



STR Annual General Meeting

25 October 2007

Managing Director's Address to Shareholders

Fellow Shareholders,

The Service Stream Group continues to deliver with growth exceeding forecast.

With the successful merger of Service Stream Holdings and Total Communications Infrastructure, the business has seen significant organic growth as well as intelligent acquisitions.

Our results have been underpinned by the exceptional performance of our people and the subsequent resounding endorsement of this performance and our business model by our customers and shareholders alike. The platform that we have built since November 2004 is ready to take the company to a much higher level.

Service Stream's key strategic focus remains on developing capabilities that meet needs of identified growth sectors for outsourced services, particularly in telecommunications and now in utilities.

We have the unique end-to-end service offering to our customers across a range of industry verticals. We offer in-house solutions and a much more cost-effective way of building and maintaining their infrastructure.

In three years we have built a national network of branches and capabilities including a strong balance sheet, sound cashflows and a market capitalisation currently over \$350M which will enable us to enhance our business model across into other sectors with similar needs to telecommunications and utilities.

Financial Performance

The results show it has been an extremely busy year and I am very pleased to report an operating profit which has come in ahead of our forecasts:

	FY 2007*	FY 2006	% change
Revenue	\$292.5M	\$171.0M	+71.1%
EBITDA	\$30.1M	\$8.7M	+244.3%
EBIT	\$27.2M	\$7.2M	+277.9%
NPAT	\$17.5M	\$4.4M	+301.6%

* FY2007 Pro forma result for the TCI / Service Stream Group.

Operations Review

Service Stream's significantly increased scale and capabilities in 2006-07 have consolidated our position as a major national provider of outsourced industrial and technical services. A key driver for Service Stream has been the development of capabilities that meet the needs of identified growth sectors for outsourced services, particularly in telecommunications and now in utilities.

Our continued strong growth trajectory and financial performance provide a strong base for further expansion, both organic and by acquisition. The acquisition of Fibercom, General Purpose Group ("GPG"), Serviceworks and the merger with Total Communications Infrastructure ("TCI") has given Service Stream a solid platform from which to develop scalable and efficient management of people and systems. We now offer our customers full end-to-end in-house solutions and a much more cost-effective way of building and maintaining their infrastructure.

In just under 3 full years of operation the Company has successfully acquired and integrated seven businesses. While these businesses contribute to the group as whole leveraging off each other's capabilities, they continue also to focus on their specific area of expertise.

The business today in its most simple form conducts 3 main activities:

Tickets of work

A ticket of work is where the business is remunerated for completing a single task for our customers. These tasks are generally field based and are fundamentally focused around infrastructure whether that be installing or repairing a broadband or telephony connection in someone's home on behalf of the telco, or even conducting activities within the telecommunications exchange or infrastructure in the street leading to the exchange.

Our Solutions Business

Like our tickets of work business the Solutions business is focused on providing services to our customers in the operational areas of their business in terms of day to day activities. Solutions interfaces on a daily basis with our customer's customer.

In this instance however, our Solutions business is centred on the IP and IT activities within our call centre - bundling our smart systems together to produce turnkey solutions for customers that could require an IT component, a call centre customer contact activity, a logistics or fulfilment activity and finally a truck roll with a technician.

The strong IT/IP capability of our Solutions business supports the company across the group providing a unique capability and competitive edge in the market place.

Infrastructure Services

Our Infrastructure Services group provide turnkey and project management solutions in the construction of telecommunications infrastructure. Included in this activity are the TCI, Fibercom, GPG operations. Combined they provide a unique capability across every type of telecommunications infrastructure currently available in Australia including fibre, copper, wireless and hybrid coaxial infrastructure.

I will not specifically address each of the acquisitions and milestones during the year as our Chairman has already mentioned these in his address. More details on these important achievements are contained in the Annual Report.

The year also saw the Company further cement our customer relationships, securing a number of significant new contracts and renewing several large existing contracts. In addition to the Energex contract, other new contracts included: a major contract supporting Telstra's payphones network; a high-profile contract with the Australian Communications Authority (ACMA) to develop and operate the Do Not Call Register; a large contract to manage Vodafone's outsourced customer contact centre requirements in Australia; and a contract for Radhaz (part of TCI) to audit 300 wireless sites in New Zealand.

We have continued this trend in the current year as evidenced by the major win with Telstra for the Access and Associated Services contract.

We have underpinned our aggressive growth strategy, by continuing to run a profitable business and in doing so, maintained prudent financial management. This has enabled Service Stream to strengthen its balance sheet.

The recent Placement further strengthens our balance sheet and positions us well for future expansion.

Service Stream has now emerged as a large cohesive business made up of specialist services with a strong "can do" reputation and work ethic. Our capabilities are underpinned by the qualifications of our people, as well as our state-of-the-art technology solutions and systems, our IP and quality assurance, and OH&S and environmental accreditations.

Within the past 12 months, our workforce has grown to 2,200 operating from 25 branches with logistics located across the country.

In simple terms, each month Service Stream manages:

- 2 million customer calls into the Contact Centre and 40,000 outbound calls
- 100,000 field-based tasks nationally
- 30,000 items picked, packed, provisioned and dispatched from our logistics centres.

The implementation of a national training program provided by Milcom Communications, our in-house training business, has helped us to develop a culture of excellence and deliver consistently high service delivery standards.

Now, with substantial expertise and ongoing services contracts across all facets of the telecommunications sector — copper, broadband, wireless and fibre networks — Service Stream is well positioned to take advantage of the future growth in this sector with large investments being made in Australia's telecommunications infrastructure over the next couple of years.

Today, we have work in hand through long term contracts worth close to \$2 billion. This solid base and buoyant outlook in the communications sector over the next four years will provide a substantial platform to execute our ambitious plans for other infrastructure sectors.

For example, one of the opportunities likely to arise from ongoing restructuring in the utilities sector around the country, will commence with the Victorian Government mandated rollout of smart meters replacing the legacy infrastructure

network to over 2 million homes commencing in 2009, where we are currently involved in trials through our Serviceworks metering business.

More broadly, the infrastructure sector should provide many opportunities for our business with State and federal governments undertaking major infrastructure projects.

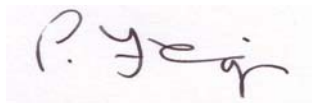
More generally, the outsourcing industry also represents an area of further potential growth for Service Stream, as many businesses continue to look for cost minimization by utilizing the core strengths provided by Service Stream.

Future Directions

We have seen Service Stream successfully diversify its revenue stream by developing managed services capabilities across the telecommunications and utilities sectors. The increased scale in our tickets of work activities also provides an excellent foundation for growth in our solutions and infrastructure work, allowing us to cross-leverage our capabilities.

We will continue to seek new opportunities to achieve strong, sustainable growth. Our key strategic focus will remain on meeting the emerging needs of our customers in identified growth sectors, either organically by leveraging our capabilities across the group, or through our ongoing sensible acquisition strategy.

As our business grows we expect to make additional efficiency gains and in 2007-08 we are confident of delivering further significant growth in returns to shareholders. I am very grateful to my fellow board members, our shareholders and most importantly our employees for their ongoing support for our shared vision for Service Stream.

A handwritten signature in dark ink, appearing to read 'P. Flannigan', is shown on a light-colored background.

PATRICK FLANNIGAN
Managing Director & CEO