

ASX and Media Release

SERVCORP ANNOUNCES GLOBAL EXPANSION ON TRACK

Servcorp Limited ABN 97 089 222 506 (SRV) today announced a mature floor net profit before tax of \$12.05 million for the six months ended 31 December 2009, which is in line with forecasts.

Summary of results for first half of Financial Year 2010

- Mature floor net profit before tax of \$12.05 million (in line with forecast).
- Immature floor expansion costs of \$8.97 million.
- Office Squared loss of \$1.21 million.
- Group Net profit before tax of \$1.87 million.
- Virtual Office package increase of 5%
- Virtual Office revenue growth of 7% (in constant currency terms).
- Cash balances of \$142.96 million as at 31 December 2009.
- Interim dividend of 5.0 cents per share, fully franked, payable on 29 March 2010.

The Business

- As foreshadowed at Servcorp's annual general meeting in November, trading conditions in the Serviced Office business were very difficult in the first half of Financial Year 2010. An increase in competition and tough commercial property conditions caused a drop in office pricing and occupancy rates in all markets. The combination of the drop in revenues and the fixed cost nature of the business combined to compress operating margins.
- Average mature floor occupancy for the first half has softened from 81% in 2009 to 76% in 2010.
- The 10 immature floors as at 31 December 2009 are tracking to forecast.
- Virtual Office recorded an increase in package memberships of 5% for the six month period. Virtual Office revenue increased by 2% in the six months to 31 December 2009. When the effect of changes in currency is stripped out, Virtual Office revenue increased by 7% compared to the prior comparative period.
- Management are happy with Virtual Office growth to date and remain encouraged by the future growth and development of the Virtual Office business.

Expansion

- As outlined at Servcorp's annual general meeting in November, management intends to rapidly expand the Servcorp footprint into a number of new markets, in particular to North America. Whilst the existing mature Serviced Office business is impacted by the global financial crisis, the current depressed state of the market, the development of the Virtual Office business model, and the availability of quality space all combine to make the current business climate ideal for expansion.
- Five new floors were opened in the first half of the 2010 financial year. Since 31 December 2009 an additional two floors have been opened and a further 13 leases have been committed to. A further additional 20 leases are in the advanced stages of negotiation.

- The strong Australian dollar combined with the current weak real estate markets should ensure that the cost of opening new floors should be below original cost estimates.
- Management are on track to reach our floor opening target of 100 additional floors by 2012 – 2013.

Dividends

- The directors of Servcorp have declared a fully franked interim dividend of 5.00 cents per share, payable on 29 March 2010.
- The directors anticipate paying a fully franked final dividend of 5.00 cents per share in relation to the 2010 financial year.

Outlook for 2010

- Management anticipates that trading conditions will continue to be challenging in the medium term but we believe that we have reached and passed the bottom of our earnings cycle.
- Management anticipates that mature floor net profit before tax will continue to be approximately \$2.00 million per month, assuming currencies remain constant, for the second half of the 2010 financial year, subject to unforeseen circumstances and global financial markets remaining stable.
- The expansion costs associated with the substantial number of new floors opening will continue to have a material negative impact on group net profits until they reach maturity.
- Servcorp's new business model market expansion push is running to schedule as we aim to open 100 floors by 2012 - 2013. We reaffirm our intention to open no less than 35 new floors by 31 December 2010 and have 29,000 Virtual packages by this stage. Our on-line sales continue to break in-house records, giving us confidence that Servcorp's decision to expand will, in the future, produce a real return for investors.

Servcorp, a world leader in providing executive serviced offices and superior IT and business solutions, operates 71 floors in 26 cities across 15 countries.

For more information contact

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Results Presentation

Thursday 25 February 2010 at 4.30pm
 Level 12, MLC Centre, Sydney
 19 Martin Place, Sydney