

Market update
2 July 2008

Our major markets are extremely challenging

Current situation

- > US
 - > Completions (49%) 05-07¹
 - > Price (12)% 3/07-3/08¹
 - > Now showing signs of stability
- > UK
 - > TW H1 sales rate (48%) yoy
 - > Pricing (3.8)% yoy²
 - > Consumer confidence is low
 - > Credit remains very tight
 - > Weak outlook

Mitigating factors

- > US
 - > Favourable demographics
 - > Historically quick to recover
- > UK
 - > Favourable demographics
 - > Undersupply of housing
 - > Rental yields may underpin pricing
- > Taylor Wimpey
 - > Ability to generate cash
 - > Relatively low overheads
 - > Strong landbank (scarce resource)

¹ US Census Bureau ² HBOS

We have acted early and decisively

Our approach

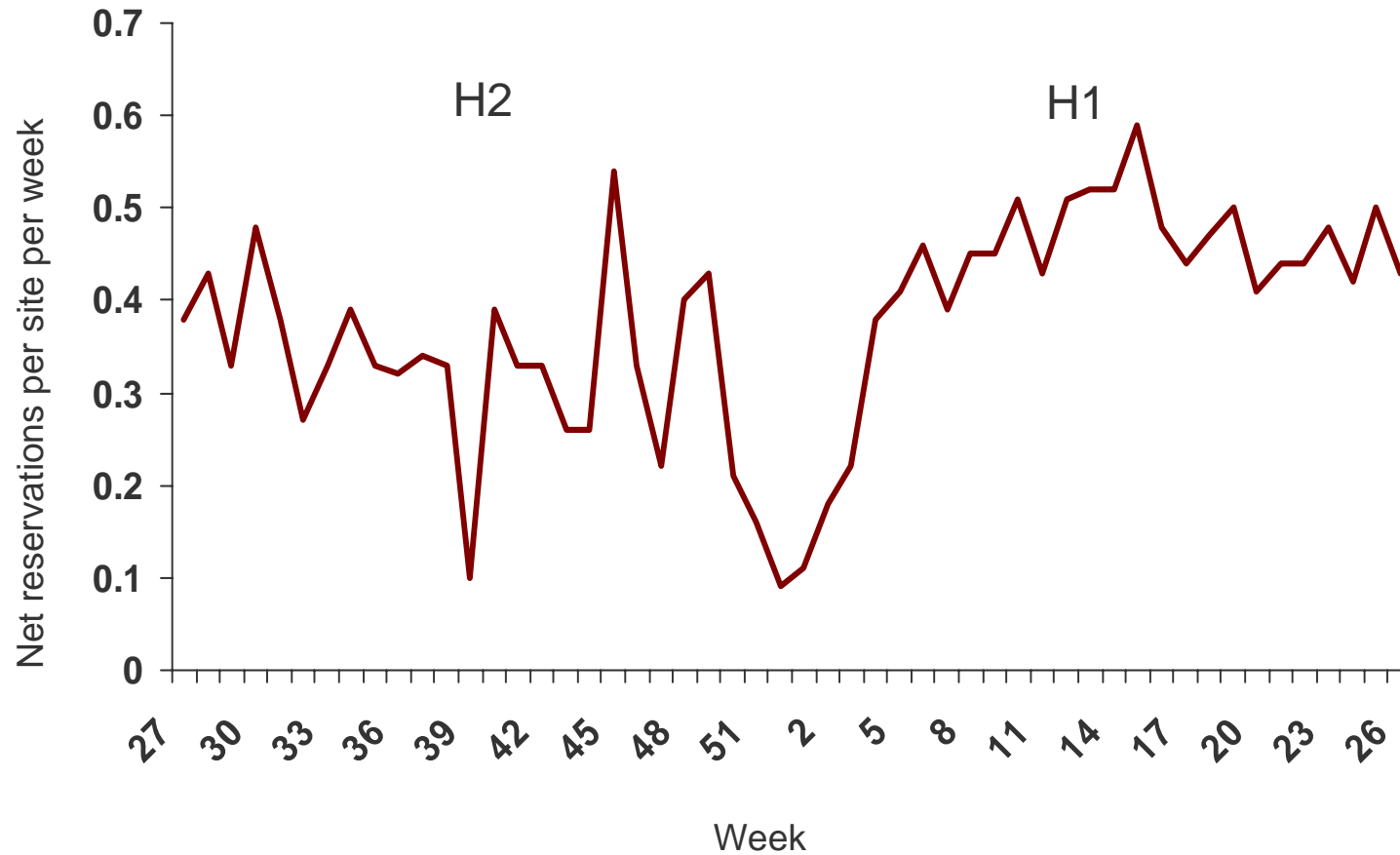
- > Realistic
- > Proactive
- > Generate cash
- > Value preservation
- > Position for recovery

Actions

- > Right operating strategy
 - > Reduce costs
 - > Stop land buying
 - > Control WIP tightly
- > Suspended share buy back
- > Write down land values to reflect market

The US markets we operate in are starting to show signs of stability

Taylor Morrison US sales rate 2007/8

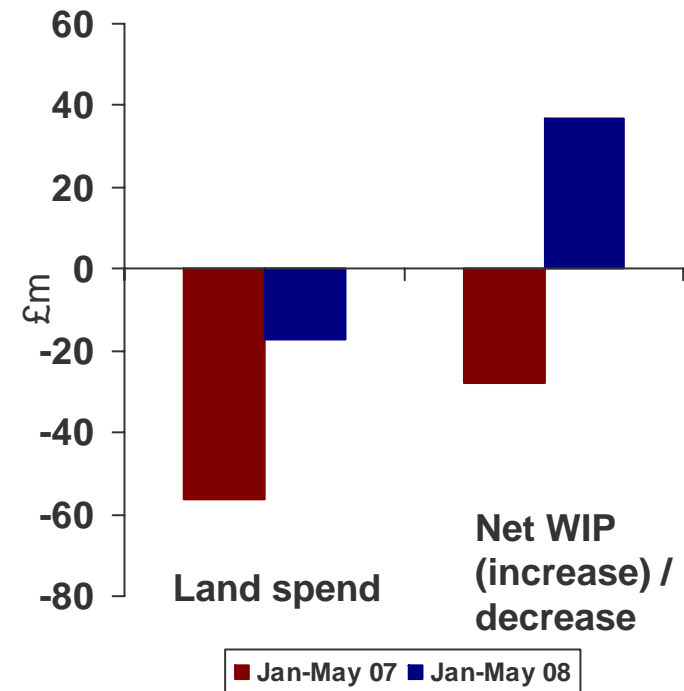


The tough action we have taken in the US is showing results

Actions

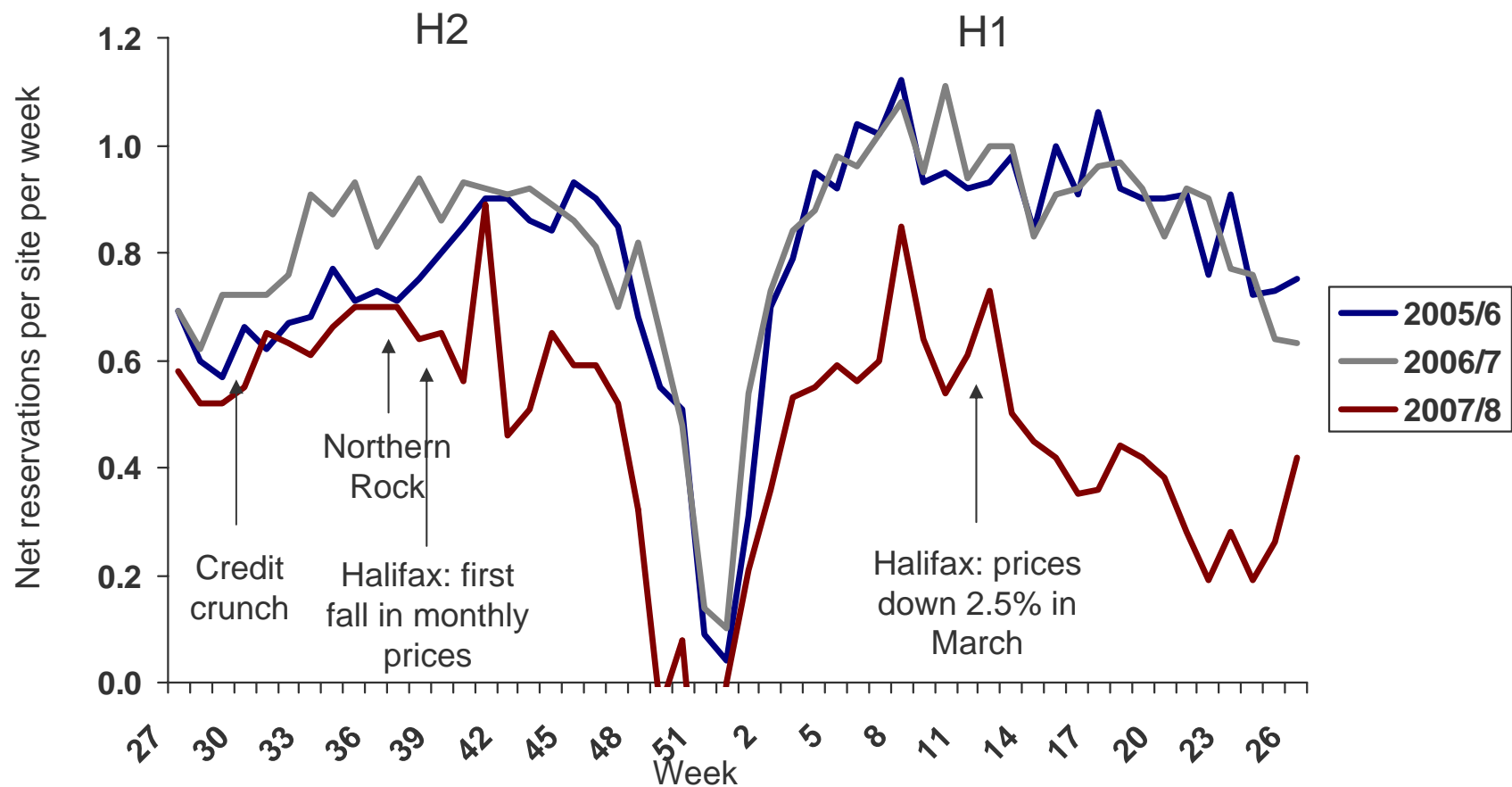
- > 2006: Stopped land buying in US
- > Tight controls on US WIP and particularly spec homes
- > 2007: c.200 reduction in headcount in US operations
- > Write downs of £365m land and WIP in US to date
- > Reduced US selling prices to gain sales momentum and generate positive cashflow

Key US Operating Cashflows



The UK market has progressively deteriorated since July 2007

Taylor Wimpey UK sales rate 2005/6 to 2007/8

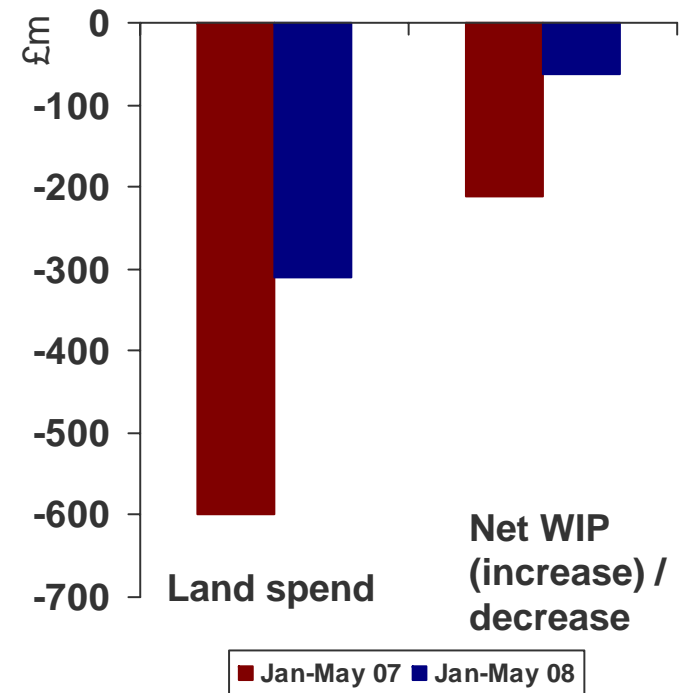


Based on US experience, we have acted quickly and aggressively in the UK

Actions

- > Sep 2007: Stopped new commitments on land spend
- > Dec 2007: Reduced 2008 volume target
- > Jan 2008: Renegotiated subcontractor rates
- > Apr 2008: Reduced selling prices to gain momentum/recover cash
- > Apr 2008: Planned to close 13 regional offices, £45m annual saving
- > Continue to deliver merger benefits
- > Review of non-core operations

Key UK Operating Cashflows

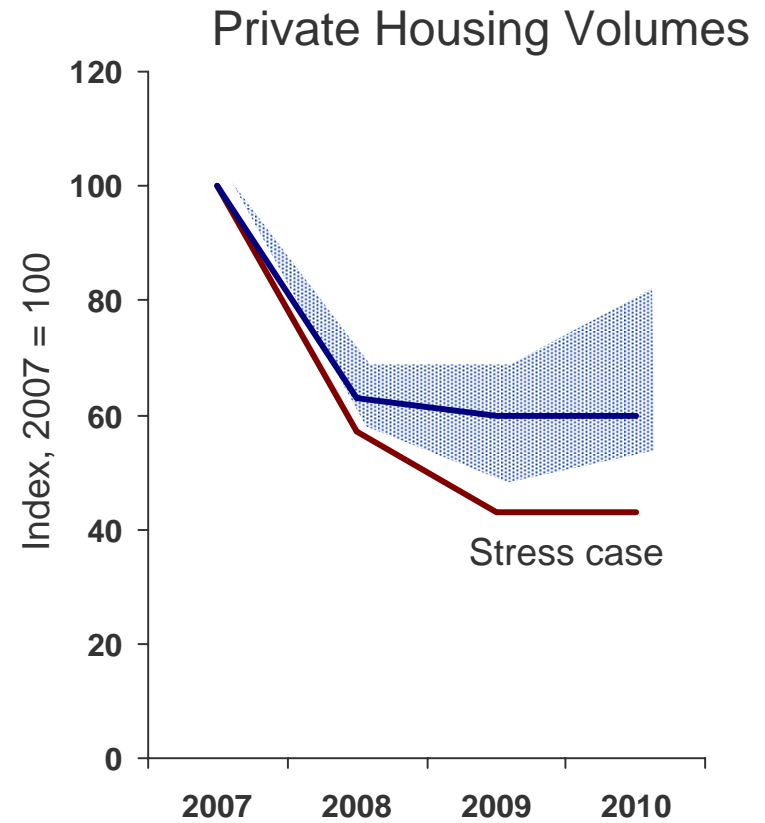
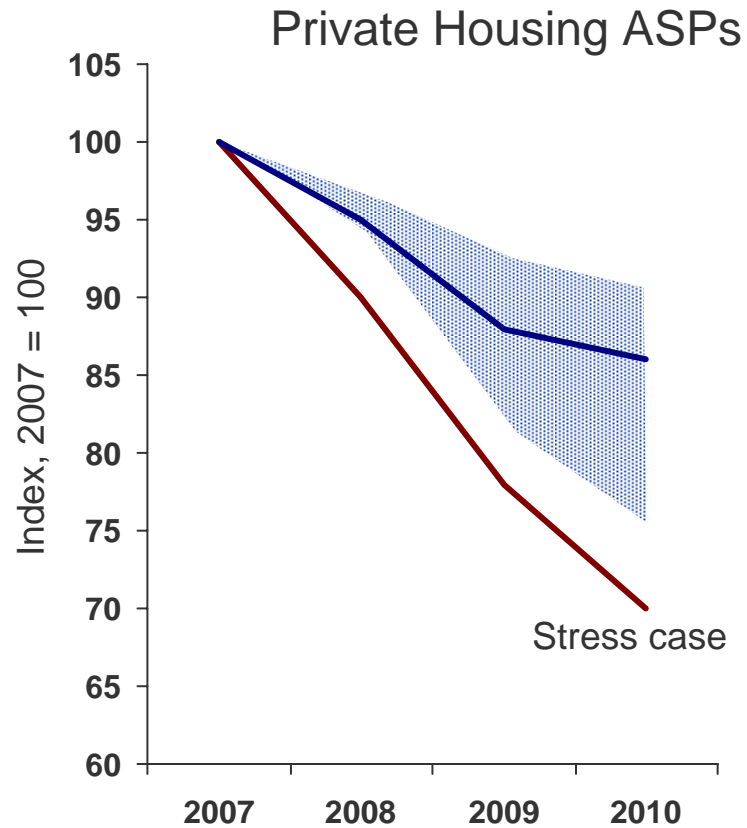


Ongoing UK land commitments

	Actual May 2008 YTD	Estimated June 2008	Estimated H2 2008	Estimated 2009
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Payments made to date	(300)			
Expected payments in respect of unconditional contracts as at May 2008		(15)	(150)	(250)
Expected payments in respect of conditional contracts as at May 2008		(10)	(100)	(200)
Total	(300)	(25)	(250)	(450)
Expected total 2008 cash outflow in respect of land			575	
Expected total 2009 cash outflow in respect of land				450

Note: numbers are rounded

We have considered a range of possible UK market scenarios to ensure we have a robust capital structure



UK Landbank at 31 December 2007

	Owned	Controlled	Total
Detailed planning	42,459	2,435	44,894
Outline planning	26,148	5,123	31,271
Resolution to Grant	<u>4,109</u>	<u>5,881</u>	<u>9,990</u>
Sub-total short term landbank	72,716	13,439	86,155
Allocated strategic	3,717	8,477	12,194
Non allocated strategic	<u>25,514</u>	<u>64,347</u>	<u>89,861</u>
Total	101,947	86,263	188,210

Full exercise being completed to review carrying value of UK land at the end of June

Estimated breakdown of UK write downs

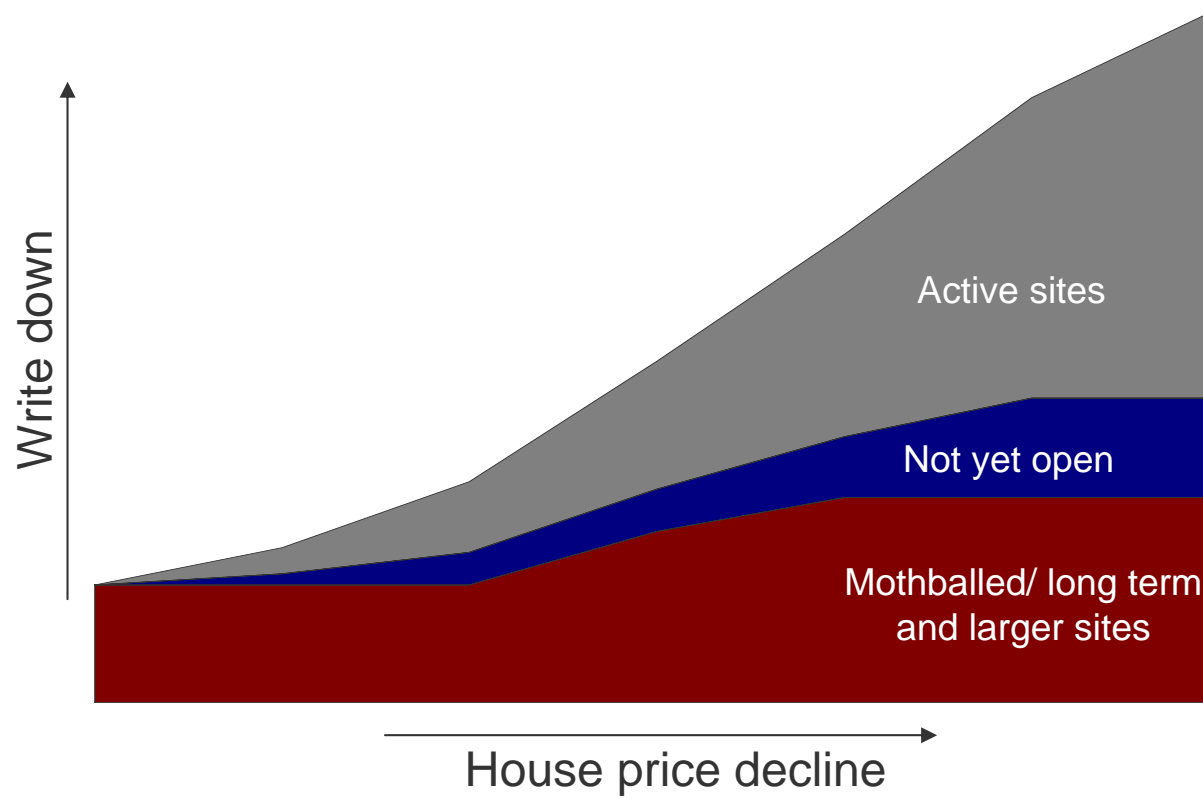
	£m	Approx % land value
Active sites	180	10%
Sites not yet open	85	7%
Mothballed sites	85	105%
Long term and larger sites	<u>200</u>	<u>39%</u>
Estimated Total	550	15%

Balance sheet structure underpins value

<i>At 31/12/07</i> <i>£bn</i>	UK Housing	North America	Other	Total
Land net of land creditors	2.8	0.2	0.0	3.1
WIP	1.4	0.6	0.1	2.1
Net Liabilities	<u>(0.6)</u>	<u>(0.1)</u>	<u>(0.2)</u>	<u>(0.9)</u>
Tangible assets	3.6	0.7	-	4.3
Net debt				<u>(1.4)</u>
Tangible net assets				2.9
Estimated write down at 30/6/08	(0.55)	(0.07)	(0.04)	<u>(0.66)</u>
Tangible net assets post-estimated write down				2.24

Note: numbers may not add due to rounding

UK Write Downs



We are able to generate cash even in most UK market scenarios

Illustrative cash generated per private housing completion in the UK
Based on total private volumes of 10,500¹ units with full year of overhead saving

Selling price movement	0%	5%	10%	15%	20%	25%	30%
<i>£'000</i>							
Selling price	180	171	162	153	144	135	126
Build cost	<u>(90)</u>	<u>(90)</u>	<u>(90)</u>	<u>(90)</u>	<u>(90)</u>	<u>(90)</u>	<u>(90)</u>
Cash contribution	90	81	72	63	54	45	36
Selling costs	(5)	(5)	(5)	(5)	(5)	(5)	(5)
Admin overheads	<u>(10)</u>	<u>(10)</u>	<u>(10)</u>	<u>(10)</u>	<u>(10)</u>	<u>(10)</u>	<u>(10)</u>
Net cash generated (with no land investment)	75	66	57	48	39	30	21

¹ Represents a 40% reduction against TW 2007 combined private volume

Current financing is appropriate for a stable market but not for current market conditions

	Book value at 31/12/07 £m	Book value at 30/04/08 £m	Existing covenants
Eurobonds	443	443	> Minimum level of EBITA/interest cover > 3 times
US private placements	380	380	> Minimum level of Tangible Net Worth (TNW) - £1.8bn
Floating rate notes	1	1	> Maximum level of borrowings in relation to TNW - £100%
Bank loans and overdrafts	721	1,160	
Total borrowings	1,545	1,984	
cash and cash equivalents	(130)	(101)	
Net debt	1,415	1,883	
Total committed revolving credit facilities	1,900		
of which undrawn	1,192		

Other business opportunities/strategies

- > Ability to re-plan sites to improve product mix and return
- > Temporary increase in level of affordable housing
- > Restructuring approach has reduced exposure to areas of weaker long term demand
- > Strong lobby with Government to reduce cost impact of regulation
- > Partnerships to create new routes to rental market

- > Strategic review of Construction business