To	Company Announcements Office	Facsimile	1300 135 638
Company	ASX Limited	Date	20 August 2015
From	Helen Hardy	Pages	9
Subject	Origin reports Statutory Loss of $658 million and Underlying Profit of $682 million; Australia Pacific LNG nearing completion		

Please find attached a release on the above subject.

Regards

Helen Hardy
Company Secretary

02 8345 5000 – helen.hardy@originenergy.com.au

ASX/Media Release

20 August 2015

Origin reports Statutory Loss of $658 million and Underlying Profit of $682 million; Australia Pacific LNG nearing completion

Origin Energy Limited (Origin) today announced a Statutory Loss of $658 million for the full year ended 30 June 2015, primarily reflecting the impairment of Origin's investment in Contact Energy and upstream assets, the non-cash impact of the recent depreciation of the Australian dollar on the fair value of financial instruments and debt, and interest expense which would otherwise be capitalised if the Australia Pacific LNG project was held by Origin rather than via an equity accounted investment.

Underlying Profit was $682 million a 4 per cent decrease compared to the prior year.

Underlying EBITDA increased by $10 million[1] to $2.15 billion, driven by an increased contribution of $207 million from Energy Markets, offset by lower contributions from Exploration & Production, Corporate and Contact Energy.

Contact Energy, which has been presented as a discontinued operation in Origin's Financial Statements, contributed $199 million to Statutory Loss after the impairment of Origin's investment in that company, $79 million to Underlying Profit and $487 million to Underlying EBITDA.

Group Operating Cash Flow after Tax was $1.58 billion, a 23 per cent decrease on the prior year, primarily due to higher working capital reflecting the final carbon scheme payment, and the timing of tax instalments.

Financial Highlights[2]	FY15	FY14	Change
Statutory (Loss) / Profit	($658 million)	$530 million	N/A
Statutory EPS	(59.5 cps)	48.1 cps	N/A
Underlying Profit	$682 million	$713 million	down 4%
Underlying EBIT	$1,280 million	$1,353 million	down 5%
Underlying EBITDA	$2,149 million	$2,139 million	Steady
Underlying EPS	61.7 cps	64.8 cps	down 5%
Group OCAT	$1,578 million	$2,041 million	down 23%
Free Cash Flow	$1,196 million	$1,599 million	down 25%
Final Dividend	25 cps (unfranked)	25 cps (unfranked)	Steady
Full Year Dividend	50 cps (unfranked)	50 cps (unfranked)	Steady
Capital Expenditure (including acquisitions)	$1,886 million	$1,012 million	up 86%
Origin Cash contribution to Australia Pacific LNG[3]	$2,166 million	$2,814 million	down 23%

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

[2] A reconciliation between statutory and underlying profit measures can be found in Note A1 of the Origin Consolidated Financial Statements.

[3] Origin's cash contribution to Australia Pacific LNG for the current year is net of $165 million of interest income (30 June 2014: $7 million) received on Mandatorily Redeemable Cumulative Preference Shares (the mechanism by which remaining funding to Australia Pacific LNG will be provided by the shareholders of Australia Pacific LNG in proportion to their equity interest). Interest on the Mandatorily Redeemable Cumulative Preference Shares is paid to shareholders twice per annum based on a fixed interest rate.

Origin Chairman, Mr Gordon Cairns said, “We have consistently stated that the 2015 and 2016 financial years are transitional years for Origin, as we complete the final stages of our investment in Australia Pacific LNG.

“Work on the Australia Pacific LNG project is nearing completion and the project remains on track to commence sustained production from Train 1 from the second quarter of the 2016 financial year and from Train 2 approximately six months later.

“Notwithstanding the strong Energy Markets performance for the year, market conditions remain challenging. In our Integrated Gas business, we are mindful that the significant fall in oil price, if sustained at current levels, will result in lower growth in cash flow and earnings than previously expected.

“It is therefore prudent for the Company to continue to focus on reducing operating and capital costs, realigning debt across the group entities and where appropriate divest assets, in order to increase Origin’s financial flexibility in the short to medium term.

“Consistent with this approach, following the close of the 2015 financial year the Origin Group divested its 53.1 per cent interest in Contact Energy and received net cash proceeds of NZ$200 million and approximately $1.4 billion.

“Directors continued to focus on maintaining adequate liquidity and during the year further funding initiatives were completed which extended Origin’s debt maturity profile and enhanced liquidity.

“Origin has $5.8 billion[4] of committed and undrawn debt facilities and cash, which is more than sufficient to fund the Company’s remaining contributions to Australia Pacific LNG and other business initiatives.

“The Directors have also carefully reviewed the carrying value of all assets, resulting in a non-cash impairment charge of $705 million. The impairment charge primarily relates to Contact Energy and the Company’s upstream assets.

“There is no impairment related to Australia Pacific LNG; the economics of Origin’s investment in Australia Pacific LNG remain robust.

“The Board has determined to pay an unfranked final dividend of 25 cents per share,” Mr Cairns said.

Underlying business performance

Origin Managing Director, Mr Grant King said, “During the period, Origin delivered solid operational performance with significant progress across its four key priorities.

“We have improved returns in Energy Markets, Australia Pacific LNG remains on track, our capabilities in renewables continue to grow with important progress made in solar, and liquidity is sufficient to meet our remaining contributions to Australia Pacific LNG and other business initiatives.

[4] As at 30 June 2015, adjusted to include net proceeds from the sale of Contact Energy. Excludes Contact Energy and bank guarantees

"Our ability to take advantage of attractively priced ramp gas in our Energy Markets business as production commences at the Queensland LNG projects led to increased natural gas sales and resulted in Origin reducing its own gas production. The consequential reduction in liquids production and lower oil prices resulted in a decreased contribution from our Exploration & Production business. The deferred gas and liquids production will be produced in subsequent periods.

"We have made strong progress on plans to reduce Australia Pacific LNG's total upstream cost structure by $1 billion per annum. During the period, initiatives were implemented to reduce annual upstream costs by approximately $650 million, with a target of an additional $350 million of cost reduction initiatives to be implemented by the end of the 2016 financial year.

"With the completion of a period of significant development, Origin's cash costs will be reduced in line with future business priorities. Origin has initiated a company-wide project which is expected to deliver costs savings of $200 million from the 2017 financial year.

"We continued our positive trend in safety performance, achieving our lowest ever Total Recordable Injury Frequency Rate of 3.8," Mr King said.

Origin's Underlying EBITDA was $2.15 billion for the 2015 financial year, a $10 million increase on the prior corresponding period.

Energy Markets

Underlying EBITDA for the Energy Markets business increased by 20 per cent to $1.26 billion. This was mainly due to a higher contribution from the natural gas segment due to increased sales. This is also reflected in an improved Underlying EBIT margin for Energy Markets of 9.9 per cent, which increased from 8.4 per cent[5] in the prior year.

Total customer accounts increased by 4,000 in the second half of the financial year, reducing the net loss in customer accounts to 28,000 for the year.

Continued competition in Victoria and NSW contributed to the reduction in customer accounts, with 75,000 Electricity customer account losses. This was offset by an increase of 47,000 in natural gas customer accounts as Origin expands its natural gas penetration.

Origin also confirmed its intention to become number one in solar by installed capacity. During the year, a Solar as a Service product was introduced, which allows a larger number of customers to access the benefits of solar.

Contact Energy

In Australian dollars, Contact Energy Underlying EBITDA decreased by $46 million to $487 million (NZ$525 million), reflecting continued competition and retail price discounting eroding tariff increases to recover increased distribution costs. This was partially offset by increased geothermal generation following the commissioning of Te Mihi power station.

[5] Excluding carbon impact of 0.6 per cent. Reported as 7.8 per cent in the prior year.

Exploration & Production

Exploration & Production Underlying EBITDA decreased by 18 per cent to $399 million due to lower liquids production and lower liquids prices. As foreshadowed at the half year, the availability of Queensland ramp gas allowed Origin to use less gas from its own production, with the consequential reduction in liquids production. This forgone gas and liquids production will be produced in subsequent periods.

At BassGas, condensate and compressor modules were lifted onto the Yolla Platform and Yolla-5 and Yolla-6 production wells drilled, with production commencing subsequent to the year end. These activities will increase production into growing gas demand in eastern Australia.

Successful exploration and appraisal drilling programs reflected in the discovery of commercial quantities of gas in the Otway (Speculant) and Perth (Senecio and Waitsia) Basins.

Origin's 2P reserves at 30 June 2015 totalled 6,260 PJe, a reduction of 213 PJe on the previous year, with 147 PJe attributable to production and 66 PJe net reduction in reserves primarily due to lower oil price assumptions, revised development plans, and reservoir performance across various assets, partly offset by new bookings.

LNG

Underlying EBITDA for LNG decreased by 13 per cent to $72 million.

At 30 June 2015, the Upstream project was 97 per cent complete and the Downstream project was 92 per cent complete. The project remains on track to commence sustained LNG production from Train 1 from the second quarter of the 2016 financial year and from Train 2 approximately six months later.

Origin's cash contribution to Australia Pacific LNG was $2.2 billion during the period. At 30 June 2015, $25 billion[6] had been spent by Australia Pacific LNG and estimated costs to complete are not expected to be materially different from budget[7].

Corporate

Underlying EBITDA was a loss of $69 million, compared to a loss of $17 million in the prior year. The higher underlying EBITDA loss reflects higher corporate costs and lower cost recoveries from Australia Pacific LNG under the service provider agreement.

Future priorities

The 2016 financial year will be a transitional year for Origin as the Energy Markets business matures, there is no contribution from Contact Energy and LNG production in Queensland commences.

[6] Includes an unfavourable foreign exchange translation impact of A$362 million relative to project cost estimates announced in February 2013, which were based on 31 December 2012 exchange rates and around $500 million of accrued expenses.
[7] As announced in February 2013, based on December 2012 exchange rates.

While the Australia Pacific LNG project is expected to commence sustained production from Train 1 from the second quarter of the 2016 financial year, revenues and expenses from the export of LNG are not expected to be recognised in the income statement until the date on which the performance tests for Train 1 under the Bechtel EPC contract are satisfied (Bechtel Performance Date). This is not expected to occur until the second half of the 2016 financial year. The 2017 financial year will be the first full year of operations from both LNG trains.

During this period Origin's key priorities are to:

- Improve returns in the energy markets business;
- Deliver growth in the integrated gas business;
- Grow capabilities and increase investments in renewable energy; and
- Maintain adequate funding and effective capital management.

Notwithstanding the significant reduction in oil prices, these priorities remain appropriate, albeit with some modifications implemented to reflect the lower than previously expected growth in revenues, earnings and cash flow that will occur should oil prices remain at current depressed levels. Looking forward, lower oil prices will impact Origin in a number of different ways, driven primarily by the fact that LNG prices are linked to oil prices.

As LNG production ramps up in Queensland, East Coast gas prices will move to export parity, albeit at a lower level than previously expected if current low oil prices persist. Origin expects to continue to benefit from increased gas prices in its Exploration & Production and Energy Markets businesses, including the commencement of gas sales to LNG projects at oil-linked prices.

If oil prices remain at current spot prices, the linkage of LNG prices to oil prices will significantly reduce the increase in contributions from Australia Pacific LNG relative to prior expectations. At A$100/bbl (oil price at time of FID), Origin expects its share of distributable cash flow from Australia Pacific LNG to be around $900 million per annum on average from the 2017 financial year. Every A$10/bbl change in the oil price will change Origin's expected distribution from Australia Pacific LNG by $200 million.

In this changed environment, with the fall in oil prices potentially reducing growth in earnings and cash flow relative to prior expectations, the continued implementation of Origin's key priorities has been moderated to conserve cash flow and accelerate cost reductions.

To this end, Origin has:

- combined the Exploration & Production and LNG businesses into a single business segment called Integrated Gas from 1 July;
- continued to reduce operating costs and capital expenditure in Energy Markets with further reductions in natural gas and electricity cost to serve and generation operating costs by $65 million and total capital expenditure by $50 million in the 2016 financial year;
- limited capital expenditure in the existing Exploration & Production business to permit and joint venture commitments and projects that increase gas production into growing gas demand in Australia;

- continued good progress on achieving the planned $1 billion per annum reduction in Australia Pacific LNG's upstream total cost structure as it transitions from project delivery to operations, which will take costs to levels consistent with previous guidance[8];
- initiated a company-wide project to further improve efficiency and reduce cash costs by $200 million from the 2017 financial year;
- further constrained spend on international development activities; and
- deferred planned investments in new systems and technology at an enterprise level.

The divestment of Origin's entire 53.1 per cent interest in Contact Energy is consistent with Origin continuing to take actions to preserve financial flexibility in an environment of low oil prices.

Outlook

In the 2016 financial year, Origin expects:

- Similar contributions from Energy Markets to that achieved in the 2015 financial year as the benefit of ramp gas is largely replaced with increasing natural gas sales to LNG projects. The ongoing impact of intense competition in retail markets is expected to continue. Energy Markets will focus on reducing operating costs in electricity and natural gas and investing in growing new solar and energy services;
- Contact Energy contributions to cease from 10 August and interest savings on the reduction in debt from net sales proceeds to commence from this date;
- Contributions from Integrated Gas to reflect:
    - increased production from the Yolla 5 and 6 development wells at BassGas more than offset by decreased production from Otway and Kupe.
    - earnings from most of oil and condensate production in the 2016 financial year to not be impacted by the movements in oil price and will reflect a fixed price of US$62.40/bbl, however cash flow from the sale of liquids will be lower than received in the 2015 financial year as proceeds from the forward sale agreement were received at the time of the agreement in the 2013 financial year;
    - under a prior agreement, Australia Pacific LNG to sell to QGC its share of gas production from the ATP620/648 fields in the 2016 financial year. The fall in oil prices has resulted in a significant reduction in the revenue that Australia Pacific LNG is expecting to receive from the sale of gas to QGC;
    - contribution to earnings from the sale of LNG to commence in the second half of the year;
- The remaining cash contribution to Australia Pacific LNG to be around $1.8 billion, an increase of $550 million from previous guidance provided at the half year results. This is due primarily to the reduction in revenue (approximately $300 million) as a result of lower oil prices and the impact of the previously advised change in expected commencement of sustained production from Train 1 from the first quarter of the 2016 financial year to the second quarter. The remainder ($250 million) is due to the potential funding of sustain phase expenditure, previously assumed to be deferred, to take advantage of additional LNG production capacity that Australia Pacific LNG is anticipated to have. Estimated project cost for Australia Pacific LNG to the start of the Train 2 production is not expected to be materially different from the budget estimates[9]. Sustain phase capital

[8] As provided in the Update on Amended Loan Facilities and Australia Pacific LNG on 11 December 2014
[9] As announced in February 2013, based on December 2012 exchange rates.

and operating expenditure during steady state operations are consistent with previous guidance provided in December 2014.

- Growth capital expenditure[10] in the existing businesses excluding acquisitions to reduce to around $650 million, primarily to meet permit commitments and complete approved upstream projects.
- The Corporate segment to recognise lower cost recoveries in the 2016 financial year from Australia Pacific LNG under the corporate service provider agreement.
- With the completion of a period of significant development, Origin's cash costs will be reduced in line with future business priorities. A company-wide project is expected to deliver a reduction of $200 million in cash costs from the 2017 financial year. Cost savings achieved in the 2016 financial year are expected to be largely offset by restructuring costs.

"Agreement during the period on the Large-scale Renewable Energy Target will require 5,000 MW of renewables to be built over the next five years, and this creates development opportunities for Origin in both wind and large scale solar in the short to medium term," Mr King said.

Final dividend

An unfranked final dividend of 25.0 cents per share will be paid on 28 September 2015 to shareholders of record on 27 August 2015. Origin shares will trade ex-dividend from 25 August 2015.

Origin's Dividend Reinvestment Plan (DRP) will apply to this dividend.

Origin's dividend policy remains unchanged. The Board's intention is to maintain dividends at the greater of 50 cents per share, on an annual basis, or a minimum 60 per cent payout ratio of Underlying profit following the first full year of production from both LNG trains in the 2017 financial year.

Due to the 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.

For further information please contact:

Media

Lina Melero
General Manager, External Affairs
Ph: +61 2 8345 5217
Mobile: +61 427 017 798

Investors

Peter Rice
General Manager, Capital Markets
Ph: +61 2 8345 5308
Mobile: +61 417 230 306

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 6,900 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 6,000 MW of capacity, through either owned generation or contracted rights.

[10] Excluding capitalised interest

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.

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