



ORBITAL®

ASX RELEASE

11 December 2017

## ORBITAL ESTABLISHES UAV FACILITY IN THE UNITED STATES

- **Orbital secures exclusive lease over purpose built facility in Hood River, Oregon to support the Company's UAV business in the United States**
- **New Orbital facility will expand existing UAV engine assembly and service capabilities**
- **Access to United States market will create new engine development & testing opportunities**
- **Permanent presence in the United States expected to strengthen key client relationships and drive revenue growth**

Orbital Corporation Limited (ASX:OEC) ('Orbital' or 'the Company') is pleased to confirm the establishment of a purpose built facility in the United States of America to support the Company's unmanned aerial vehicle ("UAV") operations. The facility is located in Hood River, Oregon, in close proximity to the operational base of key Orbital customer Insitu-Boeing.

Identification, negotiation, and confirmation of a secure exclusive lease over the new Orbital facility is an important and positive milestone in the Company's UAV Business. Orbital's new facility will expand the Company's UAV propulsion system assembly and support activities and establish engine development and testing capabilities in the United States ("US").



## Orbital Establishes US Operational Base

Orbital's new US facility will provide capabilities in:

1. UAV Propulsion System Builds and Overhauls:
  - Propulsion system and sub-system assembly;
  - Propulsion system testing in dedicated engine run-cells;
  - Sub-system testing, including pressure and flow testing;
  - Detailed inspection and metrology of components.
2. UAV Engine Development:
  - Development of UAV components, systems and engines;
  - Engine development and validation testing on both propellers and dynamometers;
  - Altitude engine testing simulating conditions associated with flying high altitudes up to 20,000ft;
  - Environmental testing, including running engines at temperatures from -22degF to +140degF.

Securing an Orbital facility in Hood River has been a logical step for the Company's UAV strategy. Orbital have found the commercial and industrial real estate market in Hood River to be tightly competitive. Due to limited suitable locations for Orbital's requirements the Company had been contemplating land acquisition and construction as an alternative to finding a suitable leasehold option.

Orbital will be the primary and exclusive tenant of a new purpose built facility which is expected to be ready for occupation in February 2018. The Company has a five year lease with an option to extend for two further terms of five years each. The Lease Agreement has standard commercial terms with the base rent plus occupancy costs expected to be approximately US\$160,000 (~A\$215,000) per annum. Orbital intend to make specific improvements and customise the facility and the lease provides control to Orbital over internal design and fitout. This additional work will be at Orbital's expense with the landlord assisting and facilitating construction. Costs required to set up the US facility will be funded from existing working capital. Operating costs will be offset by engine overhaul revenue, Australian operating efficiencies and near term business development opportunities.

UAV engine assembly and overhauls are scheduled to commence at Orbital's new US facility in the first half of 2018. The facility will support Orbital's delivery and service obligations in the Long Term Supply Agreement ("LTA") with Insitu-Boeing (see ASX Announcement dated 23 December 2016).

The new facility is approximately 1,210m<sup>2</sup> (~13,000sq.ft.) with 930m<sup>2</sup> (~10,000sq.ft) available for production and engine testing, and approximately 280m<sup>2</sup> (~3,000sq.ft) of office space. In addition to supporting the Company's existing propulsion system assembly and engine overhaul business, the close proximity of Orbital's new US operational base to Insitu-Boeing will promote ongoing collaboration and business development opportunities.

Orbital's Managing Director and CEO, Mr Todd Alder, was delighted to have made a significant step forward in the Company's UAV strategy: "Securing this priority location for our business marks a significant milestone for the Company and underpins Orbital's UAV vision and US market growth strategy. We have been looking for the right property for Orbital's needs for some time. Securing an exclusive long term lease over a new purpose built facility in such a highly sought after location in Hood River is a fabulous outcome. Leasing the facility represents a significant capital saving for Orbital and provides flexibility which matches our growth ambitions."

**-ENDS-**

## CONTACTS

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### About Orbital

*ORBITAL invents, builds and delivers superior performance for our clients in the unmanned aerial vehicle sector.*

*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 product development, validation, manufacturing and implementation.*

*Delivering state-of-the-art products and services within the unmanned aerial vehicle sector is what we do.*

### 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.*