

# Chairman's Statement



Once again I am pleased to announce another set of record interim results for Persimmon for the six months ended 30 June 2007.

## RESULTS

Pre-tax profits increased by 9.8% to £281.1 million (H1 2006: £256.1 million). Comparative figures for 2006 are stated after charging exceptional reorganisation costs of £15.4 million. Basic earnings per share increased by 7.9% to 65.5p.

During the period we completed 8,002 units (H1 2006: 8,226) at an average selling price of £189,255 (H1 2006: £188,427). Turnover was £1,514 million (H1 2006: £1,550 million).

Operating profit increased to £315.3 million representing a margin of 20.8% (H1 2006: £293.7 million: 18.9%). This improvement in operating margin reflects the progress that has been made in the delivery of the anticipated level of synergy savings and tight control of build costs which more than offset the effects of the challenging market conditions.

On the basis of this strong performance we are increasing the interim dividend this year to 18.5p, which represents a 34% increase over the 13.8p per share interim dividend paid in 2006. This increase includes a rebalancing of the full year dividend payment as well as an expected total dividend increase for 2007 which will be not less than 10%. Therefore the total dividend for 2007 will be not less than 51.2p, which would represent an annual compound growth rate in dividend per share of c. 28% over the last 5 years. The interim dividend will be payable on 19 October 2007 to shareholders on the Register on 31 August 2007.

Total net borrowings at 30 June 2007 were £646 million representing a gearing level of 29% (30 June 2006: 50%). We generated a strong pre-dividend free cash inflow of £61 million after investing a further net £181 million in working capital. Net assets per share have increased by 18% since June 2006 to 730.1p.

Interest cover remained healthy at 9.2 times whilst the net interest cost for the period was £34.2 million (H1 2006: £37.6 million). Return on average capital employed remained strong at 22.9% (H1 2006: 24.4%).

## BUSINESS OVERVIEW

During the last six months we have continued to apply the necessary basic disciplines of our business to ensure that we achieve the best possible results. This requires investment in land at sensible prices, maximisation of sales revenues through careful planning and marketing, and the application of firm control of build costs. All divisions have been impacted by the industry difficulties encountered in opening new developments due to delays in obtaining detailed planning consents. Despite this, all our divisions have shown underlying price growth, and have traded well albeit with some regional and local differences.

The North Division once again had a mixed experience. Scotland performed very well while some parts of the North of England experienced a more subdued market. The Division completed 1,896 units (H1 2006: 1,926 units) at an average selling price of £175,171 (H1 2006: £169,432).

A change of mix was partly responsible for the 6.6% increase in average selling prices in Scotland, where underlying price per square foot rose by c. 5%. In the North of England underlying price growth was more muted at c. 2%. Margins remained robust.

The Central Division performed well completing 2,982 units (H1 2006: 2,910 units) at an average selling price of £173,834 (H1 2006: £169,794) with underlying price per square foot increasing by c. 3%. We achieved further improvement in margins in this Division. Regionally, Thames Valley and Essex performed well, whilst the market was more challenging in some parts of the Midlands and North West.

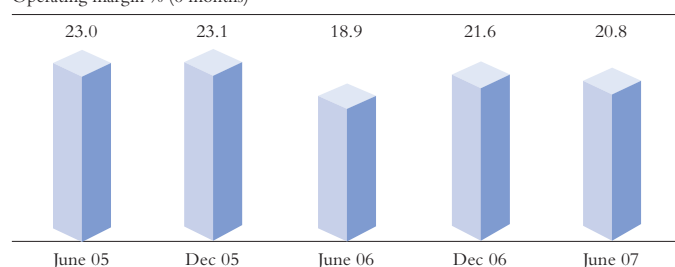
The South Division completed 1,781 units (H1 2006: 1,924 units) at an average selling price of £182,322 (H1 2006: £189,674). The reduction in average selling price was largely due to a change of mix with a greater proportion of affordable housing, underlying price per square foot increasing by c. 3%. Our continued focus on margin improvement delivered an increase in profitability in this Division. The lower level of legal completions achieved against the prior year comparatives is largely due to the sale of low margin Westbury stock in the first few months of 2006. Our South West business has performed particularly well over recent years and we have recently opened a further business in this area, Persimmon Homes Severn Valley based at Bridgwater.

Within the South Division, Westbury Partnerships traded very well during the period achieving 106 completions at an average selling price of £86,642. The progress that Partnerships has made so far this year will result in a significant increase in completions in the second half and we expect to complete c. 300 units for the full year (2006: 197 units). We are very confident that the model we have implemented in this business, working closely with Space4, our manufacturing plant supplying factory built homes, will benefit from the Government's agenda to increase the number of affordable and environmentally friendly homes to be built each year.

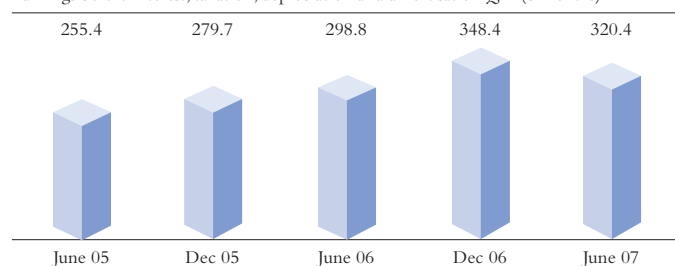
The launch of Persimmon Homes' Living-i collection in Greater Manchester in June 2007 further demonstrated the Group's commitment to protecting the environment whilst responding to homebuyers' demands.

Charles Church completed 1,343 units (H1 2006: 1,466 units) with margins remaining resilient. As anticipated volumes in the period were lower, the prior year benefiting from the legal completion of ex Westbury stock houses which were transferred to Charles Church in January 2006. The top end of the market was also more difficult whilst the opening of a number of new developments in the early months was delayed by planning. To a large extent these planning issues have now been resolved and volumes for the second half are set to increase.

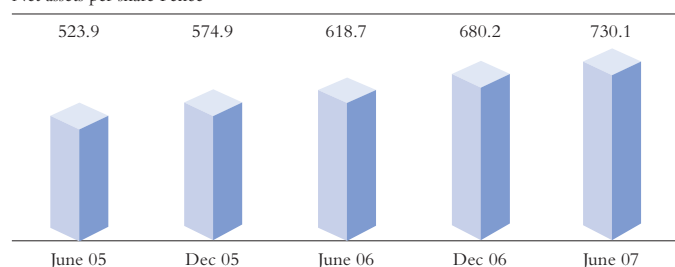
Operating margin % (6 months)



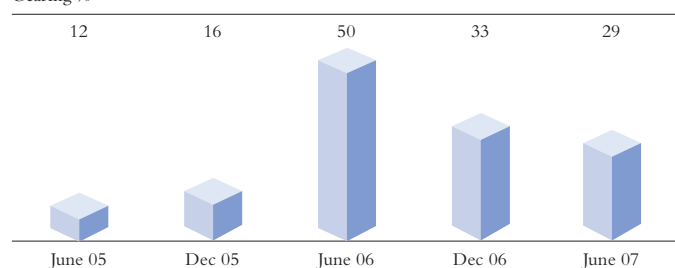
Earnings before interest, taxation, depreciation and amortisation £m (6 months)



Net assets per share Pence



Gearing %



Charles Church average selling price was £252,576 (H1 2006: £248,731), an increase of 1.5%. This increase reflects the sale of a higher proportion of smaller homes in addition to underlying price growth of c. 2%.

## LAND

We are pleased that the Government is increasing its efforts to resolve the undersupply of new housing. There are undoubtedly many challenges to meet to achieve the necessary volume increases whilst at the same time addressing the many environmental issues. We believe it is possible to achieve both and with our broad product range and national coverage we expect Persimmon to be a major participant working closely with all parties to achieve this.

We have continued to replace and strengthen our landbank to ensure adequate detailed consents are available for our business. For example we have recently taken our first sales on new large developments at Ashford and Gillingham. In addition we have recently commenced infrastructure works on several new exciting developments, such as a 630 plot scheme at Salisbury and an 810 plot scheme at Bridgwater.

Once again we have increased our landbank. At 30 June 2007 we owned or controlled 82,145 plots (December 2006: 80,085) with a further 18,361 plots on which we had agreed terms and were proceeding to contract. In addition, we control c. 22,000 acres of strategic land. This strategic land portfolio has continued to provide plots into our landbank and during the six months c. 5,000 plots have been consented with a further c. 30,000 expected over the next 3 years. This continues to provide a strong platform for our business.

## OUTLOOK

Sales for the second half of 2007 are ahead of the same date last year at a healthy level of £1.35 billion (22 August 2006: £1.30 billion). Total sales activity achieved for 2007, including legal completions to date, represent c. 85% of our full year target.

During the summer months the housing market is usually quieter. This has been the case this year. We believe that as long as current assumptions on interest rates remain intact, and employment data continues to be supportive, purchasers will feel confident about job security. This, coupled with general confidence in the housing market, should deliver the normal seasonal upturn in activity throughout the Autumn selling period.

We are confident that the demand for new housing will continue to support the long term prospects for the business despite short term challenges.

Persimmon continues to achieve industry high margins, supported by an excellent landbank, good forward sales and an experienced management team with a clear focus on cash management and continued improvement of shareholder returns. None of this would be possible without the commitment and efforts of all our staff. I thank them for their continued efforts and hard work.

**John White** Chairman  
20 August 2007