

Strong performance in the first half

Savills plc, the international property adviser, today announces interim results for the six months ended 30 June 2006.

- Group revenue for the six months was up 33% at £211.1m (2005 – £158.2m).
- Group profit before tax increased 56% to £31.0m (2005 – £19.9m).
- Underlying Group profit before tax* increased 27% to £25.6m (2005 – £20.2m).
- Basic earnings per share increased 45% to 17.2p (2005 – 11.9p).
- Adjusted underlying basic earnings per share* increased 15% to 13.9p (2005 – 12.1p).
- Interim dividend increased 25% to 5.0p (2005 – 4.0p).

* After adjusting for share based payments, amortisation of intangibles and impairment of goodwill and profit on disposals.

Peter Smith, Chairman of Savills plc, comments:

'We believe that recent volatility in stock markets continues to highlight the value of property as an asset class. Despite rising global interest rates, the general economic outlook remains positive which should provide general support for property markets.

On this basis we are confident of achieving a good result for the full year in line with our expectations.'

*** Chairman's Statement and Interim Results follow ***

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CHAIRMAN'S STATEMENT

RESULTS AND DIVIDEND

We reported in our Trading Update, released on 3 July 2006, that the first half had seen strong investment markets especially in the UK and in key European markets and this should ensure that commercial activity levels remained high in 2006. Residential markets had been buoyant in the first half of 2006.

I am delighted to announce that revenue increased by 33% to £211.1m (2005 – £158.2m). Profit before tax increased to £31.0m for the first six months to 30 June 2006 (2005 – £19.9m) representing an increase of 56%, with underlying profit increasing 27% to £25.6m from £20.2m. Basic earnings per share for the six months to 30 June 2006 increased to 17.2p (2005 – 11.9p). Adjusted underlying earnings per share increased by 15% to 13.9p (2005 – 12.1p). The Directors have decided to increase the interim dividend to 5.0p (2005 – 4.0p) to be paid on 27 October 2006.

During the first half of the year, Savills continued to expand its international operations with the acquisition of an initial 50% stake in Korean Asset Advisors (KAA) and BHP Korea (BHPK) for consideration of £8.4m and the acquisition of Hamilton Osborne King in Ireland for consideration of £39.6m. We also made a number of smaller acquisitions in the UK. Our continued growth strategy and our search to recruit and retain the best people may give rise to some pressure on margins in the short term.

At our AGM on 10 May 2006, the shareholders passed a resolution that the existing ordinary share capital of the Company be split; each existing 5 pence ordinary share was divided into two new ordinary shares of 2½ pence. The share split became effective on 11 May 2006. Relevant figures in the interim statements have been adjusted to reflect this.

Transactional Advice

During the half year, revenue for the Transactional Advice businesses was £95.0m (2005 – £68.2m) and operating profit was £19.4m (2005 – £10.7m).

Transactional income in the UK Commercial and Asian markets was ahead of the same period last year with Europe carrying a strong pipeline.

Leasing markets in London showed signs of recovery, particularly in the West End where a shortage of space drove rents for prime space to record levels. In the City, rents also rose, driven by increasing demand from the financial sector. Leasing markets outside of London remained stable.

Tenant demand in the office and industrial sectors improved during the first six months of 2006, reverting to long term average levels in many cases. Some key city and prime markets have seen requirements rise to near record levels. Vacancy rates continued to fall in these markets and consequently rents on the best quality space have started to rise, as has been seen in the recovery of the South East office markets. This in turn has spurred office developers to start schemes speculatively in anticipation of further strong upward rental growth.

In the retail property market, tenant demand was still restrained in the face of continuing low levels of consumer demand. However, retailers were still opening new stores in well located shopping centres as there remained continuing retail/tenant demand.

Investment in the UK and key European markets continued to remain strong despite yields having fallen over the last six months in all asset classes. Despite concerns about rising interest rates there were no signs of any slowdown in these investment markets and there was strong demand by both institutional and private investors for investment products with investors looking outside of the main cities due to lack of supply. All our investment teams across the UK and Europe have had a good six months with a number of transactions in the pipeline due to complete within the second half of the year.

In March, we acquired Blair Kirkman, a 26-strong team offering a full breadth of retail and shopping centre services including agency, investment, development and professional/rent review consultancy, which enabled us to become a leading force in the UK property retail markets. The integration of Blair Kirkman with our existing Retail teams across the UK has gone well and since their arrival we have already received some notable new instructions and are pitching for several others.

Residential markets in the UK experienced a strong start to the year, in contrast to the much slower start in 2005. London in particular has benefited from a buoyant market, which since the spring has spread through the southern part of the country. However, markets in the Midlands and the North remain patchy. The main constraint in the strong London market was the lack of supply to meet demand.

The new homes market has seen further improvement in 2006, following strengthening take-up throughout 2005. Having stabilised at the end of 2005, housing output has now slightly increased in England, with the South East seeing the highest levels. This is unsurprising given the huge demand for housing in this region. Large development sites are growing in importance, delivering new housing supply to London and other cities.

Despite the US interest rate hikes that have prevailed over the last year, the demand for commercial real estate in Asia remains strong. However, there has been some cooling in investor sentiment, especially in Hong Kong. Tenant demand for space in Hong Kong and China was very strong and we continued to negotiate ever-increasing rents for prime space. In Japan, the resurgent economy has pushed rents ahead of last year's levels giving rise to increased activity for our Tokyo office.

Consultancy

During the half year revenue for the Consultancy businesses was £37.7m (2005 – £30.1m) and operating profit was £6.0m (2005 – £4.9m).

Our professional businesses continued to grow, in particular our Commercial Valuation businesses across UK and Europe where income increased substantially over the first six months. Our UK Commercial Valuation business has experienced significant growth on the back of increased lending in the investment markets.

Residential Consultancy income increased in areas such as development valuations, affordable housing and social housing, reflecting increased market share and growing activity in the housing market. Our Planning, Building and Housing Consultancy divisions have also experienced strong markets and we are continuing to recruit in all these areas.

In Asia, following the recruitment of a valuation team last year, we have been successful in capturing the majority of the REIT listing valuation and consultancy services that have come to the Hang Seng market. Last year our valuation team were advisers on the Construction Bank of China listing, the largest global IPO for 2005; and in 2006 they continue to be heavily involved in many of the IPO listings that originated in China which require property valuation and consultancy services. In Australia, our valuation team were successful in securing many of the retail valuation portfolio annual appointments which are required by the Australian listed property trusts.

Property and Facilities Management

During the half year, revenue for the combined Property and Facilities Management businesses was £63.1m (2005 – £47.1m) and operating profit was £3.8m (2005 – £3.4m).

In Asia, property management revenues increased substantially over the 2005 levels. We have continued our commitment to increase our market share in this area of real estate advice. New contracts were secured in Hong Kong and China. The addition of our Korean business has significantly increased our size and scope of services offered in this growing economy.

In the UK, the Property Management business continued to win new contracts and we are continuing to expand this business particularly in the regions.

In Europe, we acquired a small Property Management business in Berlin which has experienced rapid growth due to the strong investment markets in Germany. Our recently acquired Property Management business in Paris has performed in line with expectations, as has our team in Madrid.

Fund Management

During the half year, revenue for the Fund Management business was £2.6m (2005 – £2.3m) which resulted in a profit of £0.1m at the half year (2005 – £0.3m).

Cordea Savills continued to develop its resources with the addition of staff in the UK and Italy and a new office was opened in Germany to support our investment and business development activities. During the first half, Cordea Savills closed Serviced Land No.1 LP, a vehicle involved in “enabling” land for development and had the first closing of the Cordea Savills Student Hall Fund. Other initiatives included the creation of a vehicle investing in opportunistic property situations in Italy and a second fund for charity investors, the Accommodation Investment Fund, which was the first charity common investment fund focusing on property used for residential purposes.

A proposed fund to invest in German property did not proceed because of a weak stock market. However, we are investigating other opportunities in the German market. £0.4m of abortive costs have been expensed in the period.

Financial Services

During the half year, revenue for the Financial Services businesses was £12.1m (2005 – £10.4m) and operating profit was £1.3m (2005 – £1.3m).

SPF continued to trade well specifically in the high net worth mortgage broking market. The Commercial Debt Broking division also made a significant contribution. New offices have been opened in Chelmsford and Guernsey with further expansion planned in the second half of the year.

OUTLOOK

We believe that recent volatility in stock markets continues to highlight the value of property as an asset class. Despite rising global interest rates, the general economic outlook remains positive which should provide general support for property markets.

On this basis we are confident of achieving a good result for the full year in line with our expectations.

Independent review report to Savills plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2006 which comprises the consolidated income statement, the consolidated balance sheet as at 30 June 2006, the consolidated statement of cash flows and the consolidated statement of recognised income and expense and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the Directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

This interim report has been prepared in accordance with the basis set out in Note 1.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

PricewaterhouseCoopers LLP
Chartered Accountants
London
4 September 2006

Notes:

(a) The maintenance and integrity of the Savills plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

SAVILLS plc
CONSOLIDATED INCOME STATEMENT (unaudited)
for the period ended 30 June 2006

	Notes	Six months to 30.06.06 £'000	Six months to 30.06.05 £'000	Year ended 31.12.05 £'000
Continuing operations				
Revenue	2	211,077	158,154	373,866
Employee benefits expense		(125,180)	(95,010)	(227,510)
Depreciation expense		(2,669)	(2,109)	(4,573)
Amortisation of intangibles & impairment of goodwill		(711)	(588)	(1,465)
Other operating expenses		(58,693)	(41,885)	(85,914)
Profit on disposal of subsidiary & available for sale investments		4,459	-	455
Operating profit	2	28,283	18,562	54,859
Finance income		2,170	1,607	3,940
Finance costs		(29)	(202)	(461)
Net finance income		2,141	1,405	3,479
Share of post tax profit from associates & joint ventures		37	(18)	329
Profit/(loss) on disposal of associates & joint ventures		540	-	(88)
Profit before tax		31,001	19,949	58,579
Income tax expense (including foreign tax of £1.6m, June 2005 - £2.0m and December 2005 - £4.0m)	4	(9,727)	(6,222)	(17,799)
Profit for the period from continuing operations		21,274	13,727	40,780
Discontinued operations				
Profit/(loss) for the period from discontinued operations	3	360	-	(504)
Profit after income tax		21,634	13,727	40,276
Attributable to:				
Equity shareholders of the parent		21,330	13,700	39,974
Minority interest		304	27	302
		21,634	13,727	40,276
Earnings per share				
From continuing and discontinued operations				
Basic earnings per share	7	17.2p	11.9p	33.6p
Diluted earnings per share	7	16.2p	11.1p	31.3p
From continuing operations				
Basic earnings per share	7	16.9p	11.9p	34.0p
Diluted earnings per share	7	15.9p	11.1p	31.7p
From discontinued operations				
Basic earnings per share	7	0.3p	-	-0.4p
Diluted earnings per share	7	0.3p	-	-0.4p
Dividends per share				
Interim dividend proposed	5	5.0p	4.0p	-
Dividends paid	5	8.0p	16.3p	20.3p

SAVILLS plc
CONSOLIDATED BALANCE SHEET (unaudited)
at 30 June 2006

	Notes	30.06.06 £'000	30.06.05 £'000	31.12.05 £'000
ASSETS				
Non-current assets				
Property, plant and equipment		15,712	12,827	14,679
Goodwill		99,780	51,937	54,255
Intangible assets		10,834	3,605	4,699
Financial assets - available for sale investments		10,140	5,580	10,486
Investments in associates and joint ventures		4,695	3,045	3,402
Deferred income tax assets		21,438	18,240	23,892
		162,599	95,234	111,413
Current assets				
Assets classified as held for sale		-	-	64,853
Work in progress		3,442	3,127	3,180
Trade and other receivables		116,559	89,097	115,336
Cash and cash equivalents		63,064	77,254	99,921
		183,065	169,478	283,290
LIABILITIES				
Current Liabilities				
Borrowings		7,114	1,092	1,910
Liabilities directly related to assets classified as held for sale		-	-	48,867
Trade and other payables		111,834	80,485	136,102
Current income tax liabilities		7,364	3,064	5,644
Employee benefit obligations		2,636	1,614	1,739
Provisions for other liabilities and charges		662	372	675
		129,610	86,627	194,937
Net current assets		53,455	82,851	88,353
Total assets less current liabilities		216,054	178,085	199,766
Non-current Liabilities				
Borrowings		11,777	1,243	1,516
Trade and other payables		1,035	2,169	989
Retirement and employee benefit obligations		17,415	29,420	24,926
Provisions for other liabilities and charges		2,450	2,454	1,708
Deferred income tax liabilities		1,723	914	2,313
		34,400	36,200	31,452
Net assets		181,654	141,885	168,314
EQUITY				
Capital and reserves attributable to equity holders of the parent				
Share capital	9,10	3,344	3,315	3,325
Share premium	10	81,358	80,665	80,885
Other reserves	10	939	1,025	6,528
Retained earnings	10	92,315	56,597	77,001
Total shareholders' equity		177,956	141,602	167,739
Minority interest	10	3,698	283	575
Total equity		181,654	141,885	168,314

SAVILLS plc
CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)
for the period ended 30 June 2006

	Notes	Six months to to 30.06.06 £'000	Six months to to 30.06.05 £'000	Year ended 31.12.05 £'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash generated from/(used in) continuing operations	8	40	(14,650)	44,859
Interest received		2,167	1,607	3,829
Interest paid		(29)	(202)	(461)
Income tax paid		(6,535)	(8,360)	(15,564)
Net cash (used in)/generated from operating activities		(4,357)	(21,605)	32,663
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of subsidiary, net of cash disposed		-	-	120
Proceeds from sale of property, plant and equipment		39	49	38
Proceeds from sale of associates, joint ventures and available for sale investments		6,267	-	503
Dividends received		228	143	324
Net loans to related parties		(1,793)	(290)	(413)
Acquisition of subsidiaries, net of cash acquired	9	(26,561)	(4,694)	(7,528)
Sale/(acquisition) of assets held for resale		16,346	-	(16,490)
Purchases of property, plant and equipment		(3,440)	(2,772)	(7,268)
Purchases of intangible assets		(646)	(440)	(872)
Purchase of investment in associates, joint ventures and available for sale investments		(5,496)	(41)	(176)
Net cash used in investing activities		(15,056)	(8,045)	(31,762)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of share capital		492	37,845	38,075
Proceeds from new borrowings		330	110	706
Repurchase of own shares		-	(520)	(520)
Purchase of own shares for Employee Benefit Trust		(4,987)	-	(4,158)
Repayments of borrowings		(1,031)	(3,790)	(4,322)
Dividends paid		(10,045)	(18,092)	(23,133)
Net cash (used in)/generated from financing activities		(15,241)	15,553	6,648
Net (decrease)/increase in cash and cash equivalents		(34,654)	(14,097)	7,549
Cash and cash equivalents at beginning of the year		99,921	89,919	89,919
Effect of exchange rate fluctuations on cash held		(2,203)	1,432	2,453
Cash and cash equivalents at end of period		63,064	77,254	99,921

SAVILLS plc
CONSOLIDATED STATEMENT OF RECOGNISED INCOME & EXPENSE (unaudited)
for the period ended 30 June 2006

	Six months to 30.06.06 £'000	Six months to 30.06.05 £'000	Year ended 31.12.05 £'000
Profit for the period	21,634	13,727	40,276
Revaluation of available for sale investments	373	778	6,582
Actuarial gain/(loss) on defined benefit pension scheme	6,440	(1,783)	(7,301)
Tax on items directly taken to reserves	482	3,482	9,574
Foreign exchange translation differences	(2,128)	1,016	2,702
Net income recognised directly in equity	5,167	3,493	11,557
Total recognised income and expense for the period	26,801	17,220	51,833
Attributable to:			
Equity shareholders of the parent	26,497	17,211	51,621
Minority interest	304	9	212
	26,801	17,220	51,833
Effects of changes in accounting policies			
Attributable to equity shareholders			
- increase in retained earnings due to revaluation of on adoption of IAS 32 & 39	-	960	960
Attributable to minority interest	-	-	-
	-	960	960

NOTES

1. Basis of preparation

The financial information comprises the unaudited consolidated income statement, consolidated balance sheet, consolidated statement of cashflows, consolidated statement of recognised income and expense and related notes as at 30 June 2006 and 30 June 2005, together with the audited consolidated balance sheet and consolidated income statement for the year ended 31 December 2005.

This financial information has been prepared in accordance with the Listing Rules of the Financial Services Authority. In preparing this financial information management has used the principal accounting policies as set out in the 2005 Annual Report and Accounts on pages 67 to 76.

As permitted, the Group has chosen not to adopt IAS 34, 'Interim financial statements' in preparing its 2006 interim statements, and therefore this interim financial information is not considered to be in compliance with IFRS.

The 2005 Annual Report and Accounts, which are the Group's statutory accounts, have been filed with the Registrar of Companies. The auditors' report on these accounts was unqualified and did not contain a statement under Section 237(2) or Section 237(3) of the Companies Act 1985.

2. Segment analysis

Six months to 30 June 2006	Trans- actional Advice £'000	Consult- ancy £'000	Property & Facilities Manage- ment £'000	Fund Manage- ment £'000	Financial Services £'000	Unalloc- ated* £'000	Total £'000
Revenue							
United Kingdom							
- Commercial	30,538	21,851	15,864	2,656	1,506	164	72,579
- Residential	40,320	9,539	3,870	-	10,612	296	64,637
	<u>70,858</u>	<u>31,390</u>	<u>19,734</u>	<u>2,656</u>	<u>12,118</u>	<u>460</u>	<u>137,216</u>
Rest of Europe	6,833	1,132	2,516	-	-	-	10,481
Asia Pacific	17,277	5,205	40,898	-	-	-	63,380
Total revenue	<u>94,968</u>	<u>37,727</u>	<u>63,148</u>	<u>2,656</u>	<u>12,118</u>	<u>460</u>	<u>211,077</u>
Operating profit							
United Kingdom							
- Commercial	5,927	3,617	1,020	127	304	(2,308)	8,687
- Residential	11,395	1,758	303	-	1,033	-	14,489
	<u>17,322</u>	<u>5,375</u>	<u>1,323</u>	<u>127</u>	<u>1,337</u>	<u>(2,308)</u>	<u>23,176</u>
Rest of Europe	711	94	60	-	-	(40)	825
Asia Pacific	1,376	517	2,389	-	-	-	4,282
Operating profit/(loss)	<u>19,409</u>	<u>5,986</u>	<u>3,772</u>	<u>127</u>	<u>1,337</u>	<u>(2,348)</u>	<u>28,283</u>
Net finance income							2,141
Share of post tax profit from associates & joint ventures							37
Profit/(loss) on disposal of associates & joint ventures							540
Profit before income tax							<u>31,001</u>
Taxation							<u>(9,727)</u>
Profit for the period from continuing operations							<u>21,274</u>

Six months to 30 June 2005	Trans- actional Advice £'000	Consult- ancy £'000	Property & Facilities Manage- ment £'000	Fund Manage- ment £'000	Financial Services £'000	Unalloc- ated* £'000	Total £'000
Revenue							
United Kingdom							
- Commercial	20,268	18,383	14,531	2,292	685	60	56,219
- Residential	25,565	7,382	3,197	-	9,724	-	45,868
	45,833	25,765	17,728	2,292	10,409	60	102,087
Rest of Europe	7,867	719	2,209	-	-	-	10,795
Asia Pacific	14,528	3,576	27,168	-	-	-	45,272
Total revenue	68,228	30,060	47,105	2,292	10,409	60	158,154
Operating profit							
United Kingdom							
- Commercial	3,510	3,328	971	319	(26)	(2,088)	6,014
- Residential	3,072	1,003	143	-	1,330	-	5,548
	6,582	4,331	1,114	319	1,304	(2,088)	11,562
Rest of Europe	1,717	40	254	-	-	-	2,011
Asia Pacific	2,421	509	2,059	-	-	-	4,989
Operating profit/(loss)	10,720	4,880	3,427	319	1,304	(2,088)	18,562
Net finance income							1,405
Share of post tax profit from associates & joint ventures							(18)
Profit before income tax							19,949
Taxation							(6,222)
Profit for the period from continuing operations							13,727

The unallocated segment includes holding company costs, Group bonuses and other expenses not directly attributable to the operating activities of the Group's business segments.

*For the purpose of the segmental information above, and to assist in the comparison of segmental information, the benefit arising from the amortisation of the share based payment charge as discussed in more detail in note 6, is retained within the unallocated segment.

3. Discontinued operations

	Six months to 30.06.06 £'000	Six months to 30.06.05 £'000	Year ended 31.12.05 £'000
Revenue	1,092	-	149
Expenses	(391)	-	(869)
Profit before tax	701	-	(720)
Income tax expense	(341)	-	216
Profit after tax	360	-	(504)

The assets and liabilities of the Student Halls Long Lease 1 Unit Trust (the 'Fund') in which the Group held a 100% interest at 31 December 2005 were disposed during the period. The Group's share of the Fund was diluted to a small holding of £1.0m, which is classified as an available for sale investment.

The profit for the period includes a fair value gain of £1.4m arising on the mark to market valuation of two interest rate swaps taken out on loans secured on the properties within the Fund. All operating results are classified under discontinued operations. The discontinued operations all relate to the unallocated segment.

4. Income tax expense

The income tax expense has been calculated on the basis of the underlying rate in each jurisdiction adjusted for any disallowable charges.

	Six months to 30.06.06 £'000	Six months to 30.06.05 £'000	Year ended 31.12.05 £'000
United Kingdom corporation tax	(7,364)	(2,339)	(13,009)
Foreign tax	(1,635)	(1,971)	(3,964)
Deferred tax	(728)	(1,912)	(826)
	<u>(9,727)</u>	<u>(6,222)</u>	<u>(17,799)</u>

5. Dividends

	Six months to 30.06.06 £'000	Six months to 30.06.05 £'000	Year ended 31.12.05 £'000
Amounts recognised as distribution to equity holders:			
Interim dividend of 4.0p per share	-	-	4,942
Ordinary final dividend of 8.0p per share (2005 - 6.3p)	9,969	6,942	6,990
Special dividend of nil per share (2005 - 10.0p)	-	11,107	11,128
	<u>9,969</u>	<u>18,049</u>	<u>23,060</u>
Proposed interim dividend for the six months ended 30 June 2006	<u>6,208</u>	-	-

The Directors have recommended an interim dividend for the six months to 30 June 2006 of 5.0p per ordinary share (2005 - 4.0p). The interim dividend will be paid on 27 October 2006 to shareholders on the register as at 29 September 2006.

Following shareholder approval at the Annual General Meeting on 10 May 2006 a two for one share split took place. The above quoted dividend per share figures have been adjusted to present comparable figures following the split.

6. Underlying profit before tax

	Six months to 30.06.06 £'000	Six months to 30.06.05 £'000	Year ended 31.12.05 £'000
From continuing operations			
Reported profit before tax	31,001	19,949	58,579
Adjustments:			
Amortisation of intangibles (excluding software) & impairment of goodwill	455	297	913
Share based payment adjustment	(817)	-	(1,934)
Profit on disposal of associates, joint ventures & available for sale investments	(4,999)	-	(367)
Underlying profit before tax	<u>25,640</u>	<u>20,246</u>	<u>57,191</u>

The Directors regard the above adjustments necessary to give a fair picture of the underlying results of the Group for the period.

The adjustment for share based payment relates to the transitional impact of IFRS 2. The annual bonus is paid in a mixture of cash and deferred shares and the proportions can vary from one year to another. Under IFRS the deferred share element is amortised to the income statement over the vesting period whilst the cash element is expensed in the year. The adjustment above addresses this by deducting from profit the difference between the IFRS 2 charge and the value of the annual share award.

7. Basic and diluted earnings per share

The following earnings per share calculations have been made as if the share split (see Note 5) had taken place at 1 January 2005 so as to present comparable information.

a. Basic and diluted earnings per share

Six months to 30 June	Earnings	Shares	EPS	Earnings	Shares	EPS
	2006 £'000	2006 '000	2006 Pence	2005 £'000	2005 '000	2005 Pence
From continuing and discontinued operations						
Basic earnings per share	21,330	123,973	17.2	13,700	114,668	11.9
Effect of additional shares issuable under option	-	7,526	(1.0)	-	9,278	(0.8)
Diluted earnings per share	21,330	131,499	16.2	13,700	123,946	11.1
From continuing operations						
Basic earnings per share	20,970	123,973	16.9	13,700	114,668	11.9
Effect of additional shares issuable under option	-	7,526	(1.0)	-	9,278	(0.8)
Diluted earnings per share	20,970	131,499	15.9	13,700	123,946	11.1
From discontinued operations						
Basic earnings per share	360	123,973	0.3	-	-	-
Effect of additional shares issuable under option	-	7,526	-	-	-	-
Diluted earnings per share	360	131,499	0.3	-	-	-
Year to 31 December						
	Earnings	Shares	EPS			
	2005 £'000	2005 '000	2005 Pence			
From continuing and discontinued operations						
Basic earnings per share	39,974	118,900	33.6			
Effect of additional shares issuable under option	-	8,836	(2.3)			
Diluted earnings per share	39,974	127,736	31.3			
From continuing operations						
Basic earnings per share	40,478	118,900	34.0			
Effect of additional shares issuable under option	-	8,836	(2.3)			
Diluted earnings per share	40,478	127,736	31.7			
From discontinued operations						
Basic earnings per share	(504)	118,900	(0.4)			
Effect of additional shares issuable under option	-	8,836	-			
Diluted earnings per share	(504)	127,736	(0.4)			

b. Adjusted underlying basic earnings per share

Six months to 30 June	Earnings	Shares	EPS	Earnings	Shares	EPS
	2006 £'000	2006 000	2006 Pence	2005 £'000	2005 000	2005 Pence
From continuing operations						
Basic earnings from continuing operations	20,970	123,973	16.9	13,700	114,668	11.9
Amortisation of intangibles (excluding software) and impairment of goodwill after tax	318	-	0.3	208	-	0.2
Share based payment adjustment after tax	(572)	-	(0.5)	-	-	-
Profit on disposal of associates, joint ventures & available for sale investments after tax	(3,530)	-	(2.8)	-	-	-
Adjusted underlying basic earnings per share	17,186	123,973	13.9	13,908	114,668	12.1

Year to 31 December	Earnings	Shares	EPS
	2005 £'000	2005 000	2005 Pence
From continuing operations			
Basic earnings from continuing operations	40,478	118,900	34.0
Amortisation of intangibles (excluding software) and impairment of goodwill after tax	639	-	0.5
Share based payment adjustment after tax	(1,354)	-	(1.1)
Profit on disposal of subsidiary, associates, joint ventures & available for sale investments after tax	(257)	-	(0.2)
Adjusted underlying basic earnings per share	39,506	118,900	33.2

8. Cash generated from continuing operations

	Six months to 30.06.06 £'000	Six months to 30.06.05 £'000	Year ended 31.12.05 £'000
Profit for the year from continuing operations	21,274	13,727	40,780
<i>Adjustments for:</i>			
Taxation	9,727	6,222	17,799
Depreciation expense	2,669	2,109	4,573
Amortisation of intangibles & impairment of goodwill	711	588	1,465
Net finance income	(2,141)	(1,405)	(3,479)
Share of post tax (profit)/loss from associates & joint ventures	(37)	18	(329)
(Profit)/loss on disposal of associates & joint ventures	(540)	-	88
Profit on disposal of subsidiary & available for sale investments	(4,459)	-	(455)
Loss on sale of property, plant and equipment	576	5	364
Increase/(decrease) in provisions	973	(227)	(833)
(Decrease)/increase in employee and retirement obligations	(1,042)	342	(9,574)
Charge for share based compensation	1,906	649	1,913
Provision against investments in associates and joint ventures	14	8	18
Operating cash flows before movements in working capital	29,631	22,036	52,330
(Increase) in work in progress	(307)	(437)	(431)
Decrease/(increase) in debtors	12,028	(804)	(23,471)
(Decrease)/increase in creditors	(41,312)	(35,445)	16,431
Cash generated from/(used in) operations	40	(14,650)	44,859

9. Acquisitions

On 13 June 2006, the Group acquired the businesses of Hamilton Osborne King (HOK) in Ireland for consideration of £39.6m. Provisional goodwill on acquisition of £31.4m has been capitalised, subject to the completion of the fair value exercise. Loan notes repayable over 3 years to the value of £11.8m were issued as part consideration for this acquisition.

On 3 January 2006, the Group acquired an initial 50% share in each of Korean Asset Advisors and BHP Korea for a consideration of £8.4m. Goodwill and intangible assets totalling £8.4m have been capitalised on acquisition.

On 22 March 2006, the Group acquired Blair Kirkman LLP for £9.4m. Goodwill and intangible assets totalling £9.4m have been capitalised on acquisition. Loan notes repayable over 4 years to the value of £4.3m were issued as part consideration for this acquisition.

10. Statement of changes in equity

	Attributable to equity holders of the Group				Minority interest £'000	Total equity £'000
	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000		
	Balance at 1 January 2006	3,325	80,885	6,528		
Total recognised income and expense for the period	-	-	(1,867)	28,364	304	26,801
Employee share option scheme:						
- Value of services provided	-	-	-	1,906	-	1,906
Issue of share capital	19	473	-	-	-	492
Purchase of treasury shares	-	-	-	(4,987)	-	(4,987)
Dividends	-	-	-	(9,969)	(76)	(10,045)
Disposal of available for sale investments	-	-	(3,722)	-	-	(3,722)
Minority interest share on acquisitions	-	-	-	-	2,895	2,895
Balance at 30 June 2006	3,344	81,358	939	92,315	3,698	181,654

	Attributable to equity holders of the Group				Minority interest £'000	Total equity £'000
	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000		
	Balance at 31 December 2004	3,026	43,114	(1,243)		
Adoption of IAS 32 and IAS 39	-	-	672	288	-	960
Balance at 1 January 2005	3,026	43,114	(571)	58,897	190	104,656
Total recognised income and expense for the period	-	-	1,591	15,620	9	17,220
Employee share option scheme:						
- Value of services provided	-	-	-	649	-	649
Issue of share capital	294	37,551	-	-	-	37,845
Purchase of own shares	(5)	-	5	(520)	-	(520)
Dividends	-	-	-	(18,049)	(43)	(18,092)
Minority interest share on acquisitions	-	-	-	-	127	127
Balance at 30 June 2005	3,315	80,665	1,025	56,597	283	141,885

	Attributable to equity holders of the Group				Minority interest £'000	Total equity £'000
	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000		
	Balance at 31 December 2004	3,026	43,114	(1,243)		
Adoption of IAS 32 and IAS 39	-	-	672	288	-	960
Balance at 1 January 2005	3,026	43,114	(571)	58,897	190	104,656
Total recognised income and expense for the period	-	-	7,692	43,929	212	51,833
Employee share option scheme:						
- Value of services provided	-	-	-	1,913	-	1,913
Issue of share capital	304	37,771	-	-	-	38,075
Purchase of own shares	(5)	-	5	(520)	-	(520)
Purchase of treasury shares	-	-	-	(4,158)	-	(4,158)
Dividends	-	-	-	(23,060)	(73)	(23,133)
Disposal of available for sale investments	-	-	(598)	-	-	(598)
Minority interest share on acquisitions	-	-	-	-	246	246
Balance at 31 December 2005	3,325	80,885	6,528	77,001	575	168,314

Copies of this statement are being sent to shareholders and are available from:

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In addition, with prior notice, copies in alternative formats i.e. large print, audio tape, braille are available if required from:

Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA

This information is also available on the Company's website at: www.savills.com

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