

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 for the twelve months ended June 2005 on 13 September 2005.

ANALYST PRESENTATION

Redrow plc hosted a presentation for analysts after close of trading on the London Stock Exchange on Thursday 30 June 2005. The presentation covered financial performance for the year ended June 2005 and the Group's medium term strategy, with a particular focus upon the role of forward land.

It was also announced that Neil Fitzsimmons is to become Chief Executive and Paul Pedley is to become Executive Deputy Chairman, with effect from 1 August 2005.

Copies of the presentation are available from the Redrow website www.redrow.co.uk.

SUMMARY

- Pre tax profit for both the year and six months ended June 2005 are expected to be ahead of the same periods last year
- For the year ended June 2005, Redrow delivered legal completions 2% higher at 4,372 with the average selling price 11% higher at approximately £172,000
- Redrow's forward sales position remains robust with 2,129 sales in hand at the end of the financial year – ahead of the historic norm
- As at June 2005, Redrow owned 15,800 plots with planning consent, an increase of 800 plots on the position twelve months' previous
- Forward land made a very strong contribution during the year – with 43% (2,200 plots) of all land acquired from the forward land bank
- Net debt reduced by approximately £25m to circa. £105m leaving the Group well placed to take advantage of future opportunities
- Forecast increase in sales outlets by Spring 2006, together with the new Debut range, provides the capability to deliver volume growth

FINANCIAL PERFORMANCE – HOMES

2004/05 marked the fifteenth consecutive financial year of growth in legal completions for Redrow. Having deliberately established a record forward sales position at the start of the financial year, the Group has successfully focused upon the maximisation of selling price and profit in the face of a softer sales environment where prices remain stable but market activity is at a lower level than is expected of a "normal" market.

	2004/05	2003/04	Change
Legal completions	4,372	4,284	+2%
Average selling price	c. £172,000	£154,700	+c.11%

In the financial year ended June 2005, Redrow achieved 4,372 legal completions, an increase of 2% on the previous year (2003/04: 4,284). The average selling price for the year as a whole was approximately £172,000 (2003/04: £154,700), an increase of some 11%. This average selling price is considered to be indicative of the average selling price for the financial year ended June 2006. This is before taking account of any legal completions from the new Debut range where the average selling price will be approximately £75,000.

As a result of the current housing market, the full year operating margin for the Homes' business is anticipated to be marginally lower than the 19.8% achieved in the previous financial year.

A distinguishing feature of Redrow's financial performance in 2004/05 was the delivery in the second half of the financial year of top line growth when compared with the same period last year. Turnover in the six months ended June 2005 is anticipated to be some 6% higher at approximately £380m (H2 2003/04: £357.9m). This increase is on the back of an average selling price approximately 7% ahead of the same period last year at circa. £168,000 (H2 2003/04: £156,400). In the second half of the year, legal completions at 2,261 remained at a broadly similar level to the corresponding period last year (H2 2003/04: 2,288).

The average selling price of circa. £168,000 was lower than in the first half (H1 2004/05: £176,700) due to geographic and product mix. The average selling price in the first six months benefited from completions with a relatively high average selling price at the Group's Odyssey development in London Docklands whilst the Northern region, with its lower average selling price, represented a lower proportion of turnover in the first half.

In respect of the second half performance, as a result of the higher turnover and taking into account the movement in operating margin previously highlighted, the Homes' business is expected to report growth in operating profit over the same period last year. Furthermore, the Group overall is expected to report an increase in profit before tax for both the second half and for the financial year as a whole when compared to the previous year.

FINANCIAL PERFORMANCE – MIXED USE & REGENERATION

Redrow's mixed use activities performed more strongly than expected at the time of the interim results in March. Completion of the sale of commercial land and the remaining distribution unit at Severnside, Bristol, together with disposals at Buckshaw Village, Chorley played an important role in delivering both profit and cash to the Group.

In its first year of operation, Redrow Regeneration, based in London with a specific focus to deliver sustainable communities through mixed use development, acquired an option through a joint venture which secures an opportunity to redevelop Watford Junction railway

station and surrounding land. This major project, at the heart of one of London and the South East's key transport hubs, has the potential to provide in excess of 2,200 new homes and 150,000 square feet of commercial space as well as delivering significant improvements to the local infrastructure and community.

The strong performance from the Group's mixed use interests means that even after providing for the relatively significant option and up-front pre-development expenditure on Watford Junction, the net operating result for these activities will be approximately £4m, an increase of around £2m on previous expectations.

Looking forward to the financial year ended June 2006, as a result of Redrow's prudent accounting policy, which provides for option and pre-development expenditure until such time as a site has planning and is purchased, it is anticipated that the continued expenditure of such costs on Watford Junction, together with those of potential new schemes, is likely to match and therefore offset any profits generated from the mixed use activities.

SALES

Redrow entered 2004/05 with a record forward sales position. This sales position was equivalent to approximately 28 weeks sales and compares with a historic norm of approximately 15 weeks.

This strong forward sales position had been established during the buoyant markets of the two previous financial years in anticipation that the market would revert to more normal levels of activity and, in so doing, would likely experience an element of weakness prior to reaching a sustainable level. Whilst the establishment of this strong forward sales position did restrain margin growth in more favourable markets, it has now provided and continues to provide a cushion in the current market.

Demand in the U.K. housing market weakened in June 2004 following four interest rate rises and, in particular, further comments in a speech by the Governor of the Bank of England in June 2004. Prices have remained relatively stable during the last twelve months although the market as a whole has been operating at a lower level of activity than would be expected of a "normal" market. As anticipated and as previously highlighted, Redrow's forward sales position has started to unwind although it remains robust in historic terms.

	2004/05	2003/04	Change
1 July b/f	2,344	2,062	
6 months ended Dec			
Sales	1,715	2,006	-15%
Legal completions	(2,111)	(1,996)	+6%
31 Dec sales c/f	1,948	2,072	-6%
6 months ended June			
Sales	2,442	2,560	-5%
Legal completions	(2,261)	(2,288)	-1%
30 June sales c/f	2,129	2,344	-9%

Of the 2,129 forward sales at June 2005, 151 are social homes at Celestia, Redrow's In the City scheme in Cardiff. The build contract for these units will be novated to the scheme's main contractor early in 2005/06, thereby eliminating construction risk for Redrow. These units will therefore not feature as legal completions in future years and the underlying profitability of this contract is embedded within the overall profitability of the development. Sales in the six months ended June 2005 also include 90 reservations, the majority of which are now exchanged, secured at the launch of the first Debut development at Rugby.

As at the end of June 2005, Redrow was trading from 112 outlets. The strength of the owned and controlled land bank provides the potential to maintain outlet growth and it is currently expected that the Group will be trading from approximately 10% more outlets by Spring 2006. This higher level of outlets will be an important element of the Group's strategy to increase the level of sales in 2005/06.

LAND

	Jun 05	Dec 04	Jun 04
Current Land			
Land owned with planning	15,800	15,200	15,000
Contracted plots	1,500	2,300	2,400
	17,300	17,500	17,400
Forward land			
Forward land with planning	750	1,500	1,800
Allocations	7,500	6,500	6,200
Sub-total	8,250	8,000	8,000
Realistic prospect - Homes	12,750	13,750	14,500
Realistic prospect - Regeneration	1,100	-	-
	22,100	21,750	22,500

As at June 2005, Redrow owned, with planning permission 15,800 plots, an increase of 800 plots on twelve months previous. Included within this figure are 300 plots in respect of Debut developments at Willans Green in Rugby, Castle Vale in Birmingham and Buckshaw Village near Chorley.

Redrow remained cautiously active in the land market during the year and whilst there appeared to be greater realism about values from vendors, the market remained competitive. This greater caution is reflected in the land held under contract, which stood at 1,500 plots at the end of the financial year. The Group is able to adopt this approach without adversely impacting its future sustainability since it already owns, with planning, all the plots it requires for 2005/06 and owns or controls approximately 85% of the following year's anticipated production.

2004/05 marked an extremely successful year as regards the conversion of the forward land bank into current land. Forward land will always represent the Group's most profitable land as a result of the discount to open market value, an integral part of option

arrangements. In 2002/03, 30% (1,400 plots) of all plots acquired in the year were from forward land and in 2003/04, this figure was 28% (1,500 plots). In 2004/05, 43% (2,200 plots) of net land acquired in the year was from forward land, representing 13 sites with the potential to generate approximately £385m of revenue.

Notwithstanding its significant contribution in 2004/05, the forward land bank stood at 22,100 plots at the end of the financial year, including 1,100 plots at Watford Junction, Redrow's share of this potential development. This forward land bank has the potential to deliver 30% of the Group's land requirements over the next three years, thus maintaining the strong transfer of plots to the current land bank and thereby contributing to the on-going sustainability of Redrow.

PRODUCTION AND BUILD COSTS

Materials prices have seen greater pressure than in recent years, particularly those with a high energy or commodity content. Nevertheless, Redrow's central purchasing function and existing partnering arrangements have contained overall increases to a minimal level. Labour cost pressures continue to abate from their historic levels, however hot spots will always appear around the country as a result of major infrastructure or redevelopment schemes.

Framing Solutions, the Group's 50:50 joint venture which provides light steel frames for use in residential construction, is anticipated to report in line with expectations. The Framing Solutions business with Redrow will be increasingly focused upon the new Debut range and the Group's standard apartment schemes. Looking to the new financial year, it is currently anticipated that the joint venture will report a marginally reduced loss. Whilst the Framing Solutions' financial result remains small in a Group context, its operational and commercial significance, particularly to the new Debut range, is important to the future development of Redrow.

BALANCE SHEET

Despite further investment in land, net debt at June 2005 of approximately £105m was circa. £25m lower than at June 2004 with a resultant reduction in gearing. Cash flow during the year benefited from the successful performance of the Group's mixed use activities and lower work in progress on In the City schemes, principally as a result of legal completions at Odyssey and Altolusso. Land creditors remained at similar levels to last year. Average net debt in the twelve months ended June 2005 was approximately £175m and it is anticipated that the interest charge for 2004/05 will be circa. £10m. The reduction in net debt and gearing means that the Group remains financially well placed to take advantage of future opportunities.

DIVIDEND

The Board re-confirms its previous commitment to increase the dividend by 20% in respect of each of the financial years ended June 2005 and June 2006. This means that the dividend will have grown from 4.95 pence per share paid in respect of the year ended June 2000 to 13.0 pence per share to be paid in respect of the year ended June 2006, representing a compound annual growth rate of 17.5% p.a..

MANAGEMENT CHANGES

The Group's strength rests with its people, its land bank and its products. As regards people, there are many aspects to building and maintaining a quality team and the issue of succession planning is fundamentally important at all levels throughout the organisation. Paul Pedley and Neil Fitzsimmons have worked together for the last eight years, initially as Chief Executive and Group Finance Director and more recently as Chief Executive and Group Managing Director. It is the Board's collective view that the time is now right for Neil to assume the responsibility of Chief Executive, a position he will formally adopt from 1 August 2005. Paul will have been part of Redrow for 20 years on that date and remains firmly committed to Redrow's continued development. Accordingly, Paul will become Executive Deputy Chairman with specific responsibilities for piloting major land transactions and the continued development of the Group's product range. Specifically, Paul will focus upon the Debut range, to support the objective of delivering at least 2,000 units per annum within a five year period. This role will also allow Paul to participate more actively in representing the views of the industry during an important phase of consultation with Government.

CURRENT MARKET AND OUTLOOK

As the market continues its process of adjustment, the sales rate per outlet remains marginally below the level expected in normal markets. Redrow's forward sales strategy has enabled, and will continue to enable, the Group to focus upon the maximisation of selling price and profit at a time when selling prices have been stable. It is currently expected that house prices will remain broadly static for the remainder of this calendar year and markets are likely to remain competitive. As a result, operating margins will continue the move towards the previously identified sustainable level of approximately 17%. The underlying macro-economic position remains supportive but consumers are generally cautious at present. However, delayed housing transactions will gradually increase pent up demand and affordability will improve as time passes. This will further be supported if interest rates begin to fall. These factors, taken together with the benefit from potential changes to the U.K. pension regime in April 2006, suggest that there may be a stronger market in the Spring of 2006.

Redrow retains a robust forward sales position. It has the land bank and organisational structure in place to deliver increased outlets and support volume growth. It has the product range to provide the ability to optimise the returns inherent in its land bank. With the launch of the new Debut range, Redrow has a market leading opportunity to address a significant market sector and to deliver incremental growth. All these factors leave Redrow well positioned to meet the challenges of a more normal market and to continue to deliver value for its shareholders.

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Note on Debut for Editors:

Debut is a new housing range from Redrow, designed to provide affordable homes for people to buy. Utilising light steel frame and other modern methods of construction, together with communal heating and hot water systems, it offers a range of homes that are innovative, exciting and designed to stand the test of time. With a single monthly service charge to cover the main utility bills and external maintenance, Debut is geared towards making home ownership accessible, affordable and easy to manage. It is also available on a shared equity basis, with Redrow retaining up to 10% equity in the property as an interest free fixed sum for up to 10 years. At Redrow's first Debut development at Willans Green Rugby, cash prices for a one bedroom home start at £49,995. Redrow has now commenced construction of its second Debut development at Buckshaw Village, near Chorley.

Images of Debut are available from Brunswick