



## ASX ANNOUNCEMENT

30 August 2022

# SETTLEMENT OF COST REIMBURSEMENT CLAIM WITH BOEING INSITU

- Orbital UAV and Boeing Insitu have agreed a comprehensive resolution to Orbital UAV's A\$1.8M cost reimbursement claim.
- Boeing Insitu to provide an immediate payment to Orbital UAV of A\$1.8M to be offset against future Orbital UAV engine production.
- Boeing Insitu and Orbital UAV will, in good faith, negotiate an extension to the Long Term Agreement through a five-year maintenance, repair and overhaul support contract of Orbital UAV designed engines.
- Orbital UAV maintains its FY23 revenue guidance at A\$20M-\$25M.

PERTH, AUSTRALIA: Orbital Corporation Ltd ('Orbital UAV', 'the Company') is pleased to advise the Company has agreed a comprehensive resolution of the cost reimbursement dispute with key customer Insitu Inc., a wholly owned subsidiary of The Boeing Company ('Boeing Insitu').

The cost reimbursement dispute related to the 'Termination of Convenience' by Boeing Insitu of the third engine development program under the Company's long term supply agreement (see ASX Announcements dated 31 January 2022, 14 February 2022, and 1 July 2022).

The dispute resolution represents a mutual commitment by Orbital UAV and Boeing Insitu to the long term business partnership and includes an agreement to negotiate in good faith an extension to the current supply agreement through a further five-year maintenance, repair and overhaul support contract.

In addition, Boeing Insitu has agreed to make an immediate payment to Orbital UAV of A\$1.8M to be treated as a pre-payment with the amount to be offset against future Orbital UAV engine production.

"Boeing Insitu remain one of the world's largest suppliers of tactical UAVs and a key customer for Orbital UAV. We welcome the resolution of this dispute and the opportunity to return our focus to delivering confirmed demand for Boeing Insitu," said Todd Alder, CEO and Managing Director of Orbital UAV.

### Boeing Insitu – production activity

Orbital UAV continues to operate two engine model production lines for Boeing Insitu from the Company's manufacturing facilities in Perth, Australia.

In addition to meeting Boeing Insitu's engine requirements in the United States, Orbital UAV supports Boeing Insitu's Australian subsidiary company, Insitu Pacific. Orbital UAV has commenced production of engines for Insitu Pacific in support of the Australian Government's LAND129 Phase 3 program. This program will be supplying the next generation of tactical uncrewed aerial vehicles ('UAVs') to the Australian Army. The contract includes the maintenance, repair and overhaul of supplied engines.



Confirmed volumes across these engine production lines will continue to support Orbital UAV's financial year 2023 ('FY23') revenue guidance of A\$20M-\$25M.

The 'Termination of Convenience', and other Boeing Insitu demand disruptions, has resulted in a build-up of inventory held by Orbital UAV. In line with accounting standard requirements Orbital UAV will make a one-off inventory write-down adjustment of A\$2M in the financial year 2022 ('FY22') financial accounts. Notwithstanding this accounting treatment, the Company expects the inventory to be utilised subject to the new five-year maintenance, repair and overhaul support contract commencing.

The inventory accounting adjustment has contributed to the previously unaudited preliminary net loss for FY22 of A\$8.9M increasing to A\$11.1M.

### Strategic partnerships

Orbital UAV continues to build its position as a world leader in the design and manufacture of engines for military drones. With a growing global customer portfolio, the Company is establishing long term, strategic partnerships that will unlock further opportunities within the tactical UAV market.

"Orbital UAV has a unique capability and product set that is meeting a growing need within the tactical UAV market. As a result, we continue to attract the interest of established defence Prime contractors and industry disruptors and are working with them to address the increasing requirements of the broader uncrewed aerospace domain," said Mr Alder.

-ENDS-

## CONTACTS

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### About Orbital UAV

Orbital UAV provides integrated propulsion systems and flight critical components for tactical uncrewed aerial vehicles (UAVs). Our design thinking and patented technology enable us to meet the long endurance and high reliability requirements of the UAV market. We have offices in Australia and the United States to serve our prestigious client base.

### 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. The Company 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.*

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