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ADACEL TECHNOLOGIES LIMITED
(ASX: ADA)

ASX and Media Release

17 November 2010

2010 Annual General Meeting - Chairman's Address to Shareholders

The Company's results in 2010 reflect the slower economic conditions generally and their impact on the Company's ability to continue to generate the level of business growth experienced in 2009.

The Company generated revenue of \$46M for the 2010 financial year, down slightly compared to \$48M in 2009. This revenue result reflected overall gross margins of \$15.4M (33%) compared with \$19.9M (42%) in the previous corresponding period.

As previously disclosed, gross margins were adversely affected, in particular in the first half of FY2010, by program write downs and additional costs associated with developing the Company's business in Eastern Europe. Despite a return to historical gross margin levels in the second half of FY2010, overall performance for the year was lower than the previous period.

Earnings before interest, tax, depreciation and amortisation for the 2010 financial year were \$US1.4M, compared to \$US6.5M in 2009.

The result was further affected by a strengthening Australian dollar which resulted in foreign exchange losses and which reversed a softening trend in 2009.

Associated business unit operating expenses were actively reduced to address these operating margin shortfalls. The year ended with increasing gross margins for the final quarter as lower gross margin contracts were being completed and replaced with higher gross margin contracts. Operating cash flow for 2010 was a loss of \$1.8M.

Despite these challenges, pleasingly the Company received a number of new orders towards the end of the financial year including the Company's second voice activated cockpit systems order, an initial order of ICE (Intelligent Communications Environment) Pilot from the US Air Force, additional international Simulation customers in India, the Ukraine, and Brazil, and an Air Traffic Management Data Link contract with French Guyana.

The ICE Pilot product is a PC- based product extension of the Company's highly successful 'Air Traffic Control in a Box' (ATCIB) product. This application is used to train both pilots and air traffic controllers in aviation English and thus, prepare them for certification to International Civil Organisation Standards

These late year orders in the Pilot Training market and follow-on FAA orders, together with the completion of certain development programs with lower margins in 2010, are expected to provide the Company with opportunities to improve its results in the 2011 financial year. The support business remains strong and is expected to expand in 2011 as additional towers are installed.

We continue to work with Lockheed Martin to provide software support for the US Advanced Technologies and Oceanic Procedures and En Route Automation and Modernization programs. The Company also continues to provide support and upgrades to NAV Portugal's Oceanic system. Adacel completed the installation and acceptance of the new Fijian ATM system and continues to provide support services for ongoing operations

Our strategy to leverage existing technologies and enter collateral markets to support the overall growth of the business continues to be a primary focus.

Renewed focus in the management team has been achieved with a certain level of restructuring having now been completed. As part of that renewed focus, a new experienced business development manager has been employed and we look forward to his contributions over the current financial year.

Outlook

After concluding a disappointing 2010 operating year, the Company is focused on achieving improved revenue and earnings growth in the 2011 financial year.

We have confidence that the Adacel team is motivated and well placed to capitalise on the opportunities for the business as they arise in the year ahead.

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About Adacel

Adacel Technologies Limited is a leading developer of advanced simulation and control systems for aviation and defence. Since its establishment in 1987, Adacel has built an international reputation for its products and services through a commitment to technological leadership and customer support. From advanced simulation to air traffic management and voice recognition systems, training and professional services, Adacel's products can be found in more than 30 countries. Adacel is listed on the ASX and further information on the Company can be found on its website at www.adacel.com.

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