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Service Stream Limited was last week awarded a contract by Energex, Queensland's major power utility, to provide major construction works within its entire South East Queensland distribution area. Energex in May awarded you a minor construction and maintenance contract on the south coast. You also recently acquired Serviceworks' metering division. This new business in the utilities sector is a diversification from telecommunications. What is the significance of your move into the utility sector?

MD & CEO Patrick Flannigan
The Serviceworks acquisition and the Energex contracts combined herald the beginning of the realisation of our stated ambition to grow a business in the utilities sector which in 2 to 3 years time will be comparable in scale to our existing telecommunications business.

The Energex contracts are seen as a key move within infrastructure services and represent a natural extension of our core capabilities, with similarities in both the infrastructure service solution provided and client profile. Most importantly these two contracts with Energex represent a significant organic move into a new vertical opportunity for the company.

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What is your strategy in acquiring the meter management and servicing business?

MD & CEO Patrick Flannigan
Servicework's Metering Division gives us expertise in bulk metering exchange programs and provides the platform to leverage our core transferable skills in volume based work allocation programs.

Beyond existing meter installation and servicing requirements in the power sector, this acquisition also supports our broader ambitions in the deployment and management of smart meters. We see significant opportunities in the national installation of smart meters for gas, water and electricity utilities over the next 10 years, commencing in Victoria sometime next year with around 2.4 million meters to be exchanged over a four year program.

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In May you were awarded a material contract by Telstra to support the service delivery of its national payphones network. Does this contract differ materially from your existing contracted activities in the telecommunications sector?

MD & CEO Patrick Flannigan
This is a significant contract which will generate revenue of approximately $35 million per annum over three to five years. The primary difference in this contract is the broadening of our role from delivering purely a technical service solution to the provision of a more integrated solution to clients nationally. We expect clients will increasingly look for service suppliers that can provide complete solutions in managed infrastructure deployment and servicing on a national scale.

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You are a specialist infrastructure deployment and managed services provider to telecommunications and utilities sectors. The Federal Government recently announced a $1.9 billion broadband rollout to regional and rural Australia involving construction of a new telecoms backbone and wholesale network to link rural and city networks. What opportunities for your business do you see arising from the Broadband Connect rollout?

MD & CEO Patrick Flannigan
Service Stream has strong capabilities and a proven track record in the areas of fixed or wireless infrastructure, ADSL and fibre-optic deployment and management, we're well positioned to support roll-outs of this nature. Although it's a little early to specifically identify our potential role in Broadband Connect, with over 2,100 employees operating from 20 locations nationally, we're strategically well positioned to service large national infrastructure projects of this nature.

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The merger with Total Communications Infrastructure Limited (TCI) was completed in January 2007. How is the integration progressing and when will it be completed?

MD & CEO Patrick Flannigan
We are delighted with our progress on the integration and expect it to be completed by the end of this month.

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TCI accounts for 30 percent of the proforma merged group's revenue. Its core business is the provision of turnkey wireless base station infrastructure solutions to telecommunications carriers. In a maturing domestic mobile phone market, how predictable are TCI's revenue streams?

MD & CEO Patrick Flannigan
Our current view of TCI and the quality of its revenue streams is consistent with our pre-acquisition due diligence findings. The medium term outlook for TCI's traditional wireless infrastructure deployment business in the domestic market is very strong. Supporting this are the ongoing 3G wireless rollout plans of the major carriers in Australia.

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What are the growth opportunities for the TCI division?

MD & CEO Patrick Flannigan
Our due diligence on TCI identified a number of potentially significant growth opportunities. Consistent with our own growth strategy, we see the opportunity to leverage the TCI division's wireless infrastructure deployment capabilities beyond its current focus in the domestic telecommunications market. On the domestic front, we believe the division is well positioned to support major domestic wireless infrastructure deployment projects in rail and emergency services. We also see opportunities to support major telecommunications infrastructure projects for customers in other countries, such as India.

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In FY06 you achieved 37.8 percent growth in EBITDA margins to 5.1 percent. What margin profile can we expect from the group post merger and integration?

MD & CEO Patrick Flannigan
Consistent with industry peers, our traditional service based activities are expected to generate EBITDA margins of 5 to 7 percent. The project based turnkey infrastructure deployment solutions provided by our infrastructure services division, including TCI, will continue to achieve significantly higher margins. We expect the combined Group to generate maintainable EBITDA margins of around 10 percent.

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The merger Scheme Booklet forecast FY07 proforma group EBITDA of $27.2 million. Are you on track to achieve those forecasts?

MD & CEO Patrick Flannigan
Yes, you are quite right, the forecast FY07 proforma EBITDA guidance for the group in the Scheme Booklet for FY07 was $27.2 million. We subsequently upgraded the proforma EBITDA guidance to a range of $27 million to $30 million and now expect it will be closer to the upper limit of that range.

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Thank you Patrick.

For more information about Service Stream Limited visit www.servicestream.com au or contact Patrick Flannigan on 03 9677 8888.

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