

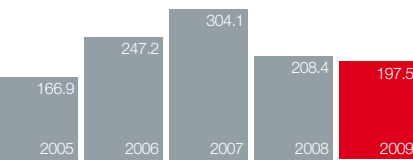
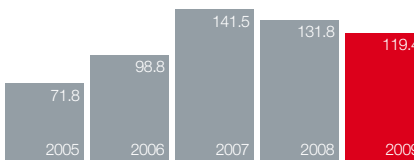
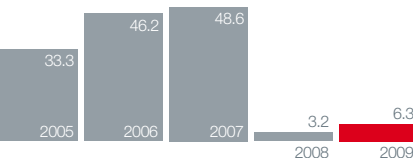
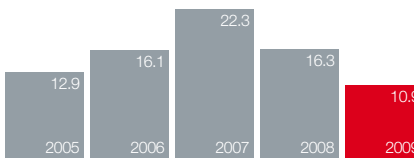





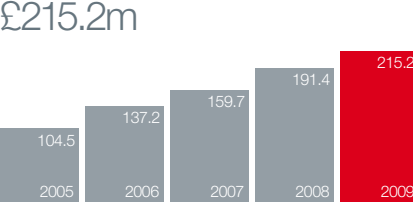
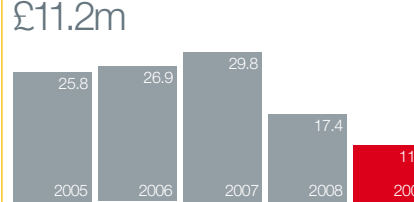
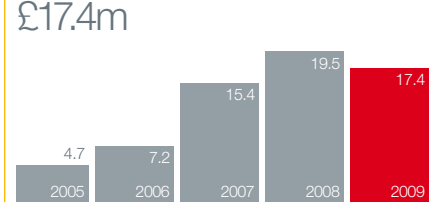
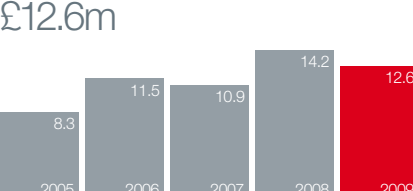
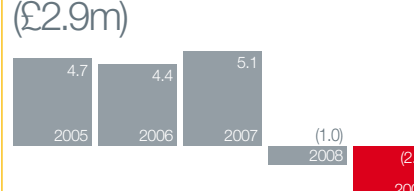
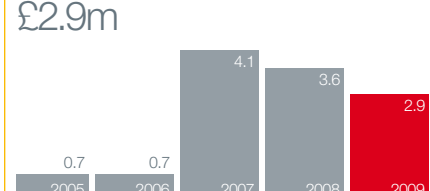
Group Chief Executive's review

Segmental reviews

The Savills Group is principally involved with advising on matters affecting commercial, rural, residential and leisure property. It also provides corporate finance advice, fund management and a range of property related financial services. Operations are conducted internationally through the following business streams.

	Transactional Advice	Consultancy
Services	<ul style="list-style-type: none"> → Commercial agency and investment → Residential agency, letting and investment → Development → Auctions → Farm and estate agency → Retail and leisure → Hotels and healthcare → Institutional → Purchasing advice → New homes → Offices → Industrial 	<ul style="list-style-type: none"> → Valuation → Building consultancy → Housing consultancy → Capital allowances and rating → Affordable housing and student accommodation → Landlord and tenant → Planning → Research → Environmental consultancy → Strategic projects
Contribution to Group revenue %	35.2%  <ul style="list-style-type: none"> ■ Transactional Advice ■ Rest of Group 	21.3%  <ul style="list-style-type: none"> ■ Consultancy ■ Rest of Group
Revenue £m	£197.5m 	£119.4m 
Underlying profit/(loss) before tax £m	£6.3m 	£10.9m 

* Underlying profit is calculated by adjusting reported pre-tax profit by exceptional items, profit on disposals, share-based payment adjustment and impairment and amortisation of goodwill and intangibles (excluding software).

Property Management	Financial Services	Fund Management																																				
<ul style="list-style-type: none"> → Asset management → Facilities management → Commercial management → Land and farm management 	<ul style="list-style-type: none"> → Residential mortgage broking services → Commercial debt broking services → Insurance services → Financial planning services → Equity raising → Debt shortening → Corporate finance/M&A 	<ul style="list-style-type: none"> → Property investment products → Discretionary portfolio management 																																				
<p>38.4%</p>  <p>■ Property Management ■ Rest of Group</p>	<p>2.0%</p>  <p>■ Financial Services ■ Rest of Group</p>	<p>3.1%</p>  <p>■ Fund Management ■ Rest of Group</p>																																				
<p>£215.2m</p>  <table border="1"> <tr><th>Year</th><td>2005</td><td>2006</td><td>2007</td><td>2008</td><td>2009</td></tr> <tr><th>Revenue (£m)</th><td>104.5</td><td>137.2</td><td>159.7</td><td>191.4</td><td>215.2</td></tr> </table>	Year	2005	2006	2007	2008	2009	Revenue (£m)	104.5	137.2	159.7	191.4	215.2	<p>£11.2m</p>  <table border="1"> <tr><th>Year</th><td>2005</td><td>2006</td><td>2007</td><td>2008</td><td>2009</td></tr> <tr><th>Revenue (£m)</th><td>25.8</td><td>26.9</td><td>29.8</td><td>17.4</td><td>11.2</td></tr> </table>	Year	2005	2006	2007	2008	2009	Revenue (£m)	25.8	26.9	29.8	17.4	11.2	<p>£17.4m</p>  <table border="1"> <tr><th>Year</th><td>2005</td><td>2006</td><td>2007</td><td>2008</td><td>2009</td></tr> <tr><th>Revenue (£m)</th><td>4.7</td><td>7.2</td><td>15.4</td><td>19.5</td><td>17.4</td></tr> </table>	Year	2005	2006	2007	2008	2009	Revenue (£m)	4.7	7.2	15.4	19.5	17.4
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Group Chief Executive's review

Segmental reviews

Transactional Advice	
Revenue £m	197.5
Underlying profit before tax £m	6.3

In many markets Savills Transaction Advisory businesses continued to experience the challenges of recession and lack of credit availability during the year. On the positive side the Group was well placed to benefit from the progressive return of predominantly cash buyers into both the UK residential and commercial markets and parts of Asia Pacific. This trend and Savills financial strength allowed the Group to maintain the capacity of our transaction teams in regions and markets which have not yet seen significant evidence of recovery.

UK Residential

The prime residential market, where Savills is a market leader, performed strongly from the second quarter onwards. The Residential Transaction business increased revenue by 11.1% to £71.3m (2008: £64.2m) primarily as a result of a strong performance from the London and Home Counties markets. We remained market leader in prime central London transactions valued at over £5m and our universe of buyers changed little over the period, albeit with more interest from the Asia Pacific region. In the broader prime market the availability of mortgage finance was, and remains, a significant obstacle for buyers to overcome and transaction volumes reflect this as well as reduced stock availability for much of the year. The latter helped to push values in the most desirable locations back towards the 2007 peak. It remains to be seen how the market will perform in 2010 with significant personal tax rises and a general election in prospect during the spring selling season.

Our New Homes Transaction business had a weak start to the year but rallied well in the second half to finish with revenues slightly down on 2008 but ahead of our expectations. Our Development Transaction business suffered in comparison to 2008, but it too enjoyed a brighter second half performance.

The Residential Transaction business benefited from the substantial cost reduction initiatives taken since the beginning of 2008 to record an increase in underlying profit of over 320% to £11.8m (2008: £2.8m).

UK Commercial

Our revenue from UK Commercial transactions declined by approximately 31% to £35.7m (2008: £51.9m). Trading conditions were tough throughout the first half of the year but improved measurably through the third and fourth quarters. For the majority of the year investment demand, which was primarily equity backed, focused on prime quality assets with long leases and good covenants.

There was significant demand for the scarce supply of such 'bond' like products with the result that yields compressed sharply during the year. The lack of debt availability and the banks' strategy of rolling over non-performing loans rather than foreclosing resulted in a scarcity of both demand for, and supply of, grade B property for much of the year. However, there was evidence of a relaxing of investor attitude to risk through the fourth quarter. This, together with significant inflows into UK property funds, were perhaps the best signs yet that the UK investment market is continuing its pattern of recovery. There is residual caution, however, over levels of stock availability in the UK together with uncertainty over the impact of the general election in the coming period.

The regional Occupational business in the UK declined slightly over the year as a whole, primarily as a result of the effect of the recession on retailers. Other leasing markets, particularly City and West End of London offices, improved over the second half, having previously reacted sharply to the downturn. The significant disconnect between property yields and underlying occupier sentiment throughout the UK continues to represent a cautionary note for 2010.

The transactional element of the Commercial Development business continued to slow as clients suffered from the lack of available development finance.

Overall, our strategic decision to retain teams, despite difficult market conditions, to safeguard our ability to service our clients as markets recover, reduced underlying profit to £1.2m (2008: £7.8m). This reflected the relative lack of business activity in the first half followed by progressive recovery in the third and fourth quarters.

Asia Pacific

The Asia Pacific Transaction business, which is predominantly Commercial, increased revenue by 6.6% to £59.9m (2008: £56.2m). On a constant currency basis this represented a decline of 10.7%, which reflected the reduced transaction activity in Hong Kong and across the majority of the region in the first few months of the year. By contrast the market which represented mainly corporate and high net worth investors, improved substantially during the mid year and our revenue for the second half increased by 40.4% in constant currency year on year. China and Vietnam performed well showing significant revenue and profit growth. Revenue from the Hong Kong market declined compared to 2008, but picked up markedly in the second half and other countries, notably Australia and Korea also benefited from improving conditions later in the year. Towards the end of the year commentators began to raise the question of the sustainability of property markets in the region in the light of the degree of economic stimulus emanating from China. Overall, the Asia Pacific Transaction business recorded a 58% improvement in underlying profit to £6.8m (2008: £4.3m). The increase in underlying profits in constant currency was 32.5%.

European Commercial

Revenue in the Continental European business declined by approximately 17% to £28.3m (2008: £34.2m). In constant currency the underlying decline was 26.5% reflecting the continued weakness in the markets in which we operate. There was, however, some improvement in market sentiment during the second half with more transactions completing as investor appetite focused on prime assets in the key locations. In addition, prime yield compression in the UK turned investor attention to similar value propositions in the major Continental European cities. Our revenue for the second half of 2009 was 8.7% behind the same period the previous year (16.8% on a constant currency basis).

The Savills European business is heavily weighted towards investment transaction advisory work and therefore its revenues and profits fluctuate in line with investment activity in the markets in which it operates. Without the support of strong maintainable earnings from less volatile businesses such as property management, cost management has remained the principal variable on which management could focus. During the period our European business as a whole underwent significant restructuring achieving gross annualised savings of £13.7m, approximately 20% of the annual cost base, at a cost of approximately £2m. This activity together with the reduction in revenue resulted in an underlying loss for the year of £9.6m (2008: loss £7.8m).

US Commercial

The revenue of our New York based Investment Advisory business increased by 21% to £2.3m (2008: £1.9m). On a constant currency basis this increase was 1.9%. US transactional markets were exceptionally weak throughout the year and continue to be into 2010. Notwithstanding the state of the market, we were pleased to be one of the top five advisers for retail real estate transactions in the US in 2009. The continued lack of debt finance represented a significant issue, which remains the case in early 2010.

However the principal uncertainty is still the effect of the increasing requirement to refinance the array of outstanding commercial mortgage backed security ('CMBS') instruments through which a significant number of historical transactions were financed. It is anticipated that progressively from the third quarter 2010 these instruments will begin to reach the end of their extension periods which should lead to more investment opportunities becoming available. Savills New York has focused on building its relationships with the CMBS Servicers and has recruited in the distress and advisory arena. This together with increased cross border interest in the US from both Asia Pacific and Europe, should position us well for the market opportunity when it arises. The underlying loss for 2009 was £3.9m (2008: loss £3.9m).

Group Chief Executive's review

Segmental reviews continued

Consultancy		Our Consultancy businesses withstood many of the challenges caused by market decline and pressure on fees. The breadth of our services in many markets ensured that overall our consultancy revenue declined by only 9.4% to £119.4m (2008: £131.8m).
Revenue £m	119.4	
Underlying profit before tax £m	10.9	
		UK
		Total revenue from UK consultancy services declined by 12.7% to £88.1m (2008: £100.9m). Our Valuations team benefited from significant volumes of business as lenders assessed the security value of their loan books. However, competition resulted in material fee decreases during the period. Revenue from UK valuations decreased by approximately 30% over the period and average fee rates by somewhat more. Our Housing Consultancy teams had a strong year advising local authorities and housing associations resulting in 26% growth in revenue year on year. Our Planning Consultancy team rallied well towards the year end to finish approximately 14% down in revenue on the previous year but saw signs of an improvement in sentiment among developers. Underlying profit in 2009 was £9.2m (2008: £13.5m).
		Asia Pacific
		In common with the transaction markets, Asia Pacific Valuation businesses improved over the course of the year. In China our Valuation business grew revenue by 17% in local currency. Our development and other professional services improved revenues similarly and the Consultancy business as a whole grew revenue by 16.0% to £22.5m (2008: £19.4m) and posted underlying profit of £2.0m (2008: £2.0m).
		European
		Our Continental European Consultancy business principally comprises valuation services, and accordingly faced the same challenges as in the UK. Revenue declined 23% to £8.8m (2008: £11.5m) and resulted in an underlying loss of £0.3m (2008: profit £0.8m).
Property Management		Our Property Management businesses continued to perform strongly, overall growing revenue by 12.4% to £215.2m (2008: £191.4m) in an increasingly competitive market. This business represented 38.4% of our worldwide revenue (2008: 33.7%) and provided us with a strong foundation to withstand volatility in our Transaction businesses.
Revenue £m	215.2	
Underlying profit before tax £m	12.6	
		UK
		Overall our UK Property Management teams, including Residential and Rural, grew revenue by 7.3% to £64.6m (2008: £60.2m). The growth rate of our core Commercial Property Management business was approximately 10% as we continued to win new mandates in a very competitive environment. By focusing on the quality of our service the Commercial team continued to build a sound and profitable position in the UK and grew area under management by 7% to approximately 74m sq ft (2008: 69m sq ft). Our Residential and Rural Estate Management business held revenue steady year on year. Overall the UK business held underlying profit steady at £7.1m (2008: £7.0m) and retained a healthy margin above 10%.
		Asia Pacific
		Overall the business grew revenue by 16.7% to £127.6m (2008: £109.3m) which represented a 2.2% decrease on a constant currency basis. Our Asia Pacific Property and Facilities Management represents a significant strength for Savills, particularly in Hong Kong and China. The total square footage under management in the region is approximately 775m sq ft (2008: 823m sq ft); the decline reflected the completion of a number of development contracts which reverted in the normal course of events to owner management in the first half of the year. In the second half, the area under management in China increased by approximately 1% as a result of contract wins in Tianjin and Dalian. Our Property Management operations in Hong Kong, Singapore, Japan and Vietnam all grew their businesses during the year. Underlying profit in 2009 was £8.2m (2008: £8.4m)
		European
		Continental Europe revenue grew by 5% to £23.0m (2008: £21.9m) which represented a 6.7% decrease in constant currency. During the year we commenced the restructuring of our businesses in Germany, France and the Netherlands with a view to creating a scalable platform for future growth. As part of this process we closed our Residential Management operation in Berlin. The costs of these actions led to an increased underlying loss for the year of £2.7m (2008: loss £1.2m) and total area under management was reduced to 47m sq ft (2008: 52m sq ft).

Financial Services

Revenue £m	11.2
Underlying loss before tax £m	(2.9)

Our Financial Services business comprises two regulated entities: Savills Private Finance (SPF), one of the UK's largest independent mortgage intermediaries and Savills Capital Advisors (SCA), a relatively new team focused on raising capital (equity and debt) on behalf of funds and other investor clients. Overall revenue from the Financial Services businesses declined by 35.6% to £11.2m (2008: £17.4m). An increase in SCA revenue was offset by the increased costs of an expanded team and a significant reduction in SPF fee incomes as the UK mortgage market remained stagnant. There are some signs of improving market conditions in 2010 with more lenders marketing product, although currently the process to completion of mortgages is slow and subject to significant hurdles along the way.

In response to sustained poor market conditions, SPF undertook a significant restructuring exercise reducing offices and staff numbers. Partly as a result, the Financial Services business recorded an underlying loss of £2.9m (2008: loss £1.0m).

Fund Management

Revenue £m	17.4
Underlying profit before tax £m	2.9

Cordea Savills revenue declined by 10.8% to £17.4m (2008: £19.5m) primarily as a result of reduced fee income from transactions in the year. Along with much of the industry, Cordea Savills spent the majority of the year consolidating its fund positions and working through the negative impact of the property market decline on asset values. It has successfully restructured its flagship closed-end Italian Opportunities Funds (1 and 2) and some of the Northern European closed-end funds. Alongside these activities the team prepared and successfully launched a new open-ended fund, the UK Income and Growth Fund, one of the few new UK focused fund launches that were successful in raising institutional money in the year. This together with strong inflows into the UK Charities Property Fund and the Euro Commercial Fund represented successful fundraising activity in a difficult year for the industry.

Funds under management declined to £2.5bn from £3.0bn over the year largely as a result of a decline in asset values. Underlying profit decreased by 19.4% to £2.9m (2008: £3.6m).

Summary

During 2009, property markets reacted to the major financial issues facing them. On the positive side, the liquidity provided by Governments around the world in response to the banking crisis and global recession together with the consequent low opportunity cost of cash, helped drive investment activity in prime market segments, most notably in the UK and Asia.

In contrast, the large volume of property assets in potential default which remained within the banks' and CMBS debt servicers' portfolios, the effect of recession on occupiers' expansion plans and the relative lack of debt for new investment limited the volume of transaction activity. Broadly, those markets are more exposed to the positive forces of liquidity, notably London, began to recover in the second half, in some cases very strongly.

For 2010 the key uncertainty is whether we will continue to see broader recovery in market values and activity during the year, or whether the specific market rallies which commenced in the second half of 2009 will prove to be short-lived. 2010 has started better than last year, however, we are cautious about the second half of the year for both UK residential and Asia Pacific markets, which contributed the most to our performance in 2009. This caution reflects the potential for market inertia around the UK General Election and uncertainty over whether the strong Chinese influenced markets in Asia can continue at 2009 levels. In contrast, we anticipate a better performance in UK Commercial and Fund Management, reduced losses in Continental Europe, and a broadly similar performance in the US.

Against this backdrop and today's market conditions, we anticipate that our overall performance in 2010 will be similar to that of 2009 but with the relative contributions from our individual businesses likely to be somewhat different. We remain, however, well positioned to continue our strategy of growing the business and pursuing selected investment opportunities as they arise.



Jeremy Helsby
Group Chief Executive