

ASX ANNOUNCEMENT

21 February 2019

PACIFIC ENERGY DELIVERS OUTSTANDING FIRST HALF RESULT

Highlights

- **Underlying EBITDA up 56% to \$32.8**
 - **NPAT up 76% from \$8.0 million to \$14.1 million**
 - **Results include six months of Contract Power business (acquired April 2018)**
 - **Growth driven from combination of Contract Power results and continuing growth**
 - **EPS up 52%**
 - **Strong operating cash flows of \$27.2 million (\$17.3 million pcp)**
 - **17% reduction in net debt (Net Debt : NTA ratio 59%)**
 - **Dividend resumed with interim dividend of 1 cent fully franked declared**
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Pacific Energy Limited (“Pacific Energy” or the “Company”), is pleased to announce a substantial increase in earnings and operating cash flows for the six months ended 31 December 2018.

Underlying earnings before interest, tax, depreciation and amortisation (“EBITDA”) increased from \$21.0 million to \$32.7 million and reported net profit after tax increased from \$8.0 million to \$14.1 million.

Earnings per share increased 52% from the 2.16 cents reported in the previous corresponding period to 3.30 cents in the current period.

These significant jumps in reported profitability for the six months are not directly comparable to the previous corresponding reporting period as the current period includes six months’ contributions from the Contract Power business which was acquired in April 2018.

In addition to the solid contribution from Contract Power, which accounted for 61% of the growth in EBITDA, Pacific Energy’s existing business continued to perform strongly, delivering another six months of growth and accounting for 39% of the overall growth in EBITDA.

Managing Director’s Comment

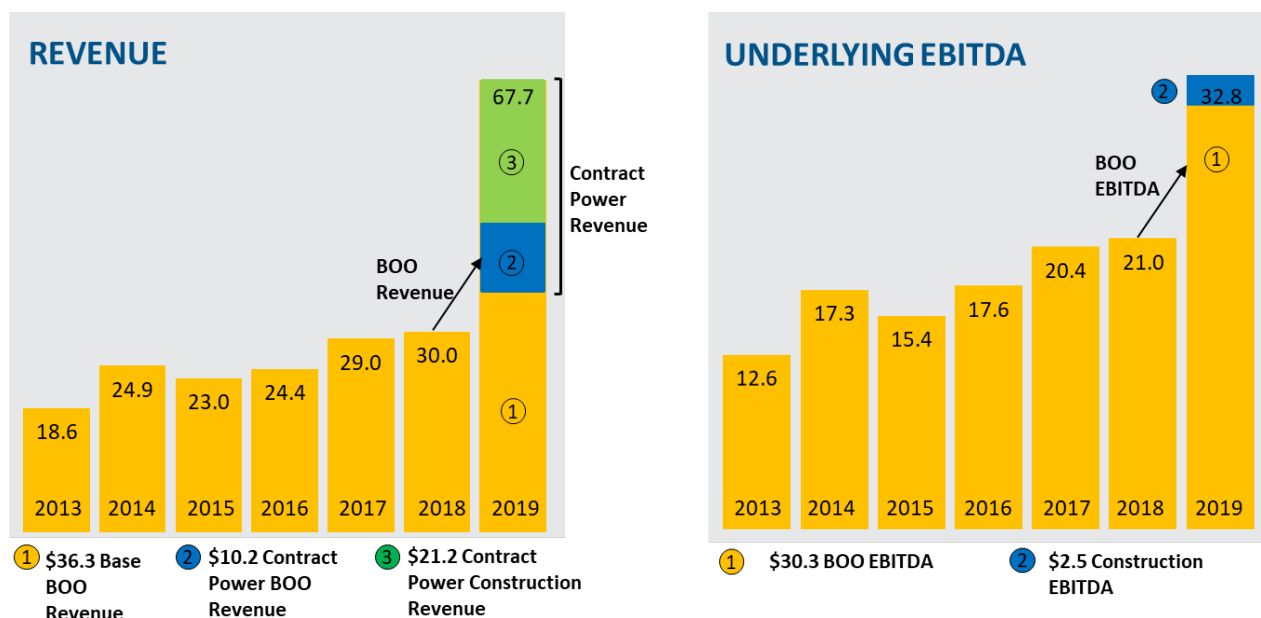
Pacific Energy’s Managing Director, Jamie Cullen commented that results were ahead of budget and reflected income generation from a portfolio of 40 power station facilities, representing 395MW’s of installed capacity around Australia.

“In addition to being very pleased with the overall result and Contract Power’s performance for the first full six months under our ownership, a clear highlight was the generation of strong operating cash flows of \$27.2 million.

This enabled progressive debt reduction over the course of the six months and fully funded the Company’s capex. Net debt reduced by 17% to \$77.8 million at 31 December 2018. This represents a net debt to NTA ratio of 59% and the ratio of our net debt to forecast FY 19 EBITDA is now under 1.3 times.

We were able to complete the Contract Power acquisition with only minimal (11%) dilution to shareholders, quickly generate solid cash flows to reposition our balance sheet for further growth and deliver EPS growth to our shareholders of over 50%. The Company is in an outstanding position following the recent scaling up in activities”.

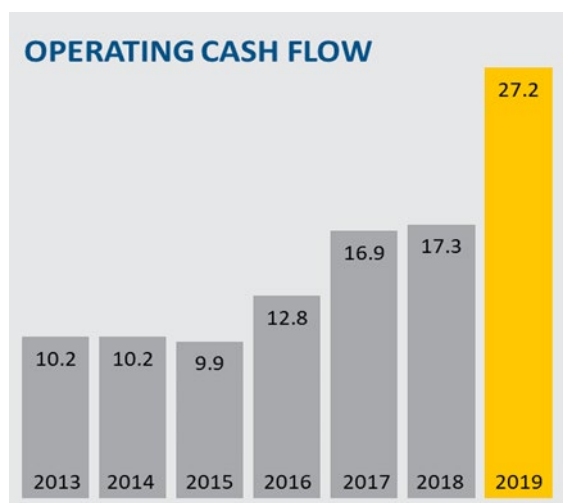
Mr Cullen pointed out that results include contributions from several construction projects within Contract Power’s activities and to facilitate analysis of the growth compared to the previous corresponding period the following graphs are provided:



Construction income should be viewed as intermittent, as the primary focus of the business is long term build-own-operate (“BOO”) contracts and it does not actively seek out construction projects. Accordingly, the Company does not forecast future income from construction projects unless and until it is under contract.

Cash Flow & Dividends

Pacific Energy generated record half-year cash flow from operating activities of \$27.2 million. The graph below shows the Company’s recent track record in operating cash flow over the past seven first-half reporting periods.



Capital expenditure in the first half was approximately \$10 million and the Company expects a similar level during the second half. This is subject to any new contract wins that require capital expenditure.

The Company has previously announced a suspension of its final 2018 dividend and its interim 2019 dividend as part of its funding arrangements for the Contract Power acquisition. Based on the stronger than forecast performance, the Company will recommence paying dividends six months earlier than planned. Therefore a fully franked interim dividend of 1.0 cents per share has been declared.

Outlook

The Company advises that it has recorded a solid start to the second half of the financial year, which, in combination with the first half's solid performance, prompted it to upgrade full-year guidance on 12 February 2019 from a range of \$54 - \$55 million to a new range of \$60 - \$61 million EBITDA.

The upgraded guidance includes contributions from two projects commissioned in 2018 (32MW's) as they ramp up, one new project soon to be commissioned (5MW's) and various capacity expansions at existing sites.

There is a high level of confidence in securing further growth at existing sites as customers' remote power requirements increase over time. Traditionally this has been a major source of the Company's growth.

Additionally, the tendering pipeline for new "greenfield" projects remains robust and may lead to further growth, however, as noted during the recent AGM presentation, decision making continues to be slow. The Company has a broad range of tenders and proposals in progress, incorporating diesel, gas, dual fuel, solar and wind technologies.

Pacific Energy remains focussed on building its existing businesses whilst remaining alert to acquisition opportunities, focussed on prudent balance sheet management and delivering industry leading reliability to its customers in the field. The Company looks forward to delivering a record full year result to its shareholders.

Financial Report – Result Summary

The table below provides a comparison of the key results for the six months to 31 December 2018 with the corresponding previous six months to 31 December 2017:

Comprehensive Income Statement	Change	6 months to	6 months to
		31 December 2018	31 December 2017
		\$'000	\$'000
Revenue from operations	126%	67,681	29,968
Underlying EBITDA	56%	32,756	21,046
Reported EBITDA	61%	32,756	20,336
Reported profit after tax attributable to members	76%	14,160	8,034

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