



origin

ORIGIN ENERGY

DELIVERING ON COMMITMENTS

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Important Notices



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Origin's strategy of *connecting resources to markets* is pursued through a clear focus on its 2 businesses and 3 priorities designed to drive continued improvement in Origin's performance



2 **BUSINESSES**



A leader in energy markets



A regionally significant position in natural gas and LNG production

3 **PRIORITIES**



Growing contribution from Energy Markets



Growing production and reducing cost in Integrated Gas

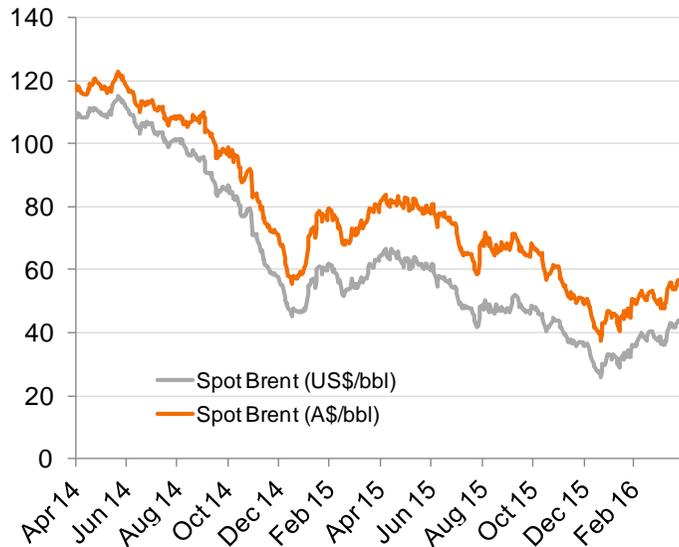


Maintaining adequate funding and an appropriate capital structure

Since last year's Macquarie Conference two external influences have impacted Origin's priorities and prospects – Oil Price and COP 21



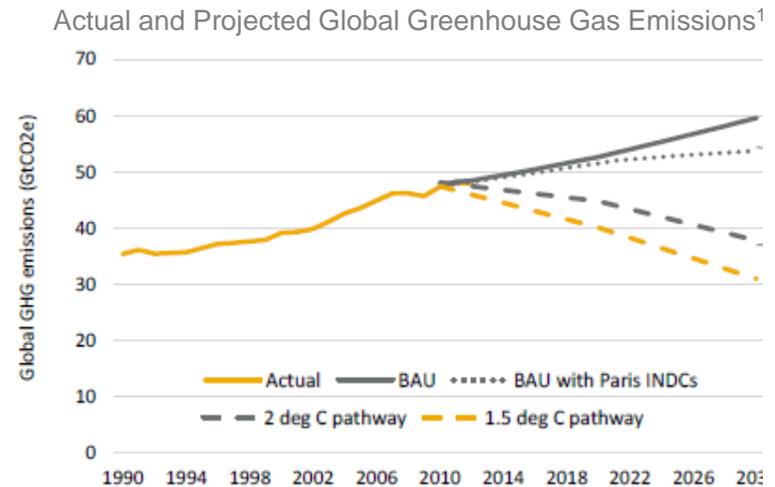
Fall in Oil Price



Origin's response

- Debt reduction
- Cash preservation
- Risk reduction

Increasing global commitment to reduction in carbon emissions



Origin's position

- Long resource position exposed to global demand for natural gas
- Short generation and LREC position, flexible fuel and generation portfolio, and increasing investment in renewables



In responding to lower oil prices Origin is delivering on commitments to reduce debt and increase resilience, targeting net debt below \$9 billion in FY2017

Debt Reduction

- ✓ Sale of Contact, reducing debt by **\$3 billion**
- ✓ **\$2.5 billion** Entitlement Offer
- ✓ **A\$110 million** and **US\$30 million** of asset sales achieved, targeting at least **A\$800 million** by end FY2017

Cash Preservation

- ✓ Reduced **capex**
- ✓ Reduced **opex**
- ✓ **Exit** from non-core activities (international exploration, geothermal, large scale IT)
- ✓ Reduce / suspend **dividend**

Risk Reduction

- ✓ Purchased **oil put options** for FY2017 to reduce risks at oil prices below US\$40/bbl (or A\$55/bbl)
- ✓ Limit further cash contribution to APLNG

Origin has maintained an investment grade credit rating with both S&P and Moody's

Sale agreements in place for Mortlake terminal station and an Indonesian geothermal project, confidence in target of at least \$800 million



- **Signed agreements**
 - Mortlake Terminal Station for **A\$110 million** announced on 12 February 2016
 - 12.9x FY2017 EBITDA multiple
 - ~\$25 million pre-tax gain on sale
 - Interest in OTP, an Indonesian geothermal development project, for **US\$30 million** announced on 8 April 2016
- **Other infrastructure and wind assets** – progressing sale of Mortlake Pipeline, Cullerin Wind Farm, Stockyard Hill Wind Farm development site and Darling Downs Pipeline
- **Upstream assets** - expressions of interest received for Perth Basin following release of flyers in December 2015

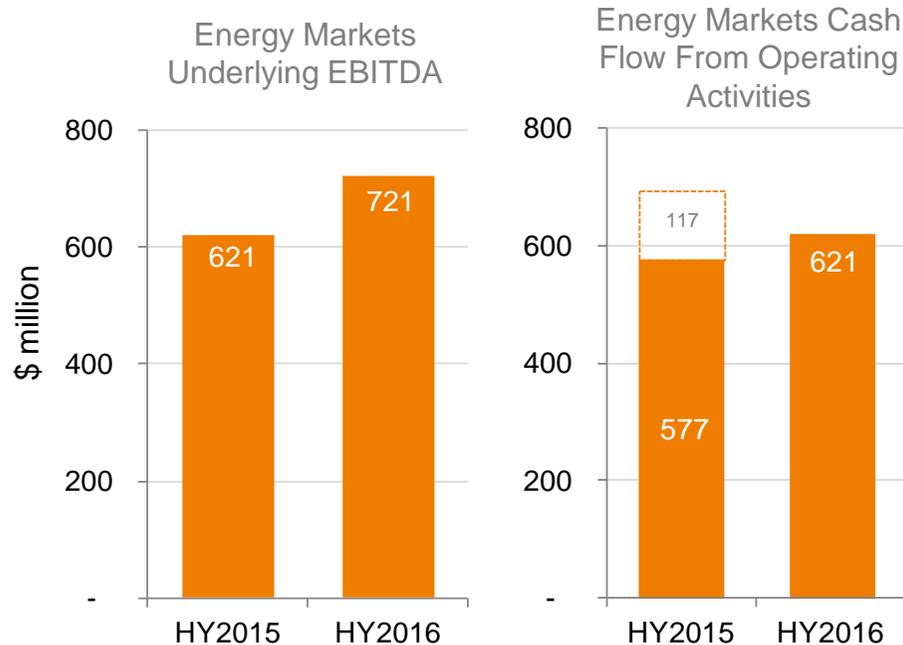


Mortlake terminal station



Senecio 3 Well Test, Perth Basin

Continued strong performance in Energy Markets



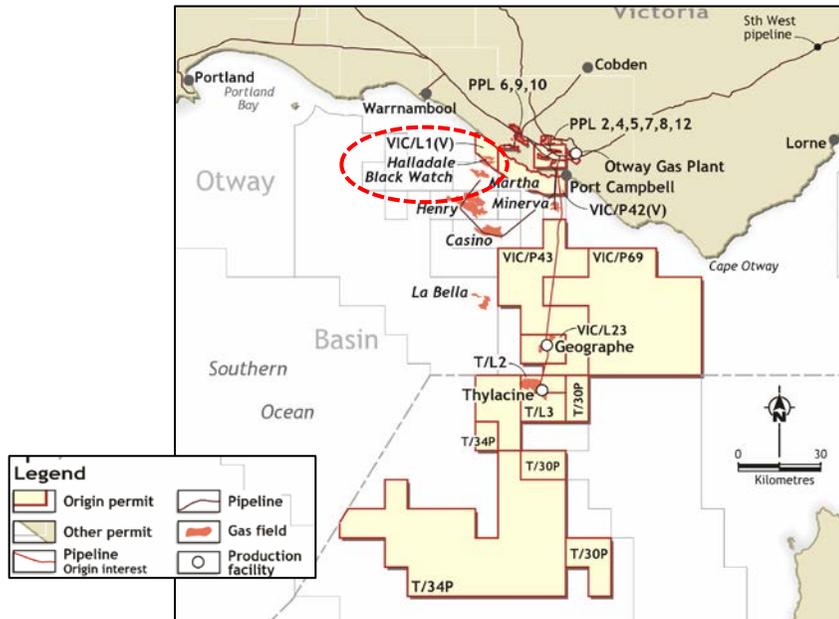
Strong operational progress to date ...

- ✓ Increased Natural Gas contribution
- ✓ Stabilised Electricity contribution
- ✓ Reduction in cost to serve
- ✓ Improved customer experience and service

Focus is on ...

- \$100 million operating cost reduction (\$61m achieved to date) and \$50 million capital expenditure reduction (\$16m achieved to date)
- Further operational efficiencies
- Electricity margin expansion
- Maintaining competitive position in Natural Gas
- Growing renewables

Halladale / Speculant development is progressing to schedule and will drive increased production and earnings in FY2017, utilising existing infrastructure in the Otway Basin



- Final well (Speculant 2 sidetrack) drilled
- Speculant 1 and Speculant 2 flow test results as expected
- Construction progressing to schedule, expected to be online early FY2017
- Robust economics, with fast payback
- Gas to be directed into Victorian & East Coast market
- Gas production utilises latent capacity in existing Otway gas plant
- 82 PJe of 2P reserves at 30 June 2015

The APLNG project is now largely de-risked with strong operational performance both in upstream and downstream



UPSTREAM PROJECT 100% COMPLETE

DOWNSTREAM PROJECT 97% COMPLETE



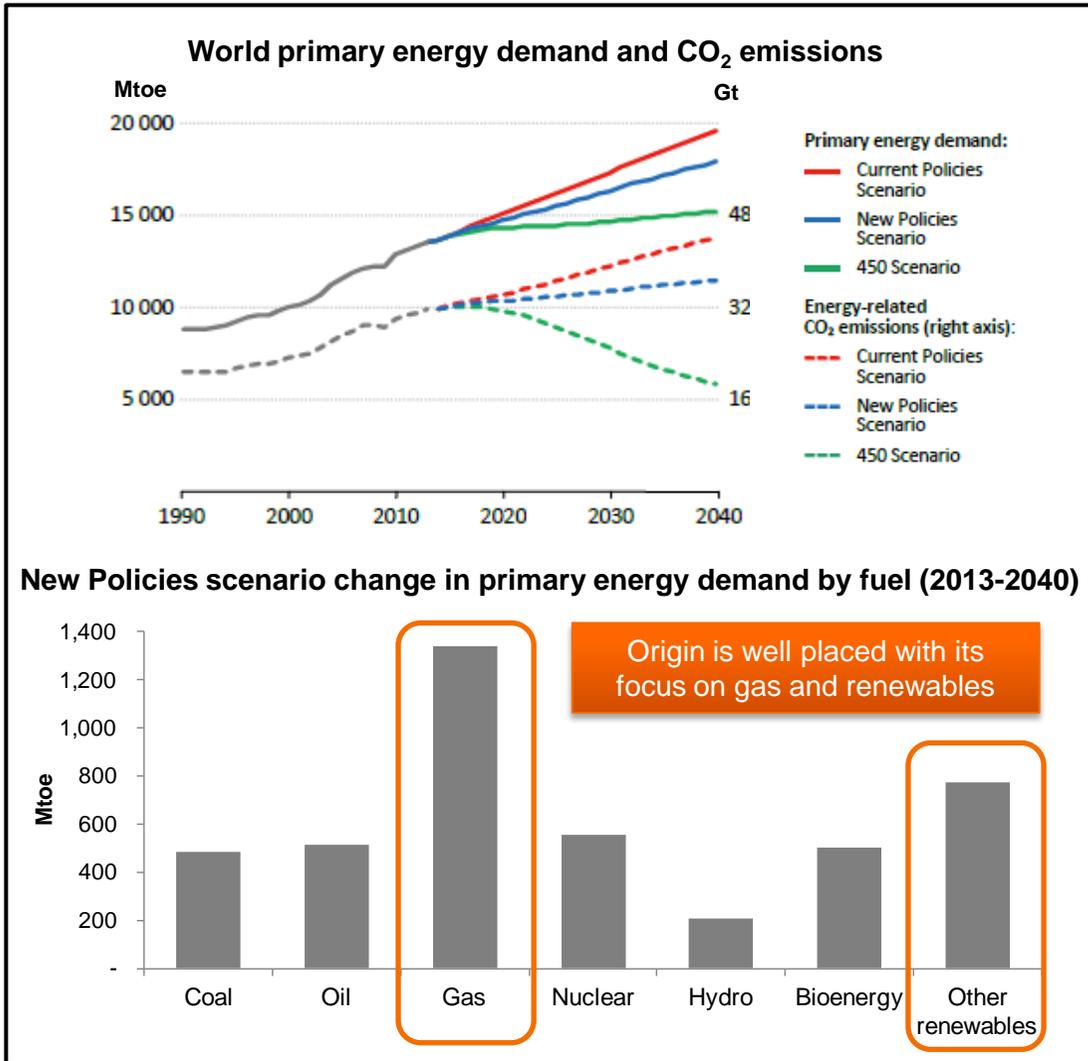
Strong operational progress to date ...

- ✓ **\$1 billion** of annual cost reductions implemented
- ✓ Train 1 operational, **16 LNG cargoes** shipped to date, with the majority pursuant to the **Sinopec SPA**
- ✓ Production rates have achieved and **exceeded nameplate capacity**
- ✓ Given strong operational performance of Train 1, Origin's earnings will reflect revenues and expenses from 1 March 2016
- ✓ **Inlet Air Chiller online** in April, LNG production rates increased
- ✓ **Bechtel Performance Test completed** on 30 April 2016

Focus is on ...

- Further reduction in breakeven by **A\$3-5/boe**
- Meeting project finance **lender tests**
- Completion of **Train 2** with first cargo expected in H1 FY2017

Origin supports measures to reduce global carbon emissions and is well positioned for a carbon constrained future through its gas and renewable portfolio



Energy in a carbon constrained world

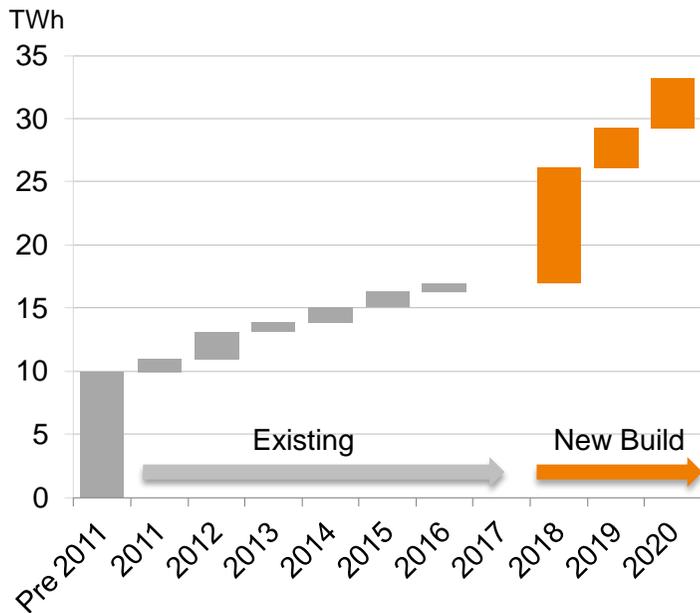
- The world is facing the challenge of meeting increasing energy demand while curbing carbon emissions
- 177 countries, including Australia, recently signed the Paris Agreement on climate change
- The New Policies Scenario requires a significant shift in fuel mix towards gas and renewables
- Origin supports Australia's bi-partisan commitment to reduce carbon emissions by at least 26% by 2030 from 2005 levels
- Additional policies are required to meet the target
- Origin is the first energy company to sign on to all seven of the We Mean Business commitments on climate change action

Source: Based on IEA data from World Energy Outlook 2015 © OECD/IEA 2015, www.iea.org/statistics

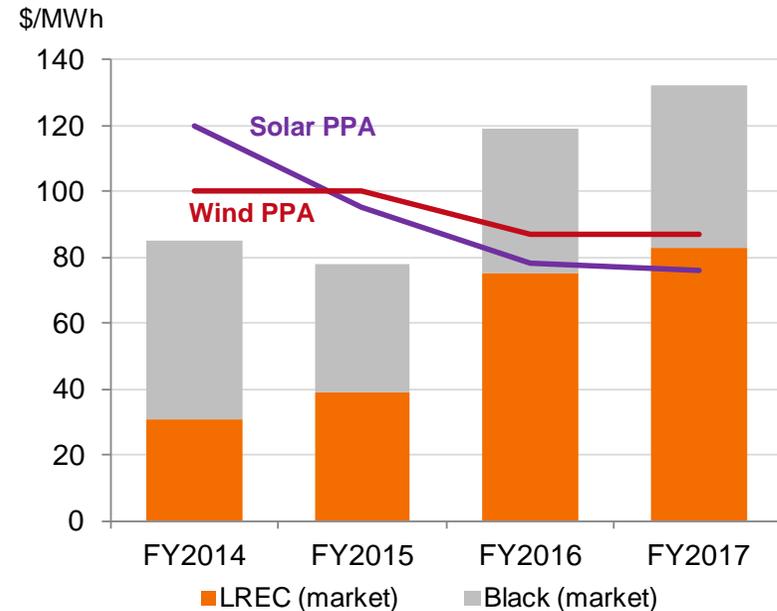
Renewables are more attractive than ever as utility scale solar and wind generation costs fall



14TWh of new renewable build required¹



LREC price rising and renewables cost falling²

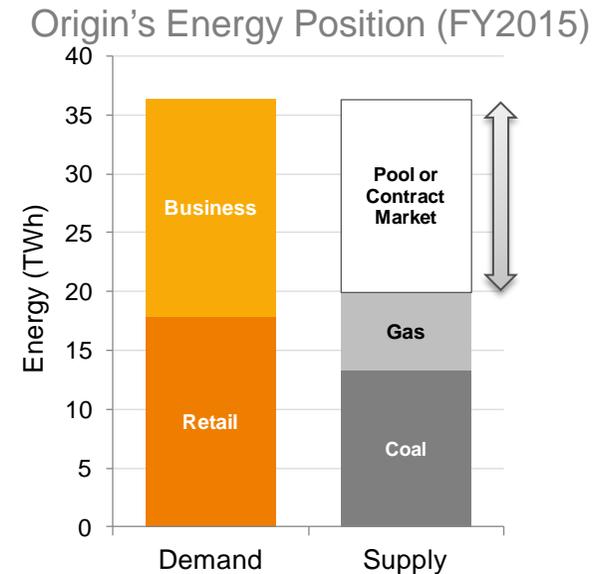
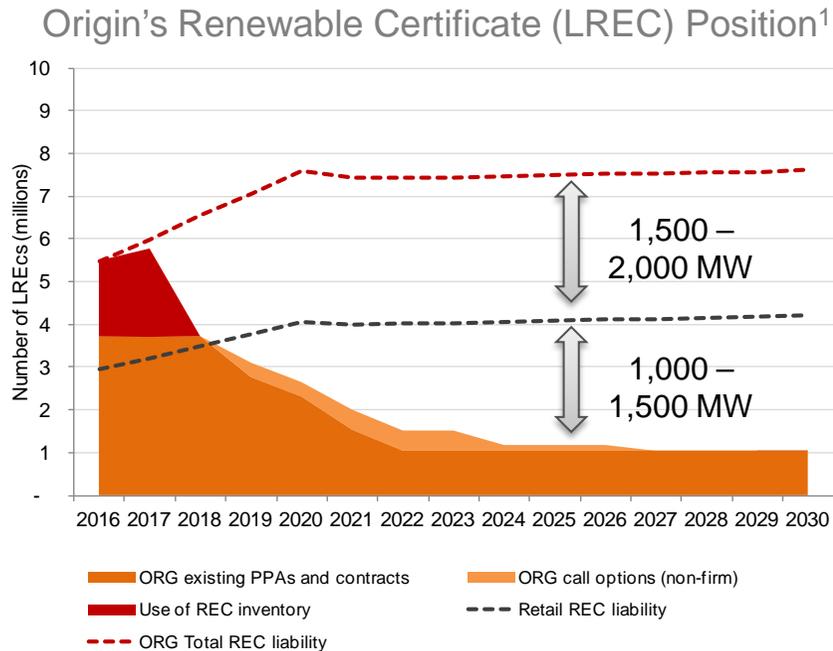


- 14 TWh of new renewables required to meet 33 TWh target by 2020 (approximately 5,000 MW of wind)
- LREC price is rising in response to new build requirements
- Cost of utility-scale solar and wind generation falling
- New build injects 14 TWh of 'must run' electricity into the market, displacing baseload generation and increasing volatility

(1) REC liability based on growth in line with AEMO's system demand

(2) Origin Energy estimates. Solar and Wind PPA costs include black energy and renewable certificate costs

Origin's LREC and generation portfolios are uniquely placed to accelerate development of renewables, with two utility scale solar PPAs signed to date



To meet obligations:

- Origin has development approval for a **106 MW** solar farm in **Darling Downs** in QLD
- Origin has recently signed two utility scale solar PPAs
 - **56 MW Moree Solar Farm**, from now for 15 years
 - **100 MW Clare Solar Farm**, from 2017 for 13 years (with an option for additional 35 MW)

- Origin is short energy and so its existing generation portfolio has low stranding risk from further renewables build
- Volatility from increasing renewable penetration increases the value of Origin's peaking assets

¹² (1) REC liability based on growth in line with AEMO's system demand

Near term milestones



	Timing
Bechtel Performance Test	Completed 30 April 2016
Asset sales progress	Through FY2016 and FY2017
Strength of operating performance	FY2016 Results
Train 1 project finance lender tests met and guarantees fall away	H1 FY2017
Train 2 completion	H1 FY2017
Train 2 project finance lender tests met and guarantees fall away	CY2017
Net debt below \$9 billion	End FY2017

Origin's guidance for FY2016 and FY2017 remains appropriate

Important Notices



A reference to Australia Pacific LNG or APLNG is a reference to Australia Pacific LNG Pty Limited in which Origin holds a 37.5% shareholding. Origin's shareholding in Australia Pacific LNG is equity accounted.

A reference to \$ is a reference to Australian dollars unless specifically marked otherwise. All references to debt are a reference to interest bearing debt only (excludes Australia Pacific LNG shareholder loans). Individual items and totals are rounded to the nearest appropriate number or decimal. Some totals may not add down the page due to rounding of individual components. When calculating a percentage change, a positive or negative percentage change denotes the mathematical movement in the underlying metric, rather than a positive or a detrimental impact. Measures for which the numbers change from negative to positive, or vice versa, are labelled as not applicable.

Reserves

This Presentation contains disclosure of Origin and APLNG's reserves and resources as at 30 June 2015. These reserves and resources were announced on 31 July 2015 in Origin's Annual Reserves Report for the year ended 30 June 2015 (**Annual Reserves Report**). Origin confirms that it is not aware of any new information or data that materially affects the information included in the Annual Reserves Report and that all the material assumptions and technical parameters underpinning the estimates in the Annual Reserves Report continue to apply and have not materially changed. Petroleum reserves and contingent resources are typically prepared by deterministic methods with support from probabilistic methods. Petroleum reserves and contingent resources are aggregated by arithmetic summation by category and as a result, proved reserves (1P reserves) may be a conservative estimate due to the portfolio effects of the arithmetic summation. Proved plus probable plus possible (3P reserves) may be an optimistic estimate due to the same aforementioned reasons.

Some of Australia Pacific LNG CSG reserves and resources are subject to reversionary rights to transfer back to Tri-Star a 45% interest in Australia Pacific LNG's share of those CSG interests that were acquired from Tri-Star in 2002 if certain conditions are met. Approximately 22% of Australia Pacific LNG's 3P CSG reserves as of 30 June 2015 are subject to the reversionary rights. If reversion occurs this may mean that reserves and resources that are subject to reversion are not available for Australia Pacific LNG to sell or use after the date of reversion. In October 2014, Tri-Star filed proceedings against Australia Pacific LNG claiming that reversion has occurred. Tri-Star served the claim on Australia Pacific LNG on 20 October 2015. Australia Pacific LNG will defend the claim.



THANK YOU

For more information

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