

SERVCORP LIMITED
ABN 97 089 222 506

CHAIRMAN'S ADDRESS

2013 ANNUAL GENERAL MEETING

ADDRESS BY MR BRUCE CORLETT AM
CHAIRMAN, SERVCORP LIMITED
13 NOVEMBER 2013

Ladies and Gentlemen,

Over the last four years Servcorp has more than doubled its global footprint. Our aim in 2013 was to stabilise operations, improve occupancy, and increase shareholder wealth. We have made steady progress on achieving these goals.

Results

Revenue for the year was \$208.0 million, an increase of 4% on 2012. This was despite the effect the strong Australian dollar had on overseas revenue. Our mature floors contributed \$42.2 million profit before tax, an increase of 13% on 2012. Immature floor losses were \$14.6 million, an improvement of 23% compared to 2012. As a result, net profit after tax increased to \$21.3 million, with an increase in earnings per share to 22 cents, up 44% on 2012.

Revenue and profit growth was achieved across most geographic segments. We are encouraged by the Company's second half performance. Net profit before tax grew 22% in the second half of the financial year compared to the first half of the year, and most pleasing about the second half performance was the steadily increasing monthly revenue together with increased net cash generation.

Servcorp continues to enjoy significant financial strength. During the 2013 financial year the business generated strong net operating cash surpluses of \$27.09 million. Cash balances at 30 June 2013 were \$99.76 million, with \$90.62 million unencumbered, and the Company had negligible debt. Current unencumbered cash balances remain strong at \$84.62 million; this is after payment of the final dividend of \$7.4 million.

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

Global Expansion

I now turn to our global expansion.

As I mentioned earlier, our aim in the 2013 financial year was to stabilise operations. This year, we opened 10 floors, in 9 cities across 6 countries. This meant that, in the 48 months to June 2013, 72 new floors have been opened, and Servcorp's operations have been expanded into 7 new countries.

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In the 2014 financial year, we will remain focussed on reducing vacancy across the Serviced Office portfolio, and growing the Virtual Office package base.

We now expect to open approximately 10 large floors in the 2014 financial year. At this point, we have committed to 6 leases. Three new floors have already opened - in Tokyo, Dubai and this spectacular floor at Gateway in Sydney - and a floor has been expanded in Guangzhou. Floors in Riyadh, Singapore, Abu Dhabi, Beijing, Dammam, Qatar and Kuala Lumpur are expected to open in the second half of the financial year.

Management will take you through the detail of our global expansion in their address.

Outlook

This takes me to the outlook for the 2014 financial year.

When we released our 2013 results in August, we did not provide a financial forecast for the 2014 financial year. We do expect our growth to continue and, as mentioned earlier, we are encouraged by the sustained growth in revenue and the improvement in occupancy, particularly in the fourth quarter of the 2013 financial year.

Trading for the first quarter of the 2014 financial year has seen revenue increase by 13% compared to the first quarter of the 2013 financial year, and by 8% on the fourth quarter of 2013. Cash flow generated in the first quarter of 2014 is up 25% on the first quarter of 2013. Global mature floor occupancy was 81% at 30 September 2013 and our objective is now to increase mature floor occupancy in the range of 82% to 85% by 31 December 2013. Overall occupancy across all floors has increased from 71% at September 2012 to 77% at September 2013.

Dividends

I now turn to dividends.

Directors anticipate that shareholders can expect to receive dividends totalling 18.0 cents per share in respect of the 2014 financial year. This would represent an increase of 20% on dividends paid in respect of the 2013 financial year. It is expected that the interim dividend will be 9.0 cents per share, unfranked. The final dividend is expected to be 9.0 cents per share, with an anticipated high level of franking. At this stage, franking levels are uncertain due to the level of overseas earnings and, for the time being, reduced Australian earnings. Dividends are subject always to unforeseen circumstances.

Remuneration Report

I would now like to comment on the proxy votes lodged with respect to the Remuneration Report. Full details will be disclosed during the formal business of the meeting, however, this will show that 44.4% of proxies lodged voted against the Remuneration Report for the financial year ended June 2013. This percentage could well change based on votes cast at today's meeting. Although the proxies lodged represent only 15.3% of total shares on issue, the Directors acknowledge that some shareholders are obviously not happy with some aspects of our remuneration arrangements. Accordingly, when designing the remuneration architecture for the 2014 financial year, we will consult with shareholders and independent remuneration experts in creating a structure that is rewarding for both executives and shareholders. A consultation process to address shareholder concerns will be undertaken over coming months.

Close

Whilst global markets remain volatile and uncertain, Servcorp has been able to continue its global growth thanks to critical mass, experienced management and an outstanding IT platform and proprietary product offerings. It is a story we are proud of.

That concludes my address. On behalf of the Board I want to acknowledge the outstanding efforts of 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, we have achieved an enormous amount over the past four 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.