

CHAIRMAN'S STATEMENT

At the halfway stage of the 2015 financial year I am pleased to report that Redrow has again generated outstanding six month results. Our policy over recent years of retaining capital to concentrate on growth continues to reap the benefit, with a further substantial rise in both turnover, up 54% and pre-tax profits, up 92%.

Financial Results

During the first half of the current financial year total legal completions grew by 18% to 1,850 (2014: 1,565) with private legal completions increasing by 30% to 1,654 (2014: 1,269). In the same period, the average selling price of our private homes was £300,000, an increase of 14% (2014: £262,000). This was due to a combination of geographical mix, with more completions in London and the south of England and house price inflation.

In addition, we completed the £46.8m sale of all the commercial units and reversionary interest in our development at One Commercial Street, London.

The combination of growth in revenue from homes sales and the one-off commercial sale resulted in the Group delivering record first half revenues of £560.6m, 54% higher than the same period last year (2014: £363m).

The substantial increase in turnover, combined with house price inflation being in excess of build cost inflation, improved our gross margin from 20.3% to 22.4%.

Whilst overheads rose in absolute terms to support the growth of the business, they continue to reduce as a percentage of revenues. As a consequence, our operating margin rose from 13.5% to 17% and operating profit increased by 95% to £95.4m (2014: £49m).

As expected, we did not repeat the one-off JV profit generated by our Harrow Estates subsidiary last year. However, Harrow Estates continues to make progress on a number of exciting forward land opportunities.

Net finance costs were in line with last year with a similar level of borrowing during the period. Net debt at the end of December 2014 was £140m (Dec 2013: £149m), giving gearing of 18% (2014: 23%).

Pre-tax profits were up 92% to a half year record of £91.2m (2014: £47.5m). Earnings per share increased 93% to 19.9p (2014: 10.3p).

Return on Capital Employed improved to 21% from 14%, achieving our medium term target of 20% two years earlier than anticipated. Optimising our capital structure by the balanced use of debt and equity has enabled us to generate a Return on Equity of 24.9%, a 61% increase on last year (2014: 15.5%).

As a result of this strong performance the Board has decided to pay an interim dividend of 2p per share (2014: 1p). The interim dividend will be paid on 1st May 2015 to holders of ordinary shares on the register at the close of business on 6th March 2015.

Market

The housing market has followed a normal seasonal pattern in the first half of this financial year following the very high demand in summer 2013, which was generated by the launch of Help to Buy. Sales per outlet per week for our regional business averaged 0.61 (2014: 0.68) for the six months, but excluding July and August the rate has been 0.59, which is 3.5% up

on the first half of 2014. In London, due to our current sites being almost completely sold out and new sites about to come on stream, first half reservations were just 24 compared to 138 last year.

As a result of the reduced level of London reservations, the total value of private reservations in the first half was 7% below last year, at £449m. However, excluding London, private reservations rose by 8% to £428m. Consequently, the regional private order book is up 30% at £334m and the Group total private order book is up 6% at £435m.

Throughout the 2014 financial year we experienced inflation in both build costs and house prices. However, during the first half of the current year I am pleased to report that both house prices and build costs have moderated to sustainable levels.

Our strategy is to grow the business by increasing the number of sales outlets. We were planning to have 104 active outlets at the end of December 2014 and 115 at the end of June 2015, compared to 103 in June 2014. I am pleased to report that we had 106 active outlets at the end of December 2014, slightly ahead of plan, and we remain on target to have 115 open at the end of June 2015.

Land and Planning

During the first half of the year we secured an additional 2,050 plots for our current land bank, 11% more than we legally completed, of which, over 900 were converted from our forward land bank. At the end of December our current land bank amounted to 16,950 plots, 700 higher than the same time last year.

We also added over 2,700 plots to our forward land bank in the first half, which, after allowing for transfers to current land and the latest review of planning prospects, increased the forward land bank by 1,000 plots to 29,250.

We have a strong pipeline of sites, which should enable us to continue to increase our outlets and the number of homes we build. However, despite the welcome initiatives introduced by the Government over recent years, obtaining detailed or reserved matter approvals remains a slow and tedious process and is the single biggest obstacle to the industry increasing the volume of new homes that the country needs.

People

The growth we are generating in the business has enabled us to achieve a record of which we are proud, the number of people we employ. Our directly employed workforce has now reached 1,550, up 900 from 2009 levels. We continue to develop our own talent, with 15% of our total workforce involved in structured training schemes across most disciplines. I am pleased, and indeed delighted, to say that when it comes to training and developing future talent, Redrow leads the way within the house building industry.

As a result of our continued strong growth, Barry Stiles has been promoted to Regional Chief Executive, a new post overseeing our businesses in the South West, West Country and South Wales.

I am delighted to welcome Sir Michael Lyons as a Non-Executive Director, who joined with effect from 6 January 2015. Sir Michael recently chaired the Lyons Housing Commission to produce a road map for increasing house building in this country. Prior to this, following a long and distinguished career in local government, Sir Michael was Chairman of the BBC.

Current Trading and Outlook

Although it is still relatively early days, customer traffic and sales to date in 2015 are encouraging, despite the uncertainties surrounding the forthcoming election. Demand for new homes is strong and the recent welcome changes to Stamp Duty are undoubtedly helping home buyers within our market segment.

We started the second half with a very strong sales position and, with the planned increase in the number of active outlets to 115 by June 2015, we expect to build on that order book.

Redrow is in great shape and I am confident this will be another strong year of growth for the business.

Steve Morgan
Chairman