

# NEWS RELEASE

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Adacel Technologies Limited  
ABN 15 079 672 281  
240 Bay Street  
Brighton, Victoria 3186  
Australia  
t. +61 3 8530 7777  
f. +61 3 9596 2960

## FULL YEAR PROFIT TURNAROUND

The Directors of Adacel Technologies Limited today announced the following results for the twelve months to 30 June 2006:

### ***Strong profits and cash flow***

- Earnings before interest, tax, depreciation and amortisation (EBITDA) of \$5.64 million, representing a substantial turnaround from the EBITDA loss of \$7.18 million incurred in the previous year
- An after-tax profit of \$4.94 million (including a tax benefit of \$1.01 million), an improvement on the after-tax loss of \$9.84 million in the previous year
- A 40 per cent increase in group operating revenues to \$52.39 million, of which recurring revenues account for more than 45%
- Net cash inflow from operations strongly rebounded to \$5.91 million for the year from a cash outflow of \$3.18 million previously.
- Balance sheet strength with net cash in bank position of \$2.15 million and other current financial assets of \$2.29 million.

### ***Improved operating focus and continued market leadership***

- Group result assisted by continuation of improved sales performance and margins in the June half with further improvements in operational focus, program performance and operating overhead control
- Continued market leadership within key market segments of air traffic control (ATC) simulation and air traffic management (ATM)
- Further progress in addressing closely-associated markets with new products and services based on the group's core simulation and voice recognition technologies.

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

### **Adacel Group Results for Year to June 30**

	A\$000	
	2006	2005
<b>Operating Revenue</b>	52,394	37,294
Other Income	398	1,132
<b>Total Revenue</b>	<b>52,792</b>	<b>38,426</b>
<b>EBITDA</b>	<b>5,642</b>	<b>(7,179)</b>
Amort & Depreciation	(1,469)	(1,487)
<b>EBIT</b>	<b>4,173</b>	<b>(8,666)</b>
Finance Costs	(241)	(414)
<b>Profit (loss) before tax</b>	<b>3,932</b>	<b>(9,080)</b>
Tax (expense)/benefit	1,007	(756)
<b>Profit (loss) after tax</b>	<b>4,939</b>	<b>(9,836)</b>

### **Group Overview**

Directors said today that Adacel's return to profitability in the 2006 financial year can be attributed to the implementation of the Board's strategy that has seen the company establish a US-based management team and concentrate its efforts on its core aviation and defence simulation and air traffic control operations based out of North America.

This focus has allowed the company to continue to lead the market in these areas. In addition, with the introduction of on-site personnel services as well as annual support and maintenance and ongoing ATM software support programs, recurring revenues have grown to account for more than 45% of group revenues.

Directors said the full year result was helped by a significant lift in second half profitability due to improved operating margins and revenue growth compared with the first half. Directors have not declared a dividend for the 2006 year.

### **Operational Performance**

Adacel's CEO North America, Fred Sheldon, said the group's operations performed well during the year, with continued leadership in the North American market, a strengthened position in Europe and awarding of initial orders for several of the company's new products and services.

"In North America, Adacel's position in the air traffic control simulation market was further consolidated during the period by contract awards from the US Air Force and US Marines, the Federal Aviation Administration and the US aviation college sector," Mr Sheldon said. "In addition, in air traffic management the company was awarded contract extensions from Lockheed Martin for work on the US Oceanic ATM system."

In Europe, Adacel strengthened its market presence with contracts totalling in excess of \$12 million from Italy's air traffic authority (ENAV) for ATC training simulators, as well as continuing work from Austrian and Hungarian ATC providers. Adacel also received a further contract from Airbus for Adacel's simulation technology in research and evaluation of Airbus flight components and continued to provide support for Portugal's Oceanic ATM system.

During the 2006 year, Adacel launched its new Precision Approach Radar training system into the market, winning an order from the US Air Force. The company also introduced a new on-site support service for its ATC simulator customers and won contracts from the US Army and from the FAA for its Chicago, Miami and Ontario (California) centres.

Adacel also launched its Security Control Room simulator into the Homeland Security market, winning a contract from the national research facility, Sandia.

In cockpit voice control, Adacel continued its work on the Joint Strike Fighter program and progressed the market development of the technology for other aircraft.

### **Outlook**

The company expects continuation of improved margins to contribute to a December half in excess of the first half of the 2006 financial year, and based on current opportunities and a continued focus on costs and profitability, an improved result in the 2007 financial year. However, group operating performance continues to be dependent on timing of contracts and deliveries, which will need to be closely monitored and managed.