Immediate release 15 May 2013

BARRATT DEVELOPMENTS PLC
Agrees a comprehensive refinancing package

Barratt Developments PLC (the 'Group') announces that it has reached separate agreements for a comprehensive refinancing package and the monetisation of a portion of the Group's shared equity portfolio.

Highlights

- **Committed borrowing facilities of c. £850m at attractive terms, with maturities ranging from 2016 to 2021**
- **Early repayment of historic high cost private placement notes**
- **Cancellation of interest rate swaps**
- **Reduction of underlying average interest rate to c. 4.5%**
- **Raised £34m by monetising part of its shared equity portfolio**
- **Maintains guidance of zero net debt as at 30 June 2015**

Commenting, David Thomas, Group Finance Director of Barratt Developments said:

"We are delighted to have agreed this comprehensive refinancing package ahead of schedule which will provide us with more appropriate lending facilities, in terms of both interest cost and duration. It reflects our improved financial position and the significant progress we've made towards our target of zero net debt as at 30 June 2015.

The monetisation of the shared equity portfolio is in line with our strategy and represents another self-help measure to improve profitability, reduce net debt and increase return on capital employed. The fact that we've been able to conclude this deal now is further evidence of the improving outlook for the sector."

Background

For historic reasons, the Group's financing structure included interest rate swaps and private placement notes at considerably higher interest rates than prevail today. As indicated in our IMS on 9 May 2013, 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.

As a result of our much improved financial performance, the Group has undertaken the refinancing which was required by June 2014, a year ahead of schedule, and has achieved committed borrowing facilities at attractive terms over a period of up to eight years.

The monetisation of part of our shared equity portfolio is a more effective use of this long dated asset and the proceeds will be used to invest in land to generate much higher returns, thereby creating more value for our shareholders. Our ability to monetise this asset now is another indicator of an improving trading backdrop for the housebuilding sector.

1. Comprehensive refinancing package

The refinancing provides the Group with around £850m of committed facilities to June 2016 and £650m to May 2018 with some of these facilities extending as far as 2021.

The refinancing elements are detailed below:

Future facilities

- a new £700m committed bank RCF, reducing to £550m in June 2016 to reflect the Group's reduced borrowing requirements and maturing in May 2018;

- we will retain the US$80m of private placement notes that were issued in May 2011 and mature in August 2017, swapped into sterling equating to a £48m fixed-rate loan; and

- we will also retain the £100m term loan from The Prudential/M&G UK Companies Financing Fund that was drawn in July 2011, of which 25% is scheduled to be repaid in 2019, 25% in 2020 and the balance in 2021.

Covenants

The covenants reflect a normalised lending package including a return to an interest cover covenant (as opposed to cash cover that was introduced in 2008) being tested alongside tangible net asset value and gearing covenants.

Prepayment of historic private placement notes

The Group's historic private placement notes that were issued in 2007 and 2008 (currently amounting to c. £152m equivalent), together with the associated cross currency swaps, will be cancelled with effect from no later than 2 July 2013. The average interest payable on these notes is around 11.4%. These notes have interest payable make-whole provisions that are calculated at 300 basis points below the interest coupon. Accordingly, given the downward trajectory of Group debt there is both the opportunity and financial incentive for the Group to exercise its prepayment rights at this time.

The interest make-whole will be an exceptional interest charge of c. £53m in the income statement for the year ending 30 June 2013.

Cancellation of historic interest rate swaps

The Group will cancel £55m nominal value of interest rate swaps resulting in an exceptional interest expense charge of c. £20m in the year ending 30 June 2013. The interest rate swaps are already included within the tangible net asset value ('TNAV') of the Group and accordingly there is no reduction in TNAV as a result of this cancellation.

After this cancellation, the Group will have interest rate swaps remaining with a nominal contracted value of £137m. These will be cancelled in the future as appropriate. The cancellation cost for these remaining swaps as at 31 December 2012 was approximately £33m.

2. Shared equity monetisation

As at 31 December 2012, the Group had amounts receivable in respect of shared equity of £193.9m of which £129.6m related to the Group's shared equity and £64.3m related to the Group's participation in the UK Government's shared equity schemes.

In line with our previously stated aim to monetise this asset, yesterday, we entered into a joint venture, Rose Shared Equity LLP ('Rose'), with a fund managed by Anchorage Capital Group LLC ('Anchorage' see note 1). The Group's shared equity loans that originated in the period from 1 January 2009 to 31 December 2011 have been transferred to Rose.

Anchorage acquired a 50% interest in Rose for approximately £34m which was paid to the Group on closing. Anchorage will receive its initial investment back by way of preferred return and then the partners will share equally all subsequent cash proceeds from the portfolio.

This transaction will result in no gain or loss compared to the net book value of the assets being monetised.

The Group will continue to actively manage its shared equity portfolio to optimise cash receipts.

3. Group forecast

Group exceptional costs

Exceptional costs of c. £84m, relating to the interest make-whole on the private placement notes, the cancellation of cross currency and interest rate swaps and fees in respect of refinancing and the shared equity monetisation, will be charged to the income statement in the current financial year. The principal components and the balance sheet effect are detailed in note 2.

Group net interest payable

The Group's net finance charge before exceptional costs for the financial year ending 30 June 2013 is expected to be c. £72m (2012: £80.8m). This will consist of cash interest of c. £51m (including historic interest rate swap interest of c. £10m) and c. £21m of non-cash finance charges.

We currently expect that the Group's cash interest cost for the financial year ending 30 June 2014 to be c. £36m (including historic interest rate swap interest of c. £7m).

We estimate our future underlying blended interest rate excluding interest rate swaps and non-cash interest will reduce to around 4.5% (previously around 7%).

Group debt guidance

The guidance for the Group's net debt at 30 June 2013 remains at £100m (2012: £168m). The effect of these transactions is expected to be neutral on net debt guidance for 30 June 2013. The prepayment of the private placement notes and the related make whole of £53m is due, in line with the cancellation agreement, to be paid by 2 July 2013. The expected net debt movements arising from these transactions are detailed in note 2. We remain committed to our target of zero net debt by 30 June 2015.

Dividend

As previously announced, the Board expects to propose a conservatively set final dividend in respect of the financial year ending 30 June 2013 building to a dividend cover of around three times for the financial year ending 30 June 2016.

Notes to release

Note 1 – Background information regarding Anchorage

Founded in 2003, Anchorage Capital Group, LLC is a private investment firm focused on the credit, special situations and illiquid investment markets primarily in North America, Europe and Australia. Anchorage Capital focuses on a wide range of assets across the corporate credit spectrum and throughout a company's capital structure.

Note 2 - Exceptional costs (before taxation)

	Income statement charge for the year ending 30 June 2013 £m	Reduction in tangible net assets as at 30 June 2013 £m	Increase/ (reduction) in net debt as at 30 June 2013 £m	Increase/ (reduction) in net debt as at 31 July 2013 £m
Refinancing and shared equity monetisation fees - facility, legal and other	3	3	*3	3
Shared equity monetisation	-	-	(34)	(34)
Accelerated amortisation of previously capitalised refinancing fees	8	8	8	8
Private placement make-whole interest	53	53	-	53
Interest rate swap cancellations	20	-	20	20
Total	**84**	**64**	**(3)**	**50**

* The impact on net debt is the net of the cash outflow for fees (£18m) offset by the remaining fees (£15m) to be amortised in future periods.

This 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 08:15am today, Wednesday 15 May 2013, to discuss this announcement.

To access the conference call:
Dial-in: 020 3139 4830 Passcode: 59105789#

A replay facility will be available:
Dial-in: 020 3426 2807 Passcode: 639320#

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