

Bellway plc

Trading Update

14th August 2008

Bellway completed the sale of 6,556 homes (2007 - 7,638) in the twelve months ended 31 July, a fall of 14.2%. The average selling price of these homes reduced from £173,300 to approximately £169,000, primarily as 20% of the completions were to housing associations. Bearing in mind market conditions, and the fact that the cancellation rate increased to unprecedented levels towards the end of the financial year, we consider this to be a satisfactory performance.

Clients have been incentivised on a measured basis to sustain transaction levels and, as a consequence, operating margins are likely to be eroded from last year's 18.7% by up to 3%. Widespread land write downs are not envisaged but the position is being monitored in light of market conditions.

As was highlighted in the Interim Management Statement, restricted mortgage supply and a lack of customer confidence had led to lower levels of activity.

This situation has continued throughout June and July resulting in reservations falling by around 45% for the second half of the financial year when compared to the same period in 2007. Notwithstanding this, the Group's order book of future sales at 31 July was £370 million (2007 - £594 million), of which 62% is currently contracted. An increasing number of housing association sales held in the order book should ensure a further increase in this area of our business in 2008/2009.

The Group has reduced expenditure on land during the year which may result in a reduction in our total land bank position. Whilst conscious of avoiding long term damage to any future growth potential, we have amalgamated a number of divisions and reduced overheads accordingly. This, combined with tighter controls on work in progress expenditure, has enabled the company to operate well within its banking facilities, ending the year with gearing of almost 23% and with only 45% of the Group's facilities utilised.

Presently, the Board is fully focused, given the current market conditions, on conserving cash, preserving shareholder value and carefully positioning the Group to benefit from any sign of a return to more normal levels of activity.

The preliminary results for the year ended 31 July 2008 will be announced on Tuesday 14 October 2008.

FOR FURTHER INFORMATION, PLEASE CONTACT:
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8.00 AM ONWARDS ON 0191 217 0717