



## Annual General Meeting

30 October 2009

## Managing Director's Address to Shareholders

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Fellow Shareholders,

### A strong performance in a tough year

As we reported to you in the 2009 Annual Review, in spite of the deteriorating economic conditions, Service Stream increased net revenue by 23.9% to \$558.2 million and EBITDA was a respectable \$30.1 million in what became a very difficult trading year.

### Financial Performance

	FY 2009	FY 2008	% change
Revenue	\$558.2M	\$450.6M	+ 23.9%
EBITDA	\$30.1M	\$37.2M	- 19.1%
NPAT	\$11.1M	\$18.1M	- 38.7%

The biggest impact on the results for the year was the loss of over \$9 million from the McCourt Dando Group. As previously disclosed, the loss relates primarily to project difficulties on some substantial infrastructure projects in Queensland – the result of weather related delays and cost overruns.

The claim in relation to a major Queensland Government infrastructure project, where \$14.6 million in latent conditions and contract variation claims has been brought to account is yet to be resolved. The Company has sought appropriate legal advice, together with specialist expert advice, and is confident that the claim will be resolved successfully in its favour.

Whilst disappointing, remedial action was implemented across the McCourt Dando business by management during the period to correct the issues leading to the losses. After some very successful acquisitions, we have now learnt some valuable lessons from this one, which will be implemented in future acquisitions we undertake.

Despite this setback, there were many successes during the year including

- **Strong growth from the A&AS ramp up**
- **Improved performance from our Solutions Group**
- **AMRS Smart Meter roll-out commenced**
- **An increase in long term contracted revenues**
- **Strong representation across growth infrastructure sectors**
- **New procedures and practices put in place**
- **A strong platform for growth being established**
- **Cross business synergies working effectively**

## Working together for growth

Service Stream's integrated approach to telecommunications and utilities infrastructure continues to drive organic growth. We can now quickly and efficiently deliver an integrated solution across what were once quite separate businesses.

One prime example is our initiative in bringing both the AMRS and Solutions businesses together to work with our environmental customers this year. This combination delivered IT platforms, management know-how, call centres, sales staff and physical delivery into one of the fastest growing markets nationally. This is this kind of organic growth which will be the hallmark of Service Stream for coming years.

## Contact Centre Solutions

Highlights:

- **Major insurance contract performing well**
- **New contract / services being tendered**
- **Excellent contact performance**
- **Integrating services with SFS**

Contact Centre Solutions incorporates contact centre management, hosted technology solutions, logistics and supply chain management and distribution services. These branded, proprietary products are central to the business processes of clients such as the Australian Communications and Media Authority (ACMA), Macquarie Telecom, Optus and Vodafone.

In short, our Solutions division provides high value solutions that are beyond the capability of much of the market. That is why our clients include leading banks, insurers, telecommunications carriers and the Australian Government.

The successful implementation of the Aegon Insurance contract over the last year and the ongoing success of the Do Not Call Register are excellent examples of how Service Stream Solutions, combining know-how from across Service Stream businesses, is delivering exceptional results for our clients.

Unfortunately in September 2009, following the merger of Vodafone and Hutchison Australia, our client has announced the closure of certain facilities which will lead to significant changes in our Contact Centre staff levels. We have plans in place to manage through this difficult time to assist our team and the Company's long term interests as much as possible.

## Specialist Field Services

Highlights:

- **Telstra A&AS bedded down**
- **TCI expanding tower services to Telstra**
- **AMRS Smart Meter roll-out commenced**
- **Division wide capacity now in place**
- **Streamlined project management reporting introduced**

Specialist Field Services incorporates three integrated activities providing asset relocation, telephony and data network and installation services to the telecommunications and utilities sector.

## Tickets of Work

A key task of Tickets of Work this year was to turn the massive Telstra Access and Associated Services contract into the strong working relationship that both Telstra and Service Stream needed. Specialist Field Services drew strongly on the group wide expertise and systems of Service Stream to achieve a successful outcome.

Our national field team are experts in the installation, maintenance and construction of fibre and broadband networks from the exchange to customers' homes. Working together with our other divisions, they are putting in the hard work now to ensure they are in the box seat for a significant share of the National Broadband Network roll-out.

### **Infrastructure Services - Utilities**

Infrastructure Services - Utilities brings together the expertise of the Group's infrastructure resources and skills, positioning us for a seat at the table in the booming environmental, energy and water infrastructure markets.

We have established a skill base in the installation of solar PV panels and associated services infrastructure, which will be used to grow our market presence in this developing area.

As stated previously, a major disappointment during the year was the performance of the McCourt Dando water pipeline activities. The EBITDA loss of \$9.4 million had a significant impact on Service Stream's financial performance.

An intensive review independent of the business' management was completed, structural and personnel changes have been made and the business is now re-focused on its traditional asset movement activities. The management and control systems have been enhanced with a focus on smaller profitable contracts.

The Infrastructure Services - Utilities division also includes our substantial metering business. This business not only reads thousands of meters a day, but is the Australian leader in the installation of "smart meters" – technology which is revolutionizing the delivery of utilities nationally. Over time, this will move metering from a high volume, low technology business to a technology rich, high margin business, particularly suited to Service Stream's strengths.

Eventually every single electricity meter in Australia will be replaced to reflect this new technology. Our successful roll-out of Australia's first smart meters in Victoria for Jemena was the precursor for a national roll-out which has now commenced.

### **Infrastructure Services – Telco**

This business provides turnkey and project management solutions in the design, construction, installation, commissioning and maintenance of telecommunications infrastructure.

Working with companies like Optus, Telstra and Vodafone, we deliver the fibre optic, wireless, coaxial and copper infrastructure which is the backbone of the current telecommunications revolution.

We strongly believe that your company has the capacity and skills in fibre optic cable roll-out and deployment all the way from telco exchange servers to end-users' homes and offices to play a significant role in this vital national infrastructure project.

The National Broadband Network, the Government release of further digital spectrum for wireless devices, and the merger of Vodafone and Hutchison all provide exciting opportunities for this division over coming years.

### **Safety and the best people**

The biggest asset in our business is our people. They simplify complexity, and manage problems into solutions, technology into answers and projects to successful completion.

Our policy of investment in training has enabled us to overcome a number of skills shortages in labour markets, broaden the capabilities of our workforce and reinforce our reputation as a provider of high value technical services.

Continued focus on Service Stream's certified safety system has seen further reductions in injuries throughout 2009. We achieved a Lost Time Injury rate of 2.5 injuries per million hours worked; a 24% reduction on the previous year. More importantly, our actions have minimized the severity of injuries, halving days lost from a Lost time Injury rate of 11.7 days per injury in 2008 down to 5.9 days in 2009.

### **Managing our impact on the environment**

We are acutely aware that greenhouse gas emissions are no longer just an environmental issue. The need to prepare for a carbon constrained future is now a critical business issue.

I am pleased to report that through an increased focus on the management of our fleet, Service Stream is on target to reduce greenhouse gas emissions from Company owned fleet by 25% of the 2007 level by 2012. This represents significant energy and cost savings and more efficient use of our staff and contractors in the field.

### **Renounceable Rights Issue**

On behalf of the Directors, I am pleased to advise that the Renounceable Rights Issue closed on 13 October 2009 with over 90% of entitlement offer shares being subscribed through the Rights Issue.

The Rights Issue was the fairest way to raise new funding and preserved a bond with our shareholders, many of whom have supported Service Stream since its first days as a public company.

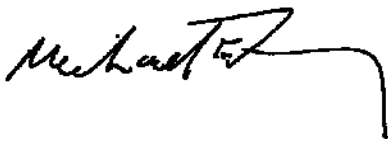
The commitment shown by our Shareholders in subscribing for their entitlement shares demonstrated strong support for the Board moving to reduce debt and lower gearing levels.

The funds received from the issue reduced our pro-forma net debt at 30 June 2009 to \$71 million and our pro-forma gearing, as measured by net debt to net debt plus equity reduces from 33.6% to 23.2%. This places us on a strong footing with our peers as we prepare Service Stream for its next phase of growth in NBN and environmental services.

### **Going forward**

In closing, I would like to thank our Chairman Lyn Davies and my fellow Board members for their commitment, dedication and expertise in guiding the Company through this challenging year. I would also like to thank Service Stream's people for their hard work. Maintaining a strong result during such a tough year would not have happened without our dedicated and committed people.

The future is bright for Service Stream. Our best years are ahead of us.

A handwritten signature in black ink, appearing to read 'Michael Doery', with a long horizontal line extending to the right.

**Michael Doery**  
**Acting Managing Director**