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Mr J Hunter  
UKSA Policy Group  
UK Shareholder's Association  
1 Bromley Lane  
Chislehurst  
Kent BR7 6LH

21 January 2013

Dear Mr Hunter

### **Persimmon Long Term Incentive Plan**

Thank you for your letter of 1<sup>st</sup> December 2012 concerning the Persimmon Long Term Incentive Plan ("LTIP").

Sadly you have failed to understand the critical features of the LTIP which are designed to fully align management with shareholder interests. The critical features are that i) the scheme requires a return of £1.9bn or 620p a share to all shareholders and ii) the options are only valuable if the business has grown and expanded as the share price at exercise will reflect the value of the business at the end of the return programme.

Accordingly, if the cash is returned purely by running down revenues, cash and the landbank then the share price will be low and the reward to management will be low. However, if the business has grown and has a strong landbank, including strategic land and is profitable and generating cash, then the share price will be higher to the benefit of shareholders and management.

To take your concern to the ultimate conclusion whereby the landbank is totally sold to make the repayment then the share price will be zero and the options will have no value.

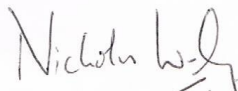
Picking up your questions:

1. Any material conclusions with which we disagree – yes, see above.

2. Targets. I cannot agree that the return, in cash, of the full market capitalisation of the Company over 9½ years is an easy target, especially when the value of the options will be driven by the value of the residual business.
3. Construction of the scheme. The scheme is constructed to return cash and build a business. Value is driven only if cash is returned and long term value is created.
4. Landbank. As explained above any weakening of the landbank hits the value of the equity and so management are strongly incentivised to enhance, not weaken, the landbank.
5. Residual value. The scheme requires value to be created otherwise little or not value accrues to management. The aim is to return value whilst building a bigger and better business over the period. This is demonstrated by the recent continued growth of the landbank and investment in strategic land.
6. Additional information. No additional information was given to institutional shareholders.

I hope this answer is helpful but I am very happy to discuss all or any of these issues with you. If that would be helpful please ring me on Tel: 01904 642199 and my secretary will put you through to me.

Yours sincerely



Nicholas Wrigley  
Group Chairman

