

SERVCORP LIMITED

ABN 97 089 222 506

CHAIRMAN'S ADDRESS

2012 ANNUAL GENERAL MEETING.

Ladies and Gentlemen,

Before turning to the formal business of the meeting, I propose making a few comments.

2012 was a year of consolidation for Servcorp's operations in its new and existing markets. Given the challenging trading conditions in world markets, it was prudent to slow expansion and take the opportunity to assess our position and focus on growing revenue. We are satisfied with the overall result.

Revenue for the year was \$200.79 million, an increase of 10% on 2011. This was despite the effect the strong Australian dollar had on overseas revenue, which accounts for 70% of the Company's total revenue. Our mature floors contributed \$37.31 million profit before tax, an increase of 20% on 2011, and in line with guidance. Immature floor losses were \$18.98 million, an improvement of 32% compared to 2011. As a result, net profit after tax increased to \$14.80 million, with an increase in earnings per share to 15.0 cents.

Servcorp continues to enjoy significant financial strength. During the 2012 financial year the business generated strong net operating cash flows of \$32.00 million, up 70% on 2011. Cash balances at 30 June 2012 were \$104.33 million, with \$95.77 million unencumbered, and the Company had negligible debt. Current unencumbered cash balances remain strong at \$92.28 million.

The Company paid a final dividend of 7.5 cents per share, 85% franked, bringing total dividends for the year to 15.0 cents per share, a payout to shareholders of approximately \$14.8 million. The average franking for the year was 67.5%.

I now turn to our global expansion.

As I mentioned earlier, the 2012 financial year was a year of consolidation, with 9 floors opening in 9 cities across 5 countries. The 2011 financial year had been Servcorp's biggest expansion year in its history and we considered it opportune to slow expansion and assess our position.

In the 36 months to June 2012, 62 new floors have been opened, and Servcorp's operations have been expanded into 7 new countries.

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We have undertaken a major expansion program which is now essentially behind us. 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 if global business confidence recovers. We are well placed to move forward, with a Virtual base of 35,000 packages and over 130 floors providing real critical mass.

In the 2013 financial year, we will continue with our current strategy of a steady pace of expansion. New openings will be limited to floors in established locations where expansion is expected to be expeditiously profitable. We are focussed on increasing office sales and thereby reducing vacancy.

We now expect to open approximately 14 floors in the 2013 financial year. At this point, we have already committed to 10 leases. Four new floors have opened - in Singapore, Melbourne, Parramatta and Perth - and a floor has been expanded in Hong Kong. Two floors in Riyadh and floors in Dubai, Al Khobar and New York are expected to open in December and January. We have also signed a lease for a floor in Guangzhou's IFC Tower, which will open later in the financial year.

Alf will take you through the detail of our global expansion in his address.

This takes me to the outlook for the 2013 financial year.

When we released our 2012 results we forecast that net profit before tax for the 2013 financial year would increase by almost 50 per cent on 2012, to approximately \$27 million.

Trading conditions in the first quarter have been very challenging, particularly in Australia, Singapore, Japan and the USA. Trading results have been substantially lower than originally expected but we have now introduced measures to reduce vacancy. With 1,100 vacant offices, and an additional 400 under construction, Servcorp's potential future positive cash flow far exceeds current performance.

Notwithstanding the challenging first quarter, and the current turmoil in global financial markets, we confirm our earnings guidance for the 2013 financial year. Net profit before tax is expected to be approximately \$9 million in the first half of the financial year and approximately \$18 million in the second half.

This forecast assumes currencies remain constant, global financial markets remain stable, and no other unforeseen circumstances.

I now turn to dividends.

Evidencing our confidence in the future of the business, notwithstanding short term earnings challenges, shareholders can expect to receive fully franked dividends totalling 15.0 cents per share in respect of the 2013 financial year. It is expected that the interim and final dividends will each be 7.5 cents per share (subject always to unforeseen circumstances).

Global markets continue to be volatile and uncertain, however, we remain optimistic for the outlook of Servcorp. The Company has a strong balance sheet, global critical mass, little exposure to Europe and a presence in the growth markets of Southeast Asia, the Middle East, Australia and the USA. We have experienced management, an outstanding IT platform and propriety product offerings. It is a good story.

That concludes my address. On behalf of the Board I thank our CEO, Alf Moufarrige, our leadership group and all the Servcorp team members for their dedication and commitment during the past year. Thanks to management, much has been achieved over the past couple of years. Due to their efforts we have an expanded global presence and continue to maintain our position as the world's leading provider of serviced and virtual office solutions.

We thank you, our shareholders, for your continuing support.