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Company	ASX Limited	Date	22 August 2019
From	Helen Hardy	Pages	5
Subject	Origin delivers strong operational performance and achieves target capital structure		

Please find attached a release on the above subject.

Regards



Helen Hardy
Company Secretary

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ASX/Media Release

22 August 2019

Origin delivers strong performance and achieves target capital structure

Origin Energy Limited (Origin) today announced a Statutory Profit of \$1,211 million for FY2019. Underlying EBITDA was \$3,232 million, with Underlying Profit of \$1,028 million, an increase from \$726 million¹ on the prior year.

Strong earnings by Integrated Gas were achieved from a higher effective oil price, cost efficiencies and stable production at Australia Pacific LNG. Australia Pacific LNG delivered net cash flow to Origin of \$943 million.

Energy Markets experienced moderately reduced earnings in electricity as a result of price relief measures provided to customers, the continued impact of heightened retail competition and lower average customer numbers and usage.

A fall in financing costs associated with reduced debt of \$5.4 billion as at 30 June 2019, and a lower average interest rate, contributed to Origin's improved financial performance.

The Origin Board announced a new dividend policy and determined a fully franked final dividend of 15 cents per share, bringing total dividends to 25 cents per share in FY2019.

Performance summary	FY2019	FY2018 ¹
Statutory Profit	\$1,211 million	\$280 million
Statutory EPS	68.8 cps	15.9 cps
Underlying Profit	\$1,028 million	\$726 million
Underlying EPS	58.4 cps	41.3 cps
Underlying EBITDA	\$3,232 million	\$2,787 million
Free Cash Flow ²	\$1,539 million	\$1,955 million ³
Underlying ROCE	9.1%	7.7%
Gearing (debt/debt + equity)	29%	36%
Final Dividend	15 cps	Nil
Total Recordable Injury Frequency Rate (TRIFR) ⁴	4.5	2.2

Origin CEO Frank Calabria said, "This result is underpinned by contributions from two strong cash-generating businesses. Our efforts to simplify the organisation and a \$1.1 billion reduction in debt resulted in us achieving the lower end of our target capital structure range.

¹ FY2018 represents continuing operations and, for comparability, is restated to include premiums relating to certain electricity hedges within Underlying EBITDA (\$160 million pre-tax).

² Cash from operating activities and investing activities (excluding major growth projects), less interest paid.

³ Free Cash Flow in FY2018 included the \$1,585 million sale of Lattice Energy.

⁴ TRIFR measures work-related recordable injuries per million hours worked for employees and contractors.



“This disciplined approach to capital means Origin is in a position to deliver both returns to shareholders through the dividend and to focus on growth opportunities.

“Energy Markets faced headwinds, with a highly competitive retail market and regulatory intervention impacting electricity margins. In light of this, we have been focused on enhancing the customer experience, simplifying our Retail business by targeting cost savings of greater than \$100 million by FY2021 and growing new revenue streams in centralised energy services, solar and storage and broadband.

“Integrated Gas benefited from higher commodity prices, cost efficiencies and continued reliable production at Australia Pacific LNG. Through Australia Pacific LNG we supplied around 30 per cent of the east coast gas demand and entered into gas supply agreements with a number of domestic manufacturing customers, supporting local industry and employment.

“After many years of improved safety performance across Origin, disappointingly our TRIFR increased to 4.5, from 2.2 last year. This is an unacceptable outcome, and our efforts are focused on making sure our people return home to their families safely every day.

Customers and communities

“Origin knows affordability is the most pressing issue for our customers and in response we are playing our part to put downward pressure on energy prices. On 1 July 2019, we went beyond what was required of us with the introduction of the Commonwealth’s Default Market Offer and extended the same pricing to our customers on non-discounted plans. This move meant more than half a million residential and small business customers are now paying less for their electricity.

“Origin has an important role in the economy’s transition towards a clean energy future. Our focus continues to be on delivering our customers affordable energy by running our generation assets reliably and efficiently, supporting additional renewables to come online and maintaining our competitive gas supply portfolio.

“I continue to be proud of the efforts of our philanthropic foundation, the Origin Foundation, in supporting education programs to empower young Australians. In the period, the Origin Foundation contributed \$1.5 million to education initiatives and 1,800 of our people volunteered through the foundation’s Give Time program,” Mr Calabria said.

Dividend

Origin Chairman Gordon Cairns said, “I am pleased to announce the board has determined to pay a fully franked final dividend of 15 cents per share. The board has also announced a dividend policy which will seek to pay shareholder distributions through the business cycle, targeting an ordinary dividend payout range of 30 to 50 per cent of free cash flow per year.”

The dividend reinvestment plan (DRP) will operate at nil discount and Origin will purchase shares on market to satisfy the DRP. The final dividend will be paid on 27 September 2019 to shareholders registered as at the 3 September 2019 record date.



OPERATIONAL PERFORMANCE (CONTINUING OPERATIONS)

Business segment	FY2019	FY2018 ¹	Change	Change
Energy Markets	\$1,574 million	\$1,651 million	(\$77) million	(5%)
Integrated Gas	\$1,892 million	\$1,251 million	\$641 million	51%
Corporate	(\$234) million	(\$115) million	(\$119) million	103%
Underlying EBITDA	\$3,232 million	\$2,787 million	\$445 million	16%

Energy Markets

Underlying EBITDA in Energy Markets was \$1,574 million, a decline of \$77 million from FY2018¹.

Despite reduced earnings, the Energy Markets business delivered a 27 per cent increase in operating cash flow after improvements in working capital and favourable movements in electricity futures exchange collateral. The gas portfolio delivered higher earnings as a result of increased volumes and margins from sales to wholesale customers.

In FY2019, Origin delivered record generation at Eraring Power Station and introduced almost 500 megawatts of new contracted renewables. Origin continues to target more than 25 per cent of its owned and contracted generation capacity to come from renewables and storage by 2020.

Integrated Gas

Integrated Gas increased Underlying EBITDA by 51 per cent to \$1,892 million.

The implementation of a new leaner, asset-led structure and efficiencies in well design and drilling execution, resulted in Integrated Gas achieving its unit cost targets.

Origin has resumed exploration activities in the Beetaloo Basin following the lifting of the moratorium on onshore gas development last year by the Northern Territory Government. Over the remainder of 2019, Origin intends to drill two horizontal wells and then undertake extended flow testing of both liquids and gas in 2020.

Corporate

A non-cash provision increase of \$170 million (\$70 million in FY2018) in the corporate segment relates primarily to required environmental remediation at Osborne, a former gas works site in South Australia.

Outlook

Origin provides the following FY2020 guidance on the basis that market conditions do not materially change and that the regulatory and political environments do not result in further adverse impacts on operations.

Energy Markets Underlying EBITDA guidance is \$1,350 to \$1,450 million.

The gross profit of the natural gas portfolio is expected to be relatively stable, while it is estimated that there will be a reduction in electricity gross profit reflecting the impacts of



government default market offers (\$100 million), lower green scheme prices flowing through to business customer tariffs and lower customer usage.

The cost to serve our Retail and Business customers is anticipated to be \$40 to \$50 million lower, reflecting ongoing productivity efforts.

Australia Pacific LNG's production is estimated to be 680 to 700 petajoules. Australia Pacific LNG's distribution breakeven is estimated to be US\$33 to US\$36/boe.⁵

The sale of the Ironbark asset to Australia Pacific LNG for \$231 million, which settled on 5 August 2019, will contribute to reducing the debt balance in FY2020.

Corporate costs are estimated to be \$70 to \$80 million.

Capital expenditure and investments, excluding Australia Pacific LNG, is estimated to be \$530 to \$580 million.

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⁵ Assuming an AUD:USD exchange rate of 0.70, with royalties payable at the breakeven oil price, excluding Ironbark acquisition costs.