

ASX and Media Release

SERVCORP REPORTS MATURE FLOOR NET PROFIT BEFORE TAX IN LINE WITH GUIDANCE

GLOBAL EXPANSION PROGRESSING WELL

Servcorp Limited ABN 97 089 222 506 (SRV) today announced a mature floor net profit before tax of \$25.13 million for the twelve months ended 30 June 2010 (FY 2010), which is in line with guidance.

Servcorp is a world leader in providing executive serviced offices and superior IT and business infrastructure solutions. Servcorp operates 77 floors in 29 cities across 17 countries.

Summary of results for FY 2010

- Mature floor net profit before tax of \$25.13 million.
- Immature floor expansion costs of \$20.10 million.
- Consolidated net profit before tax of \$2.88 million.
- Consolidated net profit after tax of \$2.01 million.
- Virtual Office package growth of 20%.
- Virtual Office revenue growth of 9% (in constant currency terms).
- Cash balance (unencumbered) of \$121.03 million as at 30 June 2010.
- Final dividend of 5.0 cents per share, fully franked, payable on 6 October 2010.
- FY 2011 forecast of mature floor net profit before tax of approximately \$30.00 million and immature floor losses of approximately \$15.00 million.
- Forecast dividend for FY 2011 of 10.0 cents per share.

The Business

- As previously advised, trading conditions in the Serviced Office business were very difficult in FY 2010. Depressed global business sentiment, particularly in the commercial real estate market, caused a drop in demand for Serviced Offices globally which impacted office pricing and occupancy of the mature Serviced Office business. This environment has created an opportunity for Servcorp to expand.
- Average mature floor occupancy has softened from 79% in FY 2009 to 76% in FY 2010.
- Thirteen floors were opened during FY 2010 and all were immature at 30 June 2010. The performance of all immature floors is tracking to expectations.
- Virtual Office package memberships increased by 20% during FY 2010. Virtual Office revenue decreased by 1% in FY 2010 compared to FY 2009. However when the translation effect of changes in currency is stripped out, Virtual Office revenue increased by 9% year on year.

Expansion

- At 30 June 2010, 31 leases had been executed for locations that are expected to open in the next six to nine months.

- Servcorp is on track to reach its floor opening target of 35 new locations in the 18 months to 31 December 2010.
- As outlined at Servcorp's annual general meeting in November 2009, we are focussed on rapidly expanding the Servcorp footprint into a number of new markets, in particular North America.
- We are happy with the progress of new centre rollouts and early indications are that sales are adhering to the business model projections. Our focus is to build scale in each geographic location to spread marketing and web optimisation costs.

Dividends

- The directors of Servcorp have declared a fully franked final dividend of 5.00 cents per share, payable on 6 October 2010, bringing the total dividend for FY 2010 to 10.00 cents per share, fully franked.
- It is anticipated that dividends will be 10.00 cents per share for FY 2011.

Outlook for FY 2011

- FY 2011 will be a major construction period for the Company. It is anticipated FY 2012 will be a year of consolidation.
- We reaffirm our intention to open no less than 35 new floors in the 18 months to 31 December 2010 and to have 100 new floors open in the 36 months to 30 June 2013. Our initial guidance to have 29,000 Virtual Packages by 31 December 2010 was contingent on having at least ten floors open in the USA by 30 June 2010. We now anticipate that we are several months behind this target.
- We forecast mature floor net profit before tax for FY 2011 will be approximately \$30.00 million, \$13.00 million for the first half and \$17.00 million for the second half of FY 2011. This forecast assumes currencies remain constant, global financial markets remain stable and no unforeseen circumstances.
- We expect global trading conditions to remain difficult in FY 2011 but are optimistic about the new business model.
- Until they reach maturity, new floor openings will continue to have a material negative impact on group net profits. Forecast immature floor losses will be approximately \$15 million for FY 2011, significantly skewed toward the first half.

For more information contact

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Results Presentation

Thursday 26 August 2010 at 4.30pm
 Level 12, MLC Centre, Sydney
 19 Martin Place, Sydney