

17 January 2012

Taylor Wimpey plc
Trading Statement for the year ended 31 December 2011
Strategic focus on margin performance delivers increase in profits

Taylor Wimpey is issuing the following update on trading ahead of its full year results for the year ended 31 December 2011, which will be announced on 29 February 2012.

Overview

Trading conditions have remained robust since our Interim Management Statement on 7 November 2011 and we expect to report an increase of over 80% in Group operating profit for the second half of 2011 (H2 2010: £49.1m). We anticipate achieving our target of double-digit operating margins in the UK in the second half of 2011, ahead of schedule, with a full year margin ahead of that reported both in the first half of 2011 and in the 2010 full year (H1 2011: 9.3%, FY 2010: 6.4% excluding one-off pension curtailment credit of £12.0m).

Home completions increased by 2% to 10,180 (including our share of joint venture completions) from 9,962 in 2010, of which 20% were affordable housing completions (2010: 18%). Our average selling prices on private sales rose marginally to £185k from £184k, against a backdrop of broadly stable house prices in the wider market.

Following the successful sale of our North American business, we have finalised our strategy to optimise our UK residential development business. The key elements of this strategy are:

- Prioritisation of both short and long term margin performance ahead of volume growth;
- Development of our extensive strategic land portfolio in combination with targeted short term land acquisitions;
- A comprehensive focus on improving returns from both our existing land portfolio and newly acquired sites through our value management process; and
- Ongoing management of the Group's capital structure, operating structure and level of land investment to maximise performance across the housing market cycle.

Pete Redfern, Group Chief Executive, commented, "In 2011, we have taken the opportunity to focus on our strategy of driving value for shareholders through margin improvement and improving return on capital. It is pleasing to have reached our double digit operating margin target ahead of schedule and to be well-placed to deliver further improvement, providing that market conditions remain broadly stable."

UK market conditions

Market conditions in 2011 exceeded our expectations, with pricing stable and levels of both visitors and reservations above the prior year. We experienced a more normal autumn selling pattern and a stronger end to the year, particularly contrasted with the weak finish to 2010. Our net private reservation rate for the full year was 0.54 homes per outlet per week (2010: 0.51) with cancellation rates below the long term average at 15.8% (2010: 18.2%).

As previously reported, our sales focus in the final quarter was to maximise both the quality and scale of our order book. We ended the year with a total order book value of £835m (2010: £715m), an increase of 17%. The total number of homes within the order book is up by 15% to 5,379 homes (2010: 4,684 homes), and the margin in the order book is also ahead of both the equivalent point last year and the margin achieved on completions in 2011.

We support the Government's FirstBuy initiative and have completed 173 homes under the scheme during 2011. We remain sparing in our use of other shared equity incentives and welcome the development of the Government and housebuilder-backed mortgage indemnity guarantee scheme.

Our aim is to offer homes that are aspirational for our target customers and appropriately priced for each local market and to ensure that our processes deliver the high standards of quality and service that our customers rightly expect. It is therefore extremely pleasing to report that our externally measured customer satisfaction scores have increased to 92.1% (2010: 87.1%).

Land portfolio, planning and outlets

Our land portfolio is strong, containing approximately 65,000 owned or controlled plots with planning or resolution to grant planning at the year end (2010: 63,556), equivalent to 6.4 years of supply at current completion levels (2010: 6.4 years). In line with our strategy to actively manage our level of land investment we consider it appropriate to hold a longer land portfolio at this stage in the housing market cycle. We approved the purchase of 11,756 new plots on 106 new sites during 2011, consistent with our previous guidance, continuing to limit the use of deferred payment terms.

We increased our financial return criteria for land purchased during 2011, maintaining our consistent, disciplined approach to land acquisition in order to maximise the quality of our portfolio in a land market offering an increased number of attractive opportunities. In addition, we have achieved planning consents on circa 4,000 plots from our strategic land portfolio over the course of 2011.

We opened 128 new active selling sites in 2011 and entered 2012 with 314 outlets (December 2010: 301). Our primary goal with new outlets continues to be to optimise planning consents and value-engineer sites prior to opening and we continue to prioritise margin performance over volume growth. However, we anticipate that our stronger order book, recent land acquisitions and planning approvals on strategic sites will enable us to increase our outlet numbers during 2012 and deliver further growth in completions, subject to ongoing stable market conditions.

Spain Housing

Although market conditions remain challenging in Spain with the ongoing macro economic uncertainty, we have completed 109 homes (2010: 136) at an average selling price of £238k (2010: £214k). The Spanish housing business generated cash and made a marginal profit during 2011.

Group financial position

We expect to report an increase in Group operating profit of over 80% for the second half of 2011 (H2 2010: £49.1m), resulting in an increase in full year Group operating profit in excess of 75% (2010: £88.3m excluding one-off pension curtailment credit of £12.0m).

As previously disclosed, profit from discontinued operations for the full year will be £43.1m. We expect to report exceptional items totalling circa £10m in 2011, relating to the Senior Note tender offer and the ongoing Enhanced Transfer Value exercise for the defined benefit pension schemes.

Net debt at 31 December 2011 was below our previous guidance at approximately £120m (2010: £654.5m). We expect the level of net debt to be higher at the half year due to normal seasonal working capital trends and the timing of land payments.

Outlook

Whilst it remains too early to judge the market for the year, the first two weeks of trading in 2012 have followed the encouraging patterns of the second half of 2011, with good visitor levels, healthy reservations and low cancellations. We believe that our ever improving portfolio of sales outlets is well positioned in our local markets with aspirational products and achievable prices for our target customers.

Our priorities remain value creation and margin improvement ahead of volume growth and we have achieved further improvement in the margin on sales in our order book. Having delivered double digit operating margins in the UK in the second half of 2011, ahead of our target, we continue to expect to deliver further steady improvement providing that current stable market conditions continue.

Given the balance between a stable UK housing market and widespread economic uncertainty, we continue to maintain a positive but cautious view of the short term trading environment. In addition to creating value in an improving market, our value-focused strategy, high quality land portfolio, increased order book and strong balance sheet all give us a strong defensive position should conditions weaken during 2012.

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Notes to editors:

Taylor Wimpey plc is a residential developer with operations in the UK and Spain.
We aim to be the leading developer for creating value and delivering quality.

For further information, please visit the Group's website:

<http://plc.taylorwimpey.co.uk>