

NEWS RELEASE

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IMPROVED OUTLOOK FOLLOWING STRONG GROWTH IN ORDER BOOK

The Directors of Adacel Technologies Limited today announced the result for the year to 30 June 2008:

- Total group revenue of \$38.5 million
- Earnings before interest, tax, depreciation and amortisation of \$1.4 million – below prior year due to delays in contract wins
- After-tax profit of \$1.8 million, in line with guidance to shareholders in April
- Significant contract wins during year consolidate Adacel's leading position in aviation simulation and training and air traffic management
 - \$54 million US Federal Aviation Administration contract – the industry's largest ever civil air traffic control tower simulator program
 - \$7.7 million Royal Australian Air Force tower simulator program
 - Simulation contracts from North American defence forces and European civil aviation organisations
 - Consolidation of long-standing relationships in support activities for major North American and European air traffic management programs
- Further market penetration of new products
 - CAE contract commenced for incorporating Adacel's *ATCiB* (Air Traffic Control in a Box) in CAE flight simulators
 - Contracts for Adacel's Voice Activated Cockpit technology from Lockheed Martin and Boeing
 - Launch of *ICE Pilot* for teaching and evaluating aviation English to international standards
- Renewal of on-market share buy-back program

A summary consolidated income statement for the group is outlined below.

Adacel Group Results for year to June 30

	2008 (\$000)	2007 (\$000)
Operating Revenue	37,162	34,946
Other Income	1,351	729
Total Revenue	38,513	35,675
EBITDA	1,352	3,054
Amort & Depreciation	(1,418)	(1,303)
EBIT	(66)	1,751
Finance Costs	(38)	(52)
Profit/(loss) before tax	(104)	1,699
Tax benefit	1,914	873
Profit/(loss) after tax	1,810	2,572

Adacel recorded strong orders growth during the year to 30 June 2008 and consolidated its market position with the award of the \$54 million five year FAA Tower simulator contract – the largest ever civil air traffic control tower simulator program - and the \$7.7 million Royal Australian Air Force contract, as well as further contracts in North America, Europe and Asia.

The group's after-tax profit was \$1.8 million, which was in line with advice to shareholders in April that earnings in the June half would be lower than previously expected due to slower-than-planned delivery schedules for some key programs.

Earnings were also adversely impacted by:

- The strong rise in the Australian dollar (foreign exchange losses of \$0.5 million)
- Additional costs of around \$1.0 million due to the longer-than-expected bid programs for the FAA and RAAF contracts.

The after-tax result was after allowing for tax benefits of \$1.9 million resulting from research and development tax incentives and the recognition of deferred tax assets in a North American subsidiary due to the outlook for continued profitable operations.

Cash usage during the period was largely attributable to work on programs for which pre-payments were received in FY2007, the expenditure of \$2.6 million for the on-market share buy-back and additional costs of approximately \$1.0 million incurred in securing significant programs with the FAA and RAAF.

Directors have not declared a Dividend for the year but have renewed the on-market share buy-back program.

Operating performance

Adacel's CEO North America, Fred Sheldon, said that the growth in orders during the 2008 financial year - reflecting Adacel's market leadership position – had generated a robust opening order book that would help provide a strong start to the 2009 financial year.

Operating revenues rose during FY2008, although they were below the company's original expectations due to delays in securing key contracts and the slower than expected start up activity on some programs. Revenues from operations rose to \$37.2 million in FY2008 from \$34.9 million in the previous year, assisted by higher international sales and growth in the Advanced Programs business. Revenues from services and support continued to account for around 50% of revenues from operations.

"Adacel is in a strong position for the medium term following the FAA, RAAF and other air traffic control simulator contract awards, the continuation of our relationship with Lockheed Martin in air traffic management support, and with the growth in sales of our new products," Mr Sheldon said.

"In our Air Traffic Control Simulation business, we received orders under the FAA program totalling \$8.0 million that generated revenues of around \$5.2 million in the period to June 30," Mr Sheldon said. "We expect orders from this program to accelerate in FY2009."

"The FAA has indicated that in the first phase of the Tower simulator program, 24 simulators are to be deployed at 19 locations over the first eighteen months of the program. The securing of this contract confirms Adacel's position as the preferred supplier of air traffic control tower simulators to both the civil and defence sectors in the United States.

“In addition to this work, we will also be delivering systems to the RAAF under the \$7.7 million tower simulator contract awarded in June. The 360-degree simulators to be supplied to the RAAF training school located in East Sale, Victoria, as a key part of the program, are the largest in the southern hemisphere,” he said. “With the RAAF contract, Adacel is now the primary supplier of air traffic control tower simulators to both the Australian defence and civil sectors.

“Adacel was also awarded simulation and support contracts totalling in excess of \$10 million by civil and defence aviation organisations in North America and Europe. This included contracts from the US Air Force, US Army, US Navy and US Marines.

“In Air Traffic Management, we continued our relationship with Lockheed Martin to provide software support for the US ATOP (Advanced Technologies and Oceanic Procedures) and ERAM (En Route Automation and Modernization) programs. We also continue to provide support and upgrades to NAV Portugal’s Oceanic system, and received an additional contract for \$2.3 million.

“In Adacel’s Advanced Programs business, our strategy to utilise our existing technologies to enter new closely-associated markets is continuing to be successful,” Mr Sheldon said. “We received our first contract revenue from Adacel’s Air Traffic Control in a Box product, and through the agreement with CAE, a number of major airlines have included *ATCiB* as a component of their flight simulator purchases.

“We received further contracts for our Voice Activated Cockpit technology, including from Boeing for the AH-64 Apache attack helicopter, as well as continuing our work alongside Lockheed Martin with the installation of voice activated cockpit controls for the F-35 Joint Strike Fighter.

“We also launched a new product, *ICE Pilot*, for teaching and evaluating aviation English,” Mr Sheldon said. “*ICE Pilot* uses Adacel’s speech recognition and air traffic control simulation technology to enable aircrew to learn, practice and assess their ability to communicate in the real world air traffic environment. It is ideally suited to new pilots and those preparing for English language certification to International Civil Aviation Organization standards.

Outlook

With the consolidation of its global leading position in key markets and the strong opening order book, the company is cautiously optimistic for revenue and earnings growth in the 2009 financial year.

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