Good morning ladies and gentlemen and welcome to the 23rd Annual General Meeting of Orbital Corporation Limited. My name is Peter Day and I will chair today's meeting.

The Company Secretary has informed me that we have a quorum of shareholders present, and accordingly I now declare the meeting open.

With us today are my fellow Non-Executive Directors, Dr Vijoleta Braach-Maksvytis and Dr Merv Jones, together with our Managing Director and Chief Executive Officer, Terry Stinson and Mr Ian Veitch our Company Secretary. Also present is Mr Keith Halliwell, our Chief Financial Officer. Members of the senior executive team and staff are also present.

In addition, Mr Geoff Lotter is present, representing the company's auditors, Ernst & Young.

Let me at the outset give you an overview of this morning's agenda:

First, I will give you a summary of the key strategic and operating features of Orbital's past year, including a financial review. I will make some remarks on the outlook for the future.

Terry Stinson will then provide a more detailed operational and strategic review and his thoughts on the future, after which we will conduct the formal business of the meeting. There will be an opportunity to ask questions on each item of formal business and after that has been completed we will take any further questions from the floor on any matter. At the end of the meeting all shareholders and visitors are invited to take refreshments with us.

<u>(Slide - Profit & loss account)</u>
<u>(Slide – Cash Flow)</u>

Financial Results

Orbital generated a statutory profit after tax of $1.8 million for the year ended 30 June 2011; this included a profit on the sale and leaseback of our property in Perth of $4.2 million.

The underlying operating result (as set out in page 4 of the Annual Report) was a profit of $0.2 million; an improvement of $2.5 million compared with the previous year.

In general, the business environment in which Orbital operated was tough in the 2011 financial year. The strong Australian dollar made locally provided consulting services more expensive and less competitive for our overseas customers, and also impacted the equity accounted Synerject result and royalty revenue.

The launch of the Ford EcoLPi Falcon was delayed and the LPG conversion market contracted during the year; as a result of all those factors Orbital's consolidated revenue decreased by 3.5% to $16.4 million.

However, our equity accounted joint venture Synerject increased its revenue by 34% to US$120.8 million with a corresponding improvement in profits and this, together with a focus on cost reduction, generated Synerject's profit improvement year on year.

- **Alternative Fuels.** In May 2011 Orbital acquired the business of Sprint Gas Australia for an initial investment of $2.0 million, being a 55% stake with options to go to 100% over time. Sprint Gas, headquartered in Melbourne, distributes a wide range of LPG systems to installers throughout Australia. Sprint Gas has been operating for more than 30 years and is one of the biggest LPG distributors in Australia.

  The Sprint Gas business will compliment Orbital Autogas Systems (OAGS) which itself has developed Liquid LPi systems for both the aftermarket and the Ford EcoLPi Falcon. Liquid LPi solves issues of emissions compliance, cold start and reduced power associated with previous LPG systems. As noted earlier the launch of the EcoLPi Falcon was delayed but is now in the market and receiving excellent feedback from the motoring press.

  During the year Orbital's Liquid LPi system was also taken up by Australia's premium high performance car manufacturer Holden Special Vehicles.

  Alternative Fuels revenue of $5.8 million was 5.7% lower than the prior year for the reasons outlined earlier, however the contribution improved by $1.0 million as the significant investment in Liquid LPi was completed. In conjunction with the Sprint Gas acquisition Orbital reviewed all of its investments in the LPG market. Due to the contraction in the aftermarket it was decided to provide $0.9 million for slow moving inventory and write-down previously capitalised Liquid LPi development costs of $1.1 million. These non- cash expenses amounted in total to $2.0 million.

- **Synerject**, Orbital's joint venture with Continental Corporation, increased revenue by 34% from US$90.4 million to US$120.8 million in the 2011 financial year. There was a corresponding 37% increase in total jv profit to US$6.5 million which followed a 30% increase in profit in the previous year.

The revenue increase was a result of the launch of new products; for example the supply of systems to the snowmobile and high end motorcycle markets. Synerject has consolidated its position as a leading supplier to Taiwanese motorcycle/scooter manufacturers, meeting stringent in-field emissions requirements in Taiwan. Synerject is targeting future growth in the Chinese motorcycle market which has introduced Euro III emissions requirements. The marine and recreation market, which for Synerject is primarily in North America and Europe, has not yet recovered from the impact of the global financial crisis and is affected by current economic uncertainty, but is still a major part of Synerject's revenue and results. The high volume utility and small engine market presents further growth prospects for Synerject, initially in North America.

Synerject's operating cash-flow, after investment in working capital to support increased revenue and capital expenditure, increased by 43% to US$8.5 million. At 30 June 2011 Synerject had cash reserves greater than total debt and a strong balance sheet to fund further growth opportunities. Orbital received dividends of $1.2 million during the year.

Orbital's equity accounted Synerject result increased by 73% to $3.2 million. The strong Australian dollar impacted this result by approximately $0.4 million.

- **Consulting Services** revenue of $9.5 million was marginally lower than the previous year; however there was a more significant reduction in contribution to $0.2 million as a result of the reduced competitiveness of OCS services globally.

  The engineering team however continued to deliver an excellent outcome in a number of projects including:

  - Achieving up to 20% reduction in fuel consumption by incorporating Orbital's FlexDI^{tm} technology on Chinese car manufacturer Changan's new combustion system for passenger cars;
  - Achieving significant fuel cost savings through the introduction of a new dual fuel LNG system on a pilot fleet of prime movers; and
  - Development of spark ignited heavy fuel engines for UAS (unmanned aerial systems).

  Orbital's heavy-duty engine test facility continues to be in high demand for external work and for internal large engine research and development.

- **Licence and Royalty** revenue of $1.1 million was marginally lower than last year due to the stronger Australian dollar in what was a relatively flat outboard engine market.

Capital management. Orbital completed the sale and leaseback of the Balcatta property in Perth during the financial year. The sale generated a profit of $4.2 million but, more importantly, proceeds of $8.6 million which have been used to bolster cash reserves, and for strategic investments including the Sprint Gas acquisition.

Orbital also expects to grow sales significantly this financial year and this will lead to associated working capital requirements, and this will be supported by the cash reserves.

Orbital's **operating cash outflow** (after including the receipt of Synerject dividends) was $0.6 million; an improvement of $3.8 million year on year. Cash required for plant and equipment and product development decreased by $1.4 million to $1.1 million as Orbital completed the investments in Liquid LPi aftermarket kits and the heavy duty engine facility. Orbital repaid loans of $1.8 million during the year and at 30 June 2011 had cash and short term deposits of $6.9 million.

During the year, as I advised at the previous AGM, the management team waived their right to bonuses of $0.4 million which not only contributed to the profit result but also conserved cash.

Outlook

This time last year I reported that Orbital was targeting a return to operating profits in FY2011 and that has been achieved.

This financial year we are targeting increased underlying profits and sustainable operating cash-flow.

Comments on the outlook for our major revenue streams are as follows:

Alternative Fuels - Orbital Autogas Systems' (OAGS) priority in FY2012 is to ensure (as far as is possible for factors within our control) that the launch of the EcoLPi Ford Falcon is successful. OAGS will also seek to expand sales of the new Liquid LPG retrofit kits. The LPG conversion market in Australia continues to contract but we believe in the long-term future of this market and we receive excellent industry feedback on OAGS's top performance liquid LPG technology. **Sprint Gas Australia (SGA)** will contribute to Orbital's results for a full year. SGA is also dependant on the tough LPG conversion market; however we can report that, in the short time since acquisition, SGA has met its targets and improvements will be generated in the future as SGA and OAGS work more closely together.

Synerject will continue to introduce new products in FY2012, providing revenue growth despite the economic uncertainty in Europe and North America. Synerject has a strong balance sheet, with effectively no net debt and positive cash-flow. In FY2012 Synerject will continue to invest in new product development including low cost engine management systems for the high volume, low cost scooter market and product for the lawn and garden market. We anticipate an improved equity accounted Synerject result and increasing dividends.

The **Consulting Services** order book was $4.6 million at 31 July 2011. That has provided a solid 1st quarter contribution, higher than the same period last year. It is difficult to forecast consulting services revenue and contribution for the remainder of the year as the look ahead is relatively short-term; however there are a number of prospects, particularly in the UAS sector, and we are targeting an improved contribution from this business segment year on year.

Orbital's five businesses started this new year by each making a positive contribution to earnings and at the overall group level showed an improved profit and operating cash-flow compared to the result for the same quarter last year. We are targeting to deliver an improved underlying profit for the full year.

But there are significant challenges ahead with key factors beyond our control:

- The Ford EcoLPi program has launched successfully and our results will ultimately depend on the volumes that are achieved in the market place; we are committed to support that program;
- Exchange rates at the current elevated levels will continue to hurt our engineering and consulting businesses as they have to compete by offering pricing in a US dollar market, which translates to lower Australian dollar returns;
- The LPG market has softened significantly following the reduction in government rebates;
- Furthermore the imposition of a cap on rebates puts greater uncertainty into the market place and undermines confidence in the LPG alternative; and
- We have abundant LPG in Australia. In overseas markets gaseous fuels are strongly supported due to local availability, lower inherent costs and fuel security considerations. It is perplexing that a similar perspective and policy settings seem not to be embraced in Australia.

So you can see we face some headwinds.

We have taken steps and will continue to look closely at overheads to offset these challenges to business earnings. For example, we will shortly release some 700 square metres of spare prime commercial real estate in Balcatta for lease and invite you to pay good rent – and reduce our overhead property costs.

In summary, we do not expect business to be easy but we do intend to fight for every dollar of profit. We have been laying the foundations and we have businesses that can make a good return. We want to deliver that return to you.

Thank you.

Terry Stinson will now address you.

We will then turn to the formal business of the meeting and provide an opportunity for questions on each item of business and then more generally.