

ASX & Media Release

15 August 2012

Service Stream announces record earnings

Leading essential network services company Service Stream Limited (ASX: SSM) is pleased to announce its results for the financial year ended 30 June 2012.

FY12 Results Highlights

- Record EBITDA and NPAT results.
- EBITDA of \$38.0 million, up 10.0% on the prior year, with improved margins on lower revenue.
- NPAT and EPS growth of 13.8%.
- Continuation of dividends with a fully-franked final dividend of 1.0 cent per share.

Summary of Financial Results

12 months to 30 June	2012 (\$ million)	2011 (\$ million)	Change (\$ million)	Change %
Revenue	592.2	633.3	▼ 41.1	(6.5%)
EBITDA	38.0	34.6	▲ 3.5	10.0%
EBITDA %	6.4%	5.5%	▲ 0.9%	n/a
EBIT	30.6	28.1	▲ 2.4	8.6%
NPAT	18.7	16.5	▲ 2.3	13.8%
EPS (cents)	6.60	5.80	▲ 0.80	13.8%
DPS (cents)	2.0	-	▲ 2.0	n/a
Cashflow from Operations	16.0	24.6	▼ 8.7	(35.2%)
Net debt	33.9	38.1	▼ 4.3	11.2%

Results Commentary

The results for FY12 reflect a continuation of Service Stream's recent success in delivering consistent growth in profitability, with the Group producing a record result. The Group's EBITDA of \$38.0 million was up \$3.5 million or 10.0% against the prior corresponding period despite a 6.5% reduction in revenue.

Cashflow from operations of \$16.0 million was down by \$8.7 million against the result recorded for FY11 due to the resumption of tax payments and the impact on working capital of a change in the mix of work.

Commenting on the Group's financial results, Managing Director Graeme Sumner said:

"The results for FY12 continue to build on the Group's recent track record of solid earnings growth. The record earnings results reflect the investments that have been made in improving capabilities and disciplines across the business and the Group is now well positioned to grow in all of its key markets."

"The year has been one of great transformation for the Group with the establishment of the Syntheo Joint Venture and the commencement of services to NBN Co both through the JV and directly by Service Stream. NBN-related activities contributed \$32.3 million to the Group's revenues during the year, and are expected to grow significantly in FY13 as the roll-out of the National Broadband Network gathers pace."

Operational Summary

Greater transparency of the Group's businesses is being provided to shareholders by the adoption of additional reporting segments, as follows.

Fixed Communications

Fixed Communications provides a wide range of design, construction and maintenance services to copper and fibre optic telecommunications infrastructure assets. For the year, its activities included the A&AS and payphones contracts with Telstra, the Fujitsu New Estates and Syntheo JV contracts with NBN Co, and the services provided by the Group's Recoverable Works (RWs) and South East Qld Under-road Drilling (SEQUD) businesses to other infrastructure owners.

For FY12, Fixed Communications contributed revenue of \$300.2 million (down \$26.7 million) and EBITDA of \$21.7 million (up \$5.3 million). Revenue was impacted by a \$47.5 million reduction in contribution from the Telstra A&AS contract, offset by first-time revenues from NBN-related activities. Improved EBITDA margins have been assisted by lower KPI penalties under the Telstra A&AS contract and a one-off contribution from the disposal of payphones inventory.

During the year, Fixed Communications was awarded an 18-month contract by NBN Co for the construction of the National Broadband Network in new estates in WA, SA, NT and NSW, and the Syntheo Joint Venture was awarded a two-year contract by NBN Co for the construction of the National Broadband Network in WA, SA and NT.

Mobile Communications

Mobile Communications provides turnkey and project management services for the access, design, and construction of wireless telecommunications infrastructure across Australia. The division provides these services to each of the country's three major mobile network providers, Telstra, Vodafone-Hutchison and SingTel Optus.

For FY12, Mobile Communications contributed revenue of \$124.7 million (up \$43.7 million) and EBITDA of \$8.5 million (down \$6.1 million). Revenue was bolstered by significantly higher year-on-year volumes in wireless construction activity, whilst EBITDA was impacted by the higher proportion of construction activity and settlement costs associated with the Ericsson Jersey dispute.

During the year, Mobile Communications secured a two-year extension to the National Wireless Construction contract with Telstra. This extension was the second successful renewal of this contract which is primarily associated with the construction of wireless base stations for the Telstra 3G network.

Energy & Water

The Energy & Water division provides a range of specialist metering and environmental services to utilities and government authorities nationally, and through the Customer Care business, provides contact centre services and end-to-end customer support for key contracts.

For FY12, Energy & Water contributed revenue of \$169.1 million (down \$63.3 million) and EBITDA of \$12.9 million (up \$1.8 million). Revenue was impacted by lower residential solar system installations and the loss in Customer Care of the Optus mobile handset insurance contract. Improved EBITDA margins resulted from the lower proportion of residential solar system installation activity and successful outcomes in relation to a small number of one-off items.

During the year, Energy & Water completed 5,355 residential solar system installations (FY11: 9,667) and progressed the roll-out of smart meters for its customers in Victoria to over 460,000. Additionally, the business commenced activities in new markets including low-voltage aerial and inspection/maintenance services for electrical network owners and the installation of energy saving devices to residences in connection with the Victorian Energy Efficiency Target (VEET) scheme.

Cashflow and Capital Management

The Group continued its strong focus on managing cash during the year, producing an Operating Cashflow of \$16.0 million and an Operating Cashflow before Interest and Tax of \$27.6 million. The conversion of profit to cash for the year was in line with expectation given the change in the Group's mix of work.

The Group concluded a refinancing of its banking facilities in April 2012, securing two-year facilities with improved credit pricing for Working Capital, Bank Guarantees and Trade Finance totalling \$140 million.

Net Debt at 30 June 2012 was \$33.9 million, down \$4.3m from the prior year, with the resultant Net Debt / EBITDA ratio of 0.9x being marginally below the Group's target range of 1.0x to 1.5x.

Dividend

The Board of Directors has declared a fully-franked final dividend of 1.0 cent per share in relation to the Group's FY12 result, with the relevant dates being as follows. This takes total dividends for the year to 2.0 cents per share fully-franked:

Ex-dividend date:	10 Sept 2012
Record date:	14 Sept 2012
Payment date:	18 Oct 2012

The Group's Dividend Reinvestment Plan (DRP) will not operate in respect of this dividend.

Commenting on the final dividend, Chairman Peter Dempsey said:

"The Board is delighted with the continued progress that the Group has made in restoring sustainable earnings growth and reducing debt, and is pleased to announce the continuation of dividends to our shareholders, reflecting that sustainable earnings growth."

Outlook

Commenting specifically on the Group's prospects for the near term, Mr Sumner said:

"With recent strong earnings and cashflow results combining with lower debt and increased capability, Service Stream is excited about its growth prospects over the next few years. The Group has demonstrated a strong track record in winning and delivering new contracts - especially in respect of the roll-out of the National Broadband Network - which has bolstered the forward order book considerably and leaves Service Stream optimistic about the medium term outlook."

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About Service Stream Limited:

Service Stream is a public company listed on the Australian Securities Exchange (Code: SSM) with revenues of approximately \$600 million. The Service Stream Group is a provider of essential network services to the telecommunications, energy and water industries. Service Stream operates out of more than 50 locations nationwide and maintains a workforce of more than 4,000 employees and contractors. For more information please visit www.servicestream.com.au.