

Annual General Meeting

24 October 2012

Managing Director's Address to Shareholders

Fellow Shareholders,

Our 2012 year saw a solid improvement in earnings over the previous year's result despite some top line revenue headwinds. More broadly it marked a year of transition for Service Stream as we tightened our strategic focus and began to diversify our revenue streams. Today we stand in the market as a leading provider of essential network services to the telecommunications, electricity, gas and water markets.

Operational Highlights

Operational highlights in the past year included:

- A continued improvement in our key health and safety metrics
- Renewal of our Telstra mobile construction contract for another 2 years
- Winning the contract for the rollout of new estates fibre for NBN Co in Western Australia, Northern Territory, South Australia and New South Wales
- The signing of network construction contracts with NBN Co for Western Australia, South Australia and Northern Territory by Syntheo, our 50/50 joint venture with Lend Lease
- The signing of a field services contract with NBN Co for the provision of lead ins and home installations in Western Australia, Northern Territory, South Australia and Victoria

Since the end of the financial year we announced the cessation of our Access and Associated Services contract with Telstra which is expected to be handed over by the end of Q3 2013. While it is disappointing to note the loss of this contract, I am very pleased that we have been able to generate new demand with NBN Co that will fully compensate for this loss in FY 2014. Indeed the winning of this new work has aptly demonstrated our continuing ability to compete in this market.

Turning to mobile telecommunications, 2012 saw another year of strong demand for site acquisition, engineering and design services as our major customers continued to invest in 3rd and 4th generation mobility solutions. Margins were adversely affected by the one-time settlement of the long standing dispute with Ericsson.

In energy and water, lower solar panel volume and the associated revenue was compensated for by a lift in margins to achieve a very sound result. Energy and Water continued to diversify throughout the year, moving into both hot water installation services and low voltage electricity line services.

Market Outlook

Service Stream is anticipating an EBITDA result for the full year broadly in line with last year. However as previously noted, there will be a bias towards the second half. This bias is due to a slower ramp-up of the Mobile Communications business for the year and the incurring of a one-time charge in half one of \$3.1m arising from the final cost award relating to the Ericsson Jersey dispute. We therefore expect a first half underlying EBITDA of approximately \$17million with a reported EBITDA of approximately \$14million.

Service Stream however believes that demand for essential network services will remain strong in the medium term. The Australian government's investment in the National Broadband Network continues to drive opportunities for both Service Stream and our joint venture business Syntheo. These opportunities span the whole gambit of essential network services, from brownfields construction and new estates build programs to maintenance and customer management services.

In the field of mobile communications, increasing consumption of mobile bandwidth will continue to drive the development of the necessary supporting infrastructure. Current industry projections are for mobile data consumption to double every 9 months. Service Stream therefore expects the major carriers to aggressively develop 4th generation mobile services to meet this demand.

Finally, energy and water network investment profiles remain positive as transmission and distribution networks upgrade ageing asset bases and work to deliver better demand side management solutions. Service Stream is working with a number of partners on new opportunities in smart metering, energy efficiency in the home, hot water, heating solutions and solar PV installation and maintenance. As a result of continued pressure on energy prices, we remain very positive on the outlook for this sector as customers look to manage their energy consumption more effectively.

I'd like to finish by acknowledging the support of the board and the Service Stream team in what has been another challenging but rewarding year.



Graeme Sumner
Managing Director