Insights into UK retail

19th October 2018

Hammerson

Victoria, Leeds

Today's presentation

Current backdrop is tough but we have a clear strategy

Tough market backdrop in the UK

Footfall -2.1%
High street fashion sales -7%
CVAs, 2018 NRI impact -£7 million
Department stores: House of Fraser CVA

Positive UK shopping centre leasing volumes

£11.4m, +23% YoY

Proactively enhancing retailer line-up

Reconfiguration of former House of Fraser store at Highcross complete

Delivering revised strategy announced in July

Highcross 50% disposal: £236 million
Total +£530 million disposals achieved YTD
Share buyback ongoing: £80 million

Confidence for future of winning destinations

UK portfolio ranked A-/A/A+ grade quality

10th birthday celebration, Cabot Circus, Bristol

In July we set out our agenda to boost returns

Optimised portfolio

Focus on flagship retail destinations and Premium Outlets

Exit retail parks

Accelerate disposals: £1.1bn over two years

Increased geographical diversification

Progress City Quarters concept

Operational excellence

Step change retailer line-up

Devoting more resource to experience-enhancing events and digital

Reduce costs by at least £7m p.a.

Capital efficiency

Implement £300m share buyback

Deleverage to mid-30s % LTV

Defer Brent Cross development

We are delivering on our strategy

Optimised portfolio

Focus on flagship retail destinations and Premium Outlets

Exit retail parks

Disposal of 50% Highcross £236m

YTD disposals of +£530m

Increased geographical diversification

45% non-UK assets [(1)]

Progress City Quarters concept

Operational excellence

Opportunities for department store rotation

Live discussions with operators

Devoting more resource to experience-enhancing events and digital

Reduce costs by at least £7m p.a.

Secured savings of £5m p.a.

Capital efficiency

Share buyback ongoing

£80m already complete

Proceeds from disposals contribute to deleveraging

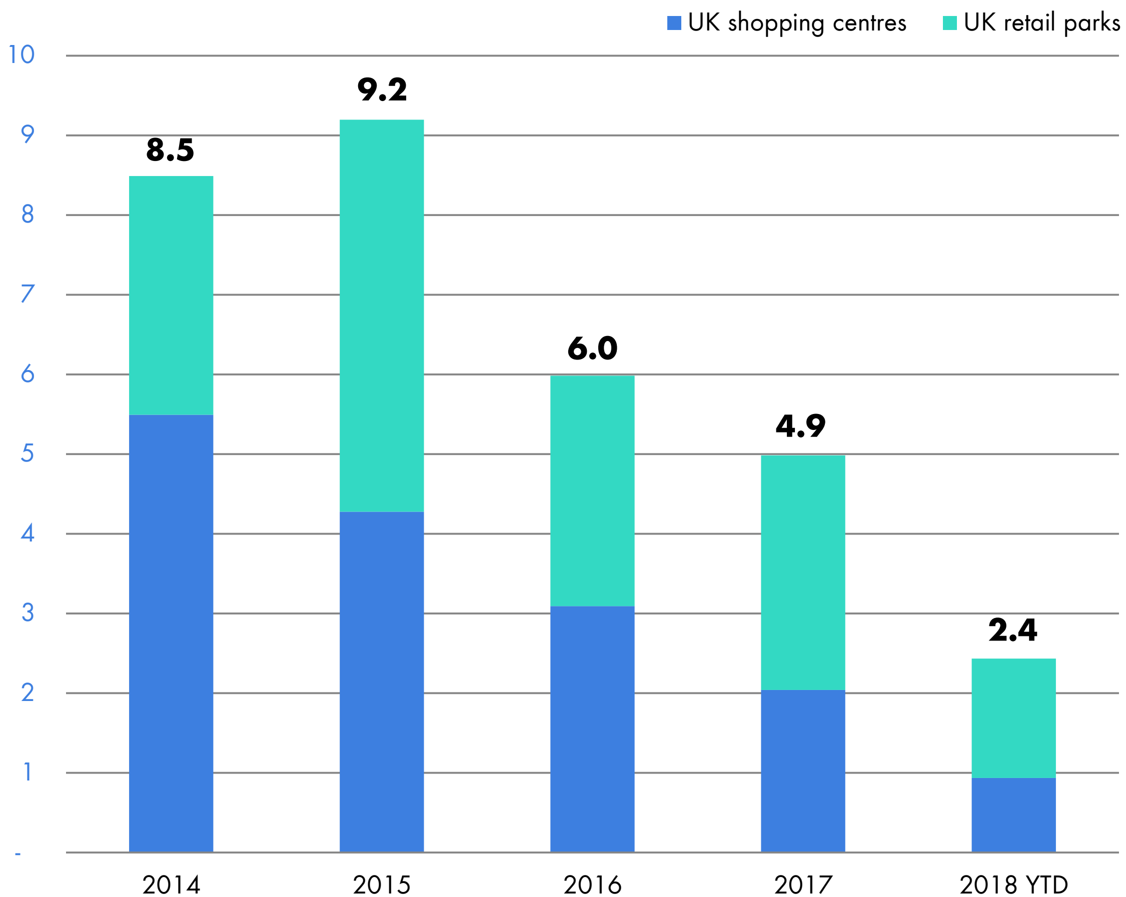
Pro forma £0.2bn debt reduction [(2)]

Deferred Brent Cross development

1 Reflects sales of Imperial and Fife Central retail parks and 50% of Highcross
2 Reflects payment of share buyback and interim dividend, and sales of Imperial and Fife Central retail parks and 50% of Highcross

Delivering disposals in a challenging market

UK retail investment volumes, £bn



Highcross transaction key facts

50% stake sold for £236m

5.5% NIY

JV with new Asian investor introduced by M&G Real Estate

Detailed due diligence extended period of transaction

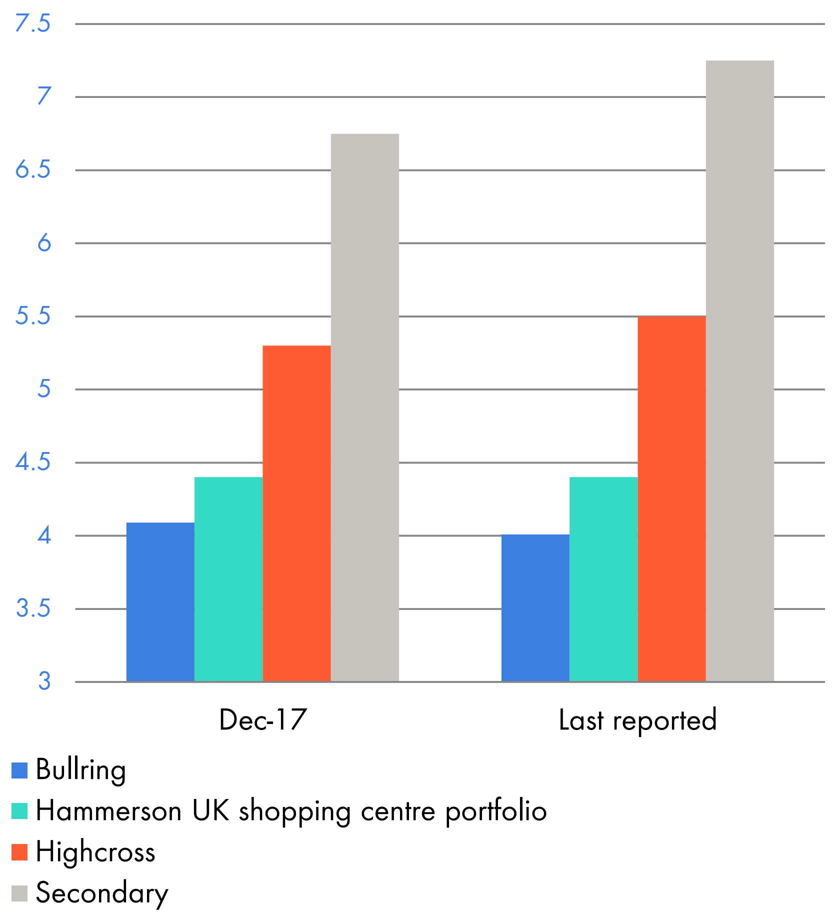
5% below Dec 2017 book value

Completion expected Dec 2018

Source: Property Data

Differentiation of prime shopping centre yields driven by quality

UK shopping centre yield analysis (%) [1]

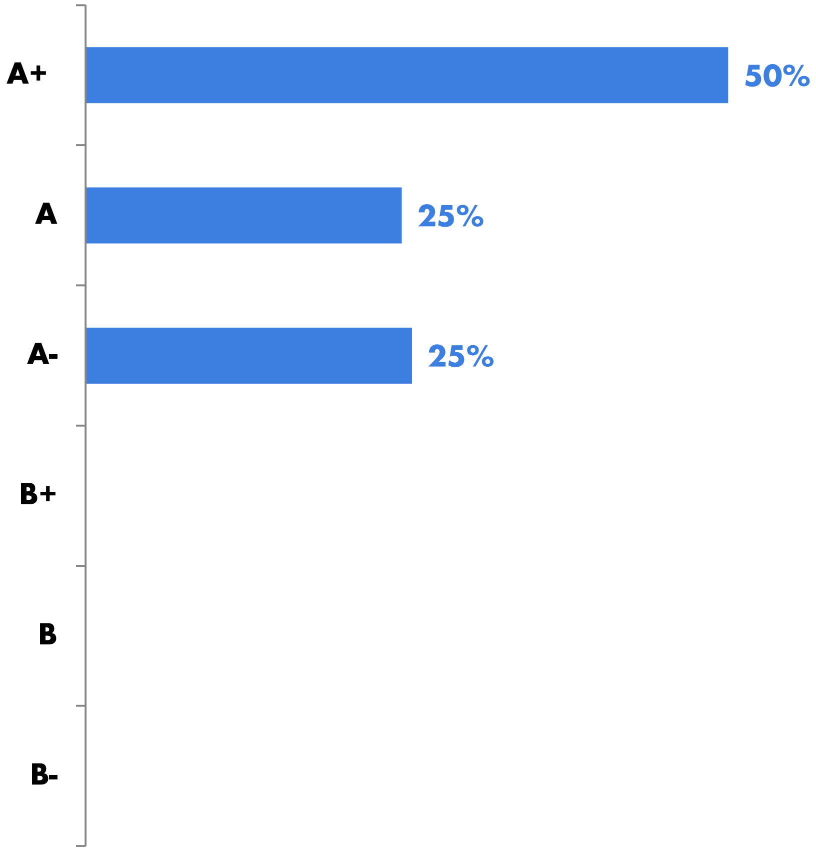


	ERV growth (% p.a.) [2]	Footfall growth (% p.a.) [2]	Footfall (m) [3]	Catchment (m)
Bullring	2.3	2.7	37	3.6
Highcross	1.5	0.9	18	1.4
Hammerson portfolio	1.8	0.3	16	2.4
Benchmark	0.4[4]	-2.0[5]	n/a	n/a

1 NIY shown for Hammerson UK shopping centres. Secondary reflects CBRE "Best Secondary" investment yields. Last reported data is 30 Jun 18 for Bullring and Hammerson portfolio, date of sale of 50% of Highcross (Oct 18), and Secondary yields as at 30 Sep 18.
2 ERV and footfall figures reflects 3 year average 2015-2017
3 2017 annual footfall
4 PMA Good Secondary Shopping Centres 2015-2017
5 Footfall reflects ShopperTrak index 3 year average 2015-2017

High quality flagship destinations

Hammerson UK shopping centre asset quality by grade [1]



1 Source: Green Street Advisors database, Quality grade, weighted by Hammerson ownership

Cabot Circus, Bristol

02 Meeting the challenge in UK retail

Mark Bourgeois – MD UK and Ireland

Understanding the drivers

Cyclical challenges

Brexit disruption

Currency movement: -16% (1)

Subdued GDP growth: 1.3% (2)

Squeezed retailer margins

Business rates: +27% (Dept stores) (3)

Rise in retailer failure: 2,100 stores (4)

Fashion deflation: -6.5% (5)

Stretched consumer

Low growth in real wages: 0.8% (6)

Concern over interest rate rises

Long term structural shifts

Continued acceleration of online

Online penetration 17% (7)

Shifting spending patterns

Shoppers demand experience

+17% increase in leisure spend in last 5 years (8)

Polarised retail landscape

Flagship destinations will outperform

Consumers want a 'big day out', average spend £179 (9)

Diversified offer

Support multichannel retail

Retailer showrooms

Facilitates experience

1 Change in GBP:EUR exchange rate since 1 Jan 2016
2 Source: Oxford Economics – 2018 forecast growth
3 Source: Altus Group – average rates bills 2016/17 vs. 2018/19
4 Source: Centre for Retailer Research, store failures to YTD to Sep 2018
5 Source: BRC Shop price index, average for clothing and footwear, last 12m
6 Source: ONS July 2017 to July 2018
7 Source: GlobalData (Verdict)
8 Souce: Mintel
9 Source: CACI Shopper Dimensions

Trading environment remains turbulent

Footfall YTD 2018 (1)

Hammerson -2.1%

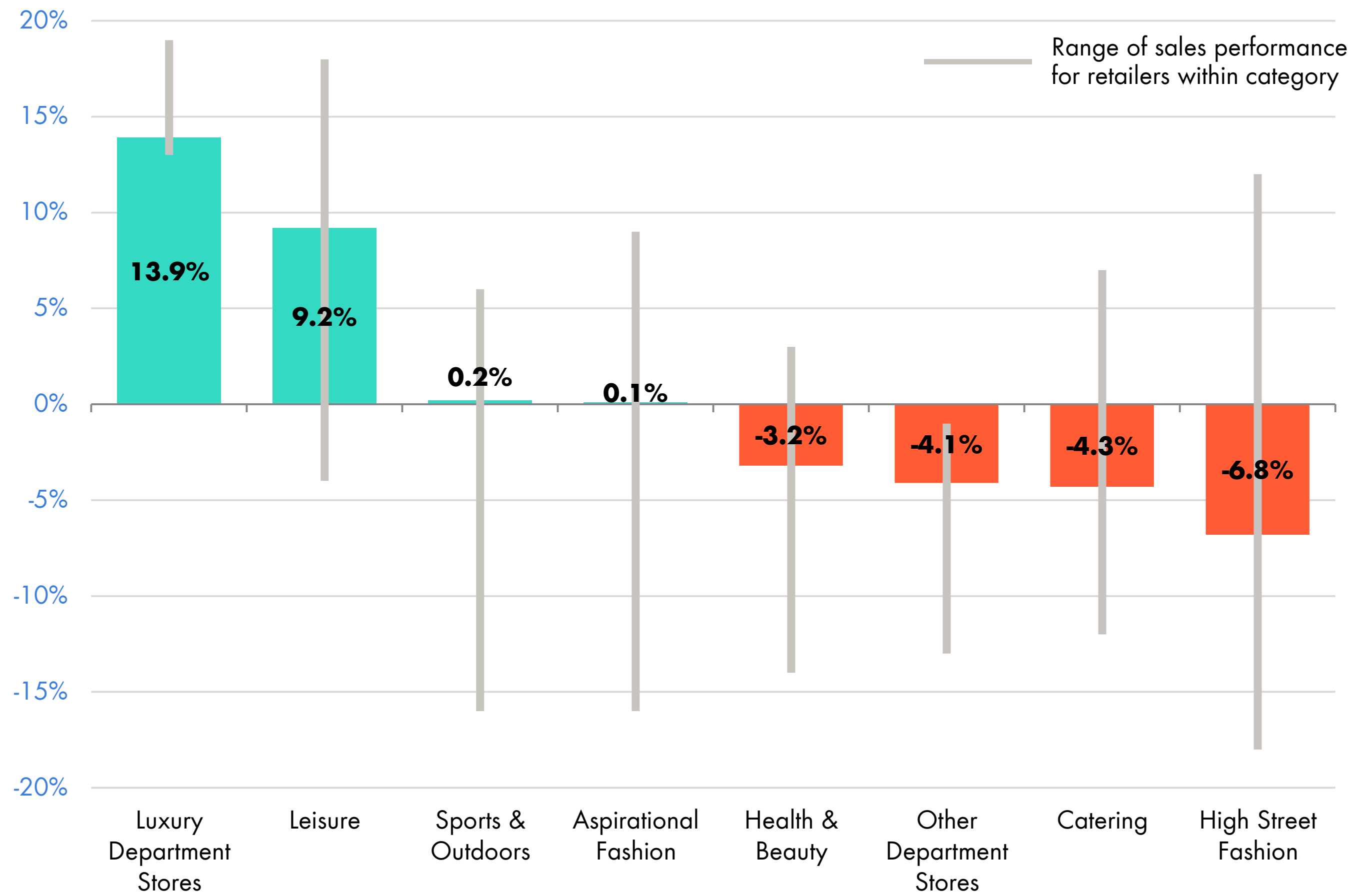
Index (2) -3.3.%

Sales YTD 2018 (3)

Hammerson -2.7%

Index (4) -2.8%

Hammerson UK shopping centres category sales (5)

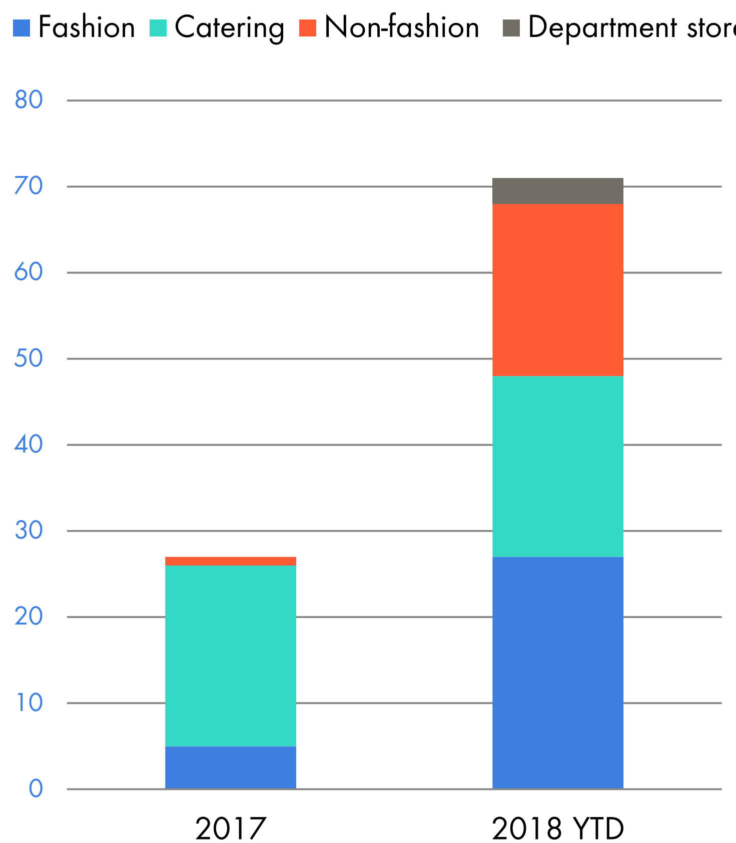


Retailers that offer differentiation, service and advice are winning:

1 YTD to September 2018
2 Index: Tyco ShopperTrak Index
3 YTD to August 2018
4 Source: BDO High Street Tracker
5 Hammerson UK shopping centre category sales LFL last 12 months for selected categories

Increase in CVAs and administrations in 2018

Units impacted by CVAs and administrations across Hammerson UK retail portfolio [1]



Current position [1]

Number of units in CVA/administration	71
% units trading	75%
Rent at risk	£8.6m
% group passing rent	2.3%
Projected 2018 NRI impact	-£7m
% group passing rent	1.8%

Notable CVAs/admins in 2018

Fashion	Catering	Other
NEW LOOK	BYRON PROPER HAMBURGERS	mothercare
coast	PREZZO	carpetright.
ALDO	Carluccio's	HOUSE OF FRASER

1 Includes UK shopping centres, retail parks and UK other portfolios

Refreshing the F&B offer across the portfolio

F&B units impacted by CVAs and administrations across Hammerson UK retail portfolio [1]

	Units	
Still trading	15	£1.2m rent at risk
Re-let	13	-9% below previous rent
Vacant	14	Active leasing discussions
Total	42	£3.3m rent impacted

New letting: Holy Moly Macaroni, Grand Central

Recent re-lettings of units in CVA/administration

Holy Moly Macaroni
Grand Central

Previous tenant: Jones Bootmaker
Open and trading extremely well

Mod Pizza
Highcross

Previous tenant: Chimichanga
Exchanged

Brewdog
Union Square

Previous tenant: Byron
Exchanged

Steakhouse operator
The Oracle

Previous tenant: CAU
In legals

1 Includes UK shopping centres, retail parks and UK other portfolios

Diversity of department store performance

Hammerson exposure to department stores in UK shopping centre portfolio

	Number of stores	Floorspace ('000 sq ft)
Harvey Nichols	2	85
Selfridges	1	260
John Lewis	5	1,230
Marks & Spencer	4	305
Fenwick	1	175
Debenhams	5	805
House of Fraser	3	490
Total	**21**	**3,350**

Department store key facts

Average rent <£10 per sq ft

Target to reduce exposure by a quarter

Reconfiguration of former House of Fraser store at Highcross complete

Ongoing discussions to reconfigure further space

1 % of group passing rent as at 30 Jun 18

Proactively reconfiguring department store space

House of Fraser
Highcross, Leicester

Proactively took back underperforming House of Fraser unit

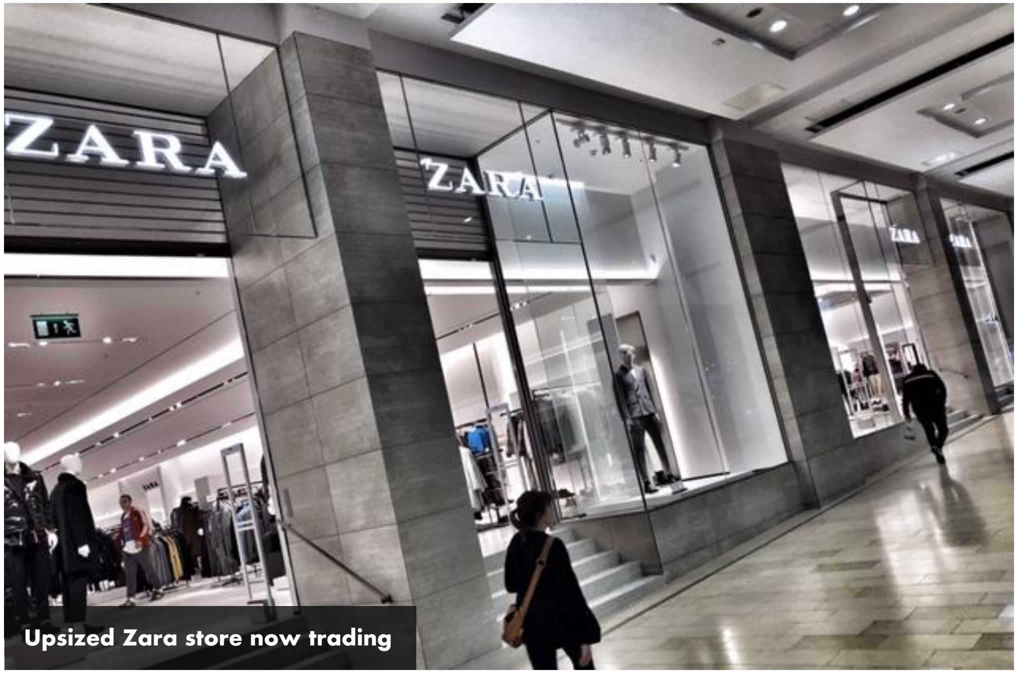
11,000 sq. m across 3 floors

Replaced with upsized Zara and JD Sports flagships, Adventure Golf, restaurants and additional car parking

Advanced negotiations underway with F+B operator

Additional £1.5m of rental income

£17m project cost



Upsized Zara store now trading

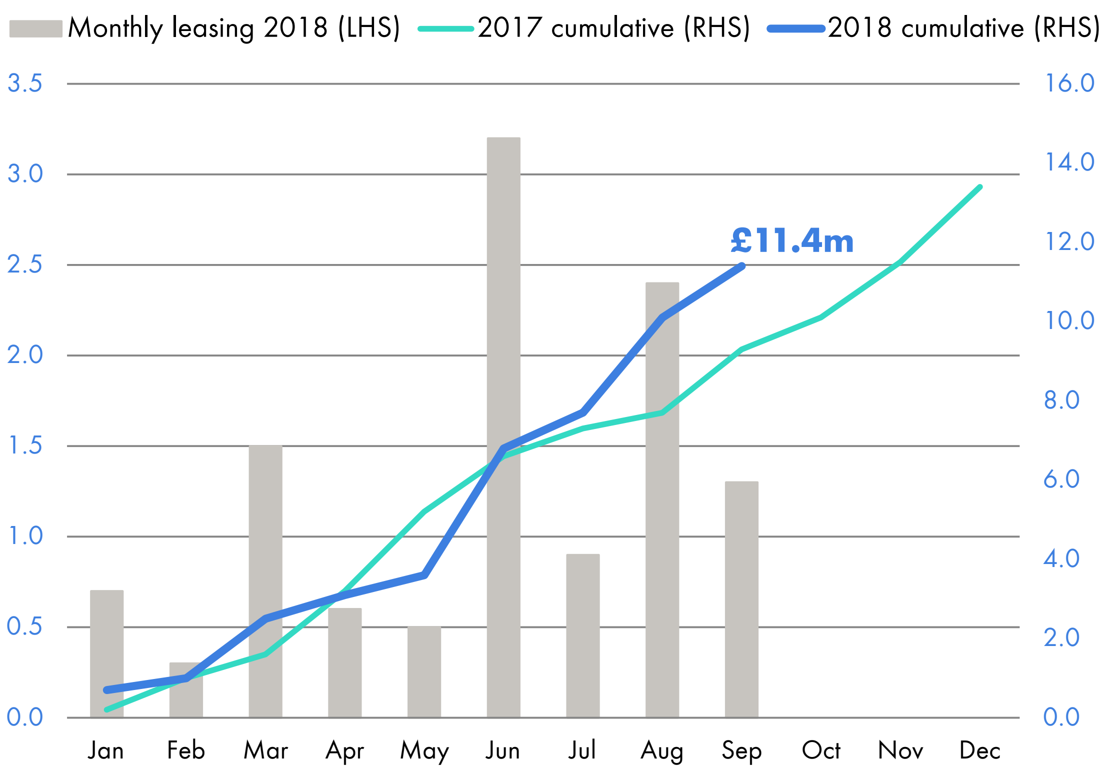
The Ivy, Victoria Leeds

03 Continued demand for the right retail space

Iain Mitchell – UK Commercial Director

Continuing demand for space in our UK shopping centres

2018 YTD UK shopping centre leasing and cumulative vs. 2017 (£m) [1]



2018 YTD Leasing volume +23% YoY

Leasing key facts

Leasing vs Dec 17 ERV +4.5%

Leasing vs previous passing +0.7%

Average lease term: 8 years

Average incentive [1]: 8 months (2017: 10 months)

	Leasing £m
Principle leasing	5.9
Reconfigurations	3.9
Temp leasing	1.6
Total	11.4

1 Permanent new lettings

Leasing to quality operators in 2018

Fashion and footwear

- & other Stories
- ARKET
- Bershka
- SEASALT CORNWALL
- KURT GEIGER
- FOOTASYLUM

Personal luxuries

- NYX PROFESSIONAL MAKEUP
- MORPHE
- JO MALONE LONDON
- TAG Heuer
- Lovisa
- PENHALIGON'S LONDON

International brands

- Levi's
- TOMMY HILFIGER
- CALVIN KLEIN
- GUESS
- RALPH LAUREN

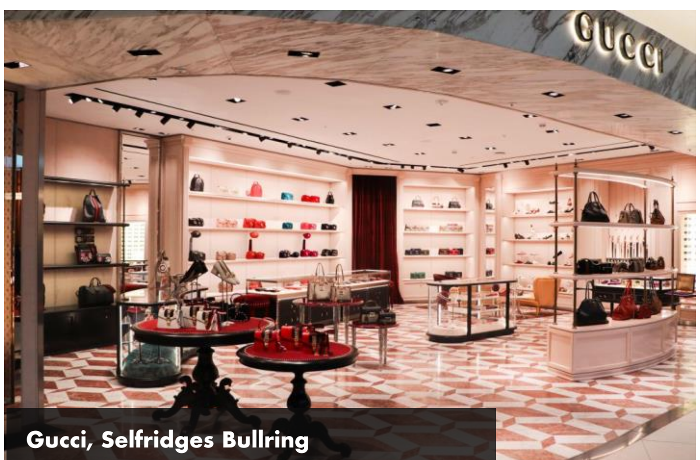
F&B and leisure

- kababji
- BREWDOG
- MOD
- Thai express
- tasty plaice
- Social Climbing
- HOLY MOLY

Barbour, Grand Central

NYX, Bullring

Holy Moly Macaroni, Grand Central

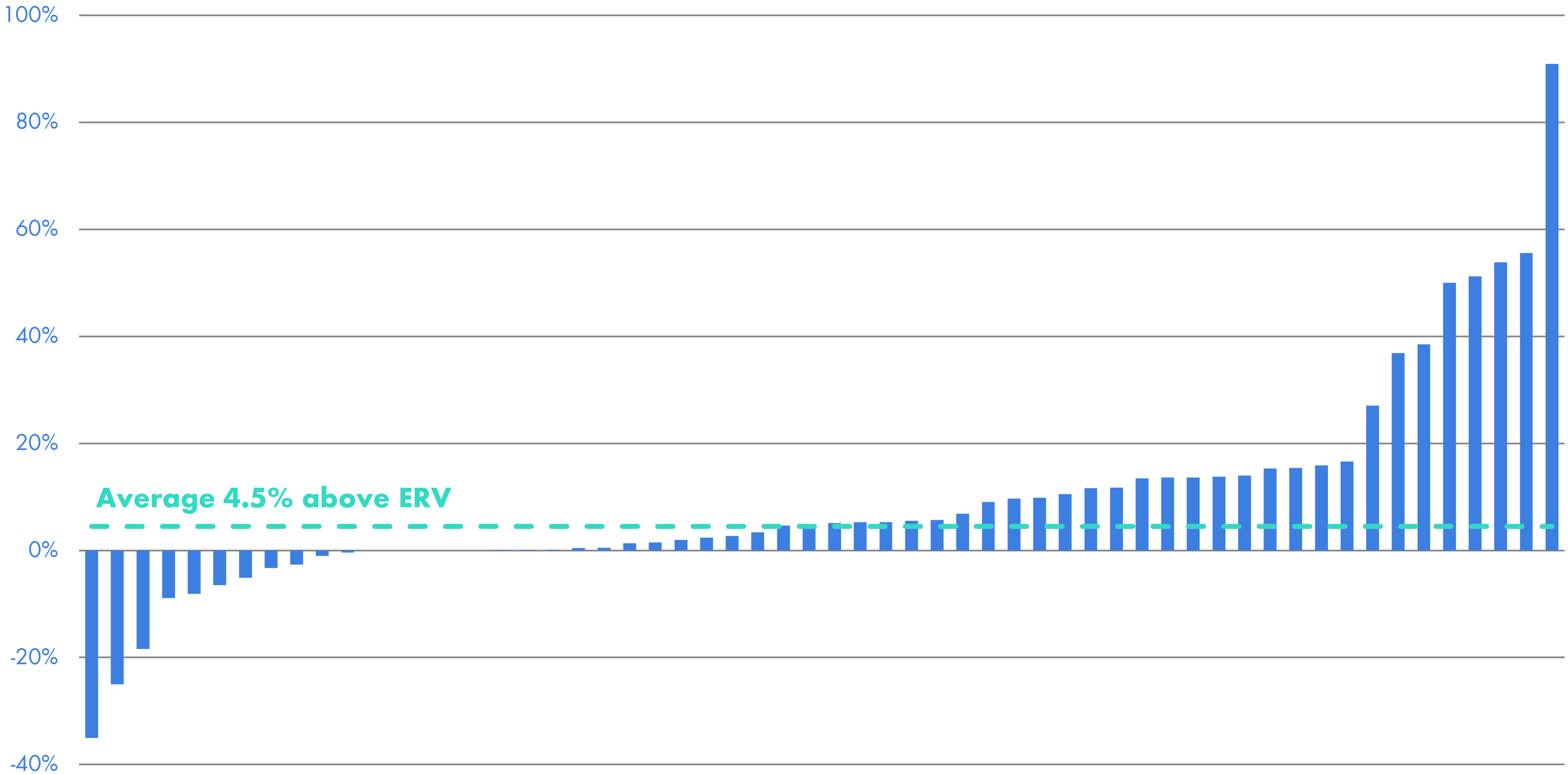


Gucci, Selfridges Bullring

The Ivy, Victoria Leeds

Over 80% of leases signed YTD are at or above ERV

UK shopping centre principle leases signed above/below ERV (%, YTD to September 2018)



Riverside, The Oracle, Reading

04 It's more than just shopping

Mark Bourgeois – MD UK and Ireland

Enlivening our centres with leisure and events

Successful pilot super events programme at Westquay delivering positive changes in shopper behaviour

+40% longer dwell time

+10% uplift in footfall around events such as "Skate" at Westquay

+20% higher catering spend amongst leisure users vs. all visitors

+14 minutes average drive time of leisure users vs. all shoppers

£5 million p.a. roll-out across the portfolio by 2021. Funded by commercialisation, tenant service charge and landlord contribution where appropriate

Digital supporting retail and driving consumer relationships

PLUS app continues to drive loyalty & positive behaviour

Victoria Leeds Plus app

550k

DOWNLOADS

+70% register

SIGN UPS

Industry average less than 50%

+110% uplift

OFFER REDEMPTIONS

+40% subsequent visits

FOOTFALL

during push notification trials

Style Seeker visual search

Digital innovation is supporting retailers & driving sales

250k

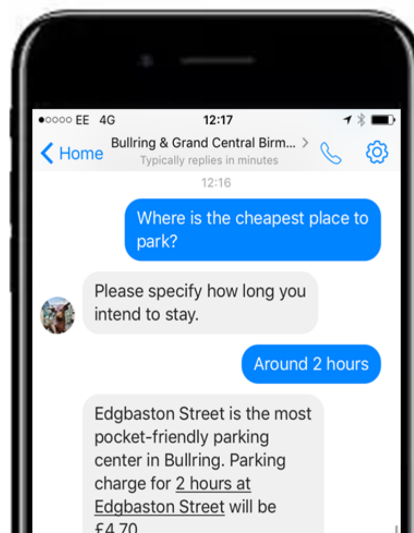
PRODUCT VIEWS

Visual product search supporting retailers

£2m

BULLRING SHOP ONLINE SALES

900k visitors in 6 months



Bullring chatbot

Real time communication drives customer engagement

20k

BULLRING CHABOT USERS

+90% queries successfully answered

1.4m Followers across portfolio

Instagram the fastest growing channel +21% YoY

City Quarters: leveraging our land bank

Opportunity

c.70 acres adjacent to our flagship destinations

Creating mixed use schemes
- residential, workspace, retail, leisure

Deliver additional value and income streams

Enhance the performance of our flagship destinations

Next steps:

Secure planning permissions in 2019/2020

Explore delivery options - sale, partnerships, wholly owned

Selected schemes

The City Quarters opportunity

		Area (acres)	Retail/F&B	Residential	Offices	Leisure	Hotel	Education	Culture
UK	The Goodsyard	10	✓	✓	✓	✓	✓	✓	✓
	Martineau Galleries, Birmingham	7	✓	✓	✓	✓	✓		✓
	Westquay Phase 2, Southampton	4	✓	✓		✓	✓	✓	
	Broadmead, Bristol	9	✓	✓		✓	✓	✓	✓
	Victoria Phase 2, Leeds	10	✓	✓	✓	✓	✓		✓
	Union Square, Aberdeen	4	✓	✓	✓	✓	✓		
Ireland	Dundrum Phase 2a	1		✓					
	Dundrum Phase 2b	5	✓	✓	✓	✓	✓	✓	✓
	Dublin Central	6	✓	✓	✓	✓	✓	✓	✓
	Swords Phase 3, Pavilions	13	✓	✓					
	Total	**69**							

Current book value c.£350m with annual NRI of £6 million

Initial work up costs c.£10m delivering a value uplift across the portfolio c.£50m

05 Bullring estate: a flagship destination

The Bullring Estate

The Bullring Estate

227

shops and restaurants

37

million footfall

Selfridges
Debenhams
John Lewis

1.7

million sq ft

£5.4bn

available spend in catchment

3.5

million residents

UK's

second city

Europe's youngest population

One of UK's largest and most affluent retail catchments

Initiatives across the estate to create a flagship destination

Growth opportunities in Birmingham

Questions

Victoria, Leeds

Appendices

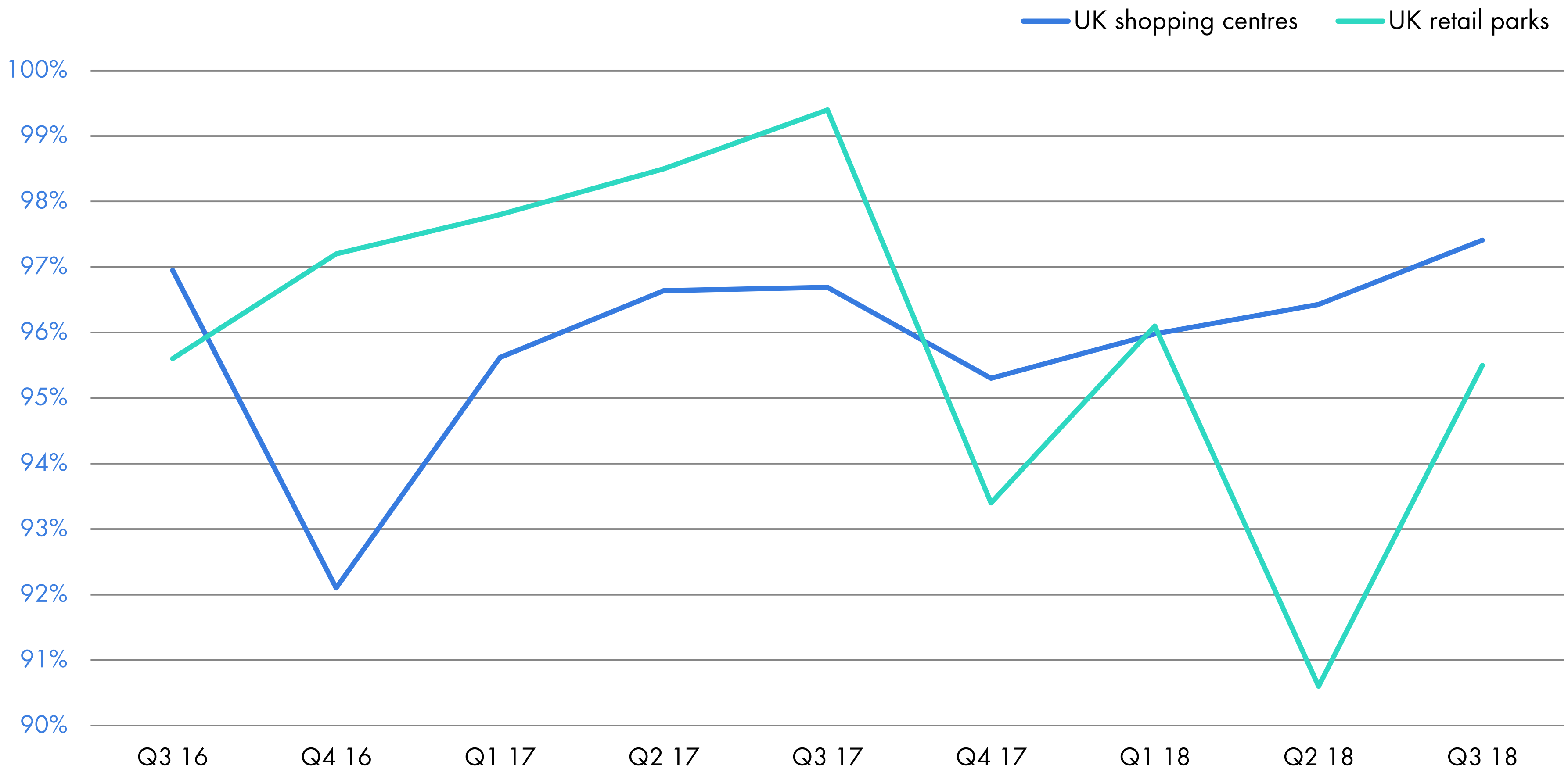
Selfridges, Bullring Estate, Birmingham

Step change in UK retailer line up

Category	Current mix	Future mix	Rent/sq ft
Department stores	38%	**c.28%**	<£10/sq ft
Fashion (high street)	25%	**c.20%**	c.£30/sq ft
Fashion (aspirational)	5%	**c.10%**	+£30/sq f
Non-fashion and consumer brands	16%	**c.20%**	+£50/sq ft
F&B	10%	**c.12%**	c.£40/sq ft
Leisure/events	6%	**c.10%**	c.£15/sq ft

Collection performance across UK retail portfolio

Collection performance (7 days) across UK retail portfolio



UK shopping centre investment

Hammerson UK shopping centre cash flow statement	2017 £m	2016 £m	2015 £m	
Gross rental income	180.2	174.2	162.0	
Service charge income	35.4	34.0	28.7	
Total income	**215.6**	**208.2**	**190.7**	B
Service charge expenses (excl. investment)	−31.5	−32.9	−25.3	
Other property expenses (Hammerson NRI) 1	−25.4	−22.4	−20.6	
Net cash flow before maintenance capex	**158.7**	**153.0**	**144.9**	
Investment spend (service charge maintenance projects) 2	−5.8	−4.6	−6.1	A
Investment projects (capex on maintenance or 'value-add' projects) 3a + 3b	−15.6	−12.6	−9.6	
Net cash flow from Operations	**137.3**	**135.8**	**129.2**	
Maintenance capex: total income, %	**10%**	**8%**	**8%**	A/B

	Capitalised	Recoverable from tenant	Direct/indirect return	Selection of examples
1 **Hammerson operating expenses**	✗	✗	n/a	Car park expenditure; landlord marketing; interactive hoardings, upkeep collection lockers/mobile phone charge points, research and marketing costs
2 **Service charge (maintenance)**	✗	✓	n/a	Painting, flooring upkeep, footfall counters, CCTV, wifi upgrade, IT upgrades
3a **Investment projects (hygiene)**	✓	Partial	Direct / Indirect	Wayfinding projects, WC upgrades, LED lighting, public seating upgrades
3b **Investment projects (value add)**	✓	✗	Direct	Creating new lettable space: e.g. Next reconfiguration at the Oracle, House of Fraser reconfiguration at Highcross, car park upgrade at Bullring

H1 2018 operational statistics

	UK shopping centres	France
Sales [1]	−2.5%	+2.9%
Footfall [2]	−1.6%	+2.3%
Rent:sales [3]	12.9%	11.2%
OCR [3]	22.0%	14.3%

Sales densities[4]	UK £/ft²	France £/ft²
2018	245 – 523	498 – 596
2017	240 – 490	395 – 620
2016	250 – 515	350 – 715

Occupancy (%)	UK shopping centres	UK retail parks	France	Ireland	Group
30 June 2018	97.2	94.5	97.1	98.9	96.6
31 December 2017	98.1	99.4	97.9	99.7	98.3
30 June 2017	97.2	99.0	96.6	99.9	97.3

1 Retail sales on same-centre basis, includes all shopping centres. H1 2018 UK benchmark -0.7% (Source: Visa Face to Face index); H1 2018 France benchmark -1.6% (Source: CNCC, as at May 2018)
2 H1 2018 UK benchmark -3.2% (Source: Tyco Shoppertrak); H1 2018 France benchmark -1.2% (Source: CNCC)
3 Excludes anchor stores. France data includes VAT (rent:sales and OCR)
4 Excludes anchor stores. France data includes VAT; Jeu de Paume, Beauvais, excluded