

07 April 2009

Taylor Wimpey plc

Trading and financing discussions update

Taylor Wimpey today announces that the amendment of its debt facilities is now substantially complete. Documentation reflecting the amended terms has been signed by our banking syndicate and US private placement noteholders, subject to formal approval from holders of the Group's Eurobonds at two bondholder meetings to be convened for 30 April 2009. Special Committees of both Eurobond issues with members holding over 75% of each have already approved, and given irrevocable commitments to support, the amendments.

We set out below key details of our unaudited year end results for 2008 in advance of the publication of our Annual Financial Report on 30 April. These show an unaudited loss from continuing operations before tax and exceptional items of £74.7 million and exceptional costs of £1,895.0 million, primarily relating to the previously announced goodwill and other intangible asset impairment and land and work in progress write-downs. Before the impact of previously committed land spend, the Group created £842 million of positive operating cash flow in 2008. Unaudited tangible net assets per share were 158p as at 31 December 2008, with the Group having 106,216 plots in its owned and controlled land bank.

Recent trading has been at the upper end of our expectations, with the Group experiencing stable pricing in the UK since the beginning of 2009, and sales rates ahead of last year. Net debt stood at approximately £1.57 billion on Friday 3 April, significantly below our targeted level.

Commenting on the revised financing package and current trading, Pete Redfern, Group Chief Executive, said:

"Following complex negotiations, this financing package will allow management to run the business for the benefit of all stakeholders and gives the Group flexibility to enable it to trade through the current downturn. Although we remain cautious about market conditions, current trading and the cash generation of the business are both encouraging."

Financing discussions

- Terms have been agreed with all banks and private placement noteholders to amend the Group's debt, contingent on receiving the necessary formal approvals from the holders of both the 2012 Eurobonds and the 2019 Eurobonds;
- Special Committees of both Eurobond issues have already accepted the revised package, with irrevocable undertakings in support of the proposal amounting to c78% of the 2012 Eurobonds and c76% of the 2019 Eurobonds. The proposal requires support of holders of at least 75% of the bondholders of each Eurobond at bondholder meetings to be held on 30 April;
- Amendment of debt facilities supported by key surety providers, subject to documentation, and the Board of Trustees of each of the Group's two UK defined benefit pension schemes;
- Amended financing package will provide the Group with committed facilities until July 2012.

Summary of revised terms

The structure of the Group's current facilities will be amended as follows:

- Proposed total facilities of £2.47 billion against net debt of £1.57 billion on 3 April 2009;
- The alignment of all existing debt maturity dates, other than longer dated debt, to 3 July 2012;
- A reduction of the £1.65 billion revolving credit facility, resulting in the cancellation of £235 million of undrawn and excess facilities;
- Further planned step downs in the level of facilities of £150 million by 30 June 2009 and a further £350 million by 30 June 2010;
- New committed UK overdrafts of £45 million to replace present uncommitted facilities of £95 million;
- New committed bank bonding and surety lines of £75 million and US\$55 million.

The current covenants relating to earnings based interest cover, priority borrowings and gearing levels have been removed. A new covenant package has been put in place that is more appropriate for the current environment and which will be consistent across all of the Group's borrowings. This will comprise the following, tested on a quarterly basis:

- Minimum net operating cash flow;
- Minimum consolidated tangible net worth;
- Asset leverage cover - representing the ratio of total consolidated net borrowings to the book value of inventories net of land creditors.

These covenants have been set to be robust against various scenarios, including allowance for the possibility of a significant further reduction in UK house prices and volumes.

The Group has also agreed to provide operational covenants to its banks and private placement noteholders. These generally ensure that the existing position between creditors is protected but also include, for example, an annual cap on new land commitments linked to the Group's level of net debt.

The ongoing cost of the Group's debt servicing will increase, with the key elements being:

- Amendments to the margins and coupon rates on borrowings equivalent to an increase of 4.55% per annum;
- An interest charge, as a Payment in Kind ('Initial PIK') which accrues at 1.50% per annum, payable at the earlier of repayment or maturity;
- Additional interest charges, also as a PIK ('Additional PIK'), which would accrue in the event that the Group does not meet agreed step downs in the level of facilities of £150 million by 30 June 2009 and a further £350 million by 30 June 2010;
- Warrants giving all banks, Eurobond holders and private placement noteholders the right to subscribe in cash (exercisable at 25p per share) for a combined total of 5% of the Group's issued share capital.

We anticipate total one off debt fees and all legal and professional costs associated with the amendment process will be in the order of £60 million, of which £11 million was incurred in 2008.

The proposals have already received the support of the Boards of Trustees of the two UK defined benefit pension schemes. Existing deficit reduction payments to the Group's two UK defined benefit pension schemes will be maintained at current levels. Both schemes will continue to benefit from existing guarantees from the Group and also from covenants concerning intra-Group loans, which preserve the pension schemes' structural seniority over other unsecured creditors.

Impact of additional equity on debt cost and structure

The revised financing deal does not require the Group to raise new equity capital. In the event, however, that the Group meets the planned £150 million reduction in facilities by the end of 2009 and raises a minimum of £350 million of equity by the end of 2010, the terms of the debt facilities would adjust as follows:

- The cash margin and coupon payable reduce by up to 3.00% based on a ratchet mechanism related to gearing;
- The Initial PIK and any Additional PIK cease to accrue;
- The level of operating covenants are reduced.

Completion timetable and process

The process of seeking consent from the holders of the Group's Eurobond holders will commence tomorrow with the publication of formal notices in the Financial Times. A Consent Solicitation Memorandum, setting out additional information on the proposed amendments, will then be made available to Eurobond holders.

Each notice commences a formal notice period of 21 days prior to convening a bondholder meeting on 30 April 2009. Assuming that a quorum is present at these meetings and the proposed changes are approved by a minimum of 75% of bondholders, and other customary conditions precedent are satisfied, the amendments will become effective on 30 April 2009.

This proposal has already been presented to Special Committees of both bond issues, who have given irrevocable undertakings in support of the proposal amounting to c78% of the 2012 Eurobonds and c76% of the 2019 Eurobonds.

2008 results

We expect to publish our full audited accounts following completion of the Eurobond approval process. We set out below a summary of our 2008 unaudited financial results.

£m	2008 (unaudited)			2007* (audited)
	Before exceptional items	Exceptional items	Total	Total
Revenue	3,467.7	-	3,467.7	4,142.8
Cost of sales	(3,138.2)	(1,012.8)	(4,151.0)	(3,733.5)
Gross profit/(loss)	329.5	(1,012.8)	(683.3)	409.3
Net operating expenses	(243.2)	(871.7)	(1,114.9)	(353.5)
Profit/(loss) before finance costs	86.3	(1,884.5)	(1,798.2)	55.8
Net finance costs	(168.6)	(10.5)	(179.1)	(112.8)
Share of results of JVs	7.6	-	7.6	23.4
Loss before taxation	(74.7)	(1,895.0)	(1,969.7)	(33.6)
Taxation (charge)/credit	(23.4)	100.0	76.6	(173.4)
Loss for the year from continuing operations	(98.1)	(1,795.0)	(1,893.1)	(207.0)
(Loss)/profit for the year from discontinued operations	(2.5)	55.6	53.1	10.3
Loss for the year	(100.6)	(1,739.4)	(1,840.0)	(196.7)
Adjusted basic (loss)/earnings per share**			(9.4)p	29.5p

* 2007 financial information has been restated to reflect the disposal of the UK business of Taylor Woodrow Construction (TWC) that is treated as a discontinued operation.

** From continuing operations before exceptional items.

The figures above include the impact of the following exceptional items:

£m	2008 (unaudited)	2007 (audited)
Land and work in progress write-downs	(1,012.8)	(289.7)
Impairment of goodwill and other intangible assets	(816.1)	(30.0)
Restructuring costs	(35.1)	(60.0)
Refinancing costs	(20.5)	-
Exceptional finance costs	(10.5)	-
	(1,895.0)	(379.7)
Taxation	100.0	(70.2)
	(1,795.0)	(449.9)
Profit on disposal of TWC	55.6	-
	(1,739.4)	(449.9)

A Market Update presentation is available at www.taylorwimpey.com

Cash management remained our key focus throughout 2008, with very tight controls on all spend. UK overheads were reduced by c£60 million during 2008, relative to 2007 proforma, and we reduced our UK WIP by c£218 million during the course of the year. We reduced our levels of finished stock from 2,025 units at the half year to 1,138 units at the end of the year and our part exchange exposure from £56 million to £31 million.

During 2007, we stopped new land commitments and started renegotiating our existing contractual arrangements. During 2008 we continued to target selective land sales where these could be achieved at acceptable rather than at 'fire sale' prices. We made sales of £58 million of land at an average discount of only 4% to book value. This included selling some apartment and non residential schemes that did not fit our strategy going forward. We intend to continue this policy in 2009.

We also reduced our exposure to non-land creditors in the UK to £520 million at 31 December 2008 from £654 million at 31 December 2007.

The land and work in progress write-downs arise primarily from the ongoing review of the carrying value of our UK landbank in the current market conditions. A further £318.5 million has been provided against our UK land and work in progress assets during the second half of 2008, reflecting an average house price fall of c20% over the course of the year. The Group landbank value, net of these write downs, was £3.41 billion (31 December 2007: £3.88 billion).

As at 31 December 2008 Group net debt was £1.53 billion (31 December 2007: £1.42 billion), with tangible net assets of £1.67 billion (31 December 2007: £2.88 billion) and tangible net assets per share of 158p (31 December 2007: 274p).

The tax credit of £76.6 million for 2008 includes an exceptional credit of £100.0 million. This comprises a net credit of £91.6 million in respect of UK inventory write downs and deferred tax movements, and a net credit of £8.4 million relating to US inventory write downs made in the year.

The IAS19 pension deficit was £277.2 million at 31 December 2008, (31 December 2007: £216.4 million).

In September we sold TWC for £74m and have continued during the balance of the year to refocus the Group on its core operations. We have also sold the majority of our Ghanaian construction operations and are reviewing the possibility of selling the remaining operations. We are reducing our exposure to Spain as we continue to work on existing sites and our plans to exit Gibraltar remain on course.

2009 trading and performance update

UK

During the first 13 weeks of 2009, the UK housing market has performed at the upper end of our expectations, with higher than expected visitor levels and sales rates, and stable average pricing. Net sales rates per site in the UK are level with the equivalent period in 2008 and up 78% on the second half of 2008. Having reduced our stock plots last year, particularly in the more challenging product and market areas, we have not needed to increase incentives.

Whilst there is usually a seasonal uplift in trading at this time of year, current performance is stronger than we would have anticipated. It appears that there is underlying demand for new housing in the marketplace despite current conditions. With the tight constraints on supply imposed by the planning system, and exacerbated by the current economic conditions, this demand is currently underpinning the market. We remain concerned about the sustainability of current conditions, due to uncertainty over mortgage availability and general economic conditions, particularly unemployment.

We have continued to operate with a very tight focus on cash and costs. We have continued to trade through most existing sites, but new outlet openings have been minimal. We are currently operating from approximately 365 outlets. We have maintained a slow but steady level of build investment so that we reduce the cash spend but maintain a pipeline of available product, in order to respond to customer demand.

Unsold finished stock at the end of February was only 647 units, less than two per selling outlet, and less than one month of supply. Although we have continued to use part exchange as an incentive, we have maintained a low risk approach and had only £25m of exposure at the end of February.

Following significant renegotiation we now expect cash payments in respect of existing UK land commitments to total c£300 million during 2009, a significant reduction from the estimated £450 million at the time of our announcement on 2 July 2008. The Group does not intend to resume making new land commitments until market conditions become more certain.

We have undertaken a further review of our UK operations during the first quarter of 2009 and have closed a further three regional offices, taking our number of regional businesses to 23 from 39 at the start of 2008. Our total reduction in UK staff since the merger in mid 2007 is now 3,580. We have retained our national presence and the ability to operate effectively in all of our markets.

North America

In North America, market conditions have remained challenging. Sales rates for the year to date are slightly below our expectations, although we have seen some improvement in recent weeks and pricing movements are relatively small. We remain hopeful that the significant improvements in affordability, reducing levels of available stock and the actions of the US Government will start to impact positively on the market during 2009.

Summary

When formally approved by our Eurobond holders, the amended financing package announced today will establish a medium term financing solution to enable the Group to trade through the current market downturn. We have continued to take firm action within the business to reduce costs and focus directly on creating cash and reducing liabilities.

We believe that the prospects for both the UK and North American housing markets remain attractive in the medium and long term due to the positive demographic trends in both markets, and particularly due to constrained land supply in the UK. The structure of the revised financing package gives shareholders the opportunity to

benefit from future recovery and mitigate the costs of financing as market conditions improve.

Assuming the acceptance of the revised covenant package in line with the timetable above, Taylor Wimpey plc will issue its audited Annual Financial Report on 30 April 2009.

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Notes to editors:

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.

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

www.taylorwimpey.com