

Good morning ladies and gentlemen and welcome to the 25th Annual General Meeting of Orbital Corporation Limited. My name is Merv Jones and I will be chairing today's meeting.

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

With us today are my fellow Non-Executive Directors, Dr Vijoleta Braach-Maksvytis and Mr Peter Day, together with our Managing Director and Chief Executive Officer, Terry Stinson and our Chief Financial Officer and Company Secretary, Mr Ian Veitch.

In addition, we have with us today Mr Gavin Buckingham, representing our auditors, Ernst & Young. Our Audit Partner, Mr Tim Dachs gives his apologies, but he has an interstate commitment.

This morning, I would like to give you some highlights of the past year, our strategic positioning and also an 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. We will then take questions from the floor.

All shareholders and visitors are invited to join the Board and management for refreshments at the end of the meeting.

Highlights of FY2013

- Consolidated revenue increased by 19% to \$26.699 million.

Systems Sales revenues for the year were \$23.424 million, a 67% increase on the previous year, reflecting the production and supply of Small Unmanned Aerial System (SUAS) engines, SUAS engine management systems and sales of SUAS spare parts. The significant increase in revenue from SUAS was partially offset by reductions in revenue from both of the LPG related businesses.

Orbital Consulting Services revenue for the year was \$2,057,000, down 71% compared to last year.

- The financial performance of the Company has significantly improved from a loss of \$3,053,000 last year to a statutory net profit of \$364,000 this year, primarily due to the combined benefits of increased system sales and tighter cost control. The result was achieved despite significant expenses for goodwill impairment and termination costs incurred in restructuring the operations of the Group.

- On an operating basis, we made an underlying profit after tax of \$1.370 million compared to a loss after tax of \$3.332 million last year.

With the changes over the year, the business is now on a better base to achieve sustainable profits in the future.

- Synerject increased revenue to US\$137.287 million (+8%) and profit after tax to US\$8.275 million (+3%).
- Orbital won and fulfilled significant production orders from AAI for heavy fuel engines utilising Orbital's FlexDI™ engine management system for use in SUASs by the US military.
- Orbital's LPG related businesses increased their market share. However, the Group incurred significant impairment charges against these businesses as the Australian LPG market continued to contract.
- Termination costs of \$0.563 million were incurred in reducing staff numbers to address the difficult operating conditions of the consulting services business and the two LPG related businesses.
- Net cash used in operations was \$0.272 million compared to \$2.701 million last year.

Strategic Positioning

Four years ago, Orbital set a new path forward with a new strategic plan to transition from an engineering consulting business into a diversified company that develops and sells high value systems and components.

The Board and the Orbital Team are delivering on this strategy by adding our new SUAS engine and systems business, with significant contracts completed and underway during the past year.

We have a unique selling proposition, FlexDI™ and using this as a catalyst, we project the SUAS related business to grow over the coming years. The SUAS business adds to the already established, Sprint Gas Australia, Orbital Autogas, Engineering Consulting Services, Royalties, and Synerject revenue streams.

Orbital's core engineering group (Orbital Consulting Services) will continue to be used as an incubator to develop new products. This group will continue to seek out new opportunities for engineering contracts that will hopefully lead to new products and systems sales. The strategy is gaining momentum and it is worth noting that most of our new revenue streams have originated from Consulting Services contracts.

There is more to come; we plan to expand our business scope in the SUAS market. We also have a strong foundation in gaseous fuels. Building on our established LPG businesses, we will continue to explore opportunities in Natural Gas and Liquid Natural Gas (LNG) systems markets. These markets are set for growth. Orbital has already established an excellent reputation in LPG and through the LNG truck fleet trial with Toll Transport. The planned UCAL-Orbital joint venture in India can also open up new opportunities for growth, while providing Orbital and our customers with a low cost base for engineering, testing and manufacturing.

Outlook

When we released our results in August we provided a summary of the Outlook for each business segment for FY2014 and beyond. I will reiterate most of that outlook and add some additional information where appropriate.

In particular:

System Sales

As announced on 31 July 2013, Orbital was awarded a contract for the design, development and validation of a next generation production engine for a USA-based customer that is one of the largest in the SUAS market. The development program will be conducted through 2013 and 2014 and if successful will lead to higher volume production of SUAS engines in 2015. The Unmanned Aerial Vehicle market is projected to double in the next decade¹ and with Orbital's unique FlexDI™ technology, this is projected to be a significant growth area for the Company.

Responsibility for the production of SUAS engines for AAI Corporation is being transitioned to a non-Orbital US based company. Revenues from SUAS will thus be significantly lower in the next financial year as we move from being a supplier of complete engines to a supplier of engine management systems, fuel system components and spare parts.

Due to the subdued LPG systems market at present, both Orbital Autogas Systems and Sprint Gas Australia have undertaken restructures to manage their businesses to the market demand, and in general, have managed to increase market share; albeit in a contracting market. Orbital is well positioned for any upturn in the LPG market and is currently the largest player in Australia. The LPG market is influenced by the price differential between LPG and petrol. The lower Australian dollar and increasing petrol prices may ignite more interest in LPG conversions and there will potentially be more interest towards the end of the financial year when the Federal Government

¹ World Unmanned Aerial Vehicle Systems – Market Profile and Forecast 2013 Edition: Teal Group Corporation

withdraws the LPG Vehicle Rebate scheme incentive of \$1,000 for aftermarket systems.

I hope as the new Federal Government settles in and reviews energy policy and climate change actions that the value of LPG, LNG and CNG to the Australian economy and environment becomes more fully understood. Widespread substitution of gaseous fuels for predominantly imported liquid fuels is a viable option for Australia, both economically and environmentally. As you will all be aware, Australia has a paucity of liquid fuel, but an enormous surplus of gaseous fuels. In my opinion it is extremely important that this government takes a more holistic view of the country's exposure to dependence on external liquid fuels and develops a longer term liquid fuels strategy that involves substantial substitution of imported petrol and diesel with LPG, LNG and CNG, all of which are available from Australian sources and all of which offer positive short and medium term environmental outcomes.

Synerject

The outlook for Synerject is for continued growth firstly in the marine and recreational segment and in the low-end 2 & 3 wheeler and utility markets in future years.

Consulting Services

Orbital Consulting Services will continue its transition to becoming an engineering centre supporting the rest of the Orbital group, whilst still providing a base level of advanced engineering and testing facilities to support the overhead of maintaining our world-class capabilities.

As announced on 16 August 2013, Orbital had been awarded an Automotive New Markets Program grant of \$933,000 for the development of a new Electronic Control Unit (ECU) for use in SUAS applications. The development activities will be performed by the Consulting Services group through the next financial year.

Cash and Capital Management

As noted earlier Orbital is strategically transitioning from an engineering consulting services operation to a company which develops and sells high value systems and components. We delivered 19% revenue growth last year and whilst we will see reduced revenue in FY2014 we anticipate further growth in FY2015 as we introduce new products into the SUAS market.

We are managing our cash conservatively and have a consolidated cash balance at 30 September 2013 of \$6.3 million. We are cognisant of the business conditions in which we operate and the fact that our growth, as it arises, will require funding. This can be achieved by a variety of means –

reinvesting profits, realisation of assets not aligned with the emerging strategy, and of course access to shareholders if we can demonstrate a compelling case or compelling need.

As our business continues to develop over the next 12 months we will carefully manage our cash reserves balancing operating cash requirements and growth opportunities.

Orbital's reduced cost base will enhance our ability to deliver sustainable profits. Our first goal for next year is to deliver a profit, second is positive cash flow, delivering both while continuing to identify and deliver new opportunities for growth.

In Summary

This has been a very encouraging year. The growth of our SUAS business has been a highlight showing that our strategic transition into a company that develops and sells high value systems and components is progressing well. We also expect the growth and continued profitability of Synerject to contribute significantly. Our Consulting Services business can also play a positive part in our future.

Looking forward, I reiterate the Board's target of generating both a statutory and underlying operational profit in the year ending 30 June 2014. We have some economic uncertainties which are affecting our businesses however management and the Board have made and are continuing to make the appropriate changes in our operations to manage those challenges. I would note that we now consider that after four or five years of staff realignment and restructuring, our staff numbers and capabilities are appropriate for the size of our current and foreseen business.

Terry Stinson will now address you; we will then turn to the formal business of the meeting and provide an opportunity for questions.

However, before I hand over to Terry I would like to express the thanks of the Board of Directors to Peter Day for the leadership and guidance that he has provided during his six years as Chairman of the Company. Peter and Terry have led the transition from an engineering consulting business into a diversified company that develops and sells high value systems and components. We still have a way to go on that transition, but Peter's leadership has been critical to our success so far. We are very pleased that Peter will be continuing with the company as a Non-executive director.