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COMPANY


**Systems**
All sales of integrated software systems, system upgrades and products covering both operational control and simulation markets.

**Services**
All potential recurring revenue, including software maintenance, system support, field services and on-site technical services.

www.adacel.com  @adacelsystems
Profit Before Tax of $10.2M, up 29.8%

Total ordinary dividends for FY2018 of 4.5 cps

Special dividend – 5.0 cps

Revenue $53.1M up 25%

Strong performance from Systems Segment revenue up 127%

5% lower Services Segment revenue
FINANCIAL METRICS: 30 JUNE 2018

NET CASH*  
A$12.5M

GROSS MARGIN  
38.2%

EBITDA  
A$10.9M

REVENUE  
A$53.1M

Net Cash Flow  
A$8.6M

GLOBAL PRESENCE  
43 COUNTRIES

PROFIT BEFORE TAX  
A$10.2M

E.P.S.  
10.64c

* Cash net of A$11.5M share buy back and dividends payments
Total Contract value and revenue recognition percent complete at 30th July 2018, ONLY for system sales greater than $175,000

Unrecognized revenue at 30th July 2018,
<table>
<thead>
<tr>
<th>Customer</th>
<th>Description</th>
<th>Total Contract Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>French Territories Infogen</td>
<td>Development of an Auxilliary Aeronautical Information display for Cayanne, Gaudeloupe and Martinique. Can be sold to existing and new customers</td>
<td>6 months</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>Supply, Installation, &amp; Commissioning of an Air Traffic Control Simulator Training System and upgrades to 2 existing simulators</td>
<td>16 Months</td>
</tr>
<tr>
<td>Guadeloupe</td>
<td>Installation of Aurora ATM with development of significant new features, adding to product portfolio for new opportunities</td>
<td>11 Months</td>
</tr>
<tr>
<td>Air Services Australia</td>
<td>Major upgrade to image generators, deployment of latest image technology and upgrade of a part task trainer to a full 360 degree system</td>
<td>8 Months</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>Supply, Installation, &amp; Commissioning of an Air Traffic Control Simulator Training System</td>
<td>7 Months</td>
</tr>
<tr>
<td>Algeria</td>
<td>Supply, Installation, &amp; Commissioning of an Air Traffic Control Simulator Training System</td>
<td>9 Months</td>
</tr>
<tr>
<td>Kurdistan</td>
<td>Supply, Installation, &amp; Commissioning of an Air Traffic Control Simulator Training System</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>Delivery of 40 ICE English language training systems</td>
<td>7 Months</td>
</tr>
<tr>
<td>Fiji</td>
<td>Major upgrade of existing ATM system</td>
<td>14 Months</td>
</tr>
<tr>
<td>Morocco Radar</td>
<td>Rehabilitation of the Radar Control Simulator equipment at the International Civil Aviation Academy Mohammed VI located in Casablanca, Morocco. Rehab (16 Radar Controller Positions, 9 Pseudo Pilots), with 14 seats of ICE English language trainer</td>
<td>11 Months</td>
</tr>
<tr>
<td>Morocco Tower</td>
<td>The provision, installation and commissioning of air traffic control simulator equipment at the International Civil Aviation Academy Mohammed VI located in Casablanca, Morocco (2 180 Towers, 3 tower controller positions, 7 pseudo pilot positions, 3 radar supervisor positions, 4 radar controller positions, 4 assistant radar positions)</td>
<td>11 Months</td>
</tr>
<tr>
<td>Nav Portugal</td>
<td>Multiple deliveries of new features and enhancements to Aurora</td>
<td>15 Months</td>
</tr>
</tbody>
</table>
## SERVICES SEGMENT

### Key Contracts & Revenue

<table>
<thead>
<tr>
<th>Contract</th>
<th>Revenue</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAA ATOP – A$12.6M</td>
<td>A$12.6M</td>
<td>Grew 11% over FY2017 and is expected to grow again for 2019 with completion of hiring and backlog of work.</td>
</tr>
<tr>
<td>USAF Support – A$3.5M</td>
<td>A$3.5M</td>
<td>Active since 2002. Typically 1 year contract plus 4 additional 1 year options. Does not include engineering upgrades or new sales.</td>
</tr>
<tr>
<td>Nav Portugal Field Service – A$1.03M</td>
<td>A$1.03M</td>
<td>Two software engineers located in Santa Maria to provide software maintenance services. Typically 5 year contracts. Now in its 8th year.</td>
</tr>
<tr>
<td>FAA Controller Training – A$2.6M</td>
<td>A$2.6M</td>
<td>Approximately 47 people providing instructor and simulator operator services to FAA for controller training. Year 4 of 5 years.</td>
</tr>
<tr>
<td>FAA Simulator Field Services – A$4.1M</td>
<td>A$4.1M</td>
<td>Personnel located alongside ATC simulators at field locations, providing simulator operations assistance.</td>
</tr>
<tr>
<td>FAA Simulator Support – A$3.6M</td>
<td>A$3.6M</td>
<td>Support services for Adacel simulators. Amount varies each year based on additional system sales. In FY2018 approximately 55% were tasks that could not be executed by another vendor.</td>
</tr>
</tbody>
</table>
AIR TRAFFIC MANAGEMENT HIGHLIGHTS

- **Upgrades and new features for 4 existing customers –** Norway, Fiji, Portugal, French Guiana
- **Acquisition of new ATM products and capabilities to broaden addressable market**
- **Expectation of 4 new ATM system opportunities for FY19 outside of French Territories**
- **Commencement of second system of 3 French Territories systems awarded to Adacel**
- **Continuing growth in ATOP program of 10% with further increases expected in FY2019**
- **Aurora license sale to legacy customer and expectation of engineering services**
Digital ATIS - ATIS, is a continuous broadcast of recorded aeronautical information in busier terminal areas, i.e. airports and their immediate surroundings. D-ATIS provides full automation to the ATIS service. It can deliver text based weather information as well as synthesized audio and can be made available to a wider user base using phone / tablet apps and existing aviation datalink technologies.

Aviation Master Clock – A time server that synchronizes accurate time across multiple air traffic control applications.
Runway Monitoring and Airport Information Systems – Provides a single display for viewing information from multiple ATC applications, reducing the hardware and space requirements in air traffic control cabs.

Low cost digital surveillance system with ADS-B and Mode-S support.

DVAR - Digital Video and Audio Recording, is a hardware and software system used to record ATC radio communications and surveillance displays for use in incident investigation.
## TRAINING SYSTEMS HIGHLIGHTS

<table>
<thead>
<tr>
<th>18 new training system sales, 5 with new customers</th>
<th>Displaced competitors in 3 new systems awards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquired new technologies that will reduce the cost and fast track the development of new products in training systems</td>
<td>Added 3 new US Government contracting vehicles</td>
</tr>
<tr>
<td>Ongoing improvements in the cost of delivering ATC systems, particularly visual databases with a cost decrease of 15% to 20%</td>
<td>Acquired a large volume of ATC audio recordings to be used in the evolution and improvement of speech recognition systems</td>
</tr>
</tbody>
</table>
FISCAL YEAR 2019 OUTLOOK

- Increasing level of effort on the FAA ATOP program that will contribute to growth in the Services business.
- 5 new ATM systems opportunities outside of French Territories including two likely sole source awards.
- Continued strong opportunities pipeline in training systems.
- Expectation of ATM engineering services contract for legacy customer upgrade.
- Participation in US Army TADDS program to add additional time and material resources.
- Expected revenue contribution from new Aeronautical Information Services, ATM products.
- Introduction of new business model for Aeronautical Information Services.
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Sophie Karzis
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