

**Excellent performance in the first half**

**Savills plc, the international property consultants, today announces interim results for the six months ended 30 June 2004.**

- Group profit before tax was up 54% to £15.1m (2003 – £9.8m).
- Group turnover for the six months was up 22% at £140.3m (2003 – £114.6m).
- Basic earnings per share increased by 55% to 17.7p (2003 – 11.4p).
- Adjusted basic earnings per share excluding sale of trading properties, impairments and amortisation of goodwill 20.1p (2003 – 13.4p).
- Interim dividend increased 67% to 6.0p (2003 – 3.6p).

Richard Jewson, Chairman of Savills plc, comments: **‘I am delighted to report a particularly strong set of half year results with good all round performance in the commercial and residential markets both in the UK and overseas. Recent increases in short-term interest rates were anticipated and we believe will have little direct impact on the property sectors in which we operate. Continued underlying confidence in property as an asset class is expected to underpin the market and mean that we are well placed to achieve a good result for the full year.’**

\*\*\* 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 1 July 2004, that while interest rate increases will ultimately have an impact on the UK property market as a whole, commercial activity levels remain high in 2004 and although residential market volumes may reduce this will not materially affect profitability.

I am accordingly pleased to announce that profit before tax increased 54% to £15.1m (2003 – £9.8m) on turnover which increased 22% to £140.3m (2003 – £114.6m). Basic earnings per share for the six months to 30 June 2004 increased by 55% to 17.7p per share (2003 – 11.4p), this increase was due to improved profits during the period. The balance sheet remains strong with a cash balance of £51.8m. There was a small decrease in the effective tax charge for the period to 32.9% (2003 – 33.1%). The Directors have decided to increase the interim dividend by 67% to 6.0p (2003 – 3.6p) to be paid on 22 October 2004; this increase reflects our confidence in the business and an element of re-balancing of the interim with the final dividend.

### **TRADING REVIEW**

#### **Transactional Advice**

During the half year, turnover for the Transactional business was £65.9m (2003 – £44.6m) and operating profit was £9.8m (2003 – £3.1m).

Leasing markets in London and the South East have started to pick up with demand increasing as a result of a more optimistic outlook from corporate tenants. Regional markets remain resilient and there has been increasing demand for accommodation outside of London, particularly in the Thames Valley. Retail generally shows good demand for well located out of town sites.

The investment market remains strong with continuing interest from institutional investors as well as overseas buyers. The retail warehouse investment market, where Savills is a market leader, remains buoyant with investors particularly attracted by quality of income and growth prospects. The European investment market is active and our European Investment teams are having a very successful year, with several major transactions completing in the second half.

The Hong Kong market for commercial and residential property sales has performed exceptionally well in the first half, contrasting the poor performance of last year when the business was badly affected by SARS.

Prime residential markets, despite publicised concerns, have remained strong with turnover considerably higher than the same period last year. In London there was an accelerated market at the start of the year and although this quietened after Easter, transaction levels have remained strong. In the country the market has remained buoyant with some premium prices achieved for quality stock at the exclusive end of the market.

Sales of new homes are no longer dominated by buy to let investors, who are taking a more cautious view as interest rates have moved up, but sales on good sites remain strong in what remains a reasonable market.

#### **Consultancy**

During the first half of the year turnover for the Consultancy businesses was £24.7m (2003 – £20.3m) and operating profit was £3.3m (2003 – £2.5m).

Our professional businesses have been extremely busy with our expertise in valuations, affordable housing and social housing increasingly in demand especially on larger scale projects. Our planning and building/housing consultancy divisions have been strengthened and we are now able to provide a strong presence and service both in London and the regions.

We continue to develop our Fund Management business with significant high level recruitment.

#### **Property Management**

During the half year, turnover for the Property Management businesses was £27.1m (2003 – £27.0m) and operating profit was down at £0.8m (2003 – £1.8m).

In the UK, residential and rural property management income was slightly behind the same period in 2003. We continue, however, to expand this business and while additional staff costs in the first half reduced overall profits, income from the expanded team will be realised in the second half. We also continue to expand our commercial Property Management capabilities throughout the rest of Europe.

In Madrid we have recently recruited a large property management team, which has secured a significant number of major new instructions.

In Asia we are successfully building on our market share, with our expansion into China progressing on the back of our existing client base. We are considering new prospects in the Asian market.

### **Facilities Management**

During the half year, turnover for the Facilities Management business, Guardian, was £12.9m (2003 – £14.7m) and operating profit was £0.8m (2003 – £1.0m).

This business is based in Hong Kong and China and has remained competitive within a tight market with increasing pressure on margins. We actively continue to pursue and secure new contracts in this area.

### **Property Trading and Investment**

During the half year, turnover for the Property Trading businesses was £1.2m (2003 – £1.9m) and operating profit was £1.1m (2003 – £0.9m).

Further to our announcement of 10 August 2004, we have successfully completed the sale of Talbot Green Retail Park, Llantrisant for a cash consideration of £18.1m. This property was originally acquired as an investment, however following a particularly successful letting of one of the units it was considered more appropriate to realise the resulting uplift in value now. The disposal will result in an additional £7m of profit in the second half of 2004; however there will be minimal impact on 'normalised profits', i.e. before property sales and goodwill amortisation.

### **Financial Services**

During the half year, turnover for the Financial Services businesses was £8.5m (2003 – £6.1m) and operating profit was £1.5m (2003 – £1.1m).

Savills Private Finance, the principal subsidiary of the financial services division, traded exceptionally well and continues to be a leader in the high net worth mortgage broking market. New offices have been opened in Cambridge, the West End and Birmingham. Commercial Debt Broking and Financial Planning have also made significant contributions to the business during the period.

### **BOARD**

As announced on 25 May 2004, Peter Smith was appointed to the Board of Savills plc as a Non-Executive Director and Chairman Designate. This is my last statement as Chairman and I would like to take this opportunity to thank the Board of Savills who, along with our very dedicated and talented staff, work so hard to make Savills the success that it is. I am delighted that Peter will succeed me as Chairman when I retire from the Board on 31 October 2004 and wish him and all at Savills further success in the future.

### **SHARE RE-PURCHASE PROGRAMME**

As announced on 1 July 2004, the Company undertook an irrevocable, non-discretionary programme to re-purchase its own shares during the close period. During this period 170,000 shares were purchased for cancellation. This brings the total of shares re-purchased since 1 January 2004 to 270,000.

### **OUTLOOK**

Recent increases in short-term interest rates were anticipated and we believe will have little direct impact on the property sectors in which we operate. Continued underlying confidence in property as an asset class is expected to underpin the market and mean that we are well placed to achieve a good result for the full year.

# **INDEPENDENT REVIEW REPORT TO SAVILLS PLC**

## **Introduction**

We have been instructed by Savills plc ("the Group") to review the financial information which comprises the profit and loss account, balance sheet, cash flow statement, statement of total recognised gains and losses, reconciliation of movements in shareholders' funds and associated 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 Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which 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.

## **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 accounting policies and presentation have been consistently applied unless otherwise disclosed. 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 performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information. This report has been prepared for and only for the Group 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 2004.

PricewaterhouseCoopers LLP  
Chartered Accountants  
1 Embankment Place  
London  
WC2N 6RH

1 September 2004

a) The maintenance and integrity of the Savills website 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 website

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

**SAVILLS plc**  
**CONSOLIDATED PROFIT & LOSS ACCOUNT (unaudited)**  
**six months ended 30 June 2004**

	Notes	Six months to 30.06.04 £'000	Six months to 30.06.03 £'000	Restated Year to 31.12.03 £'000
<b>Turnover - Group &amp; share of joint ventures</b>				
Other continuing operations		141,247	114,811	274,015
Sale of trading properties		-	-	28,987
Acquisitions		465	-	-
Less: Share of turnover of joint ventures		(1,364)	(236)	(1,310)
Total Group turnover	3&4	140,348	114,575	301,692
<b>Operating Profit</b>				
Other continuing operations		14,208	9,481	30,568
Sale of trading properties		-	-	4,714
Acquisitions		170	-	-
Group operating profit	3&4	14,378	9,481	35,282
Share of operating (loss)/profit of joint ventures		(13)	68	30
Share of operating profit/(loss) of associated undertakings	5	97	(80)	(1,559)
Operating profit including share of joint ventures & associated undertakings		14,462	9,469	33,753
Profit on disposal of interest in associated undertakings		155	-	-
Profit on disposal of investments		-	534	521
Profit on ordinary activities before interest	3&4	14,617	10,003	34,274
Net interest				
Group		487	(247)	(208)
Joint ventures		-	(4)	(2)
Associated undertakings		-	1	(7)
Total net interest		487	(250)	(217)
Profit on ordinary activities before taxation	3&4	15,104	9,753	34,057
Taxation on profit on ordinary activities	6	(4,967)	(3,228)	(12,409)
Profit on ordinary activities after taxation		10,137	6,525	21,648
Equity minority interests		(176)	(86)	(838)
Profit for the financial year		9,961	6,439	20,810
Dividends paid & proposed	7	(3,394)	(1,975)	(7,584)
Profit for the year transferred to reserves		6,567	4,464	13,226
Basic earnings per share	8(a)	17.7p	11.4p	37.0p
Adjusted basic earnings per share excluding sale of trading properties, impairments and amortisation of goodwill	8(b)	20.1p	13.4p	37.7p
Diluted earnings per share	8(a)	16.2p	10.6p	34.1p
Dividend per share	7	6.0p	3.6p	13.6p

**SAVILLS plc**  
**CONSOLIDATED GROUP BALANCE SHEET (unaudited)**  
**at 30 June 2004**

	Notes	30.06.04 £'000	Restated 30.06.03 £'000	Restated 31.12.03 £'000
<b>Fixed assets</b>				
Intangible assets		37,850	30,930	36,021
Tangible assets		26,931	10,943	26,762
Investments				
Investments in joint ventures				
Share of gross assets	1,685	860	901	
Share of gross liabilities	(1,135)	(310)	(361)	
	<u>550</u>	<u>550</u>	<u>540</u>	
Investment in associated undertakings				
	26	3,827	280	
Other investments	1,427	1,776	1,427	
Total investments		<u>2,003</u>	<u>6,153</u>	<u>2,247</u>
<b>Total fixed assets</b>		<u>66,784</u>	<u>48,026</u>	<u>65,030</u>
<b>Current assets</b>				
Property held for sale	8,604	30,293	8,081	
Work in progress	3,191	3,549	2,801	
Debtors	77,236	61,416	82,074	
Cash at bank & short-term deposits	51,836	38,032	71,871	
		<u>140,867</u>	<u>133,290</u>	<u>164,827</u>
Creditors - amounts falling due within one year		<u>(74,574)</u>	<u>(57,666)</u>	<u>(103,753)</u>
<b>Net current assets</b>		<u>66,293</u>	<u>75,624</u>	<u>61,074</u>
<b>Total assets less current liabilities</b>		<u>133,077</u>	<u>123,650</u>	<u>126,104</u>
Creditors - amounts falling due after more than one year		(20,897)	(27,160)	(19,521)
Provisions for liabilities & charges		(10,852)	(5,734)	(10,306)
<b>Net assets</b>		<u>101,328</u>	<u>90,756</u>	<u>96,277</u>
<b>Capital &amp; Reserves</b>				
Called up equity share capital		3,072	3,110	3,070
Share premium account		42,569	41,528	42,237
Profit & loss account	2	55,075	45,759	50,301
Capital redemption reserve		111	50	107
<b>Equity shareholders' funds</b>		<u>100,827</u>	<u>90,447</u>	<u>95,715</u>
<b>Equity minority interests</b>		501	309	562
		<u>101,328</u>	<u>90,756</u>	<u>96,277</u>

**SAVILLS plc**  
**CONSOLIDATED CASH FLOW STATEMENT (unaudited)**  
**six months ended 30 June 2004**

	Notes	Six months to 30.06.04 £'000	Six months to 30.06.03 £'000	Restated Year to 31.12.03 £'000
Net cash inflow/(outflow) from operating activities	9(a)	1,427	(14,019)	60,563
Dividends from joint ventures & associated undertakings		72	124	349
Net cash inflow/(outflow) from returns on investments & servicing of finance		353	(1,396)	(1,466)
Tax paid		(7,247)	(5,997)	(11,086)
Net cash (outflow)/inflow for capital expenditure & financial investment		(2,372)	8,023	(9,886)
Net cash outflow from acquisitions & disposals		(3,549)	(2,139)	(7,604)
Equity dividends paid		(5,633)	(3,817)	(5,840)
Cash (outflow)/inflow before use of liquid resources & financing		(16,949)	(19,221)	25,030
Net cash inflow/(outflow) from management of liquid resources		16,352	8,267	(9,425)
Net cash (outflow)/inflow from financing		(2,361)	4,037	(5,157)
Increase in cash	9(b)	(2,958)	(6,917)	10,448

**SAVILLS plc**  
**STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES (unaudited)**  
**six months ended 30 June 2004**

	Six months to 30.06.04 £'000	Six months to 30.06.03 £'000	Year to 31.12.03 £'000
Profit for the financial year			
Group	9,912	6,505	22,531
Joint ventures	(30)	49	6
Associated undertakings	79	(115)	(1,727)
	9,961	6,439	20,810
Currency translation differences on foreign currency net investments	(283)	(687)	(2,304)
Total recognised gains & losses for the year	9,678	5,752	18,506
Prior year adjustment - UITF 38 'Accounting for ESOP trusts'	(1,207)	-	-
Total recognised gains & losses since last Annual Report	8,471	5,752	18,506

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS (unaudited)**  
**six months ended 30 June 2004**

	Six months to 30.06.04 £'000	Restated Six months to 30.06.03 £'000	Restated Year to 31.12.03 £'000
Profit for the financial year	9,961	6,439	20,810
Dividends	(3,394)	(1,975)	(7,584)
Retained profit for the year	6,567	4,464	13,226
Issue of share capital	339	17	743
Purchase of own shares	(327)	(1,357)	(4,256)
Purchase own shares for ESOP	(2,128)	-	(831)
ESOP credit	944	1,031	2,158
Currency translation differences	(283)	(687)	(2,304)
Net increase in shareholders' funds	5,112	3,468	8,736
Shareholders' funds at beginning of year (December 2003 originally £97,121,000 before deducting prior year adjustment of £1,406,000 - see note 2)	95,715	86,979	86,979
Shareholders' funds at end of year	100,827	90,447	95,715



<b>Six months to 30 June 2003</b>	Trans- actional Advice £'000	Consult- ancy £'000	Property Manage- ment £'000	Facilities Manage- ment £'000	Property Trading & Invest- ment £'000	Financial Services £'000	Holding Company £'000	Total £'000
Total Group turnover	44,610	20,287	26,983	14,676	1,919	6,100	-	114,575
Group operating profit/(loss)	3,132	2,461	1,769	1,015	899	1,064	(859)	9,481
Profit/(loss) before interest & taxation	3,088	2,461	1,999	857	899	1,558	(859)	10,003
Net interest								(250)
Profit on ordinary activities before taxation								9,753

#### 4. Geographical analysis of turnover, Group operating profit & profit before interest & tax (PBIT)

<b>Six months to 30 June</b>	Total Group turnover 2004 £'000	Group operating profit 2004 £'000	PBIT 2004 £'000	Total Group turnover 2003 £'000	Group operating profit 2003 £'000	PBIT 2003 £'000
United Kingdom	94,365	10,950	10,896	71,225	8,764	9,142
Rest of Europe	5,862	879	879	3,636	(363)	(448)
Asia Pacific	40,121	2,549	2,842	39,714	1,080	1,309
	140,348	14,378	14,617	114,575	9,481	10,003

Profit before interest and tax for the six months ended 30 June 2004 for Asia Pacific is shown after charging goodwill amortisation of £769,000 (2003 - £756,000). The profit before interest and tax for the six months ended 30 June 2004 for Europe is shown after charging goodwill amortisation of £260,000 (2003 - £103,000). The profit before interest and tax for the six months ended 30 June 2004 for the UK is shown after charging goodwill amortisation of £329,000 (2003 - £250,000).

#### 5. Share of operating profit/(loss) of associated undertakings

	Six months to 30.06.04 £'000	Six months to 30.06.03 £'000	Year to 31.12.03 £'000
Share of operating profit/(loss) from interest in associated undertakings	97	(29)	(193)
Goodwill amortisation on investment in associated undertakings	-	(51)	(180)
Impairment of goodwill in Trammell Crow Savills Limited	-	-	(1,186)
	97	(80)	(1,559)

## 6. Taxation

The taxation charge has been calculated on the basis of the underlying rate in each jurisdiction adjusted for any disallowable charges.

	Six months to 30.06.04 £'000	Six months to 30.06.03 £'000	Year to 31.12.03 £'000
United Kingdom corporation tax	(3,773)	(2,875)	(11,007)
Foreign taxation	(1,267)	(376)	(2,431)
Deferred Tax	73	23	1,029
	<u>(4,967)</u>	<u>(3,228)</u>	<u>(12,409)</u>

## 7. Dividends

	Six months to 30.06.04 £'000	Six months to 30.06.03 £'000	Year to 31.12.03 £'000
Ordinary interim dividend of 6.0p per share (2003 - 3.6p)	3,364	2,021	2,021
Ordinary proposed final dividend of 10p per share	-	-	5,563
Under/(over) provision on prior year dividends	30	(46)	-
	<u>3,394</u>	<u>1,975</u>	<u>7,584</u>

The Directors have recommended a final dividend for the six months ended 30 June 2004 of 6.0 pence per ordinary share. The interim dividend will be paid on 22 October 2004 to shareholders on the register as at 24 September 2004.

## 8. Earnings per share

(a) Basic & diluted earnings per share

<b>Six months to 30 June</b>	Earnings 2004 £'000	Shares 2004 '000	EPS 2004 Pence	Earnings 2003 £'000	Shares 2003 '000	EPS 2003 Pence
Basic earnings per share	9,961	56,189	17.7	6,439	56,316	11.4
Effect of additional shares issuable under option	-	5,328	-	-	4,378	-
Diluted earnings per share	<u>9,961</u>	<u>61,517</u>	<u>16.2</u>	<u>6,439</u>	<u>60,694</u>	<u>10.6</u>

<b>Year to 31 December</b>	Restated Earnings 2003 £'000	Shares 2003 '000	Restated EPS 2003 Pence
Basic earnings per share	20,810	56,207	37.0
Effect of additional shares issuable under option	-	4,900	-
Diluted earnings per share	<u>20,810</u>	<u>61,107</u>	<u>34.1</u>

(b) Adjusted basic earnings per share excluding sale of trading properties, impairments and amortisation of goodwill

Six months to 30 June	Earnings	Shares	EPS	Earnings	Shares	EPS
	2004	2004	2004	2003	2003	2003
	£'000	'000	Pence	£'000	'000	Pence
Basic earnings per share as in part (a) above	9,961	56,189	17.7	6,439	56,316	11.4
Amortisation of goodwill	1,358	-	2.4	1,109	-	2.0
Adjusted basic earnings per share excluding sale of trading properties, impairments and amortisation of goodwill	11,319	56,189	20.1	7,548	56,316	13.4

Year to 31 December	Restated	Shares	Restated
	Earnings	2003	EPS
	2003	2003	2003
	£'000	'000	Pence
Basic earnings per share as in part (a) above	20,810	56,207	37.0
Add back impairment of goodwill in Trammell Crow Savills Ltd	1,186	-	2.1
Amortisation of goodwill	2,483	-	4.4
Less sale of trading properties after tax	(3,300)	-	(5.8)
Adjusted basic earnings per share excluding sale of trading properties, impairments and amortisation of goodwill	21,179	56,207	37.7

## 9. Notes to consolidated cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities	Six months	Six months	Restated
	to 30.06.04	to 30.06.03	Year
	£'000	£'000	to 31.12.03
			£'000
Operating profit	14,378	9,481	35,282
Depreciation charges	2,292	2,423	4,923
Amortisation of goodwill	1,358	1,058	2,303
Loss on the sale of fixed assets	41	58	121
(Increase)/decrease in property held for sale	(523)	(5,637)	16,575
Increase in work in progress	(393)	(818)	(82)
Decrease/(increase) in debtors	4,155	11,966	(8,180)
(Decrease)/increase in creditors	(21,571)	(33,368)	2,726
Increase/(decrease) in provisions	737	(223)	4,269
Increase in provision for share options granted	944	1,031	2,158
Provision against fixed asset investments	9	10	468
Net cash inflow from operating activities	1,427	(14,019)	60,563

(b) Reconciliation of net cash flows to net funds	Six months to 30.06.04 £'000	Six months to 30.06.03 £'000	Year to 31.12.03 £'000
(Decrease)/increase in cash	(2,958)	(6,917)	10,448
Cash outflow/(inflow) from decrease/(increase) in debt	244	(5,397)	787
Capital element of finance leases repaid	2	17	26
New finance lease	(24)	-	-
(Decrease)/increase in liquid resources	(16,353)	(8,267)	9,425
Exchange movements	(276)	(556)	(2,205)
	(19,365)	(21,120)	18,481
Net funds at beginning of year	48,979	30,498	30,498
Net funds at end of year	29,614	9,378	48,979

(c) Analysis of changes in net funds	At 01.01.04 £'000	Cash flows £'000	Other non-cash £'000	Exchange movement £'000	At 30.06.04 £'000
Cash at bank	41,773	(3,212)	-	(322)	38,239
Overdrafts	(508)	254	-	23	(231)
		(2,958)			
Liquid funds on one month deposit	8,808	(7,129)	-	-	1,679
Liquid funds - short-term deposit	21,290	(9,224)	-	(148)	11,918
	71,363	(19,311)	-	(447)	51,605
Debt - due within one year	(2,961)	1,572	-	43	(1,346)
- due after one year	(19,374)	(1,328)	-	127	(20,575)
Finance leases	(49)	2	(24)	1	(70)
	48,979	(19,065)	(24)	(276)	29,614

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

Savills plc, 20 Grosvenor Hill, Berkeley Square, London W1K 3HQ  
Telephone: 020 7409 9928 Fax: 020 7491 0505 Email: [vgrady@fpdsavills.co.uk](mailto:vgrady@fpdsavills.co.uk)  
Contact: Victoria Grady

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.fpdsavills.com](http://www.fpdsavills.com)

**End**