

9 July 2009

Pre Close Trading Update

Redrow plc is today issuing the following pre-close trading update in advance of its Annual Results announcement for the twelve months ended 30 June 2009, which is scheduled to be released on Thursday 10 September 2009.

We legally completed 2,113 new homes in the 12 months ended 30 June 2009 (2008: 3,925), in line with our expectations following the dramatic housing market adjustment experienced over the last eighteen months. The average selling price was c.£137,500 (2008: £156,900), which was a reflection of the significant pricing pressure experienced, particularly during the first half of the financial year, combined with some mix movements. Social housing completions representing both s106 planning contributions and sales to housing associations were 19% of the total (2008: 15%).

In light of the extreme trading conditions experienced, particularly during the first half of the last financial year, we have undertaken a review of all aspects of the business, including sales, product and construction and taken appropriate actions. As a consequence, Redrow's trading results are expected to be around the lower end of analysts' current estimates. In addition, we are evaluating the carrying value of land and work-in-progress as at 30 June 2009 which will also be reflected within the full year results.

Net debt as at 30 June 2009 was c.£215m (December 2008: £269.1m) which was lower than our target of £225m and well within the Group's £425m committed bank facilities. We are focused upon delivering further debt reduction by June 2010.

The sales market over the last six months has proved to be relatively stable, both as regards volumes and prices. The total number of forward sales as at 30 June 2009 fell slightly to 1,147 homes (June 2008: 1,189), however, of these, the number of private sales increased by 22% to 600 homes (June 2008: 492 homes) with the remainder being sales to housing associations for the current year and beyond.

We are reassured that underlying demand in the housing market appears to have stabilised over the last few months. Affordability has improved as a result of the reduction in house prices and lower interest rates, although a sustained improvement in consumer confidence is central to a more widespread recovery.

Although recently there has been some easing of the situation, the most significant concern to the industry remains the chronic shortage of mortgage supply exacerbated by the widespread practice of down valuations by surveyors representing mortgage lenders. Without doubt this is a major obstacle to the recovery of the housing market and we are of the view that resolving this issue can play a significant role in a recovery of the economy as a whole.

We have resumed building at a controlled rate across our developments to ensure we are well placed to meet the anticipated seasonal upturn in demand in September. This increase in construction activity follows the successful reduction in stock achieved over the last twelve months, when the level of unsold finished stock reduced by approximately 500 homes.

At the end of March 2009 we commenced a complete product and land review to return the business to its historic strength in traditional family housing. A new housing range is being designed with attractive external design, enhanced specification and with internal layouts to suit modern day living. The new range will be rolled out during the autumn with a full sales launch intended for January 2010. We are re-planning our developments to embrace this new product, which will have the phased effect of significantly reducing the number of apartments and three storey houses.

The new range is expected to return Redrow to its former premium branding position and over time will strengthen average selling prices. As a consequence of the repositioning of the business and the impact of last year's completions, we anticipate the number of plots within the owned land bank will reduce to c.12,500 plots as at 30 June 2009 (June 2008: 14,900).

Interest in the residential land market has increased over recent months though evidence of actual transactions remains limited due to many vendors' reluctance to accept adjusted market prices. Nevertheless, having been effectively out of the land market for the last two years, we are selectively negotiating opportunities where they are available.

Moving forwards, we believe we will be competitively placed in the market with the launch of the new product range and a focus upon our heritage in family housing. We are committed to a return to profitability and a significant improvement in return on capital employed through strategic and operational changes. We enter the new financial year in good spirit.

Enquiries

Steve Morgan, Chairman
David Arnold, Group Finance Director

Redrow
01244 520044

Andrew Grant
Susanna Voyle

Tulchan Communications
020 7353 4200