

15 January 2008

Taylor Wimpey plc

Trading Statement

Taylor Wimpey plc is issuing the following update on trading ahead of its Preliminary Results for the year ended 31 December 2007, which will be announced on 6 March 2008.

Introduction

Since the completion of the merger in July 2007, the two businesses have been successfully integrated and the synergy benefits arising from being a larger business are increasingly apparent. Despite decreased buyer confidence in the last six months in both the UK and the United States, the Board expects to report full year results in line with its expectations.

Group

Despite a challenging second half in 2007, we have delivered on our key objective of improving UK housing margins. We expect the 2007 pro forma operating margin, before the impact of accounting policy changes and fair value adjustments, to be around 2 percentage points ahead of the 12.5 per cent achieved on a pro forma basis in 2006.

We continue to make excellent progress on our integration targets. 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. As expected, one-off merger costs of circa £60 million will be recognised in the 2007 results.

Gearing stood at around 40 per cent at the year end, following the repurchase of 8.3 per cent of Taylor Wimpey's shares in issue through our buyback programme to date.

UK Housing

Market conditions in the UK were subdued throughout the second half of 2007. In line with previous guidance, our strategy has been to focus on margin improvements, rather than driving volume. Combined with cost savings and other improvements in underlying performance, this has enabled us to achieve our target of a pro forma operating margin (before the effect of accounting policy changes and fair value adjustments) of over 14 per cent (2006 pro forma: 12.5 per cent).

We are ahead of schedule with merger synergies and have, in addition, delivered the £25 million of cost reductions targeted by George Wimpey Plc prior to the merger.

We completed 20,645 homes on a pro forma basis (2006 pro forma: 21,910). Prices remained stable in the second half of the year, following the growth seen in the first half, resulting in a full year average selling price of £190k (2006 pro forma: £185k). The year end order book stood at £1,064 million (2006 pro forma: £1,316 million). Margins in the order book are in line with those achieved in 2007.

Following the merger, we have a strong UK landbank with a good balance between both current and strategic sites. As at 31 December 2007, we have detailed planning for 42,460 owned plots (2006 pro forma: 41,866 plots). We enter 2008 with detailed planning consents in place for all of this year's forecast completions. As a result, we have been able to be increasingly selective in our land purchasing since the start of October 2007 and we expect to continue with this policy into 2008.

We have also achieved our stretch target of operating 500 outlets as we enter 2008, an increase of circa 12 per cent over the 2006 pro forma position. This includes around 100 new outlets which were opened in November and December 2007.

North America Housing

Market conditions in the United States remained exceptionally challenging through the second half of 2007, with weak customer confidence continuing to have an adverse effect on visitor, reservation and cancellation rates. In contrast, our Canadian business continues to benefit from a robust operating environment.

Our integration programme remains on course to deliver the targeted synergies and we have also achieved additional market related cost savings.

Pro forma home completions in 2007 were 6,740 (2006 pro forma: 8,839) at an average selling price of £172k (2006 pro forma: £212k). Our land development business also sold 966 lots (2006 pro forma: 2,638 lots). Our year end order book stands at £529 million (2006 pro forma: £549 million), with margins in line with those achieved in the second half of 2007.

We remain cautious with regard to purchasing land in the United States, although we are continuing to invest in land for our Canadian operations. As a result, our North American landbank has been reduced to 40,789 plots (2006 pro forma: 50,090 plots).

In line with previous guidance, we are reviewing the carrying value of our landbank in North America. We expect additional inventory provisions representing just over 15 per cent of North American capital employed and will report the final outcome with our Preliminary Results. We expect that our US business will not, in 2007, be able to recognise, in full, deferred tax assets generated by these provisions.

Spain & Gibraltar Housing

Whilst market conditions remain stable in Gibraltar and Mallorca, the markets in mainland Spain continue to be challenging. In line with previous guidance, full year profits will be well below the levels achieved in 2006.

We completed a total of 212 homes in Spain and Gibraltar during 2007 (2006: 379 homes) at an average selling price of £279k (2006: £205k). Our order book stood at £83 million (2006: £100 million) and we have a landbank of 2,493 plots (2006: 2,482 plots).

We are currently undertaking a review of the carrying value of our landbank in Spain and will update the market on the outcome when we announce our Preliminary Results. The quantum of any provision is not expected to be significant in a Group context.

Market conditions are expected to remain weak in mainland Spain in 2008.

Construction

The performance of our UK Construction operations has been strong. However, the overall profitability of our Construction business before interest and tax is below the £8 million achieved last year due to the underperformance of a small number of overseas road construction projects.

The Construction business enters 2008 with a strong order book.

Share Buyback

Following the announcement of our £750 million share buyback programme at the time of our Interim Results, we have now bought back a total of 94.8 million shares at a total cost of £250 million. The Board will continue to review the pace of our share buyback programme over the course of 2008.

Outlook

Following the merger, the Group remains well-placed to benefit from a strengthened landbank, operational efficiencies, ongoing cost savings programmes and our strong financial position despite the current trading conditions in our main markets. We have continued to identify additional areas for further savings and efficiencies, in the light of current market conditions.

In the UK, we anticipate a subdued start to the Spring selling season with interest rates and mortgage availability being key determinants of customer confidence. However, long term supply constraints in the UK continue to provide support to the market and our strong progress on integration will assist our drive for relative margin improvement, which will remain a priority over volume.

In North America, we are not expecting market conditions in the US to improve during 2008. Our strategy remains to focus on recovering cash from existing sites, reducing the cost base, and focusing on achieving a steady sales rate.

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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 and is a member of the FTSE100.

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 for the communities in which it operates. 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

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