



**IAIN NAPIER**

**TRADING UPDATE & REMARKS TO AGM**

**20 APRIL 2004**

Thank you Norman.

As we said at the time of our preliminary results in March, 2003 was another successful and busy year for Taylor Woodrow.

We acquired Wilson Connolly in early October for £499 million and the fit between the two businesses has proved to be excellent. For example, Wilson Connolly was strong in the North West, an area where we had been working to get our regional business up to scale. Importantly, Wilson Connolly, like Taylor Woodrow, was not over represented in the London and South East markets, which more

recently have not been as attractive as other regional markets.

Also as the Chairman mentioned, during 2003 we secured £21 million of cost savings from the realignment and simplification of our UK business which we started in 2002.

During the first three and a half months of 2004, we have continued to see strong market conditions across our housing operations, in United Kingdom, North America and Spain.

In the United Kingdom, visitor levels and reservations per site are ahead of last year. Selling prices also continue to move forward.

So far this year, 52% of our 2004 budgeted sales have either been completed or reserved, compared to 39% at the same time last year. Completions so far this year, coupled with 2004 sales in the order book, have been made at an average sales price of £192,000, up 6% on the average sales price for full year 2003. We continue to build smaller homes and, on an average sales price per square foot basis, we are showing a 10% increase over full year 2003.

First half operating margins for the UK Housing business are expected to improve over the proforma-blended margin achieved in the same period last year.

Active sites are planned to increase by 16 to 219 by the end of the first half. Our forecast for the end of the second half is to be operating from around 210 active sites, in line with our previous expectations.

We remain on track to complete around 10,000 homes during 2004 in the UK, of which around 3,900 will complete in the first half.

During this year, all Wilson Connolly sites have been integrated into Taylor Woodrow systems. We remain confident of securing the £12.5 million Wilson Connolly acquisition synergies although these will be weighted towards the second half after rationalisation of the regional network and central overhead in the first half.

In North America, we have also seen visitor levels and reservations per site ahead of last year.

So far this year over 75% of our budgeted sales for the year have either been completed or reserved at an average selling price of £190,000, down 8% on 2003 due

to a continued move to the mid market in California and general sales mix.

First half operating margins for the North American housing business are expected to show modest improvement over the same period last year.

We remain on track to show strong growth by completing around 3,500 homes during 2004 in North America, of which around 1,500 will complete in the first half.

The housing business in Spain also continues to perform well and we remain confident of a similar level of performance in 2004 as in 2003.

Construction's order book stands at £762 million - a similar level to last year.

One of the major developments for our business since we reported our results in March has been the publication of the Barker report.

Kate Barker, one of the members of the Bank of England's monetary policy committee was appointed by the Treasury to examine the reasons why in the UK there has been an under supply of housing in recent years.

The Barker report was published in March this year and along with other housebuilders we welcomed the conclusions.

Importantly the report concluded that there was indeed a grave under supply of housing in the UK which has been largely caused by the planning environment in which we operate.

The Chancellor, in his budget, endorsed the report's findings and stated that the government will be starting a formal consultation process to see how the reports findings can be incorporated into the legislative framework.

Being realistic however, we would not expect an immediate lift in the housing volumes in the UK. Indeed it will be several years before that will occur.

In the meantime Taylor Woodrow is well placed for growth.

In the UK we will obviously benefit in 2004 from a full year's contribution from Wilson Connolly.

In North America we are also well placed for growth. The decision made last year to increase our investment in Florida high-rise is showing excellent promise with pre-

sales levels exceeding expectations. This investment will begin to pay dividends in 2005 with the anticipated completion of three of our five owned developments. Construction of our first new project has commenced.

This is an extremely attractive market for us, as we are able to secure non refundable deposits prior to commencement of around 20% from our customers. Also, we are able to pre sell the development to around 50-60% before we proceed with construction. Furthermore we retain the right not to proceed with a project if we so wish.

We are also expecting organic growth in all of our other North American businesses – especially in California where the combination of favourable market conditions and our strategy to move to middle market product are expected to generate good results.

Standing back from short term trading environments, to

look at fundamental economic drivers in both the UK and North America, suggests that both these markets remain sustainable.

In the UK, there has been no change in the structural under supply of houses to the market. Demographic projections in the UK suggest that we require more than 200,000 new homes to be built every year and the entire industry is struggling to build any more than 160,000.

Secondly, the cost of servicing mortgage debt remains close to all time lows. Recent interest rate rises have had no discernible effect on our site traffic or sales.

Affordability combined with high levels of employment means that consumer confidence and demand remains reasonably strong.

Looking still further ahead, the UK's housing stock is

amongst the oldest in Europe, which will continue to underpin demand for replacement new housing in years to come.

Taking all these factors into account, it is difficult to see any convincing indication of imminent crash in either housing demand or prices.

Nevertheless, the United Kingdom is a tight market in which to operate. We believe therefore that having successful overseas housing businesses, which are located in dynamic markets, is a real strength to Taylor Woodrow.

With strong forward order books across our businesses, Taylor Woodrow has started 2004 with confidence. We have already fulfilled our commitment to dispose of St Katharines dock, the last significant part of our former investment property portfolio for £283 million. Our

objective remains enhancement of shareholder value through earnings growth while continuing to deliver good returns on capital employed.

So in summary, we remain on track to deliver another set of good results this year in line with the Board's expectations.

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