



ASX/Media Release

21 August 2014

Origin reports \$530 million Statutory Profit and \$713 million Underlying Profit for fiscal 2014

Hybrid security set to replace equity raising to fund Browse Basin acquisition

Origin Energy Limited (Origin) today announced a Statutory Profit of \$530 million for the financial year ended 30 June 2014, a 40 per cent increase from \$378 million¹ in the prior year.

A decrease in Underlying Profit of 6 per cent to \$713 million² was driven by a lower contribution from Energy Markets which was partially offset by higher contributions from all other segments.

Group Operating Cash Flow After Tax was up 79 per cent from \$1.14 billion to \$2.04 billion primarily due to a positive change in working capital from improved billing and collections performance, and a reduction in taxes paid.

Financial Highlights ²	FY 2014	FY 2013	Change
Statutory Profit	\$530 million	\$378 million	up 40%
Statutory EPS	48.1 cps	34.6 cps	up 39%
Underlying Profit	\$713 million	\$760 million	down 6%
Underlying EBIT	\$1,353 million	\$1,438 million	down 6%
Underlying EBITDA	\$2,139 million	\$2,181 million	down 2%
Underlying EPS	64.8 cps	69.5 cps	down 7%
Group OCAT	\$2,041 million	\$1,142 million	up 79%
Free Cash Flow	\$1,599 million	\$1,188 million	up 35%
Final Dividend	25 cps (unfranked)	25 cps (unfranked)	
Full Year Dividend	50 cps	50 cps	
Capital Expenditure	\$1,012 million	\$1,172 million	down 14%
Origin Cash contribution to Australia Pacific LNG ³	\$2,821 million	\$561 million	up 403%

Origin Chairman, Mr Gordon Cairns said, "As foreshadowed at the beginning of the year, our Energy Markets business has faced challenging market conditions placing pressure on electricity margins. In the second half of the year, we have seen some improvements in those margins suggesting that our focus on improving the performance of our existing businesses is delivering results.

"During fiscal 2014, improved operational performance was also evident in a record contribution from our upstream business and a 79 per cent increase in Operating Cash Flow After Tax to \$2.04 billion.

“The 2015/16 financial years will be a transitional period for Origin with the commencement of LNG production by Australia Pacific LNG in mid-2015 after a seven-year development phase.

“The LNG project will deliver a step change in Origin’s earnings and cash flow from the 2016 financial year when the project begins to deliver LNG under its existing long-term contracts.

“The first full year of earnings and cash flow from two LNG trains at Australia Pacific LNG is expected in the 2017 financial year, with distributable cash flow⁴ of around US\$1 billion (Origin’s 37.5 per cent share) on average per year. The step change in cash flow will allow Origin to increase shareholder distributions, maintain an investment grade credit rating and reinvest cash in growing businesses.

“Origin is well placed to fund its commitment through to completion of the Australia Pacific LNG project, with \$5.1 billion⁵ of existing liquidity comprising undrawn debt facilities and cash.

“During the period, Origin announced the acquisition of a 40 per cent interest in the Poseidon exploration permits in WA’s highly prospective Browse Basin. We believe that acquiring these resources, when compared with greenfield exploration, substantially reduces the risk of securing opportunities to drive Origin’s long-term growth.

“Given the company’s strong cash flow over the past financial year and good progress on Australia Pacific LNG, Origin intends to refinance the debt facilities used for this acquisition via the issue of a new Euro hybrid security as an alternative to ordinary equity,” Mr Cairns said.

The Board has determined to pay an unfranked final dividend⁶ of 25 cents per share.

UNDERLYING BUSINESS PERFORMANCE

Origin Managing Director, Mr Grant King said, “Overall we are pleased with the improvements in operational performance of our existing businesses and the progress made on Australia Pacific LNG. This has been achieved together with a much improved safety result, evidenced by the 23 per cent reduction in the total recordable injury frequency rate from 6.5 to 5.”

Underlying EBITDA decreased by 2 per cent to \$2.14 billion reflecting a reduced contribution from Energy Markets of \$280 million, partially offset by higher contributions from Exploration & Production, LNG and Contact.

Energy Markets

Underlying EBITDA decreased by 21 per cent to \$1.05 billion reflecting reduced volumes and higher operating costs.

The reduction in volumes stemmed primarily from a decrease in electricity sales to domestic mass market customers reflecting a reduction in average consumption and an historically mild year which reduced overall household energy consumption.

Origin’s customer accounts marginally declined by 0.05 per cent or 3,000 accounts, compared to a net decrease of 16,000 in the prior period. This net position includes a reduction of 41,000 Electricity customer accounts and an increase of 38,000 Natural Gas accounts, building on Origin’s strong gas position.

Following successful implementation of the retail transformation program, billing and collection performance improved, contributing to the strong increase in Group Operating Cash Flow.

Origin's cash cost of serving its customers reduced, reflecting operational improvements. This cash cost excludes the impact of the release of the provision relating to the NSW Transitional Services Arrangement following the transition of Country Energy and Integral Energy customers to Origin's new SAP system a year ahead of schedule.

Energy Markets strengthened its gas portfolio by entering into a gas purchase agreement with Esso Australia and BHP Billiton during the year. Energy Markets is well positioned to capture the benefits of rising gas prices through oil-price linked gas sales agreements with Queensland LNG projects, as well as the increasing penetration of mass market gas customers.

Exploration & Production

Underlying EBITDA increased by 23 per cent to \$487 million reflecting record production and higher average commodity prices. The strong performance of the Exploration & Production business reflects the high level of availability from main operating assets. Investments made in prior periods to position the business have successfully delivered higher production volumes at Otway and BassGas.

LNG

Underlying EBITDA increased by 38 per cent to \$83 million primarily reflecting higher domestic gas sales and production.

In Australia Pacific LNG's Upstream Project, drilling and gathering operations are progressing to plan with 821 wells drilled at year end. The first train of the Condabri Central Gas Processing Facility was commissioned in June 2014, while Condabri Central Train 2, Reedy Creek Train 1, Condabri South Train 1 and Orana Train 1 have also now reached mechanical completion. The Condabri water treatment facility is in commissioning while construction of the remaining gas and water treatment processing facilities remain on plan.

In addition, purified water for agricultural purposes was delivered to 13 farms as part of the Fairymeadow Road Irrigation Pipeline project. Construction of the 530-kilometre main gas transmission pipeline is complete with commissioning progressing to plan.

In Australia Pacific LNG's Downstream Project, all Outside Battery Limit and Inside Battery Limit (Train 1) modules are in place. Train 2 modules are also being delivered, with all modules expected to be set by the end of calendar 2014. Piping and cable installation is progressing, as are preparations for commissioning.

LNG tank construction continued ahead of schedule with welding complete on all inner tank rings. Roof module installation was completed on Tank A and commenced on Tank B. Tank A was hydrostatically tested. Construction of the LNG jetty, loading platform, formworks and concreting for berthing dolphins continued.

Contact Energy

Underlying EBITDA increased by 9 per cent to NZ\$587 million primarily due to an increased proportion of energy produced from hydro generation displacing more expensive thermal generation, and the receipt of NZ\$43 million of compensation relating to the delay in start-up of the Te Mihi Power Station.

Reflecting the impact of the strengthening NZ dollar, Underlying EBITDA in Australian dollars increased by 23 per cent to \$533 million.

FUTURE PRIORITIES AND OUTLOOK

The 2015/16 financial years will be a transitional period for Origin with the commencement of LNG production in Queensland and in particular by Australia Pacific LNG in mid-2015. Increasing LNG production will result in expanding gas margins and an improving supply/demand balance in electricity markets. Origin's energy markets businesses are maturing and operating in a consolidated, lower growth and more competitive environment. Investment in generation and retail systems is essentially complete. In view of these developments, Origin's priorities are changing.

During the next few years 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 investment in renewables; and
- Increase distributions to shareholders, manage capital allocation and funding.

In the next two years, Origin expects:

- An increased contribution from the Energy Markets business in Australia, particularly reflecting improved margins in natural gas in the 2015 financial year, and improved contributions from electricity in the 2016 financial year as competitive conditions in the wholesale market moderate;
- An improved contribution from Contact will reflect the benefits of its investment in geothermal generation and retail transformation. The 2015 financial year will include a full year of Te Mihi generation with a full year of associated depreciation and interest costs;
- A reduced contribution from the Exploration & Production business in 2015 as some assets will have extended shut-downs (BassGas and Otway) to invest in sustaining production capacity for 2016 and beyond;
- Prior period investments in Origin's existing businesses will result in an increase in depreciation and amortisation; and
- First LNG from Australia Pacific LNG's Train 1 to commence in mid calendar year 2015 and from Train 2 in late calendar year 2015. It is not expected that LNG sales from Australia Pacific LNG will contribute to earnings in fiscal 2015, with production from both trains at planned capacity occurring before the end of the 2016 financial year, with first full year contribution from both trains expected in the 2017 financial year.

With average annual distributable cash flow from two LNG trains of around US\$1 billion⁷, this step change in earnings and cash flow will allow Origin to increase distributions to shareholders, maintain an investment grade credit rating and reinvest in growing businesses at returns exceeding cost of capital. Dividends are expected to increase in line with Origin's targeted payout ratio of at least 60 per cent of Underlying EPS as Australia Pacific LNG contributes to earnings and cashflow.

FINAL DIVIDEND

A final unfranked dividend of 25.0 cents per share will be paid on 26 September 2014 to shareholders of record on 28 August 2014 taking full year dividends to 50.0 cents per share. Origin shares will trade ex-dividend from 26 August 2014.

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

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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 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

¹ All comparable results reflect a comparison between the current full year to the prior corresponding period, unless stated otherwise.

² A reconciliation between statutory and underlying profit measures can be found in the Operating and Financial Review in Section 3.1 and is available at www.originenergy.com.au.

³ Via both loan repayments by Origin to Australia Pacific LNG and the issue of mandatorily redeemable cumulative preference shares by Australia Pacific LNG to Origin.

⁴ Distributable cash flow after Australia Pacific LNG revenues, operational expenditure, ongoing capital expenditure, project finance interest and repayments, and taxation. Based on current market conditions.

⁵ As at 30 June 2014, excluding Contact Energy and bank guarantees.

⁶ As a result of utilisation of available tax losses and the impact of development projects, including Australia Pacific LNG, Origin does not expect to have sufficient franking credits to frank the final dividend.

⁷ Distributable cash flow after Australia Pacific LNG revenues, operational expenditure, ongoing capital expenditure, project finance interest and repayments, and taxation, as expected in the 2017 financial year. Based on current market conditions.