



ORBITAL®

ASX RELEASE

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Orbital strengthens balance sheet for future growth

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

KEY FEATURES

Orbital has strengthened its balance sheet as it continues its transition to becoming a globally relevant innovative industrial technology company that develops and sells high value products and systems. A new strategy of growth has been defined that has resulted in an ongoing restructure of Orbital's existing businesses and diversification into new opportunities. Implementation of the new strategy has included decisions to invest in REMSAFE, to exit the unprofitable LPG businesses, to re-position the UAV engine and propulsion system opportunity and to strengthen the balance sheet through the monetisation of the investment in Synerject. The strengthening of the balance sheet and investments made in the REMSAFE acquisition and the development of the UAVE business, combine to establish a strong foundation for growth.

- Statutory profit after tax of \$1.3 million largely attributable to the gain on sale of investment in associate (\$3.9 million)
- Revenue up \$3.2 million (84%) to \$7.1 million, including \$4.0 million revenue from REMSAFE
- Cash of \$28.6 million following the sale of the interest in Synerject.
- Net tangible assets as at 31 December 2015 of \$20.6 million.
- REMSAFE increasing the installed base of REMSAFE Remote Isolation Systems
- Orbital UAVE division received \$12 million order for UAV propulsion systems
- Creation of the Orbital Accelerator, focused on identifying high value growth opportunities using innovative industrial technologies
- LPG related businesses divested

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CORPORATE PROFILE

Orbital is an innovative industrial technology company built on a 35 year track record of fundamental research, product design and development, and commercialisation. Orbital is uniquely placed to develop and commercialise cutting edge industrial products. Our focus is on profitable growth in targeted niche markets; aerospace, mining & industrial and consumer. Orbital invents and builds smart technology that delivers improved performance outcomes for our clients worldwide.

Headquartered in Perth, Western Australia, Orbital operates on a global scale both on its own, through joint ventures, and through various commercial and technical collaborations. From our world class R&D facility in Western Australia, Orbital's pioneering magic takes shape – from research and design to development, from manufacturing and commercialisation to sale to end customer.

Delivering state-of-the-art products and services within the industrial technology sector is what we do.

Orbital's technology leadership is exemplified by the patented REMSAFE remote isolation system for global mining and industrial applications and Orbital's UAVE business that produces and supplies engine and propulsion systems using Orbital's patented FlexDI™ to secure business from the premier suppliers of unmanned aerial vehicles, Insitu division of Boeing and Textron.

The Orbital Accelerator has been launched to leverage Orbital's unique industrial innovation and commercialisation capabilities for the benefit of our stakeholders and shareholders. Orbital must grow to deliver sustainable profits and create lasting shareholder returns. Accelerator creates another channel to identify, filter, develop and commercialise new opportunities building on the successful models of Synerject and REMSAFE.

Orbital earns income from multiple channels:

- Aerospace;
- Mining & Industrial;
- Accelerator; and
- Consumer.

SEGMENT REVIEW

AEROSPACE



	Dec 2015	Dec 2014
	\$'000	\$'000
Revenue	2,001	2,125
Segment Result	166	398

Orbital's 35 year history of innovation in a wide range of engine technologies is now focused within ORBITAL UAVE. The vision for the new Orbital UAVE business is to design, develop, and manufacture the world's best engines and propulsion systems for Unmanned Aerial Vehicles ("UAV") and be the worldwide market share leader. Orbital's unique FlexDI™ technology is the world's best technology and solution for spark ignited heavy fuel engine applications and the reason Orbital is now supplying number one and two players in the small unmanned aircraft market worldwide.

Revenues for the half year were \$2,001,000 a 6% decrease on the corresponding period last year. The decrease in revenue is largely attributable to a redirection of resources into preparations for the commencement of deliveries of UAV propulsion systems in the second half of the current reporting period.

During the reporting period, the UAVE business progressed the development of the SUAS propulsion system for the Insitu Inc. Scan Eagle SUAS and also made preparations for the manufacture of UAV engines and propulsion systems under the initial production order from Insitu (\$12,000,000 order announced on 26 August 2015).

MINING & INDUSTRIAL



	Dec 2015	Dec 2014
	\$'000	\$'000
Revenue	3,982	-
Segment Result	227	-

REMSAFE is a patented, automated remote isolation system that enables plant operators to safely and promptly isolate fixed equipment from its energy source. REMSAFE optimises production, increases safety and delivers immediate cost savings.

Today REMSAFE products provide for the highest level of safety for high and low voltage electrical isolations in the iron-ore industry. The old manual process of electrical isolation is avoided completely as the REMSAFE remote isolation technology allows the plant operator to isolate, on the spot, avoiding the requirement for a licensed electrician to enter switch rooms and substations and risk injury due to arc flash.

Revenues for the half year were \$3,982,000. This reporting period is the first half year reporting period for the REMSAFE business.

During the reporting period, the REMSAFE business secured two firsts in one sale; REMSAFE's first international order and also its first order for the installation of a Remote Isolation System at a coal mining operation.

The REMSAFE business progressed the installation of nine Remote Isolation Systems in mining and port operations in the Western Australian Pilbara region. These installations are expected to lead to repeat orders from each location as the customer's benefit from the significant production and safety benefits of the REMSAFE Remote Isolation System.



ACCELERATOR

	Dec 2015 \$'000	Dec 2014 \$'000
Revenue	718	1,305
Segment Result	(203)	(240)

Orbital is establishing a Centre for Innovation and Commercialisation with a focus on industrial technologies, "The Orbital Accelerator", will leverage off the Company's engineering expertise, world class facilities, and proven track record in the commercialisation of innovative and patent protected technologies. Through the Accelerator, Orbital transforms the historical Consulting Services Division into a well-funded technology incubator targeted at attracting new investment opportunities. Accelerator is Orbital's vehicle to assess new ideas and if commercially attractive, develop them into high value business's that fit within Orbital's mandate for profitable growth.

Revenues for the half year were \$718,000, a decrease of \$587,000 (45%) compared to last year.

During the reporting period, the Accelerator business continued to deliver consulting engineering services to domestic and international customers; primarily in engine development, advanced electronics, and fuels testing.

SYNERJECT

	Dec 2015 [#] US\$'000	Dec 2014 US\$'000
Synerject (100%) Revenue (100%)	47,655	75,638
Profit after tax	4,302	5,942
	A\$'000	A\$'000
Profit on Sale	3,861	-
Share of Profit	1,529	1,773

[#] Synerject results for the four month period ended 31 October 15, the date of sale of Orbital's investment in Synerject.

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 generated a four month profit after tax of US\$4,302,000. The Company's share of Synerject's Profit was A\$3,861,000.

The Company's 30% interest in Synerject was sold to our joint venture partner in October 2015 for US\$17,800,000. The Company recorded a gain of A\$3,861,000 on the sale.

CONSUMER

	Dec 2015 \$'000	Dec 2014 \$'000
Revenue	369	375
Segment Result	161	181

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 marginally compared to the same period last year due to a change in product mix by the manufacturer largely offset by favourable movement in the foreign exchange rate for the US dollar denominated royalties.

OUTLOOK

Revenues from UAVE propulsion system sales will commence in the second half of the current financial year as we transition from the UAV engine design, development and validation programme with Insitu into low volume engine production, whilst continuing sales of Engine Management System components to Textron. The Orbital UAVE team will concurrently develop new products for unmanned helicopters and larger unmanned aircraft applications to provide increased revenues from an expanding customer base.

The outlook for REMSAFE is for continued growth domestically and internationally. There are considerable growth opportunities from within the existing customer base as REMSAFE installations continue to provide productivity and safety improvements to their mine and port operations. REMSAFE has already started expansion into new geographic areas and this new business stream will be a significant game changer for Orbital. REMSAFE has the potential to far exceed any commercial endeavour Orbital has participated in to date, including Synerject. The current markets of Pilbara iron-ore and South African coal will be expanded into other minerals, commuter and freight rail, oil & gas and a wide range of other industries across the globe.

The OCS group has become the Orbital Accelerator to better leverage Orbital's technical and commercial skill base and to identify and cultivate new and innovative product opportunities. There is a significant level of innovation in Western Australia, and Australia wide. The goal is for individual inventors and small companies to use Orbital's Accelerator group to evolve from innovation to product, and from low volume speciality sales to high volume sales potentially on a worldwide scale. Accelerator will be used to identify the next Synerject, and the next REMSAFE and add these to the Orbital group portfolio to insure delivery on our aggressive strategy focused on growth and diversification. The Accelerator group will also continue to provide a base level of contract services from advanced engineering and testing to general engineering contract work and in parallel provide another avenue to identify new opportunities and covering the overhead of maintaining our world-class capabilities and facilities.

SUMMARY

Orbital continues to build on our strong technical and financial foundation to support future strategic growth. To prepare and focus the business for future growth, the company has made significant investments in R&D, and also made tough decisions to exit businesses and to monetise the investment in Synerject. These were the right decisions and the business is now on good footing to enter a phase of significant growth, and be better set to build balance sheet strength, and provide funding security.

Orbital's UAVE business remains on target to begin production of propulsion systems for Insitu, a subsidiary of The Boeing Corporation, during the second half of the financial year. The supply of Orbital's UAV engine for the ScanEagle UAV is expected to underwrite plans to establish a future full-scale production facility in the United States. This new facility will deliver on Insitu's requirements and allow Orbital to expand into new UAV engine market opportunities.

Orbital's REMSAFE potential continues to grow with new the installation of a number of Remote Isolations Systems in mining and port operations in Western Australia's Pilbara region. REMSAFE is creating new pathways to market through customers and key industry alliances. Planning is underway to support expansion into new regions and new industry product applications.

Orbital is an innovative industrial technology company. To expand our horizons beyond REMSAFE and UAVE, Orbital has establishing a Centre for Innovation, "The Orbital Accelerator", to leverage off the Company's engineering expertise, world class facilities, and experience in commercialising high value products. Orbital has unique capabilities and Accelerator will leverage these to; attract investment opportunities, assist in the identification and acquisition of new high value businesses, and to move these new opportunities from innovation and creation to growth and sustainable profitability.

The strengthened balance sheet has already provided benefits for Orbital with the Company deciding to utilise some of the proceeds from the sale of Synerject to undertake an Early Redemption of the Convertible Notes. The stronger balance sheet has been reflected in the Company's share price which has led to the majority of Note holders electing to convert their Notes to ordinary shares rather than receiving a cash repayment.

We have a renewed focus on developing and acquiring innovative industrial products and technologies that can be commercialised to deliver safety, performance and efficiency with the immediate objective of increased revenue and improved profitability and deliver significant growth of the Company's market capitalisation and increased shareholder wealth.

-ENDS-

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About Orbital

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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 Annual Reports. 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.