



ORBITAL®

ASX RELEASE

ORBITAL GROWS REVENUE FROM UAVE PRODUCTION ORDERS

PERTH, AUSTRALIA: Orbital Corporation Limited (ASX:OEC) (“Orbital” or “the Company”) today reports results for the half-year ended 31 December 2016.

HALF-YEAR FINANCIAL REPORT HIGHLIGHTS

- Orbital UAVE progressed two further supply contracts with Insitu Inc., a subsidiary of The Boeing Company
- REMSAFE and FLSmith collaboration agreement signed improving sales pipeline
- Revenue up \$2.0 million (29%) to \$9.2 million, including \$7.0 million revenue from Orbital UAVE
- Cash of \$23.4 million as at 31 December 2016
- Statutory loss after tax \$1.7 million compares to \$1.3M profit for the comparative period¹

Orbital has continued to grow revenues for the half-year ended 31 December 2016 through the delivery of UAVE propulsion systems to Insitu under the initial production order of US\$9.7 million. The Company also progressed two further supply contracts with Insitu, including a second US\$9.7 million batch order (announced 5 September 2016) and a long term supply agreement for the manufacture and supply of UAV propulsion systems over a three year period with an order value between US\$33.0 million and US\$91.0 million (announced 23 December 2016). The Orbital UAVE business is strongly positioned to deliver on current orders while further developing opportunities to expand the business.

The REMSAFE business has continued to progress through the introduction of a lower cost product with improved functionality. A collaboration agreement was signed with FLSmith, a global supplier of conveyors and other associated bulk handling equipment, which opens new sales opportunities for REMSAFE (announced 10 January 2017). The signing of the collaboration agreement, along with the improved functionality and lower cost REMSAFE system, places Orbital in a strong position to grow the REMSAFE business.

¹ Comparative period ending December 2015 included accounting entry for the gain on sale of investment in associate of \$3.9M.

SEGMENT REVIEW

UNMANNED AERIAL VEHICLES (PREVIOUSLY AEROSPACE)

	Dec 2016	Dec 2015
	\$'000	\$'000
Revenue	7,656	2,001
Segment Result	1,426	(343)



Orbital UAVE is the global leader in small unmanned aerial vehicle propulsion systems delivering leading endurance, reliability and power-to-weight advantages. Orbital's patented FlexDI™ technology offers a unique solution for light-weight combustion engine applications demanded by the growing military and commercial drone market.

Revenues for the half year were \$7,656,000, a 283% increase on the corresponding period last year. The increase in revenue is attributable to the delivery of UAV propulsion systems to Insitu under the initial production order of US\$9,700,000 (ASX announcement 26 August 2015).

SAFETY & PRODUCTIVITY (PREVIOUSLY MINING & INDUSTRIAL)

	Dec 2016	Dec 2015
	\$'000	\$'000
Revenue	395	3,982
Segment Result	(1,813)	(450)



REMSAFE is the world's leading custom engineered and installed, SIL rated, remote isolation system that minimises isolation downtime safely to maximise production performance.

REMSAFE systems have been successfully deployed in Western Australia by the state's major iron ore miners: BHP Billiton, Rio Tinto, Fortescue Metals Group and Anglo American's coal operation in South Africa.

Revenues for the half year were \$395,000, a 90% decrease on the corresponding period last year, largely attributable to the capital constraints facing the coal and iron ore producers.

Subsequent to the reporting period, REMSAFE executed a collaboration agreement with FLSmidth, a global supplier of conveyors and other associated bulk handling equipment.

With improving conditions in the commodity markets and the introduction of a lower cost REMSAFE product, the company is confident of improving results moving forward.

SEGMENT REVIEW (cont.)

ENGINEERING SERVICES (PREVIOUSLY ACCELERATOR)

	Dec 2016	Dec 2015
	\$'000	\$'000
Revenue	673	718
Segment Result	779	(203)

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

Revenues for the half year were \$673,000, a decrease of \$45,000 (6%) compared to last year.

CONSUMER

	Dec 2016	Dec 2015
	\$'000	\$'000
Revenue	372	369
Segment Result	187	161

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

FlexDI™ product volumes in the marine market increased marginally compared to the same period last year due to a change in product mix by the manufacturer. A favourable movement in the foreign exchange rate for the US dollar denominated royalties contributed to the increase in segment result.

OUTLOOK

Revenues from UAVE propulsion systems commenced in May 2016 and have continued into the first half of the current financial year. 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. Further growth opportunities exist in the minerals, commuter & freight rail and oil & gas industries across the globe.

-ENDS-

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About Orbital

ORBITAL is an innovative industrial technology company.

ORBITAL invents and builds smart technology that delivers improved performance outcomes for our clients in the aerospace, mining & industrial and consumer sectors.

ORBITAL operates on a global scale and is headquartered in Perth, Western Australia. From a world class facility, ORBITAL's innovation magic takes shape – from research and design to development, manufacturing and implementation.

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 for unmanned aerial vehicles.

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.