

## **Bellway plc**

### **Interim Management Statement**

#### **4 December 2008**

Bellway is today publishing its Interim Management Statement covering the period from 1 August to 30 November 2008.

Since the Group reported its annual results on 14 October, the trading environment has continued to be extremely testing as the market suffers from negative consumer confidence and restricted mortgage finance, despite the Government's efforts to resolve the financial crisis. Cancellations are running at historically high levels of 24% and visitor traffic is approximately 50% down compared to last year.

Whilst selling outlets have reduced, the Group's overall net sales rate is running at 50 to 60 sales per week. This sales rate, whilst in line with our expectations, is still over 50% below last year's levels. The order book at the end of November is £340 million (2007 - £677 million) and the Group has secured 75% of its current annual target, of which 86% is either contracted or legally completed.

Sales incentives are used on virtually every private sale and, other than cash discounts, part exchange has been the most commonly used incentive. Although part exchange is not used in every division, more rigorous controls have been put in place since the year end, and consequently the Group's stock of part exchange properties has reduced from 330 to 164 between 31 July and 30 November. Pricing pressures, driven in the main by certain competitors' activities and lenders' lower valuations, could lead to continued margin erosion and if these pressures persist a further review of the book value of land and work in progress at 31 January 2009, at the time of the interim results, cannot be ruled out. Land expenditure in the period has been restricted to legal commitments only, and this is likely to continue for the foreseeable future; although land is still being appraised, no binding commitments are currently being entered into.

In the current environment, cost pressures have eased and strict controls on work in progress levels, with particular emphasis on selling stock units, has led to the number of completed properties held at present being 15% lower than when last reported. The proportion of sales to housing associations is likely to increase beyond last year's 20% and we currently await the outcome of negotiations with the Homes & Communities Agency (HCA) in relation to the potential purchase of stock units.

As a consequence of the foregoing measures, and despite the anticipated reduction in both volume and pricing, the Group's aim of reducing borrowings from 31 July 2008 to 31 July 2009 by £100 million is on target. The Group remains completely focused on

conserving cash and positioning the business to benefit from any positive upturn in the market as and when it occurs.

The next announcement from the Group will be a short statement by the Chairman at the Annual General Meeting which is being held on Friday 16 January 2009.

**FOR FURTHER INFORMATION, PLEASE CONTACT:  
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