Bellway p.l.c.

Pre-Close Trading Update

Friday 8 August 2014

Bellway p.l.c. is today issuing a pre-close trading update for the year ended 31 July 2014 ahead of its preliminary results announcement on Tuesday 14 October 2014.

Highlights

- Significant volume growth with a 21.2% increase in the number of housing completions to 6,851 (2013 – 5,652).

- Further increase in average selling price to c. £213,000 (2013 – £193,025) as a result of ongoing changes in product and geographic mix, together with pricing improvements.

- Excellent forward sales position with a substantial 36% growth in the value of the forward order book to a new record of £924.3 million (2013 – £679.5 million).

- Around £460 million expended on land and land creditors (2013 – £300 million), securing sites that meet or exceed the Group's minimum acquisition criteria.

- Balance sheet strength maintained with net cash of £5 million (2013 – net bank debt of £5.8 million) thereby providing significant capacity for future investment.

Ted Ayres, Chief Executive, commented:

"The Group has reacted positively to the continued strength of the UK housing market, significantly increasing output to satisfy customer demand. The favourable trading environment, together with the Group's national presence and strong balance sheet, ensures that Bellway is well positioned to continue its growth strategy and this, together with a strong focus on return on capital employed, should lead to further enhancements to shareholder value."

Market Conditions and Trading

Customer demand has remained strong throughout the year, supported by an improving economic outlook and positive mortgage market conditions. The announcement in April 2014 that the Help to Buy shared equity loan scheme will be extended to March 2020 should help sustain demand. This provides welcome support to purchasers, primarily first time buyers, wishing to access the housing market with a 5% deposit.

The Group has taken an average of 148 reservations per week (2013 – 128) during the financial year, an increase of 15.6% compared to last year. Trading is following the traditional seasonal pattern, with a strong performance in spring followed by a gradual slow down in the private reservation rate over the summer months.

The Mortgage Market Review ('MMR') and the recent announcement by the Bank of England to restrict the availability of higher loan to income multiple mortgages should help ensure a long-term sustainable supply of mortgage finance. There have been minor delays in processing some mortgage applications but the MMR has not had a material effect on the reservation rate.

Results

The Group has responded positively to the strong market conditions, having completed the sale of 6,851 homes (2013 – 5,652), an increase of 21.2% compared with last year.

All geographic regions have performed well, particularly the London boroughs, where significant land investment over recent years has enabled the Group to complete the sale of 1,236 homes (2013 – 865). In addition, new divisions which opened in Manchester and the Thames Valley on 1 August 2013 are gaining momentum, having contributed 98 and 101 completions respectively.

The average selling price of homes sold increased by some 10% to £213,000, primarily due to changes in product and geographic mix. The Group also benefited from some net pricing improvements as a result of a reduction in the cost of incentives, with the average selling price of private homes sold having increased by some 11% to £231,000 (2013 – £207,322). Furthermore, on certain new, recently opened London sites, prices achieved have generally been in excess of expectations at acquisition.

The strong growth in both volume and average selling price has led to an overall increase in housing revenue to around £1,460 million (2013 – £1,091 million), a rise of over 33% and a new record for the Group.

Land Buying and Financial Position

The Group's land buying teams have continued to identify and acquire attractive opportunities that meet or exceed minimum acquisition criteria in respect of both gross margin and return on capital employed.

Whilst adopting this selective and disciplined approach, Bellway has spent around £460 million on land and land creditors (2013 – £300 million), a record for the Group. The significant investment in land ensures that Bellway is well positioned to deliver further growth in volume, having secured all of its land requirements for the year ahead. This robust position, together with a national presence through its 15 operating divisions, ensures that Bellway can continue to be selective in its approach to land buying.

The Group retains a strong balance sheet, having ended the year with net cash of £5 million (2013 – net bank debt of £5.8 million), thereby maintaining its ability to respond to future opportunities in the land market.

Outlook

The strength in demand has enabled the Group to increase the value of its forward order book by 36% to £924.3 million at 31 July (2013 – £679.5 million), representing 4,363 plots (2013 – 3,525 plots).

This record forward sales position, together with continuing consumer demand for new homes, allows the Group to continue its strategy of sustainable volume growth at attractive rates of return, thereby resulting in further enhancements to 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.