

**Southern Cross Electrical Engineering Limited
Chairman's address to the Annual General Meeting
25 October 2016**

Good morning ladies and gentlemen. I would like to welcome you to Southern Cross Electrical Engineering Limited's 2016 Annual General Meeting. My name is Derek Parkin and I am a Director and the Chairman of the Company and will be chairing today's meeting.

The Annual General Meeting is an opportunity to reflect on our performance over the past year and provide shareholders with an update on the outlook for the year ahead. Our CEO, Graeme Dunn, will cover the FY16 financial results in his presentation following the conclusion of the formal business of the meeting, so I won't comment on these other than to note that the underlying net profit after tax for the year of \$5.4m represented a solid result in a year that saw the resources sector continue its move from the capex phase to the sustaining capital and maintenance phase.

In response to this change in our historic core market, the Board has implemented a strategy to transition to a sustainable resources business and deliver growth through expansion into new geographies and adjacent and complementary sectors.

To date we have achieved a number of milestones which have progressed the delivery of this strategy, including:

- A growing number of reimbursable, panel and framework style agreements across a broad range of sectors including with key resources clients for the provision of sustaining capital and maintenance works and in the utilities and industrial markets;
- The acquisition of Datatel in June 2016 which provides an immediate and scalable entry into telecommunications, in particular the NBN roll-out, and a presence in the education and healthcare sectors; and
- Securing SCEE's first award in the transport infrastructure sector.

While each of these are important steps towards achieving our strategic goal, 2017 is very much a transitional year for SCEE. As with any transition, the end result cannot be immediate although we see a significant addressable pipeline of work in all of these sectors.

As you may be aware, SCEE this morning released a trading update to the ASX advising that as a result of the slower than expected ramp-up of work in the first half of financial year 2017 we are forecasting an underlying net loss after tax for the half of circa \$2.0m. The main contributing factors are as follows:

- Significant mobilisation for our oil & gas projects has now commenced but was later than SCEE had originally envisaged;

- While tendering activity remains robust in the mining and utilities sectors, certain clients have been slower than anticipated to release contract packages; and
- Datatel has experienced a temporary slow-down of work in the roll-out of the NBN in Western Australia. Expansion on the East Coast into Tasmania, Victoria and Queensland has only recently commenced and is forecast to accelerate.

Importantly, we remain confident in the underlying flow of work across all of our sectors and we are forecasting a profitable second half of the year and a full year underlying NPAT in the range of \$4.0m-\$5.0m.

Whilst the forecast first half result is disappointing the business remains well placed to deliver profitable growth. We are now operating in an increasingly diverse range of sectors, we continue to deliver our projects successfully and safely, we remain highly focussed on cost control and we have maintained a strong balance sheet capable of supporting further acquisitions.

Together with management, the Board looks forward to progressing the strategic transitioning of the business in the year ahead as we continue the evolution of our resources business, grow in our new markets and pursue acquisition opportunities aligned with our strategy.

In closing I would like to acknowledge the ongoing hard work and dedication of our employees and thank our shareholders for their continued support.

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