Preliminary Results Presentation

Year to 30 June 2008

Tuesday 9 September 2008

REDROW

REDROW

Alan Bowkett

Chairman

Chairman’s Introduction

- Early recognition, by management team of industry issues
- Adjustment in strategy to prioritising of cash flow and reduction of cost
- Recognition of the impact of falling land values on net realisable value of land and work-in-progress
- Successful refinancing achieved with new £450m three year facility concluded in line with our timetable

Dividend

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- Recognition of importance of dividends
  - compound growth rate of over 20% per annum in 5 years to 30 June 2007
- Review of dividend policy
  - significant and rapid deterioration in market conditions that may persist for some time
- 2007/08 dividend of 9.3p per share (2007:15.6p) – no final dividend proposed
- Future Policy
  - dividends to reflect earnings and prospects
  - proposed payments would need to be at least 2 x covered by earnings

Neil Fitzsimmons

Chief Executive

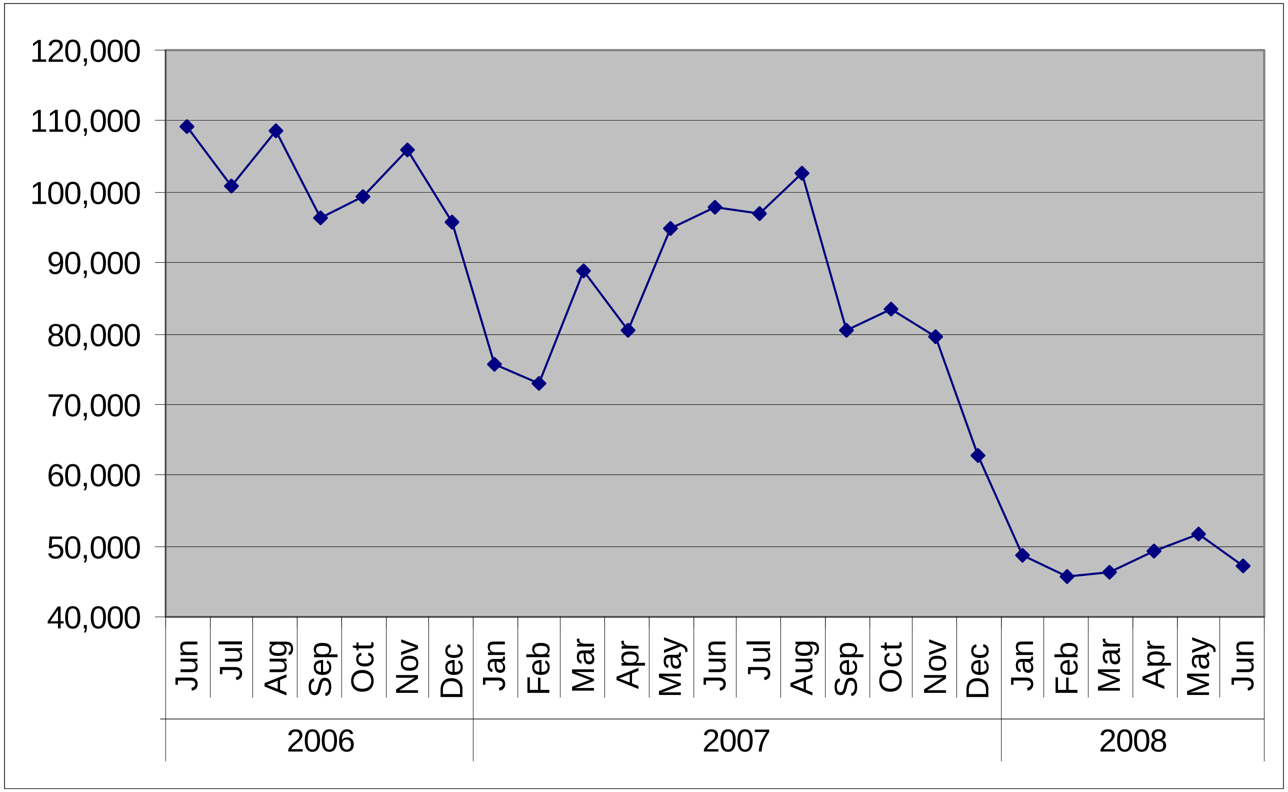
Market Conditions - Background

- Key issues
  - availability and terms of mortgage finance
  - homebuyer confidence

- Impact
  - reduction in transaction levels across the housing market
  - net selling prices and margins under pressure

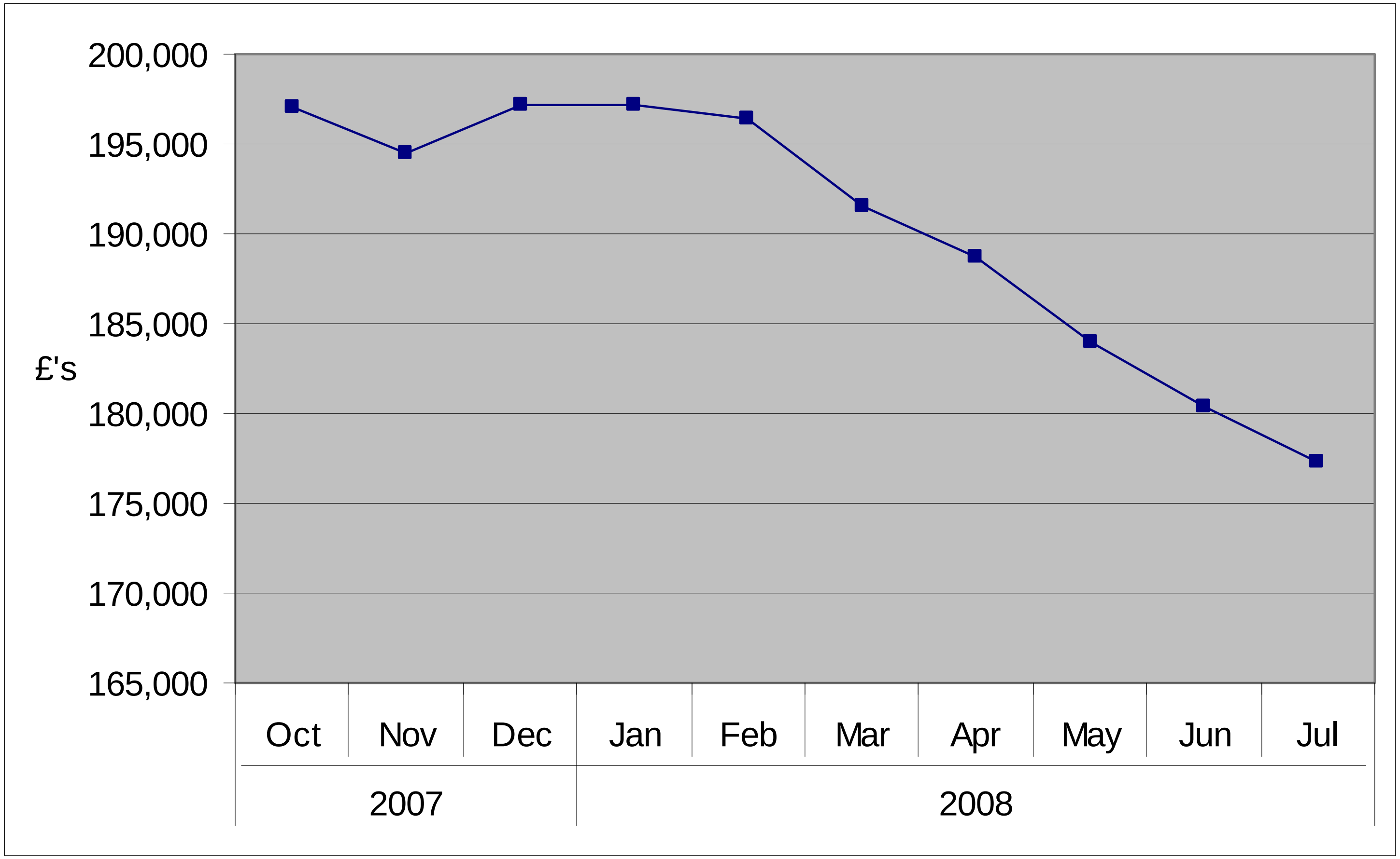
Market Conditions – Mortgage Approvals

- Mortgage approvals down c70% in the last 18 months from their 2006 peak



Market Conditions – House Prices

- Average house prices have fallen 9.6% in 10 months according to Halifax data



Market Conditions – Comparison v 1988/93

- Mortgage Approvals

  2007/08 – 69% reduction in 18 months

  1988/93 – 31% reduction in first 18 months

- House Prices

  2007/08 – 9.6% reduction in 10 months

  1988/93 – 1.8% reduction in first 10 months

Market Conditions –
Redrow Sales Performance

	2007/08 units	2006/07 units	
b/f July	2,148	2,018	+6.4%
Sales	1,657	2,067	-19.8%
Completions	(2,111)	(2,214)	-4.7%
c/f Dec	1,694	1,871	-9.5%
Sales	1,309	2,886	-54.6%
Completions	(1,814)	(2,609)	-30.5%
c/f June	1,189	2,148	-44.6%

Market Conditions – Redrow Sales Performance

- A game of two halves
- Net reservations in H2 – down 55% (20% in H1)
- Limited opening of new outlets to manage capital employed – current active sites 93
- Cancellation rates in H2 c30% - above historic rates

Operational Response

- 2 principal elements
  - management of cash flow - £128.9m of cash flow generation pre land payments, tax and dividends in 2007/08
  - control of cost base - £15.1m of annual cash savings in headcount anticipated in 2008/09

Operational Response – Sales Strategy

- Reviewed sales strategy on a site by site basis
- Appropriate balance between value and cash generation
- Limited use of part exchange (£13.7m at June 2008)
- No use of shared equity up to 30 June (except Debut easi:buy - £2.9m)
- Q4 increased emphasis on cash generation in severe market conditions

Operational Response – Land Market

- Generated £29m of cash from land sales during last financial year
- Limited activity in current land market acquiring 1,250 plots in 2007/08 (400 in H2)
- Owned land bank with planning reduced to 14,900 plots at 30 June 2008 (June 2007:17,700)
- Land payments in 2007/08 of £122.9m including land creditors (2006/07:£240.9m)
- Managed commitments to new opportunities for contracts and pull through from forward land
- Contracted land reduced to 1,550 plots at 30 June 2008 (June 2007:2,500)
- Pull through from forward land limited to ensure we secure appropriate value
- Prudent accounting policy relating to fees and option costs

Operational Response – Build Expenditure

- Cash based approach to commencement of new outlets/social housing
- Curtailing infrastructure investment on existing sites
- Management of fees and section payments
- Tight control of build stage releases matched to sales
- Focus on disposal of stock/watertight properties
- Limited exposure to speculative commercial development

Operational Response – Unsold Units

Issues

- Speed of market movement in 2008
- Reduction in anticipated 2007/08 legal completions following Spring market – 200 units

Position – excluding ITC developments

- Plots at Handover/Final build stage at 30 June 2008

Domestic sale apartments	269	
Debut plots	63	
Other	350	– approximately 4.5 units per site
Total	682	

- Opportunity to convert to cash to reduce debt

Operational Response – ITC Schemes/Regeneration

- Jupiter/Hemisphere
  - build 99% completed at Hemisphere and 92% complete at Jupiter – limited cash out flow in 2008/09
  - unsold units at 30 June 2008

Jupiter	196
Hemisphere	214

  - opportunity to convert to cash to reduce debt
- Barking – Phase 2
  - contract 39% complete at 30 June 2008
  - 2008/09 construction expenditure of £22m
  - residential element c75% sold
  - all units for handover in 2008/09 are sold
  - commercial element 65% pre let

Operational Response – Cost Control

- Headcount/offices
  - Jan/Feb 2008 closed Exeter satellite office
  - reduction in headcount January 2008 to June 2008 – 160 people
  - Q1 2008/09 closed Preston Brook and Basingstoke offices reduction in headcount – 350 people
  - 39% reduction in number of employees since 1 January 2008
  - cost of post year end restructuring c£3.0m in 2008/09 as an exceptional item

Operational Response – Cost Control

- Headcount/offices
  - annual cash saving £15.1m of which 50% in administrative expenses and 50% in site overheads
  - annual run rate for administrative expenses reduced to approximately £32m with effect from 1 September 2008
  - limited remaining employee costs as regards salary and bonus

Operational Response – Cost Control

- Build Cost
  - maximise benefits of Group buying with suppliers in current markets
  - material cost base reduced by c3% in last six months
  - positive engagement with subcontractors to reduce labour rates
  - labour rates reduced depending on trade and geographic location

David Arnold

Group Finance Director

Financial Overview

- Financing
- Land - Calculation of NRV and Provisions
- Balance Sheet
- Cashflow
- Income Statement

Financing

- All covenants complied with as at June 2008
- As scheduled, new syndicated facility signed to replace existing facilities which were due to mature in Autumn 2009
- Strong relationship banking group of six lenders fully supported new agreement

New Facilities

- New £450m syndicated facility comprises
  - £275m revolving credit facility maturing Sep 2011
  - £175m term loan amortising from Feb 2009 to March 2011
- Financial covenant package appropriate to expected trading environment and encompassing
  - cash flow cover
  - net assets
  - gearing
- Financing costs will increase to reflect higher margins and fees prevailing in current banking environment

Land – Net Realisable Value

- Full review undertaken as at 30 June 2008 to consider net realisable value (NRV) of land as required under IAS 2 ‘Inventories’
- Directors commissioned independent review to support process
- Land is not a “widget”
  - cost generally represents a significant element of end selling price
  - stock turn is low (historically 3-4 years holding relative to completions)
  - land is traded in a market where values largely determined on a ‘residual value’ basis

Land – Net Realisable Value

- NRV was calculated by differentiating between land where
  - homes were under construction (Type 1); and
  - house build had not commenced and land could be identified as a distinct parcel (Type 2)
- Type 1 land is generally short/medium term in its development horizon
- Type 2 land is more medium/long term in nature with greater uncertainties

Calculation of Net Realisable Value on Type 1 Land

- Future selling prices and costs (including sales & marketing expenses) were estimated reflecting the current, cash based focus of the business
  - private apartments – selling prices were calculated using a yield based approach relative to market rents
  - other homes – realistic view of current selling prices with further allowance for 5% price reduction
- To the extent that a plot is forecast to make a loss after sales and marketing costs (but before overheads), a provision has been made
- Total provision on Type 1 Land = £41m

Calculation of Net Realisable Value on Type 2 Land

- Sites were re-appraised on current selling prices
- We assessed the NRV of the land using a financial return higher than hurdle rates in a normal land market, taking into consideration current market conditions and the prevailing financing environment
- To the extent that the residual land valuation was lower than the current balance sheet value, a provision was made
- Total provision on Type 2 Land = £218m

Summary of Net Realisable Value Provisions

	Type 1 Plots in Development	Type 2 Plots not Commenced	Total
No of plots	5,400	9,500	14,900
Average Selling Price (£000s)	141	179	165
Turnover (£m)	761	1,704	2,465
Provision (£m)	41.3	218.1	259.4
Land value pre-provision (£m)	195.0	413.8	608.8
Total provision as % of pre-provision land value	21.2%	52.7%	42.6%
Analysis of provision	£m	£m	£m
Land	27.8	195.6	223.4
WIP	13.5	22.5	36.0
Total	41.3	218.1	259.4
	Near term	Longer term	

Some element of net realisable value provision attributable to WIP but ultimate impact on future income statement identical

Capital Employed Summary

	Jun-08	Dec-07	Jun-07
	£m	£m	£m
Fixed Assets and investments	25.1	27.6	28.6
Stocks	755.9	1,020.3	988.7
Land creditors < 1 year	(68.5)	(61.4)	(75.4)
Land creditors > 1 year	(24.1)	(31.2)	(48.8)
Other (liabilities) excl. net debt	(127.2)	(122.7)	(127.5)
Net deferred tax asset	31.4	0.6	0.4
Current tax asset/(liability)	35.5	(14.1)	(16.7)
Pensions	(0.2)	7.1	6.1
Capital employed	627.9	826.2	755.4
Net debt	(223.3)	(238.0)	(177.6)
Net assets	404.6	588.2	577.8
Gearing	55%	40%	31%

Cash Flow

	Year to June	
	2008	2007
	£m	£m
Operating profit (pre-exceptional items and JVs)	84.5	136.6
Decrease/(increase) in land	32.6	(118.4)
(Increase) in WIP	(59.2)	(20.7)
Increase/(decrease) in land creditors	(31.6)	45.9
Movement in other assets/(liabilities)	(6.5)	(13.5)
Capex and investments net of depreciation	2.4	(3.1)
Tax	(24.4)	(35.2)
Interest	(16.2)	(13.1)
Dividends	(27.3)	(26.3)
Net cash flow	(45.7)	(47.8)
Net debt brought forward	(177.6)	(129.8)
Net debt carried forward	(223.3)	(177.6)

Land Cash Commitments

	2009/10	2008/09	2007/08	2006/07
	Forecast	Forecast	Actual	Actual
	£m	£m		
Contracted commitments	14.4	18.1		
Land creditor payments	18.7	68.7		
Actual/committed land payments	33.1	86.8	122.9	240.9

NB 90% of total committed payments in 2008/09 are in H1

Income Statement

	2008 Pre- exceptional £m	2008 Exceptional £m	2008 Total £m	2007 £m
Revenue	650.1		650.1	834.3
Gross (loss)/profit	120.5	(259.4)	(138.9)	183.0
Administrative expenses	(36.0)		(36.0)	(46.4)
Operating (loss)/profit	84.5	(259.4)	(174.9)	136.6
Interest	(18.0)		(18.0)	(15.3)
Share of joint ventures after interest & tax	(1.0)		(1.0)	(0.2)
(Loss)/profit before tax from continuing operations	65.5	(259.4)	(193.9)	121.1
Income tax expense	(19.5)	75.4	55.9	(36.1)
(Loss)/profit for the period from continuing operations	46.0	(184.0)	(138.0)	85.0

Operating Profit Analysis

		2008 Pre-exceptional £m	2008 Exceptional £m	2008 Total £m	2007 £m
Revenue					
Homes	– home sales	591.0		591.0	757.0
	– land sales	29.3		29.3	38.6
Homes	– total	620.3		620.3	795.6
Mixed Use & Regeneration		29.8		29.8	38.7
		650.1		650.1	834.3
Profit					
Gross Profit	– home sales	99.8	(259.4)	(159.6)	159.6
	– land sales	17.0	–	17.0	15.1
Gross Profit	– Homes	116.8	(259.4)	(142.6)	174.7
Homes administrative expenses		(34.4)	–	(34.4)	(45.0)
Homes operating profit		82.4	(259.4)	(177.0)	129.7
Mixed Use & Regeneration - operating profit		0.9	–	0.9	6.6
Add back share of joint venture operating losses		1.2	–	1.2	0.3
Operating profit before financing costs		84.5	(259.4)	(174.9)	136.6

This slide has been produced to assist with Analysts' modalling. In future a single business will be reported.

Homes – Analysis of Revenue and Profit

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	6 months ending			
	Jun-08	Dec-07	Jun 07	Dec 06
Legal Completions	1,814	1,960	2,514	2,214
ASP (£000s)	150.0	162.8	158.1	162.4
Revenue	£m	£m	£m	£m
Home sales	271.9	319.1	397.4	359.6
Land sales	22.5	6.8	17.1	21.5
Homes total	294.4	325.9	414.5	381.1
Profit				
Homes - gross profit	40.8	59.0	85.4	74.2
Homes - admin expenses	(14.5)	(19.9)	(22.3)	(22.7)
	26.3	39.1	63.1	51.5
Land sales	14.2	2.8	7.3	7.8
Homes - operating profit	40.5	41.9	70.4	59.3
Gross margin ex land sales	15.0%	18.5%	21.5%	20.6%
Admin expenses as % of Home sales	5.3%	6.2%	5.6%	6.3%

Neil Fitzsimmons

Chief Executive

Outlook and Strategy - Agenda

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- Sales environment and strategy
- Land bank and strategy
- Approach to product
- Platform for growth

Outlook and Strategy – Sales Environment

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- Sales position
  - forward sales at 30 June 2008 down 45% at 1,189 (2007:2,148)
  - private sales in first ten weeks
    - 48% down on prior year
    - 0.29 per outlet per week c27 per week
    - ASP c£150,000
- Cumulative sales for 2008/09 at 7 September 2008 at 1,050

Outlook and Strategy – Sales Approach

- Mortgage market expected to remain tight for some time to come
- Homebuyer confidence unlikely to improve in the short term
- Retain strong focus on reducing stock of finished properties to optimise cash flow
- Price product in relation to site and competition but to generate appropriate cash flow
- Retain cautious approach to part exchange and shared equity
- Explore opportunities in Government initiatives announced
    - Clearing house
    - Home buy

Outlook and Strategy – Land Bank

- Land Bank Analysis (Plots)

		Jun 08	Jun 07
Current Land			
Land owned with planning		14,900	17,700
Contracted plots		1,550	2,500
		16,450	20,200
Forward land			
Land owned without planning		900	500
Options	- Allocations	8,700	10,300
	- Realistic prospect	16,550	14,100
		26,150	24,900

Outlook and Strategy – Land

- Strategy
  - review all existing land holdings to optimise value
    - product mix
    - planning gain
    - change of use
  - retain cautious approach to land commitments
    - opportunities to control land without fixing value
    - optimise existing forward land sites
  - reappraise growth profile of Redrow Regeneration

Outlook and Strategy – Owned Land Bank with Planning

	Jun-08	Jun-07	Jun-06
Scotland/North	5,145	6,355	6,110
Midlands/South West	5,980	7,410	7,665
South East	3,775	3,935	2,975
	14,900	17,700	16,750

	%	%	%
Scotland/North	34.5	35.9	36.5
Midlands/South West	40.1	41.9	45.7
South East	25.4	22.2	17.8
	100.0	100.0	100.0

- Repositioned land bank to provide more balanced geographic coverage – 25% in South East

Outlook and Strategy – Owned Land Bank with Planning

	Jun-08	Jun-07	Jun-06
Signature	13,700	15,710	14,310
ITC/Regen	690	1,130	1,540
Debut	510	860	900
	14,900	17,700	16,750

	%	%	%
Signature	91.9	88.8	85.4
ITC/Regen	4.6	6.4	9.2
Debut	3.5	4.8	5.4
	100.0	100.0	100.0

- Focus on Signature range – simplify business and de-risk product profile
- All contracted plots are Signature product

Outlook and Strategy – Key Forward Land Opportunities

Total Forward Land Bank at 30 June 2008 – 26,150 (2007:24,900)

- Sites with planning
  - Liverpool – 520 plots (owned)
- Resolutions to grant
  - Exeter – 480 plots (option)
  - Taunton – 350 plots (option)
- Planning applications submitted
  - Northampton – 850 plots (option)
  - Kettering – 325 plots (option)
  - Bishopton – 1600 plots (option)
  - Swindon – 900 plots (option)

Outlook and Strategy – Product Development

- Focus on Signature Product
- Importance of product differentiation in normal markets
  - enhance sales rate
  - enhance value
- Reviewing core housetypes – Product Development Committee
  - specification
  - floor plans
- Retain Design philosophy – Design Centres
  - optimise product mix
  - develop high quality street scenes/layouts
  - attention to public realm/landscaping

Outlook and Strategy – Platform for Growth

- Retained geographical coverage – 8 offices

  Scotland – Falkirk

  North – Chorley

  Yorkshire – Wakefield

  Midlands – Tamworth

  South Wales – Cardiff

  South West – Bristol

  South Midlands – Northampton

  Eastern – Basildon

- Capacity of at least 4000 units in medium term

Outlook and Strategy – Platform for Growth

- Action taken
  - amended land strategy to reflect market conditions
  - strict control on build expenditure and commitment to infrastructure
  - decisive action on cost base completed
  - prudent review of net realisable value of land holdings reflecting market movement
  - new facilities in place with appropriate covenants and extended maturity

Outlook and Strategy – Platform for Growth

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- Short term objectives
  - reduce debt level over next two year period with strong focus on cost control
  - position balance sheet to be opportunistic in current land market
  - continue to progress forward land bank
  - opportunity to review our product offering
- Experienced senior management team with short lines of communication to our operating companies
- Fundamental under supply of homes in the UK still provides opportunity for the future

‘Our goal is to have Redrow correctly positioned to restore profitability and deliver growth when homebuyer confidence and normal levels of activity return as they inevitably will in due course’