



ASX and Media Release

Monday, 12 October 2009

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## SERVCORP LIMITED (SRV) ANNOUNCES EQUITY CAPITAL RAISING OF \$80 MILLION TO FUND GROWTH

### Summary

- § Servcorp launches an equity raising to raise approximately \$80 million;
- § Institutional placement to raise approximately \$51 million;
- § 1 for 11 accelerated non-renounceable entitlement offer to raise approximately \$29 million;
- § Both components of the capital raising are fully underwritten<sup>1</sup> at a fixed price of \$4.00 per share; and
- § Servcorp intends to use the proceeds of the offer plus existing available cash reserves<sup>2</sup> to fund global expansion including the roll-out of at least 100 new floors to be targeted over the next 3 to 4 years, the vast majority of which will be Virtual Office floors.

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### Overview of the Offer

Servcorp Limited ("Servcorp") today announced the launch of an equity capital raising to raise approximately \$80 million through an accelerated non-renounceable pro-rata entitlement offer ("Entitlement Offer"), and an institutional placement ("Institutional Placement", together the "Offer").

The capital raising comprises a fully underwritten Institutional Placement to raise approximately \$51 million and a fully underwritten pro-rata Entitlement Offer to raise approximately \$29 million, available to all eligible shareholders.

Under the Entitlement Offer, eligible shareholders are invited to subscribe for 1 new Servcorp share ("New Shares") for every 11 existing Servcorp ordinary shares ("Existing Shares") held as at 7.00pm AEDT<sup>3</sup> on Thursday, 15 October 2009 ("Record Date").

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<sup>1</sup> The underwriting agreement includes a number of termination events

<sup>2</sup> Existing cash reserves as at 30 June 2009 were approximately \$84 million

<sup>3</sup> Australian Eastern Daylight Time

The offer price is fixed at \$4.00 per New Share. This represents approximately a 3.6% discount to the closing price of Existing Shares of \$4.15 on 9 October 2009. All New Shares will rank equally with Existing Shares from the date of allotment.

The entitlements ("Entitlements") are non-renounceable and will not be tradeable on the Australian Securities Exchange. Eligible shareholders who do not take up their full Entitlement will not receive any value in respect of Entitlements they do not take up.

Eligible retail shareholders may apply for oversubscriptions. Oversubscriptions may be scaled back in the absolute discretion of Servcorp management.

Servcorp's largest shareholder, CEO Alf Moufarrige has confirmed his support for the capital raising and has committed to take up his Entitlements in part, equivalent to an amount of \$5 million. Following the Offer, Alf Moufarrige and his associated entities will hold approximately 50% of the issued shares.

#### Servcorp's acquisition and expansion plan

Servcorp has a strong track record of global organic growth since its IPO in 1999. At the time of IPO, Servcorp operated in 8 countries with 33 floors. Today, Servcorp operates in 13 countries, with 67 floors.

Servcorp management believes that the current market conditions represent an attractive opportunity for aggressive expansion. Depressed real estate prices and high vacancy rates in prime/A-grade CBD buildings are expected to allow Servcorp to enter into new leases in existing and new markets at attractive pricing.

Over the past 30 years of operations, Servcorp has made a significant investment in proprietary business infrastructure and IT platforms which has transformed the range and depth of services available to Servcorp's clients. This IT platform, which was initially built to complement Servcorp's Serviced Office product, now enables Servcorp to offer its customers an attractive Virtual Office product. The Virtual Office requires lower fixed costs and upfront capital outlays and is expected to enable Servcorp to achieve margin uplift and potentially improve shareholder returns over the medium term.

Servcorp has successfully implemented the Virtual Office model in a number of locations—there are more than 14 existing Servcorp locations that have over 500 virtual packages.

The CEO Alf Moufarrige said "We are extremely excited about this opportunity. Difficult market conditions mean we are currently able to secure leases on very attractive terms. In addition to this, Servcorp's systems and IT platform are now scalable, robust and able to accommodate our aggressive expansion plans for the Virtual Office model."

Servcorp intends to implement an expansion plan which will target on opening more than 100 new floors over the next 3 to 4 years, the vast majority of which will focus on the Virtual Office model. A large number of sites and locations have already been identified including sites/locations in existing regions, and some in new markets such as North America, Canada, Scandinavia, parts of Europe and parts of the Middle East.

Over the next 3 to 4 years, Servcorp is expected to expand at a faster rate than it has historically. The larger number of immature floors is expected to have a material negative impact on profitability until the new floors reach maturity.

The proceeds of the equity capital raising plus existing available cash reserves<sup>4</sup> are intended to be used to fund the expansion plan.

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<sup>4</sup> Existing cash reserves as at 30 June 2009 were approximately \$84 million

## Events Post Balance Date

Trading for the first two months of 2010F continued to be very difficult. The financial impacts of the new expansion plan means there will be a drag effect on profits into the medium term.

These factors make it difficult to provide earnings guidance for the year ended 30 June 2010.

A number of events have occurred since 30 June 2009 including payment of a dividend of approximately \$8 million and the signing of six new leases in:

- Fukoka (Japan)
- Kuwait
- Hong Kong
- London (UK)
- Chicago (USA)
- Marina Bay Financial Centre (Singapore).

## Indicative Offer timetable

Event	Date
Institutional Entitlement Offer and Institutional Placement open	9.00am, Monday 12 October 2009
Institutional Entitlement Offer and Institutional Placement close	5.00pm, Monday, 12 October 2009
Ordinary Shares recommence trading	Tuesday, 13 October 2009
Record Date	7.00pm, Thursday, 15 October 2009
Retail Entitlement Offer period opens	Tuesday, 20 October 2009
Retail booklet despatched	Tuesday, 20 October 2009
Institutional Entitlement Offer and Institutional Placement settlement date	Friday, 23 October 2009
Allotment and quotation of Institutional Entitlement Offer and Institutional Placement shares	Monday, 26 October 2009
Retail Entitlement Offer period closes	Friday, 6 November 2009
Retail Entitlement Offer settlement date	Monday, 16 November 2009
Allotment of Retail Entitlement Offer shares	Tuesday, 17 November 2009
Quotation of Retail Entitlement Offer shares	Wednesday, 18 November 2009

All times refer to AEDT. These dates and times are indicative only and are subject to change. Servcorp, in conjunction with the underwriter has the right to vary any of the above dates and times without notice.

#### Stock lending and other transactions

Servcorp has been granted a waiver by ASX so that, in determining shareholder entitlements for the Entitlement Offer, it may ignore any changes in share holdings that occur after the commencement of the trading halt in shares that commenced on 12 October 2009 (other than registrations of transactions that were effected through ITS before that halt).

Accordingly, a person who is a registered Servcorp shareholder at the Record Date as a result of a dealing after the commencement of the trading halt in Servcorp shares that commenced on 12 October 2009 (other than registrations of transactions that were effected through ITS before that halt) may not be entitled to receive an Entitlement under the Entitlement Offer.

In the event that a shareholder has Existing Shares out on loan at the Record Date, the borrower will be regarded as the shareholder for the purposes of determining the Entitlement (provided that those borrowed shares have not been on-sold or used to cover a short sale).

#### Further information

Retail shareholders who have questions regarding the Retail Entitlement Offer should call the Servcorp Shareholder Information Line.

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Neither this announcement nor any other documents relating to the Offer may be sent or distributed to persons in the United States or to U.S. Persons or to any persons acting for the account or benefit of U.S. Persons.

The Offer does not constitute an offer, and New Shares will not be issued or sold under the Offer, in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer, issue or sale. No action has been taken to register or qualify the Shares or the New Shares or to otherwise permit a public offering of Shares or New Shares outside Australia and New Zealand. The New Shares may be offered, issued or sold in any other jurisdiction under the Offer where such offer, issue or sale is permitted under applicable law.

This announcement contains certain forward-looking statements with respect to the financial condition, results of operations and business of Servcorp and certain plans and objectives of the management of Servcorp. Forward-looking statements can generally be identified by the use of words such as 'project', 'foresee', 'plan', 'expect', 'aim', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'should', 'will' or similar expressions. All such forward looking statements involve known and unknown risks, significant uncertainties, assumptions, contingencies and other factors, many of which are outside the control of Servcorp, which may cause the actual results or performance of Servcorp to be materially different from any future results or performance expressed or implied by such forward looking statements. Such forward-looking statements speak only as of the date of this announcement. Factors that could cause actual results or performance to differ materially include without limitation the following: risks and uncertainties associated with the Australian and global economic environment and capital market conditions, fluctuations in foreign currency exchange and interest rates, competition, Servcorp's relationships with, and the financial condition of, its suppliers and customers, or legislative changes, or regulatory changes or other changes in the laws which affect Servcorp's business. The foregoing list of important factors is not exhaustive. There can be no assurance that actual outcomes will not differ materially from these statements.

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