

Interim Results Presentation

Half Year ended 31 October 2011

2 December 2011

Format of presentation



Chairman

Tony Pidgley

Finance Director

Nick Simpkin

Managing Director

Rob Perrins

Questions

TONY PIDGLEY

CHAIRMAN

- 1. Strong trading performance**
- 2. Shareholder support for return of £13 per share**
- 3. Continued investment in Land and Build**
- 4. Balance sheet strength retained**
- 5. Continued evolution of Board**

NICK SIMPKIN

FINANCE DIRECTOR

Review of interim results

- **Summary of performance**
- **Summary of financial position**
- **Income statement**
- **Homes completed and ASP**
- **Abridged cash flow**
- **Abridged balance sheet**
 - **Inventories**
 - **Creditors**
- **Land holdings**

Summary of performance

	<u>6 months to</u> <u>Oct 2011</u>	<u>6 months to</u> <u>Oct 2010</u>	<u>Change</u>	
Pre-exceptional operating profit	£76.4m	£58.6m	+ £17.8m	+ 30.4%
Pre-exceptional operating margin	18.9%	17.4%		
Profit before tax	£101.1m	£61.6m	+ £39.5m	+ 64.1%
EPS – Basic	56.7p	33.5p	+ 23.2p	+ 69.3%
Weighted ave. no. of shares	131.0m	132.9m		
Cash outflow before financing	(£28.1m)	(£34.2m)		
Return on equity	20.8%	14.4%		

Summary of financial position



	<u>Oct 2011</u>	<u>Apr 2011</u>	<u>Change</u>	
Shareholders' funds	£1,010.0m	£929.4m	+ £80.6m	+ 8.7%
Net asset value per share	770.8p	709.2p	+ 61.6p	+ 8.7%
Shares in issue	131.0m	131.0m	-	
Closing net cash	£13.9m	£42.0m	- £28.1m	
Land bank - Plots	26,404	27,026	- 622	
- Gross margin	£2,462m	£2,304m	+ £158m	+ 6.9%
Cash due on forward sales	£937.2m	£813.5m	+ £123.7m	+ 15.2%

Income statement (1)

	<u>6 months to</u> <u>Oct 2011</u> <u>£m</u>		<u>6 months to</u> <u>Oct 2010</u> <u>£m</u>		<u>Change</u> <u>£m</u>	
Revenue	<u>404.9</u>		<u>336.2</u>		<u>+ 68.7</u>	+ 20.4%
Gross profit	116.5	28.8%	93.3	27.8%	+ 23.2	+ 24.9%
Overheads	<u>(40.1)</u>	9.9%	<u>(34.7)</u>	10.3%	<u>- 5.4</u>	+ 15.6%
Pre-exceptional operating profit	76.4	18.9%	58.6	17.4%	+ 17.8	+ 30.4%
Exceptional profit on disposal	<u>30.7</u>		-		<u>+ 30.7</u>	
Operating profit	<u>107.1</u>		<u>58.6</u>		<u>+ 48.5</u>	+82.8%

Exceptional profit on disposal of subsidiary



In HY01 Berkeley disposed of its 51% shareholding in Winstanley 1 Limited.

	<u>Oct 2011</u> <u>£m</u>
Berkeley's share of proceeds	75.7
Net assets disposed	(44.2)
Share of transaction costs	(0.8)
Exceptional profit	<u>30.7</u>

Income statement (2)

	<u>6 months to</u> <u>Oct 2011</u> <u>£m</u>		<u>6 months to</u> <u>Oct 2010</u> <u>£m</u>		<u>Change</u> <u>£m</u>	
Operating profit	<u>107.1</u>		<u>58.6</u>		<u>+ 48.5</u>	+82.8%
Net finance (costs)/income	<u>(4.4)</u>		<u>1.8</u>		<u>- 6.2</u>	
Joint ventures	<u>(1.6)</u>		<u>1.2</u>		<u>- 2.8</u>	
Profit before tax	<u>101.1</u>		<u>61.6</u>		<u>+ 39.5</u>	+ 64.1%
Tax	<u>(27.1)</u>	26.8%	<u>(17.4)</u>	28.2%	<u>- 9.7</u>	
Profit after tax	<u>74.0</u>		<u>44.2</u>		<u>+ 29.8</u>	+ 67.4%
Minority interest – loss	<u>0.3</u>		<u>0.3</u>		<u>0.0</u>	
Profit attrib. to shareholders	<u>74.3</u>		<u>44.5</u>		<u>29.8</u>	

Homes completed and ASP

	<u>Units</u>	<u>ASP</u>	<u>Units</u>	<u>ASP</u>
2011/12 HY01 St Edward Homes	<u>1,506</u>	<u>£254,000</u>	100	£170,000
2010/11 HY02	1,295	£280,000	2,544	£271,000
2010/11 HY01	<u>1,249</u>	<u>£262,000</u>		
St Edward Homes			164	£251,000
2009/10 HY02	1,287	£238,000	2,201	£263,000
2009/10 HY01	<u>914</u>	<u>£299,000</u>		
2008/09 HY02	533	£388,000	1,501	£395,000
2008/09 HY01	<u>968</u>	<u>£399,000</u>		
2007/08 HY02	1,537	£347,000	3,167	£295,000
2007/08 HY01	<u>1,630</u>	<u>£245,000</u>		

Abridged cash flow

	<u>6 months to</u> <u>Oct 2011</u> <u>£m</u>	<u>6 months to</u> <u>Oct 2010</u> <u>£m</u>
Profit after tax	74.0	44.2
Increase in inventory – land	(115.0)	(211.8)
Increase in inventory – build WIP & stock	(59.2)	(104.3)
Transfer from inventory to rental fund	(23.2)	-
Increase in land creditors	80.5	171.1
Other working capital movements	(45.4)	64.7
Net proceeds on disposal of Winstanley	75.7	-
Other (investing, non-cash and other movements)	<u>(15.5)</u>	<u>1.9</u>
Cash (outflow)/inflow before financing	(28.1)	(34.2)
Share buy backs	<u>-</u>	<u>(30.0)</u>
Decrease in net cash	(28.1)	(64.2)
Opening net cash	<u>42.0</u>	<u>316.9</u>
Closing net cash	<u>13.9</u>	<u>252.7</u>

Abridged balance sheet

	<u>Oct 2011</u> <u>£m</u>	<u>Movements</u> <u>£m</u>	<u>Apr 2011</u> <u>£m</u>
Non-current assets			
- Intangible assets	17.2	-	17.2
- Investment properties	51.8	23.2	28.6
- Investment in JV's	37.8	(0.9)	38.7
- Other non-current assets	33.4	3.9	29.5
Inventories	1,787.4	174.2	1,613.2
Debtors	72.7	(24.0)	96.7
Creditors	<u>(1,004.2)</u>	<u>(72.1)</u>	<u>(932.1)</u>
Capital employed	996.1	104.3	891.8
Net cash	<u>13.9</u>	<u>(28.1)</u>	<u>42.0</u>
Net assets	1,010.0	76.2	933.8
Minority interest	<u>-</u>	<u>4.4</u>	<u>(4.4)</u>
Net assets attributable to shareholders	<u>1,010.0</u>	<u>80.6</u>	<u>929.4</u>

Investment properties

	<u>No.</u>
Total number of properties to be transferred	896
Properties transferred at 31 October 2011	364
Properties still to be transferred	532

	<u>31 Oct 2011</u>
Net book value of properties	£51.8 million
Market Value	£80.2 million
Gross running yield on Market Value	5.5%

Inventories

	<u>Oct 2011</u> <u>£m</u>	<u>Movements</u> <u>£m</u>	<u>Apr 2011</u> <u>£m</u>
Land not under development	388.0	71.4	316.6
Work in progress: Land cost	<u>675.5</u>	<u>43.6</u>	<u>631.9</u>
	1,063.5	115.0	948.5
Work in progress: Build cost	664.5	48.8	615.7
Completed units	<u>59.4</u>	<u>10.4</u>	<u>49.0</u>
	<u>1,787.4</u>	<u>174.2</u>	<u>1,613.2</u>

Creditors

	<u>Oct 2011</u> <u>£m</u>	<u>Movements</u> <u>£m</u>	<u>Apr 2011</u> <u>£m</u>
Trade creditors and accruals	307.8	8.0	299.8
Deposits and on account receipts	448.5	(23.5)	472.0
Land creditors	146.9	80.5	66.4
Current tax liability	101.0	7.1	93.9
Total creditors	<u>1,004.2</u>	<u>72.1</u>	<u>932.1</u>
 <u>Land creditors</u>			
Land creditors < 6 months	89.7	74.3	15.4
Land creditors > 6 months	57.2	6.2	51.0
Total	<u>146.9</u>	<u>80.5</u>	<u>66.4</u>

Land holdings

	<u>Oct 2011</u>	<u>Variance</u>	<u>Apr 2011</u>
Owned	26,101	- 764	26,865
Contracted	295	+ 148	147
Agreed	8	- 6	14
Plots *	<u>26,404</u>	<u>- 622</u>	<u>27,026</u>
Sales value	£8,712m	+ £577	£8,135m
Average selling price	£330k	+ £29k	£301k
Average plot cost	£51k	+ £7k	£44k
Land cost %	15.5%	+ 0.9%	14.6%
Gross margin	£2,462m	+ £158m	£2,304m
GM%	28.3%	+0.0%	28.3%

* Includes 1,448 plots within joint ventures at 31 Oct 2011 (30 Apr 2011: 1,548)

ROB PERRINS

MANAGING DIRECTOR

Performance Highlights

- 20.8% ROE
- £115 million land investment above replacement value
- Continued financial strength – ungeared
- Forward sales up 15.2% to £937 million

Operational Plan - May 2010



5 year Operational Target	Implied Outcome
12.5% compound ROE	Double PBT from £110 million to £220 million by April 2015
10.0% compound land bank growth	Increase land bank from £2 billion to £3 billion by April 2015

The original targets set in May 2010 reflected:

- GDP had shrunk 6.2% from peak to trough
- Forecast of 1.0% GDP growth in 2010
- Political uncertainty pending election
- 2.5 million unemployed (Q1 2010) forecast to rise to 2.65 million by (Q1 2011)
- Housing market had fallen circa 20% from peak in 2007 and stagnated

Operational Plan – first 18 months

	5 Year Operational Target	FY 2010/11 (Actual)	HY 2010/11 (Actual)
ROE	12.5%	15.3%	20.8%
Land Bank Growth	10.0%	13.1%	6.9% (6 months)

Strategic 10 Year Plan

In June 2011, we announced a plan to return £13 per share over 10 years:

ROE Performance	Implied Impact on 10 Year Plan
15.0%	<ul style="list-style-type: none">- c. £10 per share delivered earnings- c. £3 per share reduction in balance sheet
18.5%	<ul style="list-style-type: none">- £13 per share delivered by earnings- No reduction in balance sheet

- Protect the value in the balance sheet
- Control release of schemes to build
- Match operational risk with the market conditions
- Add value to the land bank
- Invest in the right point in the cycle
- People, structure and natural size

Protecting value on the balance sheet

- Securing planning consents
- Controlling our assets
- Intensive management
- Maintain balance sheet strength
- Maintain low financial risk

Protecting value on the balance sheet

Planning consents:

Resolution to grant planning since April 2008:

	No.
H1 2011/12*	2,000
FY 2010/11	6,500
FY 2009/10	7,000
FY 2008/09	<u>4,500</u>
	<u>20,000</u>

**Includes Carnwath Road, Fulham Reach, Battersea Reach, Kew Bridge consented in H1 2010/11*

Protecting value on the balance sheet

- Securing planning consents
- Controlling our assets
- Intensive management
- Maintain balance sheet strength
- Maintain low financial risk

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Under Construction and Future Sites in London at 31 October 2011



London Under Construction

- | | |
|--|--|
| 1 375 Kensington High Street | 19 Marine Wharf, Deptford |
| 2 Arton Wilson, Roehampton | 20 New Cross |
| 3 Battersea Reach | 21 One Tower Bridge |
| 4 Beaufort Park, Hendon | 22 Parkwest, West Drayton |
| 5 Blackheath Road, Deptford | 23 Putney |
| 6 Camberwell Grove | 24 Queen Mary's Place, Roehampton |
| 7 Caspian Wharf, Bow | 25 Riverlight, Battersea |
| 8 Chelsea Creek | 26 Royal Arsenal Riverside |
| 9 Costume Store, Acton | 27 Saffron Square, Croydon |
| 10 Dickens Yard, Ealing | 28 St James Park Mews, Surbiton |
| 11 Goodmans Fields | 29 Stanmore Place |
| 12 Grosvenor Waterside | 30 Terrace Yard, Richmond |
| 13 Home Office, Acton | 31 The Boatyard, Kingston |
| 14 Kew Bridge Road | 32 The Tower, One St George Wharf |
| 15 Kew Bridge West, Brentford | 33 Winstanley, Clapham Junction |
| 16 Kidbrooke Village | 34 Woodberry Park |
| 17 Lewisham | 35 Worcester Park |
| 18 Lime Grove Mews, Hammersmith | |

London Future Sites

- | | |
|---|---------------------------------------|
| 1 190 Strand | 9 Fulham Reach, Hammersmith |
| 2 Abell & Cleland House, Westminster | 10 One Blackfriars, Southwark* |
| 3 Atkinson Morley, Wimbledon | 11 One Ebury Square, Belgravia |
| 4 Carmelite Monastery, Finchley* | 12 Queens Rise, Richmond* |
| 5 Carnwath Road, Fulham | 13 Roman House, City of London |
| 6 Chambers Wharf, Bermondsey | 14 Sir Alexander Close, Acton |
| 7 City Forum* | 15 Warwick Road, Kensington |
| 8 Eastbury House, Albert Embankment* | |

* Acquired in the first six months of 2011/2012

Under Construction and Future Sites in the South East at 31 October 2011



Out of London Under Construction

- | | | | |
|----|----------------|----|-----------------------|
| 1 | Basingstoke | 16 | Holborough |
| 2 | Beaconsfield | 17 | Horsham |
| 3 | Billingshurst | 18 | North Bersted |
| 4 | Cambridge | 19 | Oxford |
| 5 | Canterbury | 20 | Portsmouth |
| 6 | Cirencester | 21 | Reading |
| 7 | Eastbourne | 22 | Royal Clarence Marina |
| 8 | East Grinstead | 23 | Royal Worcester |
| 9 | Effingham | 24 | Sevenoaks |
| 10 | Esher | 25 | St Albans |
| 11 | Farnham Common | 26 | Wantage |
| 12 | Fleet | 27 | Weybridge |
| 13 | Gillingham | 28 | Woodstock |
| 14 | Guildford | 29 | Yarnton |
| 15 | High Wycombe | | |

Out of London Future Sites

- | | | | |
|---|------------------------|----|------------------------|
| 1 | Amersham* | 10 | Hurstleigh Park, Ascot |
| 2 | Beaconsfield | 11 | Maidenhead* |
| 3 | Burleigh Road, Ascot | 12 | Oxford |
| 4 | Caterham* | 13 | Reigate |
| 5 | Cheltenham | 14 | Tadworth |
| 6 | Claygate | 15 | Wantage 1 |
| 7 | Cobham | 16 | Wantage 2 |
| 8 | Dagden Road, Shalford* | 17 | Windsor |
| 9 | Fleet | | |

* Acquired in the first six months of 2011/2012

Operational status

		London	South East	Total
Delivery of Developments:				
In construction	No. sites	35	29	64
Not in construction	No. sites	<u>15</u>	<u>17</u>	<u>32</u>
Total Developments	No. sites	50	46	96
Planning:				
Detailed consent	No. sites	35	29	64
Resolution to grant	No. sites	8	4	12
No current consent	No. sites	<u>7</u>	<u>13</u>	<u>20</u>
		50	46	96
Proportion with planning (by sites)		86%	72%	79%
Split (by plots)		70%	30%	100%

- Protect the value in the balance sheet
- Control release of schemes to build
- Match operational risk with the market conditions
- Add value to the land bank
- Invest in the right point in the cycle
- People, structure and natural size

Demand has been strong for properties in:

- Best locations
- Build quality
- Well presented

Continued International demand

- London centric (zones 1 and 2)
- Circa 40% of private sales volumes
- Berkeley has completed >100 overseas exhibitions

Market Drivers

- London as a world city
- Lack of supply in best locations
- Property is a stable asset class – wealth preservation
- Relative weakness of Sterling
- London and South East economy is stronger than balance of UK
- Rental demand and positive yields are attractive to investors

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Adding value to the land bank

1. New land acquisition
2. Optimising existing land bank
 - Bulk and massing on schemes
 - Change of use reclassification
 - Affordable housing
 - Placemaking
 - Brand
3. St Edward
4. Strategic land
5. Regeneration land

- Protect the value in the balance sheet
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Criteria

Land

- Counter cyclical strategy
- Acquire where Berkeley can add value
- Achieve hurdle rates on absolute return and Return on Capital
- Acquire to a backstop

Build

- Match with forward sales
- Balanced with earnings and dividend policy
- Potential to bring forward scheme if market conditions allow

Shareholder returns

- Key focus is returning £13 per share as dividend
- Consideration of share buybacks to be undertaken opportunistically

Delivery of Key London Schemes

	No. Units	Current estimated year of 1 st revenues	Likely Period of delivery
St George Tower	223	2015	3 years
Riverlight	750	2016	7 years
Chelsea Creek	889	2012	10 years
One Tower Bridge	396	2016	6 years
Kensington High Street*	529	2015	7 years
Ebury Square	71	2016	3 years
190 Strand*	<u>206</u>	2017	4 years
	<u>3,064</u>		

*St Edward Joint Venture

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People and Structure



People and Structure

Board

- Chairman
- Deputy Chairman
- 5 Executive Directors
- 6 Independent Non Executive Directors

Brands

- 5 Core Brands

Operating Teams

- 18 autonomous teams
- Three new teams created
(Eastern, Three Valleys, Rental Fund)

People

- 1,100 employees (2008: 700)
- 7,000 contractors (2008: 3,500)
- 100 apprentices

Risks

- Macro economic uncertainty
- Slowing growth
- Credit restrictions

Positives

- London is a world city
- Restricted supply
- Brand
- Weakness of Sterling
- Property as wealth protection

2011/12

- Aim to maintain H1 ROE at c. 20.0% for full year including exceptional profit on sale of subsidiary
- Land bank growth c.8-10% (opportunity led)

2012/13

- Aim to deliver ROE of c. 18.5% to achieve original 5 year plan target 2 years early
- Land bank growth c.8% (opportunity led)

2013/14

- Market led
- Aspiration to sustain ROE at c.18.5% subject to market conditions
- Potential to accelerate delivery of flagship schemes depending on market
- Land bank growth 0 – 5% driven by optimisation. Working capital neutral.

- Dividends no later than

	£
30 th September 2015	4.34
30 th September 2018	4.33
30 th September 2021	<u>4.33</u>
	<u>13.00</u>

- If ROE is maintained at c. 18.5% £13 per share will be delivered from future earnings.
- Dividend dates dependent on quality and timing of investment opportunities

Questions

Tony Pidgley

Chairman

Rob Perrins

Managing Director

Nick Simpkin

Finance Director