

ASX and Media Release

SERVCORP REPORTS MATURE FLOOR NET PROFIT BEFORE TAX UP 24%

Servcorp Limited ABN 97 089 222 506 (SRV) today announced a better than guidance mature floor net profit before tax of \$31.19 million for the twelve months ended 30 June 2011 (FY 2011).

Servcorp, the world's leading provider of executive serviced offices, virtual offices and superior IT and business infrastructure solutions, operates 116 floors in 51 cities across 21 countries.

Summary of results for FY 2011

- Mature floor net profit before tax of \$31.19 million, up 24% on FY 2010.
- Immature floor loss of \$27.98 million, better than February 2011 guidance.
- Net profit before tax of \$3.04 million, up 6% on FY 2010.
- Net profit after tax of \$2.49 million, up 24% on FY 2010.
- Operating revenue up 8% on FY 2010 to \$182.06 million and up 13% in constant currency terms.
- Strong cash balances of \$99.99 million (unencumbered \$91.27 million) as at 30 June 2011.
- Final dividend of 5.0 cents per share, fully franked, payable on 5 October 2011.
- FY 2012 guidance of mature floor net profit before tax of approximately \$37.00 million and immature floor losses of approximately \$20.00 million.

The Mature business

- Given the challenging trading conditions in the mature business in FY 2011, management is satisfied with the overall result. The second half of FY 2011 saw an improvement in revenues and margins in several geographic regions.
- The hurdles faced as a result of the expansion were compounded by natural disasters in both Japan and Australia and also by the recent turmoil on global financial markets, all of which had a significant impact on business confidence and consumer demand.
- Notwithstanding adverse trading conditions and the strong Australian dollar headwind throughout FY 2011, revenue increased by 8% compared to FY 2010.
- Highlights in FY 2011 include three large floors moving to the mature floor line ahead of expectation (Hong Kong, Abu Dhabi and Singapore), the continued strong performance of Australia and Southeast Asia and average mature floor occupancy increasing to 79%.

The Immature business

- 46 floors were immature at 30 June 2011.
- Encouragingly, immature floor losses of \$27.98 million for FY 2011 were less than our February 2011 estimates of \$30.00 million.
- Floor construction costs and monthly operating running costs for new floors are in line with budget expectations. We estimate we have executed the majority of leases at or near the bottom of the market which should ensure that Servcorp will be competitive when global business confidence recovers.

- The economies of Europe and the USA are recovering at a slower pace than originally anticipated. Immature floors in these regions have been adversely affected.
- Management continues to have confidence in the Servcorp business model and we are satisfied with the overall progress of new floor rollouts. Focus continues to be on growing revenue.

Expansion

- FY 2011 was Servcorp's biggest expansion year in its history. 40 floors were opened across 29 cities in 12 countries. Available offices increased by 10% to 3,280 offices.
- Current strategy is to slow the pace of expansion in FY 2012 and consolidate operations in new and existing markets. New openings, beyond those already committed, will be limited to floors in established locations where expansion is expected to be expeditiously profitable.
- Management expect to open no more than 15 floors in FY 2012. This will bring the total floor openings to 68 during this expansion phase.

Dividends

- The directors of Servcorp have declared a fully franked final dividend of 5.0 cents per share, payable on 5 October 2011. The total dividend for FY 2011 is 10.0 cents per share, fully franked.
- It is anticipated that dividends of 15.0 cents per share, partially franked, will be paid for FY 2012. Payment is subject to currencies remaining constant, global financial markets remaining stable and no unforeseen circumstances.

Outlook for FY 2012

- Management is cautiously optimistic about the outlook for Servcorp. Global financial markets continue to be highly volatile which has a direct impact on business consumer confidence. The ramifications of this are being felt throughout Servcorp's business globally.
- Revenue and margins across the mature business improved in the second half of FY 2011 compared to the performance in the first half of FY 2011. It is anticipated that revenue and margins will continue to improve during FY 2012.
- Mature floor net profit before tax guidance for FY 2012 is approximately \$37.00 million.
- Anticipated forecast immature floor losses will be approximately \$20.00 million for FY 2012.
- These forecasts assume constant currencies, stable global financial markets and no unforeseen circumstances.

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Results Presentation

Wednesday 24 August 2011 at 4:30pm

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