

Group Chief Executive's review

Strategy and key performance indicators

Overview

Our strategy is simple. We aim to serve our clients better than the competition by providing them with a wide range of services across the diverse geographical locations in which they operate. To achieve this, we seek to employ only the highest quality staff and to reward them properly by controlling fixed costs and paying a significant proportion of their remuneration in the form of profit related bonus.

The benefits of our diversification strategy, both sector and geographical, are reflected in our revenue performance which showed only a marginal decline on 2008.

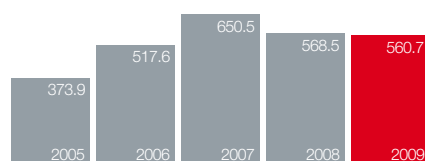
Business diversification

Non-transactional business now represents 75% of our underlying profit. The growth of property management income, now representing 38% of our revenue, and the relative stability of both fund management and the consultancy business, together comprising 24.4%, show the benefit of this strategy, at a time when markets for transaction business remain challenging.

After the year end we announced the proposed acquisition of the remaining voting interests of 40% in Cordea Savills. This transaction will allow us to support management further to build the business over time in line with our strategy.

Financial KPIs

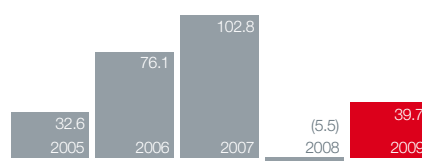
Revenue £m



The measure: Revenue growth is the increase/decrease in revenue year-on-year.

Target: To deliver growth in revenue from expansion both geographically and by business segment.

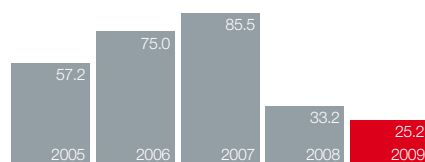
Cash generation £m



The measure: The amount of cash the business has generated from operating activities.

Target: Maintain strong cash generation to fund working capital requirements, shareholder dividends and strategic initiatives of the Group.

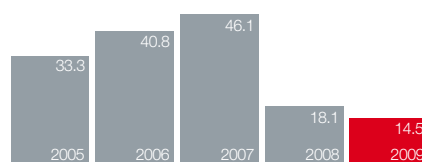
Underlying profit £m



The measure: Underlying profit growth is the increase/decrease in underlying profit year-on-year. 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) to give a fairer indication of profits and enable like-for-like comparisons between years.

Target: To deliver sustainable growth in underlying profit.

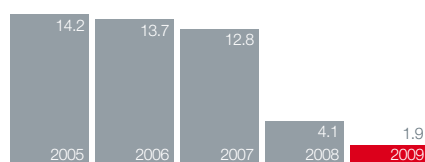
Underlying earnings per share pence



The measure: Earnings per share (EPS) is the measure of profit generation. EPS is calculated by dividing underlying profit by the weighted average number of shares in issue.

Target: To deliver growth in EPS to enhance shareholder value.

Operating margins %



The measure: Profitability after all operating costs but before the impact of exceptional costs, financing, taxation, and the results of associates and joint ventures.

Target: To deliver growth in operating margins by improving the profitability of services offered.

Strong positions in both commercial and residential markets

We believe that it is important to be a significant force in both commercial and residential property in our chosen markets. Experience across the range of services we provide in both these disciplines adds to the quality and depth of our service to clients and differentiates us from many of our competitors. By being strong in both markets, we can best serve the needs of developers, owners, occupiers and investors in the increasing global trend toward mixed use projects.

Geographical diversification

Our objective is to mitigate the risk of exposure to any one economy or market by being market leaders both in our domestic UK markets and also in our selected overseas markets. In 2009 we saw the benefit of this as the UK prime residential market strengthened together with a strong performance in the Asia Pacific region in the second half. Later in the year we started to see sentiment begin to turn positive in Continental Europe. Approximately 48.6% of Group revenue now comes from outside the UK, led by Asia Pacific which accounted for 38% of global revenue.

Maintaining financial strength

We seek to maintain our financial strength in order to withstand volatile market conditions and to take advantage of opportunities as they arise. In a people business we do not believe it is appropriate to take on material amounts of debt over the long term. Rather we maintain adequate banking facilities to meet short and medium term requirements.

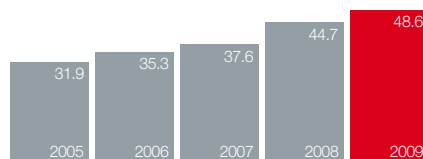
Commitment to our clients

Throughout the cycle, we seek to serve our clients in the principal locations in which they operate by providing them with the services that they require. This means that we continue to support and build our transaction advisory businesses in Continental Europe and the US despite the challenging conditions in those markets.

In a similar vein, we have continued to support and build our UK transaction teams particularly residential despite the reduced volume of business in that market. Although this has a negative effect on our short term profitability, it is only by continuing this support that we can maintain the ability to serve our clients effectively throughout the cycle.

Non-financial KPIs

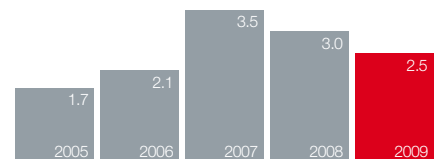
Geographical spread % non-UK



The measure: Geographical diversity is measured by the split of revenues by region.

Target: To selectively expand outside the UK in our chosen geographic markets.

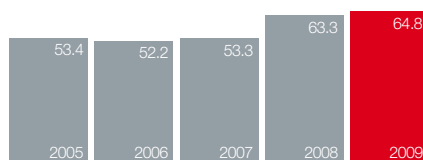
Assets under management £bn



The measure: Growth in the increase of assets under management for our fund management business Cordea Savills LLP.

Target: To increase the value of investment portfolios through portfolio management and the launch of new funds.

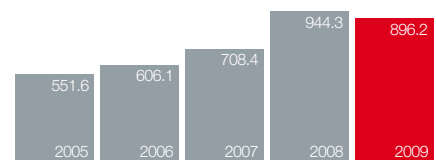
Breadth of service offering % non-transactional income



The measure: Revenue by type of business segment.

Target: Selectively expand in non-transactional services in key markets.

Property under management million sq ft



The measure: Total sq ft property under management.

Target: Over the cycle, to grow the area under management.