

FOR IMMEDIATE RELEASE: 27 FEBRUARY 2015

ASX Code: OEC

ORBITAL HALF YEAR RESULTS

PERTH, AUSTRALIA: 27 February 2015 - Orbital Corporation Limited today reports results for the half year ended 31 December 2014.

A period of investment in Orbital's Growth Strategy

HIGHLIGHTS

- The half-year results reflect Orbital's commitment to an aggressive growth strategy focused on investments in innovation and commercialisation of technologies as a vehicle to deliver improved profitability and significant growth of the Company's market capitalisation.
- All cash generating business units performed materially in line with the business plan adopted as part of the Company's Growth Strategy.
- Net cash generated from operations increased by \$2.3million from the previous period to \$0.6million.
- Net loss after tax of \$1.2million compared to a loss of \$0.5million for the same period last year and includes \$1.5million in additional expenses relating to: restructuring costs (\$0.4m); transaction costs related to the REMSAFE acquisition (\$0.1m); and research and development costs for the Unmanned Aircraft Vehicle ("UAV") propulsion engineering project (\$1.0m).
- Consolidated revenue of \$8.0million largely driven by system sales which are expected to grow significantly in future with the progress of the UAV propulsion engineering project and the addition of the REMSAFE business.
- The half year results demonstrate improvements in efficiencies across the Orbital business with the Company in a strong position with cash at 31 December 2014 of \$6.4million.
- Synerject (30% owned by Orbital) increased revenue to US\$75.6million (+3%) and achieved a profit after tax for the period of US\$5.9million.
- The UAV propulsion engineering project continues to progress with delivery of the first engines for ground testing of the next generation ScanEagle propulsion system.
- Agreement to acquire stake in REMSAFE provides Orbital with an exciting opportunity for revenue and profit growth based on the product's unique technology.
- The strategic review of the Company's businesses conducted during the period confirmed the continued decline in the Australian LPG market and as a result Orbital Autogas Systems ("OAS") and Sprint Gas Australia ("SGA") are being restructured and remain under review.
- Share buy-back successfully completed with 4,975,699 shares purchased for \$0.8million and subsequently cancelled resulting in an efficient capital structure with total current outstanding ordinary shares of 46,327,334.

REVIEW AND RESULTS OF OPERATIONS

The total statutory revenue and loss after tax for the half year period ended 31 December 2014 was \$7,954k and \$1,230k respectively (2013: total revenue \$11,285k and loss after tax of \$530k) as shown below:

Financial Overview⁽¹⁾

		Dec 2014 \$'000	Dec 2013 \$'000
System Sales	Revenue	6,212	9,067
	Segment result	(162)	(909)
Consulting Services	Revenue	1,305	1,543
	Segment result	34	363
Royalties and Licences	Revenue	375	582
	Segment result	181	363
Total	Revenue	7,892	11,192
	Segment result	53	(183)
Synerject		Dec 2014 US\$'000	Dec 2013 US\$'000
Revenue (100%)		75,638	73,379
Equity accounted profit		1,773	2,126
Other income		808	294
Foreign exchange gain		106	212
Finance costs (net)		(293)	(268)
Research and development		(1,083)	(733)
Other expenses		(2,547)	(2,326)
Loss before tax		(1,183)	(878)
Taxation		(47)	348
Loss after tax		(1,230)	(530)

(1) The Financial Overview includes segment information which is non-IFRS information that has not been reviewed by the external auditors. This information is presented to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business.

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

Synerject

	Dec 2014	Dec 2013
	US\$'000	US\$'000
Synerject (100%)		
Revenue	75,638	73,379
Profit after tax	5,942	6,487
Operating cash flow including capex	9,115	6,406
	A\$'000	A\$'000
Equity Accounted Contribution	1,773	2,126

Synerject, Orbital's 30:70% (2013: 30:70%) Partnership with Continental AG, is a key supplier of engine management systems to the non-automotive market. Original Equipment products using Synerject's engine management systems range from high performance motorcycle/recreational vehicles to high volume scooter and small engine applications.

Synerject reported a 3% increase in revenue compared to the same period last year with increased sales in its recreation and Low-End 2/3 wheeler segments.

Synerject generated a half year profit after tax of US\$5,942k and positive cash flow of US\$9,115k. During the period, Orbital received a dividend from Synerject totalling A\$717k. At 31 December 2014, Synerject held cash of US\$17,419k and had no borrowings (June 2014: net cash of US\$8,611k).

The investment in Synerject remains a valuable asset for Orbital which the Board does not consider is fully represented in the Company's current market capitalisation nor fully realised by the current dividend policy. As at 31 December 2014 the value of Orbital's investment in Synerject is recorded in the Company's accounts as A\$17,018k.

System Sales

	Dec 2014	Dec 2013
	\$'000	\$'000
Revenue	6,212	9,067
Segment Result	(162)	(909)

Revenues for the half year were \$6,212k a 31% decrease on the corresponding period last year. The decrease in revenue is largely attributable to a focus during the period on the design, development and validation program of the Small Unmanned Aircraft Systems ("SUAS") propulsion systems for the Insitu Inc. engineering project. The investment in the SUAS propulsion system project is expected to lead to a full scale production contract and significant future revenue growth.

The SUAS engineering project is on track and Insitu Inc. is pleased with Orbital's performance. The new ScanEagle SUAS propulsion system is currently undergoing testing and is progressing well. Orbital is preparing to deliver on the next major milestone, the flight testing stage of the program. The Orbital designed and developed, Insitu ScanEagle propulsion system recently passed the United States of America, Federal Aviation Administration's Federal Aviation Regulation section 33.49 reciprocating aircraft engine endurance test. This propulsion system is the first spark-ignited piston SUAS engine to run on heavy fuel and pass the stringent endurance test.

The Australian LPG automotive market continues to contract. This significantly impacted the Orbital Autogas Systems (OAS) and Sprint Gas Australia (SGA) businesses during the reporting period with combined sales declining 37% over the previous year. Orbital's LPG businesses have gained significant market share during this decline, however the improvement in market share was not enough to offset the decline in the overall market. In response to the very subdued LPG systems market at present, both OAS and SGA have undertaken significant restructuring of their businesses and in parallel Orbital is investigating options to improve overall sales and return to profitability and/or further restructuring or divestment opportunities.

Consulting Services

	Dec 2014	Dec 2013
	\$'000	\$'000
Revenue	1,305	1,543
Segment Result	34	363

Orbital Consulting Services (OCS) provides engineering consulting services in engine design, research and development for advanced combustion systems, fuel and engine management systems, along with engine and vehicle testing and certification. Orbital provides improved performance, fuel economy and emission improvement solutions to a wide variety of engine and vehicle applications, from 150 tonne mine haul trucks through to small industrial engines.

OCS revenue for the half year was \$1,305k a decrease of \$238k (15%) compared to last year. The main customer programs during the period were in engine design, alternative fuel system development and in programs requiring the use of Orbital's state-of-the-art testing facilities.

Royalties and Licences

	Dec 2014	Dec 2013
	\$'000	\$'000
Revenue	375	582
Segment Result	181	363

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

FlexDI™ product volumes in the marine market decreased compared to the same period last year due to a change in product mix by the manufacturer. This decrease in volumes accounted for 56% of the reduction in revenue for the half year and is expected to recover in the full year as the manufacturer has rebalanced the product offering to include Orbital royalty bearing products.

Other Income

Other income increased during the reporting period primarily through an increase in Government grant income and in rental income generated from the sub-letting of surplus space.

Cash Flow

	Dec 2014	Dec 2013
	\$'000	\$'000
Operating cash flow	(152)	(2,326)
Synerject dividend	717	615
	565	(1,711)
Share buy-back	(773)	-
Other capital expenditure and development costs	(32)	(96)
Repayment of borrowings	(20)	(10)
Movement in cash/term deposits	(260)	(1,817)

Net cash provided by operations was \$565k representing an improvement of \$2,276k (2013:\$(1,711k)). This included a decrease in working capital of \$2,298k due primarily to the collection of receivables.

At 31 December 2014, Orbital had cash and short term deposits of \$6,361k.

Outlook

The Company's primary objective is to deliver on Orbital's Growth Strategy and generate sustainable profitability and an increase in market capitalisation. A comprehensive review of the Company's existing assets has been undertaken and the results of the half year ended 31 December 2014 demonstrate the investment being made in repositioning the existing businesses and generating new business opportunities both internally and via acquisition.

The UAV propulsion engineering project remains an exciting and important part of Orbital's future growth. The design, development and validation program will continue to be a focus as the Company aims to move from the testing phase into the full scale production of a next generation propulsion system. Success in the Insitu ScanEagle propulsion system design, development and validation program will be a key driver for revenue growth for Orbital. Unmanned aircraft is a rapidly growing market, for both defence and commercial applications. Orbital's technology and experience uniquely positions the Company to capitalise on this growth.

The REMSAFE acquisition is a key component of Orbital's growth strategy which is focused on identifying and delivering unique and innovative business opportunities to generate outstanding returns for shareholders. REMSAFE has developed a high voltage electrical isolation system which Orbital believes has the potential to grow into a significant global business. REMSAFE has the potential to deliver massive revenue growth from its current West Australian customer base and exponential growth by moving into new markets, domestic and international. The acquisition of Orbital's interest in REMSAFE was completed on 4 February 2015. The business has already announced new orders and has a number of proposals in the pipeline that are expected to deliver considerable growth in revenues in the next financial year.

The UCAL-Orbital Joint Venture in India is planned to be consummated within the fiscal year providing future growth opportunities in the huge and rapidly expanding Indian automotive and motorcycle markets.

Orbital's alternative fuels business is undergoing transition. While LPG businesses are in decline, there is a renewed interest in what Orbital technology has to offer for Liquid Natural Gas (LNG) applications. The current focus of major iron ore mining companies in Western Australia is cost reduction. Running heavy mobile equipment, like mine haul trucks, on natural gas is a way to make large operating cost reductions. There is significant interest from the region and Orbital has LNG system technology and solutions that are already proven on Pilbara large engine applications. Orbital

remains uniquely placed in the gaseous fuels market and our future strategy is to leverage our knowledge and assets to achieve growth and overall profitability.

Orbital's 30% interest in Synerject remains a highly valuable asset for Orbital and demonstrates the Company's historical success with joint ventures and the successful commercialisation of technology. The Synerject business was created within Orbital to provide gasoline engine management systems and components to marine, motorcycle and recreation industry manufacturers. Synerject is a global company with production plants and regional offices in Asia, Europe and the United States, providing both onsite and regional support to its local and global customers. The Synerject business is a positive example of Orbital's business model and the Company intends to continue to search for new and profitable joint ventures which will enhance Orbital's value proposition. Orbital is exploring opportunities to enhance the value of the Company's 30% interest in Synerject and ensure this investment is leveraged for the maximum benefit for shareholders.

The acquisition of REMSAFE and the investment being made by Orbital in the growth strategy during the half-year has resulted in a loss of \$1.2million. The second half of financial year 2015 is expected to be profitable, notwithstanding that Orbital's focus and investment will remain targeted on repositioning the Company towards high value growth opportunities. Looking ahead to financial year 2016, Orbital can expect to be generating increasing revenue from the REMSAFE business and production volumes from UAV propulsion systems which, together with Orbital's other revenue streams is expected to result in sustainable and increasing profitability.

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About Orbital

Orbital is an international developer of innovative technical solutions. Headquartered in Perth, Western Australia, Orbital stock is traded on the Australian Stock Exchange (OEC).

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, which 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.