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Berkeley Group Holdings (The) PLC
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This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

THE BERKELEY GROUP HOLDINGS PLC

Proposed Capital Return

- £1 billion to be returned to shareholders over the next two years; an increase of £455 million
- 50% increase in production and delivery over the next six years, requiring significant investment
- Underpinned by portfolio of 25 large, complex, long-term regeneration sites
- Unique blend of expertise and financial strength to deliver lasting contribution to society, the economy and natural world from these sites

Introduction

The Berkeley Group Holdings plc ("**Berkeley**") is proposing to increase its returns to shareholders by approximately £455 million over the next two years. Under its existing programme, returns of £125 million were due to be made by 31 March 2020 (£155 million already having been made) and £280 million in each of the following financial years. Under today's proposals, approximately £500 million will be returned to shareholders by means of a B Share Scheme in March 2020 and a further £500 million to shareholders in March 2021. Following this, the intention is to revert to making annual returns of £280 million in six-monthly instalments of £140 million through either share buy-backs or dividends. The first of these regular £140 million payments will be made for the six month period ending 31 March 2022; with subsequent payments of £140 million (£280 million per annum) then made each six months up to and including 30 September 2025. Berkeley will continue to review its capital allocation policy to determine if it is appropriate to return additional capital to shareholders.

£'million	Current Schedule	Proposed Schedule	Cumulative increase
Paid for six months to 30 September 2019	140	140	-
Paid for six months to 31 March 2020	15	15	-

To be paid for six months to 31 March 2020	125	500	375
To be paid for six months to 30 September 2020	140	-	235
To be paid for six months to 31 March 2021	140	500	595
To be paid for six months to 30 September 2021	140	-	455
To be paid for six months to 31 March 2022	140	140	455
Thereafter six monthly to 30 September 2025	140	140	455

Strategy

Berkeley's purpose is to create homes, strengthen communities and improve lives, using its sustained commercial success to make valuable and enduring contributions to society, the economy and natural world. To achieve this, Berkeley's long-term strategy is to invest in opportunities with the right risk-adjusted returns, while ensuring its financial strength reflects the prevailing macro environment, and to make returns to the shareholders who support us to achieve our purpose, through either dividends or share buy-backs.

Since the end of the financial crisis in 2011, Berkeley has acquired a number of long-term regeneration sites, a number of which are now in, or coming into, production. In total, Berkeley is in the process of bringing forward 25 large and complex residential-led developments, of which 20 have been acquired since the start of this period.

These sites typically deliver between 1,000 and 5,000 homes and their development can take up to 30 years to complete. Their complexity often means that it can be five or six years before the first homes are delivered. They require significant upfront capital investment, coupled with the unique expertise that Berkeley has accumulated over the last twenty years and which is embedded throughout its 21 autonomous operating companies. Berkeley is transforming neglected industrial and brownfield land into thriving new communities which deliver quality homes of all tenures, biodiverse open spaces and a mix of shops, offices and amenities for local people.

The successful transformation of these sites is founded on trusted partnerships with local authorities and communities and their development is directly aligned to the Government's strategy for increasing the supply of good quality homes across all tenures. Berkeley is now the only developer undertaking major brownfield regeneration at scale in London and the South East as the increasing risk and complexity of these activities has seen those with lesser expertise and resources leave this area of the market. The delivery of these sites is vital to meeting the housing needs of our towns and cities, while relieving pressure on greenfield land.

As noted in its Interim Results announcement of December 2019, Berkeley has begun construction on 20 new sites, including a number of the new large regeneration sites referred to above, over the last 18 months. The execution of this strategy will see Berkeley increase its annual housing delivery (including in its joint ventures) by as much as 50% over the next six years. The majority of its sales from these regeneration sites are at a lower average selling price than properties completed in recent years.

With the land in place for the next phase of its business plan and continued robust trading, last year Berkeley announced the extension of its £280 million (£2.22 per share) annual shareholder returns programme to 2025, with a targeted pre-tax return on equity of at least 15% over this period. This return is commensurate with the investment required to bring forward this next generation of sites, their longevity and relative risk profile, alongside Berkeley's lasting commitment to investing in the wider community benefits that good development brings.

The long-term nature of the business, with an unrelenting focus on the customer and communities, coupled with the complexity associated with delivering tall buildings, means that Berkeley has always focused on long-term value creation, as opposed to annual profit targets. Over the six years to 30 April 2025, we are targeting the delivery of £3.3 billion of pre-tax profit, with the profit in any one year ranging between £500 million and £700 million, depending upon the timing of delivery.

Shareholder Returns

Under the existing long-term programme Berkeley had planned to return, through a combination of share buy-backs and ordinary dividends, £280 million to shareholders

each year up to and including 30 September 2025. The returns are currently made in six monthly amounts of £140 million by 30 September and 31 March in each year. In the current financial year, Berkeley completed the scheduled return to 30 September 2019 and has already returned £15 million of the £140 million originally planned to be returned by 31 March 2020.

Since 2016, like all responsible businesses, Berkeley has been mindful of the volatile operating environment and has been cautious in its investment, increasing its net cash position from £107.5 million to in excess of £1.0 billion.

In light of the progress made in bringing forward its new sites, and its assessment of the prevailing operating environment, the Board of Berkeley has reviewed its net cash position and future requirements and now proposes to return £4.00 per share (approx. £500 million) by the end of March 2020 via a B share scheme, followed by a share consolidation. This would take the total shareholder returns for the current financial year to £655 million.

Berkeley plans to return a further £4.40 per share (approx. £500 million, taking into account the proposed B share consolidation noted above) via a C share scheme by March 2021, similarly followed by a share consolidation. The next shareholder return, after these enhanced returns, is planned to be £140 million to be paid by 31 March 2022. This increases the amount of capital being returned to shareholders by £455 million during the Shareholder Return Programme through to September 2025.

The share consolidation is being calculated by reference to Berkeley's share price, with the intention that the share price after the share consolidation is approximately equal to the share price beforehand.

Following the enhanced capital returns, Berkeley intends to revert to a return of £280 million per year through to September 2025. However, Berkeley will continue to review its capital allocation policy to determine if it is appropriate to return additional capital to shareholders.

The Board of Berkeley views share buy-backs as an important part of its ongoing strategy for capital allocation, reflecting the benefit to shareholders of long-term value creation within the business.

Remuneration Policy Review

In line with its commitment made following Berkeley's Annual General Meeting in September and at the interim results for the six months to 31 October 2019, the Board will consult with shareholders on its Remuneration Policy, ensuring that it remains closely aligned to Berkeley's strategy, including capital allocation.

Berkeley expects to send a circular to its shareholders by the end of February 2020, seeking shareholders' approval to the proposed amendments. This is expected to include resolutions to enable the creation of the B and C shares and to consolidate the existing ordinary share capital, with a view to completing the payment of the B share cash return of £4.00 per share during March 2020 and the C share cash return of £4.40 per share in March 2021. A further announcement with full details of the proposals will be made in due course.

Enquiries

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The person responsible for arranging for the release of this announcement on behalf of Berkeley is Richard Stearn, Group Finance Director.

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