

14 January 2009

REDROW PLC

PRE CLOSE TRADING UPDATE

Redrow plc is issuing the following pre-close trading update in advance of the publication of its interim results announcement for the six months ended 31 December 2008, which is scheduled to be released on Tuesday 24 February 2009.

Our short term focus remains on the management of our cost base and cash flow and we can report that we have made good progress in line with our plans in each of these areas.

Over the last six months, we implemented our cost reduction programme which included a significant reduction in headcount and the closure of two of our offices. As a result of our proactive cash management to reduce stock levels and generate income, net debt at the end of December was just under £270m which was below anticipated levels. Since the period end, we have received £27.5m in corporation tax repayment ahead of our expectations, in addition to the £13.5m already received as expected in the first half. As a consequence of this and of our continuing short term focus on cash flow, we are well placed to meet our debt target of under £225m at June 2009 with further reductions in debt anticipated in 2009/10. We continue to operate well within our new committed bank facilities with adequate headroom against our covenants.

We have focused build activity on contracted units and we have successfully concentrated on the sale of stock properties. The inventory of unsold Signature and Debut properties has decreased by nearly 50% in the last six months to just over 350 units. We legally completed 1,042 new homes in the period (H1 07/08: 2,111) which was slightly ahead of our expectations. The average selling price was approximately £140,000 (H1 07/08: £162,700) and reflected the significant pricing pressure experienced in the housing market over the last twelve months. Since June 2008 we estimate that pricing has deteriorated by the order of 10%.

Forward sales at the end of December 2008 of 1,000 homes were 40% lower than the prior year (Dec 2007: 1,694). Sales achieved in the first six months were down 49% with 853 sales achieved as compared with 1,657 in the corresponding period last year. We currently have approximately 70% of our anticipated output for 2008/09 sold.

Macro economic conditions will inevitably have a significant impact on the sector. The level of consumer confidence and the condition of the lending markets lead us to conclude that the trading environment will continue to be extremely difficult in 2009. We have continued to experience pricing pressure which has been evident in all the leading house price indices and we expect pricing to remain uncertain in the coming months.

In this context, coupled with our ongoing prioritisation of cash generation, it is our current view that gross margins for the full year will be adversely affected by approximately 5 percentage points as compared with management's previous expectations. As required by relevant accounting standards, we are monitoring the carrying value of our land and work-in-progress and a full update will be provided in the interim results announcement.

The housing market was one of the first sectors to enter the current economic downturn and our sector has historically been amongst the earliest beneficiaries once the broader economy starts to recover. However, it remains difficult to assess when improvements in the housing market may come through.

Our strategy in the medium term is to position Redrow through the continuing strengths of our forward land bank coupled with the delivery of a differentiated product to our customers to provide a competitive lead when market conditions improve.

Enquiries

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