For the six months ended 31 December 2018
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All references to dollars are to Australian currency unless otherwise stated.

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Adacel is a leading developer of advanced simulation and control systems for aviation and defense.

Adacel operates in the Global Aerospace Systems market including the Air traffic management and training sectors.

The company also provides software maintenance, system support, field services and on-site technical services.

Strong reputation within the aviation industry, with a highly experienced management and sales team.
H1 2019 Highlights

- ATOP revenue increase of 35% to $9.5M
- Services gross margins improved to 50.9% from 43.7%
- USAF 5-year contract renewal, valued at up to $32M
- $3.1m cash as at 31 December 2018
- Services revenue makes up 59.7% of total revenue
- Half-year dividend of 1 cent per share (unfranked)
Financial results meets guidance

$23.75m
Revenue decreased 6.4% pcp

$2.63m
EBITDA decreased 47.9%

$2.25m
Profit before tax

### Financial Performance

<table>
<thead>
<tr>
<th></th>
<th>H1 FY19</th>
<th>H1 FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A$’000</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>23,750</td>
<td>25,379</td>
</tr>
<tr>
<td>Gross margin</td>
<td>35.4%</td>
<td>39.8%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>2,633</td>
<td>5,053</td>
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<tr>
<td>Profit before tax</td>
<td>2,249</td>
<td>4,713</td>
</tr>
<tr>
<td>NPAT</td>
<td>1,454</td>
<td>3,390</td>
</tr>
<tr>
<td>EPS (cents)</td>
<td>1.9</td>
<td>4.3</td>
</tr>
<tr>
<td>Dividend (cents)</td>
<td>1.0</td>
<td>2.0</td>
</tr>
</tbody>
</table>
1H FY19 key financial metrics

**REVENUE (A$m)**
- H1 2017: 19.93
- H1 2018: 25.38
- H1 2019: 23.75

**EBITDA (A$m)**
- H1 FY17: 4.67
- H1 FY18: 5.05
- H1 FY19: 2.63

**NPAT (A$m)**
- H1 FY17: 3.75
- H1 FY18: 3.39
- H1 FY19: 1.45

**ORDERS A$m**
- Jan-Dec 2017: 31.3
- Jan-Dec 2018: 29.00
Increase Recurring Revenue Leveraging System Sales

Develop a profitable, sustainable and growing recurring revenue base by leveraging existing large customer base.

Acquiring new customers through the combination of best in class technologies and competitive pricing strategies.

New system sales lead to multiyear services contracts.
Diversified business model

**Systems**
Adacel produces state-of-the-art simulation and training systems, as well as air traffic management solutions for military and commercial use.

**Services**
Adacel provides ongoing software maintenance, support and technical services that provide a growing revenue stream for the company.

**Other**
Adacel is constantly pioneering new aviation technology solutions, including our Lexix speech recognition products and Voice Activated Cockpit interfaces.
Market Presence

**Current Market Opportunities**
- Speech Recognition
- Air Traffic Management
- Simulation Technology
- Visual Scene Generation
- Pilot Training
- Controller Training

**Target Markets**
- Systems Integration
- Homeland Security
- Safety Critical Software
- Subject Matter Expertise
- Voice Activated Cockpit
- Airport Driver Training
Air Traffic Control Simulation & Training: MaxSim

Adacel is a premier supplier of air traffic controller training systems in the U.S.

- Installed base of more than 350 air traffic training simulators
- Adacel’s MaxSim is the core of the ATC simulation and training offering

MaxSim provides a complete range of training solutions, providing the right tool at the right time enabling students to be engaged at all times throughout the training program

- The only system widely deployed outside of the ATC schoolhouse environment

Improves content delivery by spreading the teaching workload to self-teach tools with sharable content and auto-feedback that engages today’s tech-savvy students and frees instructors to better budget their time

Training systems for use in both civil and defense environments and for research, planning and modeling of air traffic procedures. Adacel has won all major large scale simulator system deployment contracts in the USA.
Air Traffic Management: Aurora

Overview

• Unique upgrade path program provides virtually unlimited expansion to meet ANSP’s ongoing requirements
• Integrated into powerful, low-cost, off-the-shelf processors and high-resolution displays
• Built-in system flexibility easily handles the diverse mix of aircrafts using both conventional and NextGen communications

Features

• 4-D flight profile maintenance and flight time calculations: Automatic calculation of estimated flight and fix times for all flight operations, both on and off airways
• Advanced conflict determination
• Integration of Automatic Dependent Surveillance (“ADS”) and Controller Pilot Data Link Communications (“CPDLC”)
• Monitoring of conformity of an aircraft’s flight path to its cleared trajectory in terms of current position, time, altitude and future intentions
• Full integration with third-party radar data-processing systems and space based ADS-B
• Automatic coordination between adjacent sectors and centers
• Display of flight data and aircraft position data on high-resolution controller displays, including electronic flight strips
• Minimum safe altitude warning
• Recording and playback of all operations, resulting in benefits for training, operational analysis and investigation of incidents
Adacel has become one of the most recognized brands in the specialized world of air traffic management by focusing on the market niche of oceanic and non-radar-based air traffic management, covering in excess of 41 Million Sq Miles of airspace.

1. ISAvIA – Reykyavik
2. NaV Portugal – Santa Maria
3. Airways New Zealand – Auckland
4. FAA ATOP / Ocean21 – New York
5. FAA ATOP / Ocean 21 – Oakland
6. FAA ATOP / Ocean21 – Anchorage
7. Airports Fiji – Nadl
8. DSNA French Guiana – Rochambeau
9. Norway’s Vainer

Additional systems are due for installation in Martinique, Guadeloupe and an un-named South American country.
Adacel’s increased focus on high-quality post-sales service and support has expanded the Company’s addressable market and transformed its revenue mix, while creating a strong base of high-margin, annuity-like revenue.
Experienced Board & Management

**Senior Management**

Gary Pearson  
Chief Executive Officer

Brian Hennessy  
VP Business Development & Strategic Planning

Daniel Verret (CPA, CA)  
Chief Financial Officer

Kevin Pickett  
VP Operations

**Board of Directors**

Peter Landos  
Non-Executive Chairman

Silvio Salom  
Non-Executive Director

Mike McConnell  
Non-Executive Director

Natalya Jurcheshin (B.Comm, CA)  
Non-Executive Director

Sophie Karzis (B.Juris, LLB)  
Company Secretary
Outlook

01
Stronger H2 anticipated as key systems installations complete, and other systems roll off warranty

02
FY2019 PBT Guidance 21-32% below FY2018 (after adoption of AASB15)

03
Strong pipeline for additional ATM systems

04
New ATM business unit to be launched in March

05
Increased ATOP level of effort to continue. USAF support contract renewed for an additional 5 years
## Appendix – Corporate Overview

### CAPITAL STRUCTURE

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares on Issue</td>
<td>76.63m</td>
</tr>
<tr>
<td>Remaining shares available for buy-back</td>
<td>6.05m</td>
</tr>
<tr>
<td>Share Price as at 27/02/2019</td>
<td>$0.795</td>
</tr>
<tr>
<td>Market Capitalisation</td>
<td>$59.4m</td>
</tr>
<tr>
<td>Cash as 31 December 2018</td>
<td>$3.1m</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>1 cent per share</td>
</tr>
</tbody>
</table>

![Graph showing stock price and volume over time](image)

### Graph Notes
- The graph shows the stock price and volume from February 2018 to January 2019.
- The x-axis represents the months from February 2018 to January 2019.
- The y-axis represents the stock price range from $0.00 to $3.00.

**Footnote:**
- [Graph data source](source)