REDROW

Interim Results Presentation

6 Months to 31 December 2013

Agenda

• Chairman's Overview	Steve Morgan
• Financial Results	Barbara Richmond
• Review of Operations	John Tutte
• Summary and Outlook	Steve Morgan

Overview

Steve Morgan – Chairman

Overview

- Legal completions up 30%
- Pre-tax Profits up 107% to £47.5m
- Underlying ROE up from 8.6% to 15.5%
- Private Order Book up 60% to £411m from June 2013
- London makes first significant contribution to Revenues
- c3,600 plots added to current landbank

Financials

Barbara Richmond – Group Finance Director

H1 Financial Highlights

- Private homes turnover up 35% at £332m
- Operating margin up from 10.2% to 13.5%
- Underlying EPS up 115% to 10.3p
- Interim dividend of 1 pence per share (2013:Nil)
- Underlying ROE up from 8.6% to 15.5%
- Gearing 23.4% (June 2013: 14.9%)

Income Statement

£m	H1 2014	H1 2013	Variance
Turnover	363.0	257.0	106.0
Gross profit	73.6	46.2	27.4
Operating expenses	(24.6)	(20.0)	(4.6)
Underlying operating profit	49.0	26.2	22.8
Exceptional costs	–	(1.5)	1.5
Operating profit	49.0	24.7	24.3
Share of results of Joint Venture	2.8	–	2.8
Interest	(4.3)	(1.7)	(2.6)
Profit before tax	47.5	23.0	24.5

Analysis of private plots in Cost of Sales

	H1 2014	H1 2013
Average plot cost eliminated*	£57k	£50k
Average plot cost as percentage of ASP*	22	22
Percentage of eliminated plots with NRV provision	25	42

*Excludes Partnership

Operating Margin Bridge*

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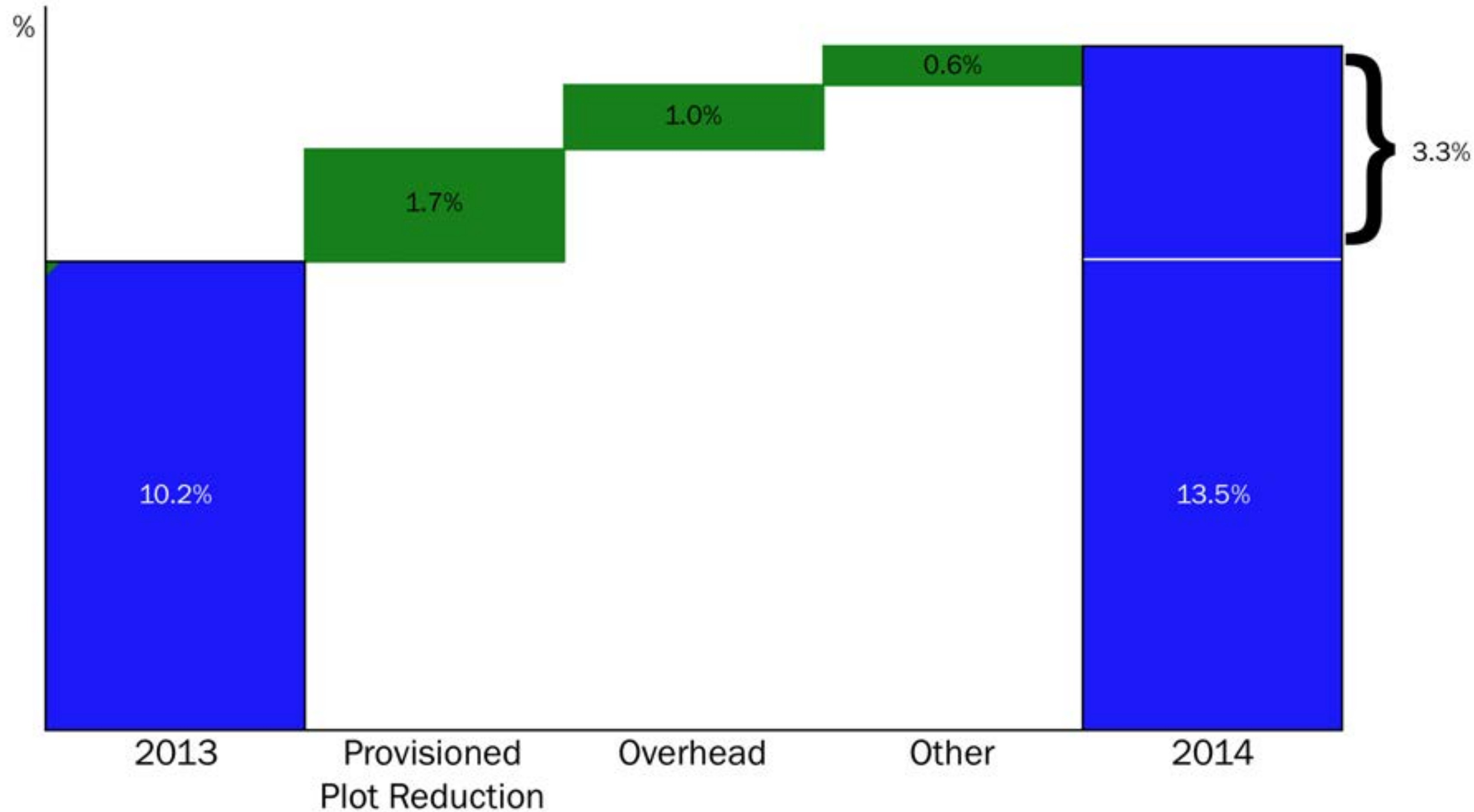

*pre-exceptional

Turnover Analysis

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- Private revenue up 35%
- First significant contribution from London at over £40m (including social)
- Legal completions volumes up 30%
- Social housing 9% of homes revenue (2013: 4%)
- Private ASP up 17% to £262,000

	Revenue (£m)				Volume				ASP (£k)			
	H1 14	H1 13	Var	% Var	H1 14	H1 13	Var	% Var	H1 14	H1 13	Var	% Var
Private Regional	298.6	241.9	56.7	23	1,206	1,095	111	10	248	221	27	12
London	33.5	3.5	30.0	857	63	2	61	3,050	532	1,750	(1,218)	(70)
Total Private	332.1	245.4	86.7	35	1,269	1,097	172	16	262	224	38	17
Social	30.9	9.9	21.0	212	296	105	191	182	104	95	9	9
Total Homes	363.0	255.3	107.7	42	1,565	1,202	363	30	232	212	20	9

Private Turnover Analysis

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- Heritage Collection 82% of private turnover in 2014 (2013: 87%)
- Heritage ASP up 12% to £256,000 primarily due to mix
- Small levels of price inflation due to reduced incentives
- 29% of private legal completions were Help to Buy

	Turnover (£m)			Volume			ASP (£k)		
	H1 14	H1 13	Var	H1 14	H1 13	Var	H1 14	H1 13	Var
Heritage	272.4	214.1	58.3	1,064	936	128	256	229	27
Bespoke	59.7	31.3	28.4	205	161	44	291	194	97
Private Total	332.1	245.4	86.7	1,269	1,097	172	262	224	38

Revenue by Geography

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- Strong revenue growth in all regions
- First significant contribution from London
- 48% of turnover is in the South of England

	H1 2014 £m	H1 2014 %	H1 2013 £m	H1 2013 %
North	100.8	28	85.3	33
Central	88.3	24	72.4	29
South	173.9	48	97.6	38
	363.0	100	255.3	100

Cash Flow

Operating cash flow	H1 2014 £m	H1 2013 £m
EBITDA	49.5	25.4
(Increase) in land	(63.7)	(24.8)
Movement in land creditors	6.2	9.9
Cash investment in land	(57.5)	(14.9)
Movement in WIP	(46.3)	(44.2)
Movement in NRV	(9.7)	(15.1)
Other working capital movements	1.7	(3.2)
Operating cash flow	(62.3)	(52.0)

Net debt movement	H1 2014 £m	H1 2013 £m
Operating cash flow	(62.3)	(52.0)
Interest	(3.9)	(1.2)
Dividend	(3.7)	–
Other	11.9	2.0
Net cash flow	(58.0)	(51.2)
Opening net debt	(91.0)	(14.0)
Closing net debt	(149.0)	(65.2)
Gearing	23%	11%

Net Assets

£m	Dec 13	Jun 13	Movement
Land (Gross)	737.8	674.1	63.7
WIP (Gross)	339.7	293.4	46.3
NRV Provision	(62.3)	(72.0)	9.7
Land creditors	(130.5)	(124.3)	(6.2)
Net investment in inventory	884.7	771.2	113.5
Other working capital	(142.8)	(132.7)	(10.1)
Tax	23.7	35.3	(11.6)
Fixed Assets	21.5	26.4	(4.9)
Capital Employed	787.1	700.2	86.9
Net Debt	(149.0)	(91.0)	(58.0)
Net Assets	638.1	609.2	28.9

Plot Costs Carried Forward

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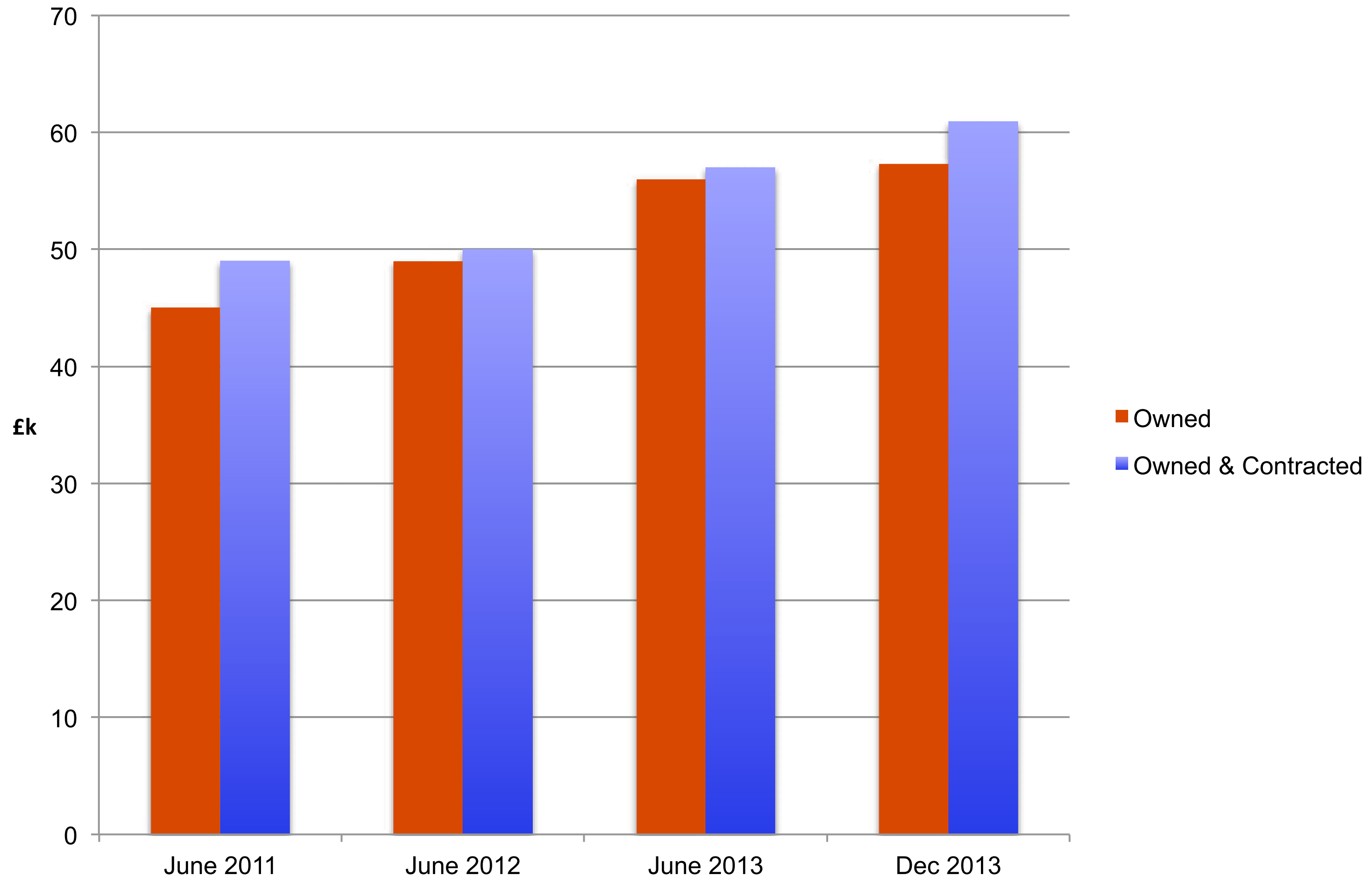
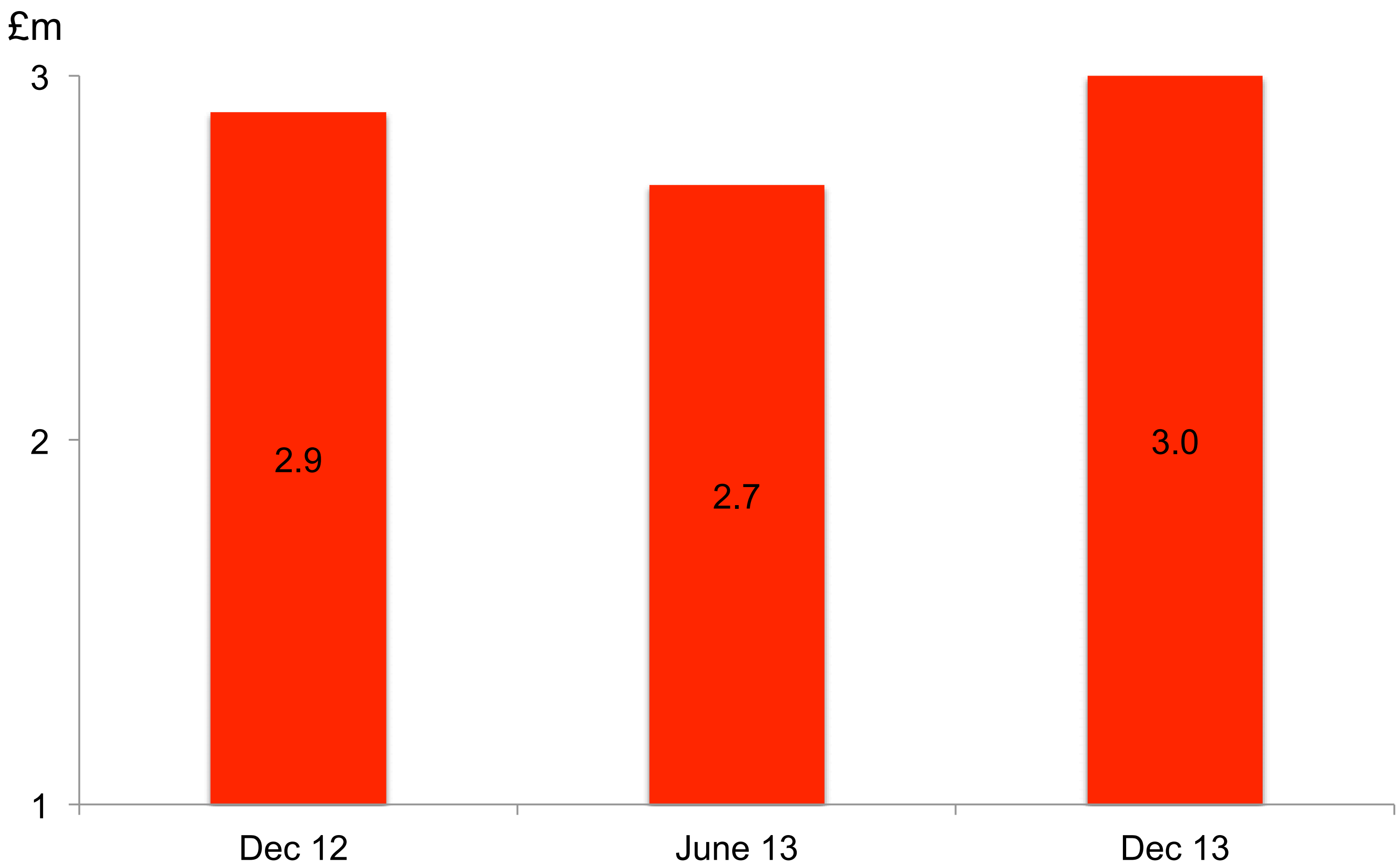
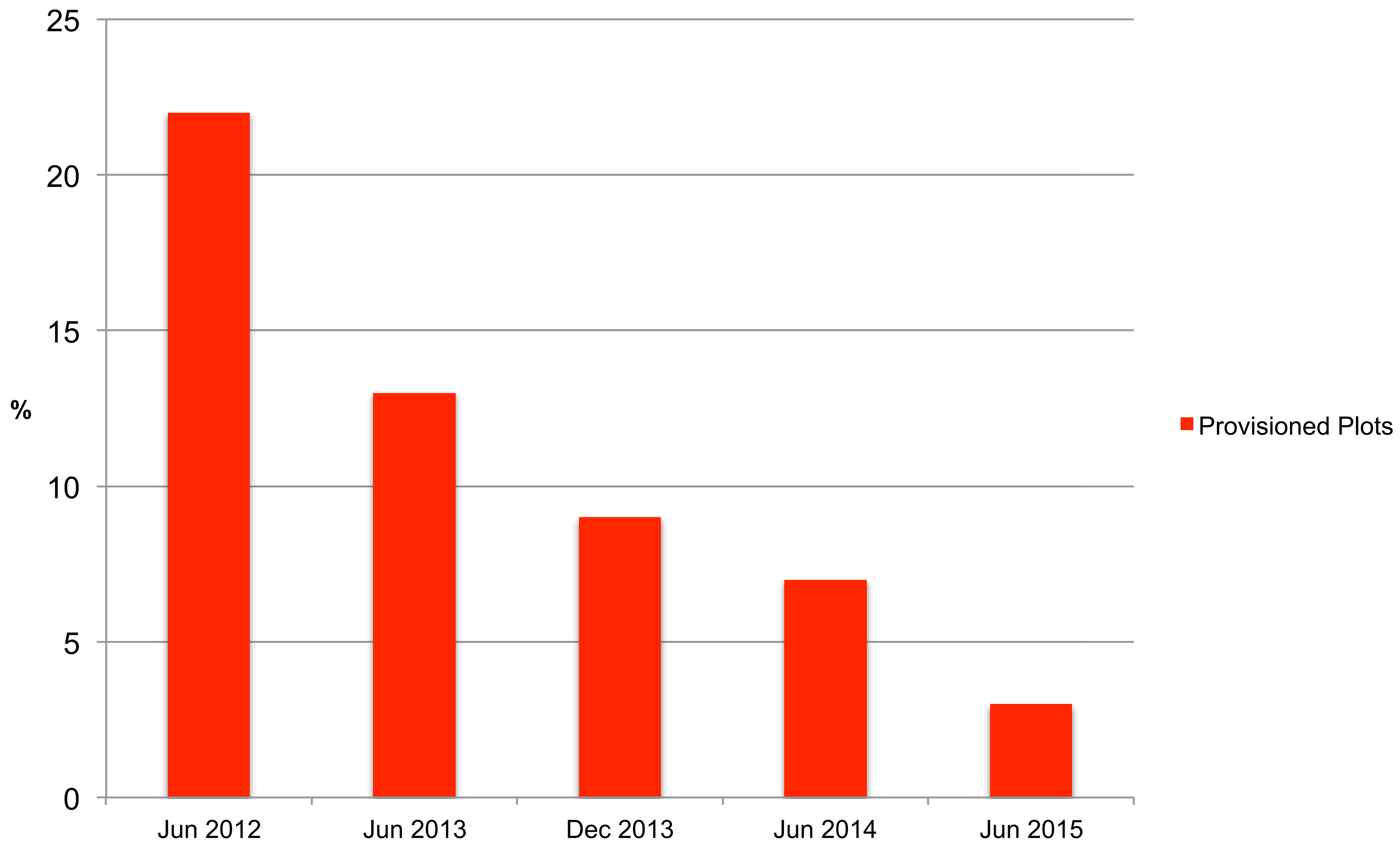


Regional Work in Progress per Outlet



Percentage of Provisioned Plots in Landbank



Operational Highlights

John Tutte – Group Managing Director

Divisions and Subsidiaries

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North

- Yorkshire
- Lancashire
- NW

Central

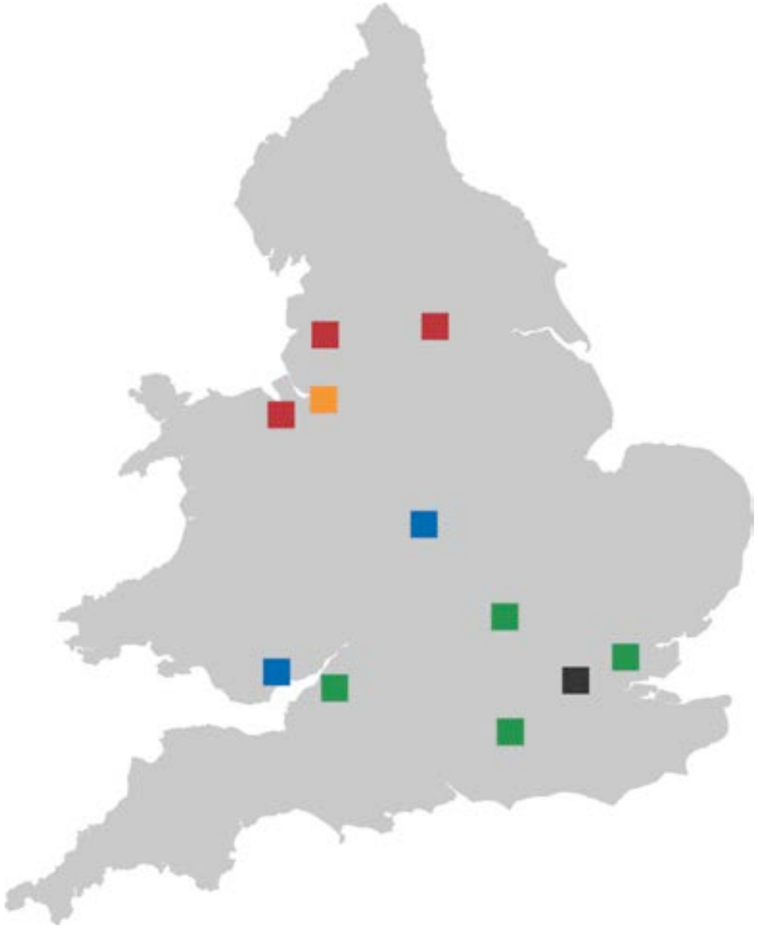
- Midlands
- South Wales

South

- South Midlands
- South East
- Southern Counties
- South West

- **London**

- **Harrow Estates**



Land and Planning
Movement in Current Land Holdings

	Plots owned	Contracted plots	Total
At 30 June 2013	12,109	2,053	14,162
Legal completions	(1,565)	–	(1,565)
Additions	1,230	1,263	2,493
Forward land pull through	924	109	1,033
Transfers	379	(379)	–
Replans	120	7	127
At 31 December 2013	13,197	3,053	16,250
London	456	206	662
Regions	12,741	2,847	15,588
	13,197	3,053	16,250
GDV (@ 2014 H1 ASP)			c£4bn

Land and Planning
Movement in Forward Land Holdings

	Total Plots
At 30 June 2013	26,024
Additions	3,879
Transfers to current land	(1,033)
At 31 December 2013	28,870

Analysis		Jun 13
Land owned without planning	1,826	2,122
Land contracted without planning	2,564	–
Options - allocations	13,949	12,595
- realistic prospect	10,531	11,307
	28,870	26,024

Land and Planning
Land Holdings by Geography

	Dec 13				Jun 13			
	Current Land	%	Forward Land	%	Current Land	%	Forward Land	%
North	4,747	29	15,207	53	3,473	25	14,570	56
Central	3,331	21	3,807	13	3,309	23	5,013	19
South	7,510	46	7,292	25	6,652	47	6,441	25
London	662	4	2,564	9	728	5	–	–
	16,250	100	28,870	100	14,162	100	26,024	100

Outlets Update

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	2014 Actual / Forecast	
	H1	H2
Open	15	24
Close	12	16
Active Outlets	95	103

London

- Sales
  - Strong demand continues
- Build
  - Main contractors performing to programme and budget
- Legal completions
  - Kingston Riverside (private)
  - One Commercial Street (social)

London Outlets

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Development	FY13	FY14		FY15		FY16		FY17
Kingston Riverside								
One Commercial Street								
Kingston River Walk								
Amberley Waterfront								
205 Holland Park Avenue								
Connaught Place								
Northway House								
Barbican								
Colindale								

London

- Land and planning
  - Northway House planning application lodged
  - Sites acquired
    - Barbican
    - Colindale
- Colindale NW9
  - Acquired from MOPAC
  - Phased land payments
  - Mixed-use scheme
  - Approximately 2,500 homes

Harrow Estates

- **Option sites**

  Hollies Farm, Hartford, Cheshire

  – Planning appeal successful

- **Owned sites**

  Grange Farm, Hartford, Cheshire

  – Planning appeal successful

  – c. 300 plots

- **Joint Venture**

  £3.7m of pre-tax profit from land sale

Operational Highlights

- Build
  - Moderate build cost inflation from material and sub-contract cost increases
  - Managing longer lead-times and isolated labour shortages
- My Redrow
  - Adding to top and bottom-line growth through increased customer spend on options and extras
- Selling prices
  - Modest overall price rises
- People
  - Growing intake of apprentices, trainees and graduates and increased investment in training
  - Strengthened senior management team

Current Sales Market

H1	2014	2013
Value of private net reservations	£481m	£279m
Private reservations per outlet per week	0.70	0.53
Closing private order book	£411m	£187m
Cancellation rate	13%	17%

Private reservation statistics from 1/1 to 21/2

	2014	2013
Volume of private net reservations	550	443
Reservations per outlet per week	0.75	0.67
Average number of outlets	92	82

Summary and Outlook

Steve Morgan – Chairman

Summary and Outlook

- Market remains robust
- Price inflation matching cost inflation
- Land market remains very good
- Need for faster planning to better match output with demand