.7        | 8.0        | 7.6        |
| <b>Investment portfolio</b>                           | <b>6,831.0</b> | <b>(471.3)</b> | <b>(7.0)</b> | <b>(2.8)</b> | <b>4.6</b> | <b>5.3</b> | <b>5.1</b> |
| Developments  | 648.5          | 22.7           | 4.1          | 6.2          |            |            |            |
| <b>Property portfolio – excluding premium outlets</b> | <b>7,479.5</b> | <b>(448.6)</b> | <b>(6.2)</b> | <b>(2.1)</b> |            |            |            |
| Premium outlets <sup>3</sup>                          | 2,458.8        | 56.2           | 2.4          | 7.4          |            |            |            |
| <b>Total Group<sup>4</sup></b>                        | <b>9,938.3</b> | <b>(392.4)</b> | <b>(4.3)</b> | <b>0.0</b>   |            |            |            |

#### Analysed as:

|                                      |                |                |
|--------------------------------------|----------------|----------------|
| Continuing operations                | <b>9,938.3</b> | <b>(267.8)</b> |
| Discontinued operations <sup>5</sup> | -              | <b>(124.6)</b> |

#### Notes

- Includes impairment of £92 million recognised following reclassification of UK retail parks to assets held for sale. Valuation movements, returns and yields have been calculated excluding this impairment loss.
- Nominal equivalent yields are included within the unobservable inputs to the portfolio valuations as defined by IFRS 13. This information has been subject to audit. The nominal equivalent yield for the Reported Group at 31 December 2019 was 5.8% (2018: 5.1%).
- Represents the Group's share of premium outlets through its investments in Value Retail and VIA Outlets.
- Further analysis of capital expenditure between Reported Group and Share of Property interests is included in note 3B on page 46.
- Discontinued operations relates solely to the UK retail parks portfolio and includes £3.2 million (2018: £7.2 million) of properties within the Development portfolio.

## EPRA Net Initial Yield (NIY)

Table 8

### Investment portfolio as at 31 December 2019

| Proportionally consolidated excluding premium outlets   | 2019<br>£m     | 2018<br>£m     |
|---|----------------|----------------|
| Property portfolio - excluding premium outlets – wholly owned                                 | 2,098.7        | 3,830.4        |
| Property portfolio - excluding premium outlets – share of property interests                  | 3,112.5        | 3,649.1        |
| Property portfolio - excluding premium outlets – assets held for sale/discontinued operations | 456.5          | -              |
| <b>Net investment portfolio valuation on a proportionally consolidated basis</b>              | <b>5,667.7</b> | <b>7,479.5</b> |
| Less: Developments  | (599.6)        | (648.5)        |
| <b>Completed investment portfolio</b>   | <b>5,068.1</b> | <b>6,831.0</b> |
| Add: Impairment recognised on reclassification to held for sale                               | 92.0           | -              |
| Purchasers' costs <sup>1</sup>  | 353.7          | 420.0          |
| <b>Grossed up completed investment portfolio (A)</b>  | <b>5,513.8</b> | <b>7,251.0</b> |
| <br>  |                |                |
| Annualised cash passing rental income   | 299.5          | 344.7          |
| Non recoverable costs   | (11.6)         | (11.0)         |
| Rents payable   | (4.5)          | (4.8)          |
| <b>Annualised net rent (B)</b>  | <b>283.4</b>   | <b>328.9</b>   |
| Add:  |                |                |
| Notional rent expiration of rent free periods <sup>2</sup>                                    | 4.8            | 4.7            |
| Future rent on signed leases  | 1.0            | 3.8            |
| <b>Topped-up annualised net rent (C)</b>  | <b>289.2</b>   | <b>337.4</b>   |
| Add back: Non recoverable costs   | 11.6           | 11.0           |
| <b>Passing rents<sup>3</sup></b>  | <b>300.8</b>   | <b>348.4</b>   |
| <br>  |                |                |
| EPRA net initial yield (B/A)  | <b>5.1%</b>    | 4.6%           |
| EPRA 'topped-up' net initial yield (C/A)  | <b>5.2%</b>    | 4.7%           |

Notes

1. Purchasers' costs equate to 6.9% (2018: 6.1%) of the net portfolio value prior to impairment.
2. The weighted average remaining rent-free period is 0.4 years.
3. Passing rent is the annual rental income receivable from an investment property, after any rent-free periods and after deducting head and equity rents and car parking and commercialisation running costs

## EPRA - capital expenditure

Table 9

|  | 2019                 |                                   |                                   | 2018                 |                                   |                                   |
|--|----------------------|-----------------------------------|-----------------------------------|----------------------|-----------------------------------|-----------------------------------|
|  | Reported group<br>£m | Share of Property interests<br>£m | Proportionally consolidated<br>£m | Reported group<br>£m | Share of Property interests<br>£m | Proportionally consolidated<br>£m |
| Acquisitions                                   | 1                    | -                                 | 1                                 | 12                   | -                                 | 12                                |
| Developments                                   | 48                   | 3                                 | 51                                | 66                   | 18                                | 84                                |
| Capital expenditure – creating area            | 13                   | 3                                 | 16                                | 15                   | 5                                 | 20                                |
| Capital expenditure – no additional area       | 14                   | 10                                | 24                                | 62                   | 12                                | 74                                |
| Tenant incentives                              | 3                    | 3                                 | 6                                 | (6)                  | (1)                               | (7)                               |
| <b>Total capital expenditure</b>               | <b>79</b>            | <b>19</b>                         | <b>98</b>                         | 149                  | 34                                | 183                               |
| Conversion from accruals to cash basis         | 2                    | 10                                | 12                                | 13                   | 34                                | 47                                |
| <b>Total capital expenditure on cash basis</b> | <b>81</b>            | <b>29</b>                         | <b>110</b>                        | 162                  | 68                                | 230                               |

Further analysis of capital expenditure between the creation of additional area and the creation of value through enhancement of existing space is provided in the Property portfolio review on page 19.

## Share of Property interests

The Group's Share of Property interests reflects the Group's Property joint ventures as shown in note 11 to the financial statements on pages 55 to 60 and the Group's interests in Italie Deux and Nicetoile, which are accounted for as associates, as shown in note 12 to the financial statements on pages 61 to 64.

### Income statement

Table 10

|  | 2019                          |                                 |                                   |                               |                 | 2018                              |
|--|-------------------------------|---------------------------------|-----------------------------------|-------------------------------|-----------------|-----------------------------------|
|  | Property joint ventures<br>£m | Italie Deux and Nicetoile<br>£m | Share of Property interests<br>£m | Property joint ventures<br>£m | Nicetoile<br>£m | Share of Property interests<br>£m |
| Gross rental income                        | 175.3                         | 1.8                             | 177.1                             | 174.0                         | 1.6             | 175.6                             |
| Net rental income                          | 146.4                         | 1.6                             | 148.0                             | 149.4                         | 1.4             | 150.8                             |
| Administration expenses                    | (0.5)                         | -                               | (0.5)                             | (0.2)                         | -               | (0.2)                             |
| Operating profit before other net (losses) | 145.9                         | 1.6                             | 147.5                             | 149.2                         | 1.4             | 150.6                             |
| Revaluation losses on properties           | (591.5)                       | (2.8)                           | (594.3)                           | (271.7)                       | (0.5)           | (272.2)                           |
| Operating (loss)/profit                    | (445.6)                       | (1.2)                           | (446.8)                           | (122.5)                       | 0.9             | (121.6)                           |
| Change in fair value of derivatives        | (2.6)                         | -                               | (2.6)                             | (1.4)                         | -               | (1.4)                             |
| Other finance costs                        | (8.8)                         | -                               | (8.8)                             | (7.0)                         | -               | (7.0)                             |
| Net finance costs                          | (11.4)                        | -                               | (11.4)                            | (8.4)                         | -               | (8.4)                             |
| (Loss)/Profit before tax                   | (457.0)                       | (1.2)                           | (458.2)                           | (130.9)                       | 0.9             | (130.0)                           |
| Current tax charge                         | (0.3)                         | -                               | (0.3)                             | (0.1)                         | -               | (0.1)                             |
| (Loss)/Profit for the year                 | (457.3)                       | (1.2)                           | (458.5)                           | (131.0)                       | 0.9             | (130.1)                           |

### Balance sheet

Table 11

|                                       | 2019                          |                                 |                                   |                               |                 | 2018                              |
|---------------------------------------|-------------------------------|---------------------------------|-----------------------------------|-------------------------------|-----------------|-----------------------------------|
|                                       | Property joint ventures<br>£m | Italie Deux and Nicetoile<br>£m | Share of Property interests<br>£m | Property joint ventures<br>£m | Nicetoile<br>£m | Share of Property interests<br>£m |
| <b>Non-current assets</b>             |                               |                                 |                                   |                               |                 |                                   |
| Investment and development properties | 2,964.6                       | 147.9                           | 3,112.5                           | 3,619.8                       | 29.3            | 3,649.1                           |
| Interests in leasehold properties     | 15.6                          | -                               | 15.6                              | 15.6                          | -               | 15.6                              |
| Other non-current assets              | 2.6                           | -                               | 2.6                               | 0.6                           | -               | 0.6                               |
|                                       | 2,982.8                       | 147.9                           | 3,130.7                           | 3,636.0                       | 29.3            | 3,665.3                           |
| <b>Current assets</b>                 |                               |                                 |                                   |                               |                 |                                   |
| Other current assets                  | 78.0                          | 1.2                             | 79.2                              | 75.4                          | 0.3             | 75.7                              |
| Cash and deposits                     | 65.3                          | 2.3                             | 67.6                              | 70.0                          | 1.2             | 71.2                              |
|                                       | 143.3                         | 3.5                             | 146.8                             | 145.4                         | 1.5             | 146.9                             |
| <b>Total assets</b>                   | <b>3,126.1</b>                | <b>151.4</b>                    | <b>3,277.5</b>                    | <b>3,781.4</b>                | <b>30.8</b>     | <b>3,812.2</b>                    |
| <b>Current liabilities</b>            |                               |                                 |                                   |                               |                 |                                   |
| Other payables                        | (69.0)                        | (1.0)                           | (70.0)                            | (71.0)                        | (0.2)           | (71.2)                            |
|                                       | (69.0)                        | (1.0)                           | (70.0)                            | (71.0)                        | (0.2)           | (71.2)                            |
| <b>Non-current liabilities</b>        |                               |                                 |                                   |                               |                 |                                   |
| Loans                                 | (391.9)                       | -                               | (391.9)                           | (409.3)                       | -               | (409.3)                           |
| Derivative financial instruments      | (3.9)                         | -                               | (3.9)                             | (1.4)                         | -               | (1.4)                             |
| Obligations under head leases         | (15.8)                        | -                               | (15.8)                            | (15.6)                        | -               | (15.6)                            |
| Other payables                        | (7.3)                         | (1.2)                           | (8.5)                             | (5.9)                         | (0.2)           | (6.1)                             |
| Deferred tax                          | (0.1)                         | -                               | (0.1)                             | -                             | -               | -                                 |
|                                       | (419.0)                       | (1.2)                           | (420.2)                           | (432.2)                       | (0.2)           | (432.4)                           |
| <b>Total liabilities</b>              | <b>(488.0)</b>                | <b>(2.2)</b>                    | <b>(490.2)</b>                    | <b>(503.2)</b>                | <b>(0.4)</b>    | <b>(503.6)</b>                    |
| <b>Net assets</b>                     | <b>2,638.1</b>                | <b>149.2</b>                    | <b>2,787.3</b>                    | <b>3,278.2</b>                | <b>30.4</b>     | <b>3,308.6</b>                    |

## Premium outlets

The Group's investment in premium outlets is through interests in Value Retail and VIA Outlets. Due to the nature of the Group's control over these externally managed investments, Value Retail is accounted for as an associate and VIA Outlets is accounted for as a joint venture. Tables 12 and 13 provide analysis of the impact of the two premium outlet investments on the Group's financial statements. Further information on Value Retail is provided in note 12 to the financial statements on pages 61 to 64 and for VIA Outlets in note 11 to the financial statements on pages 55 to 60.

### Income statement

Table 12

#### Aggregated premium outlets income summary

|   | 2019               |                      |             | 2018               |                      |             |
|---|--------------------|----------------------|-------------|--------------------|----------------------|-------------|
|   | Value Retail<br>£m | VIA<br>Outlets<br>£m | Total<br>£m | Value Retail<br>£m | VIA<br>Outlets<br>£m | Total<br>£m |
| Gross rental income                         | 135.7              | 45.6                 | 181.3       | 117.7              | 42.6                 | 160.3       |
| Net rental income                           | 95.1               | 31.8                 | 126.9       | 81.2               | 31.9                 | 113.1       |
| Administration expenses                     | (44.4)             | (6.5)                | (50.9)      | (37.8)             | (7.2)                | (45.0)      |
| Operating profit before other net gains     | 50.7               | 25.3                 | 76.0        | 43.4               | 24.7                 | 68.1        |
| Revaluation gains on properties             | 170.7              | 29.1                 | 199.8       | 45.0               | 11.2                 | 56.2        |
| Operating profit                            | 221.4              | 54.4                 | 275.8       | 88.4               | 35.9                 | 124.3       |
| Change in fair value of derivatives         | (28.5)             | (0.9)                | (29.4)      | (1.3)              | (2.2)                | (3.5)       |
| Change in fair value of participative loans | 39.6               | -                    | 39.6        | 5.9                | -                    | 5.9         |
| Other finance costs                         | (21.0)             | (7.9)                | (28.9)      | (19.5)             | (7.5)                | (27.0)      |
| Profit before tax                           | 211.5              | 45.6                 | 257.1       | 73.5               | 26.2                 | 99.7        |
| Current tax charge                          | (3.3)              | (2.5)                | (5.8)       | (2.3)              | (2.2)                | (4.5)       |
| Deferred tax credit/(charge)                | 2.4                | (8.8)                | (6.4)       | (14.4)             | 0.6                  | (13.8)      |
| Share of results (IFRS)                     | 210.6              | 34.3                 | 244.9       | 56.8               | 24.6                 | 81.4        |
| Less adjustments:                           |                    |                      |             |                    |                      |             |
| Revaluation gains on properties             | (170.7)            | (29.1)               | (199.8)     | (45.0)             | (11.2)               | (56.2)      |
| Change in fair value of derivatives         | 28.5               | 0.9                  | 29.4        | 1.3                | 2.2                  | 3.5         |
| Change in fair value of financial assets    | (0.3)              | -                    | (0.3)       | -                  | -                    | -           |
| Deferred tax (credit)/charge                | (2.4)              | 8.8                  | 6.4         | 14.4               | (0.6)                | 13.8        |
| Other adjustments                           | (34.5)             | (0.3)                | (34.8)      | (1.5)              | 0.1                  | (1.4)       |
| <b>Adjusted earnings of premium outlets</b> | <b>31.2</b>        | <b>14.6</b>          | <b>45.8</b> | <b>26.0</b>        | <b>15.1</b>          | <b>41.1</b> |

### Balance sheet

Table 13

#### Aggregated premium outlets investment summary

|                                      | 2019               |                      |                | 2018               |                      |                |
|--------------------------------------|--------------------|----------------------|----------------|--------------------|----------------------|----------------|
|                                      | Value Retail<br>£m | VIA<br>Outlets<br>£m | Total<br>£m    | Value Retail<br>£m | VIA<br>Outlets<br>£m | Total<br>£m    |
| Investment properties                | 1,965.6            | 693.5                | 2,659.1        | 1,823.0            | 635.8                | 2,458.8        |
| Net debt                             | (658.2)            | (237.5)              | (895.7)        | (657.6)            | (242.4)              | (900.0)        |
| Other net assets/(liabilities)       | 47.9               | (77.0)               | (29.1)         | 45.7               | (67.1)               | (21.4)         |
| Share of net assets (IFRS)           | 1,355.3            | 379.0                | 1,734.3        | 1,211.1            | 326.3                | 1,537.4        |
| Less adjustments:                    |                    |                      |                |                    |                      |                |
| Fair value of derivatives            | 12.7               | 4.0                  | 16.7           | 5.7                | 3.1                  | 8.8            |
| Deferred tax                         | 201.0              | 69.2                 | 270.2          | 214.6              | 59.8                 | 274.4          |
| Goodwill as a result of deferred tax | (63.2)             | (7.4)                | (70.6)         | (63.1)             | (3.6)                | (66.7)         |
| <b>Adjusted investment</b>           | <b>1,505.8</b>     | <b>444.8</b>         | <b>1,950.6</b> | <b>1,368.3</b>     | <b>385.6</b>         | <b>1,753.9</b> |

In addition to the above figures, at 31 December 2019 the Group had provided loans of £1.7 million (2018: £1.8 million) to Value Retail for which the Group received interest of £0.1 million in 2019 (2018: £0.1 million) which is included within finance income in note 5 to the financial statements on page 47.

## Proportionally consolidated information

Note 2 to the financial statements on pages 43 to 45 shows the proportionally consolidated income statement. The proportionally consolidated balance sheet, adjusted finance costs and net debt are shown in Tables 14, 15 and 16 respectively.

In each of the tables, column A represents the Reported Group figures as shown in the financial statements; column B shows the Group's Share of Property interests being the Group's Property joint ventures as shown in note 11 to the financial statements on pages 55 to 60 and Italie Deux and Nicetoile as shown in note 12 to the financial statements on pages 61 to 64. Column C shows the Group's proportionally consolidated figures by aggregating the Reported Group and Share of Property interests figures. As explained on page 22 of the Financial review, the Group's interests in premium outlets are not proportionally consolidated as management does not review these interests on this basis.

### Balance sheet

Table 14

#### Balance sheet as at 31 December 2019

|  | 2019                 |                                   |                                   | 2018                 |                                   |                                   |
|--|----------------------|-----------------------------------|-----------------------------------|----------------------|-----------------------------------|-----------------------------------|
|  | Reported Group<br>£m | Share of Property interests<br>£m | Proportionally consolidated<br>£m | Reported Group<br>£m | Share of Property interests<br>£m | Proportionally consolidated<br>£m |
|  | A                    | B                                 | C                                 | A                    | B                                 | C                                 |
| <b>Non-current assets</b>                        |                      |                                   |                                   |                      |                                   |                                   |
| Investment and development properties            | 2,098.7              | 3,112.5                           | 5,211.2                           | 3,830.4              | 3,649.1                           | 7,479.5                           |
| Interests in leasehold properties                | 34.3                 | 15.6                              | 49.9                              | 39.9                 | 15.6                              | 55.5                              |
| Right of use assets                              | 10.1                 | -                                 | 10.1                              | -                    | -                                 | -                                 |
| Plant and equipment                              | 3.2                  | -                                 | 3.2                               | 4.5                  | -                                 | 4.5                               |
| Investment in joint ventures                     | 3,017.1              | (2,638.1)                         | 379.0                             | 3,604.5              | (3,278.2)                         | 326.3                             |
| Investment in associates                         | 1,504.5              | (149.2)                           | 1,355.3                           | 1,241.5              | (30.4)                            | 1,211.1                           |
| Derivative financial instruments                 | 31.6                 | -                                 | 31.6                              | 24.5                 | -                                 | 24.5                              |
| Receivables                                      | 3.4                  | 2.6                               | 6.0                               | 3.6                  | 0.6                               | 4.2                               |
|  | <b>6,702.9</b>       | <b>343.4</b>                      | <b>7,046.3</b>                    | <b>8,748.9</b>       | <b>356.7</b>                      | <b>9,105.6</b>                    |
| <b>Current assets</b>                            |                      |                                   |                                   |                      |                                   |                                   |
| Receivables                                      | 96.3                 | 30.5                              | 126.8                             | 113.8                | 26.6                              | 140.4                             |
| Derivative financial instruments                 | 0.8                  | -                                 | 0.8                               | 4.1                  | -                                 | 4.1                               |
| Restricted monetary assets                       | 21.5                 | 48.7                              | 70.2                              | 24.0                 | 49.1                              | 73.1                              |
| Cash and deposits                                | 28.2                 | 67.6                              | 95.8                              | 31.2                 | 71.2                              | 102.4                             |
|  | <b>146.8</b>         | <b>146.8</b>                      | <b>293.6</b>                      | <b>173.1</b>         | <b>146.9</b>                      | <b>320.0</b>                      |
| Assets held for sale                             | 465.7                | 1.3                               | 467.0                             | -                    | -                                 | -                                 |
|  | <b>612.5</b>         | <b>148.1</b>                      | <b>760.6</b>                      | <b>173.1</b>         | <b>146.9</b>                      | <b>320.0</b>                      |
| <b>Total assets</b>                              | <b>7,315.4</b>       | <b>491.5</b>                      | <b>7,806.9</b>                    | <b>8,922.0</b>       | <b>503.6</b>                      | <b>9,425.6</b>                    |
| <b>Current liabilities</b>                       |                      |                                   |                                   |                      |                                   |                                   |
| Payables   | (193.5)              | (70.0)                            | (263.5)                           | (233.7)              | (71.2)                            | (304.9)                           |
| Tax  | (1.5)                | -                                 | (1.5)                             | (0.9)                | -                                 | (0.9)                             |
| Derivative financial instruments                 | (4.1)                | -                                 | (4.1)                             | (9.8)                | -                                 | (9.8)                             |
|  | <b>(199.1)</b>       | <b>(70.0)</b>                     | <b>(269.1)</b>                    | <b>(244.4)</b>       | <b>(71.2)</b>                     | <b>(315.6)</b>                    |
| Liabilities associated with assets held for sale | (19.7)               | (1.3)                             | (21.0)                            | -                    | -                                 | -                                 |
|  | <b>(218.8)</b>       | <b>(71.3)</b>                     | <b>(290.1)</b>                    | <b>(244.4)</b>       | <b>(71.2)</b>                     | <b>(315.6)</b>                    |
| <b>Non-current liabilities</b>                   |                      |                                   |                                   |                      |                                   |                                   |
| Loans  | (2,504.9)            | (391.9)                           | (2,896.8)                         | (3,013.9)            | (409.3)                           | (3,423.2)                         |
| Deferred tax                                     | (0.4)                | (0.1)                             | (0.5)                             | (0.5)                | -                                 | (0.5)                             |
| Derivative financial instruments                 | (70.7)               | (3.9)                             | (74.6)                            | (101.0)              | (1.4)                             | (102.4)                           |
| Obligations under head leases                    | (36.9)               | (15.8)                            | (52.7)                            | (42.3)               | (15.6)                            | (57.9)                            |
| Payables   | (106.5)              | (8.5)                             | (115.0)                           | (87.0)               | (6.1)                             | (93.1)                            |
|  | <b>(2,719.4)</b>     | <b>(420.2)</b>                    | <b>(3,139.6)</b>                  | <b>(3,244.7)</b>     | <b>(432.4)</b>                    | <b>(3,677.1)</b>                  |
| <b>Total liabilities</b>                         | <b>(2,938.2)</b>     | <b>(491.5)</b>                    | <b>(3,429.7)</b>                  | <b>(3,489.1)</b>     | <b>(503.6)</b>                    | <b>(3,992.7)</b>                  |
| <b>Net assets</b>                                | <b>4,377.2</b>       | <b>-</b>                          | <b>4,377.2</b>                    | <b>5,432.9</b>       | <b>-</b>                          | <b>5,432.9</b>                    |

## Adjusted finance costs

Table 15

### Adjusted finance costs for the year ended 31 December 2019

|   | 2019                 |                                      |             | 2018                 |                                      |              |
|---|----------------------|--------------------------------------|-------------|----------------------|--------------------------------------|--------------|
|   | Reported Group<br>£m | Share of Property<br>interests<br>£m | Total<br>£m | Reported Group<br>£m | Share of Property<br>interests<br>£m | Total<br>£m  |
|   | A                    | B                                    | C           | A                    | B                                    | C            |
| Notes (see page 78)                             |                      |                                      |             |                      |                                      |              |
| Gross finance costs <sup>1</sup>                | 105.3                | 9.0                                  | 114.3       | 111.1                | 7.1                                  | 118.2        |
| Less: Interest capitalised                      | (2.8)                | -                                    | (2.8)       | (1.9)                | -                                    | (1.9)        |
| Finance costs                                   | 102.5                | 9.0                                  | 111.5       | 109.2                | 7.1                                  | 116.3        |
| Finance income                                  | (21.5)               | (0.2)                                | (21.7)      | (14.5)               | (0.1)                                | (14.6)       |
| <b>Adjusted finance costs/(income) (note 2)</b> | <b>81.0</b>          | <b>8.8</b>                           | <b>89.8</b> | <b>94.7</b>          | <b>7.0</b>                           | <b>101.7</b> |

1. Included within gross finance costs for the Reported Group is £0.2 million (2018: £0.2 million) relating to discontinued operations

## Net debt

Table 16

### Net debt as at 31 December 2019

|                                | 2019                 |                                      |                  | 2018                 |                                      |                  |
|--------------------------------|----------------------|--------------------------------------|------------------|----------------------|--------------------------------------|------------------|
|                                | Reported Group<br>£m | Share of Property<br>interests<br>£m | Total<br>£m      | Reported Group<br>£m | Share of Property<br>interests<br>£m | Total<br>£m      |
|                                | A                    | B                                    | C                | A                    | B                                    | C                |
| Notes (see page 78)            |                      |                                      |                  |                      |                                      |                  |
| Cash and deposits <sup>1</sup> | 29.8                 | 67.6                                 | 97.4             | 31.2                 | 71.2                                 | 102.4            |
| Fair value of currency swaps   | (43.1)               | -                                    | (43.1)           | (84.9)               | -                                    | (84.9)           |
| Loans                          | (2,504.9)            | (391.9)                              | (2,896.8)        | (3,013.9)            | (409.3)                              | (3,423.2)        |
| <b>Net debt</b>                | <b>(2,518.2)</b>     | <b>(324.3)</b>                       | <b>(2,842.5)</b> | <b>(3,067.6)</b>     | <b>(338.1)</b>                       | <b>(3,405.7)</b> |

1. Included within net debt for the Reported Group is £1.6 million (2018: £nil million) of cash and deposits relating to assets held for sale

## Movement in net debt

Table 17

### Movement in net debt for the year ended 31 December 2019

|   | Year ended<br>31 December<br>2019<br>£m | Year ended<br>31 December<br>2018<br>£m |
|---|---|---|
| <b>Opening net debt</b>   | <b>(3,405.7)</b>                        | <b>(3,500.5)</b>                        |
| Operating profit before other net (losses)/gains                  | 260.2                                   | 302.8                                   |
| (Increase)/Decrease in receivables and restricted monetary assets | (3.9)                                   | 25.3                                    |
| Decrease in payables  | (1.6)                                   | (29.8)                                  |
| Adjustment for non-cash items                                     | 9.9                                     | 11.2                                    |
| <b>Cash generated from operations</b>                             | <b>264.6</b>                            | <b>309.5</b>                            |
| Interest received   | 20.6                                    | 16.0                                    |
| Interest paid   | (109.3)                                 | (118.1)                                 |
| Acquisition-related costs paid                                    | -                                       | (12.9)                                  |
| Debt and loan facility cancellation costs                         | -                                       | (15.3)                                  |
| Tax paid  | (2.1)                                   | (2.4)                                   |
| Operating distributions received from premium outlets             | 24.3                                    | 31.8                                    |
| <b>Cash flows from operating activities</b>                       | <b>198.1</b>                            | <b>208.6</b>                            |
| Acquisitions and capital expenditure                              | (110.3)                                 | (229.6)                                 |
| Sale of properties  | 536.1                                   | 553.2                                   |
| Advances to premium outlets                                       | (9.4)                                   | -                                       |
| Funds from financing transferred from premium outlets             | 5.5                                     | 62.2                                    |
| Acquisition of interest in premium outlets                        | (30.4)                                  | (113.8)                                 |
| <b>Cash flows from investing activities</b>                       | <b>391.5</b>                            | <b>272.0</b>                            |
| Purchase of own shares  | (1.6)                                   | (4.8)                                   |
| Share buyback   | (1.5)                                   | (126.5)                                 |
| Dividends paid to non-controlling interests                       | -                                       | (13.3)                                  |
| Equity dividends paid   | (198.9)                                 | (204.1)                                 |
| <b>Cash flows from financing activities</b>                       | <b>(202.0)</b>                          | <b>(348.7)</b>                          |
| <b>Exchange translation movement</b>                              | <b>175.6</b>                            | <b>(37.1)</b>                           |
| <b>Closing net debt</b>   | <b>(2,842.5)</b>                        | <b>(3,405.7)</b>                        |

## Loan to value and gearing

Table 18

### Loan to value and gearing as at 31 December 2019

|  |          | 2019<br>£m     | 2018<br>£m |
|--|----------|----------------|------------|
| <b>Net debt – 'Loan' (A)</b>   | Table 16 | <b>2,842.5</b> | 3,405.7    |
| Property portfolio – excluding premium outlets (B)                           | Table 7  | <b>5,667.7</b> | 7,479.5    |
| Investment in VIA Outlets  | Note 11A | <b>379.0</b>   | 326.3      |
| Investment in Value Retail   | Note 12C | <b>1,355.3</b> | 1,211.1    |
| Less non-controlling interest  | Note 24  | <b>(0.2)</b>   | (0.3)      |
| <b>'Value' (C)</b>   |          | <b>7,401.8</b> | 9,016.6    |
| <b>Equity shareholders' funds (D)</b>  | Note 9D  | <b>4,377.0</b> | 5,432.6    |
| <b>Loan to value (%) – (A/C)</b>   |          | <b>38.4</b>    | 37.8       |
| <b>Gearing – (%) (A/D)</b>   |          | <b>64.9</b>    | 62.7       |
| Net debt – premium outlets (E)   | Table 13 | <b>895.7</b>   | 900.0      |
| Property portfolio – premium outlets (F)                                     | Table 13 | <b>2,659.1</b> | 2,458.8    |
| <b>Loan to value – fully proportionally consolidated (%) – ((A+E)/(B+F))</b> |          | <b>44.9</b>    | 43.3       |
| <b>Gearing – fully proportionally consolidated (%) – ((A+E)/D)</b>           |          | <b>85.4</b>    | 79.3       |

## Net debt:EBITDA

Table 19

### Net debt:EBITDA for the year ended 31 December 2019

|                                |          | 2019<br>£m     | 2018<br>£m |
|--------------------------------|----------|----------------|------------|
| Adjusted operating profit      | Note 2   | <b>306.0</b>   | 343.9      |
| Tenant incentive amortisation  |          | <b>6.4</b>     | 8.6        |
| Share-based remuneration       |          | <b>3.0</b>     | 3.4        |
| Depreciation                   |          | <b>5.1</b>     | 1.5        |
| <b>EBITDA</b>                  |          | <b>320.5</b>   | 357.4      |
| <b>Net debt</b>                | Table 16 | <b>2,842.5</b> | 3,405.7    |
| <b>Net debt:EBITDA (times)</b> |          | <b>8.9</b>     | 9.5        |

## Unencumbered asset ratio

Table 20

### Unencumbered asset ratio as at 31 December 2019

|  |          | 2019<br>£m       | 2018<br>£m |
|--|----------|------------------|------------|
| Property portfolio – excluding premium outlets   | Table 7  | <b>5,667.7</b>   | 7,479.5    |
| VIA Outlets properties                           | Note 11A | <b>693.5</b>     | 635.8      |
| Less: properties held in associates              | Note 12C | <b>(147.9)</b>   | (29.3)     |
| Less: encumbered assets                          |          | <b>(1,607.0)</b> | (1,717.6)  |
| <b>Total unencumbered assets (A)</b>             |          | <b>4,606.3</b>   | 6,368.4    |
| Net debt – proportionally consolidated           | Table 16 | <b>2,842.5</b>   | 3,405.7    |
| Less: net debt held in associates                | Note 12C | <b>2.3</b>       | 1.2        |
| Add: net debt in VIA Outlets                     | Note 11A | <b>237.5</b>     | 242.4      |
| Add: fair value of currency swaps in VIA Outlets |          | <b>1.5</b>       | 1.0        |
| Add: unamortised borrowing costs                 |          | <b>20.0</b>      | 21.9       |
| Less: encumbered debt                            |          | <b>(663.7)</b>   | (688.1)    |
| <b>Total unsecured debt (B)</b>                  |          | <b>2,440.1</b>   | 2,984.1    |
| <b>Unencumbered asset ratio (times) (A)/(B)</b>  |          | <b>1.9</b>       | 2.1        |



## Glossary

|   |   |
|---|---|
| Adjusted figures (per share)                                  | Reported amounts adjusted in accordance with EPRA guidelines to exclude certain items as set out in note 9 to the financial statements.   |
| Anchor store  | A major store, occupying a large unit within a retail destination or retail park, which serves as a draw to other retailers and consumers.  |
| Annual Incentive Plan (AIP)                                   | The annual bonus plan for all employees, including Executive Directors.   |
| Average cost of debt or weighted average interest rate (WAIR) | The cost of finance expressed as a percentage of the weighted average debt during the period.   |
| BREEAM  | An environmental rating assessed under the Building Research Establishment's Environmental Assessment Method.   |
| Capital return  | The change in property value during the period after taking account of capital expenditure, calculated on a monthly time-weighted and constant currency basis.  |
| Compulsory Purchase Order (CPO)                               | A legal function in the UK by which land or property can be obtained to enable a development or infrastructure scheme without the consent of the owner where there is a "compelling case in the public interest."   |
| Cost ratio (or EPRA cost ratio)                               | Total operating costs (being property costs, administration costs less management fees) as a percentage of gross rental income, after rents payable. Both operating costs and gross rental income are adjusted for costs associated with inclusive leases as detailed in the calculation in table 6 on page 73.   |
| Consumer Price Index (CPI)                                    | A measure of inflation based on the weighted average of prices of consumer goods and services.  |
| Compulsory Voluntary Arrangement (CVA)                        | A legally binding agreement with a company's creditors to restructure its liabilities, including future lease liabilities.  |
| Deferred Bonus Share Scheme (DBS)                             | The deferred element of the AIP, payable in shares, two years after the awards date.  |
| Dividend cover  | Adjusted earnings per share divided by dividend per share.  |
| Earnings per share (EPS)                                      | Profit/loss attributable to equity shareholders divided by the average number of shares in issue during the period.   |
| EBITDA  | Earnings before interest, tax, depreciation and amortisation, as shown in table 19 on page 80.  |
| EPRA  | The European Public Real Estate Association, a real estate industry body of which the Company is a member. This organisation has issued Best Practice Recommendations with the intention of improving the transparency, comparability and relevance of the published results of listed real estate companies in Europe.   |
| Equivalent yield (true and nominal)                           | The capitalisation rate applied to future cash flows to calculate the gross property value. The cash flows reflect future rents resulting from lettings, lease renewals and rent reviews based on current ERVs. The true equivalent yield (TEY) assumes rents are received quarterly in advance. The nominal equivalent yield (NEY) 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 calculated by the Group's external valuers. It is calculated after deducting head and equity rents, and car parking and commercialisation running costs.  |
| ESG   | Using environmental, social and government factors to evaluate companies and countries on how far advanced they are with sustainability.  |
| F&B   | Food and beverage ranging from "grab and go" to fine dining.  |
| Flexible lettings   | Leases of less than three years, which often contain break options to provide flexibility for landlords and tenants.  |
| Gearing   | Net debt expressed as a percentage of equity shareholders' funds. See table 18 on page 80.  |
| Gross property value or Gross asset value (GAV)               | Property value before deduction of purchasers' costs, as provided by the Group's external valuers.  |
| Gross rental income (GRI)                                     | Income from rents, car parks and commercialisation income, after accounting for the net effect of the amortisation of lease incentives.   |
| IAS/IFRS  | International Accounting Standard/International Financial Reporting Standard.   |
| Inclusive lease   | A lease, often for a short period, under which the rent is inclusive of costs such as service charge, rates and utilities. Instead, the landlord incurs these costs as part of the overall commercial arrangement.  |

|   |  |
|---|--|
| Income return                                   | The income derived from a property as a percentage of the property value, taking account of capital expenditure on a constant currency basis, calculated on a monthly time-weighted basis.   |
| Initial yield (or Net initial yield (NIY))      | 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%, 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 exceptional finance costs, capitalised interest and 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.   |
| Joint venture and associate management fees     | Fees charged to joint ventures and associates for accounting, secretarial, asset and development management services.  |
| Like-for-like (LFL) NRI                         | The percentage change in NRI for investment properties owned throughout both current and prior periods, after taking account of exchange translation movements. Properties undergoing a significant extension project are excluded from this calculation during the period of the works. For interim reporting periods properties sold between the balance sheet date and the date of the announcement are also excluded from LFL NRI.                     |
| Loan to value (LTV)                             | Net debt expressed as a percentage of the property portfolio value.  |
| Long Term Incentive Plan (LTIP)                 | Long term incentive scheme for Executive Directors.  |
| Medium Sized Unit (MSU)                         | Retail unit of between 10,000ft <sup>2</sup> (929m <sup>2</sup> ) and 50,000ft <sup>2</sup> (4,645m <sup>2</sup> )   |
| MSCI  | Property market benchmark indices produced by MSCI, rebranded from IPD in 2018.  |
| Net asset value (NAV) per share                 | Equity shareholders' funds divided by the number of shares in issue at the balance sheet date.   |
| Net rental income (NRI)                         | Gross rental income less 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 total ERV of that property or portfolio.   |
| Occupational cost ratio (OCR)                   | The proportion of retailer's sales compared with the total cost of occupation, including rent, business rates and service charge. Calculated excluding department stores.  |
| Over-rented                                     | The amount, or percentage, by which the ERV falls short of rents passing, together with the ERV of vacant space.   |
| Passing rents or rents passing                  | The annual rental income receivable from an investment property, after: rent-free periods; head and equity rents; car park costs; and commercialisation costs. This may be more or less than the ERV (see over-rented and reversionary or under-rented).   |
| Physical risk                                   | Business risk posed by the physical effects of climate change, including high temperatures, flooding, storm damage and fires.  |
| Pre-let   | A lease signed with a tenant prior to the completion of a development.   |
| Principal lease                                 | A lease signed with a tenant with a secure term of greater than three years and where the unit is not significantly reconfigured. This enables letting metrics to be stated on a comparable basis.   |
| Property fee income                             | Amounts recharged to tenants or co-owners for property management services.  |
| 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.   |
| Property interests (Share of)                   | The Group's non-wholly owned properties which management proportionally consolidate when reviewing the performance of the business. These exclude the Group's premium outlets interests in Value Retail and VIA Outlets which are not proportionally consolidated.   |
| Property joint ventures (Share of)              | The Group's joint ventures which management proportionally consolidate when reviewing the performance of the business, but exclude the Group's interests in the VIA Outlets joint venture.   |
| Proportional consolidation                      | The aggregation of the financial results of the Reported Group together with the Group's share of Property interests being the Group's share of Property joint ventures as shown in note 11, and Nicetoile and Italie Deux as shown in note 12.  |
| QIAIF   | Qualifying Investor Alternative Investment Fund. A regulated tax regime in the Republic of Ireland which exempts participants from Irish tax on property income and chargeable gains subject to certain requirements.  |

|   |  |
|---|--|
| 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.  |
| Reported Group  | The financial results as presented under IFRS which represent the Group's 100% owned properties and share of joint operations, transactions and balances and equity accounted Group's interests in joint ventures and associates.  |
| Restricted Share Scheme (RSS)                               | The proposed replacement for the LTIP scheme.  |
| 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 year, all excluding deferred tax and certain non-recurring items.   |
| Reversionary or under-rented                                | The amount, or percentage by which the ERV exceeds the rents passing, together with the estimated rental value of vacant space.  |
| Scope 1 emissions   | Direct emissions from owned or controlled sources.   |
| Scope 2 emissions   | Indirect emissions from the generation of purchased energy.  |
| Scope 3 emissions   | All indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.   |
| SIIC  | Sociétés d'Investissements Immobiliers Côtées. A tax regime in France which exempts participants from the French tax on property income and gains subject to certain requirements.   |
| Task Force for Climate Related Financial Disclosures (TCFD) | An organisation established with the goal of developing a set of voluntary climate-related financial risk disclosures to be adopted by companies to inform investors and the public about the risks they face relating to climate change.  |
| Temporary lettings  | Temporary leases of less than three years.   |
| Tenant restructuring  | CVAs and administrations.  |
| Total development cost (TDC)                                | All capital expenditure on a development project, including capitalised interest.  |
| Total property return (TPR) (or total return)               | NRI and capital growth expressed as a percentage of the opening book value of property adjusted for capital expenditure, calculated on a monthly time-weighted and constant currency basis.  |
| Total shareholder return (TSR)                              | Dividends and capital growth in a Company's share price, expressed as a percentage of the share price at the beginning of the year.  |
| Transitional risk   | Business risk posed by regulatory and policy changes implemented to tackle climate change.   |
| Turnover rent   | Rental income which is related to an occupier's turnover.  |
| UK other  | High street and other properties held for strategic purposes   |
| United Nations Sustainable Development Goals (UN SDGs)      | 17 goals designed to support the delivery of a sustainable world by ending poverty and other deprivations by improving health and education, reducing inequality and supporting economic growth, whilst also tackling climate change and focusing on preserving the natural environment. |
| 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 ERV of that property or portfolio.   |
| Yield on cost   | Passing rents 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.