

2 July 2008

Taylor Wimpey plc

Trading Statement

Our major markets are experiencing a significant downturn, characterised by significantly lower weekly sales rates and lower average selling prices than in recent years.

We expect that the UK housing market will remain weak at least through 2008 and we do not anticipate any recovery in the short-term.

Overall, while our US housing markets remain weak, we believe that they may have stabilised, although we do not anticipate any material recovery until 2009 at the earliest.

Our focus remains on cash management, cost reductions and seeking to achieve a stable weekly sales rate. In respect of the merger, we remain on course to deliver our previously stated synergy run rate targets of £70 million by the end of 2008 and £100 million in aggregate by the end of 2009 and continue to expect future progress.

Over the last several months we have actively positioned the business in anticipation of weaker markets. Actions taken to date include: tightly controlling expenditure on work-in-progress; not making new commitments for land purchases; renegotiating terms with all of our subcontractors, and; reducing the price of our homes with the aim of achieving a steadier sales rate and improving cashflow.

Most recently, we reviewed our business structure in the UK and will close 13 of our 39 regional offices and reduce staffing levels across the business, with the anticipated loss of approximately 900 jobs. We expect this to result in a reduction in overhead costs of approximately £45 million on an annualised basis starting from the fourth quarter of 2008. This is consistent with our view that markets are likely to remain weak for an extended period.

At the same time, we reviewed our capital structure with a view to putting the business in a robust financial position to be able to absorb further significant deterioration in market conditions. We remain in full compliance with our banking covenants. However, without an amendment to the terms of our banking facilities, in certain negative market scenarios we might breach one or more banking covenants at the first testing date in 2009. In that context, we decided it would be prudent to agree a revised banking facility with our core lending banks conditional on raising further equity.

We confirmed in our statement on 30th June, that we were meeting with a number of existing and potential investors with a view to raising further equity capital. However, in light of current market conditions we have not been able to conclude a satisfactory transaction.

The Board remains convinced of the fundamental attractions of the business over the medium and long term. We will continue to evaluate options to secure that value for our shareholders.

We set out below an update on trading in the period up to 30th June 2008, and this can be read in conjunction with the Market Update presentation, which is available on <http://www.taylorwimpey.com/Homepage/InvestorRelations/AnnouncementsPresentations>.

Pete Redfern, Chief Executive of Taylor Wimpey plc, will be hosting a conference call for analysts and investors today at 9.00 a.m. The dial in number is: +44 (0)20 7162 0025.

UK housing

The Spring selling season has been severely impacted by the continued constrained mortgage market and by worsening consumer confidence; the latter affected by a weakening economy, and reports of falling house prices. In particular, reservation levels have declined sharply since April, when we last updated the market on trading.

- Private housing net reservations were approximately 45 per cent. lower in the 26 weeks to 29 June 2008 than in the same period last year (on a combined basis), with lower sales rates being partially offset by more outlets.
- Our average cancellation rate for the 26 weeks to 29 June 2008 was 29 per cent. compared to 19 per cent. in the comparable period in 2007 on a combined basis.
- Our total housing completions in the first half of 2008 were approximately one third lower than for the comparable period in 2007 on a combined basis.
- Our order book was 33 per cent. lower by value at 29 June 2008 than at the comparable point in 2007 on a combined basis. Within our order book, average selling prices were approximately 8 per cent., and margins were approximately 5 percentage points, lower. The reduction in selling prices partly reflects a higher proportion of affordable housing.
- Unsold stock units at the end of May 2008 were broadly in line with the level at the end of December 2007.

We are reviewing the carrying value of our inventories in the light of current market conditions. We currently anticipate that we will write down the value of the landbank and work-in-progress in the UK by approximately £550 million and will finalise this amount in our 2008 half year financial statements. This represents approximately 11 per cent. of our gross inventories in the UK as at 31 December 2007. While we believe that this is prudent based on current market conditions, if the market significantly deteriorates, we may need to recognise further write-downs in the future.

North America housing

Overall, our US housing markets remain weak. We continue to focus on managing costs and capital and achieving a steady weekly sales rate.

- Our US sales were approximately 13 per cent. lower in the period from 1 January to 29 June 2008 than in the comparable period in 2007 on a combined basis, with lower sales rates being partially offset by more outlets. However, since the beginning of March 2008, weekly sales rates have been consistent and we believe that they may have stabilised.
- Our average cancellation rate in the US for the 26 weeks to 29 June 2008 was 24 per cent., in line with the comparable period in 2007 on a combined basis, but significantly below the very high rates experienced in the second half of 2007.
- US housing completions in the first half of 2008 were approximately 30 per cent. lower than for the comparable period in 2007 on a combined basis.

- Our US order book was 25 per cent. lower by value at 29 June 2008, than at the comparable point in 2007 on a combined basis. Within our order book, average selling prices were approximately 16 per cent. lower, and margins were approximately 2 percentage points lower, than the comparable period in 2007 on a combined basis.
- Unsold stock levels have reduced significantly in the US. At the 29 of June, unsold inventory had reduced by approximately 25 per cent. since the end of December 2007.

We are reviewing the value of our inventories in the light of current market conditions. We currently anticipate that we will need to write-down the value of the landbank and work-in-progress in the US by approximately £70 million and we will finalise this amount in our 2008 half year financial statements.

Our housing business in Canada, which has not experienced the same levels of house price inflation as the US and UK, has remained relatively stable. Completions in H1 2008 were approximately 20 per cent. lower than in H1 2007.

Other businesses

Completions in Spain and Gibraltar in H1 2008 were approximately 20 per cent. lower than in H1 2007. The housing market in Spain remains weak, particularly on the mainland. We are reviewing the value of our inventories in the light of current market conditions. We currently anticipate that we will write-down the value of the landbank and work-in-progress in Spain by approximately £40 million and we will finalise this amount in our 2008 half year financial statements.

Our construction business continues to trade in line with expectations.

Dividends and net debt

We do not feel it is appropriate to propose an interim dividend for 2008. We will review our future dividend policy at the end of 2008 in the light of prevailing market conditions.

Net debt at the end of June was approximately £1.7 billion.

Board changes

Peter Johnson, Group Finance Director, has confirmed his intention to stand down from the Board at the end of 2008 at which point he will leave the Company. Peter joined the Board in November 2002 and the Board would like to thank him for his contribution and also wishes him well for the future. An external recruitment process for a new Group Finance Director has commenced.

Outlook

We expect that the current weak housing market in the UK will continue at least through 2008 and we do not anticipate any recovery in the short term.

Overall, while our US housing markets remain weak, we believe that they may have stabilised, although we do not anticipate any material recovery until 2009 at the earliest.

We believe that both the UK and North American housing markets remain attractive in the long-term due to positive demographic trends in both markets, constrained land supply in the UK and the ability, in an improved market, to increase volumes profitably in the US.

Taylor Wimpey will announce its interim results on the 27th August.

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Notes to editors:

On 3 July 2007, Taylor Woodrow plc and George Wimpey Plc completed their merger to form Taylor Wimpey plc. Taylor Wimpey plc is the UK's largest homebuilder.

Taylor Wimpey plc builds homes in the UK, North America, Spain and Gibraltar. It aims to be the homebuilder of choice for customers, employees, shareholders and communities. Taylor Wimpey also operates in the Construction sector under the Taylor Woodrow brand.

For further information please visit the company's website - www.taylorwimpey.com