

Bellway p.l.c.

Trading Update

Tuesday 11 February 2014

Bellway p.l.c. is today issuing a trading update for the six months ended 31 January 2014 ahead of its interim results announcement on Wednesday 26 March 2014.

Market Conditions

The Group has benefited from continued strength in the UK housing market, supported by strong consumer demand, together with more widespread access to affordable mortgage finance which has largely been driven by the availability of Help to Buy.

Disciplined investment in land and work in progress, augmented by the opening of two new divisions, has enabled Bellway to increase the rate of construction and respond positively to these improving market conditions. This has resulted in significant enhancements to both profitability and shareholder value.

Results

Strong growth in both volume and average selling price has led to an overall increase in housing revenue to around £690 million in the six months ended 31 January 2014 (2013 – £486.7 million), a rise of over 41%.

The Group has legally completed the sale of 3,245 homes (2013 – 2,597), an increase of 25% compared with the same period last year, with this rate of increase benefiting from the strong brought forward order book at 1 August 2013. As previously reported, the Board expects that the rate of volume growth will be more heavily weighted to the first half of the financial year.

The average selling price of homes sold has risen by 13% to £212,000 (2013 – £187,426), with the sale of a number of particularly high value London apartments contributing to this increase in the period. The improvement has also resulted from a greater proportion of completions in the south of the country where the average selling price is relatively high, together with a gradual reduction in the use of sales incentives.

The growing proportion of completions from higher margin land, together with a more efficient overhead base as the business grows in size, should result in the Group achieving an operating margin in excess of 15% for the first six months of the financial year. Beyond that, the Board anticipates further improvement in operating margin, provided that current market conditions prevail.

Land and Balance Sheet

Our land teams have continued to identify and acquire attractive land opportunities that meet or exceed the Group's minimum acquisition criteria by reference to both gross margin and return on capital employed. Whilst there is growing competition for land in some areas of the country, the number of opportunities to acquire land has also increased. As a result, Bellway has spent £240 million (2013 – £145 million) on land and land creditors bringing the total investment in land to almost £1.4 billion since 2008. In addition, the Group has agreed heads of terms on a further 4,700 plots, with a value of £217 million.

After taking into account this increased investment in land, Bellway ended the period with net bank debt of only £16 million (31 July 2013 – £5.8 million). This low level of gearing, together with bank facilities of £300 million, ensures that the Group retains its significant balance sheet capacity to continue investing in land as appropriate opportunities arise.

Current Trading and Outlook

The Group has taken an average of 137 reservations per week (2013 – 97) in the period since 1 August, an increase of 41%, from an average of 224 outlets (2013 – 215). The order book at 31 January stood at 3,836 units (2013 – 2,467), representing an increase in value of almost 73% to £783 million (2013 – £453 million).

Bellway's ongoing investment in land, together with the strength of the forward order book, ensures that the Group is well positioned to deliver further volume growth and as a consequence, the Board now expects legal completions to increase by over 15% for the full financial year.

The Group's expanding divisional structure, together with the current opportunity for volume growth and an ongoing focus on return on capital employed, should ensure that Bellway is able to continue to deliver further enhancements in shareholder value.

FOR FURTHER INFORMATION PLEASE CONTACT:

**TED AYRES, CHIEF EXECUTIVE AND KEITH ADEY, FINANCE DIRECTOR FROM
7:00 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.