



Immediate release

9 May 2013

BARRATT DEVELOPMENTS PLC

Interim Management Statement

Private forward sales exceed £1 billion

Barratt Developments PLC is today issuing an Interim Management Statement in respect of the 18 weeks from 1 January 2013 to 5 May 2013 (the 'period').

Highlights

- 9.7% increase in net private reservations to 0.68 (2012: 0.62) per week per active site
- 18.0% uplift on the prior year in net private reservations per week per active site to 0.72 (2012: 0.61) following the announcement of the Government's Help to Buy scheme
- Private ASP up c. 4% on completions in the period, with a higher rate of increase expected for the second half as a whole, driven by changes in mix
- Private forward sales (excluding joint ventures) up 28.5% as at 5 May 2013 to £1,013.5m (6 May 2012: £788.6m)
- Good progress made with our land investment strategy and expect to approve the purchase of c. 17,000 plots in FY13 (FY12: 12,085 plots), with attractive opportunities continuing to be available
- Net debt guidance reduced to c. £100m for 30 June 2013 (30 June 2012: £167.7m), reflecting the timing of land payments and control of working capital
- Over the next three years the Group intends to recruit around 600 graduates and apprentices, designed to tackle the skills shortage that could constrain future growth prospects of the industry

Commenting, Mark Clare, Group Chief Executive of Barratt Developments said:

"Our improved performance is being underpinned by stronger market conditions and the operational changes we have made to every aspect of our business. Help to Buy has seen a strong start and we are investing in land and bringing it through planning to meet increasing consumer demand."

Trading in the period

The strong start to the second half of the financial year has continued and the Group has traded well during the period. Since the announcement of the Government's Help to Buy scheme on 20 March 2013 and the subsequent launch of the Help to Buy shared equity loan scheme on 1 April 2013, we have seen a step up in levels of consumer interest and a strengthening of sales rates.

Net private reservations per active site per week were up 9.7% in the period to 0.68 (2012: 0.62). Following the announcement of the Government's Help to Buy scheme in the March 2013 Budget, net private reservations per active site per week are up 18.0% on the prior year equivalent period to 0.72 (2012: 0.61).

The improvement in our sales rates reflects strengthening market conditions but also the combination of our carefully selected locations, improved product range in terms of house design and development layout, strong brands, and the investment we have made in our industry leading sales and marketing capability. We are seeing particularly good momentum in our London business which continues to strengthen its position as one of the leading housebuilders in the capital.

The number of active sites for the Group has averaged 391 (2012: 390) in the period, and joint venture ('JV') sites have averaged 7 (2012: 6).

Private ASP on completions in the period was up by c. 4% on the prior year, and this is expected to increase further for the second half as a whole, driven by changes in mix. Overall, we have seen underlying prices remain broadly stable with some improvement in the South East.

Our forward sales position continues to be strong. As at 5 May 2013, total forward sales (excluding JVs) were up 29.1% at £1,312.3m (6 May 2012: £1,016.5m), equating to 7,155 plots (6 May 2012: 6,052 plots). Private forward sales (excluding JVs) as at 5 May 2013 increased by 28.5% to £1,013.5m (6 May 2012: £788.6m) equating to 4,373 plots (6 May 2012: 3,781 plots).

JV total forward sales at 5 May 2013 were £138.4m (6 May 2012: £41.1m), equating to 366 plots (6 May 2012: 155 plots). JV private forward sales were £117.2m (6 May 2012: £32.0m) equating to 247 plots (6 May 2012: 96 plots).

Government initiatives

Housing formed a prominent part of the March 2013 Budget with significant new measures announced to improve the supply of mortgage finance. The Help to Buy shared equity loan scheme was launched on 1 April 2013 and we have seen a rapid build up in the scheme's use with c. 400 reservations to date.

We have started to see a positive effect of the new planning regime, particularly the need for Local Authorities to demonstrate a five year land supply. Combined with our focus on improving design and engagement with the communities in which we work, this has improved the level of dialogue with the Local Authorities.

The Government remains committed to accelerating the disposal of public land as part of its housing strategy. The Group has a strong track record of securing public land and we are pleased to have been appointed to all four of the Homes and Communities Agency Delivery Partner Panels as well as to the Greater London Authority London Development Panel. In the year to date, the Group has had offers accepted on public land equating to 3,568 plots with a total gross development value of £835.3m.

We have also announced that we are undertaking a number of initiatives to rebuild the skills base of the industry. Over the next three years we intend to recruit around 150 graduates, 30 paid interns, around 400 apprentices, and put 100 people through a unique Housebuilding Foundation Degree Programme delivered in partnership with Sheffield Hallam University.

Land and planning

Higher margin, more recently acquired land continues to be brought into production. We continue to expect around half of completions in the current financial year to come from this land, increasing to around two thirds in FY14 and c. 85% in FY15. This land continues to deliver in line with or ahead of our required hurdle rates on acquisition, which include a gross margin of at least 20% and a return on capital employed of at least 25%.

We continue to reduce our historic land holdings and expect to deliver c. 18% of completions in FY13 from impaired land. This would result in the proportion of impaired plots in the owned and controlled land bank as at 30 June 2013 reducing to around 8% (30 June 2012: 12%).

During the financial year to date we have approved the purchase of £829.7m of land equating to 16,118 plots. We continue to see attractive land opportunities in prime locations across all regions and for FY13 as a whole expect to approve a total of c. 17,000 plots. In particular, we have had good momentum in the London land market, securing a number of high value schemes including Cannon Wharf and Blackfriars Road, Southwark, with a total of 1,889 London plots approved in the period.

We continue to seek to defer payment for new land where possible to drive a higher return on capital. Land creditors are expected to be c. 35% of the owned land bank as at 30 June 2013 (30 June 2012: 35%).

Net debt and interest

We expect net debt as at 30 June 2013 to be c. £100m (30 June 2012: £167.7m), the reduction from prior guidance reflecting the timing of land payments and control of working capital, and we restate our target of achieving zero net debt by 30 June 2015.

The Group's net finance charge for FY13 is expected to be c. £72m (FY12: £80.8m), consisting of cash finance charges of c. £51m on net debt and c. £21m of non-cash charges.

We recognise that for historical reasons the effective cost of the Group's debt is higher than market norms and we are making good progress on addressing this.

Outlook

The present market backdrop, in terms of consumer demand and mortgage supply, is the most positive we have seen for five years and for FY13 the Group expects to deliver a significant year on year improvement in operating profit.

As previously announced, the Board expects to propose a conservatively set final dividend in respect of the financial year ending 30 June 2013.

Overall, the Group is making good progress towards achieving its key stated targets of zero net debt as at 30 June 2015, a dividend cover of around three times for the financial year ending 30 June 2016 and a substantial improvement in return on capital employed in the medium term.

This Interim Management Statement contains certain forward-looking statements about the future outlook for the Group. Although the Directors believe that these statements are based upon reasonable assumptions, any such statements should be treated with caution as future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Conference call for analysts and investors

Mark Clare, Group CEO and David Thomas, Group FD will be hosting a conference call at 08:30am today, Thursday 9 May 2013, to discuss this Interim Management Statement.

To access the conference call:

Dial-in: 020 3139 4830 / 0808 237 0030 Passcode: 74763827#

A replay facility will be available:

Dial-in: 020 3426 2807 / 0808 237 0026 Passcode: 638912#

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