Origin Energy

Investor Presentation - Update on Amended Loan Facilities and APLNG

Grant King, Managing Director

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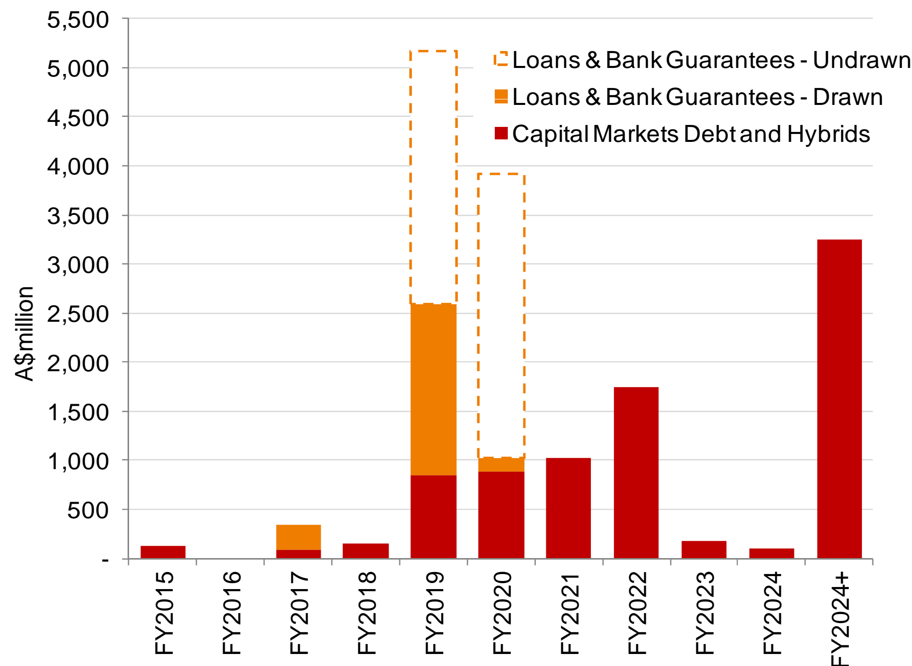
Origin announces amended bank loan facilities with reduced interest cost, extension to loan maturity and $750 million facility upsize, and confirms no requirement to raise equity



- Bank loan interest rate margin of entire bank facility reduced by 0.30% per annum reflecting current strong bank loan market
- Loan maturities extended from Aug 2017 to Dec 2018 and from Aug 2018 to Dec 2019
- Facility amount upsized by $750m from $6.6 billion to $7.4 billion
- Prudent to take additional $750m liquidity given very attractive funding costs available and supports conservative liquidity buffer through start of APLNG's first and second trains
- $5.5 billion of undrawn debt facilities and cash at 30 November 2014 (adjusted for bank loan amendment)
- Commitment to maintain investment grade rating
- S&P announced on 4 December 2014 that Origin's credit rating of BBB (Negative outlook) is not immediately affected by its revised oil price assumptions

Whilst lower oil prices will have an inevitable effect on this year's profits, based on Origin's existing liquids production of around 3 million barrels per year it will have minimal impact on Origin's ability to fund APLNG

(1) Excludes Contact Energy

APLNG economics remain robust in current oil price environment

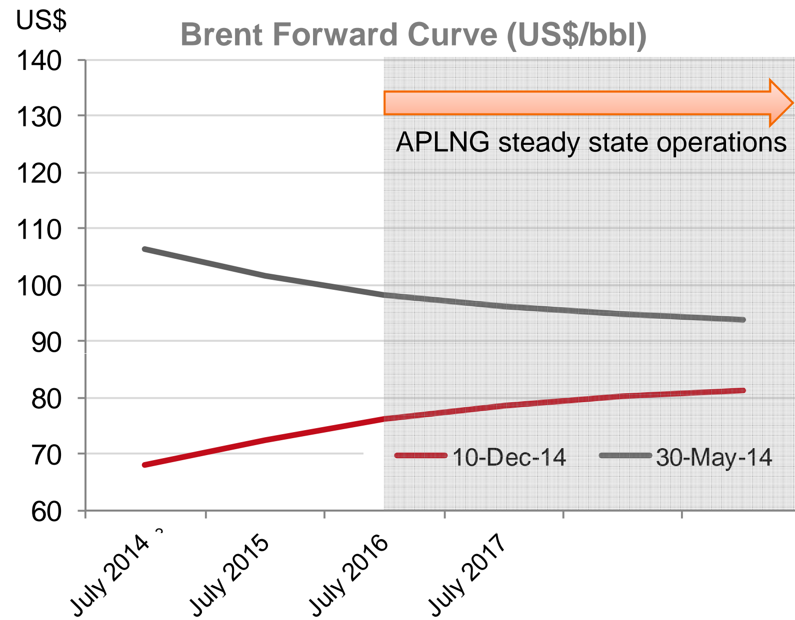
Consistent with prior guidance, APLNG's underlying economics are based on the following assumptions on project cash costs during steady state operations:

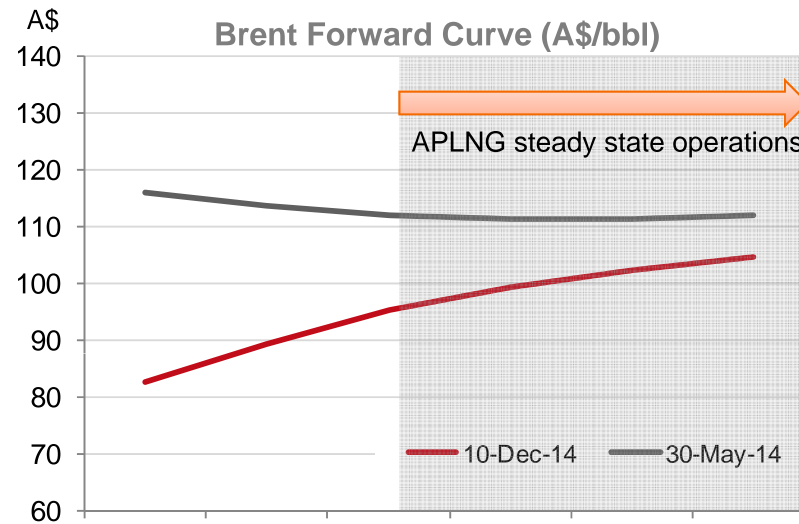
- Volumes
  - 8.6 mtpa contracted at JCC linked prices – around 470 PJ pa of sales gas
  - QGC sales – around 25 PJ pa on average
  - Domestic contracts – around 120 PJ
- Opex
  - Upstream operating expenditure (operated and non-operated, includes pipeline, electricity purchases and royalties) of around A$1.2 billion per annum on average
  - Downstream liquefaction costs
- Sustain Capex
  - Around 300 operated wells drilled per year in near term at A$3 million per connected well
  - APLNG's share of around 300 non-operated wells per year
  - Further gas processing facilities post LNG production; operated and non-operated
  - Non-operated permit equity share between 20%-40%
  - Around A$1.2-1.4 billion per annum on average
- Exploration Capex - spend assumed in early years, but is discretionary
- Project Finance - US$8.5b facilities with 16-17 year terms from May 2012, repayments expected to start in FY2017
- Income tax - not expected to be paid by APLNG in early years. At lower oil prices this period is prolonged

APLNG will have free cash flow available for distribution to shareholders at oil prices above a cash cost breakeven price of US$40-45/boe[1] on average during steady state operations

(1) Break-even price after all opex, sustain capex, project finance interest and principal repayments and discretionary E&A. At 10 December 2014 AUD/USD forward curve.

At current forward oil curves, Origin expects its share of distributable cash flow from APLNG to exceed A$900 million[1] per annum on average from FY2017





As the project transitions from construction to steady state operations over FY2015 and FY2016, Origin's estimated remaining cash contributions are based on conservative assumptions on liquidity and deliverability

- Guidance for Origin's FY2015 cash contribution to APLNG of around $3 billion provides a generous envelope on funding to ensure conservative sizing of liquidity without reliance on timing of revenue from gas sales that are not in APLNG's control
  - Initial gas sales to QGC commence with commercial operations at QCLNG and will extend for 15 months
- As the project nears completion expenditure shifts to a steady state
  - Project Capex not expected to be materially different from budget ($22.5 billion of $24.7 billion spent at 30 September 2014), but remains exposed to increased costs in non-operated areas
  - Operating costs approach steady state as project becomes ready for start up; capitalised until project becomes operational
  - Domestic Capex supports existing domestic contracts and non-operated capex associated with the supply of gas to QGC
  - Phase 1 drilling reaches completion ahead of schedule, Sustain Capex has been brought forward
    - De-risks delivery into the APLNG project and provides flexibility to optimise drilling program in subsequent years
    - Maximises project capacity and opportunity to sell gas to third parties
  - Exploration capex provides confidence in reserves and supports additional gas sales to third parties

However, in current low oil price environment discretionary spend on Sustain and Exploration activities able to be revisited to maximise cash flow

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For more information

Chau Le
Group Manager, Investor Relations
Email: chau.le@originenergy.com.au
Office: +61 2 9375 5816
Mobile: + 61 467 799 642

www.originenergy.com.au