

9 JULY 2008

REDROW PLC

PRE CLOSE TRADING UPDATE

Redrow plc is issuing the following pre-close trading update in advance of its Preliminary Results announcement for the twelve months ended 30 June 2008, which is scheduled to be released on Tuesday 9 September 2008.

Overall, our trading results* for the year to June 2008 are anticipated to be in line with our expectations. The Group legally completed 3,925 new homes (2006/07: 4,823) at an average selling price of £157,000 (2006/07 £159,900). This included 151 completions in Redrow Regeneration at an average selling price of £161,600 (2006/07: 95 completions at £148,300). Margins continued to be under pressure as a consequence of the market conditions but we have kept a close focus on our cost base. Land sale profits were slightly ahead of the £15.1m achieved in 2006/07. Net debt decreased over the last six months and at 30 June 2008 was just below £225m (Dec 2007: £238m).

The UK housing market continues to be severely affected by the credit squeeze. Homebuyer confidence is now also being influenced by concerns about the future for house prices and interest rates. As a result the market for both new and second hand homes has declined rapidly to transaction levels not experienced for very many years with the price of homes now declining.

Net reservation levels in the second half of the financial year were 55% below the level achieved last year. Part exchange levels remain tightly managed and at 30 June 2008 were limited to only £15m. Cancellation rates in the last six months were just under 30% as compared with 18% in the corresponding period last year. However cancellations have increased significantly in the last quarter and in particular in recent weeks as customers have not been able to secure mortgage offers to proceed to exchange of contracts and legal completion. Group forward sales at 30 June 2008 were 1,189 (2007: 2,148).

We are taking further action on our cost base and are currently in consultation to make significant reductions in headcount including the closure of two operating company offices. These proposals would reduce the number of operating company offices to eight and including reductions in site based personnel, we anticipate an overall decrease in headcount within the Group since 1 January 2008 of approximately 40%. We have further reinforced our strict controls over build expenditure with commencement on new sites and commitment to infrastructure both subjected to rigorous cash flow appraisal.

In line with our previously highlighted land strategy, we have reduced our owned plots with planning to 14,900 (2007: 17,700). We have a further 900 plots (2007: 500 plots) owned without a planning consent and our contracted plots were only 1,550 plots as compared with 2,500 at June 2007. Our land teams have concentrated on promoting our high quality

forward land bank through the planning system and identifying longer term land opportunities. We exercised a very selective approach to land acquisition and short term contractual commitments. We will retain this approach until the outlook for the housing market becomes more clear.

As a consequence of our strategy, we have limited our exposure in respect of contracted land purchases over the next two years to some £30m of which £20m is likely to be completed in 2008/09. Land creditors reduced to approximately £90m as at the year end (2007: £124.2m) and we expect this to fall to c.£30m over the next 12 months with most of the balance being paid in the following financial year.

In the prevailing housing market with reduced activity levels and the related impact on selling prices, the Board is reviewing the carrying value of inventory on phases of sites currently in progress. In addition, the directors are assessing the net realisable value of land not in development in the context of current conditions. The conclusion of this exercise will be included in our results for the year to June 2008 which will be announced in September 2008. We consider this review is likely to result in a significant adjustment to the carrying values of land and work-in-progress.

As regards the Group's banking arrangements, we complied with all our covenants as at June 2008. We had planned to refinance our debt facilities this year and are currently in discussions with our banks regarding a new facility. This will provide an extended maturity and will require covenants more suited to the current environment with a focus on cash flow rather than profitability. Discussions with lenders to date have been constructive and supportive.

The defined benefit section of the Group's pension scheme is closed to new members and will be under going the statutory triennial valuation as at 1 July 2008 over the coming months. At 31 December 2007, the Interim Results reported a pension fund surplus of £7.1m.

We have experienced an unprecedented decline in the fortunes of the UK housing market in a very short period of time. It is in this context that the Board must consider the dividend policy for the future including the level of any final dividend in respect of the year to June 2008 so that it is appropriate to the current environment. The Board intends to advise shareholders of its policy in its Preliminary Results announcement in September.

It remains difficult to assess how long the sharp reduction in sales activity will continue or the extent to which underlying house prices will be affected. However, we expect that the difficult markets we are confronting may persist for some time. Our clear focus is the control of cost and management of our cash flows whilst retaining the geographical coverage in our structure to provide a base for growth when homebuyer confidence improves and the market returns to more normal volumes. The business has the capability to generate cash and in view of market uncertainty and its impact on short term profitability our operational strategy is based on reducing debt over the next two year period. This will enable Redrow to be opportunistic in the land market at the appropriate time to complement our high quality forward land bank.

* Trading results exclude the impact of exceptional items in connection with the writedown of carrying values of land and work-in-progress.

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