

Full Year Results – Year ended 30 June 2011

Key Features

“As forecast in February, Orbital has delivered profits, including an underlying operating profit, and delivered increased cash to support our strengthening balance sheet” commented Terry Stinson, Orbital’s CEO. “Once again the Synerject growth story is very encouraging”

- Statutory net profit after tax of \$1.76 million compared to a profit of \$4.52 million last year.
- Underlying profit after tax of \$0.16 million compared to a loss of \$2.31 million last year.
- Synerject increased revenue to US\$120.83 million (+34%) and profit after tax to US\$6.50 million (+37%).
- Orbital Autogas Systems (OAGS) launched “Liquid” LPG injection systems on the Ford EcoLPi Falcon and continued development of aftermarket kits.
- Holden Special Vehicles (HSV) announced the introduction of the OAGS “Liquid” LPG system on its prestigious high performance vehicles. This includes HSV’s top of the line model “Grange”.
- Orbital successfully delivered industry benchmark results utilising FlexDI™ on Changan demonstrator engines and vehicle, meeting stringent Chinese fuel consumption targets.
- Orbital acquired the business of Sprint Gas, one of the largest distributors in the Australian LPG aftermarket, for an initial investment of \$2.00 million.
- Orbital completed the sale of land and buildings in Perth for \$8.65 million. Orbital will lease the facilities for 10 years, with 2 further 5 year options if required. The proceeds have been used to acquire Sprint Gas and will be utilised to support further strategic growth plans of the company.
- The strong Australian dollar adversely impacted the result by approximately \$0.54 million compared to the prior year.

“Continued delivery on our strategy and the investments to date provide a solid foundation for targeted growth in the coming year” said Mr Stinson.

FINANCIAL OVERVIEW

		June 2011 \$'000	June 2010 \$'000
Alternative Fuels	Revenue	5,847	6,203
	Contribution	<u>(757)</u>	<u>(1,727)</u>
Consulting Services	Revenue	9,492	9,621
	Contribution	<u>161</u>	<u>1,031</u>
Royalties and Licences	Revenue	1,081	1,199
	Contribution	<u>610</u>	<u>732</u>
Total	Revenue	16,420	17,023
	Contribution	<u>14</u>	<u>36</u>

Synerject	June 2011 US\$m	June 2010 US\$m
USGAAP Revenue (100%)	<u>120.8</u>	<u>90.4</u>
Equity accounted profit	3,233	1,874
Unallocated other expenses	(2,809)	(3,488)
Unallocated other income	959	644
Foreign exchange gain/(loss)	79	(97)
Finance costs (net)	(353)	(513)
Research and development	(1,158)	(1,152)
Business development costs*	(205)	(595)
Gain on restructure of loan*	-	7,695
Gain on sale of property*	4,237	-
Write-off capitalised development costs*	(1,065)	-
Provision for slow moving inventory*	(942)	-
Terminations costs*	<u>(417)</u>	<u>(276)</u>
Profit before tax	1,573	4,128
Taxation	<u>190</u>	<u>388</u>
Profit after tax	<u>1,763</u>	<u>4,516</u>
Underlying Profit/(Loss) (excl one off items*)	<u>155</u>	<u>(2,308)</u>

Detailed comments on Orbital's four business streams are as follows:

Alternative Fuels

	June 2011 \$'000	June 2010 \$'000
Revenue	5,847	6,203
Contribution	(757)	(1,727)
Write down capitalised development costs	(1,065)	-
Provision for slow moving inventory	(942)	-
Segment result	(2,764)	(1,727)

Alternative fuel system development is core to Orbital's growth strategy. Long term projections for increased crude oil prices, together with sovereign fuel security and requirements to reduce vehicle emissions, drive this strategy. The USA has announced major developments and sponsorship for use of CNG (Compressed Natural Gas). In the Asia Pacific region, the size of the CNG vehicle fleet increased by almost 16% to 6.7 million vehicle, with a global increase of 11%. In Europe there is a push for increasing use of CNG and LPG (Liquid Petroleum Gas) with European Automotive manufacturer's now offering product using both of these fuels. In the LNG (Liquid Natural Gas) application the "Blue Corridor" (key road transport routes with LNG readily available) is being developed in Continental Europe. Orbital is already active in this space and plans to grow in each of these markets.

Revenue decreased by approximately 6% compared to last year due to Ford ceasing production of the previous generation LPG Falcon at the end of September 2010. Revenue was partly compensated by increased aftermarket sales including contribution from Sprint Gas Australia (SGA) which was acquired at the end of May 2011. Gross margins improved due to the stronger Australian dollar compared to the Euro. Operational efficiencies have also been introduced reducing overheads, resulting in an overall year on year improvement in contribution of \$0.97 million.

In conjunction with the acquisition of SGA, the Orbital Autogas Systems operation was also reviewed. The contraction in the LPG aftermarket prompted a write-down of previously capitalised development costs for Liquid LPi aftermarket kits (\$1.06 million). In addition it was decided to provide for slow moving Liquid LPi aftermarket inventory (\$0.94 million). In total these non-cash adjustments amounted to \$2.01 million.

Ford Australia has recently released their "EcoLPi" Ford Falcon vehicle range equipped with Orbital's Liquid LPG systems (Liquid LPi). The response from the motoring press has been very positive. Liquid LPi technology solves issues of emissions compliance, cold start and reduced power compared with previous LPG systems. Most importantly, fuel cost savings are approximately \$1,000 year based on current fuel costs for a typical Australian family vehicle.

Orbital's Liquid LPi systems were also introduced on Holden Special Vehicles in late 2010, confirming that the systems can meet the needs of Australia's most prestigious and highest performance cars.

In May 2011, Orbital acquired the business of SGA for an initial investment of \$2.00 million. SGA is a major LPG distributor in Victoria, with a presence in most capital cities in Australia. SGA offers a full range of LPG systems for the aftermarket, and will be an outlet for Orbital's Liquid LPi systems. SGA also enables an Orbital presence in Victoria which is the centre of Australia's auto LPG markets and the home of Australia's automotive manufacturing businesses.

Orbital strategically invested in the LPG aftermarket at a time when the Australian market was under pressure. The Australian LPG aftermarket contracted throughout the year (approximately 50%), driven initially by the relatively lower differential between the cost of petrol and LPG, and reduction in the Government installation subsidy. However, LPG continues to offer a lower cost, cleaner alternative to petrol. We acquired a company that has a lead market share position in Australia. Orbital's initial investment is effectively net asset value and we retain the support of the long standing owners. This positions Orbital for future recovery in LPG markets.

Looking forward, Orbital is undertaking research and development in the next generation of alternative fuels systems; for example direct injection of alternative fuels. In the case of CNG, direct injection can reclaim some of the performance typically lost with manifold injection applications of CNG. Orbital continues to support direct injection CNG projects for international customers.

Synerject

Synerject – 100% (USGAAP)	June 2011 US\$'000	June 2010 US\$'000
Revenue	120,834	90,375
Profit after tax	6,500	4,744
Operating cashflow, including capex	8,517	5,957
	A\$'000	A\$'000
Orbital equity accounted contribution	3,233	1,874

Synerject, Orbital’s 42:58% Joint Venture Partnership with Continental AG, is a key supplier of engine management systems to the non-automotive market, with small engine applications for scooters through to high performance motorcycles, outboards and snowmobiles.

Synerject revenue increased by 34% to US\$120.83 million with a corresponding increase in profit after tax.

The marine and recreational markets are still impacted by the ongoing effect of the global financial crisis however Synerject achieved growth with investment in new products which have been launched throughout the year. In particular, Synerject has expanded in the supply of systems to the high end market including snowmobiles and high performance motorcycles.

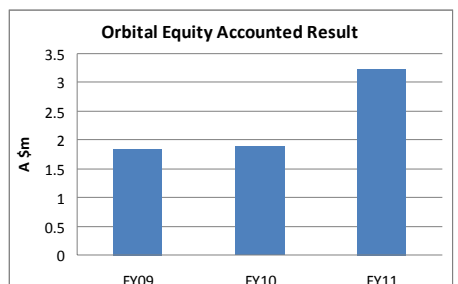
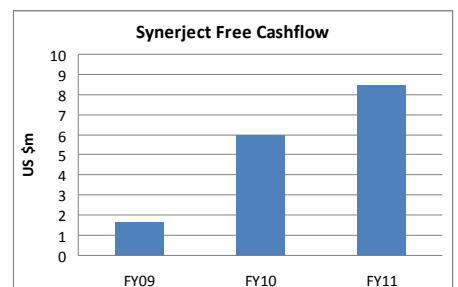
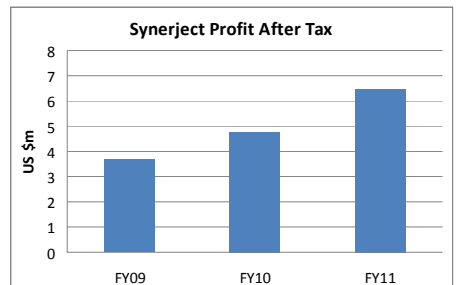
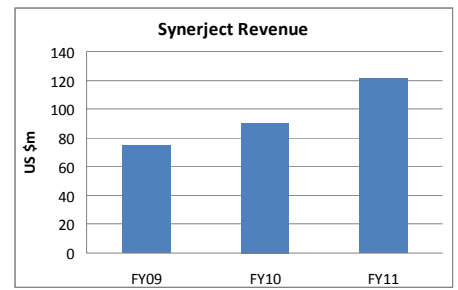
Taiwan, with its stringent in-field emission requirements remains a major market for Synerject, with 2 out of the 3 major Taiwanese motorcycle/scooter manufacturers utilizing Synerject product. China is the largest motorcycle market in the world and has recently introduced motorcycle Euro III emissions standards. This remains Synerject’s primary growth target.

Synerject has also recently introduced new product into the high volume utility and small engine markets.

Notwithstanding the revenue growth Synerject kept tight control of working capital, generating increased cashflow year on year. Synerject had net cash on hand at 30 June 2011 of US\$2.29 million (2010: US\$3.31 million net debt). Orbital received dividends of A\$1.21 million from Synerject during the year (2010: A\$0.68 million).

The Australian dollar has strengthened against the US dollar over recent years adversely impacting the translated equity accounted share of Synerject’s profit (FY2011: A\$0.42 million impact).

Synerject is well positioned in all of its markets and has a number of new product launches planned in the next 12 months. Synerject has a strong balance sheet and the active support of both parents.



Consulting Services

	June 2010 \$'000	June 2010 \$'000
Revenue	9,492	9,621
Contribution	161	1,031

Orbital Consulting Services (OCS) provides engineering consulting services, design, development and testing in the areas of engine design, engine combustion, fuel systems, engine management systems, alternative fuels, engine and vehicle testing and certification. Orbital provides fuel economy and emissions solutions to a wide variety of vehicle applications, from small displacement utility engines to large transportation and power generation applications.

OCS revenue of \$9.49 million was marginally lower than FY2010. A significant portion of OCS customers are overseas and the strong Australian dollar has meant that OCS services are less competitive globally and margins are under pressure. Orbital continues to win new programs on a consistent basis due to the unique technology and services offered by Orbital, and the order book is higher now than this time last year.

Orbital's new dual fuel LNG system development continues working with Western Australia's Mitchell Corporation (recently acquired by Toll Transport). The initial pilot level fleet of three LNG system fitted prime movers has expanded to nine. Mitchell has achieved significant fuel cost savings compared to diesel fuel only operation and improved reliability. Orbital's success with the Mitchell LNG program has generated interest from the broader transport industry. To expand significantly in this segment will require industry buy-in, expanded fuelling infrastructure and additional investment. We see this as a growth area; however we will continue to have a measured approach to limit Orbital's future financial exposure without limiting the upside in LNG for transport.

Major work for OCS is the development of spark ignition heavy fuel engines for UAS (unmanned aerial systems) applications. Orbital's proprietary FlexDI™ systems enable a petrol type engine to run on heavy fuels and continue to deliver high performance. Orbital goes beyond FlexDI™ offering engine design, development and prototype engine systems for various customer applications. We anticipate that this segment of our business will grow and strategically it is complementary to Orbital's alternative fuels initiative.

The Changan program has been successfully completed, confirming the capability of the Orbital FlexDI™ fuel system, which was integrated into Changan's new Intelligent Compound Combustion system (ICCS). Orbital and Changan hit the target of 20% reduction for vehicle fuel consumption as measured on the European Drive Cycle. The improved performance of the engine was also demonstrated in the vehicle assessment. Changan are satisfied with the results and displayed the engine concept at the Shanghai Auto show in April 2011.

Orbital's heavy duty engine test cell continues to be in high demand, with the test facility working extended hours during the year to match customer demand plus supporting Orbital's large engine R&D. The heavy duty test facility has proven to be a worthwhile investment.

Orbital's core engineering group provides engineering fee for service to external customers and creates new products for the Orbital group. The support ranges from advanced engine R&D through to development of LPG aftermarket kits and support for customer application programs.

At 31 July, 2011 Orbital had an order book of \$4.63 million (30 June 2010: \$3.40 million)

Royalties and Licences

	June 2011 \$'000	June 2010 \$'000
Revenue	1,081	1,199
Contribution	610	732

Orbital earns royalties from production using its FlexDI™ systems and technology. The royalty bearing products today are in the recreational and scooter/motorcycle markets.

Orbital's key royalty earning products, the Mercury Marine Optimax and the Tohatsu TLDI, achieved a slight increase in volume in a relatively flat global outboard engine market. As Orbital's royalties are predominantly earned in US Dollars the volume increase was however offset by the strength of the Australian Dollar.

The recreational market growth is expected to remain flat, especially in the key North American market, due to financial insecurity and the general careful use of discretionary income.

Other

In February 2011 Orbital completed the sale and leaseback of its land and buildings in Balcatta for \$8.65 million. The sale generated a net profit of approximately \$4.2 million and provides cash reserves for strategic acquisitions such as Sprint Gas and organic growth opportunities such as the launch of the new Ford EcoLPi Falcon range of vehicles. Orbital has entered into a lease agreement to rent the facilities for 10 years (plus two 5 year options) for an initial rent of \$745k per annum.

In May 2011 Orbital acquired 55% of the business of Sprint Gas Australia for \$2.0 million. Sprint Gas, founded in 1978, imports, assembles and distributes automotive LPG conversion kits in the Australian LPG aftermarket. Sprint Gas generated sales of approximately \$7.3 million in FY11 through distribution centres in Victoria, Queensland and Western Australia. The Sprint Gas business will compliment the recently developed range of Liquid LPi kits distributed by Orbital Autogas Systems. Put and call options are in place for the vendors remaining 45% holding of Sprint Gas which Orbital records as contingent (future) consideration. Orbital consolidates 100% of Sprint Gas. This business will be reported in the Alternative Fuels segment going forward.

Research and development investment of \$1.16 million (2010: \$1.15 million) related primarily to applications of Orbital's FlexDI™ system in conjunction with the Changan project in China.

During the year management irrevocably waived their right to cash bonuses which were awarded and accrued in FY2010, resulting in a credit to the Income Statement of \$0.40 million in this year.

Other overhead expenses were managed closely and a range of savings were achieved including corporate costs, travel and accommodation, communication, insurance and patent costs.

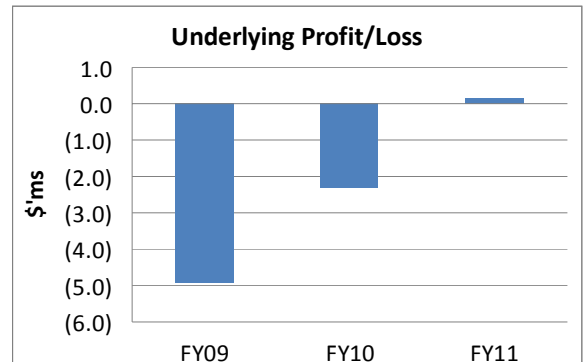
Cash Flow	June 2011 \$'000	June 2010 \$'000
Operating cash flows	(1,792)	(5,049)
Synerject dividend	1,208	677
	(584)	(4,372)
Sale of Balcatta property	8,557	-
Acquisition of Sprint Gas	(1,780)	-
Other capex and development costs	(1,074)	(2,478)
Financing cash flow	(1,848)	336
Movement in cash/short term deposits	3,271	(6,514)

Net cash used in operating activities (including the receipt of dividends from Synerject) was \$(0.58) million; an improvement of \$3.79 million compared to FY2010. Cash utilised for acquisition of plant and equipment and development costs decreased to \$1.07 million (FY2010: \$2.48 million) as Orbital completed the investment in Liquid LPi retrofit fits and the heavy duty engine test facility. Orbital repaid \$1.85 million loans (2010: \$0.33 million net drawdown). At 30 June 2011 Orbital had cash and short term deposits of \$6.87 million (June 2010: \$3.61 million).

Outlook

The Orbital Board targeted a return to underlying operating profits in FY2011. That has been achieved.

Year over year, changes in the exchange rate and markets impacted profitability. The strong Australian dollar has made our engineering services less competitive for overseas customers and the translation of royalty revenue and Orbital's share of Synerject's results were both negatively impacted. The launch of the Ford EcoLPi Falcon range was delayed which meant that OAGS sales of the newly developed Liquid LPi system to Ford were negligible in FY2011. The Australian LPG retrofit market is at record lows impacting the launch of the recently developed LLi retrofit kits.



Notwithstanding the impacts to the operating environment a \$2.46 million improvement in underlying operating result was achieved through cost reduction and efficiencies and the continuing growth of revenue and profits of Synerject.

Continued delivery on our strategy and the investments to date provides a solid foundation for targeted growth in the coming year:

- Ford has now launched the EcoLPi Falcon which is receiving excellent media coverage and positive feedback from the market.
- Synerject has launched a number of new products in FY2011 and plans further product launches in FY2012.
- Sprint Gas was acquired on 27th May 2011 and will contribute full year earnings in FY2012. Sprint Gas revenue was approximately \$7 million in FY2011.
- OAGS has now developed approximately 50 Liquid LPi aftermarket kits and trained a national network of installers. OAGS will also distribute through Sprint Gas's long established distribution channels.
- Orbital's UAS engine systems initiative is gaining momentum and FlexDI™ provides Orbital with a unique position in this market.

Orbital expects Royalties to be flat year on year and the Consulting Services business to provide some growth and a marginally improved contribution. As noted above the OCS order book at 31 July 2011 is \$4.63 million.

The business efficiencies achieved in FY2011 will provide benefits in FY2012 with reduction in overheads (on a like for like basis). The integration of Sprint Gas will provide synergistic benefits for both Sprint Gas and OAGS.

As noted above the sale of property has provided a cash reserve for strategic growth. The Board will assess acquisitions opportunities as they arise and direct R&D investment in a number of alternative fuel application opportunities.

The Orbital Board looks forward to growth, improving our profitability and delivering sustainable operating cashflows.

CONTACTS

Terry Stinson CEO
Keith Halliwell CFO

Email Info@orbitalcorp.com.au
Website www.orbitalcorp.com.au

Tel: +61 8 9441 2311

About Orbital

Orbital is an international developer of innovative technical solutions for a cleaner world. Orbital provides innovation, design, product development and operational improvement services to the world's producers, suppliers, regulators and end users of engines and engine management systems for application in motorcycles, marine and recreational vehicles, automobiles and trucks. Orbital's principal operations in Perth, Western Australia, provide a world class facility with capabilities in design, manufacturing, development and testing of engines and engine management systems. Headquartered in Perth, Western Australia, Orbital stock is traded on the Australian Stock Exchange (OEC) NYSE Amex (OBT) (from 25 August 2011) and the OTC Bulletin Board (OBTM) (until 25 August 2011).

Forward Looking Statements

This release includes forward-looking statements that involve risks and uncertainties. These forward-looking statements are based upon management's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of the Company, that could cause actual results to differ materially from such statements. Actual results and events may differ significantly from those projected in the forward-looking statements as a result of a number of factors including, but not limited to, those detailed from time to time in the Company's Form 20-F filings with the US Securities and Exchange Commission. Orbital makes no undertaking to subsequently update or revise the forward-looking statements made in this release to reflect events or circumstances after the date of this release.