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Chairman's and Managing Director's address to the 2005 Annual General Meeting of Hansen Technologies Limited

Hansen Technologies Limited
ABN 90 090 996 455

2 Frederick St
P.O. Box 6127
Doncaster 3108
Victoria Australia
Telephone + 61 3 9840 3000
Facsimile + 61 3 9840 3099

info@hsntech.com

www.hsntech.com

Chairman's Address

Introduction

Ladies and gentlemen, welcome to the sixth annual general meeting of Hansen Technologies Limited. I am Kenneth Hansen, chairman of our company.

I am pleased to report that in the year to 30 June 2005 Hansen made considerable progress with establishing the company as an international provider of billing services for utility companies, while maintaining our position in the IT outsourcing market.

The company's financial performance in the first half was encouraging, but significant investment was required to adapt and enhance our HUB billing software to meet the needs of key customers, and this affected earnings in the second half. As a result, Hansen's earnings before interest, tax, depreciation and amortisation for the year were \$5.3 million, compared with \$5.9 million in 2004.

During the year we announced our intention to focus our energy division's activities on the Australian, European and Japanese markets, where energy sector deregulation is presenting significant opportunities. This decision resulted in a reassessment of the carrying value of our USA businesses and, in accordance with the relevant accounting standards, a \$3.6 million write-down was booked, contributing substantially to Hansen's after-tax loss of \$3.4 million, compared with a profit of \$0.6 million in 2004.

An interim dividend of 1.0 cent per share was paid in March, but there was no final dividend.

While we were disappointed with the full year's financial results, there were a number of positive developments which should position Hansen for growth and improved earnings in coming years.

We maintained our strong position in the deregulating Australian market with the completion of the HUB implementation for Alinta Western Australia Gas; and more recently we have delivered phase one of a new project for Western Power.

Our first Japanese contract was completed in February and has already led to a second contract in Japan. Our largest contract to date, to install a customer information system for a Scottish energy company, is well under way and due to be completed later this year.

Each of these major HUB implementations will provide an earnings stream in the future. They have also broadened our expertise, extended HUB's applications and given us additional products that can be adapted for new customers. Importantly, we now have major reference sites in our target markets, which we expect to open up new opportunities.

In September this year we announced a 2 for 5 rights issue to raise up to \$9.3 million to provide working capital for additional projects. The offer has now closed and I am pleased to announce that approximately \$6.4 million has been raised, with 69% of shareholders taking up their entitlements and a significant number applying for additional shares.

As approved by shareholders at the 2004 annual general meeting, the company has rectified an accounting anomaly, reducing issued capital by \$54.3 million, with a similar amount offset against accumulated losses. This accounting adjustment had no impact on Hansen's cash position or net worth.

The past six months have been challenging for our company. We have been engaged in the delivery of key strategic HUB projects around the world with deliverables in such diverse geographies as Scotland, Japan and Western Australia. These projects, while offering strong potential through the creation of long term relationships in key markets around the world, have required the investment of considerable resources and expense in the short term. The short term impact has been to reduce operating performance. The results for the first half of this current year will continue to carry the cost of completing the current batch of new strategic HUB contracts. As a result of this investment of resources we are forecasting an EBITDA for the first half of this current year which is likely to be \$2.5 million less than last year. The strategic projects we are currently engaged on are approaching completion. Our pipeline of new opportunities for HUB is strong and I am optimistic that we will be successful in winning our fair share, which, together with our stable IT outsourcing and facilities management businesses will enable us to deliver a stronger operating performance in the second half of this year.

Over the past year our company's share price has fluctuated widely. I, like you, are frustrated by the wild fluctuations in our share price which can sometimes be based on nominal trading volume. In part these movements are a reflection of the recent reduced performance and the non payment of a final dividend, but they are also a reflection of the restricted availability of shares bought about by

the high concentration of shares in a small number of shareholders hands. The resultant limited liquidity in our shares has a tendency to promote apathy and disinterest on behalf of the analyst and professional investment community making it difficult for us to deliver a stable and sustainable share price. Your Directors are conscious of this problem and the frustration it causes shareholders. We are committed to pursuing strategic options to address this issue with the objective of generating sustainable shareholder value in the short to medium term.

In summary, our expansion into international markets and the consequent product investment have caused a short-term setback. The board, however, remains confident in the direction of our company.

I would like to thank our team for their considerable efforts over the past year and our shareholders for their continuing support. We also extend our thanks to the Honourable Richard Alston who retired from our board on 31 December following his appointment as High Commissioner in London.

I will now ask our managing director, Andrew Hansen, to provide a more detailed commentary on our performance in 2005.

Managing Director's Address

As the chairman has reported, we have made substantial progress over the past three years. We have re-focused Hansen Technologies as a specialist provider of billing systems for the utilities and telecommunications industries and of IT outsourcing services. We have also broadened our earnings base and increased our annuity revenue streams. We no longer rely on any one customer or industry, and no customer provides more than 8 per cent of revenue.

Hansen's major growth opportunities are in the deregulating utility markets. Australia is our home and we have, and will strive to maintain, a significant share of the local market. Billing systems are mission critical solutions for our clients. Once installed and operational HUB becomes a critical and embedded part of a clients overall delivery solution. It is common for this type of software solution to have a useful life in excess of 10 years. Accordingly with every delivery of a HUB solution we are investing in a long term relationship which will generate ongoing annuity type revenue streams for our company well into the future.

The market for billing solutions is an international market, and to succeed we need to become a significant competitor for overseas contracts.

Our HUB technology enabled us to win three significant energy sector contracts – each larger than any we had secured before. One of these was for the design and installation of an electricity network management system for Western Power in Western Australia. Another was for a billing system for TEPCO, a Japanese electricity retailer. The third was for an integrated customer care and billing system for Scottish Power's electricity and gas operations. These projects gave us the opportunity to demonstrate HUB's competitive advantages in our three target markets, where either deregulation and retail contestability are being introduced or utility companies are pursuing operational efficiency.

Adapting HUB so it was compatible with the current technology and local requirements in Japan and the UK took longer and required more investment than we had originally anticipated, reducing our short-term margin from these projects. Looking forward, however, this investment has extended HUB's functionality and given us additional intellectual property, which we capitalised at \$4 million during the year. We will also have products which are fully developed for the Japanese and European markets and, with limited customisation, can be replicated for other major energy suppliers. In addition, we will have strategic and prestigious HUB reference sites on an international scale.

The delivery of our HUB solution to TEPCO has already generated a further contract from another Japanese electricity retailer, HEPCO. Because of the development investment made in delivering our first Japan based solution this second implementation was achieved more efficiently and in a shorter timeframe.

As I mentioned before the average life of a billing system is more than ten years, leading to long-term relationships with our customers and revenue from upgrades and other services; and these new contracts are expected to make a positive contribution to earnings in the second half of the current year.

Following our success in winning these contracts, we decided to focus our energy billing systems business on Australia, Europe and Japan, where markets are deregulating and our extensive Australian experience gives us an advantage. The US energy market does not yet offer similar opportunities, so we have ceased proactive marketing there and for the time being our US billing systems business will be limited to following up enquiries, product delivery and customer support.

HUB is now accepted as a world-class billing solution for the energy, water and telecommunications markets. We are acknowledged as a leader in Australia, where HUB's functional depth, flexibility and operational stability have led to its selection by a range of utilities and telecommunications companies.

Our experience in Australia, where retail contestability in energy markets is well advanced, enabled us to forge a relationship with Toshiba Solutions Corporation to market and support HUB in Japan, where markets are currently being deregulated. The initial contracts with TEPCO and HEPCO position us as a significant competitor for further projects.

Our project for Scottish Power, who provides energy services to more than five million homes and businesses in the UK, provides a showcase for HUB in the UK and Europe. Further opportunities will now be explored, initially in the UK and Ireland, and subsequently across Europe.

Through restricting our energy sector activities to these markets, we will be able to contain marketing expenditure and focus on earnings growth. We will also continue to market HUB to the telecommunications industry, where there are indications that some companies intend to refresh their technology.

Meanwhile, our outsourcing and facilities management businesses in Victoria and New South Wales, which offer a platform for enhanced HUB services, again provided stable revenue streams and consistent cash flow. All major contracts tendered during the year were renewed.

Since the end of the year, we have also renewed for five years our agreement with Vision Super, a leading superannuation fund with more than 100,000 members, to provide facilities management and support services.

Under the renewed agreement, Hansen has been granted an exclusive licence to market the CLASSIC superannuation administration system, which we developed with Vision Super. We have secured a five year contract to supply CLASSIC to FuturePlus, a funds management and services company jointly owned by the New South Wales local government and energy industries superannuation schemes. CLASSIC caters for both defined benefit and accumulation fund schemes, and we expect further interest from superannuation managers with multiple benefit schemes.

We have also identified new opportunities for AssetLife, our asset management product which has a strong customer base with water authorities. Local authorities are now using AssetLife to manage infrastructure, such as roads, tunnels and bridges, over their life cycle, and we expect further sales in the future.

I would like to thank our customers for their continuing confidence in Hansen and in our products and services, and also our staff for their contribution during a challenging year.

While our efforts are yet to be reflected in the company's financial results, Hansen is now established in three key markets and has a broader range of more adaptable products and more experienced resources than a year ago. I am confident this will lead to a significantly stronger business and more sustainable earnings. We are looking forward with growing confidence and cautious optimism.

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About Hansen

Hansen Technologies Limited is a leading provider of proprietary billing solutions and IT outsourcing services. Its flagship HUB billing software has application across the Telecommunication, Electricity, Gas and Water industries. HUB is increasingly providing the solution to the needs of energy companies as the push towards utility market deregulation expands. Hansen also provide facilities managed and outsourcing services from its purpose-built data centres located in Melbourne and Sydney. Founded in 1971, Hansen has offices in Australia, the United Kingdom, the United States and New Zealand.

For further information contact:

Mr Andrew Hansen

Managing Director

Hansen Technologies Limited

(613) 9840 3000

Mr Grant Lister

Company Secretary & CFO

Hansen Technologies Limited

(613) 9840 3000