



## Interim Results Presentation

6 Months to  
31 December 2009

Steve Morgan  
Chairman

Barbara Richmond  
Group Finance Director



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# Financial Highlights

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- H1 revenues up 25% at £187.2m
- Pre-tax losses reduced by 81% to £8.7m
- ASP up 3.6% to £145,500
- Completions up 21.5% to 1,266
- Order book at 31 December 2009: £150m (2008: £130m)
- NAV per share £1.41
- Net debt reduction of £165.3m from June 2009 to £49.3m



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# Operational Highlights

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- Successful £150m Rights Issue
- New Heritage Collection launched
- Existing and new sites re-planned
- Sales and activity levels increased
- Restructuring of management team completed
- Harrow Estates acquired and fully integrated into Redrow



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# Market Trends

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- Mortgage availability remains the major issue
- Mortgage approval criteria remain challenging
- Down valuations continue
- Positive growth in prices
- Affordability strong



# Financials

Barbara Richmond – Group Finance Director

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# Financial Focus

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- Key metric is return on capital employed
- Net debt at December 2009 £49.3m; committed facilities £250.0m maturing 30 September 2011
- Ample headroom to support suitable land acquisitions
- The New Heritage Collection allowing refocus on standard costing and improved margin management
- Harrow offers potential for operating margins in excess of housebuilding norms

# Income Statement



	H1 2010 £m	H1 2009 £m	Variance %
Revenue	187.2	149.5	+ 25
Gross profit	13.5	8.4	+ 61
Operating expenses	<u>(15.1)</u>	<u>(17.1)</u>	- 12
Operating loss	(1.6)	(8.7)	- 82
Exceptional items	–	(25.0)	
Interest	(7.1)	(12.4)	- 43
Share of joint ventures after interest & tax	–	(0.1)	–
Loss before tax	<u>(8.7)</u>	<u>(46.2)</u>	- 81

# Sales Analysis



	H1 10			H1 09			Variance	
	£m	vol	ASP £000	£m	vol	ASP £000	vol	ASP %
Private	172.2	1,169	147.3	126.5	847	149.4	+322	- 1.4
Social	12.0	97	123.7	19.9	195	102.1	-98	+ 21.2
Total homes	<u>184.2</u>	<u>1,266</u>	<u>145.5</u>	<u>146.4</u>	<u>1,042</u>	<u>140.5</u>	<u>+224</u>	<u>+ 3.6</u>
Houses	121.9	695	175.3	85.5	510	167.7	+185	+ 4.5
Apartments	62.3	571	109.1	60.9	532	114.5	+39	- 4.7
Total homes	<u>184.2</u>	<u>1,266</u>	<u>145.5</u>	<u>146.4</u>	<u>1,042</u>	<u>140.5</u>	<u>+224</u>	<u>+ 3.6</u>

# Cash Flow



	H1 2010 £m	H1 2009 £m
Operating loss	(1.6)	(33.7)
Decrease in land	20.6	16.2
Decrease in land creditors	(17.4)	(39.4)
Net investment in land	3.2	(23.2)
Movement in WIP	26.4	51.2
Other working capital movements	8.8	(44.7)
Operating cash flow	36.8	(50.4)
Interest	(6.7)	(9.0)
Tax	–	13.5
Acquisition of Harrow Estates	(15.0)	–
Total capital proceeds	1.3	1.5
Free cash flow	16.4	(44.4)
Rights issue	150.3	–
Bank loan issue costs amortisation	(1.4)	(1.4)
Movement in net debt	165.3	(45.8)
Opening net debt	(214.6)	(223.3)
Closing net debt	(49.3)	(269.1)
Gearing	11%	73%

# Capital Employed



	Dec 09	Dec 08	
	£m	£m	
Fixed Assets and Investments	18.0	19.9	- 10 %
Land (Gross)	574.1	596.0	- 4 %
WIP (Gross)	253.5	360.0	- 30 %
NRV Provision	(294.3)	(267.5)	+ 10 %
Land creditors	(36.0)	(53.2)	- 32 %
Tax	75.0	67.5	+ 11 %
Pensions	(2.1)	1.9	
Payables and other	(104.5)	(87.1)	
Capital Employed	<u>483.7</u>	<u>637.5</u>	- 24 %

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# NRV Provisions



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	Land £m	WIP £m	Total £m	Plots
June 09	278.5	40.9	319.4	12,500
Utilisation	<u>(18.2)</u>	<u>(6.9)</u>	<u>(25.1)</u>	<u>(1,376)</u>
December 09	<u>260.3</u>	<u>34.0</u>	<u>294.3</u>	<u>11,124</u>

# Analysis of land holdings at 31 December 2009



	Dec 09	June 09	Average plot cost Dec 09 £000	Average plot cost June 09 £000
Current land				
Plots owned	12,000	12,500		
Contracted plots	<u>570</u>	<u>630</u>		
Total	<u>12,570</u>	<u>13,130</u>	<u>26.6*</u>	<u>26.0</u>
Forward land				
Land owned without planning	260	400		
Options –allocations	8,000	9,000		
–realistic prospect	<u>12,100</u>	<u>13,400</u>		
	<u>20,360</u>	<u>22,800</u>		

\* Average plot cost excluding Debut and In the City is £27.5k

# Movement in land holdings



	Plots owned	Contracted plots	Total
Current land			
At 1 July 2009	12,500	630	13,130
Legal completions	(1,266)	-	(1,266)
Harrow acquisition	584	-	584
Additions	150	166	316
Transfers	142	(142)	-
Other	<u>(110)</u>	<u>(84)</u>	<u>(194)</u>
At 31 December 2009	<u>12,000</u>	<u>570</u>	<u>12,570</u>
Forward land			
At 1 July 2009			22,800
Harrow acquisition			1,100
Additions			50
Strategic review/refocus			<u>(3,590)</u>
At 31 December 2009			<u>20,360</u>

# Strategy, Operations and Outlook

Steve Morgan - Chairman

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# Strategy

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- Strong, experienced and successful management team
  - Excellent new product range with strong focus on traditional family housing
  - Strong balance sheet enabling the Group to take advantage of land or corporate opportunities
  - Focus on ROCE and shareholder value

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# Actions since 1 July 2009

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- Successful £150m rights issue
- Restructuring of management team complete
- Increased sales and construction output – 1,150 extra jobs created
- New Heritage Collection designed, launched and being rolled out
- Rationalisation of suppliers and materials



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# The New Heritage Collection



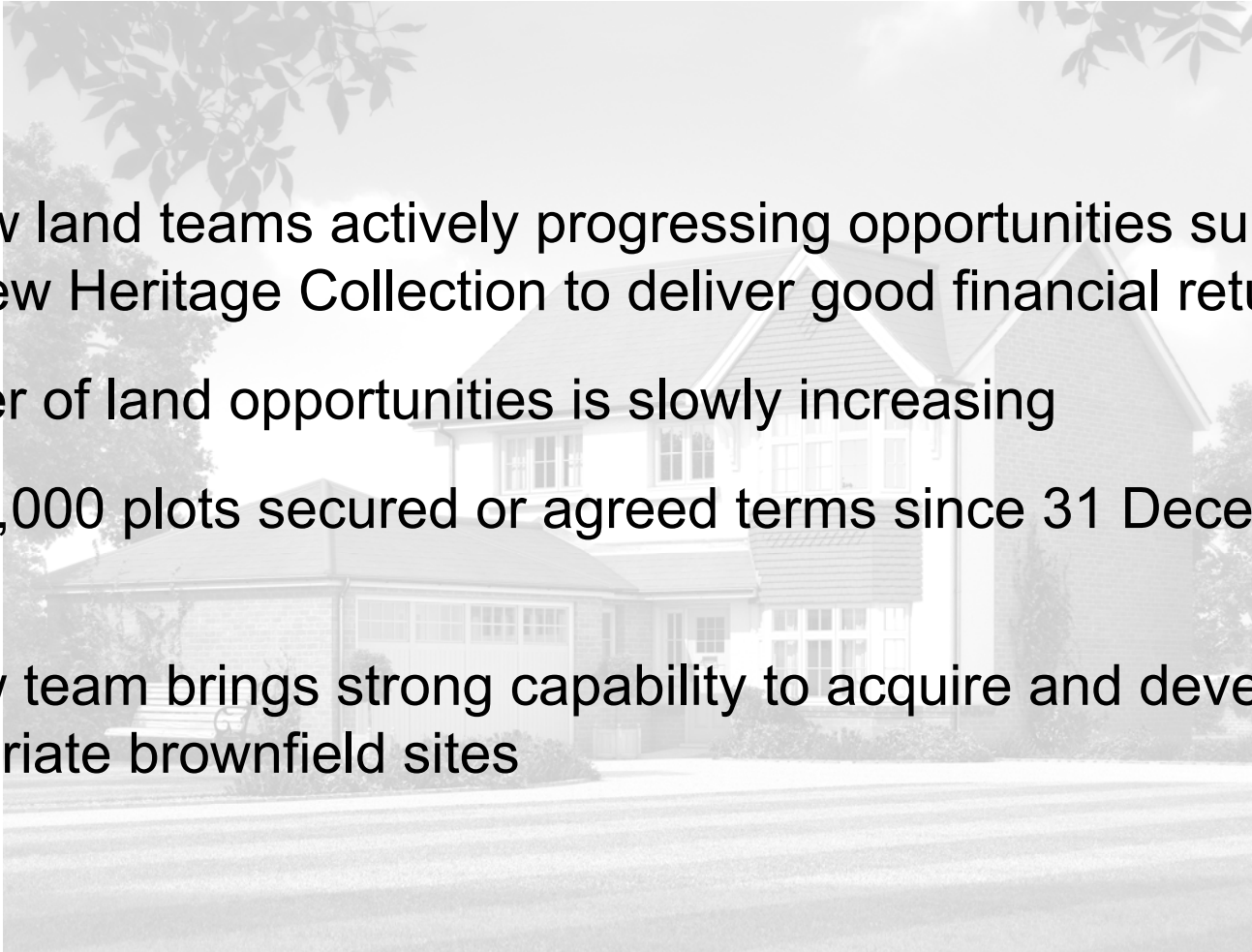
- Launched on 11 February, 5 show areas open
  - Show homes very well received by customers, achieving strong differentiation from the competition
  - Sites re-plotted to accommodate The New Heritage Collection
  - Roll-out to accommodate The New Heritage Collection slow due to planning delays
  - ASP's of The New Heritage Collection above equivalent undifferentiated product and selling well
  - Supplier partnerships have been agreed to ensure quality components with value for money for customers and Redrow
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- A faded background image of a two-story house with a gabled roof and a front porch, set against a light sky with some foliage.

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# Land

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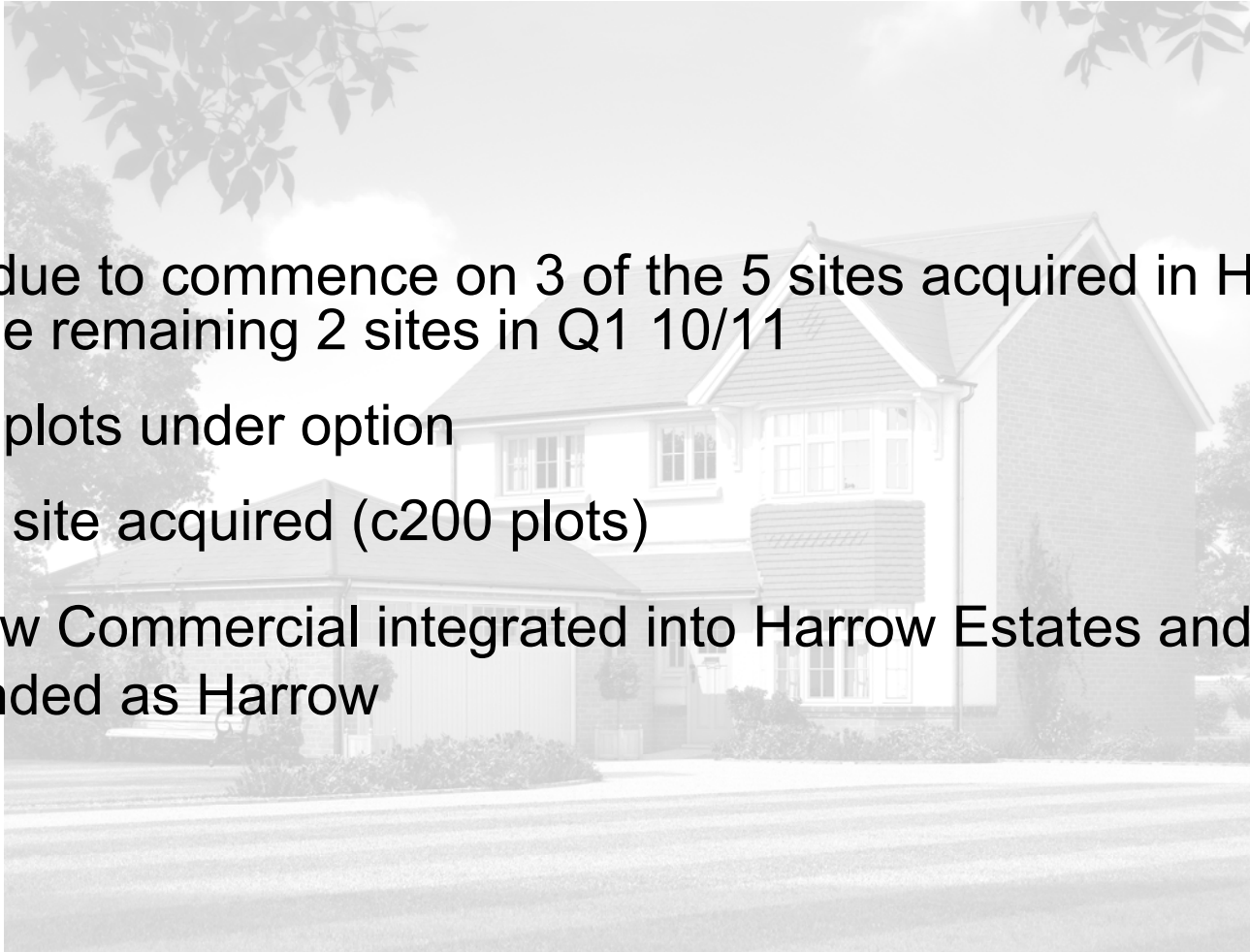
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- A faded background image of a two-story brick house with a gabled roof and a large front porch, set against a light sky with some foliage in the foreground.
- Redrow land teams actively progressing opportunities suitable for The New Heritage Collection to deliver good financial returns
  - Number of land opportunities is slowly increasing
  - Over 1,000 plots secured or agreed terms since 31 December 2009
  - Harrow team brings strong capability to acquire and develop appropriate brownfield sites

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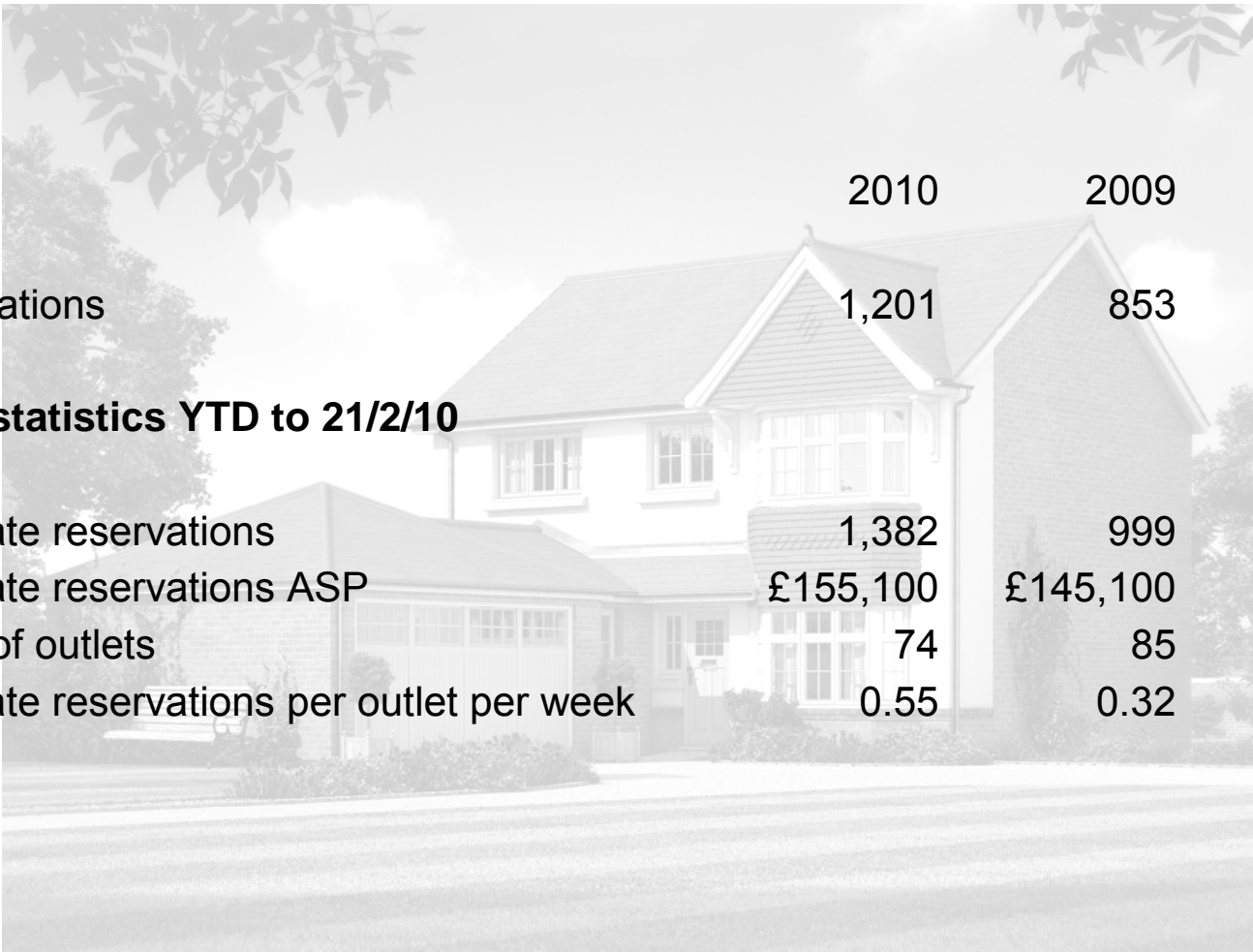
# Harrow



- Build due to commence on 3 of the 5 sites acquired in H2 09/10 and the remaining 2 sites in Q1 10/11
- 1,100 plots under option
- 1 new site acquired (c200 plots)
- Redrow Commercial integrated into Harrow Estates and rebranded as Harrow



# Current Sales Market

A faded background image of a two-story house with a gabled roof, a chimney, and a garage, set against a light sky with some foliage in the foreground.

	2010	2009	
H1 Net reservations	1,201	853	+ 41 %
<b>Reservation statistics YTD to 21/2/10</b>			
Private reservations	1,382	999	+ 38 %
Private reservations ASP	£155,100	£145,100	+ 7 %
No. of outlets	74	85	- 13 %
Private reservations per outlet per week	0.55	0.32	+ 72 %

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# Mortgage Availability

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- Mortgage availability remains weak and is the biggest drag on the market
- Down valuations continue to impede transactions
- Price stability achieved




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# Outlook

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- Housing market remains fragile
  - Shortage of outlets due to planning delays and land availability
  - Land opportunities beginning to emerge
  - Appropriate capital structure in place
  - The New Heritage Collection underpins growth in profitability, return on capital and market share over time