

# ASX and Media Release

## SERVCORP REPORTS FIRST HALF NET PROFIT BEFORE TAX OF \$8.16M

Servcorp Limited ABN 97 089 222 506 (SRV) today announced a net profit before tax of \$8.16 million for the six months ended 31 December 2011.

Servcorp, the world's leading provider of executive serviced offices, virtual offices and superior IT and business infrastructure solutions, operates 119 floors in 51 cities across 21 countries.

### Summary of results for first half of Financial Year 2012

- Mature floor net profit before tax of \$18.52 million, up 38% on first half of FY 2011. This is in line with guidance of \$37.00 million for FY 2012.
- Immature floor losses of \$10.36 million, in line with full year guidance, a reduction of 22% compared to first half of FY 2011.
- Net profit before tax of \$8.16 million, up from \$0.12 million in first half of FY 2011.
- Net profit after tax of \$6.40 million, up from \$0.82 million in first half of FY 2011.
- Operating revenue up 11% on first half of FY 2011 to \$99.38 million and up 16% in constant currency terms.
- Strong unencumbered cash balances of \$97.00 million as at 31 December 2011.
- Interim dividend up 50% to 7.50 cents per share, 50% franked, payable on 4 April 2012.
- Reaffirm FY 2012 guidance of mature floor net profit before tax of approximately \$37.00 million and immature floor losses of approximately \$20.00 million, subject to constant currencies, stable global financial markets and no unforeseen circumstances.

### The Mature business

- Revenues and margins improved across most geographic segments during the first half of FY 2012. This is despite the strength of the Australian dollar throughout the period.
- During the first half of FY 2012, 3 floors reached maturity in Jeddah, London and Fukuoka. The floors in both Jeddah and London are contributing positively at the mature profit line. Fukuoka is trading close to cash flow breakeven. The performance of these floors is encouraging.
- Average mature floor occupancy remained stable at 78%.

### The Immature business

- 47 floors were immature at 31 December 2011.
- Immature floor revenue continues to increase modestly each month.
- Management is satisfied with the overall progress of the immature floor portfolio.

## Expansion

- As previously advised, our current strategy is to slow the pace of expansion in FY 2012 and consolidate operations in new and existing markets. We are limiting new openings, beyond those already committed, to floors in established locations where expansion is expected to be expeditiously profitable.
- Our original intention was to open no more than 15 floors in FY 2012. Given the continued volatility in global markets and the continuing uncertainty in the USA and Europe, we have slowed the pace of growth and now anticipate opening a total of 9 floors in FY 2012. This will bring the total expected floor openings to 62 by 30 June 2012 as part of this expansion phase. In addition to new floor openings, we are expanding 2 current floors in Jeddah and New York.

## Dividends

- The directors of Servcorp have declared an interim dividend of 7.50 cents per share, payable on 4 April 2012. The dividend will be 50% franked. There is no foreign conduit income attributed to the dividend.
- It is anticipated that total dividends of 15.0 cents per share, partially franked, will be paid for FY 2012. This is an increase of 50% compared to total dividends paid for FY 2011. Payment is subject to currencies remaining constant, global financial markets remaining stable and no unforeseen circumstances.

## Outlook for FY 2012

- Notwithstanding the continued volatility and uncertainty in global markets, management continues to remain cautiously optimistic about the outlook for Servcorp.
- Revenue and margins across the mature business improved in first half of FY 2012 compared to FY 2011. It is expected that margins will hold at these levels for second half of FY 2012.
- For the remainder of FY 2012, management will focus on consolidating the immature business and on increasing occupancy and utilisation of services across all floors.
- Mature floor net profit before tax guidance for FY 2012 is reaffirmed at approximately \$37.00 million.
- Management reaffirms that 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.

### For more information contact

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### Results Presentation

Tuesday 21 February 2012 at 4:30pm  
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