



Interim Results Presentation

6 Months to
31 December 2008

Tuesday 24th February 2009





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Alan Bowkett

Chairman

Chairman's Introduction



- Unprecedented economic climate reflected in Interim Results
- Market remains very challenging - expectation of difficult trading environment for some time to come
- Implementation of strategy to reduce cost base and manage cash flow
- Cost and debt reduction programmes ahead of plan
- Business has not lost sight of its customers – product development to enhance appeal in the market
- Structure and skill base in place to accommodate growth when conditions improve



Neil Fitzsimmons

Chief Executive

Market Conditions

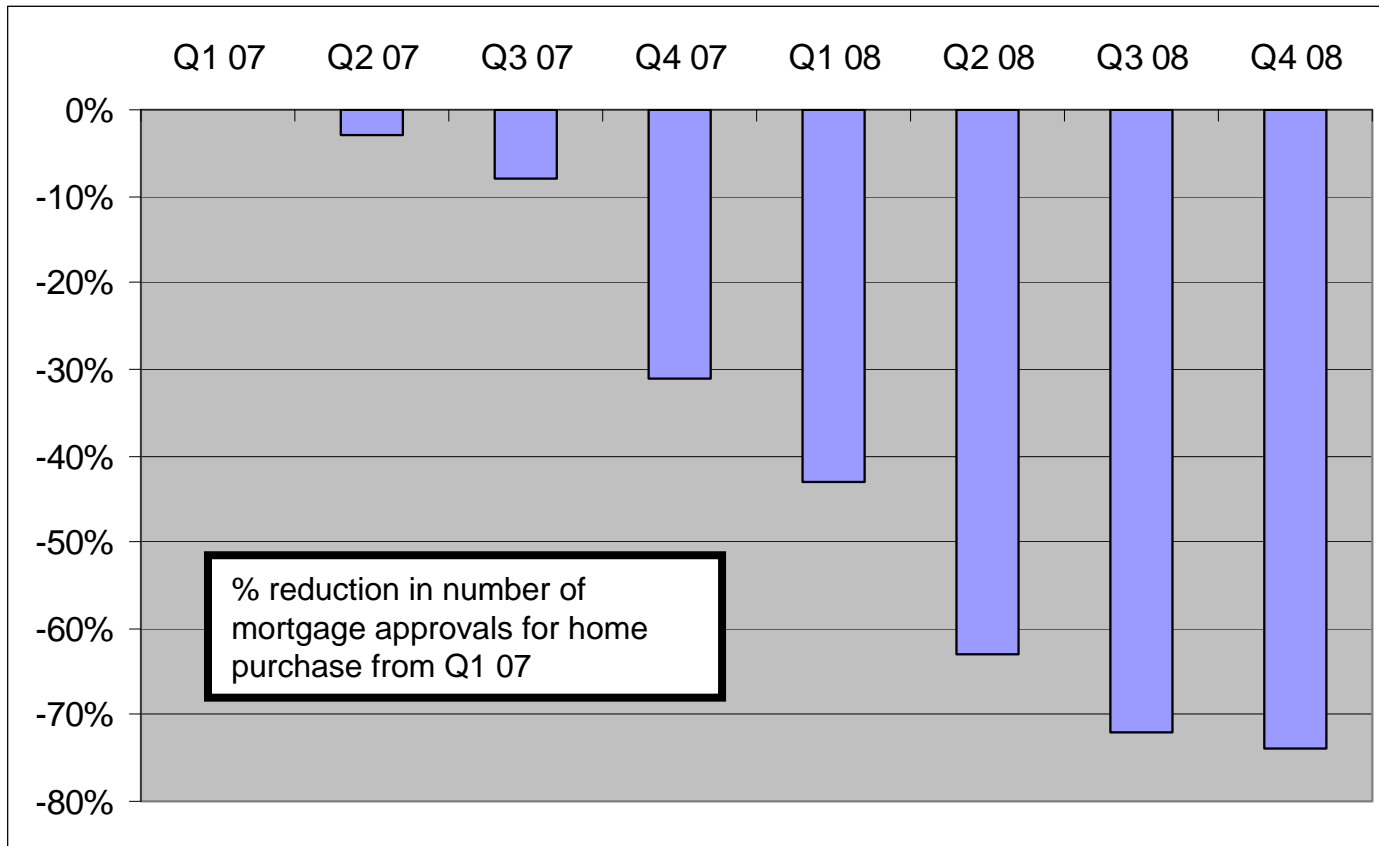


- Key issues
 - availability of mortgage finance restricted
 - unemployment increasing
 - consumer confidence remains weak
 - selling prices under pressure
 - transactions at historically low levels

Mortgage Availability



- Mortgage approvals 30,000 per month in Q4 08 – 63% down on Q4 07
- Q4 2008 annualised rate – 360,000 (Q1 2007 annualised rate – 1.4 million)



Source : Bank of England (seasonally adjusted)

Mortgage Market

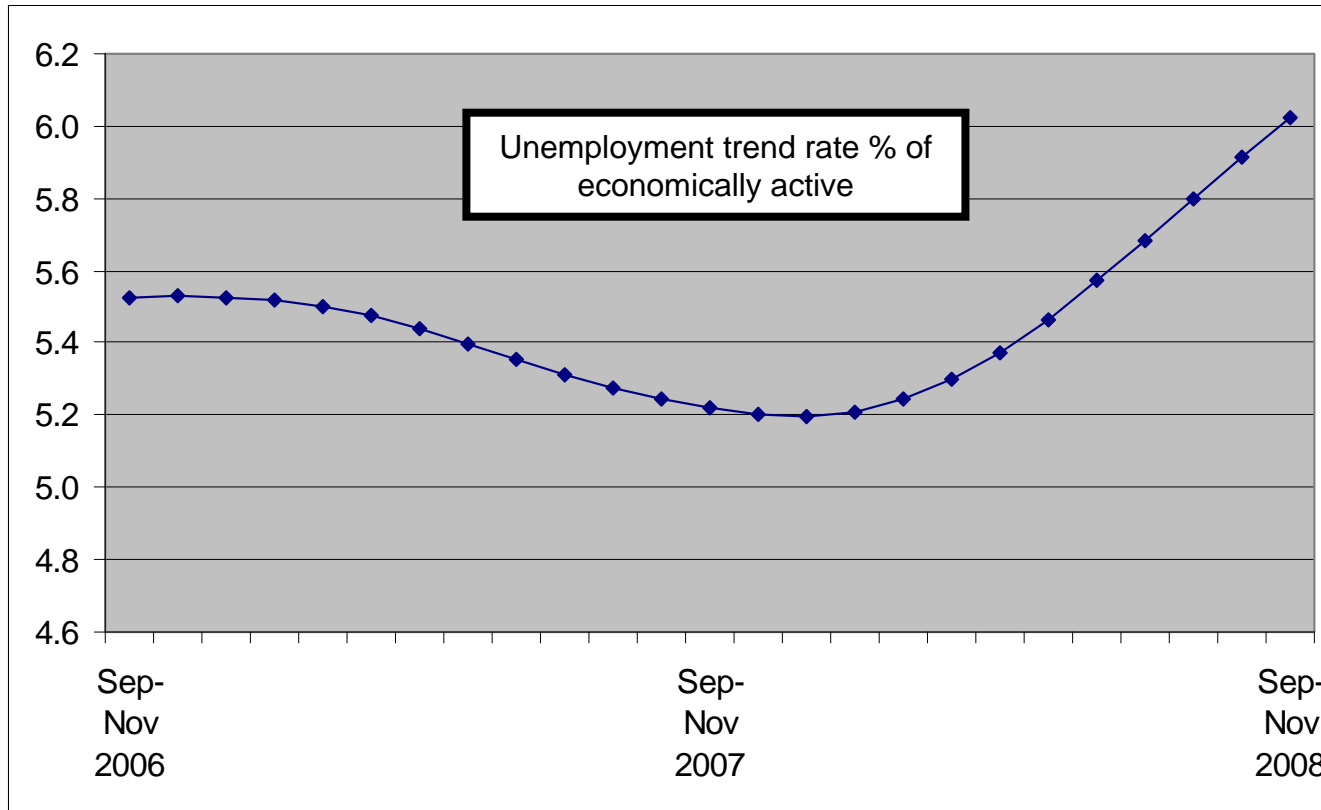


- Significant reduction in number of active lenders witnessed during 2008
- Principal players now LBG (HBOS), RBS, Nationwide and Abbey
- Loan to Value ratios continuing to reduce – LBG reduced to 80%
- Pricing on higher LTV products has reduced demand for these mortgages

Unemployment Increasing



- Unemployment at 31 December at highest level since 1998 – 1.97m or 6.3%
- Forecast of significant increases in job losses in 2009

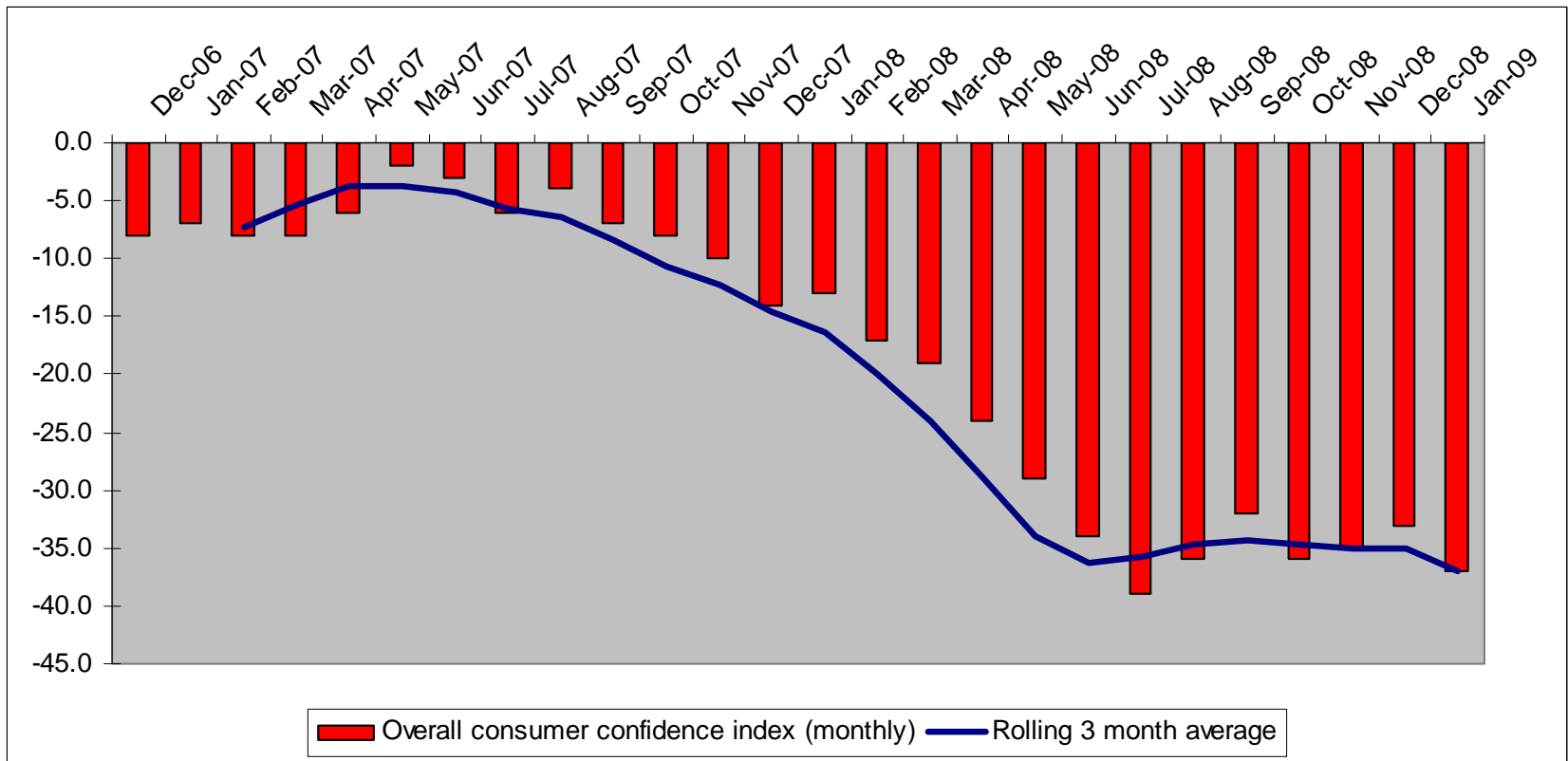


Source: ONS

Consumer Confidence



- Consumer confidence remains very low

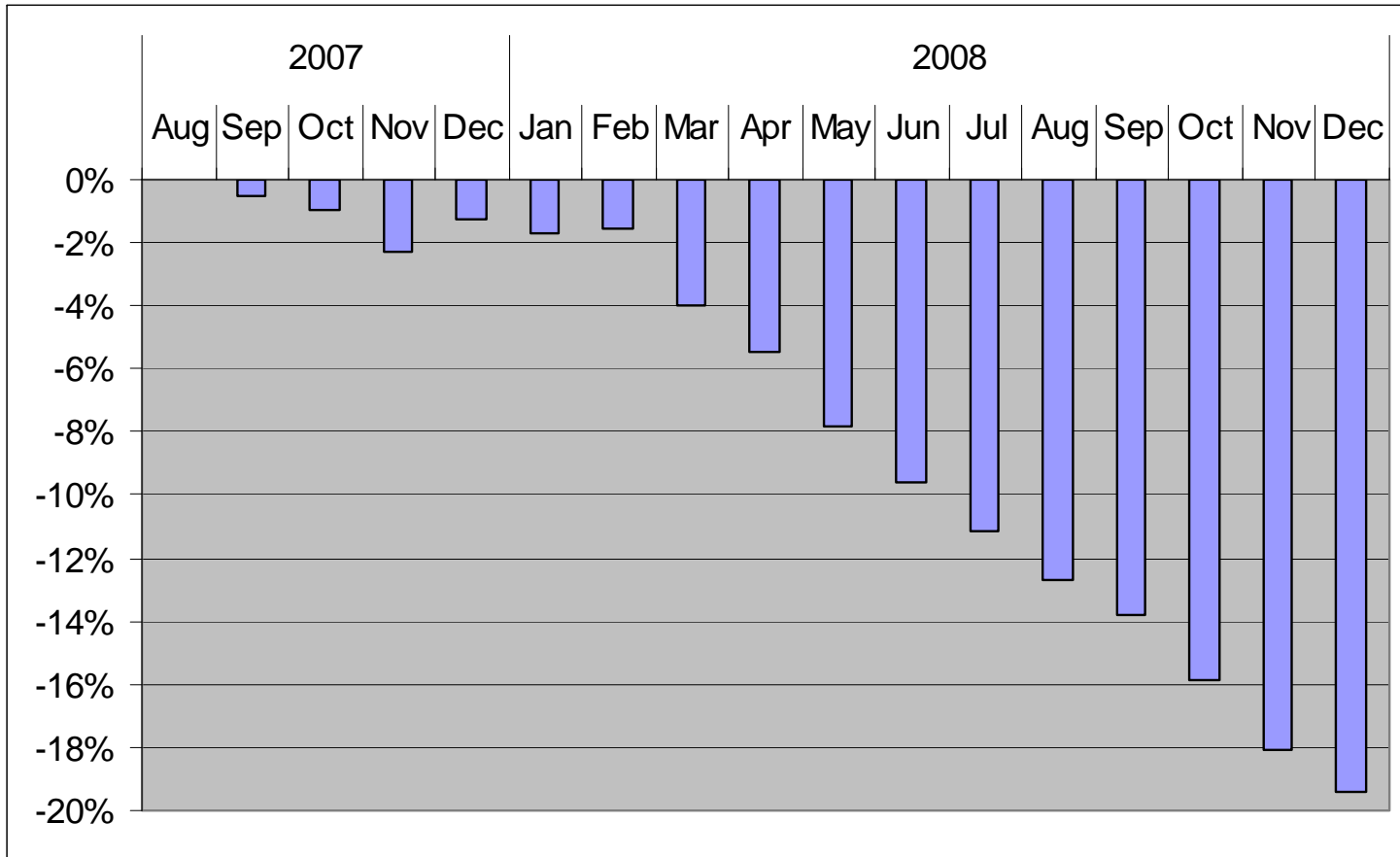


Source : GfK NOP Consumer Confidence Barometer

Selling Prices



- In December 2008 house prices were down 19% from their peak in August 2007



Source : HBOS (seasonally adjusted)

Selling Prices



- House price indices – 2008 annual fall in selling prices c.16%
- Estimate 10% decline in H2 of 2008
- Average selling prices now at mid 2004 levels – c. £160,000 (HBOS)
- Affordability significantly improved – 4.4x earnings v 5.7x peak (HBOS)
- Transaction levels very weak – new orders for private homes in Q4 2008 down 57% v Q4 2007

Management Response



- Sales – sales rates achieved to deliver debt reduction plan
- Stock – 50% reduction in Signature and Debut completed properties
- Land bank - £66.1m contracted land spend in H1; £18m contracted land spend in H2
- Cost control – significant reductions delivered across all major cost areas
- Cash flow – management of business has delivered debt level ahead of plan

Sales Reservation Performance



- Private sales reservations averaged 27 per week at annualised rate of 15.3 per site

	2008/09 H1	2007/08 H1	
b/f	1,189	2,148	-44.6%
Sales reservations	853	1,657	-48.5%
Completions	<u>(1,042)</u>	<u>(2,111)</u>	-50.6%
c/f	<u>1,000</u>	<u>1,694</u>	-41.0%

Sales Reservation Performance



- 89 sites at December 2008 including 5 Debut and 3 'In the City'/Regen

	2008/09 H1	2007/08 H1	
Signature	802	1,369	-41.4%
Debut	27	139	-80.6%
'In the City'/Regen	24	149	-83.9%
	<u>853</u>	<u>1,657</u>	-48.5%

Inventory – Signature and Debut



- Cash lock up on Signature and Debut WIP reduced by £47m
- Unsold Signature/Debut plots at and above watertight reduced by 25% to 1,068
- Includes unsold Signature/Debut plots at handover/final build stage – down 48%

	Dec-08	Jun-08	
Apartments	124	269	-54%
Debut	63	63	–
Homes	166	350	-53%
	<u>353</u>	<u>682</u>	-48%

Inventory – ITC/Regeneration



'In the City' – Jupiter/Hemisphere

- Construction of both schemes complete - cash outflow £3.5m in H1
- 26 legal completions in the period – generated £2.7m
- Jupiter/Hemisphere unsold stock units = 384 at 31 Dec 08

Regeneration – Barking

- Construction 64% complete – £13.9m expenditure in H1
- Cost to complete c.£16.0m to March 2010

Optimising Land Bank



- Action taken to address net realisable value at June 2008
 - appropriate disposals in the period (cash proceeds of £2.4m)
 - consider suitability for alternative uses e.g. care homes
 - replan sites to embrace more appropriate product for current environment
- Sites not started appraised to assess immediacy of cash returns
 - 13 sites identified for potential start in 2009

Reduction in Cost Base



- Major cost reduction programme implemented already delivering significant savings
- Expected to deliver approximately £40m reduction (c.40%) in annualised run rate for sales and marketing, site related overheads and administration costs
- 50% reduction in site overheads in H1 08/09 v H1 07/08
- 40% reduction in sales and marketing spend in H1 08/09 v H1 07/08

Restructuring – H1 2008/09



- Delivered £15.1m annual cash saving including £7.5m reduction in annual running rate of administration costs
 - Q1 2008/09 closed Warrington and Basingstoke offices reduction in headcount – 350 people
 - Further redundancies in Q2 undertaken, principally at site level
 - 43% reduction in number of employees since 1 January 2008
 - 740 employees at 31 December 2008
- 40% reduction in annualised run rate of administration costs from June 2009 v June 2007

Build Cost Reductions



- Subcontractor rates weakening significantly against backdrop of very low construction activity
- Cost of materials easing – upward pressure in some products with reductions in others
- Targeting further build cost reductions through engaging with subcontractors and leveraging central procurement approach
- 10% reduction in like for like build costs in last 12 months
- Lower build costs to benefit future construction but not stock



David Arnold

Group Finance
Director

Financial Overview



- Income statement
- Exceptional items
- Balance sheet
- Cashflow
- Financing

Income Statement



	2008	6 months to Dec 2008	2008	6 months to Dec 2007
	Pre- exceptional	Exceptional items	Total	
	£m	£m	£m	£m
Revenue	149.5		149.5	353.1
Gross (loss)/profit	8.4	(23.7)	(15.3)	65.5
Administrative expenses	(17.1)	(1.3)	(18.4)	(20.6)
Operating (loss)/profit	<u>(8.7)</u>	<u>(25.0)</u>	<u>(33.7)</u>	<u>44.9</u>
Interest	(12.4)		(12.4)	(8.7)
Share of joint ventures after interest & tax	(0.1)		(0.1)	(0.4)
(Loss)/profit before tax from continuing operations	<u>(21.2)</u>	<u>(25.0)</u>	<u>(46.2)</u>	<u>35.8</u>
Income tax credit/(expense)	5.9	7.0	12.9	(10.6)
(Loss)/profit for the period from continuing operations	<u>(15.3)</u>	<u>(18.0)</u>	<u>(33.3)</u>	<u>25.2</u>

Legal Completions Product Profile



	H1 08/09	H1 07/08	Movement
<u>Completions</u>	Units	Units	
Signature	901	1,575	-42.8%
'In the City'	36	182	-80.2%
Debut	46	203	-77.3%
Regeneration	59	151	-60.9%
	<u>1,042</u>	<u>2,111</u>	<u>-50.6%</u>
	£000	£000	
<u>ASP</u>			
Signature	141.9	168.9	-16.0%
'In the City'	130.6	196.7	-33.6%
Debut	72.5	85.3	-15.0%
Regeneration	177.5	161.6	+9.8%
	<u>140.5</u>	<u>162.7</u>	<u>-13.6%</u>

Margin Analysis



	%
Operating margin - H1 07/08	12.7
Operating margin - H1 08/09	<u>(5.8)</u>
Operating margin movement	<u>(18.5)</u> %pt

	%pt	
Pricing and mix	(13.3)	HBOS index –13.4% (Sept 08 vs Sept 07)
Site overheads and sales costs	(2.0)	Reduction of 50% in site overheads and 40% in sales costs
Land cost of legal completions	2.3	5.4% benefit from NRV provision release
Other (incl. options, land sales etc)	<u>0.1</u>	
Movement in gross margin	(12.9)	
Overheads	<u>(5.6)</u>	Annual rate reduced to £28.5m from 1 July 09
Movement in operating margin	<u>(18.5)</u> %pt	

Exceptional Items



	H1 08/09	
<u>Restructuring</u>	£m	£m
Cash costs	3.1	
Pensions curtailment benefit	<u>(1.8)</u>	
Net cost of restructuring		1.3
<u>NRV Provisions</u>		
Type 1 land	22.0	
Type 2 land	<u>1.7</u>	
Total NRV provisions		<u>23.7</u>
Exceptional items		<u>25.0</u>

NRV Provisions



	Type 1 Plots in Development	Dec-08 Type 2 Plots not Commenced	Total	Type 1 Plots in Development	Jun-08 Type 2 Plots not Commenced	Total
Plots	4,700	9,850	14,550	5,400	9,500	14,900
Land cost (£m)	179.7	416.3	596.0	195.0	413.8	608.8
NRV Provision (£m)	55.3	212.2	267.5	41.3	218.1	259.4
NRV as % of land cost	30.8%	51.0%	44.9%	21.2%	52.7%	42.6%

Analysis of provisions (£m)

Land	37.1	189.7	226.8	27.8	195.6	223.4
WIP	18.2	22.5	40.7	13.5	22.5	36.0
Total	<u>55.3</u>	<u>212.2</u>	<u>267.5</u>	<u>41.3</u>	<u>218.1</u>	<u>259.4</u>

Capital Employed Summary



	Dec-08	Jun-08	Dec-07
	£m	£m	£m
Fixed assets and investments	19.9	25.1	27.6
Stocks	688.5	755.9	1,020.3
Land creditors	(53.2)	(92.6)	(92.6)
Other assets	17.4	18.9	23.1
Other liabilities excl. net debt	(104.5)	(146.1)	(145.8)
Taxation assets/(liability)	67.5	66.9	(13.5)
Pensions	1.9	(0.2)	7.1
Capital employed	<u>637.5</u>	<u>627.9</u>	<u>826.2</u>

Net Assets



	Dec-08 £m	Jun-08 £m	Dec-07 £m
Capital employed	637.5	627.9	826.2
Net debt	(269.1)	(223.3)	(238.0)
Net assets	<u>368.4</u>	<u>404.6</u>	<u>588.2</u>
Net assets per share (p)	230.2	252.9	367.9
Gearing	73%	55%	40%

Share price at 20 February = 124.5p

Discount to NAV of 46% = c.£170m

Cash Flow – H1



	H1 08/09		H1 07/08	
	£m	£m	£m	£m
Operating (loss)/profit (pre-exceptional items and JVs)		(8.7)		44.9
Cash restructuring cost		(3.1)		–
Land payments		(66.1)		(96.0)
Decrease in land - completions/sales	26.5		59.2	
Decrease/(increase) in WIP	43.9		(26.4)	
Movement in other assets/(liabilities)	<u>(43.3)</u>		<u>(8.7)</u>	
		27.1		24.1
Capex and investments net of depreciation		1.9		(0.6)
Tax		13.5		(13.1)
Interest (including fees)		(14.6)		(7.3)
Dividends		–		(12.5)
Net cash flow		<u>(50.0)</u>		<u>(60.5)</u>
Net debt brought forward		(223.3)		(177.6)
Unamortised bank fees		4.2		0.1
Net debt carried forward		<u>(269.1)</u>		<u>(238.0)</u>

Cash Flow – H2



- Significant cash inflow expected to reduce net debt below £225m at June 09
- Lower land spend in H2 (£18.0m vs £66.1m in H1)
- Construction activity stabilised – lower rate of reduction in trade creditors and accruals in H2
- Tax repayment received in January 2009 of £27.5m

Financing



- All covenants complied with as at 31 December 2008
- Committed bank facilities mature 30 September 2011
- Headroom on committed facilities of £181m as at 31 December 2008
- Average interest rate currently just under 7.5% including
 - commitment fees
 - swaps (£100m at 4.8%)
 - amortisation of upfront fees over 2 years



Neil Fitzsimmons

Chief Executive

Outlook and Strategy



- Sales environment and strategy
- Cost savings
- Land bank and strategy
- Structure
- Outlook

Sales Environment



- Sales performance mildly encouraging in first 8 weeks
- Net sales of private homes averaged 41 per week – 50 per week last 4 weeks
- Sold c.80% of 2008/09 anticipated legal completions representing turnover of c.£245m

Sales Market



Unemployment increasing

FTB's – LTV/cost

Higher deposit needs

House price trends

Affordability improving

Alternative investment returns

Low mortgage costs

Government initiatives

**– Mortgage Liquidity /
Homebuy Direct**

Sales Approach



- Targeting sale of Signature/Debut work in progress
 - prices adjusted on sites not delivering appropriate sales rate
 - pricing set relative to local markets/competition
 - 80% of sales in 2009 at watertight or above
- Controlled use of part exchange/shared equity incentives
 - PX owned £7.1m at 16 February 2009 – 76% sold
 - shared equity £3.1m at 31 December 2008 – carried at c.40% of initial value
- Review alternative strategies to release investment from 'In the City' developments

Cost Savings



- Further review of cost base in January 2009
 - closure of company offices: Yorkshire at Wakefield and South Midlands at Northampton
 - redistribution of sites to North, Midlands and Eastern
 - cost savings through sharing of support services in South Wales/South West
 - review of cost base in Group Services
 - reduction in headcount of 90 people in 2009 – to 650 employees
- Annualised savings of c.£5.0m in administrative expenses with associated exceptional cost of £1.8m in H2 of 2008/09
 - annualised rate for administration costs £28.5m from July 2009
 - 40% reduction in annual run rate of administrative expenses since June 2007

Business Structure



- Six operating companies with 2 Regional Chairmen
 - capability to support growth to c.3,000 core product units per annum
- Retain ability to manage existing sites
- Focus on areas of brand strength and growth potential



Land Bank



- Land Bank Analysis (Plots)

	Dec-08	Jun-08	Dec-07
Current Land			
Land owned with planning	14,550	14,900	16,300
Contracted plots	750	1,550	2,800
	<u>15,300</u>	<u>16,450</u>	<u>19,100</u>
Forward land			
Land owned without planning	400	900	800
Options - Allocations	8,500	8,700	9,000
- Realistic prospect	16,500	16,550	16,750
	<u>25,400</u>	<u>26,150</u>	<u>26,550</u>

Land



- Cautious approach targeted on opportunities to control land without fixing values
- Progressing existing forward land sites and identifying new opportunities
- Managing forward land sites to deliver appropriate value for landowner and developer
- Controlling cash investment on new and existing opportunities
- Reviewing all land holdings to optimise value and cash flow
 - reassessing product mix
 - reviewing planning gain obligations
 - exploring change of use opportunities
 - assessing disposal/swapping of sites

Short Term Objectives



Focus continues to be debt reduction and management of cost base

- Sales teams motivated to achieve required level of turnover and reduce levels of unsold work in progress
- Construction teams embracing new operational practices to reduce site costs but maintaining quality of product and health and safety
- Technical/Commercial teams reducing construction cost through central procurement and partnering with subcontractors/suppliers
- Land and planning teams delivering and exploring opportunities to optimise value and release capital

A tight knit team with clear priorities and objectives

Capability to generate positive cash flow and reduce debt

Medium Term Strategy



Key elements in our strategy

- Continuing commitment to forward land opportunities
 - high quality land supply in good locations in the future
- Improve core product to offer compelling proposition to homebuyers
 - better rates of sale and then better margins when market improves
- Retention of a structure and skill base for the future
 - capacity and capability to accommodate growth

Outlook and Strategy



Outlook

- 2009 will be very challenging and cautious on prospects for 2010
- Difficult to predict extent and length of current recession

BUT

- Clear need for new homes in the UK when economic and homebuyer confidence is restored
- Provide opportunities to use our skill base, land holdings and differentiated product for the benefit of shareholders



‘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’

Legal Completions Product Profile



		6 months ended		
	Dec-08	Jun-08	Dec-07	Jun-07
<u>Completions</u>	Units	Units	Units	Units
Signature	901	1,463	1,575	2,004
'In the City'	36	129	182	243
Debut	46	222	203	267
Regeneration	59	–	151	95
	<u>1,042</u>	<u>1,814</u>	<u>2,111</u>	<u>2,609</u>
<u>ASP</u>	£000	£000	£000	£000
Signature	141.9	158.1	168.9	165.6
'In the City'	130.6	179.9	196.7	181.8
Debut	72.5	78.8	85.3	79.9
Regeneration	177.5	–	161.6	148.3
	<u>140.5</u>	<u>150.0</u>	<u>162.7</u>	<u>157.7</u>

Product Profile

Size And £ per Sq Ft



	6 months ended		
	Dec-08	Jun-08	Dec-07
<u>Ave Sq Ft</u>			
Signature	907	900	879
'In the City'	572	674	737
Debut	454	414	443
Regeneration	596	—	495
<u>Ave. £ per Sq Ft</u>			
Signature	156.4	175.8	192.3
'In the City'	228.4	266.7	266.9
Debut	159.9	190.2	192.6
Regeneration	297.8	—	326.5

Legal Completions

Geographic Profile



	Dec-08		6 months ended Jun-08		Dec-07	
	Units	%	Units	%	Units	%
<u>Completions</u>						
North	292	28.0	622	34.3	641	30.3
Midlands	154	14.8	291	16.0	350	16.6
South	301	28.9	462	25.5	586	27.8
West	295	28.3	439	24.2	534	25.3
	<u>1,042</u>	<u>100.0</u>	<u>1,814</u>	<u>100.0</u>	<u>2,111</u>	<u>100.0</u>
 <u>Ave. Selling Price</u>	£000		£000		£000	
North	140.8		152.9		150.1	
Midlands	118.0		135.9		133.3	
South	166.2		175.9		179.0	
West	<u>125.6</u>		<u>127.6</u>		<u>179.7</u>	
	<u>140.5</u>		<u>150.0</u>		<u>162.7</u>	

ASP Profile



	6 months ended							
	Dec-08		Jun-08		Dec-07		Jun-07	
<u>Completions</u>	Units	%	Units	%	Units	%	Units	%
Less than £100k	283	27.2	484	26.7	381	18.1	521	20.0
£100k - £125k	178	17.1	282	15.5	285	13.5	329	12.6
£125k - £150k	191	18.3	246	13.6	383	18.1	406	15.6
£150k - £200k	254	24.4	457	25.2	509	24.1	760	29.1
£200k - £250k	84	8.0	201	11.1	354	16.8	400	15.3
£250k - £300k	27	2.6	81	4.5	121	5.7	116	4.5
£300k +	25	2.4	63	3.4	78	3.7	77	2.9
	<u>1,042</u>	<u>100.0</u>	<u>1,814</u>	<u>100.0</u>	<u>2,111</u>	<u>100.0</u>	<u>2,609</u>	<u>100.0</u>

Interest Analysis



	6 Months to December	
	2008	2007
	£m	£m
Bank and pensions interest	11.4	7.1
Discount on land creditors	<u>1.0</u>	<u>1.6</u>
Interest charge	<u>12.4</u>	<u>8.7</u>

Analysis of Stock



	Dec-08	Jun-08	Dec-07
	£m	£m	£m
Land	369.2	385.4	646.6
Work in progress	295.5	336.9	347.8
Part exchange	7.8	13.7	10.5
Showhomes	16.0	19.9	15.4
	<u>688.5</u>	<u>755.9</u>	<u>1,020.3</u>

NRV Provisions - Movement



	Type 1 £m	Type 2 £m	Total £m
NRV Provision - June 08	41.3	218.1	259.4
Legal completions	(8.0)	–	(8.0)
Land sales	–	(7.6)	(7.6)
Additional NRV Provision	22.0	1.7	23.7
NRV Provision - Dec 08	<u>55.3</u>	<u>212.2</u>	<u>267.5</u>
Plots - June 08	5,400	9,500	14,900
Plots - Dec 08	4,700	9,850	14,550

Land Owned with Planning



	Dec-08		6 months ended Jun-08		Dec-07	
	Plots	Plot Cost £000	Plots	Plot Cost £000	Plots	Plot Cost £000
Plots b/f	14,900	25.1	16,300	38.6	17,700	35.4
Additions/plot substitutions	892	33.4	524	39.9	918	63.7
Cost of sales inc NRV provision releases	<u>(1,042)</u>	<u>(25.8)</u>	<u>(1,814)</u>	<u>(27.2)</u>	<u>(2,111)</u>	<u>(25.9)</u>
	14,750	25.5	15,010	40.0	16,507	38.2
Disposals inc NRV provision releases	<u>(200)</u>	<u>(7.1)</u>	<u>(110)</u>	<u>(55.4)</u>	<u>(207)</u>	<u>(12.9)</u>
Plots c/f	<u>14,550</u>	<u>25.8</u>	<u>14,900</u>	<u>39.9</u>	<u>16,300</u>	<u>38.6</u>
Additional land NRV provision		(1.2)		(14.8)		
		<u>24.6</u>		<u>25.1</u>		<u>38.6</u>

Owned Land Bank with Planning



	Dec-08	Jun-08	Dec-07	Jun-07
Signature	13,480	13,700	14,761	15,710
ITC/Regen	600	690	819	1,130
Debut	470	510	720	860
	<u>14,550</u>	<u>14,900</u>	<u>16,300</u>	<u>17,700</u>
	%	%	%	%
Signature	92.7	91.9	90.6	88.8
ITC/Regen	4.1	4.6	5.0	6.4
Debut	3.2	3.5	4.4	4.8
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Management of Cash Flow

Land Cash Commitments



£m	Contracted	Land Creditors	Total
2006/07			240.9
2007/08			122.9
2008/09 H1			66.1
2008/09 H2	3.9	14.1	18.0
2009/10	6.6	21.5	28.1