

Good morning, ladies and gentlemen. I would like to welcome you to Southern Cross Electrical Engineering Limited's 2015 annual general meeting. My name is Derek Parkin. I am a Director and the Chairman of the Company and will be chairing today's meeting.

In framing this address, I am mindful of our relatively recent announcements to the ASX which you have all, no doubt, consumed. I am also mindful that our Interim CEO and Managing Director, Chris Douglass, will deal with operational matters in his address, which will follow the formal business of the meeting.

With this as a backdrop, I propose to touch on two broad areas:

- The state of our market and how we are responding to the challenge; and
- People-related matters.

### The current market and our response

The downturn in our traditional resource-oriented market has been well documented. Whilst our work tends to occur at the tail end of most construction projects, there is no doubt that resource-driven electrical engineering work is not sustainable in its present form and at historical levels in the medium-term. The context of work is changing.

Whilst there are still some larger Australian construction contracts, primarily in the iron ore and natural gas spaces, these all have a finite end point. Other proposed developments have been either shelved or deferred, both by the major players and new entrants. For this remaining work and the consequential sustaining capital and maintenance opportunities, the marketplace has undeniably become more crowded and the pricing keener, resulting in a larger number of smaller opportunities at significantly more competitive margins than we have been used to over the years.

However, your company is weathering the downturn well. We have restructured, as appropriate, to create a leaner organisation, yet retaining our capacity to undertake those larger opportunities as and when they emerge. We continue to win work at acceptable margins and are currently poised to avail ourselves of some reasonably significant opportunities.

But that is not enough. We also need to expand our horizons, supported by our enviable reputation and strong debt-free balance sheet. Strategically, there appear to be two key potential areas of expansion of our field of vision:

- Leveraging our current skillsets to specific aligned areas, such as infrastructure projects, commercial applications and possibly aspects of the telecommunications industry. Whilst this might be achieved organically, we believe that selected acquisitions make more sense as a means of achieving a more immediate market penetration. We are not looking to necessarily double our size overnight, nor are we in the business of simply buying turnover. We seek opportunities which will add incremental value to our business and, ultimately, add value for you, our shareholders. This process is currently in train and we shall keep you advised as and when matters develop.

- Looking beyond the Australian coastline. SCEE has, over the years, undertaken a limited number of overseas projects, primarily in Africa and South America. This activity was pared back as our construction projects in Australia provided us with a more ready – and profitable – access to market. We are now exploring some interesting overseas opportunities, but with an eye to prudent management of sovereign and related risk. This will involve a careful choice of well-credentialed prime contractors and either tendering in our own right or with selected joint venture partners. Again, we shall keep you informed as and when opportunities convert into confirmed projects.

#### People-related matters

During the company's restructuring process in late-May of this year, there were some changes to the Board. We now have a Board which, I believe, is ideally suited to our business and where we plan to take it; collectively bringing strong industry skills, capital market expertise and a deep knowledge of governance and risk management. What is more, as we are now all based in Perth, we are able to get together at a moment's notice – which we do from time to time.

In this context, I welcome two new non-executive Board members:

- Simon Buchhorn who, through his previous role as SCEE's Chief Operating Officer and more than three decades of service to the company, provides an operational perspective to our discussions which is invaluable; and
- Karl Paganin, who is an Independent Director. Karl's legal training and commercial experience, together with his hands-on knowledge of capital markets and, specifically, the mergers and acquisitions space, aligns well with our stated strategic direction.

May I also record my sincere gratitude to our three non-executive Directors who departed earlier this year - John Cooper, Peter Forbes and Jack Hamilton - for their time, their energy and their wisdom during their respective years as Board members.

In March of this year, we bade farewell to our CEO and Managing Director, Simon High. During his near-five years with the company, Simon oversaw unprecedented growth in our operations and our profitability. I acknowledge, with gratitude, Simon's astute leadership during this important time in the company's evolution.

The search process for Simon's replacement has taken longer than we would have preferred, to some extent exacerbated by our restructuring process. During this extended period, SCEE has been more than ably led by Chris Douglass as our Interim CEO and Managing Director, for which the Board is most grateful. During this time, Chris has been ultimately responsible for overseeing the restructure process, pursuing new contract opportunities and remains integrally involved in reviewing and assessing acquisition opportunities – a real strength of his.

The CEO search process is now in its latter stages and I would expect an announcement on this in a matter of weeks.

We are a significant employer of people and, at the end of the day, it is our people who carry the SCEE flag. Whether they are in direct contact with our clients on a day-to-day basis or performing a support role, each and every one of them is responsible for living and breathing the "can do" attitude which has become synonymous with the SCEE culture over the past 37 years.

Thank you to one and all.