



**ADSTEAM MARINE LIMITED**

ABN 87 065 888 440

An ISO 9002 Quality Assured Firm

Level 22, Tower 2, 101 Grafton Street, Bondi Junction NSW 2022 Australia  
PO Box 644, Bondi Junction NSW 1355 Australia

Tel: + 61 2 9369 9200

Fax: + 61 2 9369 9288

adsteam.com.au • info@adsteam.com.au

**To:** The Manager  
Company Announcements Office  
**Company:** Australian Stock Exchange (Sydney) Ltd  
**From:** Dominic Smith  
**Company:** Adsteam Marine Limited  
**Phone:** (+612) 9369 9200  
**Fax:** (+612) 9369 9288

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**ADSTEAM MARINE LIMITED  
ANNUAL GENERAL MEETING 2005**

Please find attached a copy of the Chairman's address which is to be presented at the Annual General Meeting of the Company to be held this morning at 10.00 am.

In addition, please find attached a copy of the presentation to be given by the Managing Director at the Company's Annual General Meeting.

Yours sincerely,  
**ADSTEAM MARINE LIMITED**

**DOMINIC D SMITH  
GENERAL COUNSEL & COMPANY SECRETARY**

att.

## **CHAIRMAN'S ADDRESS – ANNUAL GENERAL MEETING 2005**

LADIES AND GENTLEMEN,

FIRST, LET ME WELCOME YOU TO THE AUSTRALIAN NATIONAL MARITIME MUSEUM, WHICH WE BELIEVE IS A MOST APPROPRIATE VENUE FOR ADSTEAM MARINE TO HOLD ITS ANNUAL GENERAL MEETING.

IT HAS BEEN A VERY BUSY YEAR FOR ADSTEAM AND I AM PLEASED TO REPORT THAT THE FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005 SHOWED A MARKED IMPROVEMENT OVER THAT OF THE PREVIOUS YEAR. NET PROFIT AFTER TAX BEFORE RESTRUCTURING CHARGES WAS \$29 MILLION, UP 22% ON THE \$23.7 MILLION REPORTED IN THE PREVIOUS YEAR. THIS IMPROVEMENT WAS DRIVEN BY SIGNIFICANT EARNINGS GROWTH IN OUR UK BUSINESS AND A LOWER OPERATING COST BASE ACROSS THE GROUP.

DIVIDENDS DECLARED DURING THE 2004-05 FINANCIAL YEAR TOTALLED 4.3 CENTS PER ORDINARY SHARE. THESE DIVIDENDS WERE FULLY FRANKED.

I WOULD NOW LIKE TO TOUCH ON THREE MATTERS OF A NON-OPERATIONAL NATURE THAT WERE OF PARTICULAR SIGNIFICANCE FOR ADSTEAM MARINE DURING THE YEAR.

FIRST, TONNAGE TAX IN THE UK.

THIS HAS BEEN AN IMPORTANT ONGOING CHALLENGE AND HAS NOW BEEN SUBSTANTIALLY RESOLVED FOLLOWING INTENSE NEGOTIATIONS DURING THE YEAR.

ADSTEAM WORKED CLOSELY WITH THE UK INLAND REVENUE DEPARTMENT, THE BRITISH TUG OWNERS ASSOCIATION AND THE UK AND AUSTRALIAN GOVERNMENTS TO ACHIEVE A SATISFACTORY OUTCOME.

AS A RESULT, OUR UK OPERATIONS WILL EXIT THE TONNAGE TAX REGIME IN JUNE 2006, ONE YEAR LATER THAN ORIGINALLY ENVISAGED. IN ADDITION, APPROPRIATE TRANSITIONAL ARRANGEMENTS WILL PROVIDE FOR A ONE-OFF TAX ADJUSTMENT OF OUR UK ASSETS TO MARKET VALUE WITH NO BALANCING CHARGE.

CONSEQUENTLY, ASSUMING THE SCALE OF OUR UK BUSINESS REMAINS IN ITS CURRENT FORM, WE EXPECT THERE TO BE NO SIGNIFICANT ADDITIONAL CASH TAX LIABILITY IN RESPECT OF OUR UK EARNINGS UNTIL 2011. HOWEVER, A PROVISION FOR DEFERRED TAX WILL BE CREATED IN THE 2006/2007 FINANCIAL YEAR WHICH WILL INCREASE THE REPORTED TAX RATE.

THE COMPANY CONTINUES TO WORK ON OTHER TRANSITIONAL ARRANGEMENTS FOR TONNAGE TAX TO MINIMISE ITS ONGOING IMPACT.

THE SECOND MATTER IS THAT OF DIVESTMENTS.

IN SEPTEMBER 2005, THE COMPANY FINALISED THE DIVESTMENT OF THE FUEL BUSINESS OF NORTHLAND HOLDINGS, INC. THIS COMPLETES OUR PLANNED EXIT FROM THE NORTH AMERICAN MARKET. PROCEEDS FROM THIS SALE APPROXIMATED BOOK VALUE. FUNDS FROM THE SALE HAVE BEEN USED TO RETIRE DEBT.

WHICH LEADS TO THE THIRD MATTER OF IMPORTANCE - OUR DEBT.

AT 30 JUNE 2005, THE NET DEBT OF THE COMPANY WAS \$302 MILLION, SUBSTANTIALLY DOWN ON THE LEVEL OF \$341 MILLION A YEAR EARLIER AND \$418 MILLION AT JUNE 2003.

FOLLOWING THE SALE OF THE NORTHLAND FUEL BUSINESS, NET DEBT AT 30 SEPTEMBER 2005 WAS APPROXIMATELY \$290 MILLION.

THIS DEBT REDUCTION NOW LEAVES US WITH A MUCH STRONGER AND MORE APPROPRIATELY GEARED BALANCE SHEET.

I WOULD NOW LIKE TO TOUCH ON THE INTRODUCTION OF NEW FINANCIAL REPORTING STANDARDS, OTHERWISE KNOWN AS THE AUSTRALIAN EQUIVALENT OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS OR AIFRS.

THESE WERE INTRODUCED FROM 1 JULY 2005 AND WILL IMPACT THE ADSTEAM REPORTED FINANCIAL STATEMENTS IN A NUMBER OF WAYS, TWO OF WHICH ARE SIGNIFICANT AND HENCE WORTHY OF PARTICULAR MENTION.

FIRSTLY, GOODWILL AMORTISATION WILL CEASE. THE CARRYING VALUE OF ASSETS AND INTANGIBLES WILL NOW BE SUBJECT TO A STRICT IMPAIRMENT TEST AT EACH REPORTING DATE.

SECONDLY, THE NET DEFICIT OF THE GROUP'S SUPERANNUATION AND PENSION FUNDS WILL BE SHOWN AS A LIABILITY ON THE BALANCE SHEET.

FURTHER DETAILED COMMENTARY ON THESE TWO MATTERS IS CONTAINED IN THE ANNUAL REPORT.

THESE AND A NUMBER OF OTHER SMALLER CHANGES WILL IMPACT ADSTEAM'S REPORTED PROFIT IN THE 2006 FINANCIAL YEAR. AS AN INDICATION, IF THE 2004-05 FINANCIALS WERE RESTATED ON AN AIFRS BASIS, THEY WOULD SHOW NET PROFIT AFTER TAX OF APPROXIMATELY \$38 MILLION, COMPARED TO \$23.4 MILLION REPORTED UNDER THE PREVIOUS STANDARDS.

IT IS VERY IMPORTANT TO NOTE THAT THE NEW STANDARDS HAVE NO IMPACT ON GROUP CASH FLOW OR ON THE ECONOMIC VALUE OF THE COMPANY.

OVERALL, IT HAS BEEN A BUSY YEAR FOR ADSTEAM AND ONE WHICH HAS SEEN SOME SIGNIFICANT ACHIEVEMENTS AS WE NEAR THE END OF THE THREE-YEAR TRANSFORMATION PLAN INITIATED IN MAY 2003.

MOST IMPORTANTLY, WE HAVE SUBSTANTIALLY COMPLETED THE TASK WE SET OURSELVES TO MARKEDLY LIFT THE FITNESS OF THE ADSTEAM BUSINESS AND TO DRIVE IT TO A LOW COST OPERATING PLATFORM.

AS PART OF THIS PROCESS, OUR MANAGEMENT TEAM, LED BY OUR MANAGING DIRECTOR JOHN MOLLER, HAS DELIVERED SOME IMPRESSIVE ACHIEVEMENTS, EACH OF WHICH HAVE CONSIDERABLY IMPROVED THE STRENGTH OF THE ADSTEAM BUSINESS. JOHN WILL ELABORATE ON THESE ACHIEVEMENTS DURING HIS ADDRESS.

SIGNIFICANT INDUSTRIAL RELATIONS REFORM, PARTICULARLY IN THE UK, WAS DELIVERED WITH NO LOST TIME, RESULTING IN MORE COMPETITIVE AND EFFICIENT WORK PRACTICES ACROSS THE GROUP. THERE REMAINS MORE TO BE DONE ON THIS FRONT.

ADSTEAM NEGOTIATED WITH THE AUSTRALIAN GOVERNMENT TO SECURE SHORT-TERM FUNDING TO CONTRIBUTE TO THE COST OF PROVIDING SALVAGE AND EMERGENCY RESPONSE AROUND AUSTRALIA'S COASTLINE. WE CONTINUE TO WORK WITH GOVERNMENT TO ENSURE A VIABLE LONG-TERM SOLUTION IS DEVELOPED TO FUND THIS VITAL SERVICE.

ADSTEAM IS NOW IN A POSITION TO ASSESS AND PURSUE TARGETED AND PROFITABLE GROWTH OPPORTUNITIES FROM A MUCH STRONGER PLATFORM. THIS IS CONSISTENT WITH THE OBJECTIVES UPON WHICH OUR TRANSFORMATION PROGRAMME WAS BASED.

TURNING NOW TO OUTLOOK AND THE COMPANY'S ONGOING DIVIDEND POLICY.

FOR THE 2005-06 FINANCIAL YEAR, THE COMPANY EXPECTS IMPROVED PROFITABILITY AS A RESULT OF A LOWER OPERATING COST BASE, LOWER INTEREST CHARGES AND ACCOUNTING CHANGES RELATING TO AIFRS.

THESE PROFIT IMPROVEMENTS WILL BE PARTIALLY OFFSET BY A SLOW STARTUP OF THE MEDWAY LNG PROJECT, THE LOSS OF THE CORYTON CONTRACT IN THE UK, NO HEDGE GAINS WHICH WERE PREVIOUSLY GENERATED ON OUR UK OPERATING PROFITS, INCREASED DEPRECIATION, INVESTMENT IN BUSINESS DEVELOPMENT AND ADDITIONAL TAX DUE TO INCREASED EARNINGS IN AUSTRALIA.

WHEN WE RELEASED OUR 2005 FULL YEAR RESULTS IN AUGUST THIS YEAR, WE PROVIDED GUIDANCE FOR THE 2006 FINANCIAL YEAR. WE REMAIN COMFORTABLE WITH THIS GUIDANCE. WE EXPECT TO DELIVER NET PROFIT AFTER TAX FOR THE 2005-06 FINANCIAL YEAR IN THE RANGE OF \$42-\$46 MILLION WITH THE SECOND HALF BEING SOMEWHAT HIGHER THAN THE FIRST.

AS I HAVE PREVIOUSLY NOTED, THE BOARD IS EXTREMELY AWARE OF THE IMPORTANCE OF DIVIDENDS TO YOU, OUR SHAREHOLDERS.

FOR THE 2005-06 FINANCIAL YEAR AND BEYOND, THE DIVIDEND POLICY WILL BE TO PAY APPROXIMATELY 50 PER CENT OF NET PROFIT AFTER TAX BY WAY OF DIVIDENDS.

AS A RESULT OF THE EXPECTED INCREASE IN THE 2005-06 FINANCIAL YEAR NET PROFIT, SHAREHOLDERS CAN THEREFORE EXPECT SUBSTANTIALLY HIGHER DIVIDENDS IN THE RANGE OF 7.8 TO 8.5 CENTS PER SHARE, SUBJECT TO SATISFACTORY GROUP LIQUIDITY.

THE INTERIM DIVIDEND FOR THE 2005-06 FINANCIAL YEAR IS EXPECTED TO BE SUBSTANTIALLY FRANKED.

MOVING FINALLY TO BOARD MATTERS. THE BOARD WAS DEEPLY SADDENED BY THE PASSING OF CLIVE LITTLE IN NOVEMBER 2004. HE WAS ONE OF THE COMPANY'S FOUNDING DIRECTORS. CLIVE MADE AN IMPORTANT CONTRIBUTION TO THE COMPANY AND ITS DEVELOPMENT, PARTICULARLY IN THE AREAS OF GOVERNANCE AND FINANCIAL DISCIPLINE. WE WILL MISS HIM.

MY SINCERE APPRECIATION TO MY FELLOW DIRECTORS, THE MANAGEMENT TEAM AND ALL EMPLOYEES ACROSS ADSTEAM MARINE FOR THEIR DEDICATION AND HARD WORK DURING THE YEAR. MUCH HAS BEEN ACHIEVED DURING THE PAST 12 MONTHS WHICH IS DIRECTLY ATTRIBUTABLE TO THE INITIATIVE, ENTHUSIASM AND COMMITMENT OF THE ADSTEAM PEOPLE LED MOST CAPABLY BY OUR OUTSTANDING MANAGING DIRECTOR, JOHN MOLLER.

I WILL NOW HAND OVER TO JOHN WHO WILL PROVIDE AN UPDATE ON THE OPERATIONAL PERFORMANCE OF THE GROUP.



# Adsteam Marine Limited Annual General Meeting

8 November 2005

Australian National Maritime Museum  
Darling Harbour



## Highlights – FY05

- Transformation program on track with first two phases complete
- Significant improvement in fitness of the business
- Northland and other non core divestments complete
- NPAT (pre restructuring charges) of \$29 million, up 22% on last year
  - UK earnings stronger; Australia stable
- Tonnage Tax transition successfully resolved
- Significant balance sheet improvement
- 4.3 cents per share fully franked full year dividend
- Platform in place to pursue selected growth opportunities

# Transformation program – Nearing completion

Business fitness  
FY 2004



Tugboats are core

Lowest cost platform  
FY 2005

Best in the world

- Tug capital efficiency
- Tug operating cost
- Tug service delivery
- Ship assist standards

Sustained selective growth  
FY 2006

AUSTRALIA

UNITED KINGDOM

Targeted ports

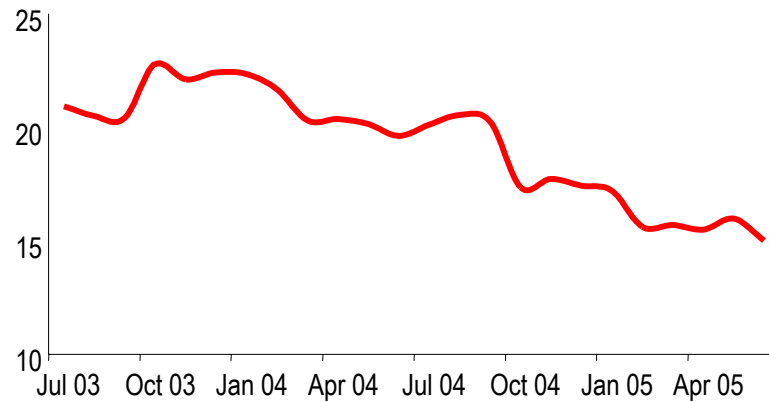
Targeted terminals

Targeted service  
extension

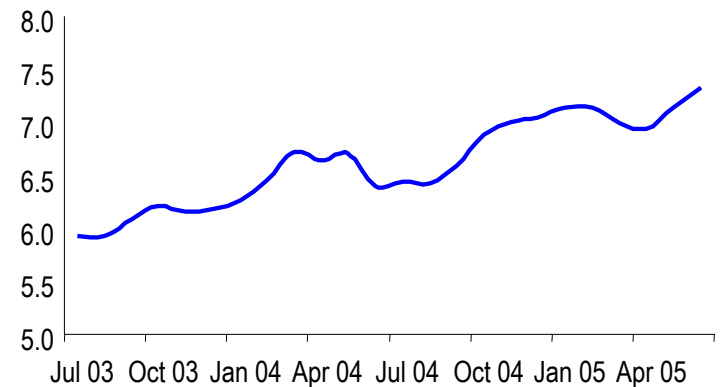


## Adsteam is a much fitter business today

SAFETY - LTIFR - 2003-2005

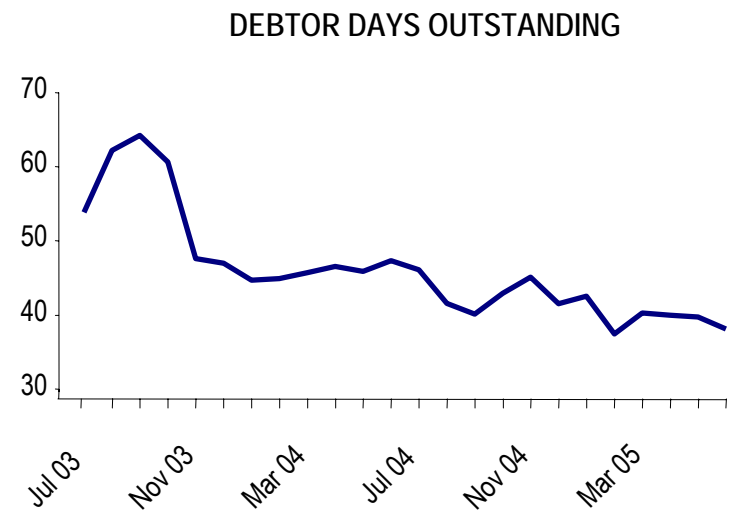
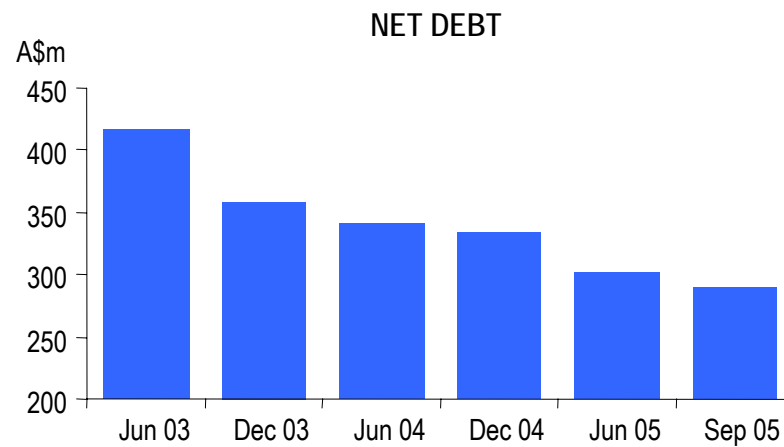


MARINE PRODUCTIVITY - TUG JOBS / EMPLOYEE





## Adsteam is a much fitter business today



## Australia – Emergency response

- Emergency response business is not commercial and needs government support
- The Australian solution requires emergency response capability in many ports
- Initial interim Government funding provided to Adsteam Marine until March 2006
- Federal Government committed to agreeing long term, financially sustainable solution expected by second half of FY 2006

## FY 2005 Summary financials

12 months to 30 June (A\$m)	2005	2004	% change
Revenue from services	323.9	301.3	8
EBITDA (like-for-like)	95.0	85.6	11
Net restructuring and one-off items	(7.1)	(1.2)	–
Non core businesses	4.2	7.7	–
EBITDA	92.1	92.1	0
NPAT (pre restructuring)	29.0	23.7	22
NPAT (post restructuring)	23.4	23.1	1
EPS (pre goodwill & restructuring)(cents per share)	16.6	15.3	8
Total dividend	4.3	4.3	0
Cashflow from operations	44.7	52.6	(15)
Net debt	301.7	341.3	(12)

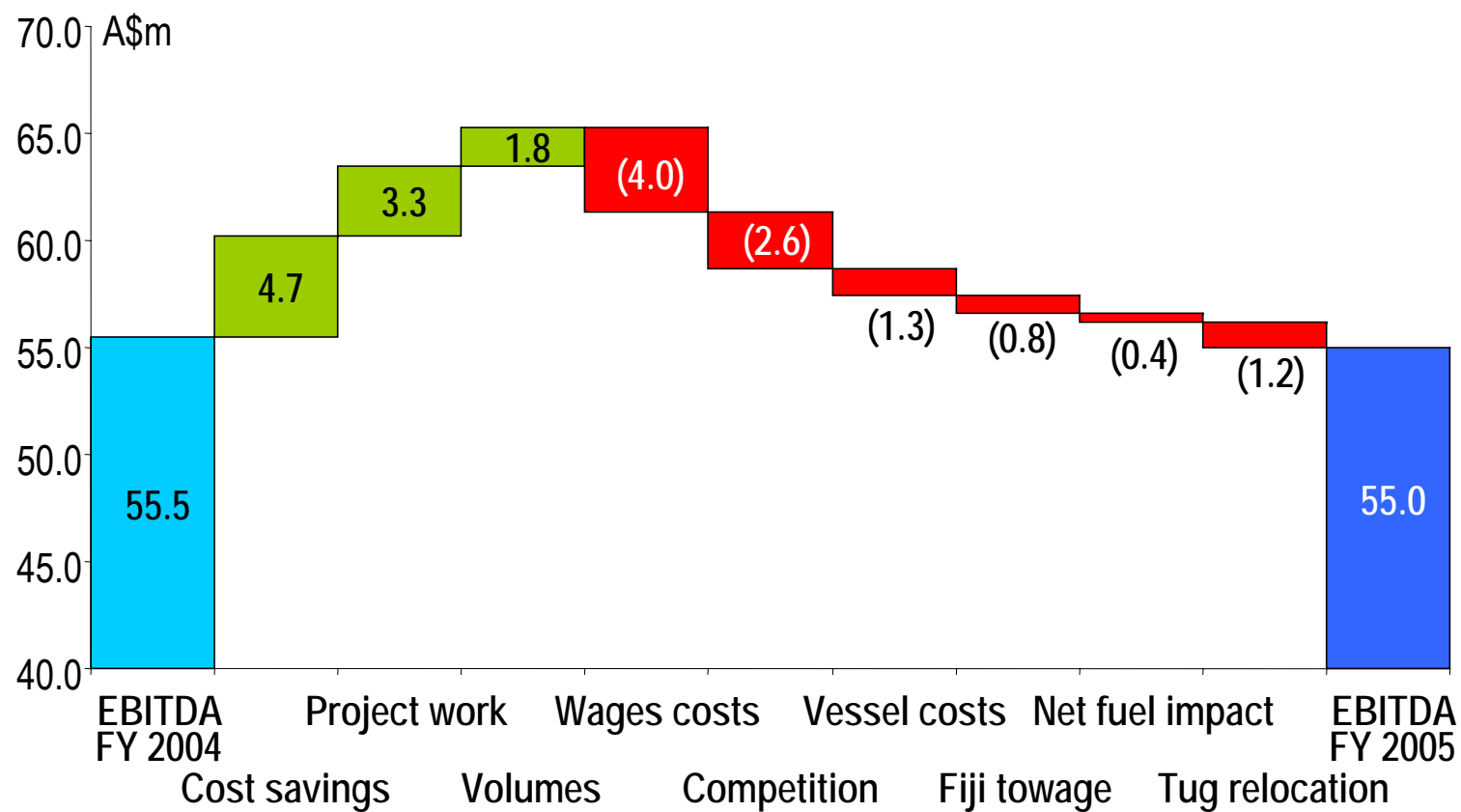
## Australasia – Financials

12 months to 30 June (A\$m)	2005	2004	% change
Revenue from services	207.0	194.0	7
EBITDA (like-for-like)	55.0	55.5	(1)
Net restructuring and one-off items	(5.2)	(1.9)	–
Non core businesses	(0.2)	5.3	–
Depreciation	(13.7)	(13.5)	–
EBITA	35.9	45.4	(21)

- Cost savings delivered
- Held category share in all ports
- Restructuring costs
- Secured new business



## Australasia – EBITDA (like-for-like)





## UK – Financials

12 months to 30 June	2005 £m	2004 £m	% change	2005 A\$m	2004 A\$m	% change
Revenue from services	46.0	42.7	8	116.9	107.3	9
EBITDA (like-for-like)	14.8	11.2	32	40.0	30.1	33
Net restructuring and one-off items	(0.7)	0.3	–	(1.9)	0.7	–
Depreciation	(4.1)	(3.7)	–	(10.2)	(9.1)	–
EBITA	10.0	7.8	28	27.9	21.7	29

- Substantial increase in earnings
  - Humber and Thames growth
  - Cost reductions (three person crewing)
  - Price increases

## US – Financials

12 months to 30 June	2005 US\$m	2004 US\$m	% change	2005 A\$m	2004 A\$m	% change
Adsteam Marine share of NPAT	3.3	1.7	94	4.4	2.4	83

- Northland Fuel now been divested
- Proceeds from the sale approximated book value
- Proceeds used to repay debt

## Sustained Selected Growth

Business fitness  
FY 2004



Tugboats are core

Lowest cost platform  
FY 2005

Best in the world

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Sustained selective growth  
FY 2006

AUSTRALIA

UNITED KINGDOM

Targeted ports

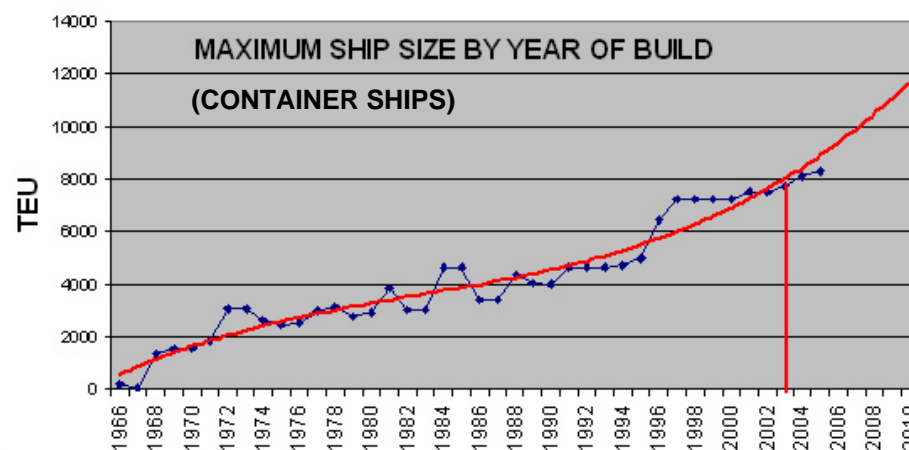
Targeted terminals

Targeted service  
extension

## Increasing in ship numbers and ship size

	Total vessel numbers 2004	New builds 2005-09	% of current vessel numbers
Bulk	5,859	831	14%
Tankers	7,504	1,450	19%
Container	3,097	891	29%
Other	12,515	1,335	11%
Total	28,975	4,507	16%

Source: Institute of Shipping Economics and Logistics, Adsteam estimate



Source: Lloyds Register

## Criteria for investment

### Sustained selective growth FY 2006

AUSTRALIA

UNITED KINGDOM

Targeted ports

Targeted terminals

Targeted service  
extension

- Acceptable return for shareholders
- Gain competitive advantage
- Leverage skills and assets

## Outlook

- Improved profitability FY 2006 substantially up on FY 2005
  - Lower cost base
  - Increased prices
  - Lower interest
  - AIFRSpartially offset by
  - Slow start up on Medway and loss of Coryton
  - No UK hedge gains
  - Increased depreciation
  - Increased tax due to increased earnings in Australia
- For FY 2006, NPAT under AIFRS is expected to be \$42 – \$46 million
- Dividend to be substantially higher as a result of increased NPAT
- Interim dividend is to be substantially franked