NATIONAL HOUSEBUILDER BELLWAY p.l.c. TODAY, WEDNESDAY 26 MARCH, ANNOUNCE THEIR INTERIM RESULTS FOR THE HALF YEAR ENDED 31 JANUARY 2014

Highlights

A robust first half trading performance, with 74.9% growth in earnings per share to 66.3p and a 660 bps improvement in return on capital employed to 17.1%.

Financial Highlights

	Half year ended 31 January 2014	Half year ended 31 January 2013	Movement
Revenue	£701.1m	£502.5m	+39.5%
Gross profit	£138.6m	£89.7m	+54.5%
Gross margin	19.8%	17.9%	+190 bps
Operating profit	£109.2m	£64.4m	+69.6%
Operating margin	15.6%	12.8%	+280 bps
Profit before taxation	£103.8m	£59.9m	+73.3%
Earnings per share	66.3p	37.9p	+74.9%
Dividend per share	16.0p	9.0p	+77.8%
Return on capital employed[1]	17.1%	10.5%	+660 bps

Net asset value per share increased to 1,046p (31 July 2013 - 1,001p)

Operational Highlights

- 3,245 homes sold (2013 - 2,597) – up 25.0%
- Average selling price increased to £212,071 (2013 - £187,426) – up 13.1%
- 2 new divisions opened with effect from 1 August 2013
- £240 million spent on land with net investment in land holdings increasing to £1,026.8 million (31 July 2013 - £907.3 million)
- Total owned and controlled land bank increased to 34,057 plots (31 July 2013 - 32,991 plots)
- Low net bank debt of only £16.4 million provides Bellway with significant balance sheet capacity for further land investment
- Forward order book at 9 March 2014 significantly ahead at £829.5 million (10 March 2013 - £507.4 million) – up 63.5%.

[1] Calculated as annualised operating profit, divided by average opening and closing capital employed. Capital employed includes equity, net bank debt and preference share capital.

CHIEF EXECUTIVE'S OPERATING STATEMENT

Operating Performance

I am pleased to report another strong performance for the six months to 31 January 2014 with total revenue having grown by almost 40% to £701.1 million, the highest ever achieved by the Group in a first half trading period.

Bellway has responded to the strengthening market conditions across all regions by increasing the number of homes under construction to accommodate additional consumer demand. This approach, together with an already expanding divisional structure, has enabled the Group to complete the sale of 3,245 new homes, an increase of 25% compared with the same period last year. New divisions, opened on 1 August 2013 in Manchester and the Thames Valley, have performed well contributing 62 legal completions in the period.

The Group has maintained its significant presence in London and has benefited from ongoing land investment, particularly in the south of country. As a consequence, the proportion of housing revenue generated from the Group's eight southern divisions has increased to 62% compared with 58% in the same period last year. This strong growth in the south, where the average selling price is higher, together with a gradual reduction in the use of incentives across all regions, has helped the Group achieve a 13.1% increase in the overall average selling price to £212,071 (2013 - £187,426).

The gross margin has increased to 19.8% (2013 - 17.9%) and this improvement, together with increased operational efficiencies and strong cost control over the administrative overhead base, has resulted in an operating margin of 15.6% (2013 - 12.8%). The Group achieved an operating profit of £109.2 million (2013 - £64.4 million), another new record for Bellway in a first half trading period.

Profit before Taxation

Net finance charges increased slightly to £5.4 million (2013 - £4.5 million) reflecting an increase in the imputed interest charge arising on land acquired on deferred terms. Overall, profit before taxation has increased by 73.3% to £103.8 million (2013 - £59.9 million).

Return on Capital Employed

Strong growth in operating profit, together with a more efficient deployment of capital, has resulted in the Group achieving a 660 bps improvement in return on capital employed to 17.1% (2013 - 10.5%).

Land

Bellway has continued to invest significantly in new land opportunities that meet or exceed the Group's minimum acquisition criteria in respect of gross margin and return on capital employed. With land expenditure of £240 million in the period (2013 - £145 million), the Group's total owned and controlled land bank has risen to 34,057 plots (31 July 2013 - 32,991 plots), equivalent to 5.2 years supply based on current completion rates. The net investment in land holdings increased by £119.5 million to £1,026.8 million (31 July 2013 - £907.3 million). Against this backdrop of increased investment in land, the Group has still generated £33.2 million of cash from operations.

Net Bank Debt

Throughout the six month trading period, the Group had an average net cash balance of £42.4 million and as at 31 January 2014, Bellway had net bank debt of only £16.4 million (31 July 2013 - £5.8 million).

CONDENSED GROUP INCOME STATEMENT

	Note	**Half year ended 31 January 2014 £m**	Half year ended 31 January 2013 £m	Year ended 31 July 2013 £m
Revenue		**701.1**	502.5	1,110.7
Cost of sales		**(562.5)**	(412.8)	(907.4)
Gross profit		**138.6**	89.7	203.3
Administrative expenses		**(29.4)**	(25.3)	(52.2)
Operating profit		**109.2**	64.4	151.1
Finance income	4	**0.5**	0.5	0.7
Finance expenses	4	**(5.9)**	(5.0)	(10.9)
Profit before taxation		**103.8**	59.9	140.9
Income tax expense	5	**(23.1)**	(13.9)	(32.3)
Profit for the period *		**80.7**	46.0	108.6

* All attributable to equity holders of the parent.

		Note			
Earnings per ordinary share	**- Basic**	6	**66.3p**	37.9p	89.3p
	- Diluted	6	**65.9p**	37.7p	88.9p
Dividend per ordinary share		7	**16.0p**	9.0p	30.0p

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Note	**Half year ended 31 January 2014 £m**	Half year ended 31 January 2013 £m	Year ended 31 July 2013 £m
Profit for the period		**80.7**	46.0	108.6
Other comprehensive (expense) / income				
Items that will not be recycled to the income statement:				
Actuarial (losses) / gains on defined benefit pension plans		**(1.2)**	0.2	1.5
Income tax on actuarial losses / (gains) on defined benefit pension plans	5	**0.2**	(0.1)	(0.5)
Other comprehensive (expense) / income for the period, net of income tax		**(1.0)**	0.1	1.0
Total comprehensive income for the period *		**79.7**	46.1	109.6

* All attributable to equity holders of the parent.

CONDENSED GROUP BALANCE SHEET

	At 31 January 2014 £m	At 31 January 2013 £m	At 31 July 2013 £m
ASSETS			
Non-current assets			
Property, plant and equipment	**11.2**	11.3	11.3
Investment property	**7.4**	8.5	7.7
Other financial assets	**33.5**	35.1	34.5
Deferred tax assets	**4.0**	3.7	3.2
	56.1	58.6	56.7
Current assets			
Inventories	**1,639.5**	1,485.1	1,513.5
Trade and other receivables	**73.4**	63.8	57.2
Cash and cash equivalents	**23.6**	17.6	24.2
	1,736.5	1,566.5	1,594.9
Total assets	**1,792.6**	1,625.1	1,651.6
LIABILITIES			
Non-current liabilities			
Interest bearing loans and borrowings	**-**	(20.0)	-
Retirement benefit obligations	**(9.9)**	(10.9)	(9.0)
Trade and other payables	**(48.2)**	(45.1)	(45.1)
	(58.1)	(76.0)	(54.1)
Current liabilities			
Interest bearing loans and borrowings	**(60.0)**	(93.0)	(50.0)
Corporation tax payable	**(25.4)**	(15.5)	(18.3)
Trade and other payables	**(375.0)**	(276.3)	(310.4)
	(460.4)	(384.8)	(378.7)
Total liabilities	**(518.5)**	(460.8)	(432.8)
Net assets	**1,274.1**	1,164.3	1,218.8
EQUITY			
Issued capital	**15.2**	15.2	15.2
Share premium	**165.5**	164.0	165.2
Other reserves	**1.5**	1.5	1.5
Retained earnings	**1,092.0**	983.7	1,037.0
Total equity attributable to equity holders of the parent	**1,274.2**	1,164.4	1,218.9
Non-controlling interest	**(0.1)**	(0.1)	(0.1)
Total equity	**1,274.1**	1,164.3	1,218.8

NOTES

1. Basis of preparation and accounting policies

Bellway p.l.c. is a company incorporated in England and Wales.

These condensed consolidated interim financial statements are unaudited and were authorised for issue by the Board on 25 March 2014.

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and the Disclosure and Transparency Rules of the Financial Conduct Authority. This report should be read in conjunction with the Group's Annual Report and Accounts for the year ended 31 July 2013.

These condensed consolidated interim financial statements do not comprise statutory financial statements within the meaning of section 434 of the Companies Act 2006. The comparative figures for the year ended 31 July 2013 are not the Group's statutory financial statements for that year. Those financial statements have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The directors consider that the Group is well placed to manage business and financial risks in the current economic environment and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, accordingly they continue to adopt the going concern basis in preparing these condensed consolidated interim financial statements.

The accounting polices applied by the Group in these condensed consolidated interim financial statements are not materially different to those applied by the Group in its Annual Report and Accounts for the year ended 31 July 2013. The Group adopted the following standard and amendment during the current financial period:

- IAS 19 'Employee Benefits' (Amendment). The amendment requires additional disclosures, the disaggregation of plan costs and the removal of the corridor approach for the recognition of actuarial gains and losses. For the current period the profit before taxation is £0.1 million lower than it would have been prior to the adoption of this amendment and net assets are unchanged. The comparative period has not been restated as the adoption of this amendment reduces the profit before taxation by less than £0.1 million and net assets are unchanged.

- IFRS 13 'Fair Value Measurement'. The standard defines fair value and provides a single IFRS framework for measuring fair value. The adoption of this standard has not had a material effect on the Group's profit for the period or equity.

At the date of authorisation of these financial statements, the following relevant standards, which have not been applied in these financial statements, were in issue and endorsed by the EU but not yet effective: IFRS 10 'Consolidated Financial Statements'; IFRS 11 'Joint Arrangements' and IFRS 12 'Disclosure of Interests in Other Entities'. Further details on these standards are included on page 65 of the Annual Report and Accounts for the year ended 31 July 2013.

2. Segmental analysis

The Board regularly reviews the Group's performance and balance sheet position for its entire operations, which are based in its country of domicile, the UK, and receives financial information for the UK as a whole. As a consequence the Group has one reportable segment which is UK housebuilding.

As there continues to be only one reportable segment whose revenue, profits, expenses, assets, liabilities and cash flows are measured and reported on a basis consistent with the Group financial statements, no additional numerical disclosures are necessary.

3. Exceptional items

Exceptional items are those which, in the opinion of the Board, are material by size or nature, non-recurring, and of such significance that they require separate disclosure on the face of the income statement.

NOTES (continued)

Reconciliations of the earnings and weighted average number of ordinary shares used in the calculations are outlined below:

	Earnings 2014 £m	**Weighted average number of ordinary shares 2014 Number**	**Earnings per share 2014 p**	Earnings 2013 £m	Weighted average number of ordinary shares 2013 Number	Earnings per share 2013 p
For basic earnings per ordinary share	**80.7**	**121,761,063**	**66.3**	46.0	121,495,759	37.9
Dilutive effect of options and awards		**641,889**	**(0.4)**		599,465	(0.2)
For diluted earnings per ordinary share	**80.7**	**122,402,952**	**65.9**	46.0	122,095,224	37.7

7. Dividends on equity shares

Amounts recognised as distributions to equity holders in the period:

	Half year ended 31 January 2014 £m	Half year ended 31 January 2013 £m	Year ended 31 July 2013 £m
Final dividend for the year ended 31 July 2013 of 21.0p per share (2012 – 14.0p)	**25.6**	17.0	17.0
Interim dividend for the year ended 31 July 2013 of 9.0p per share (2012 – 6.0p)	**-**	-	10.9
	25.6	17.0	27.9
Proposed interim dividend for the year ending 31 July 2014 of 16.0p per share (2013 – 9.0p)	**19.5**	10.9	-

The proposed interim dividend was approved by the Board on 25 March 2014 and, in accordance with IAS 10 'Events after the Reporting Period', has not been included as a liability in these condensed consolidated interim financial statements.

8. Analysis of net debt

	At 1 August 2013 £m	Cash flows £m	**At 31 January 2014 £m**
Cash and cash equivalents	24.2	(0.6)	**23.6**
Bank loans	(30.0)	(10.0)	**(40.0)**
Preference shares	(20.0)	-	**(20.0)**
Net debt	(25.8)	(10.6)	**(36.4)**

NOTES (continued)

Area of risk	Description of risk and how it has changed during the period	Mitigation of risk
Environment	Housebuilding has a significant effect on the environment and it is important that the effects of the Group's developments are, as far as possible, positive rather than negative.	▪ It is our objective to ensure that, at the conclusion of a development, an attractive and sustainable new environment has been created that will continue over time. See our Environmental Policy on page 21 of the Annual Report and Accounts for the year ended 31 July 2013, or our website at www.bellway.co.uk, for further information.
Health and Safety	It is important to ensure that the Group has adequate systems in place to mitigate, as far as possible, the dangers to people inherent in the construction process.	▪ The Board considers health and safety issues at each Board meeting. ▪ Regular visits to sites by senior management (independent of our divisions) and external consultants to monitor health and safety standards and performance against the Group's health and safety policies and procedures.
Personnel	Attracting and retaining the correct personnel is key to the Group's long-term success. Failure to do so will severely affect the Group's ability to perform in a highly competitive market. The labour market has remained competitive during the period.	▪ The Group offers competitive salary and benefits packages, and keeps these under regular review. ▪ Divisional training plans are in place. ▪ Succession planning for key posts. ▪ 90% of site workers (including sub-contractors) are fully accredited under Considerate Skills Certificate Scheme. ▪ Graduate training programme.
Information Technology	It is vital that the Group has suitable information systems in place to ensure that, as far as possible, a smooth flow of information is transmitted throughout the Group and that the risk of system loss is mitigated and supported by appropriate contingency plans. During the period the Group has increased its investment in information systems to improve information flow and system security.	▪ Group-wide systems are in operation which are centrally controlled with an outsourced support function in place.
Asset Protection	The way in which the Group carries out its operations can have a material effect on the value of its assets.	▪ The Group prepares viability assessments on all of its land purchases and construction projects, and keeps these under regular review to protect, wherever possible, the value of its assets.
Treasury Management	Ensuring suitable financial resources, at appropriate costs, are in place to meet Group requirements and optimise return on capital.	▪ Central negotiation and control of banking facilities to ensure liquidity and debt levels are appropriate. ▪ Facilities derived from various sources. ▪ Careful management and monitoring of cash forecasts.
Legal and Regulatory Compliance	Disadvantageous contractual obligations, regulatory fines or adverse publicity by failing to comply with current laws and regulations or failing to have appropriately worded contracts in place.	▪ Central secretariat, human resources and legal functions advise divisions on compliance and ensure policies and procedures are kept up to date to minimise risk of non-compliance.

In addition, the Board ensures that adequate insurance cover is maintained to underpin and support the many areas in which the Group is exposed to risk of loss.

Statement of directors' responsibilities

We confirm that to the best of our knowledge:

- the condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;

- the Half Year Report 2014 includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of