origin

To	Company Announcements Office	Facsimile	1300 135 638
Company	ASX Limited	Date	19 February 2015
From	Marta Kielich	Pages	8
Subject	**Origin Reports Half Year Results**		

Please find attached the ASX/Media Release relating to Origin Energy's Results for the half year ended 31 December 2014.

Regards

MKielich

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ASX/Media Release

19 February 2015

Origin reports Statutory Loss of $25 million, Underlying Profit of $346 million and good progress by Australia Pacific LNG

Origin Energy Limited (Origin) today announced a Statutory Loss of $25 million for the half year ended 31 December 2014, primarily reflecting the non-cash impact of the recent depreciation of the Australian dollar on the fair value of financial instruments and debt, and interest expense, which would otherwise be capitalised if the Australia Pacific LNG project was held by Origin rather than via an equity accounted investment.

Underlying Profit of $346 million for the six months to 31 December 2014 decreased 9 per cent from $381 million during the prior corresponding period.

Underlying EBITDA was stable at $1.08 billion, driven mainly by a 22 per cent increase in contribution from Energy Markets to $617 million, offset by a 31 per cent decrease in contribution from Exploration & Production to $208 million.

This result was primarily due to Origin maximising use of ramp gas that has become available during the start up of LNG production in Queensland, allowing Origin to use less gas from its own production. The consequential reduction in associated liquids production, which together with lower liquids prices, substantially reduced the contribution from liquids production in this period.

Group Operating Cash Flow after Tax decreased 13 per cent[1] to $905 million primarily due to a $114 million lower working capital benefit, reflecting the net impact of carbon payments under the Clean Energy Act 2011, which has now been repealed.

Australia Pacific LNG remains on track for completion of Train 1 in mid calendar year 2015, with sustained production from the first quarter of the 2016 financial year.

Financial Highlights[2]	1H15	1H14	Change
Statutory (Loss) / Profit	($25 million)	$322 million	N/A
Statutory EPS	(2.3 cps)	29.3 cps	N/A
Underlying Profit	$346 million	$381 million	down 9%
Underlying EBIT	$659 million	$694 million	down 5%
Underlying EBITDA	$1,080 million	$1,082 million	steady
Underlying EPS	31.3 cps	34.6 cps	down 10%
Group OCAT	$905 million	$1,038 million	down 13%
Free Cash Flow	$707 million	$793 million	down 11%
Interim Dividend	25 cps (unfranked)	25 cps (unfranked)	steady
Capital Expenditure (including acquisitions)	$1,248 million	$460 million	up 171%
Origin Cash contribution to Australia Pacific LNG[3]	$1,412 million	$1,437 million	down 2%

1 All comparable results reflect a comparison between the current half to the prior corresponding period, unless otherwise stated.
2 A reconciliation between statutory and underlying profit measures can be found in Note 2 of the Origin Consolidated Interim Financial Statements.
3 Origin's cash contribution to Australia Pacific LNG for the current period is net of $58 million of interest income (31 December 2013: $Nil) received on Mandatorily Redeemable Cumulative Preference Shares (the mechanism by which remaining funding to Australia Pacific LNG will be provided by the shareholders of Australia Pacific LNG in proportion to their equity interest). Interest on the Mandatorily Redeemable Cumulative Preference Shares is paid to shareholders twice per annum based on a fixed interest rate.

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Origin Chairman, Mr Gordon Cairns said, “We have previously stated that the 2015 and 2016 financial years will be transitional years for Origin as the energy markets businesses mature and LNG production in Queensland commences.

“The impact of this transition is evident in the half year performance with Origin’s use of ramp gas in Queensland driving an increased contribution from our Energy Markets business in Australia, offset by a reduction in contribution from our Exploration & Production business.

“This period will see the completion of our investment in Australia Pacific LNG, for the development of its LNG project, and the commencement of sustained LNG production from the first quarter of the 2016 financial year.

“During the period of significant capital investment by Origin in Australia Pacific LNG, Directors have always been focused on maintaining adequate liquidity and during the half year a number of funding initiatives were undertaken which extended Origin’s debt maturity profile and enhanced liquidity.

“Origin has $5.2 billion[4] of committed undrawn debt facilities and cash available to meet its obligations to Australia Pacific LNG until it is self funding.

“Directors are mindful that during this final phase of investment the recent significant fall in oil price, if sustained at current levels, will result in lower growth in cash flow and earnings than previously expected.

“As a result the Company has, and will, continue to ensure capital expenditure is carefully focused on projects that will enhance cash flow and earnings in the near term and that operating costs are tightly controlled.

“The Directors have also carefully reviewed the carrying value of all assets and notwithstanding the recent fall in oil price, are satisfied with the value of these assets, with the exception of the $53 million impairment in relation to New Zealand assets. At current market expectations of oil prices, the economics of Origin’s investment in Australia Pacific LNG remains robust[5].

“The Board has determined to pay an unfranked interim dividend of 25 cents per share.

“It is still the Board’s intention to maintain dividends at the greater of 50 cents per share, on an annual basis, or a minimum 60 per cent payout ratio, as earnings grow following completion of Origin’s investment in Australia Pacific LNG,” Mr Cairns said.

UNDERLYING BUSINESS PERFORMANCE

Origin Managing Director, Mr Grant King said, “We are pleased with the underlying operational performance of the business in the first half of the financial year.

4 At 31 December 2014. Excluding Contact Energy and bank guarantees.
5 Consistent with forward prices stepping up to US$85/bbl (real 2014) from the 2018 financial year.

“The commencement of LNG production in Queensland has resulted in increased availability of ramp gas. As expected Origin has been able to take this gas into its Energy Markets business which has supported increased gas sales and increased power generation which helped maintain a stable portfolio cost of electricity despite increased market prices. This benefit has been offset by a lower demand for gas produced from Origin’s Exploration & Production business, with a consequential reduction in liquids production which together with lower liquids prices has reduced contribution from this business. This forgone gas and liquids production will be produced in subsequent periods.

“The operational performance and quality of service we provide our customers continues to improve in our energy markets businesses following a period of significant investment in new technology.

“Project delivery in the Exploration & Production business has been good with potential commercial discoveries of gas in the Otway and Perth basins during the period.

“Progress by Australia Pacific LNG on its LNG project continues to be good with key milestones for the period being met.

“We continued the positive trend in safety performance during the half, achieving a 9 per cent reduction in the Total Recordable Injury Frequency Rate to 4.8.

“Notwithstanding the decreased contribution from liquids production, Underlying EBITDA was $1.08 billion, in line with the prior corresponding period,” Mr King said.

Energy Markets

Underlying EBITDA for the Energy Markets business increased by 22 per cent to $617 million mainly due to margin expansion in Electricity and Natural Gas, and higher Natural Gas sales volumes which reflect Origin’s ability to source, transport and sell additional ramp gas available as LNG production commenced in Queensland.

The improving margins in both the Electricity and Natural Gas segments is reflected in an improved Underlying EBIT margin for Energy Markets, which increased from 7.9 per cent[6] at 31 December 2013 to 9.6 per cent at the close of the reporting period.

While the Company’s strong position in natural gas increased customer accounts by 28,000, Origin reduced discount offers for electricity in the first quarter, following which competition intensified, contributing to the loss of 60,000 electricity customer accounts. This led to a net reduction in customer accounts of 32,000 for the half.

Contact Energy

Contact Energy Underlying EBITDA increased by $2 million to $234 million primarily due to favourable impact of the strengthening of the NZ dollar.

Contact Energy reported underlying EBITDA decreased by 3 per cent to NZ$257 million, as continued competition and retail price discounting eroded tariff increases to recover

6 Excluding carbon impact of 0.7 per cent. Reported as 7.2 per cent in the prior corresponding period.

increased distribution costs. This was partially offset by increased geothermal generation following the commissioning of Te Mihi power station.

Exploration & Production

Exploration & Production Underlying EBITDA decreased by 31 per cent to $208 million. Origin had foreshadowed lower production due to planned lower nominations from Origin as Energy Markets took advantage of available ramp gas in Queensland. Shut downs were scheduled to invest in increased production for the years ahead as demand for natural gas increases significantly as all of the new LNG production in Queensland comes on line.

Lower gas production has the consequential effect of lower liquids production, which together with lower liquids prices in the December 2014 quarter significantly reduced the contribution from liquids production.

During the period, potentially commercial quantities of gas were discovered in the Otway Basin (Speculant-1 well) and in the Perth Basin (Senecio-3 appraisal well).

LNG

Underlying EBITDA for LNG increased by $4 million to $39 million.

At 31 December 2014, the Upstream project was 90 per cent complete and the Downstream project was 86 per cent complete. The project remains on track for sustained LNG production from Train 1 from the first quarter of the 2016 financial year and from Train 2 in mid financial year 2016.

In the Upstream project, drilling and gathering operations are progressing to plan. A total of 1,019 wells had been drilled at the end of the reporting period and well commissioning is on track to support ramp up to sustained LNG production in the first quarter of the 2016 financial year.

Origin's cash contribution to Australia Pacific LNG was $1.41 billion during the period. At 31 December 2014, $23.8 billion[7] had been spent by Australia Pacific LNG. Estimated costs to complete are not expected to be materially different from budget[8].

Corporate

Underlying EBITDA was a loss of $18 million, down $26 million on the prior corresponding period reflecting higher corporate costs, lower cost recoveries from Australia Pacific LNG, and lower cost recoveries from international development joint ventures.

FUTURE PRIORITIES AND OUTLOOK

The 2015 and 2016 financial years are transitional years for Origin as the energy markets businesses mature and LNG production in Queensland commences.

7 Includes an unfavourable foreign exchange translation impact of A$339 million relative to project cost estimates announced in February 2013, which were based on 31 December 2012 exchange rates.
8 As announced in February 2013, based on December 2012 exchange rates.

During this period Origin's key priorities are to:

- Improve returns in the energy markets businesses;
- Deliver growth in the natural gas and LNG businesses;
- Grow capabilities and increase investments in renewable energy; and
- Maintain adequate funding and effective capital management.

Notwithstanding the significant reduction in oil prices over the past few months, these priorities remain appropriate albeit with some modifications reflecting the lower than previously expected growth in revenues, earnings and cash flow that will occur should oil prices remain at current depressed levels.

In this changed environment, the continued implementation of Origin's key priorities will be moderated to conserve cash flow and accelerate cost reductions.

To this end, Origin has, or will:

- continue to limit capital expenditure in the energy markets businesses and is continuing to benefit from previous investments in retail systems as development activities are completed and planned efficiencies are realised;
- limit capital expenditure in the existing Exploration & Production business to permit and joint venture commitments and projects that increase gas production into growing gas demand in Australia;
- continue the good progress on achieving the planned $1 billion per annum reduction in Australia Pacific LNG's upstream total cost structure as it transitions from project delivery to operations, which will take costs to levels consistent with previous guidance[9];
- actively review opportunities to defer capital expenditure on sustain and exploration activities in Australia Pacific LNG over the next few years;
- recombine Exploration & Production and LNG as the upstream development phase for Australia Pacific LNG nears completion;
- further constrain spend on international development activities; and
- accelerate cost reductions through investment in new systems and technology at an enterprise level.

During the remainder of the 2015 financial year and through to the 2016 financial year, Origin expects:

- continued increasing contribution from Energy Markets, driven by the strength of the Natural Gas business, including the commencement of gas sale agreements to other LNG projects. The impact of renewed competitive intensity in the electricity business may delay improvements in contributions from Electricity in the 2015 and 2016 financial years. Origin made a final carbon payment of $300 million in January 2015 which will reduce cash flow for the second half of the 2015 financial year;
- stable earnings from Contact Energy and increasing cash flow reflecting the benefits of completing its investment in geothermal generation and retail transformation;
- reduced contribution from Exploration & Production in the second half of the 2015 financial year as a result of lower liquids prices. Production for the second half of the 2015 financial year is expected to be broadly in line with the first half, notwithstanding scheduled shut-downs at BassGas and Otway to invest in increasing production for the 2016 financial year. Earnings from the majority of oil and condensate production

9 As provided in the update on Amended Loan Facilities and Australia Pacific LNG on 11 December 2014.

in the 2016 financial year will not be impacted by the movements in oil price and will reflect the fixed price of US$62.40/bbl[10];

- higher net corporate costs due to the timing of cost recoveries from Australia Pacific LNG in the 2015 financial year;
- growth capital expenditure[11] in the existing businesses to reduce from a currently estimated $1.5 billion in the 2015 financial year to around $900 million in the 2016 financial year;
- sustained production of LNG from Train 1 from the first quarter of the 2016 financial year and from Train 2 in mid financial year 2016. Production from both trains at planned capacity is expected to occur in the second half of the 2016 financial year, and the first full year of production from both trains in the 2017 financial year; and
- estimated project cost for Australia Pacific LNG to the start of Train 2 production to be not materially different from the budget estimates[12]. Origin expects its remaining funding contribution to Australia Pacific LNG from 1 January 2015 until the start of Train 2 production, when Australia Pacific LNG is expected to become self-funding, to be around $2 billion. This remaining cash contribution estimate is dependent on the commencement of the first LNG shipment from Train 1 and Train 2, the price of LNG, the volume of gas sold to third parties during the ramp up period and the level of discretionary expenditure on exploration, appraisal and sustain phase activities.

INTERIM DIVIDEND

An unfranked interim dividend of 25.0 cents per share will be paid on 31 March 2015 to shareholders of record on 26 February 2015. Origin shares will trade ex-dividend from 24 February 2015.

Origin's Dividend Reinvestment Plan (DRP) will apply to this dividend. No discount will be applied in the calculation of the DRP price.

Due to the impact of development projects, including Australia Pacific LNG, Origin does not expect to have sufficient franking credits to frank the interim dividend.

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About Origin Energy

Origin Energy (ASX: ORG) is the leading Australian integrated energy company focused on gas and oil exploration and production, power generation and energy retailing. A member of the S&P/ASX 20 Index, the Company has approximately 6,700 employees and is a leading producer of gas in eastern Australia. Origin is Australia's largest energy retailer servicing 4.3 million electricity, natural gas and LPG customer accounts and has one of the country's largest and most flexible generation portfolios with approximately 6,010 MW of capacity, through either owned generation or contracted rights. Origin's strategic positioning and portfolio of assets provide flexibility, stability and significant opportunities for growth across the energy industry. Through

10 Refer Origin Energy Operating and Financial Review, Section 5 Prospects and Outlook for Future Financial Years.
11 Excluding capitalised interest.
12 As announced in February 2013, based on December 2012 exchange rates.

Australia Pacific LNG, its incorporated joint venture with ConocoPhillips and Sinopec, Origin is developing one of Australia's largest CSG to LNG projects based on Australia's largest 2P CSG reserves base.

In New Zealand, Origin is the major shareholder in Contact Energy, a leading integrated energy company, operating geothermal, thermal and hydro generation facilities totalling 2,359 MW and servicing approximately 568,000 electricity, gas and LPG customers across both the North and South islands. Origin also operates several oil and gas projects in New Zealand and is one of the largest holders of petroleum exploration acreage in the country.

Origin has a strong focus on ensuring the sustainability of its operations, is the largest green energy retailer in Australia and has significant investments in renewable energy technologies.

For more information go to www.originenergy.com.au