

Redrow plc

13 May 2008

INTERIM MANAGEMENT STATEMENT

Redrow is releasing the following statement regarding current trading and its financial position, which constitutes an Interim Management Statement for the period from 1 January 2008 to 12 May 2008 as required by the UKLA's Disclosure and Transparency rules.

As we had highlighted in our Interim Results announcement on 28 February, and in previous trading updates, our expectation that 2008 will represent a more difficult trading environment than experienced for many years has materialised. Both sales activity and net selling prices have come under increased pressure due to the prevailing market conditions and in particular the severe restriction in the availability of mortgage finance.

As a result, the trading environment has deteriorated to an even greater extent than we had anticipated at the time of our Interim Results announcement. As at the end of April, our order book in the Homes operations was 26.5% down on last year. In the second half of our financial year, net reservations to date have been running at just under 50% below the levels secured in the same period last year. This partly reflects our cautious approach to the use of part exchange and shared equity or deferred consideration incentives.

Lending criteria continue to tighten as the range of mortgage products becomes further restricted with more onerous loan to value requirements and increased borrowing rates and fees. Mortgage approvals are showing sharp declines as compared with the prior year data which, coupled with heightened concern about the ongoing credit squeeze in recent weeks, has further eroded home buyer confidence. Until recently, cancellation rates have been running at just over 20% but we have experienced a marked increase since Easter. It is becoming increasingly difficult to predict accurately reservation and cancellation rates.

Taking the above factors into account, legal completions in the financial year in the Homes operations are currently expected to be approximately 10% below our previously expressed view. We also indicated in February that net selling prices after incentives were under pressure and this has intensified as we have gone through the Spring market. This will be reflected in weaker gross margins on homes sales in the second half of our financial year which will be partly offset by improved overhead recovery. We still expect that our full year land sale profits will be at a similar level to last year.

To manage these developing pressures, our short term business strategy is focused on stringent control of our cost base and effective management of cash flow. Site and office overhead costs in the business remain tightly controlled to reflect lower levels of activity and we have made additional headcount reductions in the last few months. Our strength in central procurement coupled with our long term partnering approach with our suppliers and sub-contractors is delivering build cost reductions.

We are continuing to take a very selective approach to land transactions until the outlook for the housing market becomes clearer. Our main area of activity in terms of

land relates to identifying longer term land opportunities and promoting our forward land bank through the planning system. Once the market returns to more normal levels of activity, we anticipate there will be pent up demand and a shortage of outlets to meet the Government's aspirations for delivery of new homes. This should be a positive for the industry in the future.

As a result of our size, Redrow secures benefits from its strong executive team working closely with their valued and experienced colleagues at the operational level. We employ short lines of communication to ensure commitments to infrastructure expenditure and release of units for construction are tightly managed. However, the recent further deterioration in the sales market will influence work-in-progress levels at the year end such that we now expect our gearing as at June to be slightly higher than we had previously expected. We are currently operating with net debt levels well within our committed bank facilities of £480m which are available until at least October 2009.

The market conditions we are experiencing are largely being driven by mortgage availability. It is difficult to assess how long the sharp reduction in sales activity will persist or the extent to which house prices will be affected. We continue to pursue all opportunities to generate value for shareholders in the medium term. We are maintaining the focus on our design led approach to product that we believe will drive value and will differentiate the Redrow business when confidence returns and markets improve.

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