

# Results presentation

Year ended 30 June 2016

7 September 2016

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**BARRATT**  
DEVELOPMENTS PLC

## Another year of strong performance

<b>Total completions<sup>(1)</sup></b>	<b>17,319</b>	<b>+5.3%</b>
<b>Operating margin</b>	<b>15.8%</b>	<b>+0.5ppts</b>
<b>Profit before tax</b>	<b>£682.3m</b>	<b>+20.7%</b>
<b>ROCE<sup>(2)</sup></b>	<b>27.1%</b>	<b>+3.2ppts</b>
<b>Net cash<sup>(3)</sup></b>	<b>£592.0m</b>	<b>+£405.5m</b>

(1) Includes joint ventures ('JV's') in which the Group has an interest

(2) Return on Capital Employed ('ROCE') is calculated as earnings before interest, tax, operating charges relating to the defined benefit pension scheme and operating exceptional items, divided by average net assets adjusted for goodwill and intangibles, tax, cash, loans and borrowings, retirement benefit assets/obligations and derivative financial instruments

(3) Net cash is defined as cash and cash equivalents, bank overdrafts, interest bearing borrowings and foreign exchange swaps

# Driving value

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- Disciplined volume growth
  - Fast asset turn model & shorter land bank
  - Industry leading customer service & construction excellence
  - Financial discipline; ROCE and gross margin targets for FY17 remain in place
  - Finished the year in a strong position: £592m net cash and healthy forward order book growth
-



**Neil Cooper**  
Chief Financial Officer

Aspect, Anlaby, Hull

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# Income statement

£m (unless otherwise stated)	FY16	FY15	Change
Revenue	4,235.2	3,759.5	12.7%
Gross profit	800.4	714.3	12.1%
<i>Gross margin</i>	18.9%	19.0%	(0.1ppts)
Total administrative expenses	(132.0)	(137.5)	4.0%
Operating profit	668.4	576.8	15.9%
<i>Operating margin</i>	15.8%	15.3%	0.5ppts
Finance costs	(58.2)	(57.0)	(2.1%)
Share of profit - JV/associates	72.1	45.7	57.8%
Profit before tax	682.3	565.5	20.7%

# Revenue breakdown<sup>(1)</sup>

	FY16	FY15	Change
<b>Total completions</b>	<b>15,905</b>	<b>15,599</b>	<b>2.0%</b>
<b>Total ASP (£'000)</b>	<b>259.7</b>	<b>235.0</b>	<b>10.5%</b>
<b>Housing completions revenue (£m)</b>	<b>4,131.1</b>	<b>3,666.4</b>	<b>12.7%</b>
<b>Other revenue (£m)</b>	<b>104.1</b>	<b>93.1</b>	<b>11.8%</b>
<b>Total revenue (£m)</b>	<b>4,235.2</b>	<b>3,759.5</b>	<b>12.7%</b>

(1) Unless otherwise stated, all numbers exclude JV's throughout the presentation



# Summary revenue drivers

	FY16	FY15	Change
<b>Completions</b>			
Private	13,198	12,746	3.5%
Affordable	2,707	2,853	(5.1%)
<b>Total</b>	<b>15,905</b>	<b>15,599</b>	<b>2.0%</b>
% Affordable	17%	18%	(1ppt)
JV <sup>(1)</sup>	1,414	848	66.7%
<b>Total completions (inc JV's)</b>	<b>17,319</b>	<b>16,447</b>	<b>5.3%</b>
<b>ASP (£'000)</b>			
Private	289.8	262.5	10.4%
Affordable	113.2	112.3	0.8%
<b>Total</b>	<b>259.7</b>	<b>235.0</b>	<b>10.5%</b>
JV <sup>(1)</sup>	445.6	409.4	8.8%

(1) Total JV completions and ASP in which the Group has an interest



# Joint ventures breakdown

Housebuild JV's only <sup>(1)</sup>	FY17 (f'cast)	FY16	FY15
<b>Completions<sup>(2)</sup></b>			
- London	c. 400	927	501
- Non-London	c. 300	487	347
<b>Total</b>	<b>c. 700</b>	<b>1,414</b>	<b>848</b>
<b>Share of profit<sup>(3)</sup></b>			
- London	c. £35m	£54.9m	£35.5m
- Non-London	c. £10m	£17.3m	£10.1m
<b>Total</b>	<b>c. £45m</b>	<b>£72.2m</b>	<b>£45.6m</b>

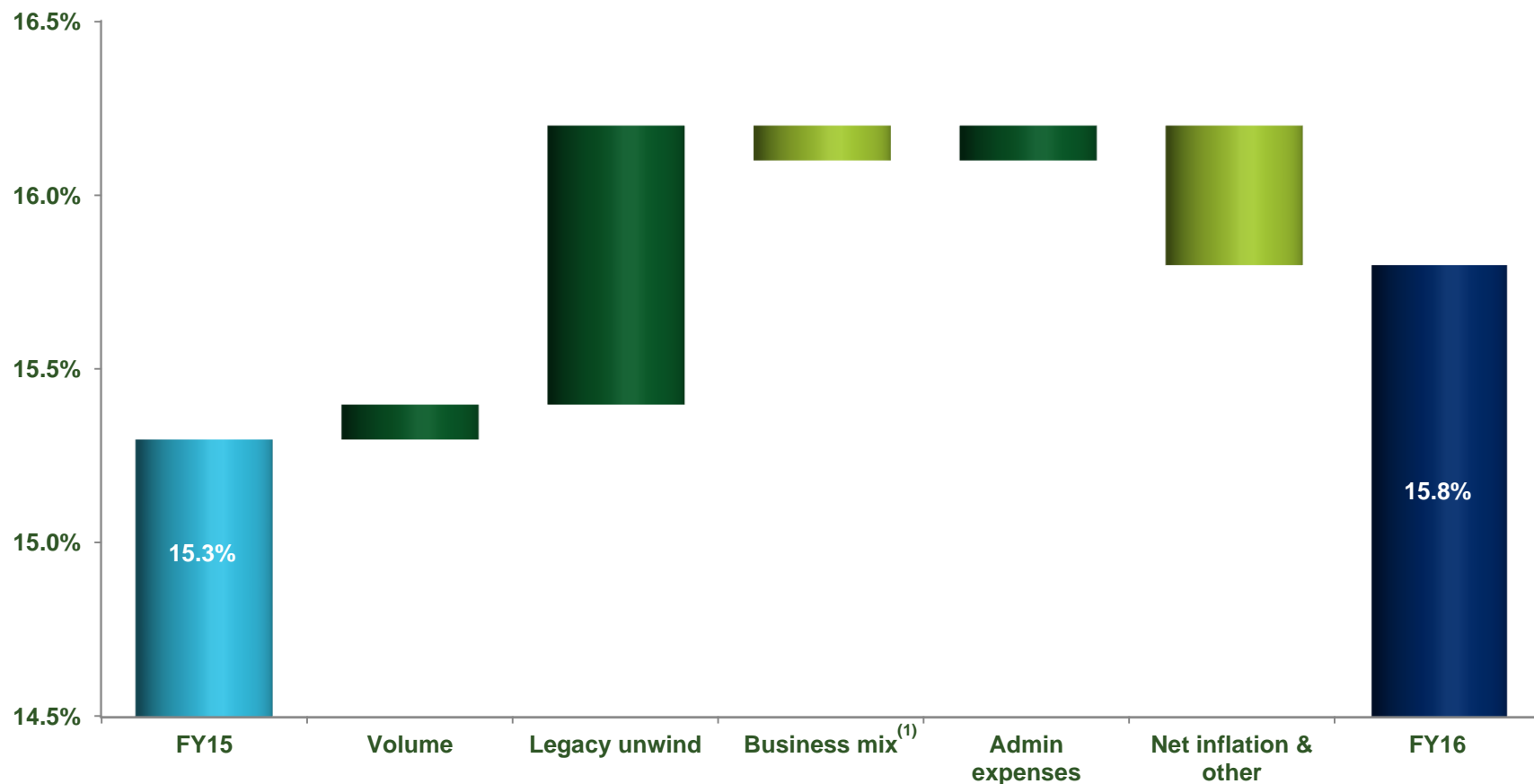
(1) Does not include commercial developments

(2) Total JV completions in which the Group has an interest

(3) JV income is accounted for in the Group Consolidated Income Statement net of interest and net of tax for limited companies but not LLPs

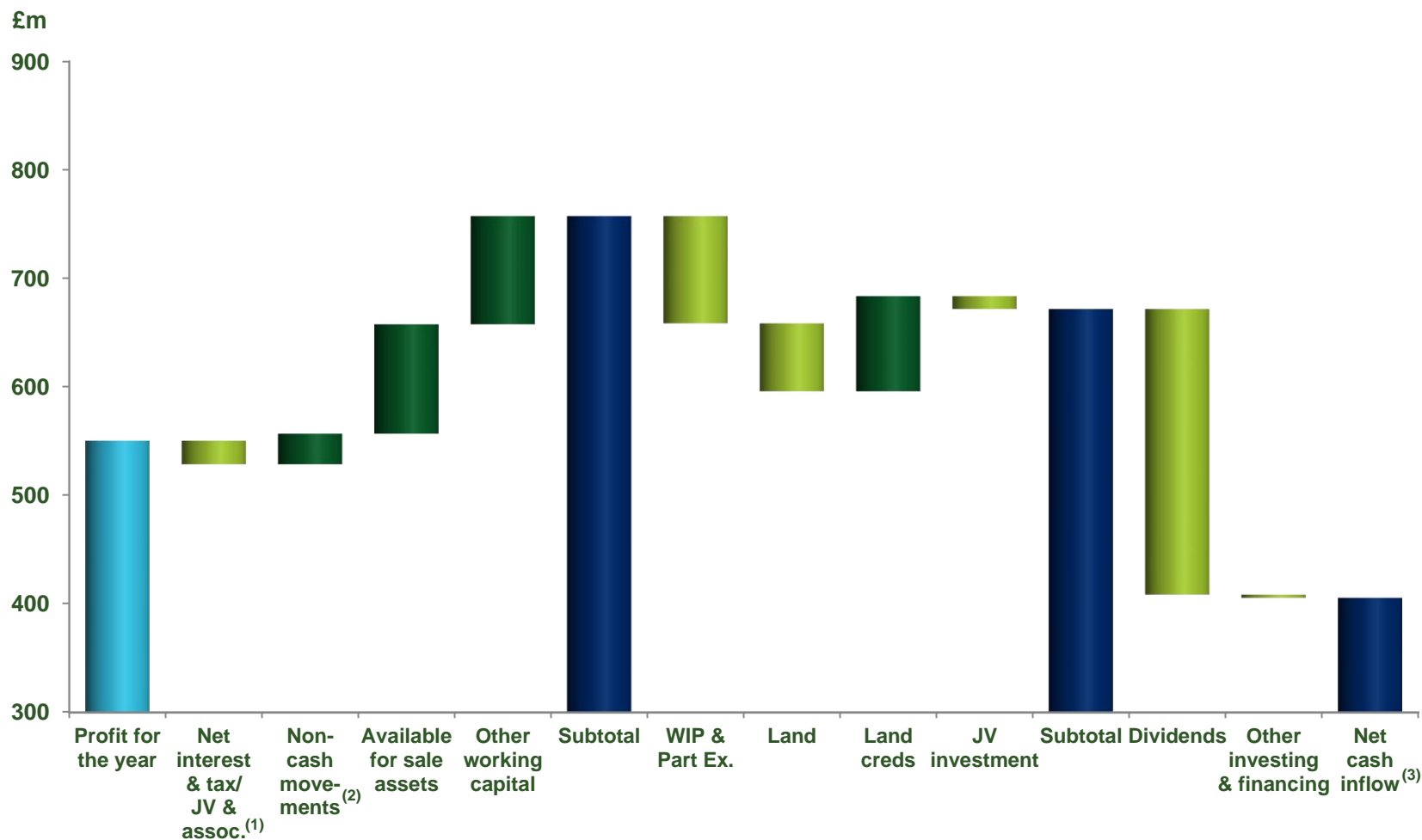


# Operating margin bridge



(1) Includes private / affordable, product, location and regional mix

# Cash flow



(1) Includes non-cash movements in relation to financing items

(2) Refers to non-cash income statement deductions. Excludes non-cash movements in relation to financing items

(3) Movement in net cash



# Net cash and average debt

£m (unless otherwise stated)	FY16	FY15	FY14
<b>Average net debt<sup>(1)</sup></b>	<b>170.1</b>	<b>357.6</b>	<b>352.2</b>

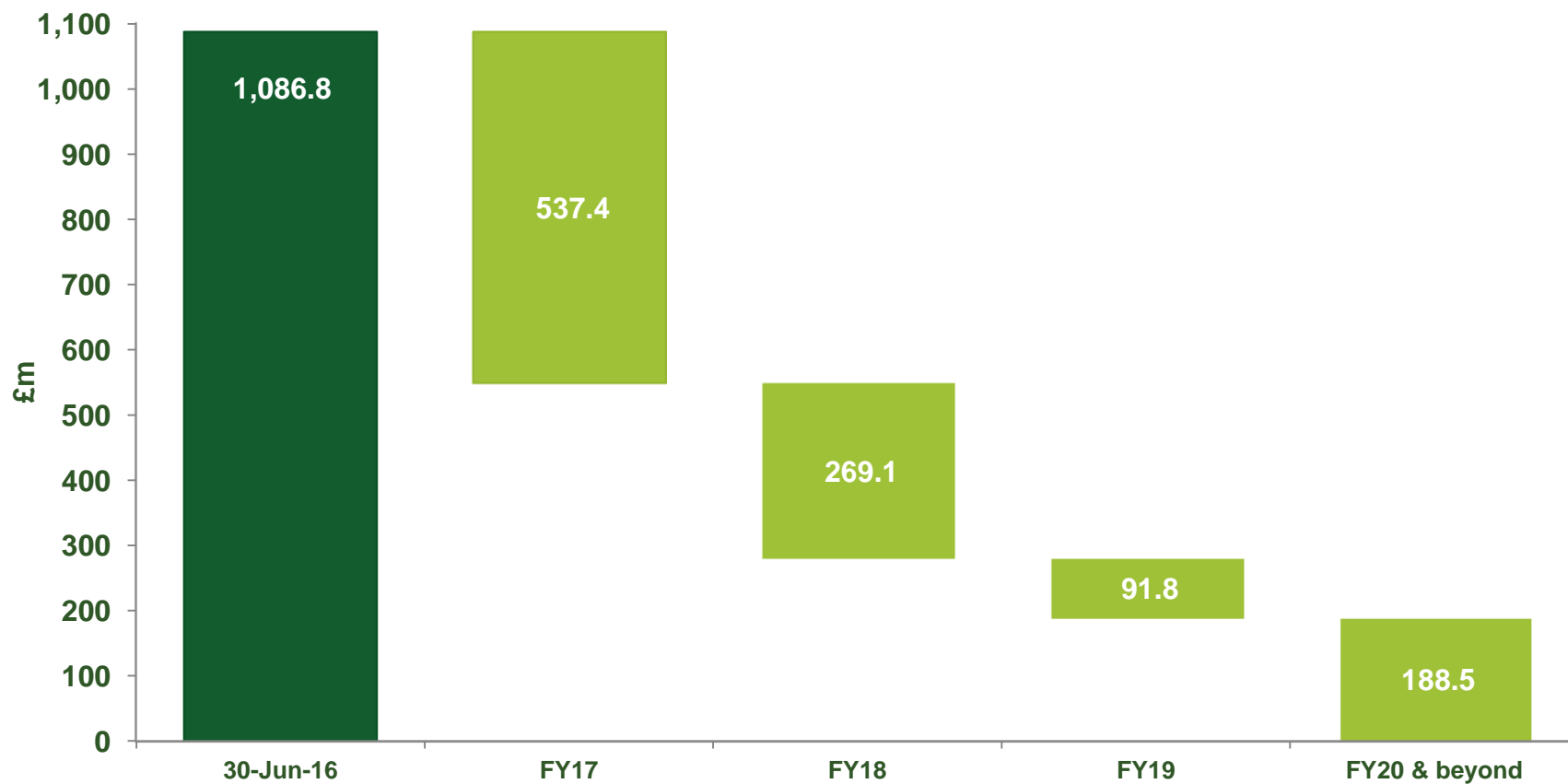
  

	30 June 2016	30 June 2015	30 June 2014
<b>Net cash</b>	<b>592.0</b>	<b>186.5</b>	<b>73.1</b>
<b>Land creditors</b>	<b>(1,086.8)</b>	<b>(999.0)</b>	<b>(779.4)</b>
<b>Other</b>	<b>(9.5)</b>	<b>(12.3)</b>	<b>(12.5)</b>
<b>Effective borrowings</b>	<b>(504.3)</b>	<b>(824.8)</b>	<b>(718.8)</b>
<b>Gearing<sup>(2)</sup></b>	<b>16.2%</b>	<b>29.3%</b>	<b>29.5%</b>

(1) Annual average based on daily closing position

(2) Gearing calculated as net debt for covenant purposes ('effective borrowings') divided by net assets adjusted for goodwill and intangibles, deferred tax and non-controlling interests

# Land creditors payment profile





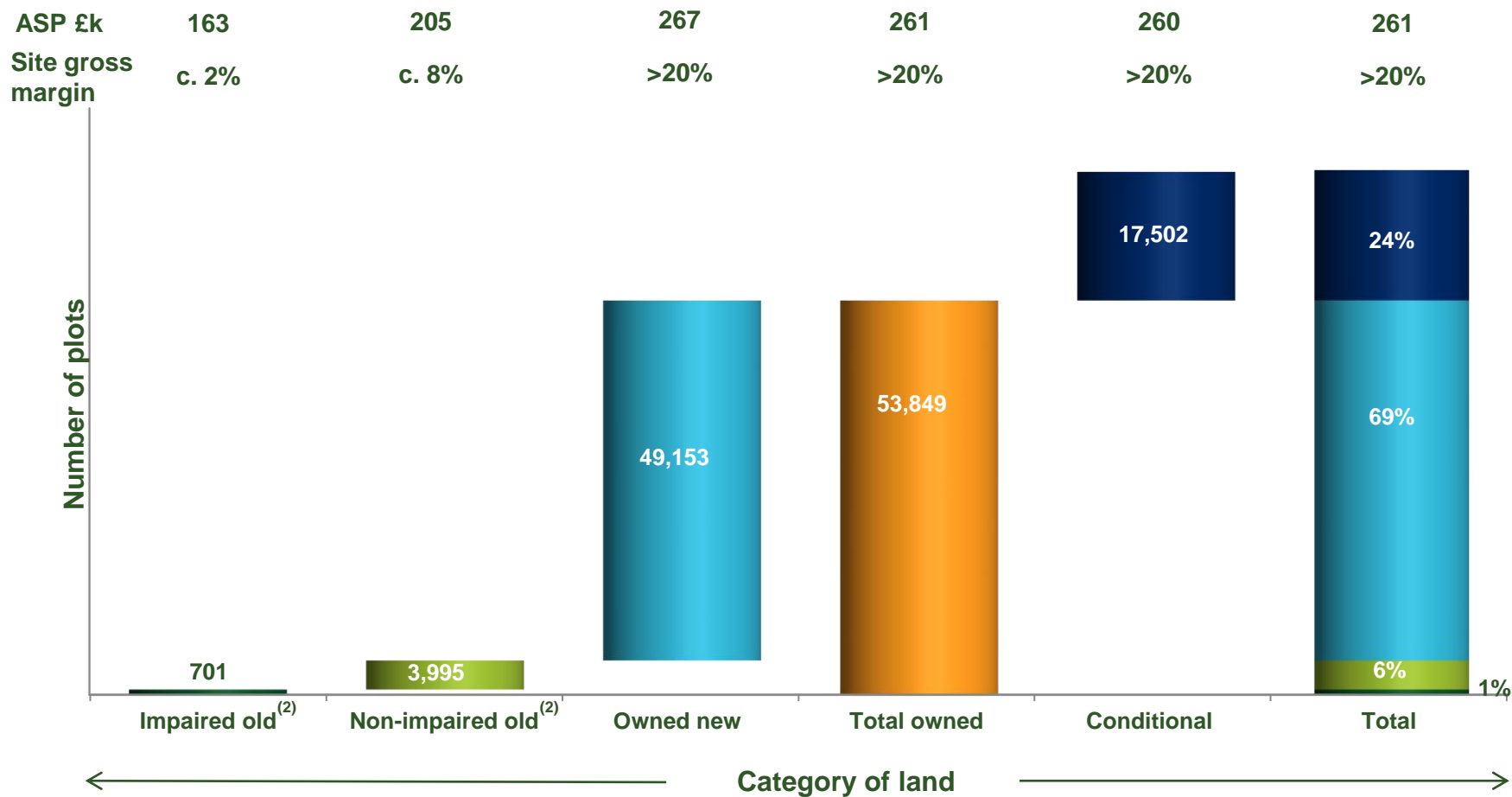
# Legacy assets reduce by 42%

£m	30 June 2016	30 June 2015
Old land <sup>(1)</sup>	177.6	259.7
WIP on old land <sup>(1)</sup>	138.5	210.4
Equity share	4.6	107.0
Equity share – JV	23.1	25.6
Commercial pre 2009	23.3	33.6
<b>Total</b>	<b>367.1</b>	<b>636.3</b>

(1) Old land contracted prior to re-entry into land market in mid-2009



# Land bank by land type<sup>(1)</sup>



(1) Analysis is based on land bank as at 30 June 2016 and on current selling prices  
 (2) Old land contracted prior to re-entry into land market in mid-2009



## Other finance matters

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- Pensions asset of £8m: small improvement on prior year
  - Effective tax rate at 19.3% (FY15: 20.4%)
  - Interest cost increase reflects disposal of wholly owned equity share portfolio and increased deferred terms land payables
-

# Guidance for FY17

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<b>Completions:</b>	Modest growth in wholly owned completions c. 18% affordable c. 700 JV
<b>ASP:</b>	Total ASP in owned land bank of £261k
<b>Total admin expenses:</b>	c. £160m
<b>JV share of profits:</b>	c. £45m
<b>Interest cost:</b>	c. £65m (£25m cash, £40m non-cash)
<b>Land cash spend:</b>	c. £1bn
<b>Land creditors:</b>	c. 1/3 owned land
<b>Year end net cash:</b>	Positive net cash balance

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**Steven Boyes**  
Chief Operating Officer

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# Strong uplift in Group sales performance

Private sales rate per active outlet per week	FY16	FY15	Change
Northern	0.63	0.62	+1.6%
Central	0.62	0.55	+12.7%
East	0.68	0.62	+9.7%
West	0.65	0.56	+16.1%
Southern	0.83	0.84	(1.2%)
London	1.29	1.38	(6.5%)
Group	0.69	0.64	+7.8%

- Help to Buy at 32% of total completions
- Investor sales reduced from 11% to 8% of total completions
- PX remains low at 8% of total completions

## Pricing trends remain positive

Private ASP (£'000)	FY16	FY15	Change
Northern	226.0	205.6	+9.9%
Central	236.7	207.9	+13.9%
East <sup>(1)</sup>	289.8	262.7	+10.3%
West	292.9	257.3	+13.8%
Southern <sup>(1)</sup>	370.6	349.3	+6.1%
London <sup>(1)</sup>	530.7	474.6	+11.8%
Group <sup>(2)</sup>	289.8	262.5	+10.4%

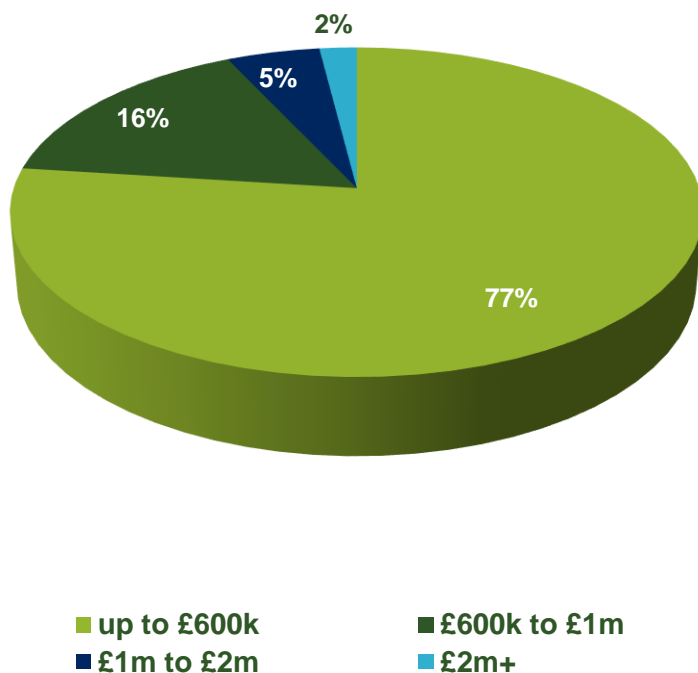
- Good pricing trends across all regions, benefitting predominantly from mix

(1) Includes JV completions in which the Group has an interest

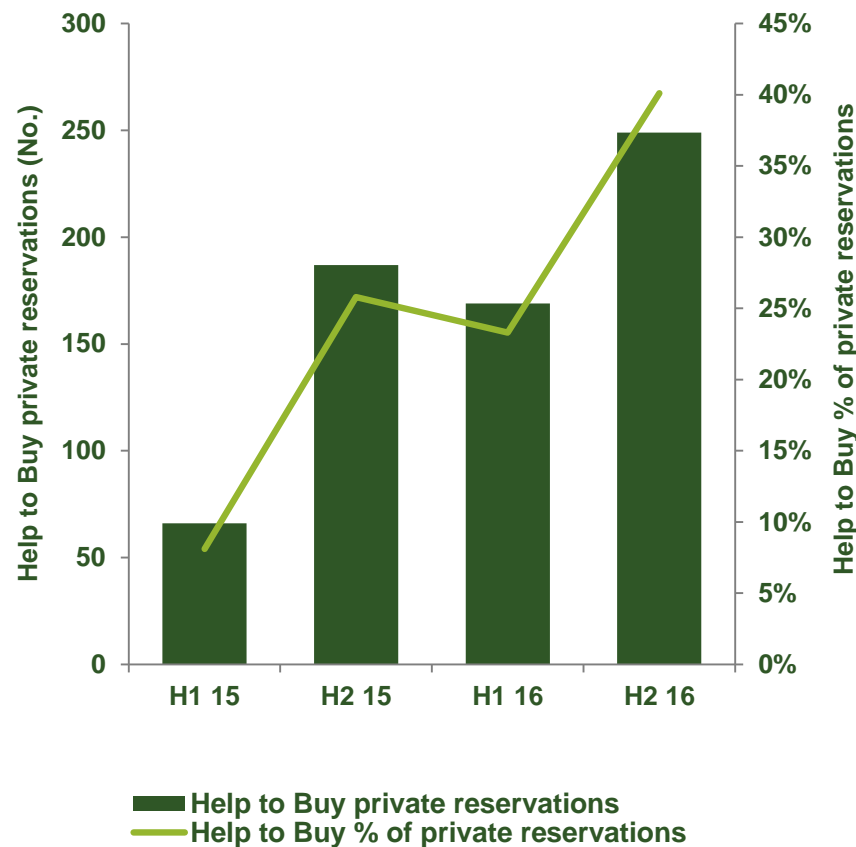
(2) Excludes JV completions in which the Group has an interest

# Barratt London<sup>(1)</sup>

London private reservations – ASP bandings  
– 12 months to 30 June 2016



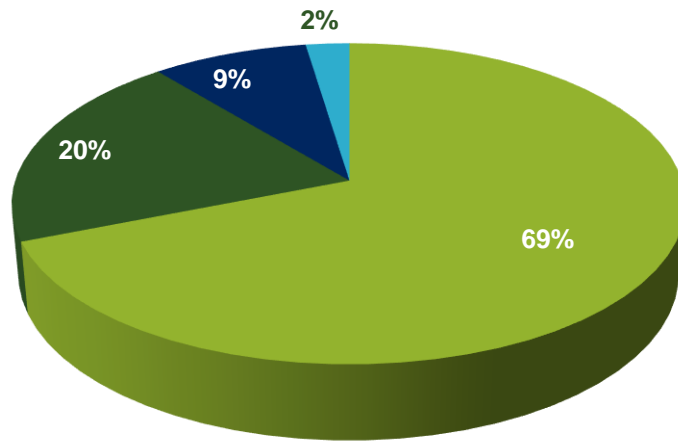
London private reservations  
using Help to Buy



(1) Including JV private reservations in which the Group has an interest

# Barratt London land bank<sup>(1)</sup>

London land bank –  
at 30 June 2016



■ up to £600k  
■ £1m to £2m

■ £600k to £1m  
■ £2m+

## London land bank delivery

- 69% of current London land bank priced at £600k or below
- In FY17 and FY18, expect delivery of completions priced at above £600k to be higher than the land bank average
- In FY19 and beyond, expect significant proportion of completions to be priced at £600k or below

(1) Based on the private owned and controlled land bank as at 30 June 2016, including JV completions in which the Group has an interest

# Cost environment

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## Build materials

- Modest inflationary pressures on material costs
- Currency risk to some materials but limited impact
- c. 75% of materials fixed until end of FY17
- Centralised Group procurement and standard product used extensively

## Labour

- Labour cost increases in specific trades and locations
- Cost increases starting to moderate
- Increased use of off-site manufacturing
- Implementing design changes to simplify build

- Expect build costs to increase by c. 2-3% in FY17
-



# Land model – driving returns, minimising risk

	Operational		Strategic
	Owned	Conditional	
<b>Target</b>	<ul style="list-style-type: none"> <li>c. 3.5 years</li> </ul>	<ul style="list-style-type: none"> <li>c. 1.0 year</li> </ul>	<ul style="list-style-type: none"> <li>c. 25% of completions</li> </ul>
<b>Plots</b>	<ul style="list-style-type: none"> <li>53,849</li> </ul>	<ul style="list-style-type: none"> <li>17,502</li> </ul>	<ul style="list-style-type: none"> <li>c. 11,700 acres</li> </ul>
<b>ASP</b>	<ul style="list-style-type: none"> <li>£261k</li> </ul>	<ul style="list-style-type: none"> <li>£260k</li> </ul>	<ul style="list-style-type: none"> <li>n/a</li> </ul>
<b>Key features</b>	<ul style="list-style-type: none"> <li>Consented</li> <li>68 dual branded locations</li> <li>Affordable 18%</li> <li>Government 19%</li> </ul>	<ul style="list-style-type: none"> <li>Consent expected within 6-12 months</li> <li>Affordable 23%</li> <li>Government 22%</li> </ul>	<ul style="list-style-type: none"> <li>Viability review at least twice p.a.</li> </ul>
<b>Returns</b>	<ul style="list-style-type: none"> <li>Minimum gross margin and ROCE hurdle rates</li> <li>Deferred payment terms where appropriate</li> <li>Minimise WIP/capital lock-up</li> </ul>		<ul style="list-style-type: none"> <li>Minimum gross margin and ROCE hurdle rates</li> <li>Low option cost</li> </ul>

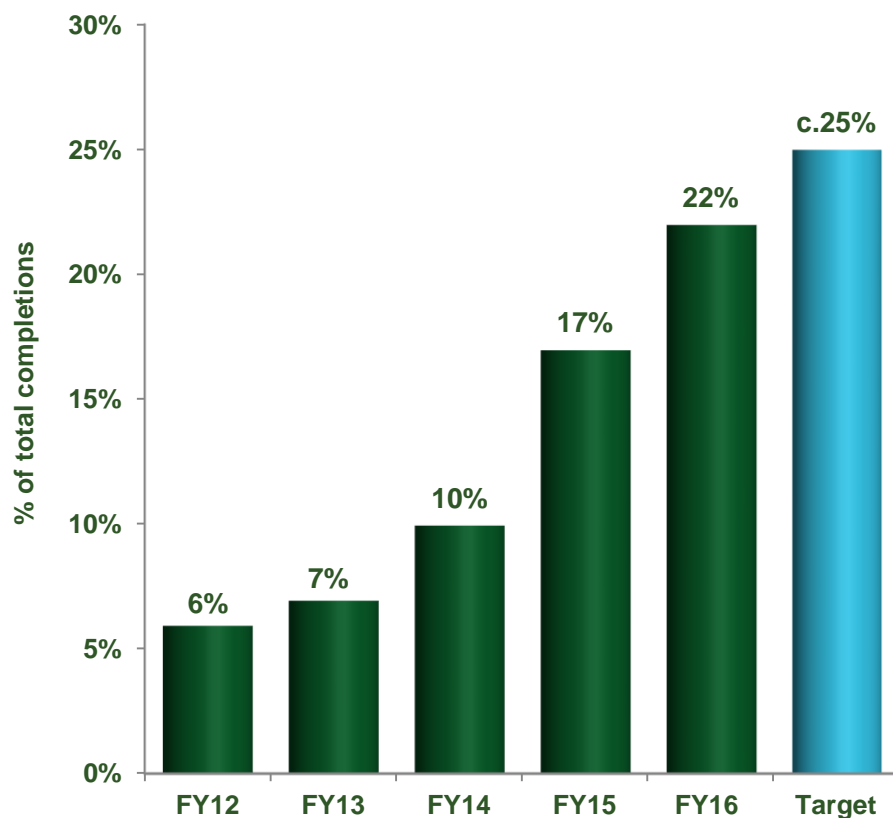
**FAST ASSET TURN**

**SECURING THE  
FUTURE LAND  
PIPELINE**



# Increasing the contribution from strategic land BARRATT DEVELOPMENTS PLC

Strategic land completions



## Strategic land targets

- Targeting c. 25% of total completions
- Strategic portfolio of c. 11,700 acres<sup>(1)</sup> (277 locations)
- FY16 – approved 10,904 strategic plots (45 locations)
- FY16 – converted 4,558 plots (28 locations) to owned land bank
- Average margin uplift of c. 2-3 percentage points on strategic land acquired since mid-2009

(1) As at 30 June 2016



# An excellent performance in the year

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- Strong Group sales rate
  - Positive pricing trends across all regions
  - Fast asset turn operational land model
  - Increased contribution from strategic land
  - Operating model driving higher returns
-

Silkwood Gate, Wakefield



**David Thomas**  
Chief Executive

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# Market fundamentals remain attractive

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- Demand continues to exceed supply
  - Strong Government support
  - Positive lending environment
  - Attractive land market
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**BARRATT**  
DEVELOPMENTS PLC

# Investment proposition

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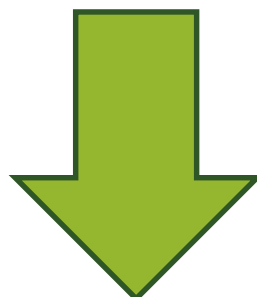
**Shorter owned  
land bank –  
fast asset turn  
model**

**Strong  
balance sheet  
and cash  
generation**

**Industry  
leading quality  
and service  
standards**

**Experienced  
build and sales  
teams**

**Broad market  
exposure**



**Disciplined  
growth**

**Improve key  
financial metrics**

**Attractive cash  
returns**

# Our focus

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- Product profile
  - Strong margin management
  - Quality and service
  - Capital structure
  - Cash returns
-

# Our operating framework

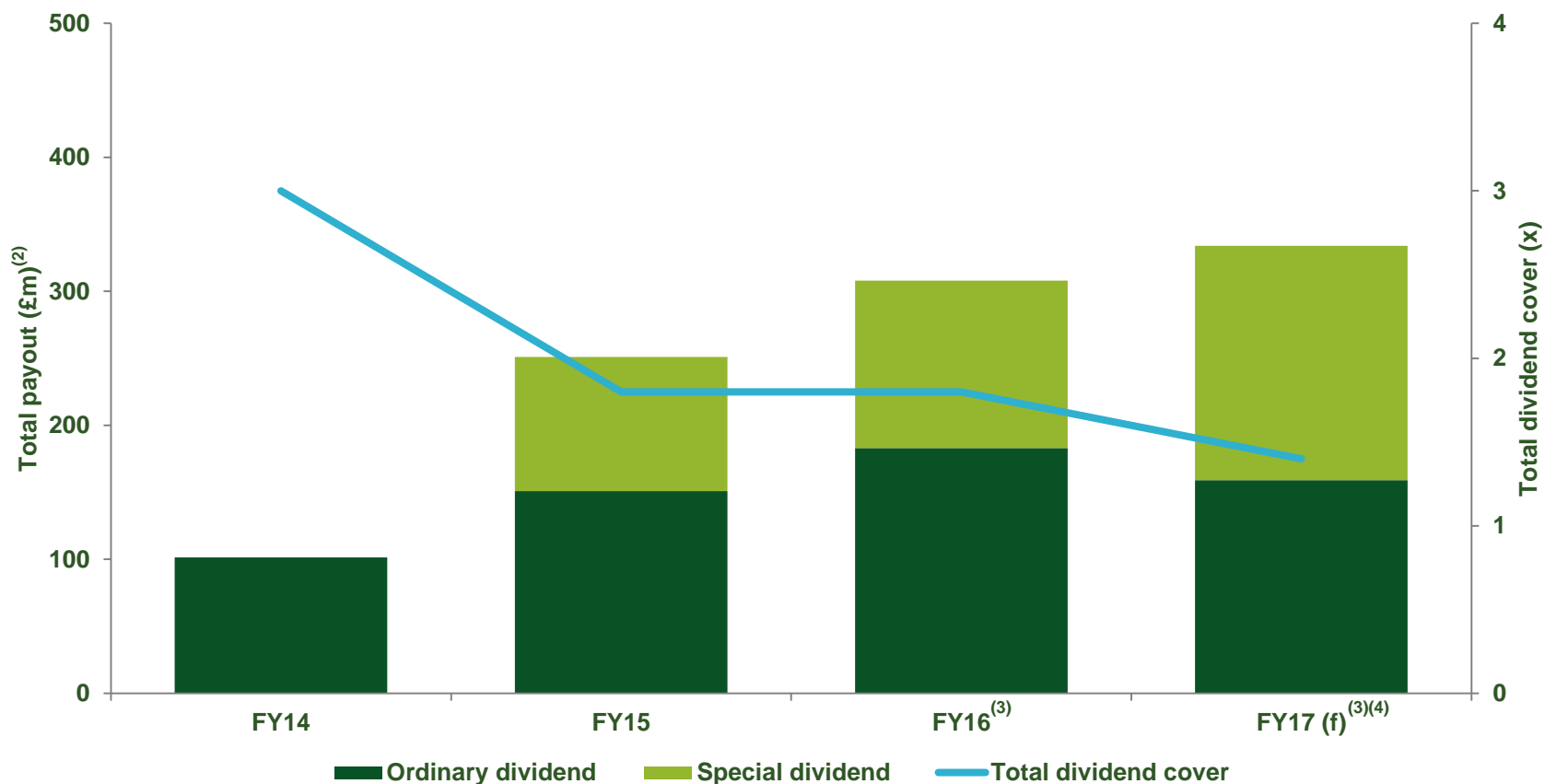
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<b>Gross margin</b>	<b>Minimum 20%</b>
<b>ROCE</b>	<b>Minimum 25%</b>
<b>Land bank length</b>	<b>c. 4.5 years land supply (ex JV)</b>
<b>Strategic land</b>	<b>c. 25% of completions</b>
<b>Land creditors</b>	<b>c. 1/3 of owned land bank</b>
<b>Debt position</b>	<b>Average net debt / year end net cash</b>
<b>Capital Return Plan</b>	<b>3x ordinary dividend cover</b>
	<b>Announced special dividend programme</b>

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# Cash return framework<sup>(1)</sup>



(1) Final and special dividend for the year are paid the following November  
 (2) Pay-out in relation to financial year, not actual cash payment in year  
 (3) All ordinary and special dividends are subject to shareholder approval

(4) Based upon 30 June 2016 share capital of 1,003,607,066  
 (5) Based on Reuters consensus estimates of earnings per share of 47.5p for FY17 as at 2 September 2016 and applying a three times dividend cover in line with previously announced policy



# Current trading remains healthy

	FY17	FY16	Change
Net private reservations per active outlet per average week <sup>(1)</sup>	0.75	0.71	5.6%
Active outlets (including JV's) <sup>(1)(2)</sup>	367	390	(5.9%)
Net private reservations per average week	267	265	0.8%
Total forward sales (including JV's) <sup>(2)</sup>	£2,416.5m	£2,321.9m	4.1%

(1) An active outlet is defined by the Group as an outlet with at least one unit available for sale

(2) As at 4 September 2016 and 6 September 2015





# Positive on outlook

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- Robust balance sheet
  - Strong market backdrop
  - Continue to monitor market conditions following EU referendum
  - Investment proposition leaves Group well placed
  - Current trading remains healthy
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**Q&A**

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Octavia Gardens, Chapel-en-le-Frith



## Appendices

# Appendices

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# Capital Return Plan<sup>(1)</sup>

	Ordinary dividend (£m)	Special dividend (£m)	Total capital return (£m)	Total pence per share
<b>Paid to date<sup>(2)</sup></b>	<b>281</b>	<b>100</b>	<b>381</b>	<b>38.2p</b>
<b>Proposed payments</b>				
November 2016	123 <sup>(4)</sup>	125	248	24.7p <sup>(4)</sup>
Year to November 2017	159 <sup>(3)(4)</sup>	175	334	33.2p <sup>(4)</sup>
<b>Total proposed payments</b>	<b>282<sup>(3)(4)</sup></b>	<b>300</b>	<b>582</b>	<b>57.9p<sup>(4)</sup></b>
<b>Total Capital Return Plan</b>	<b>563</b>	<b>400</b>	<b>963</b>	<b>96.1p<sup>(4)</sup></b>

(1) All ordinary and special dividends are subject to shareholder approval. The second special dividend will be subject to shareholder approval at the Annual General Meeting in November 2016 and subsequent special dividends will be subject to shareholder approval

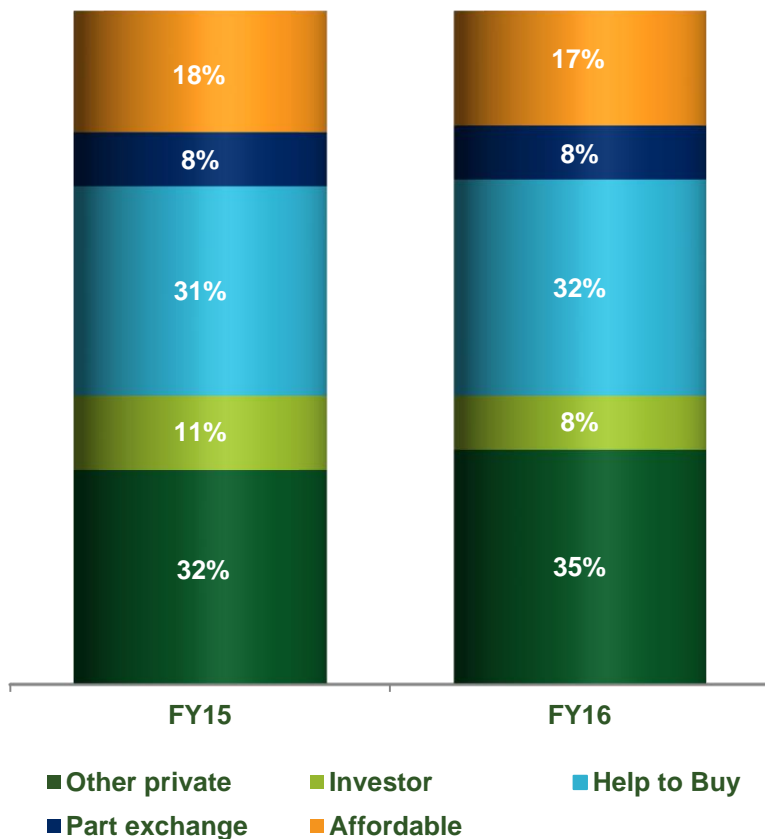
(2) Comprises FY14 final dividend of 7.1 pence per share (£70m), FY15 interim dividend of 4.8 pence per share (£48m), FY15 final dividend of 10.3 pence per share (£103m), FY15 special dividends of 10.0 pence per share (£100m) and FY16 interim dividend of 6.0 pence per share (£60m)

(3) Based on Reuters consensus estimates of earnings per share of 47.5 pence for FY17 as at 2 September 2016 and applying a three times dividend cover in line with previously announced policy

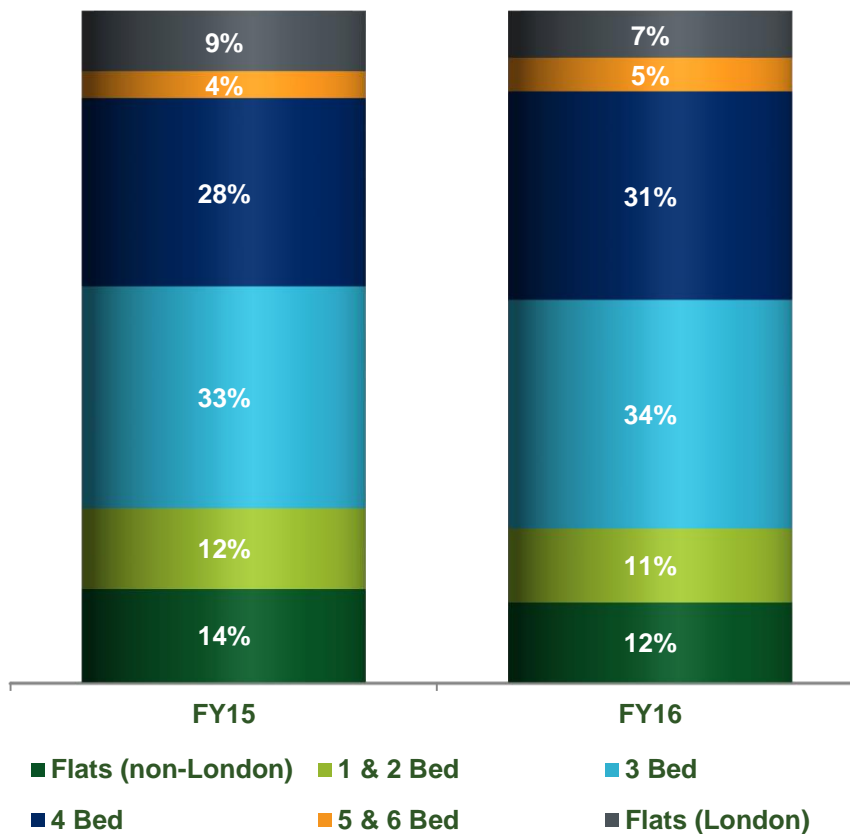
(4) Based upon 30 June 2016 share capital of 1,003,607,666 shares for proposed payments

# Completions analysis

Buyer type



Product mix





# Balance sheet

£m	30 June 2016	30 June 2015
<b>Goodwill and intangible assets</b>	<b>892.2</b>	<b>892.2</b>
<b>Equity share asset</b>	<b>4.6</b>	<b>107.0</b>
<b>Investment in joint ventures and associates</b>	<b>255.9</b>	<b>200.0</b>
<b>Pension scheme asset</b>	<b>8.1</b>	<b>5.3</b>
<b>Gross land bank</b>	<b>2,880.2</b>	<b>2,826.1</b>
<b>Land creditors</b>	<b>(1,086.8)</b>	<b>(999.0)</b>
<b>Net land bank</b>	<b>1,793.4</b>	<b>1,827.1</b>
<b>WIP</b>	<b>1,386.3</b>	<b>1,287.4</b>
<b>Other assets</b>	<b>220.9</b>	<b>230.4</b>
<b>Net cash</b>	<b>592.0</b>	<b>186.5</b>
<b>Trade payables</b>	<b>(393.8)</b>	<b>(392.5)</b>
<b>Other payables<sup>(1)</sup></b>	<b>(662.8)</b>	<b>(564.2)</b>
<b>Tax liabilities</b>	<b>(73.8)</b>	<b>(50.6)</b>
<b>Net swaps<sup>(2)</sup></b>	<b>(12.8)</b>	<b>(17.3)</b>
<b>Net assets</b>	<b>4,010.2</b>	<b>3,711.3</b>

(1) Excluding land creditors

(2) Excluding foreign exchange swaps





## Balance sheet – land bank

	30 June 2016	30 June 2015
<b>Land bank plots</b>		
<b>Owned / unconditional contracts</b>	<b>53,849</b>	<b>51,640</b>
<b>Conditional contracts</b>	<b>17,502</b>	<b>18,883</b>
<b>Total land bank plots</b>	<b>71,351</b>	<b>70,523</b>
<b>JV plots – owned / conditional</b>	<b>5,309</b>	<b>6,325</b>
<b>Total land bank plots (including JV's)</b>	<b>76,660</b>	<b>76,848</b>
<b>Land bank pricing (£'000)</b>		
<b>Cost of plots acquired</b>	<b>48.5</b>	<b>61.9</b>
<b>Cost of plots in P&amp;L</b>	<b>52.7</b>	<b>42.7</b>
<b>Cost of plots in balance sheet</b>	<b>51.3</b>	<b>52.2</b>





# Approved land payment profile<sup>(1)</sup>

30 June 2016	Purchased	Conditional	Approved	Total
Plots	86,396	15,644	13,622	115,662
Value (£m) <sup>(2)</sup>	4,499	779	579	5,857

Payment profile (£m)	Purchased	Conditional	Approved	Total
Paid to date	3,412	28	2	3,442
FY17	548	300	160	1,008
FY18	287	189	145	621
FY19 & beyond	252	262	272	786

(1) All land approved since re-entry into the land market in mid-2009, excluding JV's

(2) Value not adjusted for changes in overages, fees or for imputed interest on deferred land creditors



## Balance sheet – stock & WIP

	30 June 2016		30 June 2015	
	Units	£m	Units	£m
<b>Stock (build complete)</b>				
- Reserved	343		433	
- Unreserved	360		425	
- Showhomes	79		127	
<b>Total</b>	<b>782</b>	<b>152</b>	<b>985</b>	<b>153</b>
<i>Unreserved per active outlet</i>	<i>1.0</i>		<i>1.1</i>	
<b>WIP (including build complete stock)</b>		<b>1,386</b>		<b>1,287</b>
<b>Part-exchange</b>				
- Reserved	160	30	182	30
- Unreserved	159	29	180	29
<b>Total</b>	<b>319</b>	<b>59</b>	<b>362</b>	<b>59</b>



# Investment in joint ventures and associates

£m	30 June 2016	30 June 2015
<b><u>Housebuilding</u></b>		
London	177.7	124.6
Non-London	52.0	44.6
<b>Total housebuilding</b>	<b>229.7</b>	<b>169.2</b>
<b><u>Other</u></b>		
Commercial	2.8	5.1
Equity share joint venture	23.1	25.6
Associates	0.3	0.1
<b>Total</b>	<b>255.9</b>	<b>200.0</b>



# Net interest charge analysis

£m	FY16	FY15
Interest on term debt and overdrafts	5.1	10.3
Interest on private placement notes	3.9	3.9
Utilisation / non-utilisation fees on RCF's	4.4	4.8
Swap interest	7.8	7.0
Other interest	2.9	1.4
<b>Total cash interest</b>	<b>24.1</b>	<b>27.4</b>
Land creditors / deferred payables	34.5	31.6
Financing fees	2.9	3.0
Equity share	(2.9)	(4.6)
Pension	(0.4)	(0.4)
<b>Total non-cash interest</b>	<b>34.1</b>	<b>29.6</b>
<b>Total interest</b>	<b>58.2</b>	<b>57.0</b>



# Financing arrangements

Loan Facility	Amount	Maturity	Interest basis
RCF facilities	£700m <sup>(1)</sup>	December 2019	LIBOR +1.75% <sup>(2)</sup>
Private placement notes - May 2011 Issue	£48m <sup>(3)</sup>	August 2017	8.1%
Pru M&G UK Companies Fund	£100m	July 2019 – July 2021	3m LIBOR +4.00% <sup>(4)</sup>
Get Britain Building & Growing Places Fund	£23m	December 2016 – March 2018	EU ref rate +1%
Interest rate swaps <sup>(5)</sup>	£137m		6.0%

(1) Reducing to £550m in December 2017

(2) Does not include utilisation and non-utilisation fees, based on margin applied at 30 June 2016

(3) Amount is net of gain on US\$ foreign exchange swaps. Private placement notes have a make-whole provision for early redemption

(4) Based on margin applied at 30 June 2016

(5) £112m of interest rate swaps mature in May 2017 and the £25m May 2022 swap contains a clause that allows the Group or counterparts to cancel the swap in May 2017 at fair value



# Tax

£m	FY16	FY15
<b>Profit before tax</b>	<b>682.3</b>	<b>565.5</b>
<b>Tax</b>		
<b>Current</b>	<b>132.5</b>	<b>94.6</b>
<b>Deferred</b>	<b>1.3</b>	<b>20.6</b>
<b>Impact of rate change on deferred tax</b>	<b>(1.8)</b>	<b>-</b>
<b>Tax charge</b>	<b>132.0</b>	<b>115.2</b>
<b>Effective tax rate</b>	<b>19.3%</b>	<b>20.4%</b>



# Forward sales position

	4 September 2016		6 September 2015		£m change
	£m	Plots	£m	Plots	
Private	1,545.9	4,723	1,332.3	4,788	16.0%
Affordable	707.4	5,957	512.2	4,487	38.1%
Wholly owned	2,253.3	10,680	1,844.5	9,275	22.2%
JV <sup>(1)</sup>	163.2	684	477.4	1,480	(65.8%)
<b>Total</b>	<b>2,416.5</b>	<b>11,364</b>	<b>2,321.9</b>	<b>10,755</b>	<b>4.1%</b>

(1) Total JV forward sales in which the Group has an interest



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