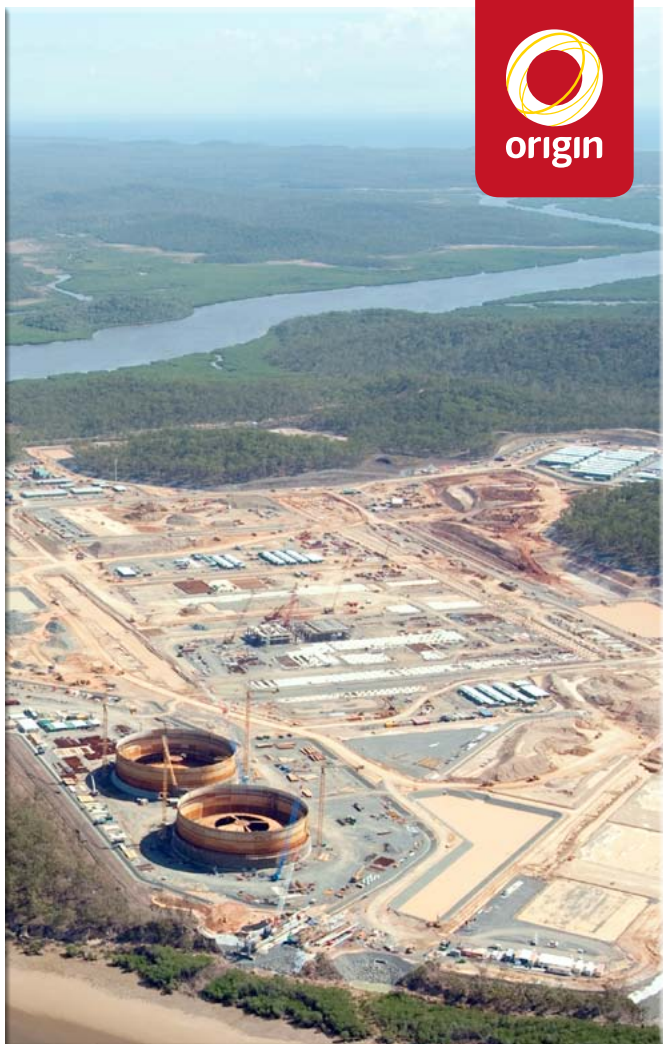




origin



# ENERGY FOR TODAY AND TOMORROW

Strategy Performance Growth

**Half Year Report  
to Shareholders**  
for the half year ended  
31 December 2012

# MESSAGE FROM THE CHAIRMAN AND MANAGING DIRECTOR

## Fellow shareholder

For the half year ended 31 December 2012, Origin reported Statutory Profit of \$524 million, a decrease of \$270 million compared to the prior corresponding period. Underlying EBITDA<sup>(1)</sup> was \$1.06 billion, down 9 per cent on the prior first half.

The period was characterised by more challenging operating conditions in Energy Markets, which is reflected in the lower Underlying Profit<sup>(1)</sup> and operating cash flow. The fundamentals of this business remain strong, and we are taking proactive steps to deal with the impact of regulatory and market dynamics which are expected to benefit the 2014 financial year.

Delivery of Australia Pacific LNG's project is the subject of continuing focus for Origin. A review of the project's schedule and costs has now been completed, which confirms the strength of Origin's investment.

Origin has recently undertaken initiatives to strengthen its balance sheet, with current cash, undrawn facilities and operating cash flow providing sufficient liquidity to cover the Australia Pacific LNG funding commitment and requirements of the existing business, without the need for refinancing until the 2015 financial year.

## Dividend

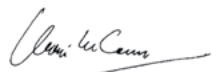
The Board has determined to pay an interim fully franked dividend of 25 cents per share, to be paid to shareholders on 4 April 2013.

## Outlook

In November 2012, based on market conditions at the time, Origin issued revised guidance for a reduction in full year Underlying Profit of 5 to 10 per cent compared to the prior year. The first half result, together with a review of expected performance in the second half, were consistent with that guidance, with the exception of an event in January 2013 which led to an extended period of very high prices in the Queensland wholesale electricity market.

This event cannot be absorbed in the previous guidance range, and therefore based on prevailing market conditions, guidance for Underlying Profit for the 2013 financial year is now 10 to 15 per cent below the prior year.

A number of initiatives will contribute to improved performance in 2014, and looking forward, we are confident that our investment in Australia Pacific LNG stands to deliver a step change in earnings and cash flow to support the Company's next phase of growth.



**H Kevin McCann**  
Chairman



**Grant King**  
Managing Director

(1) Refer to Glossary.

# ENERGY MARKETS

More Australians choose Origin to supply their energy than any other retailer. With 4.3 million customers and 5,900 MW of power generation capacity, Origin is the leading domestic energy supplier.

## More challenging operating conditions

Energy Markets reported Underlying EBITDA of \$660 million, a 20 per cent decrease on the prior corresponding period due to a loss of volume in the mass market segment and a reduction in Underlying EBIT margin<sup>(1)</sup> from 14.1 per cent to 9.4 per cent.

Margin reduction was driven mainly by the unfavourable Queensland Competition Authority tariff determination, increased wholesale energy costs and increased competition among retailers.

Despite strong competition, Origin has significantly improved customer win and retention rates, reducing electricity and natural gas customer losses to 23,000, compared to 112,000 in the prior corresponding period.

The generation portfolio continues to achieve high levels of availability and reliability, with the recently completed Mortlake Power Station performing well.

Origin continues to actively defend its market leadership and is well positioned to benefit from its legacy fuel position, as new contracts commence that reflect higher gas prices.

## Retail Transformation providing benefits

Origin's investment to transform its billing and customer relationship management systems is beginning to show benefits with the launch of new products including EasiPay, Rate Freeze, Smart and E-Billing, and improved customer win and retention rates.

Origin is now servicing 3.3 million customers through the new SAP system, with the remaining customers to be migrated by the end of calendar year 2013, enabling Origin to offer more competitive products and services to customers, and benefit from reduced cost to serve.

(1) Refer to Glossary.



## EXPLORATION AND PRODUCTION

Origin has completed planned maintenance activities at its major production facilities and is well positioned to benefit from increased demand for gas in coming years.

### Higher contribution

Origin's Exploration and Production business reported a 12 per cent increase in Underlying EBITDA to \$200 million, due primarily to higher commodity prices and lower operating costs.

These benefits offset lower production as a result of extended plant outages due to the BassGas Mid Life Enhancement project and acceleration into the first half of a planned shutdown at Otway.

As a result, production was down 5 per cent when compared to the prior corresponding period.

All major shutdowns scheduled for the 2013 financial year have now been completed and higher levels of plant availability and production are expected in the second half.

In December 2012, Origin entered into an agreement to sell a portion of its future oil and condensate production over a six-year period commencing July 2015, at a price linked to the oil forward pricing curve. Origin received US\$300 million upon entry into this agreement.

### International oil and gas exploration

Exploration activities continue in a number of international locations, with an exploration well drilled in Kenya and a CSG drilling program in Botswana commencing during the half. Activity in South East Asia and New Zealand has also progressed, where exploration wells are expected to be drilled over the coming 12 months.

Origin remains focused on exploration in regions which offer an attractive combination of geological prospectivity and market opportunities.



Flow regulation equipment arrives at the Otway Basin

## AUSTRALIA PACIFIC LNG

Australia Pacific LNG continued its strong progress, with its CSG to LNG project on or ahead of schedule and approximately 30 per cent complete.

### Higher gas sales and increased production

Australia Pacific LNG delivered an increase in Underlying EBITDA of 19 per cent to \$19 million, reflecting higher domestic gas sales and increased production, partly offset by the reduction in Origin's shareholding in Australia Pacific LNG to 37.5 per cent.

Looking forward, Australia Pacific LNG's earnings are expected to grow in line with increased sales to domestic markets.

### Strength of Australia Pacific LNG project confirmed

A comprehensive schedule and cost review has confirmed Train 1 is on track to be completed on or ahead of schedule, with first LNG cargo expected in mid 2015. Train 2 is expected to be completed at least three months earlier than the FID schedule, and start up is now expected in the fourth quarter of the 2015 calendar year. As a result, revenues from this train are expected to be generated earlier than previously anticipated.

The estimated cost of the project has been revised to \$24.7 billion, a 7 per cent increase on the FID 2 estimate.

The cost reflects greater certainty around well and gathering locations for Train 2, changes to CSG water management scope to align with revised government policy, cost increases for third party LNG projects in which Australia Pacific LNG has an interest, and an increased allowance for project contingency.

All major contracts have been awarded, civil works on Curtis Island are essentially complete, the majority of wells are located and planned, and a substantial amount of work completed on both Upstream and Downstream components of the project. For these reasons, Origin believes the revised project estimate is an appropriate guide for the completed project's schedule and cost.



Darren Lockyer meets with experts to learn about CSG development

# CONTACT ENERGY

Contact Energy is one of New Zealand's leading energy companies with more than 568,000 customers and more than 2,000 MW of power generation capacity.

## Solid financial result

Contact's Underlying EBITDA increased by 9 per cent to \$198 million, primarily due to the benefits of an increasingly diverse fuel and asset portfolio.

Sales volumes remained stable, however electricity margins decreased by NZ\$1/MWh, as increased network costs were not fully recovered from retail customers and lower wholesale prices were reflected in Commercial and Industrial sales.

Improved price competitiveness has stabilised total customer numbers, which increased by 1 per cent. Implementation of Contact's retail transformation project is planned for late calendar year 2013, with benefits expected over coming years.

Contact has continued its program of divesting non-core assets, announcing the sale of its gas metering business and the sale of the New Plymouth Power Station site, subject to completion.

## Portfolio flexibility delivers benefits

Recent investments to improve flexibility in Contact's generation portfolio delivered benefits with higher rainfall in the first half resulting in increased hydro generation displacing more expensive thermal generation. The Stratford Peaker, Whirinaki Power Station and Ahuroa gas storage also increased Contact's ability to manage risk and respond to changes in the operating environment.

Further enhancements to the portfolio are expected when the 166 MW Te Mihi geothermal power station is completed in mid 2013. Origin expects Contact's investment in improved fuel and generation flexibility to make a growing contribution to earnings.



Contact Energy Customer Service Representative Gwenda McVeigh

# CORPORATE

Corporate includes business development activities outside of Origin's existing operations and reports corporate activities not allocated to other operating segments.

During the first half, Corporate expenses decreased by 45 per cent to \$22 million.

## Future growth opportunities

Following completion of the Australia Pacific LNG project, Origin expects to have a substantial increase in earnings and cash flow to fund the next phase of growth.

Origin's development opportunities are primarily focused around high quality energy projects in markets which offer strong long term growth prospects and limited spend in the short term. This includes geothermal exploration in Chile and Indonesia, and hydro projects in Chile and Papua New Guinea.

In Chile, geoscientific studies continue to determine the location of exploration wells across Energía Andina S.A.'s portfolio of 12 geothermal projects. The Energía Austral hydro development project located in Chile's Aysén Region is mid way through its feasibility assessment.

Origin holds an interest in the Sorik Marapi geothermal concession in Indonesia through its interest in the OTP Geothermal Pte joint venture. Planning is underway for initial exploration drilling and negotiations for the sale of power from Sorik Marapi have commenced.

Origin also continues to evaluate the potential of the Purari hydro development project in Papua New Guinea. A key milestone was achieved in December 2012 with the issuance of the Scheme Definition Report by the AECOM-led consortium which sets out the initial preferred scheme for development, resource monitoring and initial flora and fauna studies.



Energía Austral is progressing potential hydro and transmission development projects

# FINANCIAL HIGHLIGHTS

	2012	2011	Change
Half year ended 31 December	(\$m)	(\$m)	(%)
Revenue	7,379	6,499	14
Underlying EBITDA	1,055	1,157	(9)
Underlying Profit	362	489	(26)
Underlying EPS <sup>(1)</sup> (cps)	33.2	45.5	(27)
Statutory Profit	524	794	(34)
Statutory EPS (cps)	48.0	73.8	(35)
Operating Cash Flow After Tax <sup>(1)</sup>	461	736	(37)
Free cash flow per share <sup>(1)</sup> (cps)	48.2	51.7	(7)
Capital and APLNG expenditure	839	1,036	(19)
Net Interest Bearing Debt <sup>(2)</sup>	5,111	3,359	52
Undrawn Committed Debt Facilities and cash <sup>(3)</sup>	5,431	5,477	(1)

(1) Refer to Glossary.

(2) Excluding Contact and the impact of financial instruments.

(3) Excluding Contact and bank guarantees.

## Underlying EBITDA

	2012	2011	Change
Half year ended 31 December	(\$m)	(\$m)	(%)
Energy Markets	660	820	(20)
Exploration & Production	200	179	12
Australia Pacific LNG	19	16	19
Contact Energy	198	182	9
Corporate	(22)	(40)	(45)
<b>Total Underlying EBITDA</b>	<b>1,055</b>	<b>1,157</b>	<b>(9)</b>
Items excluded from Underlying EBITDA	141	267	(47)
<b>Statutory EBITDA</b>	<b>1,196</b>	<b>1,424</b>	<b>(16)</b>

## Glossary

**Underlying profit and loss measures:**

- EBITDA
- EBIT Margin
- Profit
- EPS

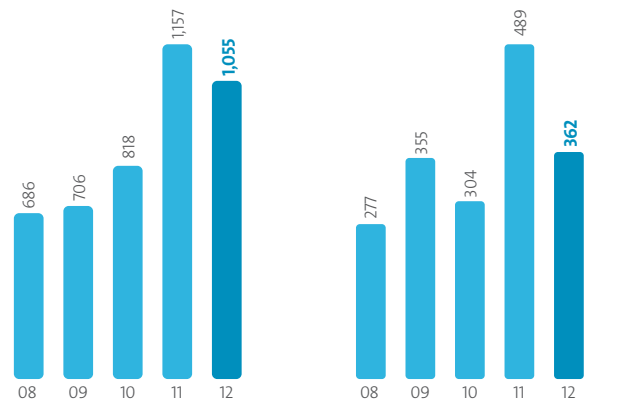
Underlying measures used internally by management to assess the profitability of the Origin business. The Underlying profit and loss measures are derived from the equivalent Statutory profit measures disclosed in the Origin Interim Consolidated Financial Statements and exclude the impact of certain items that do not align with the manner in which the Managing Director reviews the financial and operating performance of the business.

**Operating cash flow after tax** Operating cash flow after tax of the Consolidated Entity (including Origin's share of Australia Pacific LNG).

**Free cash flow per share** Cash available to fund distributions to shareholders and growth capital expenditure divided by the closing number of shares on issue.

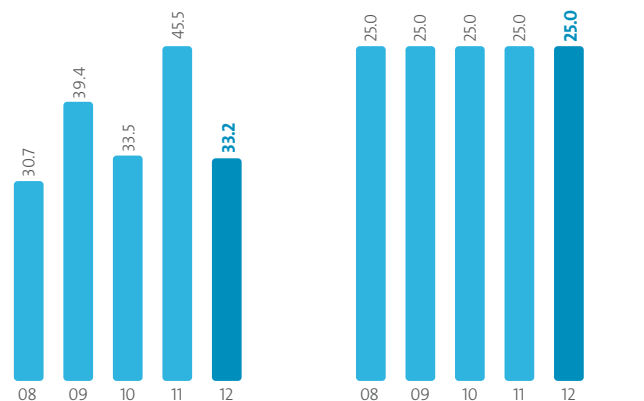
# FINANCIAL HIGHLIGHTS

For the half year ended 31 December



Underlying EBITDA<sup>(1)</sup> (\$m)

Underlying Profit<sup>(1)</sup> (\$m)



Underlying earnings per share<sup>(1)(2)</sup> (c)

Interim dividend per share<sup>(1)</sup> (c)

(1) Half year on half year comparison.

(2) December 2010 and prior years' Underlying EPS have been restated for the bonus element of the rights issue completed in April 2011.

## FINANCIAL CALENDAR 2013

<b>4 April</b>	Half year dividend payment
<b>30 June</b>	End of financial year
<b>22 August</b>	Full year results announcement
<b>23 October</b>	Annual General Meeting



## **DIRECTORY**

Origin Energy Limited

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### **Secretaries**

Andrew Clarke  
Helen Hardy

### **Auditor**

KPMG

