



30 September 2009

CITIBASE PLC
(*"Citibase" or "The Company"*)

APPOINTMENT OF NEW FINANCE DIRECTOR

Citibase PLC, the fast growing serviced-office company to cost conscious small and medium-sized enterprises ("SMEs") from 22 locations around the UK, is pleased to announce the appointment of Jonathan (Jon) Addis as Finance Director.

Jon, a Chartered Accountant (ACA), has worked for the past ten years with high growth private equity backed SMEs as an Investment Director and in Finance/ M&A Director roles. His experience includes leading the highly successful acquisition strategy of the Hydrex Group, a Bridgepoint Capital backed business, as M&A Director.

Jon has also held Investment Director roles at the private equity divisions of Royal Bank of Scotland plc and Lloyds TSB Bank plc. Latterly, as Investment Director at LDC (Lloyds TSB's private equity arm), Jon had regional responsibility for new business, including deal negotiation, structuring, and funding, and worked closely with a number of management teams to implement their growth strategies.

He joins Citibase - which provides on a national basis serviced-office accommodation and a range of ancillary services to predominantly entrepreneurs and SMEs - from DBK Group Ltd, the construction, property and development consultancy, where he was Group Finance Director.

Steve Jude, Chief Executive of Citibase, commented:

"We are delighted that Jon has joined Citibase. The appointment of such a high quality individual, demonstrates the extent to which Citibase has become a real player in our sector and his proven record in identifying acquisition opportunities, and in integrating and growing a number of companies across a range of sectors, confirms the commitment of the Citibase board to delivering on our growth strategy and growing the business through acquisition."

Citibase, which recently reported the best annual results in its 16-year history, has effectively doubled the size of its network of centres across the UK in the past six months. I am pleased to say that our stated intention is to continue this growth and expand quickly within the current fragmented, yet consolidating area of the serviced office sector, offering a branded accommodation solution for small businesses. I very much look forward to working with Jon and leveraging off his past experience and I know all at Citibase will join me in welcoming him to the group."

Jon Addis, newly appointed Finance Director of Citibase, added:

"I believe Citibase is in an excellent position to grow both through acquisition in a fragmented market and organically. Citibase is very strongly placed through a combination of its robust financial structure and an excellent senior management team and I look forward to working closely with them to continue to successfully grow the business".

- ENDS -

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Editor's Notes:**Citibase**

Citibase provides serviced office accommodation to the cost conscious SME from 22 locations around the UK. The Directors' intention is for Citibase to expand quickly within the current fragmented, yet consolidating area of the serviced office sector, offering a branded accommodation solution for small businesses.

The serviced office market is fragmented with a large number of operators, many of them with only one or two sites. Citibase concentrates on the town/city centre market, rather than out-of-town locations and has almost 4,000 workstations available.

The Company is close to doubling this number this year, largely through the acquisition of existing operators in the mid-market segment. The Directors see the recession creating a unique buying opportunity for three reasons:

- (i) existing operators will seek the security of being part of a larger group;
- (ii) conventional leases will become more affordable; and
- (iii) corporate occupiers with excess space will seek to minimise their losses by agreeing management contracts with serviced office companies.

The Directors believe that acquisitions made on terms currently available should create significant value when the UK emerges from the current recession. The Directors also believe that the current trend for the establishment of new, small businesses will continue as individuals formerly employed by larger organisations seek to form their own ventures. For these new businesses, the Directors believe affordable serviced offices provide an ideal solution to their office needs.

Citibase History and background

Citibase was formed in 1993, by David Joseph and Ian Read who had previously had experience of the sector whilst working in the serviced office operations at London & Edinburgh Trust PLC.

The business was based from the outset around the concept of flexibility for small businesses and was launched at a time when the United Kingdom was beginning to emerge from a period of recession.

The first location was in the Minories in the City of London. Since then Citibase has expanded by the acquisitions of existing business centres, the largest of which was in 1999 when six centres were added in a single transaction with Bridge House (Bewdley) Limited, a subsidiary of Birkby PLC ("Birkby"). This acquisition was funded by an issue of shares to the vendor. As part of the transaction, Birkby's Chief Executive joined the Citibase board as non-executive director and Birkby acquired 15 per cent. of Citibase PLC.

In January 2007, Steve Jude was appointed as Chief Executive with the remit to streamline and develop the Company going forward and to grow the business organically and by acquisitions. In addition to extensive experience in the serviced office market gained working as a senior Executive for Regus PLC and as a Non-Executive at MWB Business Exchange PLC, Steve has a background in the travel industry. At Citibase he has successfully applied some of the travel industry's yield maximisation strategies with the result that Citibase is profitable and growing. He

has also, through selective recruitment, built a team of key managers, principally from within the serviced office industry, to allow the Company to embark on its next proposed aggressive phase of growth by seeking to consolidate the mid-market which serves cost conscious SMEs.

The market

The serviced office sector is a segment of the rented space market. Providers of serviced office accommodation can be categorised by the different types of space available (workspace, storage space, industrial office space, office parks, business centres, out-of-town facilities and town centre facilities) and within these sub divisions by the quality of the space provided.

Yield management

The key to Citibase's financial performance lies in effective yield management. This is the relationship between density and pricing. The challenge is twofold. The first is to ensure that average rates per workstation are maintained. This is a mix of flat rate and service rates. The second is that the turnaround of higher margin spot rentals is also maintained to ensure added margin opportunities are accessed.

Citibase is also keen to achieve a blend of occupiers by length of stay. As at August 2008, the average length of stay across the Company was 27 months. The key element of the Citibase yield policy is ensuring that as much space as possible is producing revenue. To take an airline analogy, the walls of the Citibase buildings equate to the fuselage of an aircraft. Within this fuselage, it is the job of yield to maximise the revenue. Some serviced office companies target international corporates and have taken a high price business class strategy. However, Citibase has taken the low cost airline approach as its clients are cost conscious SMEs.

The business class strategy produces very good margins in an economic boom, but is vulnerable if the business class market dries-up. The low cost airline approach does not produce the same margins in a boom but is more resilient in a downturn.