

2 JULY 04

REDROW PLC

PRE-CLOSE TRADING UPDATE

As part of its normal investor relations activity, Redrow plc is issuing this pre-close trading update in advance of its preliminary results announcement on 14 September 2004 for the twelve months ended 30 June 2004.

ANALYST PRESENTATION

Redrow plc hosted a presentation for analysts after close of trading on the London Stock Exchange on Thursday 1 July 2004. In addition to the Group's financial performance, the presentation included information on the Group's current and forward land bank, innovation and improvements in the areas of customer service and build techniques as well as Redrow's response to the challenges arising from the Barker Report.

REDROW HOMES - FINANCIAL PERFORMANCE IN YEAR TO JUNE 2004

In the year ended 30 June 2004, Redrow achieved legal completions of 4,284 units (2002/03: 4,031 units), up by some 6% on the previous year and representing Redrow's fourteenth consecutive year of growth in legal completions since 1990.

As indicated at the time of the interim results, the balance of legal completions was marginally more weighted towards the second half, with actual completions of 2,288 (H2 2002/03: 2,061 units) some 11% higher than in the corresponding period last year.

The average selling price for the year as a whole was in line with the Group's expectations at approximately £154,500 (2002/03: £147,900), around 4% higher than the previous year.

The operating margin for the Homes' business in the second half of the financial year to 30 June 2004 (H2 2002/03: 19.0%) is anticipated to be at least in line with the 19.5% achieved in the first half. At this stage, 19.5% would also represent a reasonable expectation for the operating margin next year on the basis of current market conditions.

As Redrow has indicated during each major presentation over the last 15 months, the Board continues to believe that as house price inflation returns to its historic relationship with earnings, operating margins will, over a period, fall back to 17.0% to 17.5%, a level which is currently felt to represent a sustainable level in normal market conditions. The period over which operating margins return to these levels will clearly be dependent upon the rate at which the inflationary element currently contained within the Group's land holdings unwinds.

As indicated at the time of the interim results in March, the Group has continued to invest in land and work in progress to deliver future sustainable growth. Due to the sound management and financial controls within the Group this has been achieved whilst reducing gearing as compared to the position at December 2003 to an estimated level of 35%.

LAND

As at 30 June 2004, Redrow owned, with planning, approximately 15,000 plots (June 2003: 14,000 plots). In addition, the Group holds under contract, typically awaiting the grant of a planning consent, some 2,400 plots (June 2003: 2,000 plots). This represents a 9% increase in the current land bank over the last financial year.

The Group's forward land bank, largely controlled through options, stood at 22,500 plots (June 2003: 23,750 plots). The quality and effectiveness of this forward land bank was demonstrated by its contribution of 1,500 plots to the current land bank during the course of the last twelve months, and this effectiveness has been further enhanced over the year. Some 1,800 plots of the forward land bank now hold a planning consent (June 2003: 800 plots) and a further 6,200 plots (June 2003: 7,200 plots) are allocated in local plans. The balance of the forward land bank, 14,500 plots as at June 2004 (June 2003: 15,750), represents land that is considered to have a realistic prospect of becoming allocated and ultimately obtaining a planning consent.

In respect of forward land with planning, the Group negotiates the acquisition of these plots with a view to ensuring optimization of the level of capital employed in the business. This demonstrates the quality of the forward land bank, which gives Redrow the flexibility to manage its business efficiently.

Redrow's accounting policy is to provide fully for all costs associated with the forward land bank both in terms of securing the land under option and thereafter promoting it through the planning system until such time as the land obtains planning permission and is acquired, when these costs are written back. As a result, there is considerable value associated with the Group's forward land bank which is not reflected within the Group's balance sheet.

Redrow has assessed the discount that could arise to open market value, from the forward land holdings that currently either have a planning consent or are allocated in a local plan. This discount has been assessed at a value in excess of £75m. It should be recognized that this figure can only be an estimate with the ultimate level of discount achieved depending upon several factors, including the degree of abnormal development costs, the relevant planning gain agreement and ultimately the value negotiated with the land vendor.

The growth in the current land bank, taken in conjunction with the quality of the forward land bank, provides Redrow with a strong base to continue to deliver organic growth. As previously indicated, Redrow has the capability to increase its legal completions in the financial year ended 30 June 2005 by up to 10%. All anticipated legal completions for that year are from sites already owned with planning.

The average plot cost of Redrow's owned land bank at the end of June 2004 was approximately £27,300 per plot (June 2003: £22,900). The average selling price of these 15,000 plots in the owned land bank is estimated at £170,000 with the average plot cost to sales ratio representing approximately 16.1%. The average selling price for 2004/05 is currently estimated to be approaching £170,000, marginally lower than that of the overall owned land bank, due to the anticipated mix of legal completions for the financial year.

Over the last twelve months, Redrow has continued to bring forward new land opportunities that demonstrate the depth of its skill and expertise in a wide variety of situations and geographies. At Peacock Farm in Bracknell, after eight years of promotion through the planning process, outline planning permission has now been granted for a mixed use development which yields Redrow control over 750 plots. In the Midlands, at Willans Green, Rugby, the Group acquired unconditionally a 14 acre brownfield site for £1.45m on which a planning consent for 200 homes was secured within 12 months. In Scotland, these same skills have enabled Redrow to enter into a development agreement with BAE SYSTEMS for a 2,500 acre brownfield site at Bishopton, near Glasgow. This site, representing one of the most significant brownfield regeneration projects in the U.K., is being promoted as a major mixed use development and could ultimately deliver to Redrow approximately 1,500 homes and sales revenue approaching £225m at current day prices, together with 84 acres of commercial and retail land. These are just three recent examples from a broad spectrum of developments which help underline the capability and capacity of the Group to tackle schemes ranging from significant regeneration projects to the long term promotion of forward land opportunities.

SALES

Sales reservations in the six months to June 2004 of 2,560 were 5% ahead of the same period last year (H2 2002/03: 2,447), excluding the impact of Altolusso, the Group's extremely successful 'In the City' scheme in Cardiff which was launched in January 2003 and which secured 242 reservations in the corresponding period in the previous year. Over the financial year as a whole, sales reservations (including Altolusso) were in line with the previous year.

Forward sales as at the end of June 2004 stood at 2,344 units, an increase of 14% on the position 12 months earlier (June 2003: 2,062 units). In value terms, forward sales were at a record level of almost £400m, up approximately 32% on June 2003 (June 2003: £304m).

After taking account of approximately 100 sales on 'In the City' schemes anticipated for legal completion in 2005/06, the Group has already secured just under 50% of the anticipated legal completions for 2004/05, representing a very solid platform for growth in the new financial year.

PRODUCTION

Redrow has seen no significant changes to the price of materials, though it continues to see specific labour only cost pressures in certain regions. Framing Solutions, Redrow's joint venture company which manufactures light weight steel frames for use in residential

construction, is trading as anticipated. Changes were made in the management structure earlier in the year to more closely align this company with Redrow at an operational level and this is yielding significant benefits. The factory is currently geared up to produce at a rate of 1,250 frames per week, equivalent to 1,250 units per annum, with further increases in capacity in the pipeline.

COMMERCIAL DEVELOPMENT ACTIVITIES

Redrow's commercial development activities performed in line with previously indicated levels. In order to avoid distorting the Homes' operating margin the profit on the sale of Redrow Homes (Eastern) Ltd's former offices at Waltham Cross (being approximately £0.7m) will be included within the results of the commercial activities and, as a result, operating profit for the year is anticipated to be around £2.7m (2002/03: £3.0m).

During the course of the last six months, the management structure has been changed such that Redrow's mixed use and project management expertise has now been embedded within Redrow Homes with the development teams now reporting directly to the Regional Chairmen of the Homes' business. This approach will enhance the Group's mixed use proposition in the market place.

Looking to 2004/05, at Buckshaw Village, Redrow has already secured an agreement to lease a new 95,000 sq. ft. production facility for Vernon Carus and contracts have been exchanged for the sale of the investment on completion of the building contract. Marketing is underway for Aspect, the office development at Altrincham, adjacent to Redrow Homes' Stamford Brook development and build completion of the 30,000 sq. ft. Vista office block at St David's Park will occur during the summer. The level of contribution currently anticipated from Redrow's commercial activities for 2004/05 is of a similar order to the level of underlying profitability achieved in the year to 30 June 2004.

CURRENT MARKET

As we move into the summer, unlike last year, the current market is experiencing a normal seasonal pattern very much as in 2002. Last summer was something of an abnormal market with the usual Spring selling season effectively being delayed due to the war in Iraq. As a result, industry comparators over the coming months may well be misleading in effectively exaggerating a normal seasonal slowdown.

Higher interest rates, reinforced by comments from the Governor of the Bank of England, do appear to be reining back the rate of house price inflation which is welcomed as it should lead to a sustainable housing market in the future. However, there remains strong underlying customer confidence reinforced by high employment levels and a continuing imbalance between supply and demand, a fact clearly recognized within the Barker Report.

OUTLOOK

Redrow has a unique track record among major housebuilders of increasing legal completions in every year since 1990. Redrow looks forward with confidence to the year ahead and to maintaining this record. The Group remains positioned to deliver a level of legal completions in the year to June 2005 up to 10% higher than in the previous financial year and the quality and effectiveness of its land holdings provides the opportunity to continue volume growth in the years beyond this. This is consistent with Redrow's long term strategy of delivering sustainable growth and by so doing generating value for its shareholders.

Enquiries:

Paul Pedley, Chief Executive
David Arnold, Group Finance Director

Redrow plc
020 7404 5959 (2 July)
01244 520044 (thereafter)

Patrick Handley/Robert Gardener

Brunswick
020 7404 5959

A copy of the presentation pack is available at www.redrow.co.uk