



Interim Results Presentation

6 Months to
31 December 2007

Thursday 28th February 2008



REDROW

Neil Fitzsimmons

Chief Executive

Agenda



- Introduction Neil Fitzsimmons
- H1 07/08 Financials David Arnold
- Markets and Outlook Neil Fitzsimmons

Introduction



- UK housing market affected by higher interest rates and credit squeeze since Autumn 2007
- Focus of business approach
 - tight management control of cost and cash
 - good product design that will appeal to our customers
 - long term approach to securing higher margin land opportunities

Dividend



- The Board anticipates proposing a 20% increase in the full year dividend in line with its previously stated commitment
- Interim dividend increased by 19% to 9.3p per share (06/07: 7.8p)

David Arnold

Group Finance Director

Group Financial Performance



		6 Months to December		
		2007	2006	
Turnover	(£m)	353.1	387.7	-8.9%
Profit before tax*	(£m)	35.8	54.7	-34.6%
EPS - basic*	(p)	15.8	24.0	-34.2%
Dividend per share	(p)	9.3	7.8	+19.2%
Net assets per share	(p)	367.9	336.1	+9.5%
ROCE*		11.2%	18.0%	

*Continuing operations

Profit Analysis



	6 Months to December		
	2007	2006	
	£m	£m	
Homes	41.9	59.3	-29.3%
Mixed Use & Regeneration	2.4	2.2	
	<u>44.3</u>	<u>61.5</u>	
Add back JV operating losses	0.6	0.2	
Operating profit pre finance	<u>44.9</u>	<u>61.7</u>	-27.2%
Net financing costs	(8.7)	(6.9)	
	<u>36.2</u>	<u>54.8</u>	-33.9%
Share of JVs post interest & tax	(0.4)	(0.1)	
PBT - continuing operations	<u>35.8</u>	<u>54.7</u>	-34.6%
Tax	(10.6)	(16.4)	
Profit for period - continuing	<u>25.2</u>	<u>38.3</u>	
Discontinued operations	(1.9)	(0.4)	
Profit for period	<u><u>23.3</u></u>	<u><u>37.9</u></u>	

Legal Completions Product Profile



	H1 08	H1 07	Movement
<u>Completions</u>	Units	Units	
Signature	1,575	1,685	-6.5%
In the City	182	294	-38.1%
Debut	203	235	-13.6%
Homes	1,960	2,214	-11.5%
Regeneration	151	-	
	<u>2,111</u>	<u>2,214</u>	<u>-4.7%</u>
	£000	£000	
<u>ASP</u>			
Signature	168.9	170.7	-1.1%
In the City	196.7	182.5	+7.8%
Debut	85.3	78.1	+9.2%
Homes	162.8	162.4	+0.2%
Regeneration	161.6	-	
	<u>162.7</u>	<u>162.4</u>	<u>+0.2%</u>

Homes Trading Performance



	6 Months to December		
	2007	2006	
Turnover			
Home Sales	319.1	359.6	-11.3%
Land Sales	6.8	21.5	
	<u>325.9</u>	<u>381.1</u>	-14.5%
Profit			
Home Sales	59.0	74.2	-20.5%
Land Sales	2.8	7.8	
Gross Profit	<u>61.8</u>	<u>82.0</u>	-24.6%
Overhead	<u>(19.9)</u>	<u>(22.7)</u>	-12.3%
Operating Profit	<u>41.9</u>	<u>59.3</u>	-29.3%
Gross Margin - Home Sales	18.5%	20.6%	
Operating Margin - Home Sales	12.3%	14.3%	
Operating Margin - Overall	12.9%	15.6%	

Costs



Build costs

- Increase in housebuild cost over last 12 months held to under 1%
- Rate reductions negotiated with sub-contractors site by site
- Negotiations with suppliers a rolling process as agreements end
- Site overheads cut to mitigate impact of slower sales rates

Overheads

- Significant restructuring undertaken in 2006/07 with merger of offices
- Further action taken on office costs

Mixed Use and Regeneration



- Final 151 homes legally completed at Barking Phase 1
- Phase 2, comprising 272 new homes and 40,000 sq ft of commercial space in progress. First legal completions anticipated 08/09
- Currently constructing 24,000 sq ft of offices at Lichfield
- Further commercial units under construction at Buckshaw Village, Chorley

Framing Solutions



- In line with stated intention, disposal of Framing Solutions to Fusion Building Systems legally completed 3 January 2008
- Post - tax loss on discontinued operations of £1.9m with no further impact expected
- Fusion will supply Redrow's future light steel frame requirements

Cash Flow



	6 Months to December	
	2007	2006
	£m	£m
Operating profit (pre Joint Ventures)	44.9	61.7
Movement in :		
Land	(5.2)	(53.5)
Land creditors	(31.6)	11.9
Work in progress	(26.4)	(11.9)
Other working capital movements	(8.9)	(28.3)
Capex and investments net of depreciation	(0.6)	(2.7)
Tax, financing and dividends	(32.8)	(36.7)
Issue of shares	0.2	0.1
Net cash flow	<u>(60.4)</u>	<u>(59.4)</u>
Net debt brought fwd	<u>(177.6)</u>	<u>(129.8)</u>
Net debt carried fwd	<u><u>(238.0)</u></u>	<u><u>(189.2)</u></u>

Capital Employed



	Dec 2007	Jun 2007	Dec 2006
	£m	£m	£m
Fixed assets and investments	27.6	28.6	28.5
Stock	1,020.3	988.7	915.0
Land creditors	(92.6)	(124.2)	(90.2)
Other assets/(liabilities) excl net debt	(136.2)	(143.8)	(125.1)
Pensions	7.1	6.1	(2.6)
	<u>826.2</u>	<u>755.4</u>	<u>725.6</u>
Homes	807.8	726.5	702.2
Mixed Use & Regeneration	17.5	27.1	21.6
Other	0.9	1.8	1.8
	<u>826.2</u>	<u>755.4</u>	<u>725.6</u>

Stock



	Dec 2007	Jun 2007	Dec 2006
	£m	£m	£m
Land	637.2	634.0	576.0
Work in progress	342.8	306.8	301.9
Part Exchange	10.2	9.8	6.8
Showhomes	15.4	14.2	14.7
Homes	1,005.6	964.8	899.4
Mixed Use & Regeneration	14.7	23.9	15.6
Group	<u>1,020.3</u>	<u>988.7</u>	<u>915.0</u>

Financing



	Dec 2007 £m	Dec 2006 £m
Capital employed	826.2	725.6
Net debt	<u>(238.0)</u>	<u>(189.2)</u>
Net assets	<u>588.2</u>	<u>536.4</u>
Gearing	40%	35%
Interest cover - last 12 months*	7.0x	10.5x

Committed bank facilities total £480m

*continuing operations

Neil Fitzsimmons

Chief Executive

Chief Executive's Review



- Sales market and strategy
- Land market and strategy
- Outlook and prospects

Sales Market



- Sales Performance H1 2007/08
 - conditions became significantly more challenging
 - reflected impact of higher interest rates and credit squeeze
 - pricing in early months was in line with our expectations
 - took appropriate actions on selected sites to accelerate sales and save site based fixed costs

Sales Performance



H1 Sales Performance

	2007/08			2006/07		
	Homes	Regen	Total	Homes	Regen	Total
b/f	1,901	247	2,148	1,772	246	2,018
Sales	1,631	26	1,657	2,067	-	2,067
Legal completions	<u>(1,960)</u>	<u>(151)</u>	<u>(2,111)</u>	<u>(2,214)</u>	<u>-</u>	<u>(2,214)</u>
c/f	<u>1,572</u>	<u>122</u>	<u>1,694</u>	<u>1,625</u>	<u>246</u>	<u>1,871</u>

	Homes	Total
Sales in H1 2007/08	-21.1%	-19.8%
Forward sales at Dec 07	-3.3%	-9.5%

Sales Performance



Forward Sales

	Dec 2007	Dec 2006	
Signature	1,244	1,250	
In the City	109	186	
Debut	219	189	
	<u>1,572</u>	<u>1,625</u>	-3.3%
Regeneration	122	246	
	<u>1,694</u>	<u>1,871</u>	-9.5%

Sales Strategy



- Implementing sales strategies appropriate to each site
- Targeting reduction of investment on selected sites

Sales Strategy



re:assure
from REDROW

The help you need,
when you need it

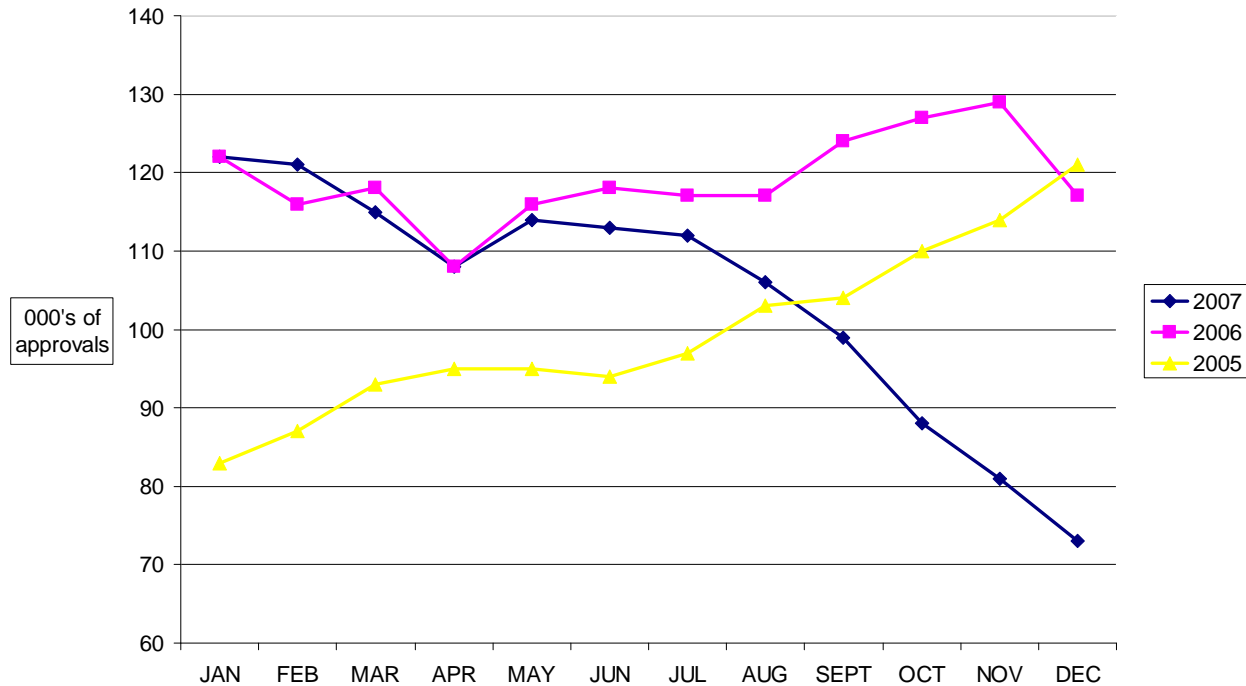
re:assure means that we'll help you every step of the way. At Redrow, we believe that you're looking for your perfect new home, not just a short-term deal. We have many ways we can help get you moving - and help you enjoy your new home in the long term too. With re:assure you can relax - your move will be as easy, affordable and hassle-free as possible. That's re:assure from Redrow - total peace of mind.

- Marketing campaign aimed at providing reassurance
- Maintain quality of product offering to customers

Sales Market



Monthly Mortgage Approvals for House Purchases



- Mortgage approvals for house purchases for 3 months ended December 07 were 35% lower than prior year
- Housing starts 10% down in Q4 of 2007 as compared with corresponding period in 2006

Sales Market - 2008



- Increase level of web based activity in 2008
- Pick up in visitors in Spring market to levels experienced in September/October – but 18% below 2007
- Cancellation rates improved in 2008 v Autumn 2007 (21% v 24%)

A screenshot of the REDROW website homepage. The page features a navigation menu with links like "HOME PAGE", "FIND A HOME", "BUYING GUIDE", "SELLING GUIDE", "CUSTOMER CHARTER", "WHAT REDROW DO", "FAQs", and "CONTACT US". A "Find a home" sidebar contains search filters for County, Town, Bedrooms, Minimum price, and Maximum price. The main content area has a banner for "We build only one home. Yours" with a photo of a house and a "My Redrow" sign. Below the banner are sections for "How Redrow can help you" and "Redrow features", both containing lists of links and benefits.

Sales Market - 2008



- Customers continuing to exhibit caution – lack of liquidity in second hand market
- Sales levels still affected by mortgage availability - reduction in mortgage approvals in Q4 of 2007



Sales Market - 2008



- Reviewed sales performance and reassessed volume expectations
 - reduction of c.3% on our previous expectations
 - 2007/08 volumes anticipated to be c.10% below last year
- Net selling prices after incentives under pressure for certain product sectors and geographic areas
- Some weakening in trading margins in the second half of the financial year expected

Land Market



- Retain focus on long term approach to land acquisition
 - forward land bank increased by 5% in last six months
- Prudent accounting approach to forward land
 - balance sheet does not recognise potential value



Peacock Farm, Bracknell

Land Market



- Selective approach in current land market
 - improved financial returns
 - high quality locations
 - strong product mix



Lymington, Southern

Current Land Bank Analysis



	Dec 2007	Jun 2007	Dec 2006
CURRENT LAND			
Land with planning	16,300	17,700	16,850
Land without planning	800	500	500
Contracted plots	2,800	2,500	3,850
	<u>19,900</u>	<u>20,700</u>	<u>21,200</u>

Homes : Land Owned with Planning



	Dec 07		Jun 07		Dec 06	
	Plots	Plot Cost £000	Plots	Plot Cost £000	Plots	Plot Cost £000
Plots b/f	17,280	36.3	16,600	33.3	16,500	31.0
Additions	918	63.7	3,656	42.4	2,489	42.6
Cost of sales	(1,960)	(27.9)	(2,514)	(26.1)	(2,214)	(27.2)
	<u>16,238</u>	<u>38.9</u>	<u>17,742</u>	<u>36.2</u>	<u>16,775</u>	<u>33.2</u>
Disposals	(207)	(12.9)	(462)	(32.6)	(175)	(25.7)
Plots c/f	<u>16,031</u>	<u>39.2</u>	<u>17,280</u>	<u>36.3</u>	<u>16,600</u>	<u>33.3</u>
ASP in period	£162,800		£158,100		£162,400	
Cost of sales in period as % of ASP	17.1%		16.5%		16.7%	
Estimated ASP at period end of owned land bank with planning	£179,000		£178,000		£175,000	
Plot cost at period end as % of estimated ASP of land bank	21.9%		20.4%		19.0%	

Forward Land



- Effective tool for securing long term source of land for the future
- Forward land options generally structured for land value to be determined at open market prices
- Discount applied to land value agreed at point of acquisition
- All option and pre-development expenditure provided for until land achieves planning consent and owned

Forward Land



	Dec 2007	Jun 2007	Dec 2006
Allocations	9,000	10,300	9,700
Realistic Prospect	<u>16,750</u>	<u>14,100</u>	<u>15,300</u>
	<u><u>25,750</u></u>	<u><u>24,400</u></u>	<u><u>25,000</u></u>

- North Cardiff c.1,900 plots transferred to Realistic Prospect from Allocations
- c.600 net additional units included in Allocations (ex North Cardiff)
- c.750 net additional units included in Realistic Prospect (ex North Cardiff)

Forward Land



- Opportunities on allocated sites with short term prospect of conversion
 - Exeter - 460 plots
 - Taunton - 360 plots
 - Lydney - 170 plots
 - High Wycombe - 250 plots
 - Northampton - 780 plots
 - Kettering - 325 plots
- Bishopton Community Growth Area confirmed in Glasgow & Clyde Valley joint structure plan by Scottish Executive
 - 2,500 new homes (Redrow share 1,600)
 - Over 100 acres for commercial and mixed use

Product



- Continued focus on differentiation through design and specification to maintain quality of offering to our customers
- Core House types in place to ensure tight management of cost efficiency in construction process, and enhance quality



Prospects



- 2008 – more difficult trading environment than the industry has experienced for many years
- Key issues:
 - confidence levels
 - interest rate environment
 - employment prospects
 - mortgage availability

Strategy



- Continue long term approach to land acquisition
- Exercise caution in current land market
- Focus on control and management of cost and cash
- Add value through design and specification as points of differentiation

Strategy



- Retain capability to capitalise on market improvements for benefit of shareholders
- Position business to take advantage of opportunities when confidence returns