

# ASX ANNOUNCEMENT



12 November 2003

## **Chairman's and Managing Director's address to the 2003 Annual General Meeting of Hansen Technologies Limited**

### **Chairman's Address**

#### **Introduction**

Ladies and gentlemen, welcome to the fourth annual general meeting of Hansen Technologies. My name is Kenneth Hansen and I am the chairman of your company.

Last year, following a disappointing performance, I spoke of the potential of our billing systems and outsourcing divisions, and of how a focused corporate strategy would deliver improved returns to our shareholders. While the full impact of this strategy is still to be seen, signs during 2003 were promising.

Hansen Technologies has been re-orientated into a more focused and robust operation, based around our core billing systems and outsourcing businesses. We have reduced our dependence on two major telecommunications customers and the legacy EIS gas systems business which we acquired in 1999, and these activities contributed less than 20% of our revenue in 2003, compared with 65% in 2001. Overall, revenue from other billing systems and IT outsourcing activities has trebled since 2001.

In 2003, revenue increased by 26% to \$58.7 million, compared with \$46.3 million in 2002. Our outsourcing services division made a strong contribution of \$26.1 million, in its first full year since our acquisition of Syntegra Australia's facilities management business.

While revenue for our billing systems business fell to \$29.7 million from \$33.3 million, this was largely due to a decline in revenue from the legacy EIS gas systems business, which I mentioned, and there was positive growth in other areas.

Earnings before interest, tax, depreciation and amortisation was unchanged at \$2.4 million, and the bottom line result was a net loss of \$6.7 million, compared with a loss of \$60.5 million in 2002 when there was a \$52.8 million write-down of goodwill. The 2003 results include a \$1 million write-off of development costs on the non-core RosterOn product and restructuring costs of \$1.3 million.

In March, Hansen raised \$3.4 million through a rights issue of 18.6 million shares at 18 cents per share and this has provided further working capital to support the company's growth. At 30 June 2003, we had cash reserves of \$4.7 million, debt totalling \$0.6 million and equity of \$27.8 million.

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While it is disappointing to again report a loss, a great deal has been achieved in the last year. In the remainder of my address, I will outline how Hansen is well positioned to capitalise on a growing number of opportunities in the Australian and international marketplace.

As highlighted on the cover of our annual report, our strategy for growth is 'to take technology further'. We're doing this in three ways:

- First, we're building our billing systems and services into some of the most competitive and comprehensive offerings available;
- Second, we're diversifying our operations so as to build a more robust business; and
- Third, we're taking our technology to new international markets.

I'd like now to take you briefly through each component of our strategy.

First, the development of our billing systems and services. Hub, our integrated billing system, is one of the most competitive offerings in the utilities and telecommunications market, and its flexible design enables it to be configured to meet operational requirements in an increasingly broad range of areas. At the same time, HubFM, our facilities management billing service, is well positioned as price pressures lead to greater interest in outsourcing from companies, particularly new market entrants.

Hansen's continued investment in the development of Hub and Hub FM is ensuring that we can meet the demands of changing markets. Illustrating this were a number of significant successes during the year, including the supply to TXU of an Australian first - a Hub-based bill consolidation system able to generate combined gas and electricity accounts; and the decision by Energy Australia, one of the country's largest retailers, to use the HubFM managed billing service to enter the Victorian gas and electricity market.

The second component of our strategy 'to take technology further' is the diversification of our operations, leading to a more robust business.

The successful acquisition and integration of Syntegra Australia's FM business has increased our footprint on the eastern seaboard of Australia and expanded our IT outsourcing services to the financial market. Along with this move into the financial services sector, we have successfully diversified our client base for billing systems and services beyond telecommunications, making the company more resilient to fluctuations in individual sectors.

The third component of our strategy for growth is to take our technology into new international markets.

Globally, deregulation is creating a greatly altered utilities landscape and significant market opportunities for Hansen's billing systems and services business. Deregulation has commenced in Australia, Europe and the United States with Asia moving through the stages of deregulation from 2003-2006.

In the more competitive market that deregulation creates, utilities companies are seeking value-add in areas such as billing. We can provide this and are actively pursuing opportunities worldwide. In markets where Hansen does not have a physical presence, we have appointed alliance partners to assist us. For instance in India, Thailand and Japan – countries where growth and changes in regulatory structure are under way – our partners are identifying and qualifying prospects and participating in joint sales and marketing activities. Our partner in Japan, where full contestability will be introduced in 2005, is Toshiba and we have developed a Japanese language version of Hub.

### **Corporate governance**

Moving now to corporate governance.

As indicated in the annual report, Hansen is committed to best practice in corporate governance and supports the ASX corporate governance principles announced in March 2003. As outlined on pages 10-13 of the annual report, we already meet the majority of the ASX guidelines, and are reviewing our current procedures to ensure they are in the best interests of all our shareholders.

In concluding, I would like to briefly comment on the resolution of our dispute with the SVI Group. Since the release of our 2003 results and annual report, our dispute has been settled through mediation. The settlement will have a one-off negative impact on our 2004 trading results of approximately A\$900,000, payable over three calendar years. We believe that it is in the best interests shareholders to put the matter behind us in this way so we can focus on our future growth.

I would like to thank you for your continued support of Hansen and will now ask our managing director, Andrew Hansen, to provide a more detailed commentary on operational performance for 2003 and the outlook for the coming year.

### **Managing Director's Address**

Good morning. In his address, the Chairman has outlined our strategy for future growth. Before moving to a detailed discussion of our performance for the last year and outlook for the coming year, I would like to make a few points about how we are equipped for this growth at an operational level.

In the last year, we have put costs under the microscope and, following the company's restructuring, expect to achieve savings of approximately \$2.0 million in the coming year. These savings will result from reductions in labour costs due to the maturing of the Hub product and the economies of scale generated by the combination of the Sydney and Melbourne outsourcing businesses.

We have changed our billing systems revenue model to focus on long-term annuity style contracts. This enables us to predict much of our revenue and, as at the start of 2004, 70% of our expected revenue was already contracted.

We are pursuing strategic growth in overseas markets:

- In Asia, we're testing the waters through alliances with well-credentialed local partners.
- In Europe, we rationalised our UK business, sold our small Swedish operations in June and have concentrated efforts on the continent from our base in the Netherlands.
- In the United States, we're consolidating the base we have established in anticipation of the return of a more buoyant market.

These and other operational initiatives will ensure that Hansen is well positioned to identify and capitalise on opportunities as they emerge.

I will now discuss the performance of our two business units over the last year.

#### **Billing systems**

In 2003 our core billing systems business achieved revenue of \$29.7 million, relative to \$33.3 million in 2002. As mentioned by our Chairman, this lower result was largely due to a decline in revenue from the legacy EIS gas systems business.

A buoyant energy market in Australia, however, opened up new opportunities for the company and our success in signing significant new contracts with TXU and Energy Australia reflects the potential for our systems in this sector. These opportunities are set to grow as retail contestability spreads in Australian and overseas energy markets.

The potential for Hansen in utilities sectors other than electricity was demonstrated when Australian Inland, the provider of energy and water services to customers in New South Wales, chose us to supply a customer information and billing system. The contract was signed in March 2003, and is the first use of Hub by a utility for convergent billing across the electricity, gas, water and wastewater industries.

Sales to the telecommunications sector were again constrained as companies limited their investment in new systems. In December, however, we signed a contract with the Marshall Islands National Telecommunications Authority to provide a Hub system for mobile, fixed line and internet services.

In July 2003, Telecom New Zealand renewed its contract to use Hansen's workforce management product, ResourcePro. Revenue from the contract is expected to be NZ\$3 million over the next three years. The product, which is currently being upgraded, is expected to make a positive contribution to profitability in 2004 and, consistent with our strategy of focusing on core operations, has been incorporated into the billing systems business.

In Europe, contracts were signed with a number of emerging telecommunications companies and there is growing interest in Hub.

In the United States, a tough climate prevailed during the year and no large contracts were won, but the business was cash flow positive. Revenue increased in \$US but was lower in \$A at \$5.5 million, relative to \$5.8 million in 2002.

**Moving to Hansen Technologies Outsourcing, our facilities management and outsourcing services business.**

In its first full year since the acquisition of Syntegra Australia's facilities management operations, the division contributed revenue of \$26.1 million.

The smooth integration of Syntegra has been key to the early success of the business. All contracts planned for renewal during the year were renewed, and significant new deals included:

- three year managed services contracts with international forest products company, Weyerhaeuser Australia, and information logistics provider, Decipha; and
- a contract to provide software and services for the tally room during the NSW state election.

With data centres in Melbourne and Sydney, Hansen Technologies Outsourcing is now well established in the middle tier of the market and provides a platform for the expansion of HubFM into New South Wales.

**Turning now to outlook**

In the annual report we said that the company's first half revenue in 2004 would be roughly in line with the first half of 2003 with a marked improvement in the second half.

In calculating this forecast we had considered the effect of a number of factors that would reduce revenue, including the end of the EIS gas systems business, the migration of a Telstra legacy system to their Flexcab billing system and a fall in revenue in the USA while we redirect the business toward new Hub opportunities.

Based on our pipeline of new business prospects, we expected that a number of new contracts would balance out these factors.

Due to several contracts being slow to finalise, however, we now expect revenue for the first half of 2004 to be \$26 million compared with \$31.2 million for the same period last year. Despite the reduced revenue, a lower cost base in the first half of 2004 will mean that earnings before interest, tax, depreciation and amortisation will be maintained in the same range as for 2003. This excludes, however, the cost of the settlement with the Vendors of SVi, which will result in a one off cost to the first half of 2004 of \$900,000

The sales pipeline for the Hansen Group is strong and the first of these new contracts are now beginning to flow through.

We have received a letter of intent from major gas and electricity operator Alinta to provide a Network Management Information System based on Hub, to support the company's operations in the deregulating Western Australian gas market. The contract value of the project is A\$3.6 million with implementation required by May 2004.

Alinta is a major operator, manager and part owner of regulated energy assets worth approximately \$4 billion. These assets include Alinta's natural gas distribution network in Western Australia, United Energy's electricity distribution network in Melbourne's heavily populated south-east, and the Multinet Gas network that services Melbourne's east. In addition to the significant dollar value of this project, the contract has the potential to lead to an ongoing partnership between Hansen and Alinta.

In addition to Alinta, we have this week finalised contracts with CC Communications, a telecommunications provider in Nevada USA. The contract involves the provision of our Hub billing system and will generate around A\$1 million in its first two years. CC Communications is a typical mid range telecommunications group in the United States and we believe opportunities will follow for Hansen from other operators with similar requirements in this market.

These new contracts indicate the competitive advantages of our systems and people in the markets we operate in. In concluding, I would like to thank the entire Hansen team for its efforts in the last year and look forward to reporting to you next year, on an improved result.

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#### **About Hansen**

The Hansen Technologies Group is an information technology systems and services provider. It develops, integrates and supports billing system software for the utilities and telecommunications industries and also provides outsourcing and facilities management services. Founded in 1971, Hansen has offices in Australia, the United Kingdom and Europe, the United States and New Zealand. Its key clients include Telstra, AGL, TXU and British Telecom. It is listed on the ASX (company code HSN).

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