

Annual General Meeting

23 October 2013

Chairman's Address to Shareholders

On behalf of the board and management, I would like to welcome you to the 2013 Annual General Meeting of Service Stream Limited.

The board and management acknowledge that Service Stream had a particularly poor FY13 with an extended period of voluntary suspension from the ASX, and the subsequent reporting of an EBITDA loss and a material goodwill impairment charge.

Whilst our Mobile Communications and Energy & Water segments were in-line with expectation, and in fact both reported improved profitability over the previous year, the Group's financial performance was significantly impacted by a number of issues that contributed to the material underperformance of the Fixed Communications segment.

Whilst Fixed Communications (either in its own right or via the group's 50% in the Syntheo Joint Venture) had been particularly successful over recent time in winning a number of contracts related to the rollout of the National Broadband Network, execution of a number of those contracts proved to be more problematic than anticipated. Key contributing factors in the issues experienced included resource shortage, aggressive timeframes and contractual differences. Further, Fixed Communications' experienced structural issues and cost overruns transitioning from a Telstra-dominant ticket-of-work business to one undertaking a broader range of predominantly project based NBN-related design and construction activities.

The focus of the board and management over recent time has been on four main issues:

- Limiting the group's exposure to its interest in the Syntheo Joint Venture
- Restoring the operational effectiveness of the Fixed Communication business
- Concluding a refinance of the business; and
- Restructuring the executive management of the Group ensuring the best people are in place to take advantage of the many opportunities now presented to each of the business units.

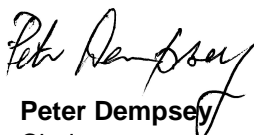
The board is confident that the new arrangements that have been agreed with NBN Co and our joint venture partner will be effective in ensuring that no further losses arise from Syntheo; and that the right changes have and continue to be made within Fixed Communications to restore that segment to profitability. In addition, the board is pleased to have secured a refinance of the company's banking facilities out to 31 August 2014.

As you would no doubt be aware, we advised the market in April that Managing Director, Graeme Sumner, had resigned and that non-executive board member, Brett Gallagher, would become Executive Director on an interim basis while we undertook an executive search process to find a replacement for Graeme. As previously advised, the Board has appointed Terry Sinclair as Managing Director, effective 6 November 2013. The Board is delighted with this appointment and believes his mix of people skills and strategic initiative will be essential to developing the potential of the Company both immediately and over the longer term.

I take this opportunity to thank Brett for his extraordinary efforts during the period up to the time of this appointment, having stepped into the role of Executive Director at short notice and led the Company through some difficult challenges. Brett will resume his position as a Non-Executive Director once Terry formally starts as Managing Director.

The board remains confident that demand for essential network services will remain strong in the medium term and that the company's prospects are good. The focus of the company in FY14 will be on delivering its profit and cash flow targets now that the material risks associated with the Group's participation in the Syntheo Joint Venture have been removed.

I would like to thank shareholders for their patience and continued confidence in the company, and thank my fellow board members and all of the company's management, staff and contractors for their efforts over what has been a particularly difficult year.


Peter Dempsey
Chairman