

**7 July 2006**

## **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 2006, which is scheduled to be released on 12 September 2006.

### **ANALYST PRESENTATION**

Redrow plc hosted a presentation for analysts at 6.00 pm on Thursday 6 July. The presentation covered trading and financial performance for the year ended June 2006, the Group's progression in the development of its land bank and its strategy for delivering growth.

Copies of the presentation are available from the Redrow website [www.redrow.co.uk](http://www.redrow.co.uk)

### **DELIVERING GROWTH**

In the last twelve months, Redrow has made demonstrable progress in its strategy to deliver growth and shareholder value.

Our objectives are to:

- Grow our core Signature and In the City business through our existing regional structure
- Develop the future potential for additional income streams from our Mixed Use and Regeneration activities
- Deliver 2,000 Debut homes per annum by the end of 2010

In 2005/06 we have:

- Increased our legal completions by 8%
- Increased our current land bank by over 20%
- Continued to develop our forward land bank with planning applications for over 6,500 plots on 10 major sites anticipated over the next 18 months
- Secured additional mixed use opportunities at Bristol and Plymouth
- Commenced construction on our first Redrow Regeneration project at Barking with all 246 residential units forward sold
- Delivered over 200 Debut legal completions, with planning secured for over 1,100 homes to date

## TRADING UPDATE

Legal completions for the financial year ended June 2006 increased by 8% to 4,735 (2004/05: 4,372). This increase reflected continued growth in the Group's Signature product, which was 9% ahead of the previous year at 4,027 units (2004/05: 3,703), together with the first significant number of legal completions from the new Debut range. 213 Debut units were legally completed in the period, marking the first full year of contribution towards Redrow's objective of delivering 2,000 Debut units per annum within five years which we announced in 2005. The number of In the City units completed was in line with expectations at 495 (2004/05: 667).

The average selling price in the year to June 2006 for the Signature range at approximately £166,000 was in line with last year (2004/05: £166,200). The average selling price for the In the City legal completions was approximately £160,000 (2004/05: £207,400) and was below the level of last year due to product and geographic mix, with the legal completions last year including units at the higher priced Odyssey development in London Docklands. Overall, taking these factors into account, coupled with the inclusion of the 213 Debut units with an average selling price of approximately £79,000, the Group's average selling price was approximately £161,000 (2004/05: £172,400). Operating margins in the first half of 2005/06 for the Homes' operations were 17.4% and we anticipate the full year position will be broadly similar.

Our Homes' operations turned in a strong second half performance, benefiting from our strategy of increasing legal completions. This delivered an approximate 12% increase in turnover as compared with the same period last year and we expect operating profits in Homes to be marginally ahead of the corresponding period last year.

The sales market for the financial year as a whole was more robust than last year, with the last six months in particular showing improved levels of customer confidence. Total reservations in the Homes' business of 4,529 were 13% ahead of the previous year. As we planned, the level of forward sales was allowed to reduce but nevertheless still remains ahead of historic norms and stood at 1,772 at the end of the financial year (June 2005: 1,978).

We continued to make good progress on a number of Mixed Use and Regeneration schemes. Disposals at Buckshaw Village and the completion of the sale of Aspect in Altrincham are likely to deliver a result marginally ahead of the originally anticipated break-even position for Mixed Use and Regeneration. There is encouraging further interest for the coming year at Buckshaw Village, together with significant early enquiries for the retail and office space on our recently acquired mixed use schemes at Bristol and Plymouth.

In January 2006, Redrow Regeneration secured a redevelopment project in the centre of Barking, Essex. Contracts have now been exchanged for the sale of all 246 residential units being built in Phase 1 of the scheme and the first units are expected to legally complete in the Summer of 2007, with the scheduled completion of Phase 1 by December 2007. We are now progressing the planning of Phases 2 and 3. Good progress continues with Network Rail on the opportunities to regenerate Watford Junction and Guildford railway stations.

In the short term we expect our Mixed Use and Regeneration activities to be broadly neutral in terms of profit generation but in the medium term there is the potential to

derive significant benefit from both activities, providing additional profit streams for Redrow.

The Group continued to invest in expanding its land bank. The current land bank increased by over 20% in the year and at the end of June stood at 21,000 plots (June 2005: 17,300). Over the last twelve months, some 8,400 new plots were brought into the current land bank and this provides a strong position for Redrow to grow volumes in the future. At June 2006, there were 16,750 plots (June 2005: 15,800) in the owned land bank with planning and we had significantly increased the plots controlled under contract from 1,500 to 4,250.

The investment in land is reflected in the debt position as at 30 June 2006 of approximately £130m (June 2005: £103.2m) which includes the cash payment of £59m in respect of the previously announced acquisition of 1,250 plots and related commercial development land in Bristol. The strong financial position of the Group provides further opportunity to continue investment in our land bank to grow our business.

Overall, we expect the trading results for the year ended June 2006 to be broadly in line with our previous expectations.

As a result of a matter that has arisen on a development in Jersey, built on behalf of Redrow and which was construction completed in 1999, the Group intends to provide £2m in its accounts for the twelve months ended June 2006. This provision was not envisaged at the time of the interim results announcement in March 2006 and it is the Board's view, after taking appropriate professional advice, that a significant proportion of this sum should be recovered by the Group in due course. However, in line with the requirements of IAS 37, a provision will be carried in the accounts until such time as recovery of monies is made.

## **OUTLOOK**

The sales market is performing more strongly than at the same point a year ago although pricing remains competitive. Transactions have been at higher levels albeit that the market is now following its usual seasonal pattern as we run into the summer. We expect to see some modest house price inflation over the next twelve months which we anticipate will be sufficient to mitigate the impact of build cost increases.

The current economic environment and outlook leads the Group to believe that the twelve months to June 2007 should see continued growth in the level of legal completions in line with expectations. This is supported by our forward sales position and the quality and effectiveness of our land bank which provides Redrow with the capability to continue to deliver growth in both our core and Debut products. On Debut we are well placed to deliver significant growth and expect to increase output to 500 units in the new financial year, with planning in place for nearly 900 Debut homes as at June 2006. We remain on course to meet our 2005 objective of delivering 2,000 Debut homes per annum within five years.

The strength and quality of Redrow's forward land bank provides the potential to significantly enhance the Group's current land holdings to support further growth. Redrow anticipates that by December 2007 planning applications will have either been concluded or will be running on 10 major forward land sites totalling over 6,500 plots. This total includes our share of the major site at Bishopton in Scotland where we have

just submitted a planning application, jointly with BAE Systems, for 2,500 homes and 1,500,000 sq ft of employment and community development.

The last twelve months has marked significant progress in delivering our growth strategy. Through the quality of our current and forward land banks we are positioned to increase the output in our core product. We have made good progress in the development of additional income streams through mixed use and regeneration activities. Debut goes from strength to strength and we are on track to meet our objective of delivering 2,000 Debut homes per annum within five years. Redrow is well positioned to continue to deliver value to its Shareholders.

**Enquiries:**

Neil Fitzsimmons, Chief Executive  
David Arnold, Group Finance Director

**Redrow plc**  
020 7404 5959 (7 July)  
01244 520044 (thereafter)

Patrick Handley/Nina Coad

**Brunswick**  
020 7404 5959