

ASX and Media Release

SERVCORP GLOBAL PRESENCE NOW ACHIEVED

Servcorp Limited ABN 97 089 222 506 (SRV) is a world leader in providing executive serviced offices and superior IT and business infrastructure solutions. Servcorp currently operates 110 floors in 46 cities across 20 countries.

Summary of results for first half of Financial Year 2011

- Mature floor net profit before tax of \$13.32 million.
- Immature floor losses of \$13.34 million.
- Net profit before tax of \$0.12 million.
- Virtual Office package growth of 7%.
- Virtual Office revenue growth of 19% (in constant currency terms).
- Cash balances of \$108.30 million (unencumbered \$97.00 million) as at 31 December 2010.
- Interim dividend of 5.0 cents per share, fully franked, payable on 6 April 2011 (record date 4 March 2011).

The Business

- The major expansion across multiple regions has been challenging. It is clear in the last six months that global economic activity in the locations relative to Servcorp has not recovered as well as we would have expected. We note the continued strong performance of Australia & Greater China. At the same time we are disappointed by the level of recovery experienced, especially in the USA, our largest expansion location.
- The greatest opportunity and difficulties have been experienced in the USA where openings have taken longer and acquiring and training new teams has been a challenge. There are now 21 floors open in 11 cities giving us the required presence and scale. The rents negotiated are attractive and as the US economy recovers we are confident this will prove to be a major earner for Servcorp. There is still risk from the speed of economic recovery and the impact of aggressive competition during this period of substantially lower economic activity. At the same time this is the best opportunity Servcorp has ever had to establish meaningful presence in the USA.
- We have experienced slower growth for Virtual Office in our new locations but we are seeing clear signs that this business activity is back on track although being six months behind our initial expectations. Virtual Office recorded an increase in package memberships of 7% for the first half of Financial Year 2011. Virtual Office revenue increased by 16% in the six months to 31 December 2010. When the effect of changes in currency is stripped out, Virtual Office revenue increased by 19% compared to the prior comparative period. We anticipate reaching our original Virtual Office package target of 29,000 during April 2011.
- Average mature floor occupancy was 78% during the first half of Financial Year 2011 up from 76% in the prior comparative period.
- Overall we have experienced costs in line with expansion budgets but have seen revenues lagging behind the plan due to slower global activity recovery, the business opening delays and pressures of managing such a large growth program in such a short period.
- The business generated strong net operating cash flows in the first half of Financial Year 2011. Cash balances remain strong at \$108.30 million at 31 December 2010.



Expansion

- The first half of Financial Year 2011 was an exceptionally busy period for Servcorp with 27 new floors opening across 19 cities in 8 countries.
- Floors were opened in 14 new cities (new markets) and in 3 new countries, namely Lebanon, Turkey and the Philippines.
- During the first half of Financial Year 2011 available offices increased by 11% to 3,244 offices. Including the large traditional floors opened during Financial Year 2010, offices available increased by 25% in the 18 months to 31 December 2010.
- An additional 16 floors are committed to open in the second half of Financial Year 2011. In the two year period to 30 June 2011 it is anticipated we will have opened 56 locations in 26 new cities (new markets) in 7 new countries.
- We will slow the pace of growth in Financial Year 2012 and consolidate operations in new and existing markets. New openings, beyond those already committed, will be restricted to established and profitable locations where we are confident expansion will be expeditiously profitable.

Dividends

- Reflecting their confidence in the future, the Directors of Servcorp have declared a fully franked interim dividend of 5.00 cents per share, payable on 6 April 2011. The record date is 4 March 2011.
- The Directors anticipate paying a final dividend of 5.00 cents per share in relation to the 2011 Financial Year, subject to currencies remaining constant, global financial markets remaining stable and no unforeseen circumstances.
- Given the expected improvement in performance it is anticipated paying an interim dividend at a rate of 7.50 cents per share in Financial Year 2012, subject to currencies remaining constant, global financial markets remaining stable and no unforeseen circumstances. Dividends thereafter will be maintained at this level or increased.
- In the medium term the Directors expect to adopt an attractive dividend payout ratio based on growth in earnings and cash flows.

Outlook for 2010

- As advised at Servcorp's annual general meeting in November 2010, trading conditions were showing early signs of improvement in the second quarter of Financial Year 2011. It is anticipated that the improvement in revenues and margins will continue into the second half of Financial Year 2011.
- Whilst we are disappointed with our short term earnings, we remain confident about the future of the business model.
- We reaffirm mature floor net profit before tax guidance for Financial Year 2011 of \$30 million.
- As a result of the additional floors that are now opening and the lag that we have experienced in Office and Virtual revenue, forecast immature floor losses are expected to be approximately \$30.00 million for Financial Year 2011.
- These forecasts assume currencies remain constant, global financial markets remain stable and no unforeseen circumstances.

For more information contact

Mr Taine Moufarrige	Executive Director	+61 2 9231 7548
Mr Thomas Wallace	Chief Financial Officer	+61 2 9231 7668

Results Presentation

Wednesday 23 February 2011 at 4:30pm

Level 12, MLC Centre,

19 Martin Place, Sydney NSW 2000