

# NEWS RELEASE

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## HALF YEAR RESULT TO 31 DECEMBER 2005

### PROFIT AND POSITIVE CASH FLOW

The Directors of Adacel Technologies Limited today announced the following results for the six months to 31 December 2005:

- Earnings before interest, tax, depreciation and amortisation of \$1.61 million (a significant improvement over the EBITDA loss incurred in the previous period of \$1.65 million) driven by the North American business units
- An after-tax profit of \$1.48 million (including a tax benefit of \$0.74 million), an improvement on the after-tax loss incurred in the previous period of \$2.54 million
- An increase in group revenues of approximately 24% to \$25.42 million
- Increase in net cash flow from operating activities to \$3.95 million from \$1.0 million in the prior period
- Significant improvement in operational focus, program performance and operating overhead control by the North American operations under the stewardship of new management
- Continued market leadership within key market segments of air traffic control simulation and air traffic management
- Development of new products and services utilising the group's core intellectual property portfolio, in particular, the voice recognition technology
- Continuing focus on reducing overheads and costs and identifying opportunities to improve group earnings.

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

### Adacel Group Results for half year to December 31

A\$000	2005	2004
Revenue from continuing operations	25,422	20,519
Other Income	222	911
<b>EBITDA</b>	<b>1,611</b>	<b>(1,645)</b>
Amortisation & depreciation	739	763
<b>EBIT</b>	<b>872</b>	<b>(2,408)</b>
Finance costs	129	171
<b>Profit/(loss) before tax</b>	<b>743</b>	<b>(2,579)</b>
Tax benefit	735	42
<b>Profit/(loss) after tax</b>	<b>1,478</b>	<b>(2,537)</b>

### Overview

Adacel's Managing Director, Silvio Salom, said that the group performance during the half year underlined Adacel's continued strength in its core markets. The company has also successfully introduced new products and services by leveraging the core intellectual property into closely associated markets. The company will focus on

completing the transition of group management responsibility to Mr Fred Sheldon, CEO of the North American operations.

### **Summary of the North American Operations**

“Adacel continued to lead the North American market and consolidated its position in the European market,” Mr Sheldon said.

In North America Adacel continues to strengthen its presence as a leading supplier of simulators to organisations such as the US Department of Defense, US Federal Aviation Administration (FAA) and US aviation colleges and universities. The company announced sales of MaxSim systems to the US Marine Corps and additional systems for the FAA. The FAA now has systems in operation in its Academy and Technical Centre as well as three major US airports as a start for their on-site controller-training program. Adacel is well positioned for the anticipated increase in demand for air traffic controller training requirements in the coming years. Our relationship with both the US Air Force and FAA continues to flourish with the company beginning to provide on-site personnel throughout the growing US base of over 100 tower simulators.

Adacel's position in the European market was boosted during the period by the announcement of an \$8 million contract from the Italian Air Traffic Authority, ENAV, with a further \$5 million order announced in January. The company also continues to work closely with Austro Control in Austria and Hungaro Control in Hungary.

Working with Lockheed Martin the company's air traffic management (ATM) software is now operational in two of the three FAA over ocean centres and during the period continued to operate as the centrepiece of the FAA's new system to manage oceanic air traffic.

With the introduction of an on-site personnel service, coupled with annual support and maintenance programs, as well as further ATM software support for the FAA and Lockheed Martin, Adacel continues to develop increasing streams of annuity-type revenues.

New products and services introduced by Adacel into its core markets included the Precision Approach Radar simulator that has been purchased by the US Air Force, and the provision of on-site support personnel. The company continues to work closely with Lockheed Martin on the Joint Strike Fighter project in delivering a solution to enable cockpit functions to be controlled by Adacel's voice recognition technology. In addition, the company recently announced a contract with Airbus to provide commercial and tactical military simulation tools for the use in development and evaluation of flight deck components across its range of new and existing Airbus aircraft.

Adacel also advanced its strategy of taking the company's existing technology into closely associated markets, with the announcement of a contract from Sandia National Laboratories for Adacel's security control room simulator. The sale of the control room simulator gives Adacel an entry to the large and growing US homeland security market.

### **Outlook**

Based on the steps taken over the past two years, the company remains cautiously optimistic for continued improvement in group performance during the remainder of the financial year. This uplift in performance will be dependent upon timing of contracts and deliveries, which will need to be closely monitored and managed, as well as ongoing discipline in relation to group operational overhead and costs.