

CHAIRMAN'S STATEMENT

Introduction

I am delighted to report a period of strong growth for Redrow with profit before tax of £69.1m (H1 2003/04: £56.7m) and earnings per share of 30.5 pence (H1 2003/04: 25.1 pence), both 22% higher than the previous year. This performance, together with our positioning of Redrow for more normal market conditions, underpins our commitment to the Board's previously stated dividend policy to increase the dividend save for unforeseen circumstances by 20% in this and the next financial year. Consequently, the interim dividend has been increased by 0.6 pence to 3.6 pence per share (H1 2003/04: 3.0 pence).

Financial Performance

Legal completions in the Homes business increased by 6% to 2,111 units (H1 2003/04: 1,996 units) at an average selling price of £176,700, 16% higher than the corresponding period last year (H1 2003/04: £152,700) and partly reflecting geographic and product mix. The average selling price achieved in the first six months of the financial year is likely to be marginally higher than that for the year as a whole.

As a result of the increase in legal completions and higher average selling price, turnover in the Homes business rose by 22% to £373.1m (H1 2003/04: £304.8m). The operating margin of 19.8% achieved in the first six months was in line with that of the previous financial year and 0.3% higher than the corresponding period last year (H1 2003/04: 19.5%). The Board remains of the view that as the market reverts to more normal levels of activity and house price inflation returns to its historic relationship with earnings, operating margins will, over time, reduce to more sustainable levels. Overall, the first half operating profit in Homes increased by 24% to a record £73.8m (H1 2003/04: £59.6m).

In the first six months, the Group's commercial activities achieved legal completions at St David's Park and at Odyssey in London Docklands. These disposals, together with subsequent transactions at Buckshaw Village, Chorley and at Western Approach, Bristol provide a sound base for the year.

Interest cover increased to 16.4 times and with net debt as at 31 December 2004 of £152.8m (Dec 2003: £123.1m), gearing at 36% was unchanged from the same time last year. The interest charge of £4.5m was £0.6m higher than in the previous year (H1 2003/04: £3.9m), principally as a result of a higher average debt level due to investment in land and work in progress. The further investment made by the Group into work in progress reflects the continuing strong forward sales position whilst maintaining an appropriate level of work in progress to meet the Spring 2005 market. Return on capital employed for the six months ended December 2004 was 27% (H1 2003/04: 28%). In November, the Group renegotiated its banking facilities and signed a new five year £300m syndicated loan facility.

Land

The Group has continued to be cautiously active in the land market to support future growth. Owned plots with planning as at 31 December 2004 increased to 15,200 plots (Dec 2003: 14,000 plots) with an average plot cost of £28,600 (Dec 2003: £25,000). This plot cost represents 16.2% of the average selling price achieved in the first six months of the financial year, maintaining the Group's very competitive plot cost to sales price ratio. In addition the Group controlled 2,300

plots under contract awaiting the grant of a planning consent (Dec 2003: 2,100 plots). As a result the current land bank was 17,500 plots at the end of December 2004 (Dec 2003: 16,100 plots).

The forward land bank continues to be an important contributor to the current land bank, with approximately 27% of the plots acquired in the first six months of the financial year coming from this source. At the end of December and after having taken over 600 plots into the current land bank, the quality of Redrow's forward land bank was maintained with 1,500 plots holding a planning consent and 6,500 plots allocated within local plans out of the total forward land bank of 21,750 plots (Dec 2003: 23,250 plots).

Sales

As a result of having positioned the Group with a record forward sales position at the start of the financial year, Redrow's focus has been upon maximising selling prices and hence protecting margins, rather than chasing volume during this expected period of adjustment between the strong markets of recent years and a return to more normal levels of activity.

As anticipated, this high level of forward sales started to unwind during the first half of the new financial year, with forward sales at the end of December 2004, 6% lower than the previous year. These forward sales total £317m (Dec 2003: £330m) at an average selling price of £162,700 (Dec 2003: £159,300). The level of forward sales at the end of December remained ahead of Redrow's historic norm of between 3 and 4 months.

Since the start of the new calendar year, the Group continues to see good levels of interest from potential customers although the time taken to convert sales has, as experienced in the six months to December 2004, lengthened as buyers take longer to decide, or encounter longer sales chains themselves. Whilst this is likely to result in a further reduction of forward sales at the end of the financial year, Redrow expects to have at least 10% more sales outlets in the six months to June 2005 than for the same period last year.

Debut by Redrow

It is widely recognised that there is a significant need to provide affordable homes for people to buy. Redrow has given considerable focus to develop a new product range to satisfy this need. "Debut by Redrow" embraces innovative design, delivering a high quality home that meets the aspirations of customers and Government alike whilst maintaining the appropriate financial returns and creating value for our shareholders. "Debut" is built using lightweight steel frame, demonstrating Redrow's continued commitment to modern methods of construction, and has been designed to be capable of achieving Eco excellent ratings. The first planning consent has now been secured at Rugby, within the target thirteen-week period, with prices starting from £49,995.

International Financial Reporting Standards

The Group continues preparations to implement International Financial Reporting Standards. These will impact for the first time on the Group's results for the six months ended December 2005. Based on work undertaken to date, the principal areas of change for Redrow are in respect of the accounting for pension costs and share based payments, financial instruments (which will include the requirement to discount land creditors), direct selling costs and, lastly, the recognition of the timing of dividends.

Summary

A company cannot be or remain successful without the dedication and hard work of its employees. The strength of Redrow's team is both broad-based and deep and the Board is grateful to all its employees for their commitment and loyalty.

However, future success is dependent upon both the current positioning of the Group and the development of sound foundations, particularly as regards land, the product range and construction techniques. Although in the short term there may be a period of uncertainty resulting from the anticipated General Election and the renewed debate regarding the future direction of interest rates, in the medium term the Board expects macro economic factors generally to remain supportive of the housing market. On this basis, I am sure that Redrow will continue to produce value for our shareholders whose support we greatly appreciate.

Robert Jones
Chairman