



## ASX/Media Release

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### Origin reports strong operational performance

Origin Energy Limited ("Origin") today reported that Underlying EBITDA was up 16 per cent to \$818 million on the prior corresponding period. Importantly, Underlying EBITDA before exploration expenses<sup>1</sup> was \$915 million, up 26 per cent and Group operating cash flow after tax of \$794 million was up 87 per cent.

Underlying Profit of \$304 million for the six months to 31 December 2010 was a decrease of 14 per cent on the prior corresponding period, primarily as a result of increased exploration expenses and a higher effective tax rate.

Origin reported a Statutory Loss of \$136 million for the period which included \$440 million of expenses that do not reflect the underlying business performance. These expenses included the impairment of Origin's investments in the Innamincka Deeps Joint Venture and Geodynamics Limited, stamp duty and costs associated with Origin's recently announced acquisition of NSW Government energy assets<sup>2</sup> and changes in the fair value of financial instruments.

Financial Highlights	HY 2011	HY 2010	Change
Underlying EBITDA	\$818 million	\$706 million	16%
Underlying Profit	\$304 million	\$355 million	(14%)
Underlying EPS	34.4 cps	40.5 cps	(15%)
Statutory (Loss)/Profit	(\$136 million)	\$371 million	-
Interim fully franked dividend	25 cps	25 cps	Steady
Group operating cash flow after tax	\$794 million	\$425 million	87%

Origin Chairman, Mr Kevin McCann said, "Origin has been through a period of substantial capital investment expanding our oil and gas production and power generation capacity and it is pleasing to see this reflected in a strong increase in Underlying EBITDA and cash flow.

"Origin is pursuing two major opportunities which will both have a transformational impact on Origin's business.

"We have continued to invest in the growth of our business through the acquisition of the NSW energy assets, which will see Origin become Australia's largest energy retailer with one of the country's largest and most flexible generation portfolios.

<sup>1</sup> Earnings before interest, tax, depreciation and amortisation before exploration expenses.

<sup>2</sup> 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.

"The Australia Pacific LNG project is making significant progress and earlier this week received Federal environmental consents.

"Origin remains in a strong financial position and confirms its intention to conduct a pro-rata equity offering to partly refinance the debt facilities put in place to fund the NSW energy assets, further strengthening the balance sheet.

"The Board has declared an interim fully franked dividend of 25 cents per share representing 73 per cent of underlying earnings," Mr McCann said.

The interim dividend will be paid on 1 April 2011 to shareholders of record on 7 March 2011.

Based on prevailing market conditions, Origin expects Underlying EBITDA to increase by approximately 35 per cent in the 2011 financial year when compared with the prior year. The company also anticipates an increase in Underlying Profit of around 10 to 15 per cent when compared with the prior year, with the range reflecting the timing of any equity raising.

### **Underlying business performance**

Origin Managing Director, Mr Grant King said, "Origin's underlying business has performed strongly during the half year, demonstrated by the 26 per cent increase in Underlying EBITDA before exploration expenses."

As foreshadowed at the full year results in August 2010, Origin undertook an expanded offshore and international exploration program in greenfield areas during the half, which included the drilling and testing of five exploration wells. None of these wells encountered commercial hydrocarbons and the associated costs have been expensed in the half year.

Underlying EBITDA increased 16 per cent or \$112 million to \$818 million.

"The half year result has been driven by increased contributions from additional investment in oil and gas production, the completion of Darling Downs Power Station and the effective management of the energy supply portfolio in our retail business," Mr King said.

**Exploration and Production** Underlying EBITDA was \$125 million, 20 per cent or \$21 million higher than the prior half year. Excluding exploration expenses from both periods, Underlying EBITDA of \$222 million was up 76 per cent for the period due mainly to increased contributions from the Kupe Gas Project and Origin's increased equity interest in the Otway Gas Project, and expanded production by Australia Pacific LNG.

**Generation** Underlying EBITDA increased 47 per cent or \$46 million to \$144 million, reflecting increased capacity payments from the Retail segment as Origin brought new generation capacity into production. During the period, generation capacity increased from 1,620 MW to 2,250 MW with the addition of Darling Downs Power Station.

**Retail** Underlying EBITDA increased 15 per cent or \$49 million to \$369 million. This was achieved mainly through effective management of Origin's energy supply portfolio. Retail also continued to experience significant growth in solar sales revenues.

**Contact** Underlying EBITDA was steady in New Zealand dollars, with the marginal decrease of 2 per cent to \$180 million due to exchange rate movements. Contact reported a stronger performance in the electricity segment, offset by lower sales volumes associated with natural gas and LPG.

“The strong operational performance in the half continues Origin’s sustained growth, largely driven in recent years by significant capital investments across Origin’s integrated business,” Mr King said.

## Outlook

Origin expects the trend in operational performance observed in the first half to continue into the second half, with the following factors also influencing the performance of the underlying business:

- A significantly lower level of greenfields exploration activity will be undertaken and consequently a lower level of exploration expense is expected;
- Recent floods and volatile weather conditions are expected to have some impact on operations during the second half, however this is not likely to have a material impact on earnings;
- Origin’s generation portfolio will continue to contribute to earnings in line with the increased productive capital deployed in this segment, however it is not anticipated that the Mortlake Power Station will make any contribution to the result for the full year; and
- At the full year retail margins are expected to be in line with the prior year reflecting natural seasonality in the retail business.

In addition Origin will benefit from a four month contribution from the NSW energy assets following the scheduled completion on 1 March 2011. At the time of announcing the \$3.25 billion transaction in December 2010, Origin advised that the acquisition would be funded through new debt facilities, with the expectation that these facilities would be partly refinanced with a pro-rata equity offering. Origin reconfirms this intention.

Taking all these factors into account, and based on prevailing market conditions, Origin expects Underlying EBITDA to increase by approximately 35 per cent in the 2011 financial year when compared with the prior year. The company also anticipates an increase in Underlying Profit of around 10 to 15 per cent when compared with the prior year, with the range reflecting the timing of any equity raising.

“The following year will see significant contributions to earnings coming from a full year of contribution from the NSW energy assets. It will also include completion of the Mortlake Power Station and the completion of Contact’s Ahuroa gas storage facility and Stratford Peaking project as well as continuing growth in coal seam gas production and sales,” Mr King said.

## Growth Opportunities

The Australia Pacific LNG project has made significant progress towards a Final Investment Decision by Origin and ConocoPhillips.

State and Federal Government approvals have been received for the project's EIS including up to four LNG trains over a 49 year operating period. Australia Pacific LNG's Proved and Probable Reserves have continued to mature to more than 11,000 PJ. There has also been continued progress on FEED and commitment to early works and long-lead time items.

To better align the economic interests of Origin and ConocoPhillips to progress a FID in the near term, agreement has been reached with ConocoPhillips which includes a potential deferral of the FID payments for the first two LNG trains.

These payments were due to Australia Pacific LNG at the time a FID was approved and would have seen Origin's funding for Australia Pacific LNG reduced by US\$500 million per train. If deferred, the payments will be made when the project pays out an agreed economic return on the total investment by ConocoPhillips in Australia Pacific LNG.

Australia Pacific LNG is now well advanced in negotiations with a number of foundation customers whose LNG requirements can trigger a FID for the LNG project.

"Looking further ahead, Origin continues to develop a number of significant opportunities which will expand on the scale and scope of our business and provide earnings growth in future years," Mr King said.

Additional opportunities include:

- Thermal and renewable generation development options, including new greenfields developments and potential expansion of existing generation sites;
- Australia Pacific LNG's investments in the Fairview field associated with the GLNG project and the ATP 648 and 620 permits associated with the QCLNG project;
- Implementation of the retail transformation program;
- Continuing development of geothermal opportunities in Australia, Indonesia and New Zealand including the Te Mihi geothermal development being undertaken by Contact;
- The potential commercial development of solar photovoltaic technology through Transform Solar, a joint venture with Micron Technology Inc;
- Exploration opportunities in the Lamu Basin in Kenya and the Canterbury Basin in New Zealand benefiting from farm-out arrangements with strong joint venture parties; and
- The Purari hydro-electric project which is designed to bring baseload renewable energy to Papua New Guinea and Queensland.

Based on these opportunities Origin continues to target long term growth in Underlying earnings per share of 10 to 15 per cent per annum on average.

"The company is in a strong position to meet growing energy needs both in Australia and overseas and to continue to deliver sustainable growth for shareholders," Mr King said.

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**About Origin Energy**

Origin Energy is Australasia's leading integrated energy company focused on gas and oil exploration and production, power generation and energy retailing.

Listed in the ASX top 20 the company has approximately 4,000 employees, is a leading producer of gas in eastern Australia, is the largest owner and developer of gas-fired electricity generation in Australia and is a leading wholesaler and retailer of energy. The company services more than 3.5 million electricity, natural gas and LPG customers across Australia, New Zealand and the Pacific. Origin's strategic positioning and portfolio of assets provide flexibility, stability and significant opportunities for growth in the ever changing energy industry. Through Australia Pacific LNG, its 50:50 joint venture with ConocoPhillips, Origin is developing Australia's largest CSG reserves base into the country's largest CSG to LNG project.

In New Zealand, Origin is the major shareholder in Contact Energy, the country's leading integrated energy company, operating geothermal, thermal and hydro generation facilities and servicing 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 investments in renewable energy, a strong focus on ensuring the sustainability of its operations and is the largest green energy retailer in Australia.

For more information go to [www.originenergy.com.au](http://www.originenergy.com.au)