



# Origin Energy

Citi Annual Australian and New Zealand Conference

26 October 2011

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All references to "\$" are references to Australian dollars unless otherwise specified.

All references to debt refer to interest-bearing debt.

A reference to Contact is a reference to Contact Energy of New Zealand, a 52.6% subsidiary of Origin.

A reference to Australia Pacific LNG or APLNG is a reference to Australia Pacific LNG Pty Limited, an incorporated joint venture in which Origin currently holds a 42.5% interest.

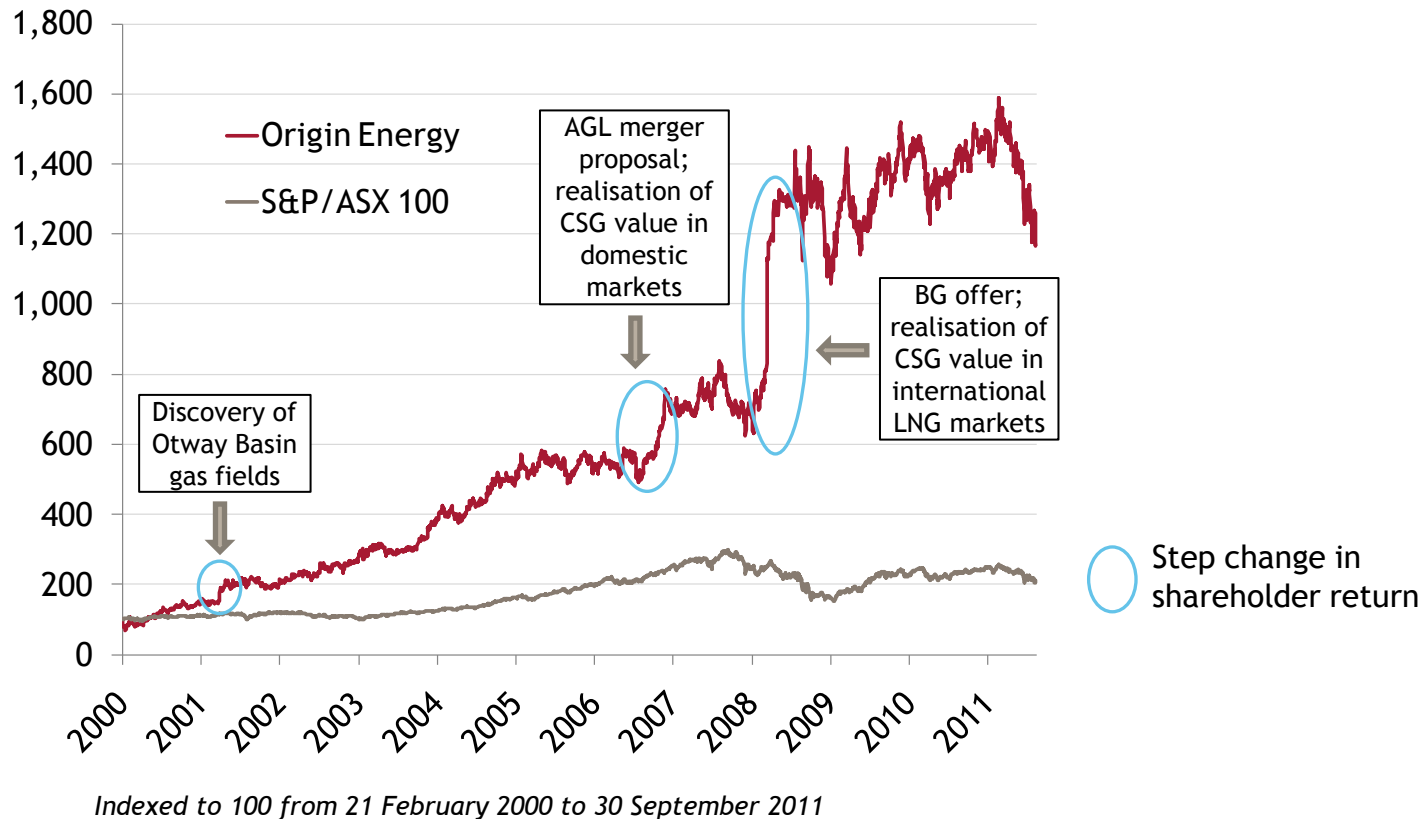
A reference to the "NSW energy assets" or "NSW acquisition" is a reference to the Integral Energy and Country Energy retail businesses and the Eraring GenTrader arrangements.

A reference to NEM is a reference to Australia's National Electricity Market.

Origin's performance has been categorised by both sustained growth, driven by consolidation in Australian energy markets ...



Total Shareholder Return - Origin and S&P/ASX 100 Index



... and step changes in shareholder return as the potential to monetise resources is realised

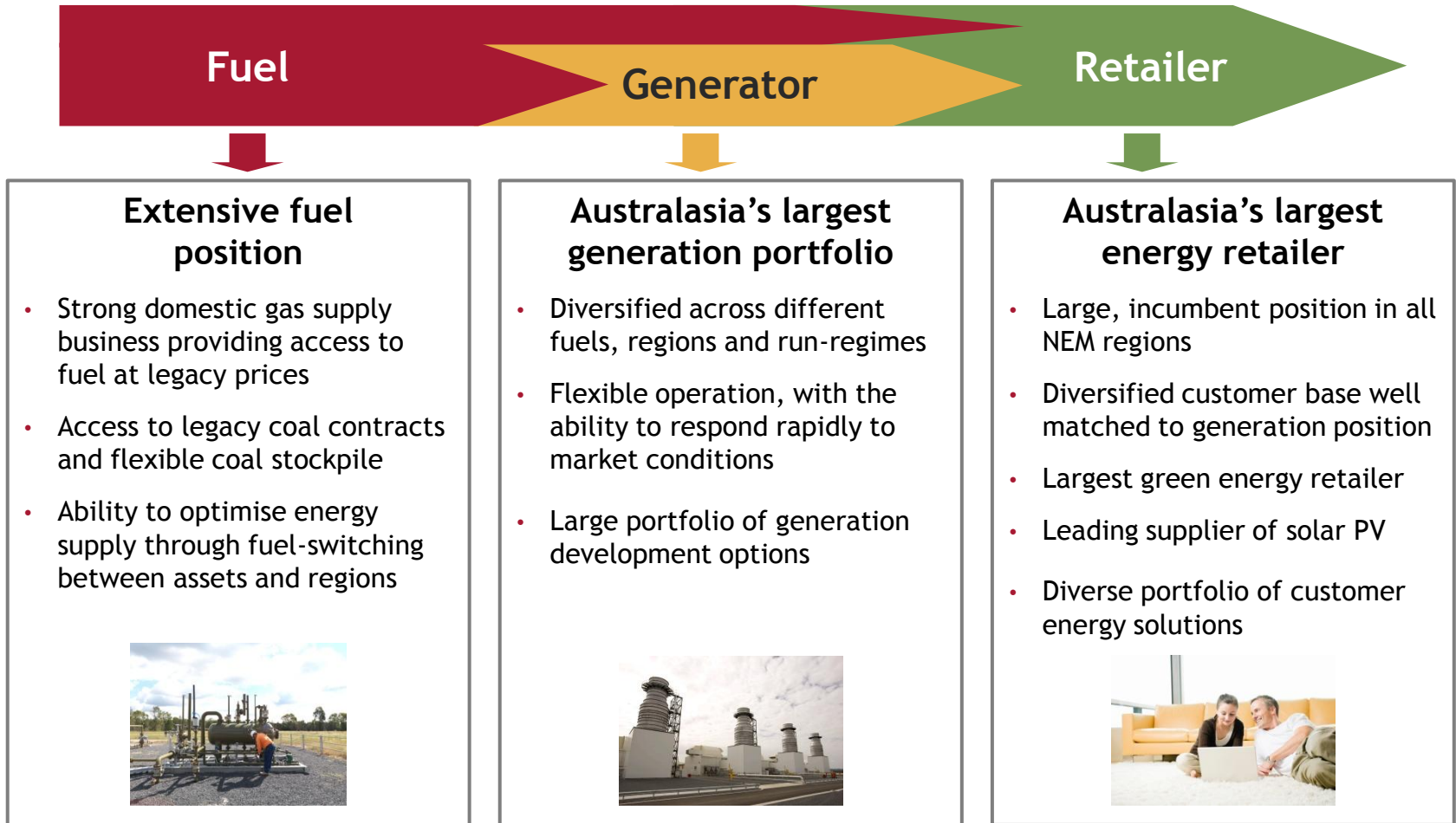
Origin's strategy continues to focus on monetising fuel resources through its Energy Markets business in Australia and New Zealand and access to growing international LNG markets ...



- **Energy Markets**
  - Australia's largest integrated energy retailer with a diverse generation portfolio and fuel supply position
  - Integrated energy business in New Zealand
- **APLNG**
  - CSG to LNG project supplying LNG to growing Asian markets
  - Large, high quality reserves base
  - Strong and well aligned joint venture with unrivalled expertise in CSG development and LNG liquefaction construction
- **An Expanding Portfolio of Energy Resource Opportunities**
  - Fuel options including gas, geothermal, hydro and solar

... and creating an expanding portfolio of energy resource opportunities

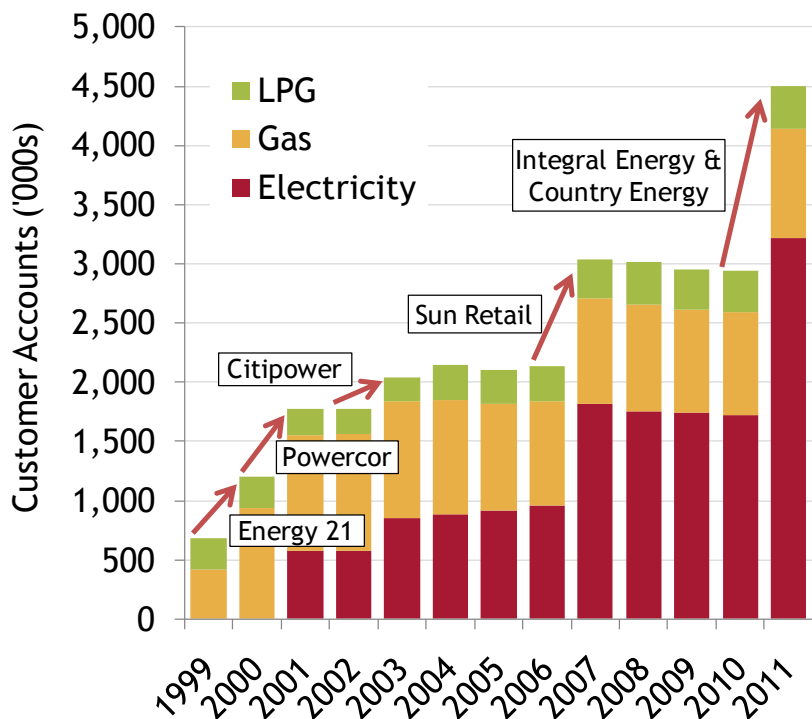
Origin's Energy Markets business has delivered consistent growth through its strategy of being a fuel-integrated generator and retailer in domestic energy markets in Australia and New Zealand



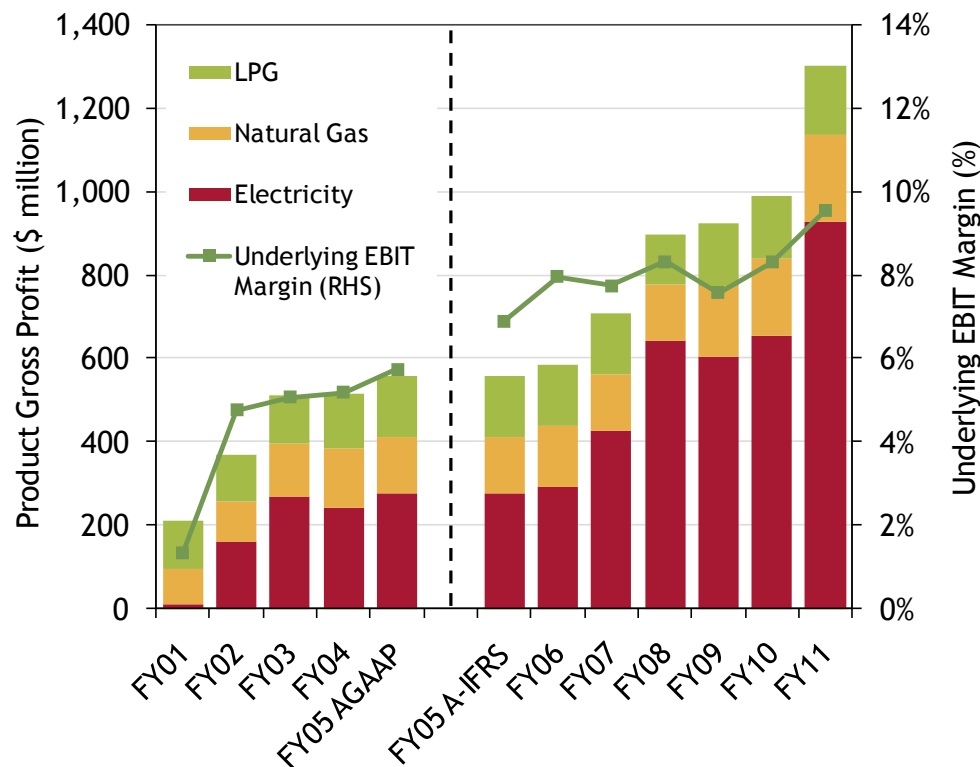
Sustained growth has been achieved in the Energy Markets business through retail acquisitions during the consolidation of the east Australian energy markets ...



Origin's Australian Retail Portfolio Growth



Gross Profit by Retail Product and Underlying EBIT Margin<sup>1</sup>



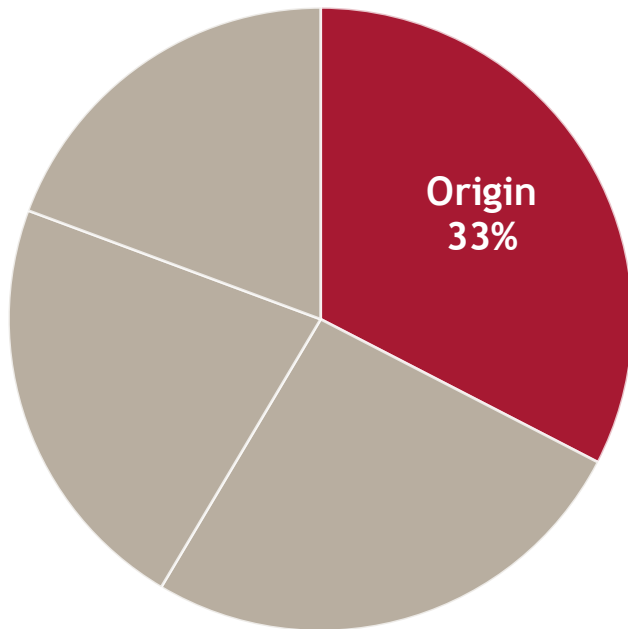
... driving margin expansion through increase scale, and assisted by effective wholesale portfolio management

(1) Calculated as the sum of Underlying EBIT for each of the electricity, natural gas and LPG retail products, divided by Gross Revenue for those products. Excludes other Retail segment products

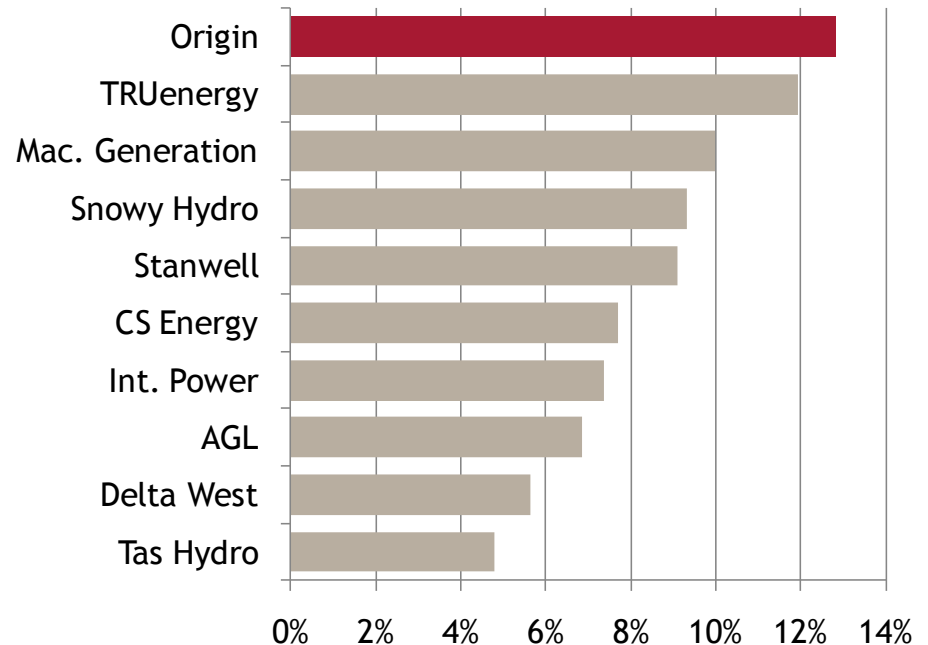
# The completion of the NSW energy reform process marks the end of industry consolidation ...



NEM Market Share of Electricity and Gas retail customer accounts<sup>1</sup>



NEM Market Share of Generation Capacity<sup>2</sup>

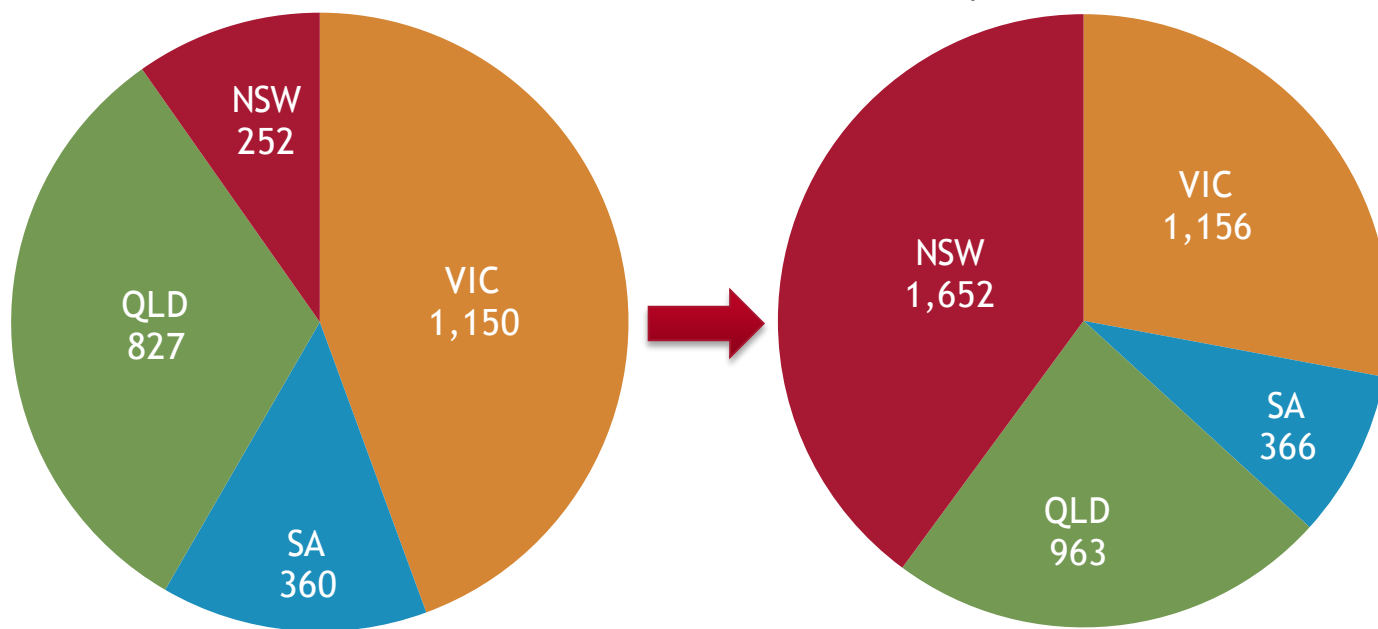


... with Origin emerging as the leader in energy retailing and generation

(1) Origin, AGL and TRU customer accounts as at June 30 2011, total market data as at 30 June 2010

(2) Includes the NEM registered capacity of scheduled market generation as at 30 June 2011

The NSW acquisition led to an increase in Origin's retail customer base of over 50% ...



*The NSW acquisition included 1,585 thousand accounts as at 1 March 2011, including around 1,385 thousand accounts in NSW with the balance in Qld, Vic and SA*

Gas & Electricity Customer Accounts as at 30 June 2010

Gas & Electricity Customer Accounts as at 30 June 2011

... and increased diversification across the Australian east coast

# Origin's Retail Transformation Program is replacing customer billing and management systems with a new integrated SAP system ...



- Origin is progressively moving customers to a new SAP integrated billing and customer management system
- 1.3 million customers in Victoria and South Australia have been moved and are successfully being billed and serviced from SAP
- Migration quality has been very high:
  - Call centre adoption, average call handle times and system performance have all been excellent
  - Business operations are stable
  - No significant issues or customer experience impacts have been encountered
- A further one million customers in Queensland and NSW will be migrated in December 2011 - with customers from the recent NSW acquisition to be migrated in later waves in line with business transition plans

... with over 1.3 million customers moved to date and performance exceeding expectations

## Solar and Home Products

- Since 2009, Origin has installed approximately 47,000 rooftop solar systems, with a total installed capacity of over 70 MW
- Sales of solar hot water, heat pumps and energy efficient heating and cooling have increased significantly



## Smart Products/Energy Efficiency

- Contract to trial Tendril Energize™ home energy manager
- Successful live data exchange of smart meter homes in Victoria
- Pilot for 5,000 customers through FY2012



## E-Mobility/Electric Vehicle (EV) Charging

- Installed Australia's first ChargePoint™
- Electric Vehicles trialled in Origin fleet

## Business-to-Business Solutions

- Launched Acumen, Australia's first energy retailer metering business, with over 1,500 meters now installed
- Strong growth in serviced hot water
- Supplier of Australia's first multi-building commercial tri-generation system
- Delivered City of Sydney's 2030 Distributed Energy Plan

... to deliver solutions for customers

# The NSW acquisition increased the scale and diversity of Origin's Australian generation portfolio



Darling Downs Power Station



Uranquinty Power Station



Cullerin Range Wind Farm



Eraring Power Station

Name	Type	Capacity (MW)	State
Bulwer Island <sup>1</sup>	CCGT, Cog	32	QLD
Darling Downs	CCGT	630	QLD
Mt Stuart	OCGT	414	QLD
Roma	OCGT	74	QLD
Ladbroke Grove	OCGT	80	SA
Osborne <sup>2</sup>	CCGT, Cog	180	SA
Quarantine	OCGT	216	SA
Mortlake <sup>3</sup>	OCGT	550	VIC
Worsley <sup>1</sup>	CCGT, Cog	120	WA
Cullerin Range	Wind Farm	30	NSW
Uranquinty	OCGT	640	NSW
Shoalhaven <sup>4</sup>	Pump/Hydro	240	NSW
Eraring <sup>4</sup>	Coal-fired	2,800 <sup>5</sup>	NSW

(1) Origin owns a 50% share

(2) Origin owns a 50% share, however has 100% dispatch rights

(3) Under construction; expected to commence operations in the first half of FY2012

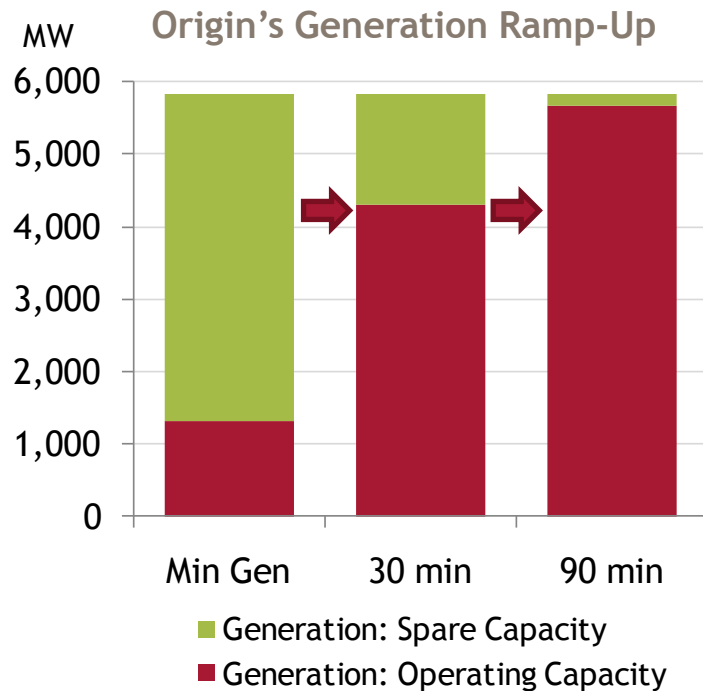
(4) Under the GenTrader arrangements, Origin has the contractual rights to dispatch the generation

(5) Total contract capacity upon completion of the current unit upgrades in 2012

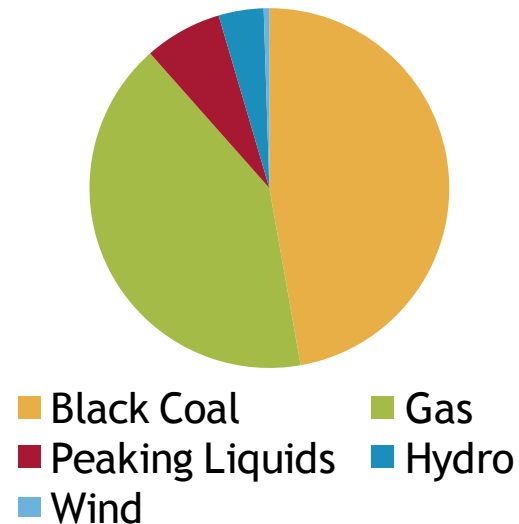
# Origin's generation portfolio can respond effectively to market signals ...



## FLEXIBILITY<sup>1</sup>

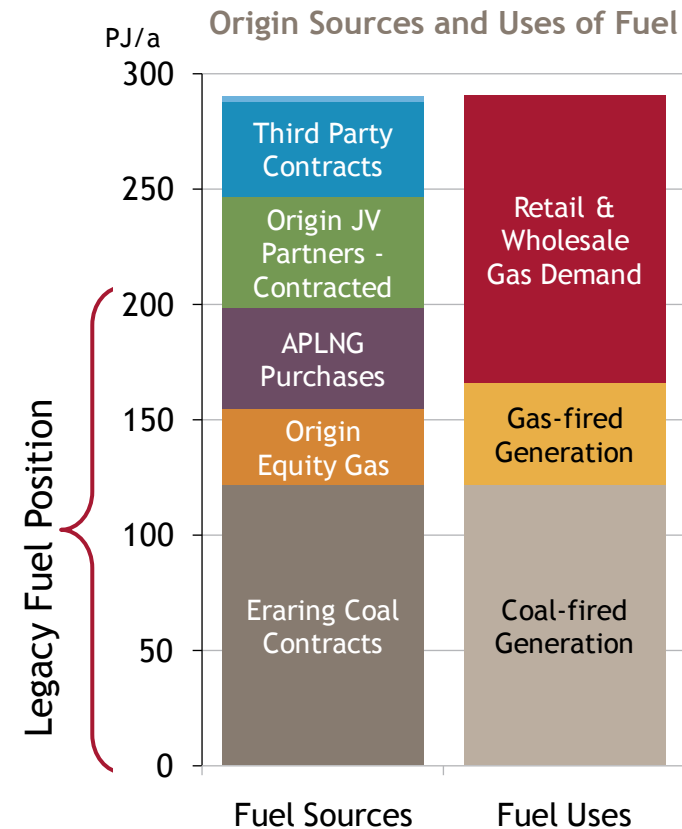
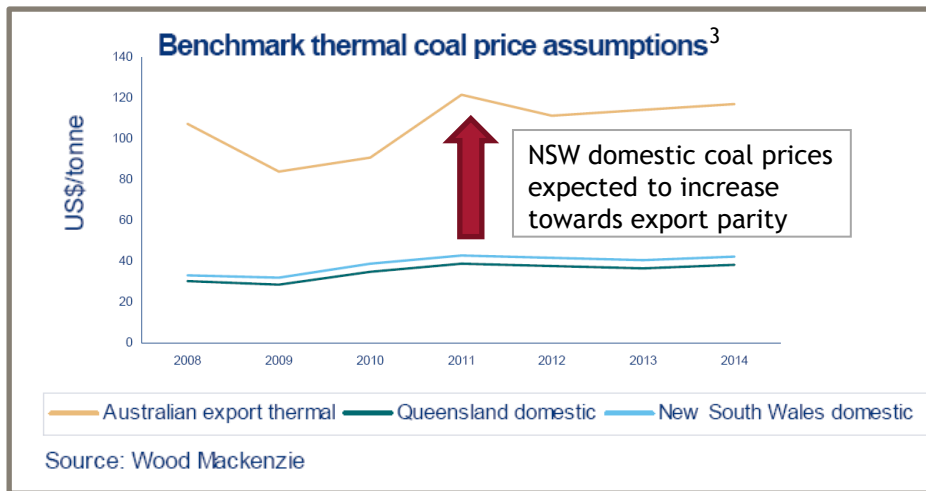
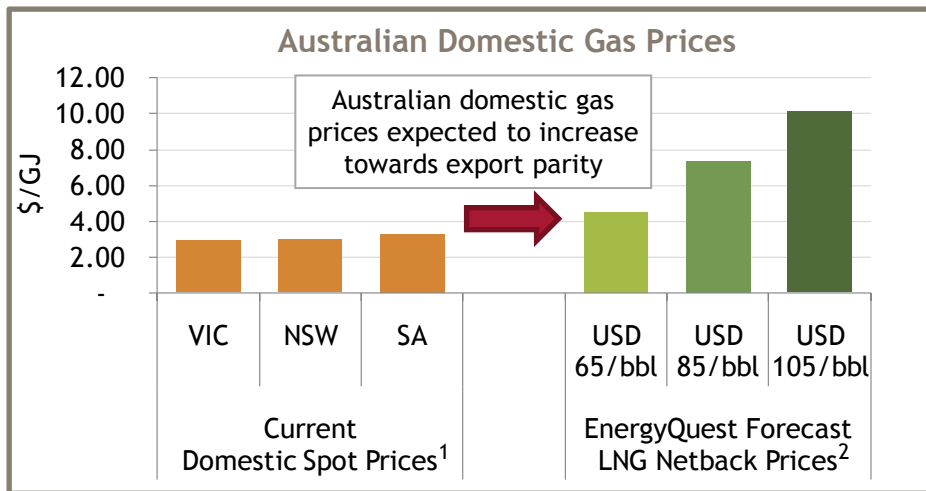


## FUEL DIVERSITY<sup>1</sup>



... providing scale, diversity and flexibility and an emissions intensity lower than the market average

# Future growth in earnings from Origin's domestic portfolio will be underpinned by the uplift in Australian energy prices ...



... through legacy fuel contracts set at previously low domestic prices

(1) Average market spot price since market commencement (1 Feb 2007 for Vic, 1 Sep 2010 for NSW and SA)

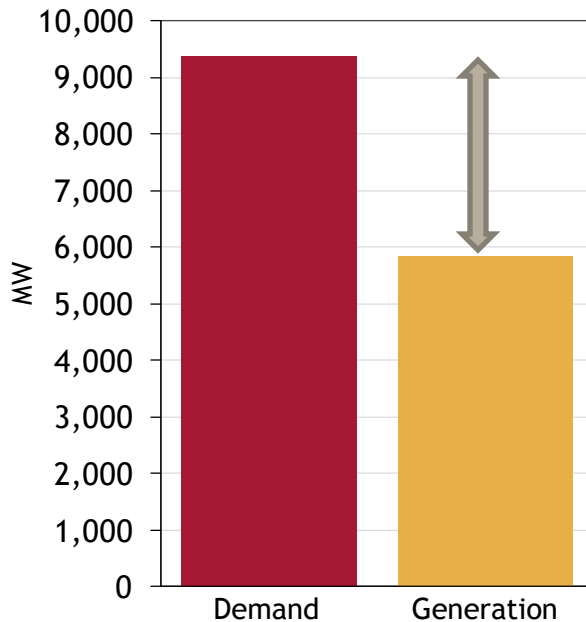
(2) EnergyQuest report "Australian Coal Seam Gas 2011: From Well to Wharf"

(3) Woodmac Coal Supply Service, June 2011

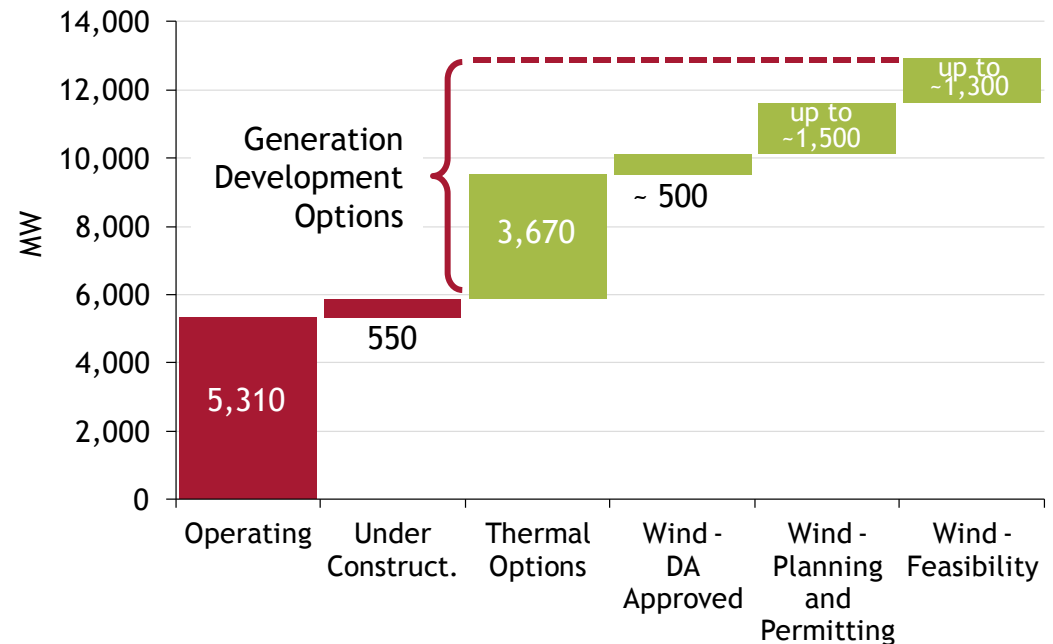
# A deepening integration of Origin's retail market share through generation and fuel development will drive continued growth in the Energy Markets business



Peak Demand<sup>1</sup> vs Generation Capacity



Origin's Generation Portfolio & Development Options



- Origin's thermal generation pipeline includes 3,670 MW of gas fired options, enabling Origin to respond to market, regulatory and price signals
- Origin has over 3,000 MW of wind development options at various stages of approval, which may be developed to support Origin's renewable energy obligations

APLNG achieved major milestones during the prior 12 months, culminating in FID on the first phase of its project in July 2011 ...



- State and Federal approvals of Environmental Impact Statement
- Binding agreement with Sinopec for 20-year 1-train LNG off-take agreement and Sinopec was issued 15% equity in APLNG
- Completion of front-end engineering and design studies
- Signing of all major construction and procurement contracts
- Final Investment Decision committing US\$14 billion for one LNG train and infrastructure to support a second train (two train commitment will be US\$20 billion)



### **Compelling Project Benefits**

- Leverages strong growth in Asian energy markets
- Revenues linked to international oil prices

### **Robust First Phase Economics**

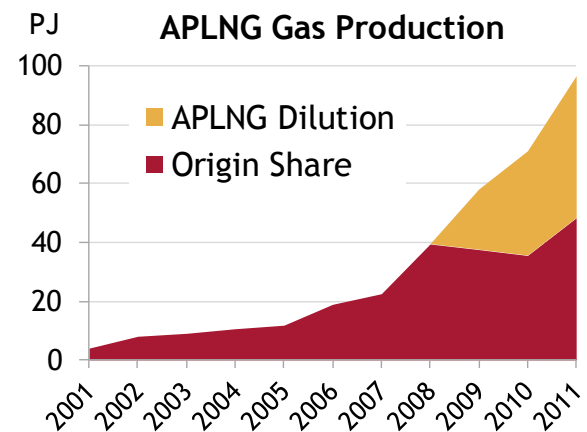
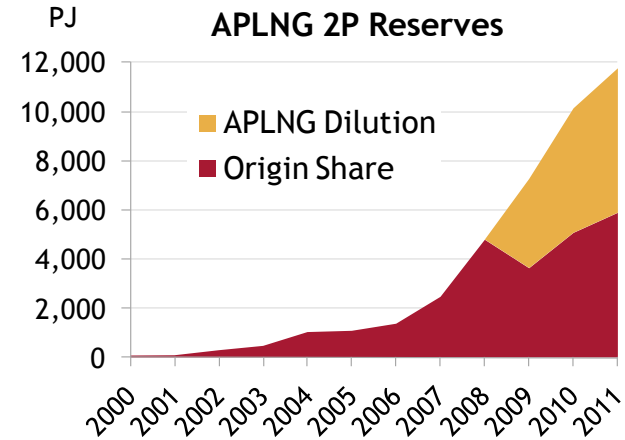
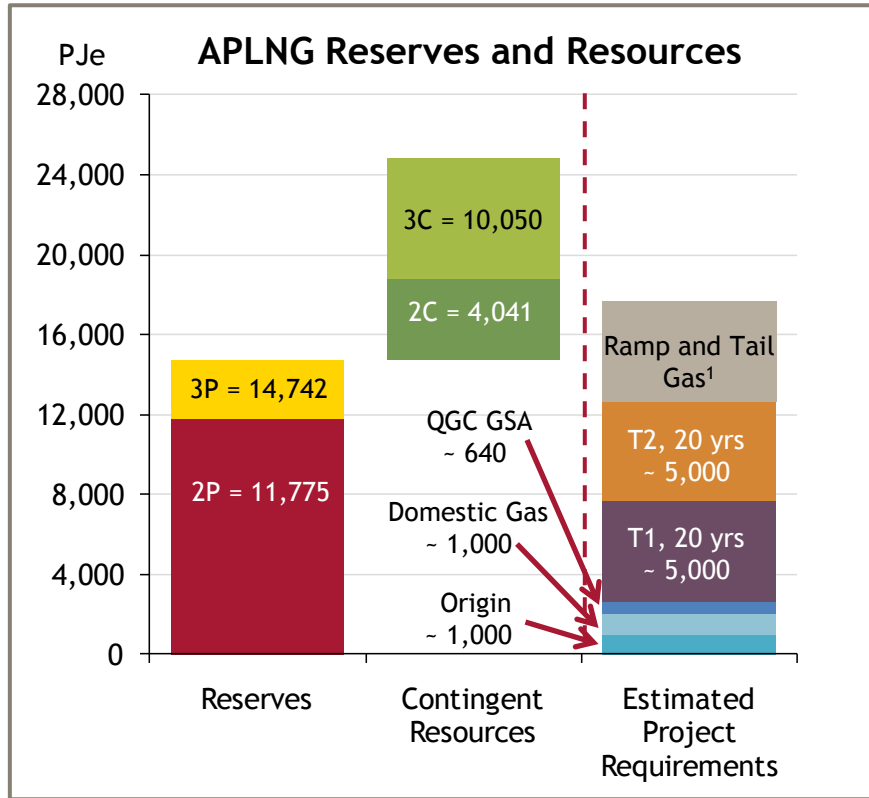
- Train 1 economics underpinned by low cost CSG reserves base
- Attractive returns in its own right

### **Additional Train 2 Benefits**

- Incremental capex for second train benefits from economies of scale

... with FID on the second train expected in the first quarter of 2012

APLNG has Australia's largest 2P CSG reserves base with prime acreage in both Qld CSG "sweet spots" ...



... and is maintaining schedule in its ramp-up of production towards first LNG gas in 2015

(1) Represents ramp and tail gas for two trains, volume will vary depending on operation strategy  
 Note: Reserves and Production as at 30 June 2011

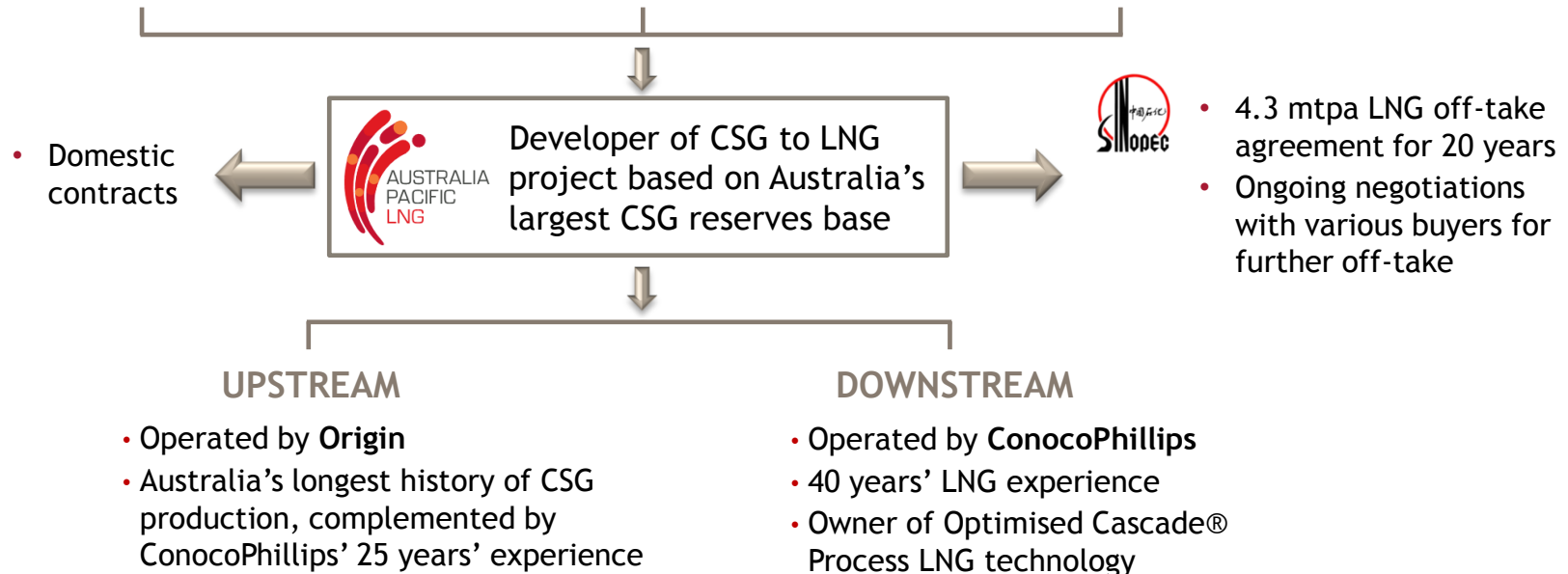
# APLNG is underpinned by a strong, aligned joint venture that combines Origin's leading position in Australian CSG development and ConocoPhillips' extensive LNG and CSG capabilities ...



- Australia's largest integrated energy company
- Listed in S&P/ASX 20
- Market capitalisation A\$15 billion (US\$14 billion)<sup>1</sup>

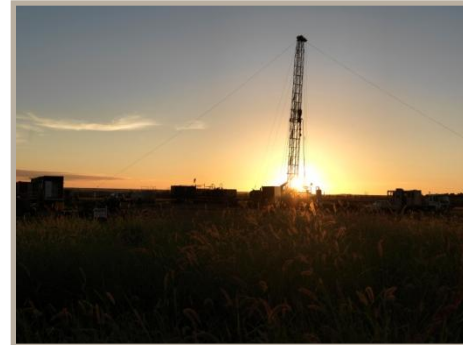
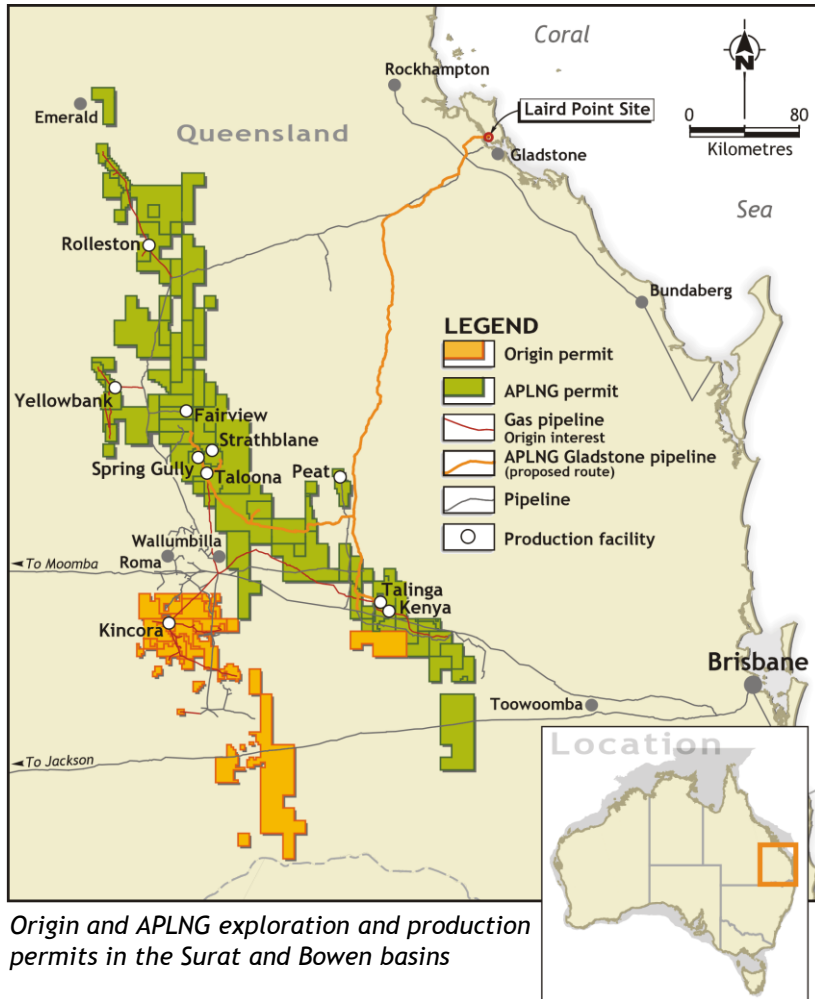
- Integrated energy company with global operations
- World's largest CSG operator with over 25 years' experience
- Market capitalisation US\$87 billion<sup>1</sup>

- Integrated energy and chemical company
- China's largest petroleum products supplier and second largest crude oil and natural gas producer
- Market capitalisation CNY590 billion (US\$93 billion)<sup>1</sup>



... to supply one of China's leading energy companies, Sinopec

# With Australia's longest history of CSG exploration and production ...



... Origin will be responsible for the upstream program

# The downstream facility will utilise ConocoPhillips' proprietary Optimised Cascade® Process LNG technology ...



*Artist's impression of the LNG facility*

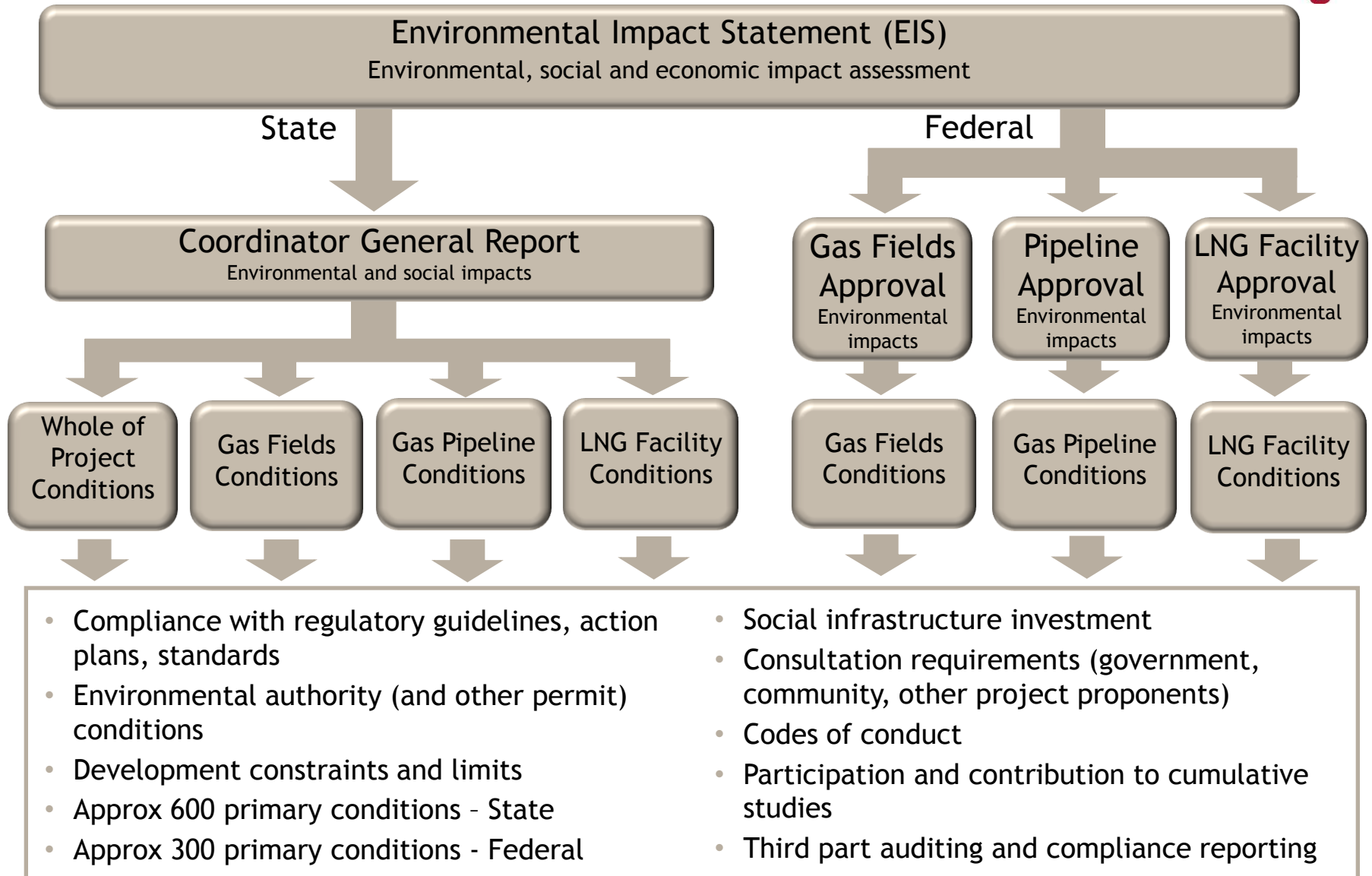
## Recent ConocoPhillips/Bechtel LNG success

- Darwin LNG Project, 2006
- Constructed by Bechtel and operated by ConocoPhillips
- Project completed below budget
- First LNG 2 months ahead of schedule
- Plant production efficiency exceeded 95%
- Project has similar lean gas characteristics to CSG

- Bechtel, as part of their Global LNG Collaboration with ConocoPhillips, will be EPC contractor for the downstream program
- The project will utilise ConocoPhillips' Optimised Cascade® Process, ideally suited to CSG characteristics
- Using the ConocoPhillips technology licence, Bechtel has delivered 8 LNG trains globally drawing on a history of more than 40 years between Bechtel and ConocoPhillips
- The fixed-price, turnkey contract includes the construction of up to two 4.5 mtpa LNG trains, with firm commitments to Train 1 and a pre-agreed executable option to progress with Train 2
- Liquidated damages apply to Bechtel for delay, and incentives apply for early delivery

... and leverage their successful partnership with EPC contractor Bechtel, underpinned by the ConocoPhillips/Bechtel Global LNG Collaboration

# A comprehensive regulatory regime underpins CSG to LNG projects ensuring responsible development of these large projects



# Execution risk is underpinned by appropriate controls and risk mitigation plans ...



Extensive Project Planning	<ul style="list-style-type: none"><li>• Significant front end engineering and design</li><li>• Early contractor engagement</li></ul>
Strong Management and Quality Teams	<ul style="list-style-type: none"><li>• Industry leaders engaged for all key contracts and services of the project</li><li>• Broad resourcing channels to obtain quality people with specialised skills</li><li>• Integration and interfacing team established to drive alignment</li></ul>
Prudent Contracting Terms	<ul style="list-style-type: none"><li>• Key contracts for upstream pipeline and downstream LNG plant are fixed price, lump sum, to minimise exposure to input cost inflation</li><li>• Contracts include appropriate liquidated damages for late delivery</li><li>• Unit rate and EPC used elsewhere, contractors to manage productivity risk</li></ul>
Modularisation	<ul style="list-style-type: none"><li>• Local pre-fabrication will be supplemented by offshore pre-fabrication and modularisation to reduce field construction hours</li></ul>
Efficient Management Strategies	<ul style="list-style-type: none"><li>• Upstream resource levelling to optimise utilisation of skilled labour</li><li>• Processes in place to incorporate learning curves during execution</li></ul>
Conservative Schedule	<ul style="list-style-type: none"><li>• Conservative schedule for all major construction activities</li></ul>

... to minimise financial and operational risks to the project

## Origin is well placed to fund the first phase of its APLNG project, in addition to its ongoing capital expenditure commitments ...



- Origin's funding for the first phase of the APLNG project has been secured through:
  - Sinopec's APLNG equity contribution (US\$750 million Origin share), also reducing Origin's share of capital expenditure in the project from 50% to 42.5%
  - \$4.6 billion of existing committed undrawn debt facilities and cash, which recently included €500 million (A\$680 million) raised through a European hybrid and US\$500 million (A\$510 million) raised through ten year unsecured notes issued in the United States 144A market
  - An underwritten DRP covering four dividend payments to provide up to \$1 billion (including the recently completed final dividend for FY2011)
- Ongoing free cash flow from business operations (\$1.3 billion in FY2011) is also available
- The funding requirement for Train 2 will depend on Origin's equity holding level:
  - At 42.5% Origin's maximum additional contribution would be US\$2.6 billion (42.5% of the incremental US\$6 billion to expand from 1 to 2 trains)
  - However, the issuance of additional shares in APLNG associated with LNG off-take arrangements for Train 2 would reduce funding requirements
    - For example, a 35% equity interest in a 2-train APLNG project would expose Origin to a similar funding requirement as a 42.5% interest in the 1-train project,
- Project finance at the APLNG level may also be utilised

... with a range of options available to fund a FID decision on APLNG's second train

# Origin is creating further growth opportunities ...



## GAS



- Domestic, as well as international gas exploration opportunities including New Zealand, south east Asia and Kenya

## GEOTHERMAL



- Geothermal development in New Zealand through Contact Energy
- Interests in central Australian geothermal opportunities
- Geothermal opportunities in growing markets, including Indonesia and Chile

## HYDRO



- Evaluation of a hydro-electric scheme in PNG with significant potential to provide baseload renewable energy to Australia

## SOLAR



- Development of solar photovoltaic technologies through Transform Solar, a 50:50 joint venture with Micron Technology

... through an expanding portfolio of energy resources

Based on Origin's current assessment of operations and prevailing market conditions, Origin anticipates Underlying EBITDA to increase by around 35 per cent in FY2012 ...



At the Full Year Results announcement in August Origin advised that based on operations to date and the then prevailing market conditions the company anticipated:

- Underlying EBITDA to increase by around 35 per cent when compared with FY2011
- Underlying Profit to increase by around 30 per cent when compared with FY2011

Increasing uncertainty in world financial markets, greater volatility in commodity prices and the patchy performance of the Australian economy makes full year forecasting more challenging

Based on operational performance of the company to date we re-affirm this guidance

... and expects Underlying Profit to increase by around 30 per cent when compared with FY2011

.....  
**Thank you**  
.....

### Further Information

Angus Guthrie  
Group Manager, Investor Relations  
Email: [angus.guthrie@originenergy.com.au](mailto:angus.guthrie@originenergy.com.au)  
Office: +61 2 8345 5558  
Mobile: + 61 417 864 255

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### Website

[www.originenergy.com.au](http://www.originenergy.com.au)

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