

# NEWS RELEASE



## FOR IMMEDIATE RELEASE

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## REDUCED OPERATING LOSS IN YEAR OF CONSOLIDATION

### **Summary: Results for year ended 30 June 2005**

- Operating losses reduced as group consolidates operations after the restructuring strategy of 2004
- Impacts on operating result include:
  - Timing of contracts
  - One off adjustments reflecting cost over-runs on historical projects
  - Provisions for costs of restructuring in North America
- A number of contracts expected in 2005 but delayed have since been received or are in the final stages of negotiation and will contribute to earnings in the 2006 financial year
- Continued industry leadership and entry to new market segments put company in good position to address expected market growth over short-to-medium term
- Operating within existing cash and available bank facilities

### **Group Result**

Adacel Technologies Limited reduced its group losses in the year ended 30 June 2005 as the company consolidated its operations following the restructuring initiatives of 2004.

The pre-tax loss for year to 30 June 2005 was \$8,394,000 (previously \$22,878,000) and the after-tax loss was \$9,150,000 (previously \$23,451,000).

The 2005 result reflects the impact of delays in the timing of expected air traffic control simulation contracts, one-off adjustments reflecting cost over-runs on historical projects, provisions for further restructuring in North America and a provision against future contract costs.

### *Revenues*

Group revenues of \$38,426,000 in the 2005 financial year were 33 per cent lower than in the prior year as a result of the exit of businesses in the group restructuring, delays to expected contract awards and completion of the major component of a large program in the 2004 year.

### *Earnings*

The EBITDA loss (Earnings Before Interest Tax Depreciation and Amortisation) was reduced to \$6,493,000 from \$11,217,000 previously. Amortisation and depreciation expense for 2005 was \$1,487,000 compared with \$2,769,000 previously. In the 2004 year, additional accelerated depreciation and write-offs totalled \$8,573,000.

Finance costs were \$414,000 (previously \$319,000) and tax expense was \$756,000 (previously \$573,000)

### *Cash position*

Group operations used \$3,184,000 in cash during the 2005 year while the Rights Issue raised \$6,097,000 and together with other items, total net cash inflow for the year was \$2,631,000. The company is continuing to operate within existing cash, operational cash flows and available bank facilities.

### **Year ended 30 June**

|                                       | A\$000 | 2005           | 2004            |
|---------------------------------------|--------|----------------|-----------------|
| <b>Operating Revenue</b>              |        | 37,195         | 55,576          |
| Other Income                          |        | 1,231          | 2,006           |
| <b>Total Revenue</b>                  |        | <b>38,426</b>  | <b>57,582</b>   |
| <b>EBITDA</b>                         |        | <b>(6,493)</b> | <b>(11,217)</b> |
| Amort & Depreciation                  |        | (1,487)        | (2,769)         |
| Accelerated depreciation & write offs |        | -              | (8,573)         |
| <b>EBIT</b>                           |        | <b>(7,980)</b> | <b>(22,559)</b> |
| Finance Costs                         |        | (414)          | (319)           |
| <b>Loss before tax</b>                |        | <b>(8,394)</b> | <b>(22,878)</b> |
| Tax (expense)/benefit                 |        | (756)          | (573)           |
| <b>Loss after tax</b>                 |        | <b>(9,150)</b> | <b>(23,451)</b> |

### **Group operations**

Adacel's Managing Director, Silvio Salom, said management efforts during the year were on consolidating the group's operations following the restructuring of 2004.

"We continued to focus on the company's North American based global aviation and defence simulation and control operations," Mr Salom said.

During the year the company reviewed and strengthened the North American management team with the appointment in July 2004 of a CEO North America and appointment of a CFO North America in January 2005.

The North American business units were restructured to improve operational focus and further action was taken towards the end of the financial year to reduce organisational costs. This is expected to generate savings in the 2006 financial year and beyond. Reflecting the increased North American operational focus, the company transferred its main banking facility to the Royal Bank of Canada.

Adacel continued to consolidate its industry leadership position during the year, although North American revenues were lower due to the delayed contracts and the completion of the main part of the major US Air Force contract in the prior year.

“Adacel continued to win new and repeat business in North America and internationally during the year from major organisations such as Airbus, the US Air Force, the US Federal Aviation Administration and Lockheed Martin,” Mr Salom said.

Adacel’s Air Traffic Management operations continued to perform well, with the company now working with Lockheed Martin on the FAA’s En Route Air Modernization program as well as the FAA’s Oceanic modernization program.

“We achieved further success in our strategy of taking our existing products and technology into closely associated segments such as the flight simulator and homeland defence markets,” Mr Salom said.

“In Australia, we are continuing to focus on immediate and medium term opportunities in aviation and defence programs.

### **Outlook**

Mr Salom said that in the short term, the company expected that earnings in the 2006 financial year would be assisted by the contracts that had originally been expected prior to 30 June 2005 but had been delayed. Some of these had since been received and others were in the final stages of negotiation.

In the medium term, Adacel’s markets would be assisted by North American aviation and defence authorities’ plans to increase procurement programs for Air Traffic Control simulators.

“Adacel’s large base of systems installed and in use not only gives the company a strong presence in this market, but also gives us a base for increased recurrent revenue flows from upgrades, services and on-site support,” Mr Salom said. “In addition, the strategy of taking our products into associated market provides further opportunity for expansion.”

“With the group restructuring of 2004, the consolidation of operations in 2005 and Adacel’s industry leadership, we expect the company to be in a position to take advantage of the emerging market opportunities in 2006 and beyond,” Mr Salom said.

### **Contact for further information:**

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