

Bellway p.l.c.

Interim Management Statement

Friday 5 June 2015

Bellway is today updating the market with regard to its current trading position by issuing an Interim Management Statement (IMS) in respect of the period from 1 February to 31 May 2015.

Highlights

- Housing completions for the full year to 31 July 2015 are expected to exceed those achieved last year by around 850 units (2014 – 6,851).
- A strong trading performance should result in the full year operating margin increasing by around 300 bps to over 20% (2014 – 17.2%).
- A record £500 million has been spent on land and land creditors since 1 August (2014 – £400 million), thereby securing further growth potential at attractive rates of return.
- The successful disposal of the Group's entire portfolio of shared equity assets for cash consideration of £32.5 million has resulted in an exceptional profit of £6.9 million and will facilitate additional investment in land.
- The forward sales position is strong, with growth of 22% in the value of the forward order book to £1,270 million (2014 – £1,040 million).

Ted Ayres, Group Chief Executive, commented:

“Positive market conditions, implementation of our strategy for growth and a continuing focus on return on capital employed are allowing Bellway to deliver a further increase in volume and a significant rise in profitability. Our disciplined investment in land, alongside plans to open a seventeenth operating division early in the next financial year, ensure that the Group is well positioned to create additional value for shareholders.”

Market and current trading

The strong start to the spring selling season has continued with the general election having no noticeable effect on customer sentiment. Consumer confidence remains strong, with a favourable mortgage market, supported by Help to Buy, helping to satisfy customer demand. Reservations since 1 February averaged 182 per week (2014 – 177 per week), a slight increase of almost 3% compared to the same period last year which benefited from particularly strong sales demand.

The pricing backdrop remains positive, enabling the Group to maximise sales values, with London still outperforming other parts of the country. This environment, together with ongoing investment in

higher value locations, should enable the Group to achieve an increase in the average selling price to slightly in excess of £220,000 (31 July 2014 – £213,182) for the year ending 31 July 2015.

The strong trading conditions and continued control over both construction and administrative costs should result in a rise in the operating margin of around 300 bps for the full year to over 20% (31 July 2014 – 17.2%).

Sale of shared equity loans

On 22 May 2015, Bellway disposed of its entire interest in 2,376 shared equity loans for cash proceeds of £32.5 million, resulting in a profit of £6.9 million. This transaction will be treated as an ‘exceptional’¹ item and the profit is therefore excluded from the operating margin guidance set out earlier in this statement.

The completion of this transaction means that the Group has now sold all of its remaining interest in shared equity assets, thus releasing underperforming capital for further investment in land opportunities. This will assist the Group in achieving its objective of delivering enhanced value for shareholders by increasing volume whilst maintaining a strong focus on return on capital employed.

Land buying

Whilst the land market remains competitive, particularly in and around the south east, the Group has continued to identify attractive opportunities that meet or exceed its minimum acquisition criteria in respect of both gross margin and return on capital employed. To that extent, Bellway has expended a record £500 million on land and land creditors since 1 August (2014 – £400 million) and also has heads of terms agreed, with solicitors instructed, to progress a further 6,400 plots to completion.

Bellway now has all the land required, with the benefit of an implementable detailed planning permission, in order to meet next year’s growth targets. Beyond next year, the Group’s land holdings are supplemented by an owned and controlled pipeline of some 14,600 plots, which are currently being progressed through the planning system. Following the outcome of the general election, the planning environment is expected to remain broadly positive.

Net bank debt

The Group had net bank debt at 31 May of £191 million (31 May 2014 – £47 million), representing modest gearing of around 13% (2014 – 4%). The timing of land acquisitions and the profile of forecast legal completions should mean that net debt is likely to reduce throughout the remainder of the current financial year.

Outlook

The order book at 31 May stood at £1,270 million (2014 – £1,040 million), representing 5,502 homes (2014 – 5,002 homes), an increase in value of 22% compared to the same period last year. Industry

¹ In accordance with IAS 1 – ‘Presentation of Financial Statements’ and as defined on page 79 of the Annual Report and Accounts 2014.

wide labour constraints remain a challenge, however, notwithstanding this, the Board still expects completions for the year ending 31 July 2015 to exceed those achieved last year by around 850 units. The ongoing delivery of the growth strategy should lead to another year of substantial earnings growth.

The recently opened South West division is gradually becoming established and is expected to contribute to housing completions in the next financial year. Furthermore, premises have been identified for a new seventeenth division in the south east of England and the intention is that this should be operational in the first half of 2015/16.

The strong order book, positive lending environment and the capacity to invest in land, whilst gradually expanding the divisional structure, ensure that Bellway is well placed to deliver further value for shareholders by continuing its disciplined growth ambitions.

Site visit

Ted Ayres, Group Chief Executive and Keith Adey, Group Finance Director will be hosting a site visit for investors and analysts at Platinum Riverside, John Harrison Way, Greenwich, SE10 0SW, today, Friday 5 June 2015, from 11.00 am during which no new financial information will be given. Bellway will release a trading update for the financial year ending 31 July 2015 on Friday 7 August.

FOR FURTHER INFORMATION PLEASE CONTACT:

TED AYRES, GROUP CHIEF EXECUTIVE AND KEITH ADEY, GROUP FINANCE DIRECTOR FROM 7:00 AM ON 0207 262 3226 AND FROM 9:00 AM ONWARDS ON 0191 217 0717.

Certain statements in this announcement are forward-looking statements which are based on Bellway p.l.c.'s expectations, intentions and projections regarding its future performance, anticipated events or trends and other matters that are not historical facts. Such forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as 'aim', 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', or other words of similar meaning. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date of such statements and, except as required by applicable law, Bellway p.l.c. undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.