



Adacel Technologies Limited
ABN 15 079 672 281
Suite 1, 342 South Road
Hampton East, Victoria 3188 Australia
T. +61 3 8530 7777
F. +61 3 9555 0068
W. www.adacel.com

Adacel Technologies Limited (ASX: ADA)

ASX & Media Release

9 November 2018

Chairman's Address to Shareholders 2018 Annual General Meeting

Good morning ladies and gentlemen. My name is Peter Landos, Chairman of Adacel Technologies Limited, and I welcome you to Adacel's 2018 Annual General Meeting.

On behalf of the Board and management, I am pleased to report on the financial year ending 30 June 2018, which was a strong one for the Company.

The key financial highlights in 2018 were:

- Revenue increased by 25% to \$53.1 million;
- Profit before tax increased by 30% to \$10.2 million;
- An unfranked final ordinary dividend of 2.5 cents per share, an increase of 11% over the 2017 final dividend;
- Total ordinary dividends for the 2018 period were 4.5 cents per share, an increase of 12.5 cents per share over 2017;
- An unfranked special dividend of 5.0 cents per share;
- A net cash position as at 30 June 2018 of \$12.5 million.

2018 saw the Company successfully expand its global presence in both air traffic management and air traffic control systems, and consolidate its commercial relationships with key customers, including Leidos, the United States Air Force, the French DNSA, Fiji Airports, NavPortugal, the Royal Australian Airforce, Air Services Australia, to name a few.

The Company issued an ASX release yesterday providing earnings guidance for the 2019 financial year and the reasons behind that guidance. The Company also hosted a conference call this morning for all shareholders.

I do not intend to go into further detail relating to the legal proceedings, other than to say that the Board will vigorously pursue its claim for breach of contract and infringement on its intellectual property rights, including the recoupment of financial damages and costs incurred. The Company believes in the merits of its legal position in this matter.

The Board has elected to remove any contribution from the FAA Support Contract, until such time as a clearer picture is evident.

We will inform shareholders of any new information when it becomes available.

We are also mindful to the importance of our long-standing and strong relationship with the FAA, one of the Company's oldest customers. We will work hard to ensure this relationship remains positive and that opportunities for us to work closely with the FAA on their air traffic control training requirements will continue to meet the high standards Adacel has delivered for many years.

To that end, all other activities with the FAA remain unaffected by the issues surrounding the Support Contract, particularly, in relation to the ATOP program where activities have continued to increase in the period, as previously anticipated and disclosed.

In FY2019, and as outlined in the Company's commentary contained in the 2018 Annual Report, the Company made a strategic decision to increase its focus and commitment on developing and expanding its capabilities in both the air traffic management and air traffic control simulation systems businesses.

As part of its strategic plan, the Company is:

- Continuing to diversify the Company's revenues towards the Service Segment, and the annuity-style revenue contribution;
- Increasing R&D spend to develop new complementary products and features in our existing air traffic control simulation business;
- Increasing the capability and functionality of our air traffic management system, Aurora. Contract award successes in 2017 and 2018 enable the Company to expand from what was originally an oceanic airspace-focused air traffic management system to one which can now actively control smaller footprint systems over both land and ocean. Programs with the French Territories and Fiji are examples of our growing presence in this market;
- Increasing the sales and marketing capability to support the pursuit of broader opportunities in our key markets, in particular air traffic management;
- Expediting the development of features and functions through the acquisition of new pieces of technology; and
- Maintaining a prudent approach to capital management. We will continue to optimise the capital structure through dividends, special dividends and share buybacks.

Significant progress towards our strategic goals was made during calendar year 2018. The Company completed the acquisition of additional ATM and simulation components, broadening its addressable market, further expanding and enhancing its product offering, including the following:

- a system which delivers continuous broadcast of essential recorded aeronautical information such as current weather information, active runways, available approaches, and other information required by, or useful to, pilots;
- a GPS master clock system which synchronizes aviation applications and devices;
- a system for recording audio or surveillance data, typically used in the investigation of aviation safety incidents;
- a low-cost satellite-based aircraft tracking system;
- an aviation billing system which provides for the calculation, invoicing and collection of aviation user fees;
- an aviation permitting system which simplifies the application for, and approval of, aircraft overflight and landing permits;
- a learning management system that tracks the training progress of students, that has potential across various training domains; and
- extensive simulation technology that is being further developed to form a key component of our evolving new technology platform.

These are just some of the additions we are making to our core technologies, ensuring that our product suite is at the forefront of technology providers and that we are well-placed to continue to deliver industry leading products and services to the key markets and customers we serve.

In conclusion, despite the effects of the FAA Support Contract, we remain optimistic in our long term growth potential. Whilst early in the process, several new opportunities in the expanding ATM business are already being pursued. We remain the world's leading supplier of ATC training systems, with new innovative products in late stage development and a broadening addressable market. An expansion of our presence in Australia is planned in order to manage components of the ATM market.

I would like to thank my fellow Board members for their guidance and commitment over the course of the year. I would also like to thank the management team our valued staff for their hard work and dedication, which has underpinned the success of the past year and has cast the foundation for future success in the years to come.

-ENDS

About Adacel

Adacel is a leading developer of advanced simulation and training solutions, speech recognition applications and operational air traffic management systems. Adacel is particularly well known for innovations within the ATC simulation and speech recognition fields. The Company's products are widely used throughout North America, Europe, the Middle East and the Asia Pacific region. Adacel is listed on the ASX and further information on the Company can be found on its website at www.adacel.com.

For further information, contact:

Peter Landos
Chairman
+61 (0) 3 9921 7116
peter.landos@thorney.com.au

Sophie Karzis
Company Secretary
+61 (0) 3 8622 3351
sk@ccounsel.com.au

Tom Evers
Director, Marketing & Communications
+ 407 581 1560
tom.evers@adacel.com