NEWS RELEASE

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GROSS MARGINS AND CASH RISE, BUT FY2007 RESULT AFFECTED BY ONE-OFFS AND SLIPPAGE OF EXPECTED NEW CONTRACTS

The Directors of Adacel Technologies Limited today announced the results for the twelve months to 30 June 2007:

- After-tax profit of $2.6 million (including tax benefit of $0.9 million) compared with $4.9 million previously (including tax benefit of $1.0 million), reflecting the impact of:
  - Non-recurring non-operating expenses that reduced after-tax profit by a total of $1.8 million
  - Slippage of expected new contracts contributing to a revenue decline that reduced after-tax profit by approximately $0.9 million.
- Strong balance sheet with further strengthening in cash position. $11.1 million cash in bank at 30 June 2007.
- Continued leadership in key markets with further increase in revenues from support services.
- Market launch of new ATCiB (Air Traffic Control in a Box) product through five-year agreement with CAE Inc, one of the world's largest flight simulator manufacturers.
- Company expects improved performance in FY2008.

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

Adacel Group Results for twelve months to June 30

	2007 (A$000)	***2006*** (A$000)
Operating Revenue	**34,946**	**52,394**
Other Income	729	398
Total Revenue	**35,675**	**52,792**
EBITDA	**3,054**	**5,642**
Amort & Depreciation	(1,303)	(1,469)
EBIT	**1,751**	**4,173**
Finance Costs	(52)	(241)
Profit/(loss) before tax	**1,699**	**3,932**
Tax benefit	873	1,007
Profit/(loss) after tax	**2,572**	**4,939**

Adacel maintained its market leadership, achieved higher gross margins and further strengthened its cash position in the 2007 financial year, but the after-tax result declined to $2.6 million compared with $4.9 million previously, significantly due to non-recurring non-operating expenses.

Directors said significant impacts on earnings were:

- Legal, arbitration and other costs totalling $1.2 million in defending a commercial dispute with the vendor of a North American business acquisition made several years ago. An independent arbitrated decision is pending, but Directors believe the costs so far expensed will be the maximum liability in this matter.
- Other one-off non-operating costs totalling $0.6 million.
- Lower revenues partly offset by higher gross margins ($0.9 million effect on earnings).
- The stronger exchange rate causing $0.7 million reduction in earnings due to translation of foreign currency earnings into Australian dollars.

The result was after a tax benefit of $0.9 million (previously $1.0 million) resulting largely from benefits related to the company's Research & Development program.

The cash position and balance sheet have continued to strengthen since 30 June 2006 and at 30 June 2007 the company had A$11.1 million cash in bank and was not using its available bank facility.

Directors have not declared a dividend for the period but recently announced an on-market share buy-back proposed to begin on or after 30 August 2007.

Operating Performance

Adacel's CEO North America, Fred Sheldon, said today that the company continued to maintain its leading position in its traditional markets and had seen early successes in its strategy of addressing new markets.

Revenues in the US market grew in 2007 but total group revenues were lower than in the previous year due to slippage of some expected new contracts into FY2008 and completion in the prior year of a large international program.

"Revenues from support services continued to grow, and we are seeing further evidence of demand for on-site and after-market support programs that should continue to drive annuity income streams for the company," Mr Sheldon said.

"Gross margins were higher in 2007 due partly to improved program and warranty performance, government R&D assistance related to the Joint Strike Fighter program, a changing mix of contracts and our focus on new business at higher margins," he said.

"In the Simulation business, the US Air Force continued to be a major customer during the year, with contracts totalling around $9 million for upgrade and support of the USAF's installed base of 90 air traffic control simulators. Other US simulator orders included the Federal Aviation Administration and US Marine Corps.

"Outside the US, Airservices Australia awarded Adacel a $5.3 million contract to provide MaxSim Tower Simulators for training purposes, and we continued to work with simulator customers in Europe and the Middle East," he said.

“In Air Traffic Management, Lockheed Martin and NavPortugal continued to be major customers during the year,” Mr Sheldon said.

“We received further contract extensions from Lockheed Martin for work on the US ATOP (Advanced Technologies and Oceanic Procedures) and ERAM (En Route Automation and Modernization) programs. In addition, Adacel received contracts totalling around $7 million for support services and upgrades for NavPortugal.

“In our Advanced Programs, we made major progress during the year with Adacel’s ATCiB (Air Traffic Control in a Box) product and our Voice Activated Cockpit technology,” Mr Sheldon said.

“We successfully launched ATCiB into the flight simulator market through a five year agreement with CAE, a world leading provider of simulation technologies and training services,” he said. Under the agreement, CAE will use Adacel’s automated air traffic simulation environment as part of its new CAE True™ Environment that provides a higher fidelity and more realistic “airport environment” in flight simulators. Adacel has estimated that the market for simulated ATC environments in commercial, military and private pilot training could be up to $50 million over the next eight years.

“With Voice Activated Cockpit, we continued our work for the F-35 Lightning Joint Strike Fighter and delivered an alpha version of the software to the prime contractor, Lockheed Martin, for evaluation in its avionics prototype laboratory,” Mr Sheldon said. “We also worked with other customers of the Voice Activated Cockpit technology,” he said. “In total we have recently been awarded contracts totalling around $2 million for this technology.”

Outlook:

In the simulation business, the company expects to see good growth over the medium term, although revenues from simulator sales in any financial period will depend on timing of contracts. Revenues from simulator support services are expected to continue to grow.

Air Traffic Management should continue to provide a solid base for the company with continuing relationships with Lockheed Martin and NavPortugal, and opportunities in new markets.

The recent contract with CAE for Adacel’s ATCiB and the interest in our Voice Activated Cockpit technology underline our leading position in these new markets and provide the company with real opportunity for growth.

The overall outlook for Adacel continues to be good, with improved performance expected for the group in FY2008. The December half year is expected to show a significant improvement on the recent June half, but is not expected to reach the level of the December half of FY2007. Group operating performance continues to be dependent on timing of contracts and deliveries.

The company balance sheet is strong and Directors recently announced an on-market share buy-back to enhance shareholder value by increasing earnings per share and return on equity and to return excess capital to shareholders. Directors will continue to review strategic capital management initiatives as well as opportunities that may arise in our markets or in other ways to enhance shareholder value.

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