

# **Origin Energy Limited and Controlled Entities**

**Appendix 4D**  
**31 December 2015**

# Origin Energy Limited and Controlled Entities

## Appendix 4D

### Results for announcement to the market

31 December 2015

|                                                                                                                              |      |         | 31 December<br>2015    | 31 December<br>2014                                        |
|------------------------------------------------------------------------------------------------------------------------------|------|---------|------------------------|------------------------------------------------------------|
| Total Group Revenue (\$million)                                                                                              | down | 14% to  | 6,130                  | 7,139                                                      |
| Revenue (\$million) - continuing operations                                                                                  | down | 2% to   | 5,879                  | 6,017                                                      |
| Revenue (\$million) - discontinued operations                                                                                | down | 78% to  | 251                    | 1,122                                                      |
| Net loss for the period attributable to members of the parent entity (\$million)                                             | down | 916% to | (254)                  | (25)                                                       |
| From continuing operations (\$million)                                                                                       | down | 461% to | (275)                  | (49)                                                       |
| From discontinued operations (\$million)                                                                                     | down | 13% to  | 21                     | 24                                                         |
|                                                                                                                              |      |         | 31 December<br>2015    | 30 June<br>2015                                            |
| Net tangible asset backing per ordinary security                                                                             | down | 9% to   | \$5.54                 | \$6.08                                                     |
| Dividends                                                                                                                    |      |         |                        |                                                            |
|                                                                                                                              |      |         | Amount per<br>security | Franked<br>amount per<br>security at<br>30 per cent<br>tax |
| Interim dividend determined subsequent to 31 December 2015                                                                   |      |         | 10 cents               | nil                                                        |
| Previous corresponding period (31 December 2014)                                                                             |      |         | 25 cents               | nil                                                        |
| Record date for determining entitlements to the dividend                                                                     |      |         | 25 February 2016       |                                                            |
| Dividend payment date                                                                                                        |      |         | 31 March 2016          |                                                            |
| Brief explanation of any of the figures reported above or other item(s) of importance not previously released to the market. |      |         |                        |                                                            |
| Refer to the attached Directors' Report and Operating and Financial Review for explanations.                                 |      |         |                        |                                                            |
| Discussion and Analysis of the results for the year ended 31 December 2015.                                                  |      |         |                        |                                                            |
| Refer to the attached Directors' Report and Operating and Financial Review for commentary.                                   |      |         |                        |                                                            |

**Origin Energy Limited  
and its Controlled Entities  
Interim Financial Statements  
31 December 2015**

# Origin Energy Limited and its Controlled Entities

## Interim Financial Statements

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**Origin Energy Limited and its Controlled Entities**  
**Interim income statement**

| <b>for the half year ended 31 December</b>                             | <b>Note</b> | <b>2015<br/>\$million</b> | <b>2014<br/>\$million<sup>(1)</sup></b> |
|------------------------------------------------------------------------|-------------|---------------------------|-----------------------------------------|
| <b>Continuing operations</b>                                           |             |                           |                                         |
| Revenue                                                                | A2          | 5,879                     | 6,017                                   |
| Other income                                                           | A2          | 3                         | 194                                     |
| Expenses                                                               | A3          | (5,851)                   | (6,044)                                 |
| Results of equity accounted investees                                  | A5          | (80)                      | (41)                                    |
| Interest income                                                        | A2          | 93                        | 42                                      |
| Interest expense                                                       | A3          | (294)                     | (184)                                   |
| <b>Loss before income tax</b>                                          |             | <b>(250)</b>              | <b>(16)</b>                             |
| Income tax expense                                                     |             | (21)                      | (29)                                    |
| <b>Loss for the period from continuing operations</b>                  |             | <b>(271)</b>              | <b>(45)</b>                             |
| <b>Discontinued operations</b>                                         |             |                           |                                         |
| Profit from discontinued operations                                    | C3          | 28                        | 46                                      |
| <b>(Loss)/profit for the period</b>                                    |             | <b>(243)</b>              | <b>1</b>                                |
| <b>(Loss)/profit for the period attributable to:</b>                   |             |                           |                                         |
| Members of the parent entity                                           |             | (254)                     | (25)                                    |
| Non-controlling interests                                              |             | 11                        | 26                                      |
| <b>(Loss)/profit for the period</b>                                    |             | <b>(243)</b>              | <b>1</b>                                |
| <b>Earnings per share</b>                                              |             |                           |                                         |
| Basic earnings per share                                               | A6          | (18.1) cents              | (2.0) cents                             |
| Diluted earnings per share                                             | A6          | (18.1) cents              | (2.0) cents                             |
| <b>Loss for the period from continuing operations attributable to:</b> |             |                           |                                         |
| Members of the parent entity                                           |             | (275)                     | (49)                                    |
| Non-controlling interests                                              |             | 4                         | 4                                       |
| <b>Loss for the period</b>                                             |             | <b>(271)</b>              | <b>(45)</b>                             |
| <b>Earnings per share from continuing operations</b>                   |             |                           |                                         |
| Basic earnings per share                                               | A6          | (19.6) cents              | (3.9) cents                             |
| Diluted earnings per share                                             | A6          | (19.6) cents              | (3.9) cents                             |

<sup>(1)</sup> Certain balances do not correspond to the 31 December 2014 interim financial statements as amounts have been re-presented to separately show operations classified as discontinued. Refer to note C3.

The interim income statement should be read in conjunction with the accompanying notes to the interim financial statements.

**Origin Energy Limited and its Controlled Entities**  
**Interim statement of comprehensive income**

| <b>for the half year ended 31 December</b>                                                                  | <b>2015<br/>\$million</b> | <b>2014<br/>\$million</b> |
|-------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|
| <b>(Loss)/profit for the period</b>                                                                         | <b>(243)</b>              | <b>1</b>                  |
| <b>Other comprehensive income</b>                                                                           |                           |                           |
| <i>Items that will not be reclassified to the interim income statement</i>                                  |                           |                           |
| Actuarial loss on defined benefit superannuation plan                                                       | -                         | -                         |
| <i>Items that may be reclassified to the income statement</i>                                               |                           |                           |
| Foreign currency translation differences for foreign operations                                             | 119                       | 325                       |
| <b>Available for sale financial assets</b>                                                                  |                           |                           |
| Valuation gain taken to equity                                                                              | 18                        | 6                         |
| <b>Cash flow hedges</b>                                                                                     |                           |                           |
| Changes in fair value of cashflow hedges                                                                    | 284                       | 154                       |
| Net loss on hedge of net investment in foreign operations                                                   | (29)                      | (85)                      |
| Total items that may be reclassified to the interim income statement                                        | 392                       | 400                       |
| <b>Total other comprehensive income for the period, net of tax</b>                                          | <b>392</b>                | <b>400</b>                |
| <b>Total comprehensive income for the period</b>                                                            | <b>149</b>                | <b>401</b>                |
| <b>Total comprehensive income attributable to:</b>                                                          |                           |                           |
| <i>Items that will not be reclassified to the interim income statement</i>                                  |                           |                           |
| Members of the parent entity                                                                                | -                         | -                         |
| Non-controlling interests                                                                                   | -                         | -                         |
| <i>Items that may be reclassified to the interim income statement</i>                                       |                           |                           |
| Members of the parent entity                                                                                | 138                       | 329                       |
| Non-controlling interests                                                                                   | 11                        | 72                        |
|                                                                                                             | 149                       | 401                       |
| <b>Total comprehensive income for the period</b>                                                            | <b>149</b>                | <b>401</b>                |
| <b>Total comprehensive income for the period attributable to members of the parent entity arising from:</b> |                           |                           |
| Continuing operations                                                                                       | 86                        | 254                       |
| Discontinued operations                                                                                     | 52                        | 75                        |

The interim statement of comprehensive income should be read in conjunction with the accompanying notes to the interim financial statements.

**Origin Energy Limited and its Controlled Entities**  
**Interim statement of financial position**

|                                                   |      | 31 December<br>2015 | 30 June<br>2015 |
|---------------------------------------------------|------|---------------------|-----------------|
| as at                                             | Note | \$million           | \$million       |
| <b>Current assets</b>                             |      |                     |                 |
| Cash and cash equivalents                         |      | 158                 | 151             |
| Trade and other receivables                       |      | 1,875               | 2,085           |
| Inventories                                       |      | 228                 | 239             |
| Derivatives                                       |      | 170                 | 15              |
| Other financial assets                            | B1   | 514                 | 259             |
| Income tax receivable                             |      | 120                 | 79              |
| Assets classified as held for sale                |      | 285                 | 5,441           |
| Other assets                                      |      | 158                 | 104             |
| <b>Total current assets</b>                       |      | <b>3,508</b>        | <b>8,373</b>    |
| <b>Non-current assets</b>                         |      |                     |                 |
| Trade and other receivables                       |      | 4                   | 5               |
| Derivatives                                       |      | 1,265               | 859             |
| Other financial assets                            | B1   | 4,527               | 3,501           |
| Investments accounted for using the equity method | A5   | 6,280               | 6,467           |
| Property, plant and equipment                     |      | 6,175               | 6,505           |
| Exploration and evaluation assets                 |      | 1,899               | 1,894           |
| Development assets                                |      | 280                 | 239             |
| Intangible assets                                 |      | 5,368               | 5,481           |
| Other assets                                      |      | 28                  | 43              |
| <b>Total non-current assets</b>                   |      | <b>25,826</b>       | <b>24,994</b>   |
| <b>Total assets</b>                               |      | <b>29,334</b>       | <b>33,367</b>   |
| <b>Current liabilities</b>                        |      |                     |                 |
| Trade and other payables                          |      | 1,861               | 2,037           |
| Interest-bearing liabilities                      |      | 9                   | 38              |
| Derivatives                                       |      | 20                  | 31              |
| Other financial liabilities                       | B1   | 448                 | 156             |
| Provision for income tax                          |      | 5                   | 4               |
| Employee benefits                                 |      | 180                 | 260             |
| Provisions                                        |      | 79                  | 74              |
| Liabilities classified as held for sale           |      | 3                   | 2,575           |
| <b>Total current liabilities</b>                  |      | <b>2,605</b>        | <b>5,175</b>    |
| <b>Non-current liabilities</b>                    |      |                     |                 |
| Trade and other payables                          |      | 96                  | 89              |
| Interest-bearing liabilities                      |      | 9,497               | 11,839          |
| Derivatives                                       |      | 1,094               | 1,309           |
| Deferred tax liabilities                          |      | 289                 | 147             |
| Employee benefits                                 |      | 35                  | 35              |
| Provisions                                        |      | 634                 | 614             |
| <b>Total non-current liabilities</b>              |      | <b>11,645</b>       | <b>14,033</b>   |
| <b>Total liabilities</b>                          |      | <b>14,250</b>       | <b>19,208</b>   |
| <b>Net assets</b>                                 |      | <b>15,084</b>       | <b>14,159</b>   |
| <b>Equity</b>                                     |      |                     |                 |
| Share capital                                     | B3   | 7,134               | 4,599           |
| Reserves                                          |      | 917                 | 576             |
| Retained earnings                                 |      | 7,012               | 7,548           |
| <b>Total parent entity interest</b>               |      | <b>15,063</b>       | <b>12,723</b>   |
| Non-controlling interests - Contact Energy        |      | -                   | 1,244           |
| Non-controlling interests - other                 |      | 21                  | 192             |
| <b>Total equity</b>                               |      | <b>15,084</b>       | <b>14,159</b>   |

The interim statement of financial position should be read in conjunction with the accompanying notes to the interim financial statements.

# Origin Energy Limited and its Controlled Entities

## Interim statement of changes in equity for the half year ended 31 December

| \$million                                                         | Share capital | Share-based payments reserve | Foreign currency translation reserve | Hedging reserve | Available-for-sale reserve | Retained earnings | Non-controlling interests | Total equity  |
|-------------------------------------------------------------------|---------------|------------------------------|--------------------------------------|-----------------|----------------------------|-------------------|---------------------------|---------------|
| <b>Balance as at 1 July 2015</b>                                  | <b>4,599</b>  | <b>171</b>                   | <b>315</b>                           | <b>71</b>       | <b>19</b>                  | <b>7,548</b>      | <b>1,436</b>              | <b>14,159</b> |
| Other comprehensive income                                        | -             | -                            | 90                                   | 284             | 18                         | -                 | -                         | 392           |
| (Loss)/Profit                                                     | -             | -                            | -                                    | -               | -                          | (254)             | 11                        | (243)         |
| <b>Total comprehensive income/(expense) for the period</b>        | <b>-</b>      | <b>-</b>                     | <b>90</b>                            | <b>284</b>      | <b>18</b>                  | <b>(254)</b>      | <b>11</b>                 | <b>149</b>    |
| Dividends paid (refer to note A7)                                 | -             | -                            | -                                    | -               | -                          | (277)             | (8)                       | (285)         |
| Movement in share capital (refer to note B3)                      | 2,535         | -                            | -                                    | -               | -                          | -                 | -                         | 2,535         |
| Share-based payments                                              | -             | 17                           | -                                    | -               | -                          | -                 | -                         | 17            |
| Sale of Contact Energy                                            | -             | (6)                          | (65)                                 | 3               | -                          | -                 | (1,423)                   | (1,491)       |
| Transfer within reserves                                          | -             | -                            | -                                    | -               | -                          | (5)               | 5                         | -             |
| <b>Total transactions with owners recorded directly in equity</b> | <b>2,535</b>  | <b>11</b>                    | <b>(65)</b>                          | <b>3</b>        | <b>-</b>                   | <b>(282)</b>      | <b>(1,426)</b>            | <b>776</b>    |
| <b>Balance as at 31 December 2015</b>                             | <b>7,134</b>  | <b>182</b>                   | <b>340</b>                           | <b>358</b>      | <b>37</b>                  | <b>7,012</b>      | <b>21</b>                 | <b>15,084</b> |
| <b>Balance as at 1 July 2014</b>                                  | <b>4,520</b>  | <b>139</b>                   | <b>132</b>                           | <b>(100)</b>    | <b>(1)</b>                 | <b>8,754</b>      | <b>1,685</b>              | <b>15,129</b> |
| Other comprehensive income                                        | -             | -                            | 191                                  | 157             | 6                          | -                 | 46                        | 400           |
| (Loss)/Profit                                                     | -             | -                            | -                                    | -               | -                          | (25)              | 26                        | 1             |
| <b>Total comprehensive income/(expense) for the period</b>        | <b>-</b>      | <b>-</b>                     | <b>191</b>                           | <b>157</b>      | <b>6</b>                   | <b>(25)</b>       | <b>72</b>                 | <b>401</b>    |
| Dividends paid (refer to note A7)                                 | -             | -                            | -                                    | -               | -                          | (276)             | (50)                      | (326)         |
| Movement in share capital (refer to note B3)                      | 41            | -                            | -                                    | -               | -                          | -                 | -                         | 41            |
| Share-based payments                                              | -             | 15                           | -                                    | -               | -                          | 1                 | -                         | 16            |
| <b>Total transactions with owners recorded directly in equity</b> | <b>41</b>     | <b>15</b>                    | <b>-</b>                             | <b>-</b>        | <b>-</b>                   | <b>(275)</b>      | <b>(50)</b>               | <b>(269)</b>  |
| <b>Balance as at 31 December 2014</b>                             | <b>4,561</b>  | <b>154</b>                   | <b>323</b>                           | <b>57</b>       | <b>5</b>                   | <b>8,454</b>      | <b>1,707</b>              | <b>15,261</b> |

The interim statement of changes in equity should be read in conjunction with the accompanying notes to the interim financial statements.

**Origin Energy Limited and its Controlled Entities**  
**Interim statement of cash flows**

| <b>for the half year ended 31 December</b>                                     | <b>2015<br/>\$million</b> | <b>2014<br/>\$million</b> |
|--------------------------------------------------------------------------------|---------------------------|---------------------------|
| <b>Cash flows from operating activities</b>                                    |                           |                           |
| Cash receipts from customers                                                   | 7,311                     | 8,300                     |
| Cash paid to suppliers                                                         | (6,841)                   | (7,176)                   |
| Cash generated from operations                                                 | 470                       | 1,124                     |
| Income taxes paid, net of refunds received                                     | (2)                       | (83)                      |
| <b>Net cash from operating activities</b>                                      | <b>468</b>                | <b>1,041</b>              |
| <b>Cash flows from investing activities</b>                                    |                           |                           |
| Acquisition of property, plant and equipment                                   | (248)                     | (262)                     |
| Acquisition of exploration and development assets                              | (65)                      | (791)                     |
| Acquisition of other assets                                                    | (82)                      | (118)                     |
| Investment in joint ventures                                                   | (8)                       | (27)                      |
| Interest received from equity accounted investees                              | 140                       | 58                        |
| Interest received from other parties                                           | 1                         | -                         |
| Net proceeds from sale of investment in Contact Energy                         | 1,599                     | -                         |
| Net proceeds from sale of non-current assets                                   | 8                         | -                         |
| Loans to equity accounted investees                                            | (996)                     | (1,470)                   |
| <b>Net cash from/(used) in investing activities</b>                            | <b>349</b>                | <b>(2,610)</b>            |
| <b>Cash flows from financing activities</b>                                    |                           |                           |
| Proceeds from borrowings                                                       | 5,025                     | 8,658                     |
| Repayment of borrowings                                                        | (7,757)                   | (6,563)                   |
| Proceeds from share rights issue                                               | 2,496                     | -                         |
| Interest paid                                                                  | (320)                     | (256)                     |
| Dividends paid by the parent entity                                            | (251)                     | (235)                     |
| Dividends paid to non-controlling interests                                    | (8)                       | (50)                      |
| <b>Net cash (used)/ from financing activities</b>                              | <b>(815)</b>              | <b>1,554</b>              |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                    | <b>2</b>                  | <b>(15)</b>               |
| <b>Cash and cash equivalents at the beginning of the period <sup>(1)</sup></b> | <b>155</b>                | <b>228</b>                |
| Effect of exchange rate changes on cash                                        | 1                         | 11                        |
| <b>Cash and cash equivalents at the end of the period</b>                      | <b>158</b>                | <b>224</b>                |

<sup>(1)</sup> Cash and cash equivalents at the beginning of the period of \$155 million includes \$4 million of cash and cash equivalents which were classified as held for sale.

The interim statement of cash flows should be read in conjunction with the accompanying notes to the interim financial statements.

## Origin Energy Limited and its Controlled Entities

### Notes to the interim financial statements

#### Overview

Origin Energy Limited (the Company) is a company domiciled in Australia. The interim financial statements of the Company for the half year ended 31 December 2015, comprise the Company and its controlled entities (together referred to as 'the Group').

The interim financial statements were approved by the Board of Directors on 18 February 2016.

The interim financial statements do not include all of the information required for a full annual financial report, and should be read in conjunction with the financial statements of the Group for the full year ended 30 June 2015, which are available upon request from the Company's registered office at Level 45, Australia Square, 264 - 278 George Street, Sydney NSW 2000 or at <http://reports.originenergy.com.au>.

The interim financial statements are general purpose financial statements which have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (Cth).

The interim financial statements are presented in Australian dollars.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the interim financial statements have been rounded off to the nearest million dollars, unless otherwise stated.

Certain comparative amounts have been reclassified for consistency with the current period's presentation.

The accounting policies and judgements/estimates applied by the Group in these interim financial statements are the same as those applied in its financial statements for the full year ended 30 June 2015.

Given the current low oil price environment, particular attention was given to key judgements and estimates around the assessment of recoverable value of assets.

Estimates of recoverable amounts are based on an asset's value in use or fair value less costs to sell, using a discounted cash flow method. This requires estimates and assumptions to be made about highly uncertain external factors such as future commodity prices, foreign exchange rates, discount rates, the effects of inflation, climate change policies, supply-and-demand conditions, reserves, future operating profiles and production costs.

The recoverable amounts of non-current assets have been assessed at 31 December 2015 based on the types of judgements and estimates described above. Where required, any impairment has been recognised in the income statement.

**Origin Energy Limited and its Controlled Entities**  
**Notes to the interim financial statements**

**A Results for the half year**

This section highlights the performance of the Group for the half year, including results by operating segment, income and expenses, results of equity accounted investments, earnings per share and dividends. The Group's operating segments have been updated since 30 June 2015 to reflect the shift in focus from project delivery to the ongoing operations of integrated exploration and production activities of Australia Pacific LNG. The comparative balances have been restated to conform to current period presentation.

**A1 Segments**

The Group's Managing Director monitors the operating results of the business using operating segments which are organised according to the nature and/or geography of the activities undertaken. This section includes the results by operating segment (A1.1) and segment assets and liabilities (A1.2).

**A1.1 Segment results for the half year ended 31 December**

| \$million                                                                        | Ref. | Energy Markets <sup>(1)</sup> |              | Integrated Gas <sup>(2)</sup> |              | Contact Energy <sup>(3)</sup> |              | Corporate <sup>(4)</sup> |              | Consolidated |              |
|----------------------------------------------------------------------------------|------|-------------------------------|--------------|-------------------------------|--------------|-------------------------------|--------------|--------------------------|--------------|--------------|--------------|
|                                                                                  |      | 2015                          | 2014         | 2015                          | 2014         | 2015                          | 2014         | 2015                     | 2014         | 2015         | 2014         |
| <b>Revenue</b>                                                                   |      |                               |              |                               |              |                               |              |                          |              |              |              |
| Segment revenue                                                                  |      | 5,629                         | 5,678        | 335                           | 424          | 251                           | 1,125        | -                        | -            | 6,215        | 7,227        |
| Eliminations                                                                     | (a)  | -                             | -            | (85)                          | (85)         | -                             | (3)          | -                        | -            | (85)         | (88)         |
| <b>External revenue</b>                                                          |      | <b>5,629</b>                  | <b>5,678</b> | <b>250</b>                    | <b>339</b>   | <b>251</b>                    | <b>1,122</b> | <b>-</b>                 | <b>-</b>     | <b>6,130</b> | <b>7,139</b> |
| <b>Underlying EBITDA</b>                                                         | (b)  | <b>721</b>                    | <b>621</b>   | <b>137</b>                    | <b>273</b>   | <b>61</b>                     | <b>234</b>   | <b>(51)</b>              | <b>(48)</b>  | <b>868</b>   | <b>1,080</b> |
| Depreciation and amortisation                                                    |      | (164)                         | (151)        | (143)                         | (153)        | (20)                          | (92)         | -                        | -            | (327)        | (396)        |
| Share of ITDA of equity accounted investees                                      |      | -                             | -            | (57)                          | (25)         | -                             | -            | -                        | -            | (57)         | (25)         |
| <b>Underlying EBIT</b>                                                           |      | <b>557</b>                    | <b>470</b>   | <b>(63)</b>                   | <b>95</b>    | <b>41</b>                     | <b>142</b>   | <b>(51)</b>              | <b>(48)</b>  | <b>484</b>   | <b>659</b>   |
| Net financing costs                                                              | (c)  |                               |              |                               |              | (15)                          | (49)         | (31)                     | (56)         | (46)         | (105)        |
| Income tax expense                                                               |      |                               |              |                               |              | (4)                           | (27)         | (166)                    | (144)        | (170)        | (171)        |
| Non-controlling interests (NCI)                                                  |      |                               |              |                               |              | (12)                          | (36)         | (2)                      | (1)          | (14)         | (37)         |
| <b>Segment result and underlying profit<sup>(5)</sup></b>                        |      | <b>557</b>                    | <b>470</b>   | <b>(63)</b>                   | <b>95</b>    | <b>10</b>                     | <b>30</b>    | <b>(250)</b>             | <b>(249)</b> | <b>254</b>   | <b>346</b>   |
| <b>Items excluded from underlying profit</b>                                     |      |                               |              |                               |              |                               |              |                          |              |              |              |
| Fair value and foreign exchange movements                                        | (d)  | 64                            | (27)         | (128)                         | (448)        | (10)                          | (17)         | (43)                     | (9)          | (117)        | (501)        |
| LNG related items pre revenue recognition                                        | (e)  | -                             | -            | (208)                         | (93)         | -                             | -            | -                        | -            | (208)        | (93)         |
| Disposals, impairments and business restructuring                                | (f)  | (12)                          | 187          | (40)                          | (73)         | 14                            | (16)         | (290)                    | (8)          | (328)        | 90           |
| Tax and NCI on items excluded from underlying profit                             |      |                               |              |                               |              | 6                             | 19           | 139                      | 114          | 145          | 133          |
| <b>Items excluded from underlying profit</b>                                     |      | <b>52</b>                     | <b>160</b>   | <b>(376)</b>                  | <b>(614)</b> | <b>10</b>                     | <b>(14)</b>  | <b>(194)</b>             | <b>97</b>    | <b>(508)</b> | <b>(371)</b> |
| <b>Statutory loss attributable to members of the parent entity<sup>(6)</sup></b> |      |                               |              |                               |              |                               |              |                          |              | <b>(254)</b> | <b>(25)</b>  |

<sup>(1)</sup> Energy retailing, power generation and LPG operations predominantly in Australia.

<sup>(2)</sup> Gas and oil exploration and production in Australia, New Zealand and other international areas of interest.

The Group's investment in Australia Pacific LNG Pty Ltd and the results of the Group's activities as Australia Pacific LNG Upstream Operator. Costs incurred, and recoveries received, in relation to the Group's role as the Australia Pacific LNG Upstream Operator are recharged to Australia Pacific LNG in accordance with the Shareholder Agreement.

<sup>(3)</sup> Includes the Group's 53.09 per cent controlling interest in Contact Energy Limited (Contact Energy), which is involved in energy retailing and power generation in New Zealand, up to the date of sale of the Group's interest in Contact Energy on 10 August 2015. The results of Contact Energy are classified as a discontinued operation at 31 December 2015, refer to note C3. It also includes \$6 million (2014: \$6 million) of net financing costs and \$5 million of income tax benefit and NCI (2014: \$2 million of income tax expense and NCI) relating to the Group's funding of its investment which is classified as continuing operations.

<sup>(4)</sup> Various business development and support activities that are not allocated to operating segments.

<sup>(5)</sup> Underlying profit includes \$243 million (2014: \$308 million) from continuing operations and \$11 million (2014: \$38 million) from discontinued operations. Discontinued operations comprise the Contact Energy segment result adjusted for Group funding costs of \$1 million (2014:\$8 million).

<sup>(6)</sup> Includes \$275 million loss (2014: \$49 million loss) from continuing operations and \$21 million gain from discontinued operations (2014: \$24 million gain). Discontinued operations comprise the Contact Energy segment result adjusted for Group funding costs of \$1 million (2014:\$8 million).

# Origin Energy Limited and its Controlled Entities

## Notes to the interim financial statements

### A1 Segments (continued)

#### Explanatory notes to segment results for the half year ended 31 December

##### (a) Segment revenue eliminations

Sales between segments occur on an arm's length basis. The Integrated Gas segment sells gas and LPG to the Energy Markets segment and previously LPG to Contact Energy. Contact Energy previously sold electricity to the Integrated Gas segment.

##### (b) Underlying EBITDA

Represents underlying earnings before interest, tax, depreciation and amortisation (EBITDA). Includes the Group's share of underlying EBITDA from equity accounted investees of \$16 million (2014: \$29 million).

##### (c) Net financing costs

Net financing costs is the aggregation of interest income of \$93 million (2014:\$42 million), interest expense of \$294 million (2014:\$184 million) from continuing operations, net interest expense of \$9 million relating to discontinued operations (2014:\$45 million), less net interest expense relating to Australia Pacific LNG funding of \$164 million (2014:\$82 million).

|                                                                                    | 2015         |             | 2014         |             |
|------------------------------------------------------------------------------------|--------------|-------------|--------------|-------------|
|                                                                                    |              | Tax and NCI |              | Tax and NCI |
| <b>(d) Fair value and foreign exchange movements</b>                               | <b>Gross</b> |             | <b>Gross</b> |             |
| <b>\$million</b>                                                                   |              |             |              |             |
| Increase/(decrease) in fair value of financial instruments                         | (62)         | 22          | (405)        | 126         |
| LNG foreign currency loss                                                          | (44)         | 12          | (63)         | 19          |
| LNG translation of foreign denominated long term tax balances                      | (11)         | -           | (33)         | -           |
| Tax benefit/(expense) on translation of foreign denominated long term tax balances | -            | 1           | -            | (13)        |
|                                                                                    | <b>(117)</b> | <b>35</b>   | <b>(501)</b> | <b>132</b>  |

##### (e) LNG related items pre revenue recognition

|                                                                           |              |           |             |           |
|---------------------------------------------------------------------------|--------------|-----------|-------------|-----------|
| Net financing costs incurred in funding the Australia Pacific LNG project | (164)        | 48        | (82)        | 25        |
| LNG pre-production costs not able to be capitalised                       | (44)         | 6         | (11)        | -         |
|                                                                           | <b>(208)</b> | <b>54</b> | <b>(93)</b> | <b>25</b> |

##### (f) Disposals, impairments and business restructuring

|                                                                                   |              |           |             |             |
|-----------------------------------------------------------------------------------|--------------|-----------|-------------|-------------|
| Gain on sale of Contact Energy                                                    | 14           | -         | -           | -           |
| Release of unfavourable contract liability on renegotiation of the Smithfield PPA | -            | -         | 193         | (58)        |
| <b>Disposals</b>                                                                  | <b>14</b>    | <b>-</b>  | <b>193</b>  | <b>(58)</b> |
| <i>Integrated Gas</i>                                                             |              |           |             |             |
| New Zealand onshore assets                                                        | -            | -         | (73)        | 20          |
| Surat Basin - impairment reversal                                                 | 30           | (9)       | -           | -           |
| BassGas                                                                           | (61)         | 18        | -           | -           |
| <i>Corporate</i>                                                                  |              |           |             |             |
| IT transformation                                                                 | (94)         | 29        | -           | -           |
| Investment in Energia Andina S.A.                                                 | (86)         | -         | -           | -           |
| Investment in OTP Geothermal Pte Ltd                                              | (71)         | -         | -           | -           |
| <b>Impairments</b>                                                                | <b>(282)</b> | <b>38</b> | <b>(73)</b> | <b>20</b>   |
| Integration & transformation costs                                                | (3)          | 1         | (12)        | 4           |
| Restructure costs                                                                 | (55)         | 16        | -           | -           |
| Contact Energy's retail transformation costs                                      | -            | -         | (16)        | 10          |
| Corporate transaction costs                                                       | (2)          | 1         | (2)         | -           |
| <b>Business restructuring</b>                                                     | <b>(60)</b>  | <b>18</b> | <b>(30)</b> | <b>14</b>   |
| <b>Total disposals, impairments and business restructuring</b>                    | <b>(328)</b> | <b>56</b> | <b>90</b>   | <b>(24)</b> |

**Origin Energy Limited and its Controlled Entities**  
**Notes to the interim financial statements**

**A1 Segments (continued)**

*Explanatory notes to segment results for the year ended 31 December (continued)*

**A1.2 Segment Assets and Liabilities**

| \$million<br>as at                                                                                                            | Energy Markets |                 | Integrated Gas |                 | Contact Energy |                                | Corporate      |                 | Consolidated    |                 |
|-------------------------------------------------------------------------------------------------------------------------------|----------------|-----------------|----------------|-----------------|----------------|--------------------------------|----------------|-----------------|-----------------|-----------------|
|                                                                                                                               | 31 Dec<br>2015 | 30 June<br>2015 | 31 Dec<br>2015 | 30 June<br>2015 | 31 Dec<br>2015 | 30 June<br>2015 <sup>(2)</sup> | 31 Dec<br>2015 | 30 June<br>2015 | 31 Dec<br>2015  | 30 June<br>2015 |
| <b>Assets</b>                                                                                                                 |                |                 |                |                 |                |                                |                |                 |                 |                 |
| Segment assets                                                                                                                | 12,671         | 12,398          | 4,995          | 4,889           | -              | 5,362                          | 120            | 159             | 17,786          | 22,808          |
| Investments accounted for<br>using the equity method<br>(refer to note A5)                                                    | -              | -               | 6,161          | 6,231           | -              | -                              | 119            | 236             | 6,280           | 6,467           |
| Cash, funding related<br>derivatives and tax assets                                                                           |                |                 | 4,300          | 3,304           | -              | 79                             | 968            | 709             | 5,268           | 4,092           |
| <b>Total assets</b>                                                                                                           | <b>12,671</b>  | <b>12,398</b>   | <b>15,456</b>  | <b>14,424</b>   | <b>-</b>       | <b>5,441</b>                   | <b>1,207</b>   | <b>1,104</b>    | <b>29,334</b>   | <b>33,367</b>   |
| <b>Liabilities</b>                                                                                                            |                |                 |                |                 |                |                                |                |                 |                 |                 |
| Segment liabilities                                                                                                           | (2,062)        | (2,015)         | (1,349)        | (1,479)         | -              | (264)                          | (375)          | (438)           | (3,786)         | (4,196)         |
| Financial liabilities, interest-<br>bearing liabilities, funding<br>related derivatives and tax<br>liabilities <sup>(3)</sup> |                |                 | (6,254)        | (7,579)         | -              | (2,532)                        | (4,210)        | (4,901)         | (10,464)        | (15,012)        |
| <b>Total liabilities</b>                                                                                                      | <b>(2,062)</b> | <b>(2,015)</b>  | <b>(7,603)</b> | <b>(9,058)</b>  | <b>-</b>       | <b>(2,796)</b>                 | <b>(4,585)</b> | <b>(5,339)</b>  | <b>(14,250)</b> | <b>(19,208)</b> |
| Acquisitions of non-current<br>assets (includes capital<br>expenditure) <sup>(1)</sup>                                        | 100            | 307             | 203            | 1,333           | 7              | 98                             | 12             | 127             | 322             | 1,865           |

(1) Cash contributions of \$996 million to Australia Pacific LNG are not treated as acquisitions as they are accounted for as loans rather than an increase in the Group's investment.

(2) Includes amounts which were classified as held for sale at 30 June 2015 and liabilities of \$221 million relating to funding of Contact Energy.

(3) The net cash proceeds from the equity rights issue of \$2,496 million have been applied to the Integrated Gas interest-bearing liabilities and the proceeds from the sale of Contact Energy of \$1,599 million have been applied to the Corporate interest-bearing liabilities.

# Origin Energy Limited and its Controlled Entities

## Notes to the interim financial statements

### A2 Income

| for the half year ended 31 December                               | 2015<br>\$million <sup>(1)</sup> | 2014<br>\$million <sup>(1)</sup> |
|-------------------------------------------------------------------|----------------------------------|----------------------------------|
| <b>Income from continuing operations</b>                          |                                  |                                  |
| Revenue                                                           | 5,879                            | 6,017                            |
| Net loss on sale of assets                                        | -                                | (1)                              |
| Release of unfavourable contract liability                        | -                                | 193                              |
| Other                                                             | 3                                | 2                                |
| <b>Other income</b>                                               | <b>3</b>                         | <b>194</b>                       |
| Interest earned from other parties                                | 1                                | -                                |
| Interest earned on Australia Pacific LNG MRCPS (refer to note C1) | 92                               | 42                               |
| <b>Interest income</b>                                            | <b>93</b>                        | <b>42</b>                        |

(1) Excludes amounts classified as discontinued operations at 31 December 2015. Refer to note C3.

### A3 Expenses

| for the half year ended 31 December                       | 2015<br>\$million <sup>(1)</sup> | 2014<br>\$million <sup>(1)</sup> |
|-----------------------------------------------------------|----------------------------------|----------------------------------|
| <b>Expenses from continuing operations</b>                |                                  |                                  |
| Raw materials and consumables used                        | 4,301                            | 4,436                            |
| Labour                                                    | 394                              | 376                              |
| Exploration                                               | 56                               | 13                               |
| Depreciation and amortisation                             | 307                              | 306                              |
| Impairment of assets                                      | 282                              | 73                               |
| Decrease in fair value of financial instruments           | 52                               | 388                              |
| Net foreign exchange loss                                 | 44                               | 62                               |
| Other                                                     | 415                              | 390                              |
| <b>Expenses</b>                                           | <b>5,851</b>                     | <b>6,044</b>                     |
| Interest charged by other parties                         | 30                               | 52                               |
| Impact of discounting on long term provisions             | 8                                | 8                                |
| Interest expense related to Australia Pacific LNG funding | 256                              | 124                              |
| <b>Interest expense</b>                                   | <b>294</b>                       | <b>184</b>                       |
| Financing costs capitalised                               | 46                               | 51                               |

(1) Excludes amounts classified as discontinued operations at 31 December 2015. Refer to note C3.

### A4 Income tax expense

| for the half year ended 31 December                    | 2015<br>per cent | 2014<br>per cent |
|--------------------------------------------------------|------------------|------------------|
| Effective statutory tax rate for continuing operations | (8)              | (181)            |

The 31 December 2015 effective statutory tax rate for continuing operations (8%) is different to the comparative period (181%) and the corporate rate of 30% primarily due to the non deductible impairment of international investments and non deductible share of profit after tax of Australia Pacific LNG as a proportion of the higher pre-tax loss result.

**Origin Energy Limited and its Controlled Entities**  
**Notes to the interim financial statements**

**A5 Results of equity accounted investees**

| <b>\$million</b>                                |                    | Share of<br>interest, tax,<br>depreciation<br>and<br>amortisation<br>(ITDA) | Share of net<br>profit/(loss) |
|-------------------------------------------------|--------------------|-----------------------------------------------------------------------------|-------------------------------|
| <b>for the half year ended 31 December 2015</b> | Share of<br>EBITDA |                                                                             |                               |
| Australia Pacific LNG <sup>(1)</sup>            | (22)               | (57)                                                                        | (79)                          |
| Other joint venture entities                    | (2)                | 1                                                                           | (1)                           |
| <b>Total</b>                                    | <b>(24)</b>        | <b>(56)</b>                                                                 | <b>(80)</b>                   |

|                                                                                                                                  |           |             |             |
|----------------------------------------------------------------------------------------------------------------------------------|-----------|-------------|-------------|
| Group's share of Australia Pacific LNG's items excluded from underlying consolidated profit <sup>(1)</sup>                       | 40        | (1)         | 39          |
| <b>Total excluding Group's share of Australia Pacific LNG's items excluded from underlying consolidated profit<sup>(2)</sup></b> | <b>16</b> | <b>(57)</b> | <b>(41)</b> |

| <b>\$million</b>                                |           |             |             |
|-------------------------------------------------|-----------|-------------|-------------|
| <b>for the half year ended 31 December 2014</b> |           |             |             |
| Australia Pacific LNG <sup>(1)</sup>            | 11        | (52)        | (41)        |
| Other joint venture entities                    | -         | -           | -           |
| <b>Total</b>                                    | <b>11</b> | <b>(52)</b> | <b>(41)</b> |

|                                                                                                                                  |           |             |          |
|----------------------------------------------------------------------------------------------------------------------------------|-----------|-------------|----------|
| Group's share of Australia Pacific LNG's items excluded from underlying consolidated profit <sup>(1)</sup>                       | 18        | 27          | 45       |
| <b>Total excluding Group's share of Australia Pacific LNG's items excluded from underlying consolidated profit<sup>(2)</sup></b> | <b>29</b> | <b>(25)</b> | <b>4</b> |

| <b>\$million</b>                     | Equity accounted<br>investment carrying amount |                |
|--------------------------------------|------------------------------------------------|----------------|
| <b>as at</b>                         | <b>31 December</b>                             | <b>30 June</b> |
|                                      | <b>2015</b>                                    | <b>2015</b>    |
| Australia Pacific LNG <sup>(1)</sup> | 6,161                                          | 6,231          |
| Other joint venture entities         | 119                                            | 236            |
| <b>Total</b>                         | <b>6,280</b>                                   | <b>6,467</b>   |

<sup>(1)</sup> Detailed further in note C1.

<sup>(2)</sup> Disclosure is provided to enable the reconciliation to share of interest, tax, depreciation and amortisation of equity accounted investees included in the segment analysis in note A1.

# Origin Energy Limited and its Controlled Entities

## Notes to the interim financial statements

### A6 Earnings per share

| for the half year ended 31 December                                             | 2015         | Restated<br>2014 |
|---------------------------------------------------------------------------------|--------------|------------------|
| <b>Earnings per share based on statutory consolidated loss</b>                  |              |                  |
| Basic earnings per share                                                        | (18.1) cents | (2.0) cents      |
| Diluted earnings per share                                                      | (18.1) cents | (2.0) cents      |
| Basic earnings per share from continuing operations                             | (19.6) cents | (3.9) cents      |
| Diluted earnings per share from continuing operations                           | (19.6) cents | (3.9) cents      |
| Basic earnings per share from discontinued operations                           | 1.5 cents    | 1.9 cents        |
| Diluted earnings per share from discontinued operations                         | 1.5 cents    | 1.9 cents        |
| <b>Earnings per share based on underlying consolidated profit<sup>(1)</sup></b> |              |                  |
| Underlying basic earnings per share                                             | 18.1 cents   | 27.4 cents       |
| Underlying diluted earnings per share                                           | 18.1 cents   | 27.2 cents       |

<sup>(1)</sup> Refer to note A1 for a reconciliation of underlying consolidated profit to statutory loss.

#### Restatement of weighted average number of shares used as the denominator

During the period, Origin completed a rights issue of 636,086,881 shares at \$4.00 per share. The price was at a 34.4 per cent discount to the market price and therefore a bonus was received by shareholders who participated in the rights issue. Accordingly, earnings per share for the 2014 comparative period have been adjusted for the bonus element of the issue by multiplying the average weighted number of shares prior to the rights issue by 1.14 (i.e. a 14% bonus element).

|                                                                   | 2014                 |
|-------------------------------------------------------------------|----------------------|
| Average weighted number of shares pre adjustment for rights issue | 1,105,030,389        |
| Bonus element of rights issue                                     | 157,270,243          |
| Average weighted number of shares adjusted for rights issue       | <u>1,262,300,632</u> |

#### Calculation of earnings per share

Basic earnings per share is calculated as profit for the period attributable to the parent (2015: \$254 million loss; 2014: \$25 million loss) divided by the average weighted number of shares.

Basic earnings per share from continuing operations is calculated as profit for the period from continuing operations attributable to the parent (2015: \$275 million loss; 2014: \$49 million loss) divided by the average weighted number of shares.

Diluted earnings per share represents profit for the period attributable to the parent divided by an average weighted number of shares (2015: 1,407,518,327; 2014: 1,271,018,333) which has been adjusted to reflect the number of shares which would be issued if outstanding options, performance share rights and deferred shares rights were to be exercised (2015: 720,324; 2014: 8,717,701). Due to the statutory loss attributable to the parent for the half year ended 31 December 2015, the effect of these instruments and the impact of the rights issue has been excluded from the 31 December 2015 calculation of diluted earnings per share and diluted earnings per share from continuing operations as they would reduce the loss per share.

### A7 Dividends

|                                                                                                                                                            | 2015<br>\$million | 2014<br>\$million |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Final dividend of 25 cents per share, unfranked, paid 28 September 2015<br>(2014: Final dividend of 25 cents per share, unfranked, paid 26 September 2014) | 277               | 276               |

Origin Energy Limited and its Controlled Entities  
Notes to the interim financial statements

**B Financial instruments and share capital**

**B1 Other financial assets and liabilities**

|                                                                                                        | 31 Dec<br>2015<br>\$million | 30 June<br>2015<br>\$million |
|--------------------------------------------------------------------------------------------------------|-----------------------------|------------------------------|
| <b>as at</b>                                                                                           |                             |                              |
| <b>Other financial assets</b>                                                                          |                             |                              |
| <i><b>Current</b></i>                                                                                  |                             |                              |
| Environmental scheme certificates                                                                      | 402                         | 168                          |
| Available-for-sale financial assets                                                                    | 112                         | 91                           |
|                                                                                                        | <b>514</b>                  | <b>259</b>                   |
| <i><b>Non-current</b></i>                                                                              |                             |                              |
| Environmental scheme certificates                                                                      | 181                         | 154                          |
| Available-for-sale financial assets                                                                    | 46                          | 43                           |
| Mandatorily Redeemable Cumulative Preference Shares issued by Australia Pacific LNG (refer to note C1) | 4,300                       | 3,304                        |
|                                                                                                        | <b>4,527</b>                | <b>3,501</b>                 |
| <b>Other financial liabilities</b>                                                                     |                             |                              |
| <i><b>Current</b></i>                                                                                  |                             |                              |
| Environmental scheme surrender obligations                                                             | 380                         | 156                          |
| Other financial liabilities                                                                            | 68                          | -                            |
|                                                                                                        | <b>448</b>                  | <b>156</b>                   |

## Origin Energy Limited and its Controlled Entities

### Notes to the interim financial statements

#### B2 Fair value of financial assets and liabilities

The following is a summary of the methods that are used to estimate the fair value of the Group's financial instruments:

| <b>Instrument</b>                                                                      | <b>Fair Value Methodology</b>                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial instruments traded in active markets                                         | Quoted market prices at reporting date.                                                                                                                                                                                                                                                                                                                                                                       |
| Forward Foreign Exchange                                                               | Present value of estimated future cash flows using quoted forward exchange rates.                                                                                                                                                                                                                                                                                                                             |
| Commodity Option contract                                                              | Most recent available transaction prices for same or similar instruments.                                                                                                                                                                                                                                                                                                                                     |
| Financial instruments not traded in active markets                                     | Established valuation methodologies which are general market practice applicable to each instrument.                                                                                                                                                                                                                                                                                                          |
| Long term debt and other financial assets                                              | Quoted market prices, dealer quotes for similar instruments, or present value of estimated future cash flows.                                                                                                                                                                                                                                                                                                 |
| Interest rate swaps and cross currency interest rate swaps                             | Present value of estimated future cash flows of these instruments. Key variables include market pricing data, discount rates and credit risk of the Group or counterparty where relevant. Variables reflect those which would be used by market participants to execute and value the instruments.                                                                                                            |
| Commodity swaps and non-exchange traded futures                                        | Present value of estimated future cash flows using market forward prices.                                                                                                                                                                                                                                                                                                                                     |
| Electricity derivatives which are not regularly traded with no observable market price | Valuation models which reflect the fair value of the avoided costs of construction of the physical assets which would be required to achieve an equivalent risk management outcome for the Group. Methodology takes into account all relevant variables including forward commodity prices, physical generation plant variables, the risk-free discount rate and related credit adjustments, and asset lives. |
| Oil forward structured derivative instrument                                           | Valued with reference to the observable market oil forward prices, foreign exchange rates and discount rates. As a result of the structured nature of the instrument, certain risk premium and credit variables utilised in the valuation model are unobservable.                                                                                                                                             |
| Oil put option                                                                         | The oil put options are referenced to the Japan Customs-cleared Crude (JCC) index with strike prices in both US\$ and A\$. The put option instruments are valued using a Monte Carlo simulation model which generates potential future oil and foreign exchange price outcomes over the period covered by the oil put option.                                                                                 |

To the maximum extent possible, valuations are based on assumptions which are supported by independent and observable market data. Where valuation models are used, instruments are discounted at the market interest rate applicable to the instrument.

Valuation methodologies are determined based on the nature of the underlying instrument. The Group monitors changes in fair value measurements on a monthly basis.

# Origin Energy Limited and its Controlled Entities

## Notes to the interim financial statements

### B2 Fair value of financial assets and liabilities (continued)

The following table provides information about the reliability of the inputs used in determining the fair value of financial assets and liabilities carried at fair value. The 3 levels in the hierarchy reflect the level of independent observable market data used in determining the fair values and are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: other valuation methods for which all inputs that have a significant impact on fair value are observable, either directly (as prices) or indirectly (derived from prices).
- Level 3: one or more key inputs for the instrument are not based on observable market data (unobservable inputs).

|                                                          | Level 1<br>\$million | Level 2<br>\$million | Level 3<br>\$million | Total<br>\$million |
|----------------------------------------------------------|----------------------|----------------------|----------------------|--------------------|
| <b>as at 31 December 2015</b>                            |                      |                      |                      |                    |
| Derivative financial assets                              | 100                  | 914                  | 421                  | 1,435              |
| Environmental scheme certificates                        | 583                  | -                    | -                    | 583                |
| Available-for-sale financial assets                      | 158                  | -                    | -                    | 158                |
| <b>Total financial assets carried at fair value</b>      | <b>841</b>           | <b>914</b>           | <b>421</b>           | <b>2,176</b>       |
| Derivative financial liabilities                         | (4)                  | (792)                | (318)                | (1,114)            |
| Environmental scheme surrender obligations               | (380)                | -                    | -                    | (380)              |
| <b>Total financial liabilities carried at fair value</b> | <b>(384)</b>         | <b>(792)</b>         | <b>(318)</b>         | <b>(1,494)</b>     |
| <b>as at 30 June 2015</b>                                |                      |                      |                      |                    |
| Derivative financial assets                              | 16                   | 519                  | 339                  | 874                |
| Environmental scheme certificates                        | 322                  | -                    | -                    | 322                |
| Available-for-sale financial assets                      | 134                  | -                    | -                    | 134                |
| Financial assets held for sale                           | 21                   | 68                   | -                    | 89                 |
| <b>Total financial assets carried at fair value</b>      | <b>493</b>           | <b>587</b>           | <b>339</b>           | <b>1,419</b>       |
| Derivative financial liabilities                         | (5)                  | (830)                | (505)                | (1,340)            |
| Environmental scheme surrender obligations               | (156)                | -                    | -                    | (156)              |
| Financial liabilities held for sale                      | (8)                  | (62)                 | -                    | (70)               |
| <b>Total financial liabilities carried at fair value</b> | <b>(169)</b>         | <b>(892)</b>         | <b>(505)</b>         | <b>(1,566)</b>     |

There were no transfers between the fair value hierarchy levels during the half year ended 31 December 2015.

The following table shows a reconciliation of movements in the value of instruments included in level 3 of the fair value hierarchy:

|                                                                      | \$million  |
|----------------------------------------------------------------------|------------|
| <b>Balance as at 1 July 2015</b>                                     | (166)      |
| New instruments in the period                                        | 117        |
| Net gain realised in revenue line                                    | 17         |
| Net loss from financial instruments at fair value                    | (67)       |
| Net gain recognised in the interim statement of comprehensive income | 202        |
| <b>Balance as at 31 December 2015</b>                                | <b>103</b> |

The reconciliation above includes the impact of \$250 million of cash settlements including new instruments during the period.

# Origin Energy Limited and its Controlled Entities

## Notes to the interim financial statements

### B2 Fair value of financial assets and liabilities (continued)

The main inputs and assumptions used by the Group in measuring the fair value of level 3 financial instruments are as follows:

**Forward commodity prices:** Both observable external market data and internally derived forecast data are used which impact the expected cash flows.

**Physical generation plant variables:** Variables which would be used in the valuation of physical generation assets with equivalent risk management outcomes impact the expected cash flows. These include new build capital costs, operating costs and plant efficiency factors.

**Risk-free discount rate:** The discount rates applied to the cash flows of the Group are based on the observable market rates for risk-free interest rate instruments for the appropriate term.

**Credit adjustment:** An observable entity or counterparty discount or credit spread curve is applied to the discount rate depending on the asset/liability position of a financial instrument. Where a counterparty specific credit curve is not observable, an estimated curve is applied which takes into consideration the credit rating of the counterparty and its industry.

**Oil put inputs:** Both observable external market data and internally derived forecast data are used in the valuation. Observable external market data includes foreign exchange movements, risk free interest rates, and Brent oil prices. Internally derived data principally includes the forward price path for Japanese Customs-cleared Crude (JCC) which is not readily observable in the market. The forward curve for JCC is inferred from the Brent oil forward curve.

The use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, a 10 per cent increase or decrease in the unobservable assumptions would have the following effects:

| for the half year ended 31 December | 2015                     |          | 2014                     |          |
|-------------------------------------|--------------------------|----------|--------------------------|----------|
|                                     | Effect on profit or loss |          | Effect on profit or loss |          |
|                                     | Increase                 | Decrease | Increase                 | Decrease |
|                                     | \$million                |          | \$million                |          |
| Electricity derivative assets       | 30                       | (30)     | 27                       | (27)     |
| Electricity derivative liabilities  | 58                       | (58)     | 61                       | (61)     |
| Oil derivative assets               | (28)                     | 40       | -                        | -        |

#### Gains/(losses) on initial recognition of financial instruments

Any differences between the fair value at initial recognition (transaction price) and the amount that would be determined at that date using the relevant valuation technique are deferred in the statement of financial position and recognised in the income statement over the life of the instrument. The following has been recognised in the interim income statement during the half year:

| as at                                      | 31 December<br>2015<br>\$million |
|--------------------------------------------|----------------------------------|
| <b>Derivative assets</b>                   |                                  |
| Opening balance - gain                     | 100                              |
| New instruments in the period              | (7)                              |
| Recognised in the interim income statement | (11)                             |
| Closing balance - gain                     | 82                               |
| <b>Derivative liabilities</b>              |                                  |
| Opening balance - gain                     | 31                               |
| Recognised in the interim income statement | 1                                |
| Closing balance - gain                     | 32                               |

## Origin Energy Limited and its Controlled Entities

### Notes to the interim financial statements

#### B2 Fair value of financial assets and liabilities (continued)

Except as noted below the carrying amounts of financial assets and liabilities are reasonable approximations of their fair values.

The Group has the following non-current financial instruments which are not measured at fair value in the interim statement of financial position:

| as at 31 December                      | Fair value hierarchy level | Carrying value |                          | Fair value  |                          |
|----------------------------------------|----------------------------|----------------|--------------------------|-------------|--------------------------|
|                                        |                            | 31 Dec 2015    | 30 Jun 2015              | 31 Dec 2015 | 30 Jun 2015              |
|                                        |                            | \$million      | \$million <sup>(1)</sup> | \$million   | \$million <sup>(1)</sup> |
| <b>Assets</b>                          |                            |                |                          |             |                          |
| Other financial assets                 | 2                          | 4,300          | 3,304                    | 4,068       | 3,220                    |
| <b>Liabilities</b>                     |                            |                |                          |             |                          |
| Bank loans - secured                   | 2                          | -              | 212                      | -           | 216                      |
| Bank loans - unsecured <sup>(2)</sup>  | 2                          | 636            | 3,061                    | 681         | 3,110                    |
| Capital markets borrowings - unsecured | 2                          | 8,852          | 8,559                    | 8,447       | 8,842                    |
|                                        |                            | 9,488          | 11,832                   | 9,128       | 12,168                   |

(1) Excludes amounts which are classified as held for sale at 30 June 2015.

(2) The proceeds from the sale of Contact Energy \$1,599 million (note C3) and from the equity rights issue \$2,496 million (note A6) were used to repay interest-bearing liabilities.

The fair value of these financial instruments reflect the present value of estimated future cash flows of the instrument. The following key variables are used to determine the present value:

- market pricing data (for the relevant underlying interest rates, foreign exchange rates or commodity prices);
- discount rates; and
- credit risk of the Group or counterparty where appropriate.

For these instruments, each of these variables is taken from observed market pricing data at the valuation date and therefore these variables represent those which would be used by market participants to execute and value the instruments.

**Origin Energy Limited and its Controlled Entities**  
**Notes to the interim financial statements**

**B3 Share capital**

|                                                                                             | 6 months to<br>31 December<br>2015<br>\$million | 12 months to<br>30 June<br>2015<br>\$million |
|---------------------------------------------------------------------------------------------|-------------------------------------------------|----------------------------------------------|
| <b>Issued and paid-up capital</b>                                                           |                                                 |                                              |
| 1,749,786,453 (June 2015: 1,109,628,904) ordinary shares, fully paid                        | 7,134                                           | 4,599                                        |
| Ordinary share capital at the beginning of the period                                       | 4,599                                           | 4,520                                        |
| Shares issued:                                                                              |                                                 |                                              |
| • 636,086,881 (June 2015: Nil) shares under a rights issue <sup>(1)</sup>                   | 2,509                                           | -                                            |
| • 3,357,586 (June 2015: 5,867,435) shares in accordance with the Dividend Reinvestment Plan | 26                                              | 79                                           |
| • 713,082 (June 2015: 115,716) shares in accordance with the Long Term Incentive Plans      | -                                               | -                                            |
| <b>Total movements in ordinary share capital</b>                                            | <b>2,535</b>                                    | <b>79</b>                                    |
| <b>Ordinary share capital at the end of the period</b>                                      | <b>7,134</b>                                    | <b>4,599</b>                                 |

(1) Refer to note A6 for terms of the rights issue.

**Terms and conditions**

Holders of ordinary shares are entitled to receive dividends as determined from time to time and are entitled to one vote per share at shareholders' meetings. In the event of the winding up of the Group, ordinary shareholders rank after creditors, and are fully entitled to any proceeds of liquidation.

The Group does not have authorised capital or par value in respect of its issued shares.

## Origin Energy Limited and its Controlled Entities

### Notes to the interim financial statements

#### C Group structure

The following section provides information on the Group's structure and how this impacts the results of the Group as a whole, including details of joint arrangements and changes made to the Group structure during the half year.

#### C1 Joint arrangements

Joint arrangements are those entities over whose activities the Group has joint control, established by contractual agreement and require consent of two or more parties for strategic, financial and operating decisions. The Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on its rights to the assets and obligations for the liabilities of the arrangements.

##### C1.1 Interests in joint ventures

Interests in joint ventures are initially recognised at cost and are subsequently adjusted for changes in the Group's share of the joint venture's net assets.

| Joint venture entity                         | Reporting date | Country of incorporation | Ownership interest (%) |      |
|----------------------------------------------|----------------|--------------------------|------------------------|------|
|                                              |                |                          | 2015                   | 2014 |
| Australia Pacific LNG Pty Ltd <sup>(1)</sup> | 30 June        | Australia                | 37.5                   | 37.5 |
| Energia Andina S.A. <sup>(2)</sup>           | 31 December    | Chile                    | 49.9                   | 49.9 |
| Energia Austral SpA <sup>(3)</sup>           | 31 December    | Chile                    | 34.0                   | 34.0 |
| KUBU Energy Resources (Pty) Limited          | 30 June        | Botswana                 | 50.0                   | 50.0 |
| OTP Geothermal Pte Ltd                       | 31 December    | Singapore                | 50.0                   | 50.0 |
| PNG Energy Developments Limited              | 31 December    | PNG                      | 50.0                   | 50.0 |
| Rockgas Timaru Ltd <sup>(4)</sup>            | 31 March       | New Zealand              | -                      | 50.0 |
| Transform Solar Pty Ltd <sup>(5)</sup>       | 30 June        | Australia                | -                      | 50.0 |
| Venn Energy Trading Pte Limited              | 31 March       | Singapore                | 50.0                   | 50.0 |

<sup>(1)</sup> Australia Pacific LNG is a separate legal entity. Operating, management and funding decisions require the unanimous support of the Foundation Shareholders, which includes the Group and ConocoPhillips. Accordingly, joint control exists and the Group has classified the investment in Australia Pacific LNG as a joint venture.

<sup>(2)</sup> Energia Andina S.A. is a separate legal entity. Key decisions require super majority (four directors) approval, with the Group entitled to appoint two of the five directors. As a consequence joint control exists and the Group has classified the investment as a joint venture.

<sup>(3)</sup> Energia Austral SpA is a separate legal entity. Key decisions require super majority (four directors) approval, with the Group entitled to appoint two of the five directors. As a consequence joint control exists and the Group has classified the investment as a joint venture. The Group's ownership interest can change between reporting periods when equity contributions are made to the joint venture.

<sup>(4)</sup> The Group sold its 53.09 per cent shareholding in Contact Energy Ltd, which held the investment in Rockgas Timaru Ltd.

<sup>(5)</sup> Transform Solar Pty Ltd was deregistered during the half year ended 31 December 2015.

**Origin Energy Limited and its Controlled Entities**  
**Notes to the interim financial statements**

**C1 Joint arrangements (continued)**

**C1.2 Investment in Australia Pacific LNG Pty Ltd**

A summary of Australia Pacific LNG's financial performance for the periods ended 31 December 2015 and 31 December 2014, and its financial position as at 31 December 2015 and 30 June 2015 follows:

| \$million<br>for the half year ended 31 December               | 2015           |                    | 2014           |                    |
|----------------------------------------------------------------|----------------|--------------------|----------------|--------------------|
|                                                                | Total<br>APLNG | Origin<br>interest | Total<br>APLNG | Origin<br>interest |
| Operating revenue                                              | 229            |                    | 196            |                    |
| Operating expenses                                             | (180)          |                    | (119)          |                    |
| <b>EBITDA</b>                                                  | <b>49</b>      | <b>18</b>          | <b>77</b>      | <b>29</b>          |
| Depreciation and amortisation expense                          | (182)          |                    | (63)           |                    |
| Interest income                                                | 3              |                    | 3              |                    |
| Interest expense                                               | (19)           |                    | (16)           |                    |
| Income tax benefit                                             | 44             |                    | 11             |                    |
| <b>Underlying Result for the period</b>                        | <b>(105)</b>   | <b>(40)</b>        | <b>12</b>      | <b>4</b>           |
| <b>Items excluded from segment result:</b>                     |                |                    |                |                    |
| Net foreign exchange loss                                      | (7)            | (3)                | (3)            | (1)                |
| Tax expense on translation of foreign denominated tax balances | (30)           | (11)               | (87)           | (33)               |
| Pre-production costs not able to be capitalised                | (61)           | (23)               | (28)           | (11)               |
| Restructure costs                                              | (7)            | (2)                | -              | -                  |
| <b>Total items excluded from segment result</b>                | <b>(105)</b>   | <b>(39)</b>        | <b>(118)</b>   | <b>(45)</b>        |
| <b>Net loss for the period</b>                                 | <b>(210)</b>   | <b>(79)</b>        | <b>(106)</b>   | <b>(41)</b>        |
| Other comprehensive income                                     | 170            | 63                 | 381            | 143                |
| <b>Total comprehensive (loss)/income</b>                       | <b>(40)</b>    | <b>(16)</b>        | <b>275</b>     | <b>102</b>         |

**Origin Energy Limited and its Controlled Entities**  
**Notes to the interim financial statements**

**C1 Joint arrangements (continued)**

**C1.2 Investment in Australia Pacific LNG Pty Ltd (continued)**

| <b>\$million<br/>as at</b>                                                     | <b>31 December<br/>2015</b> | <b>30 June<br/>2015</b> |
|--------------------------------------------------------------------------------|-----------------------------|-------------------------|
| <b>Summary statement of financial position of Australia Pacific LNG</b>        |                             |                         |
| Cash and cash equivalents                                                      | 115                         | 155                     |
| Other current assets                                                           | 577                         | 408                     |
| <b>Current assets</b>                                                          | <b>692</b>                  | <b>563</b>              |
| Property, plant and equipment                                                  | 38,814                      | 36,061                  |
| Exploration, evaluation and development assets                                 | 2,041                       | 1,896                   |
| Other non-current assets                                                       | 216                         | 175                     |
| <b>Non-current assets</b>                                                      | <b>41,071</b>               | <b>38,132</b>           |
| <b>Total assets</b>                                                            | <b>41,763</b>               | <b>38,695</b>           |
| Other current liabilities                                                      | 1,110                       | 1,492                   |
| <b>Current liabilities</b>                                                     | <b>1,110</b>                | <b>1,492</b>            |
| Bank loans - secured                                                           | 11,246                      | 10,544                  |
| Payable to shareholders                                                        | 11,468                      | 8,811                   |
| Other non-current liabilities                                                  | 1,241                       | 1,110                   |
| <b>Non-current liabilities</b>                                                 | <b>23,955</b>               | <b>20,465</b>           |
| <b>Total liabilities</b>                                                       | <b>25,065</b>               | <b>21,957</b>           |
| <b>Net assets</b>                                                              | <b>16,698</b>               | <b>16,738</b>           |
| Group's interest of 37.5 per cent                                              | 6,262                       | 6,277                   |
| Group's own costs                                                              | 26                          | 25                      |
| Mandatorily Redeemable Cumulative Preference Shares elimination <sup>(1)</sup> | (127)                       | (71)                    |
| Investment in Australia Pacific LNG Pty Ltd                                    | <b>6,161</b>                | <b>6,231</b>            |

(1) The Mandatorily Redeemable Cumulative Preference Shares (MRCPS) are recognised as a financial asset by the Group and the MRCPS dividend is recognised as interest revenue in the Group's interim income statement. The proportion attributable to the Group's ownership interest (37.5 per cent) is eliminated through the equity accounted investment balance as Australia Pacific LNG capitalises interest expense associated with the MRCPS.

**Origin Energy Limited and its Controlled Entities**  
**Notes to the interim financial statements**

**C2 Changes in controlled entities**

**2015**

There were no significant business combinations during the period.

**Changes in controlled entities**

On 10 August 2015 Contact Energy Limited ceased to be controlled by the Group (refer note C3).

On 2 November 2015 the Group acquired 100 per cent of Horan and Bird Energy Pty Limited.

**2014**

**Changes in controlled entities**

Origin Energy Retail No. 1 Pty Limited and Origin Energy Retail No. 2 Pty Limited were incorporated/registered during the half year ended 31 December 2014.

During the half year ended 31 December 2014 Speed-E-Gas (NSW) Pty Ltd changed its name to Origin Energy LPG Retail (NSW) Pty Limited.

**Origin Energy Limited and its Controlled Entities**  
**Notes to the interim financial statements**

**C3 Discontinued operations and assets held for sale**

On 10 August 2015, the Group completed the sale of its investment in Contact Energy. The associated earnings, for the current and comparative periods, have been classified as discontinued operations in the interim Income Statement and all related note disclosures.

**for the half year ended 31 December**

|                                                      | <b>2015</b>      | <b>2014</b>      |
|------------------------------------------------------|------------------|------------------|
|                                                      | <b>\$million</b> | <b>\$million</b> |
| <b>Results of discontinued operations</b>            |                  |                  |
| Revenue                                              | 251              | 1,122            |
| Net gain on sale of discontinued operations          | 14               | -                |
| Expenses                                             | (221)            | (1,011)          |
| Net financing costs                                  | (9)              | (45)             |
| <b>Profit before income tax</b>                      | <b>35</b>        | <b>66</b>        |
| Income tax expense                                   | (7)              | (20)             |
| <b>Profit after tax from discontinued operations</b> | <b>28</b>        | <b>46</b>        |
| <b>Attributable to:</b>                              |                  |                  |
| Members of the parent entity                         | 21               | 24               |
| Non-controlling interest                             | 7                | 22               |
|                                                      | <b>28</b>        | <b>46</b>        |
| <b>Cash flows of discontinued operations</b>         |                  |                  |
| Cash flows from operating activities                 | 71               | 215              |
| Cash flows used in investing activities              | (8)              | (55)             |
| Cash flows used in financing activities              | (63)             | (161)            |
| <b>Net decrease in cash and cash equivalents</b>     | <b>-</b>         | <b>(1)</b>       |

**10 August 2015**

|                                                  | <b>\$million</b> |
|--------------------------------------------------|------------------|
| <b>Reconciliation of gain on sale</b>            |                  |
| Consideration (net of transaction costs)         | 1,603            |
| Net assets disposed                              | (2,928)          |
| Reserves reclassified to profit and loss on sale | 69               |
| Non-controlling interest disposed                | 1,270            |
| <b>Gain on sale before income tax expense</b>    | <b>14</b>        |

**10 August 2015**

|                                              | <b>\$million</b> |
|----------------------------------------------|------------------|
| <b>Carrying value of net assets disposed</b> |                  |
| Cash and cash equivalents                    | 4                |
| Trade and other receivables                  | 199              |
| Inventories                                  | 146              |
| Derivatives and other financial assets       | 35               |
| Property, plant and equipment                | 4,583            |
| Intangible assets                            | 487              |
| Other assets                                 | 10               |
| Trade and other payables                     | (198)            |
| Interest-bearing liabilities                 | (1,542)          |
| Income tax liabilities                       | (3)              |
| Other financial liabilities                  | (6)              |
| Provisions and employee benefits             | (71)             |
| Deferred tax liabilities                     | (716)            |
| <b>Net assets disposed</b>                   | <b>2,928</b>     |

**Reconciliation of cash consideration**

|                                                 |              |
|-------------------------------------------------|--------------|
| Consideration                                   | 1,621        |
| Less: Transaction costs                         | (18)         |
| <b>Consideration (net of transaction costs)</b> | <b>1,603</b> |
| Less: Cash and cash equivalents disposed        | (4)          |
| <b>Consideration (net of cash disposed)</b>     | <b>1,599</b> |

## Origin Energy Limited and its Controlled Entities

### Notes to the interim financial statements

#### C3 Discontinued operations and assets held for sale (continued)

The assets and liabilities relating to the Mortlake Terminal Station, the Mortlake Pipeline and the Cullerin Wind Farm have been classified as held for sale at 31 December 2015. These assets form part of the broader asset sale program announced during the rights issue in September 2015 which includes assets being progressively prepared for sale but which have not yet met all the criteria to be classified as held for sale at 31 December 2015.

|                                                           | 2015<br>\$million |
|-----------------------------------------------------------|-------------------|
| <b>Assets and liabilities classified as held for sale</b> |                   |
| Property, plant and equipment                             | 279               |
| Intangible assets                                         | 6                 |
| <b>Assets classified as held for sale</b>                 | <b>285</b>        |
| Provisions                                                | 3                 |
| <b>Liabilities classified as held for sale</b>            | <b>3</b>          |

#### D Other information

This section includes other information to assist in understanding the financial performance and position of the Group, or items required to be disclosed to comply with accounting standards and other pronouncements.

#### D1 Contingent liabilities

Discussed below are items where either it is not probable that the Group will have to make future payments or the amount of the future payments are not able to be measured reliably.

##### Guarantees

Bank guarantees and letters of credit have been provided mainly to Australian Energy Market Operator Limited to support the Group's purchase of electricity from the National Electricity Market.

|                               | 31 December<br>2015<br>\$million | 30 June<br>2015<br>\$million <sup>(1)</sup> |
|-------------------------------|----------------------------------|---------------------------------------------|
| <b>as at</b>                  |                                  |                                             |
| Bank guarantees - unsecured   | 321                              | 250                                         |
| Letters of credit - unsecured | -                                | 25                                          |

<sup>(1)</sup> Includes unsecured bank guarantees of \$9 million and letters of credit of \$25 million related to discontinued operations.

The Group's share of guarantees for certain contractual commitments of its joint ventures is shown at note D2. The Group has also given letters of comfort to its bankers in respect of financial arrangements provided by the banks to certain partly-owned controlled entities.

## Origin Energy Limited and its Controlled Entities

### Notes to the interim financial statements

#### D1 Contingent liabilities (continued)

##### Joint arrangements

As a participant in certain joint arrangements, the Group is liable for its share of liabilities incurred by these arrangements. In some circumstances the Group may incur more than its proportionate share of such liabilities, but will have the right to recover the excess liability from the other joint arrangement participants.

Australia Pacific LNG has secured US\$8.5 billion in funding through a project finance facility. As of 31 December 2015, Australia Pacific LNG has drawn down US\$8.4 billion under the facility for capital expenditure, fees and interest. The Group guarantees its share of amounts drawn under the facility during the construction phase of the project (37.5 per cent share at 31 December 2015 being US\$3.2 billion).

The Group provides parent company guarantees in excess of its 37.5 per cent shareholding in Australia Pacific LNG in respect of certain contracts relating to upstream operations. A process remains ongoing amongst ConocoPhillips, Sinopec, Australia Pacific LNG and the Group to amend the relevant guarantees to either remove Origin as a guarantor or to reflect each shareholder's proportionate shareholding in Australia Pacific LNG.

##### Legal and regulatory

Certain entities within the Group (and joint venture entities, such as Australia Pacific LNG) are subject to various lawsuits and claims as well as audits and reviews by government or regulatory bodies. In most instances it is not possible to reasonably predict the outcome of these matters or their impact on the Group.

A number of sites owned/operated (or previously owned/operated) by the Group have been identified as contaminated. These properties are subject to ongoing environmental management programs. For sites where the requirements can be assessed and remediation costs can be estimated, such costs have been expensed or provided for.

Warranties and indemnities have also been given and/or received by entities in the Group in relation to environmental liabilities for certain properties divested and/or acquired.

##### Capital expenditure

As part of the acquisition of Browse Basin exploration permits, the Group paid cash consideration of US\$600 million upfront and agreed to pay further amounts of US\$75 million contingent upon a project Final Investment Decision (FID) and US\$75 million contingent upon first production. The Group will pay further contingent consideration of up to US\$50 million upon first production if 2P reserves, at the time of FID, reach certain thresholds. These contingent obligations have not been provided for at the reporting date as they are dependent upon uncertain future events not wholly within the Group's control.

## Origin Energy Limited and its Controlled Entities

### Notes to the interim financial statements

#### D2 Commitments

Detailed below are the Group's contractual commitments which are not recognised as liabilities as the relevant assets have not yet been received.

|                                                | 31 December<br>2015<br>\$million | 30 June<br>2015<br>\$million |
|------------------------------------------------|----------------------------------|------------------------------|
| as at                                          |                                  |                              |
| Capital expenditure commitments <sup>(1)</sup> | 170                              | 228                          |
| Joint venture commitments <sup>(2)</sup>       | 885                              | 885                          |

<sup>(1)</sup> Includes \$Nil (June 2015: \$28 million) related to discontinued operations.

<sup>(2)</sup> Includes \$628 million (June 2015: \$690 million) in relation to the Group's share of Australia Pacific LNG's capital and joint venture commitments.

#### D3 Notes to the interim statement of cash flows

Cash includes cash on hand, at bank and short-term deposits, net of outstanding bank overdrafts.

|                                     | 2015<br>\$million | 2014<br>\$million |
|-------------------------------------|-------------------|-------------------|
| for the half year ended 31 December |                   |                   |

The following non-cash financing and investing activities have not been included in the statement of cash flows:

|                                                              |    |    |
|--------------------------------------------------------------|----|----|
| Issue of shares in respect of the Dividend Reinvestment Plan | 26 | 41 |
|--------------------------------------------------------------|----|----|

#### D4 Subsequent events

##### Mortlake Terminal Station

On 12 February 2016 Origin entered into a Sale Agreement with AusNet Transmission Group Pty Ltd for the sale of Mortlake Terminal Station for cash consideration of \$110 million which is expected to provide Origin with a pre-tax gain of approximately \$25 million. Completion of the transaction is expected prior to 30 June 2016.

##### Dividends

Since the end of the interim period, the directors have determined to pay an interim dividend of 10 cents per share, unfranked, payable 31 March 2016.

The financial effect of this dividend has not been brought to account in the interim financial statements for the half year ended 31 December 2015 and will be recognised in subsequent financial statements.

Other than the matters described above, no other item, transaction or event of a material nature has arisen since 31 December 2015 that would significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial periods.

## Directors' Declaration

In the opinion of the directors of Origin Energy Limited (the Company):

- (a) the interim financial statements and notes are in accordance with the *Corporations Act 2001 (Cth)*, including:
  - (i) giving a true and fair view of the financial position of the Group as at 31 December 2015 and of its performance, for the half year ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and other applicable accounting standards and the *Corporations Regulations 2001 (Cth)*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to read 'Gordon M Cairns', with a stylized flourish at the end.

Mr Gordon M Cairns, Chairman  
*Director*

Sydney, 18 February 2016



## **Independent auditor's review report to the members of Origin Energy Limited**

We have reviewed the accompanying interim financial report of Origin Energy Limited, which comprises the consolidated interim statement of financial position as at 31 December 2015, consolidated interim income statement and consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the interim period ended on that date, notes to the interim financial statements Overview and A to D4 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year's end or from time to time during the interim period.

### *Directors' responsibility for the interim financial report*

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Origin Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Origin Energy Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A stylized, handwritten signature of the KPMG firm, written in black ink.

KPMG

A handwritten signature of Duncan McLennan, written in black ink.

Duncan McLennan  
*Partner*

Sydney

18 February 2016

## Directors' Report for the six months ended 31 December 2015

In accordance with the *Corporations Act 2001*, the Directors of Origin Energy Limited (Company) report on the Company and the consolidated entity Origin Energy Group (Origin), being the Company and its controlled entities, for the half year ended 31 December 2015 ("the period"). The Operating and Financial Review forms part of this Directors' Report.

### Directors

The names of the Directors of the Company holding office during the half year ended 31 December 2015 and up until the date of this Report are as follows:

Gordon M Cairns (Chairman)  
Grant A King (Managing Director)  
John H Akehurst  
Maxine N Brenner  
Bruce W D Morgan  
Karen A Moses (retired 21 October 2015)  
Ralph J Norris (retired 16 September 2015)  
Helen M Nugent  
Scott R Perkins (appointed 1 September 2015)  
Steven A Sargent

### Review of Operations

A review of the operations and results of operations of Origin during the period is set out in the Operating and Financial Review, which is attached and forms part of this Directors' report.

### Dividend

The Directors have determined to pay an interim unfranked dividend of 10 cents per share which will be paid on 31 March 2016 to shareholders on record on 25 February 2016 (compared with an unfranked dividend of 25 cents per share in the prior corresponding period).

### Lead Auditor's Independence Declaration

The lead auditor's independence declaration made under Section 307C of the *Corporations Act 2001* is attached to and forms part of the Directors' Report for the half year ended 31 December 2015.

### Rounding

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Consolidated Interim Financial Statements and Directors' Report have been rounded off to the nearest million dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:



Mr Gordon M Cairns  
Chairman  
Sydney, 18 February 2016



***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the directors of Origin Energy Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature of the KPMG firm, written in black ink.

KPMG

A handwritten signature of Duncan McLennan, written in black ink.

Duncan McLennan  
*Partner*

Sydney

18 February 2016



# ORIGIN ENERGY

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Operating and Financial Review

For the half year ended 31 December 2015

This report is attached to and forms part of the Directors' Report.

## IMPORTANT INFORMATION

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This Operating and Financial Review (OFR) contains forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events and future financial prospects. Such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate. Forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements, and the outcomes are not all within the control of Origin. Statements about past performance are not necessarily indicative of future performance.

Neither the Company nor any of its subsidiaries, affiliates and associated companies (or any of their respective officers, employees or agents) (the "Relevant Persons") makes any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward looking statement or any outcomes expressed or implied in any forward looking statement. The forward looking statements in this OFR reflect views held only at the date of this report and except as required by applicable law or the ASX Listing Rules, the Relevant Persons disclaim any obligation or undertaking to publicly update any forward looking statements, or discussion of future financial prospects, whether as a result of new information or future events.

This OFR and Directors' Report refer to Origin's financial results, including Origin's Statutory Profit and Underlying Profit. Origin's Statutory Profit contains a number of items that when excluded provide a different perspective on the financial and operational performance of the business. Income Statement amounts, presented on an underlying basis such as Underlying Profit, are non-IFRS financial measures, and exclude the impact of these items consistent with the manner in which the Managing Director reviews the financial and operating performance of the business. Each underlying measure disclosed has been adjusted to remove the impact of these items on a consistent basis. A reconciliation and description of the items that contribute to the difference between Statutory Profit and Underlying Profit is provided in Section 1.1.1 of this OFR.

Certain other non-IFRS financial measures are also included in this OFR. These non-IFRS financial measures are used internally by management to assess the performance of Origin's business and make decisions on allocation of resources. Further information regarding the non-IFRS financial measures is included in the Glossary in Appendix 5 of this OFR. Non-IFRS measures have not been subject to audit or review. Certain comparative amounts from the prior corresponding period have been re-presented to conform to the current period's presentation.

Disclosures of Origin and Australia Pacific LNG's reserves and resources are 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. Please refer to section 6 for further information.

On 10 August 2015, Origin divested its entire 53.09% interest in Contact Energy. Information in this report referencing total operations includes Contact Energy and references to continuing operations exclude Contact Energy. Key financial items on a total operations and continuing operations basis are included in Appendix 1.

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# 1. REVIEW OF TOTAL OPERATIONS

Financial information in this section, unless otherwise stated, references total operations including Contact Energy which is presented as a discontinued operation in the income statement. On 10 August 2015, Origin divested its entire 53.09% interest in Contact Energy. Key financial items for total operations, continuing operations and discontinued operations are included in Appendix 1.

## 1.1 Results Overview

| Half year ended 31 December            | 2015<br>(\$m) | 2014<br>(\$m)       | Change<br>(%) |
|----------------------------------------|---------------|---------------------|---------------|
| <b>Statutory Results<sup>1</sup> :</b> |               |                     |               |
| Statutory (Loss)/Profit                | (254)         | (25)                | 916           |
| Statutory earnings per share           | (18.1¢)       | (2.0¢) <sup>2</sup> | 805           |
| Items excluded from Underlying Profit  | (508)         | (371)               | 37            |
| <b>Underlying Results<sup>1</sup>:</b> |               |                     |               |
| Underlying Profit                      | 254           | 346                 | (27)          |
| Underlying earnings per share          | 18.1¢         | 27.4¢ <sup>2</sup>  | (34)          |

Statutory Loss increased by \$229 million to \$254 million, comprising:

- An increase in loss relating to items excluded from Underlying Profit of \$137 million to \$508 million reflecting:
  - o the impact of actions taken to reduce debt and preserve cash through restructuring activities and discontinuing geothermal activities and large-scale IT projects (-\$272 million); and
  - o the increase in expenses, primarily interest, relating to Origin's investment in Australia Pacific LNG before revenue recognition (-\$154 million); and
- The decrease in Underlying Profit from total operations of \$92 million to \$254 million reflecting:
  - o the sale of Contact Energy (-\$27 million) to reduce debt; and
  - o lower contributions from continuing operations (-\$65 million) primarily due to a \$53 million write-off of exploration expense in Vietnam as Origin exits all international exploration (excluding New Zealand). Excluding the exploration expense, Underlying Profit from continuing operations was stable, driven by a strong increase in contribution from Energy Markets, offset by reduced contribution from Integrated Gas.

<sup>1</sup> Refer to Glossary in Appendix 5 for definitions of terms set out in the table.

<sup>2</sup> Prior period adjusted for the bonus element (discount to market price) of the September 2015 rights issue

### 1.1.1 Items excluded from Underlying Profit

Underlying Profit is derived from Statutory Profit and excludes certain items to facilitate a more representative comparison of the ongoing performance of the business between periods. These items are categorised as:

- **Fair value and foreign exchange movements** – reflecting the impact of mark to market movements on financial assets and liabilities from period to period
- **LNG related items before revenue recognition** – comprising costs incurred in relation to Origin's investment in Australia Pacific LNG which relate to the period prior to revenue recognition of the export project that are unable to be capitalised. These costs will be recognised in Underlying Profit when Australia Pacific LNG recognises revenue from the project.
- **Disposals, impairments and business restructuring** – reflecting the impact of actions and decisions to dispose, acquire, revalue or restructure the company's assets and business operations.

| Reconciliation<br>Half year ended<br>31 December 2015<br>(\$ million) | Continuing<br>operations | Dis-continued<br>operations <sup>3</sup> | Total<br>operations |
|-----------------------------------------------------------------------|--------------------------|------------------------------------------|---------------------|
| <b>Statutory (Loss)/Profit</b>                                        | <b>(275)</b>             | <b>21</b>                                | <b>(254)</b>        |
| Fair value and foreign exchange movements                             | (78)                     | (4)                                      | (82)                |
| LNG items pre revenue recognition                                     | (154)                    | -                                        | (154)               |
| Disposals, impairments and business restructuring                     | (286)                    | 14                                       | (272)               |
| <b>Less total excluded items</b>                                      | <b>(518)</b>             | <b>10</b>                                | <b>(508)</b>        |
| <b>Underlying profit</b>                                              | <b>243</b>               | <b>11</b>                                | <b>254</b>          |
| <b>Underlying Basic EPS (cps)</b>                                     |                          |                                          | <b>18.1¢</b>        |

#### Fair value and foreign exchange movements (-\$82 million post-tax) primarily relating to:

- non-cash loss due to the depreciation of the Australian dollar (-\$79 million);
- financial instruments impacting Energy Markets (including environmental certificates) (+\$45 million)
- loss on termination of interest rate swaps following the early repayment of Uranquinty project finance (-\$29 million); and
- -\$11 million non-cash expense representing Origin's share of Australia Pacific LNG's tax expense on translation of foreign-denominated tax balances.

#### LNG related items pre revenue recognition (-\$154 million post-tax), primarily comprised of:

- -\$116 million net financing costs comprising interest expense on the average debt balance relating to the funding of Australia Pacific LNG and interest income received on Mandatorily Redeemable Cumulative Preference Shares. The net financing costs would otherwise be capitalised if the development project was held by Origin rather than via an equity accounted investment; and
- -\$38 million pre-production costs unable to be capitalised.

#### Disposals, impairments and business restructuring (-\$272 million post-tax), primarily comprised of:

- Impairment relating to:
  - o Origin's Upstream BassGas asset (-\$43 million) due to reduced oil prices and lower near term reservoir productivity;
  - o International Development geothermal assets in Chile (-\$86 million) and Indonesia (-\$71 million);
  - o Deferral of large scale IT projects (-\$65 million); partially offset by
  - o The reversal of a prior impairment of Origin's Surat Basin asset (+\$21 million) as a result of the sale of these assets;
- Business restructuring costs (-\$42 million) associated with Origin's cost reduction programs; and
- A gain on sale of Contact Energy (\$14 million).

<sup>3</sup> Relates to Origin's share of Contact Energy which was divested during the period

## 1.2 Statement of cash flows

| Half year ended 31 December                          | 2015<br>(\$m) | 2014<br>(\$m) | Change<br>(\$m) | Change<br>(%) |
|------------------------------------------------------|---------------|---------------|-----------------|---------------|
| Cash and cash equivalents at the start of the period | 155           | 228           | (73)            | (32)          |
| Cash flows from operating activities                 | 468           | 1,041         | (573)           | (55)          |
| Cash flows used in investing activities              | 349           | (2,610)       | 2,959           | N/A           |
| Cash flows from financing activities                 | (815)         | 1,554         | (2,369)         | N/A           |
| Net increase in cash and equivalents                 | 2             | (15)          | 17              | N/A           |
| Effect of foreign exchange rates on cash             | 1             | 11            | (10)            | (91)          |
| Cash and cash equivalents at end of the period       | 158           | 224           | (66)            | (29)          |

This section provides an explanation of movements in the cash flow from total operations.

Cash flows from operating activities of \$468 million were down \$573 million on the prior period comprising

- a \$144 million decrease from discontinued operations due to the sale of Contact Energy; and
- a \$429 million decrease from continuing operations primarily reflecting:
  - o higher working capital as the prior period benefited from favourable timing of carbon payments (\$117 million); and
  - o the impact of actions taken to reduce costs and risks arising from the impact of low oil prices (\$279 million).

Cash flows used in investing activities represented a cash inflow of \$349 million (a reduction in investing activities of \$2,959 million on the prior period) primarily due to:

- proceeds from the sale of Origin's stake in Contact Energy (\$1,599 million);
- no acquisition activities in the current period (the prior period contained the Poseidon acquisition of \$686 million);
- a decrease in net contributions to Australia Pacific LNG (\$556 million); and
- a reduction in capital expenditure (\$109 million).

Cash flows from financing activities include net cash flows relating to Origin's funding activities, the payment of interest and dividends. Cash flows from financing activities decreased by \$2,369 million to (\$815) million, with the funding of investing activities more than covered by the proceeds from the sale of Contact Energy. Entitlement Offer proceeds of \$2,496 million was applied to the repayment of borrowings.

The following table reconciles statutory cash flows to cash flows from continuing operations. Section 2 provides further commentary on cash flow from continuing operations.

| Reconciliation<br>Half year ended<br>31 December 2015<br>(\$ million) | Continuing<br>operations | Dis-continued<br>operations <sup>4</sup> | Total<br>operations |
|-----------------------------------------------------------------------|--------------------------|------------------------------------------|---------------------|
| Cash flows from operating activities                                  | 397                      | 71                                       | 468                 |
| Cash flows used in investing activities                               | 357                      | (8)                                      | 349                 |
| Cash flows from financing activities                                  | (752)                    | (63)                                     | (815)               |

<sup>4</sup> Relates to cash flows from Contact Energy which was divested during the period

## 2. REVIEW OF CONTINUING OPERATIONS

During the period Origin undertook a series of actions to reduce costs and risks in response to low oil prices, including:

- The sale of its 53.09% interest in Contact Energy for NZ\$1.8 billion;
- The Entitlement Offer to raise \$2.5 billion of equity (Entitlement Offer);
- The purchase of put options over 15 million barrels of oil for the 2017 financial year with a strike price of A\$55/bbl (75% of the volume) and US\$40/bbl (25% of the volume) and the forward sale of LNG cargoes;
- The decision to exit from geothermal activities and international exploration to focus on two strong businesses, Energy Markets and Integrated Gas;
- The continued delivery of cost reduction targets:
  - o In Energy Markets, with a further reduction in Electricity and Natural Gas Cost to Serve of \$25 million, on track to achieve targeted \$100 million cost reduction by end of financial year 2016;
  - o In LNG, the planned \$1 billion of recurring annual cost reduction initiatives have been implemented to reduce Australia Pacific LNG's Upstream total cost structure; and
  - o Across Origin, with the removal of 480 of the 800 positions required to deliver \$200 million of functional cost savings from the 2017 financial year; and
  - o Commenced asset sales program to deliver at least \$800 million of proceeds by financial year 2017 with the announced sale of the Mortlake Terminal Station for \$110 million.

The actions taken by Origin reduced debt by \$5.5 billion and had a number of impacts on Origin's earnings and cash flows which are explained in the following section.

Financial information in the following section refers to underlying performance from continuing operations, unless otherwise stated. Underlying performance from continuing operations is derived from underlying performance from total operations and excludes Contact Energy following Origin's divestment of its entire 53.09% interest.

### 2.1 Underlying financial performance<sup>5</sup>

| Half year ended 31 December                                              | 2015       | 2014               | Change      |
|--------------------------------------------------------------------------|------------|--------------------|-------------|
| Continuing operations                                                    | (\$m)      | (\$m)              | (%)         |
| Energy Markets Underlying EBITDA                                         | 721        | 621                | 16          |
| Integrated Gas Underlying EBITDA                                         | 137        | 273                | (50)        |
| Corporate Underlying EBITDA                                              | (51)       | (48)               | 6           |
| <b>Underlying EBITDA</b>                                                 | <b>807</b> | <b>846</b>         | <b>(5)</b>  |
| Underlying depreciation and amortisation                                 | (307)      | (304)              | 1           |
| Underlying share of ITDA                                                 | (57)       | (25)               | 128         |
| <b>Underlying EBIT</b>                                                   | <b>443</b> | <b>517</b>         | <b>(14)</b> |
| Underlying net financing costs                                           | (37)       | (62)               | (40)        |
| <b>Underlying Profit before income tax and non-controlling interests</b> | <b>406</b> | <b>455</b>         | <b>(11)</b> |
| Underlying income tax expense                                            | (159)      | (143)              | 11          |
| Non-controlling interests' share of Underlying Profit                    | (4)        | (4)                | 0           |
| <b>Underlying Profit</b>                                                 | <b>243</b> | <b>308</b>         | <b>(21)</b> |
| Underlying earnings per share                                            | 17.3¢      | 24.4¢ <sup>6</sup> | (29)        |
| Cash flows from operating activities                                     | 397        | 826                | (52)        |
| Capital expenditure (including acquisitions)                             | 441        | 1,193              | (63)        |

<sup>5</sup> Refer to Glossary in Appendix 5 for definitions of terms in the table.

<sup>6</sup> Prior period adjusted for the bonus element (discount to market price) of the September 2015 rights issue

| Half year ended 31 December                                          | 2015  | 2014   | Change |
|----------------------------------------------------------------------|-------|--------|--------|
| Continuing operations                                                | (\$m) | (\$m)  | (%)    |
| Origin's net cash contribution to Australia Pacific LNG <sup>7</sup> | 856   | 1,412  | (39)   |
| Net Debt                                                             | 9,348 | 11,859 | (21)   |
| Interim dividend per share – unfranked                               | 10¢   | 25¢    | (60)   |

## 2.2 Financial highlights

- Origin's underlying financial performance in the period was underpinned by a strong Energy Markets performance offset by a decrease in the Integrated Gas contribution.
- Underlying EBITDA from continuing operations decreased \$39 million to \$807 million due to a \$53 million write-off of exploration expense in Vietnam as Origin exits all international exploration. Excluding the exploration expense, Underlying EBITDA increased by \$14 million.
  - Energy Markets Underlying EBITDA increased by \$100 million primarily due to continued growth in contribution from Natural Gas (+\$80 million), stable electricity contribution (-\$9 million) and improvement in Cost to Serve (\$25 million)
  - Integrated Gas Underlying EBITDA decreased by \$136 million due to the \$53 million exploration expense in Vietnam, lower liquids prices (-\$30 million), lower sales volumes (-\$30 million), and lower indirect cost recovery from Australia Pacific LNG as upstream expenditure reduces (-\$25 million).
- Underlying profit decreased by \$65 million to \$243 million primarily due to the \$53 million write-off of exploration expense in Vietnam.
- Cash flows from continuing operating activities of \$397 million down 52% or \$429 million, primarily due to a prior period working capital benefit from timing of carbon payments (\$117 million) and the impact of actions taken to reduce costs and risks in response to low oil prices (\$279 million).
- Capital expenditure was \$441 million compared with \$1,193 million in the prior period including the \$686 million Poseidon acquisition.
- Origin's cash contribution to Australia Pacific LNG was \$856 million net of the \$140 million interest income received on Mandatorily Redeemable Cumulative Preference Shares (compared to \$1,412 million in the prior corresponding period).
- Interim dividend was determined at 10 cents per share unfranked.

## 2.3 Operating Highlights

- Energy Markets has increased Underlying EBIT margin from 9.4% to 11.2% due to continued growth in earnings from the Natural Gas business and stabilised electricity margins through focused margin management. Sales of solar capacity have increased 42%, Origin's online retail customer platform was completed and customer experience and employee engagement have materially improved.
- Australia Pacific LNG produced first LNG on 9 December 2015, and the first shipment of LNG departed the Australia Pacific LNG facility on Curtis Island on 9 January 2016. A total of five cargoes have been shipped to customers including three to Sinopec in accordance with the Sinopec Sales and Purchase Agreement.
- Improved safety performance was reflected in a 23% reduction in Total Recordable Injury Frequency Rate from 4.8 to 3.7.

A detailed analysis of the underlying performance of the business by operating segment is provided in Section 5 and Appendix 3 provides further segment detail for Underlying EBITDA and Underlying EBIT.

<sup>7</sup> Origin's cash contribution to Australia Pacific LNG for the current year is net of \$140 million of interest income (\$58 million in the prior period) received on Mandatorily Redeemable Cumulative Preference Shares (the current 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.

## 2.4 Cash flows from operating activities reconciliation

The following table reconciles underlying EBITDA from continuing operations to Cash Flows from operating activities – continuing operations.

| Half year ended 31 December                                         | 2015<br>(\$m) | 2014<br>(\$m) | Change<br>(\$m) | Change<br>(%) |
|---------------------------------------------------------------------|---------------|---------------|-----------------|---------------|
| <b>Underlying EBITDA – continuing operations</b>                    | <b>807</b>    | <b>846</b>    | <b>(39)</b>     | <b>(5)</b>    |
| Change in working capital                                           | (71)          | 82            | (153)           | (187)         |
| Origin's share of APLNG EBITDA                                      | (18)          | (29)          | 11              | (38)          |
| Exploration expense                                                 | 56            | 13            | 43              | 331           |
| Oil Puts premium paid                                               | (117)         | -             | (117)           | N/A           |
| Insurance relating to completion of APLNG                           | (37)          | -             | (37)            | N/A           |
| Re-structuring costs                                                | (56)          | -             | (56)            | N/A           |
| Oil Forward Sale                                                    | (69)          | -             | (69)            | N/A           |
| Other                                                               | (78)          | (34)          | (44)            | 129           |
| Tax paid                                                            | (20)          | (52)          | 32              | (61)          |
| <b>Cash flows from operating activities – continuing operations</b> | <b>397</b>    | <b>826</b>    | <b>(429)</b>    | <b>(52)</b>   |

Cash flows from operating activities – continuing operations decreased by 52% or \$429 million to \$397 million primarily due to:

- Movement in EBITDA net of the non-cash impacts of exploration expense and contribution from the equity accounted Australia Pacific LNG operations (+\$15 million)
- Higher working capital (-\$153 million) as the prior period benefitted from favourable timing of carbon payments (\$-117 million) and the utilisation of banked gas (-\$67 million);
- Impacts of actions taken to reduce costs and risks in response to low oil prices:
  - o the payment of oil put option premium (-\$117 million)
  - o insurance increase related to the completion of the Australia Pacific LNG project (-\$37 million);
  - o restructuring costs associated with Origin's cost reduction programs (-\$56 million); and
  - o reduction in cash received from the sale of oil and condensate as a large proportion of production was sold under the forward sale agreement<sup>8</sup> (-\$69 million), for which Origin received an upfront payment at the time of the transaction (Forward Sale Agreement).
- Other cash flow movements (-\$44 million) relating to a reduction in employee provisions

<sup>8</sup> In the 2013 financial year Origin entered into agreements to sell approximately 60% of its future oil and condensate over a 72 month period commencing 1 July 2015. Upon entry into the agreements, Origin received A\$482 million reflecting the prevailing average oil forward price at the time of the transaction of US\$89/bbl, discounted to US\$62.40/bbl to reflect the receipt of the sales proceeds upfront. Delivery of oil and condensate production into the forward sale agreement commenced during the current period for which revenue is recognised at US\$62.40/bbl, but for which there is no associated cash flow as proceeds were received upfront.

## 2.5 Capital expenditure and Origin's cash contributions to Australia Pacific LNG<sup>9</sup>

| Half year ended 31 December                 | 2015<br>(\$m) | 2014<br>(\$m) | Change<br>(\$m) | Change<br>(%) |
|---------------------------------------------|---------------|---------------|-----------------|---------------|
| Growth capex                                | 301           | 1023          | (722)           | (71)          |
| Stay-in-business capex                      | 94            | 119           | (25)            | (21)          |
| Capitalised interest                        | 46            | 51            | (5)             | (10)          |
| Capital expenditure                         | 441           | 1,193         | (752)           | (63)          |
| Australia Pacific LNG net cash contribution | 856           | 1,412         | (556)           | (39)          |
| Total investment – continuing operations    | 1,297         | 2,605         | (1,308)         | (50)          |

In the period, Origin invested \$1,297 million into continuing operations, comprising \$441 million of capital expenditure (nil acquisition expenditure) on the existing businesses and \$856 million of net cash contributions to Australia Pacific LNG. This represents a 50% decrease compared with \$2,605 million invested in the prior period, comprising \$1,193 million of capital expenditure (including acquisition expenditure of \$686 million) and \$1,412 million of net cash contributions to Australia Pacific LNG.

Capital expenditure from continuing operations, excluding capitalised interest, was \$395 million and included expenditure of \$20 million or more in the following areas:

- Energy Markets – \$116 million in total, including:
  - o Mortlake Power Station - \$25 million
  - o IT - \$49 million
- Integrated Gas – \$262 million in total, including:
  - o Halladale / Speculant - \$81 million;
  - o Bass Basin - \$55 million;
  - o Cooper Basin - \$45 million; and
  - o Beetaloo and Cooper Basin farm-ins - \$24 million

<sup>9</sup> The capital expenditure is based on cash flow amounts rather than accrual accounting amounts, and includes growth and stay-in-business capital expenditure, capitalised interest, acquisitions and Origin's cash contributions to Australia Pacific LNG (via the issue of Mandatorily Redeemable Cumulative Preference Shares by Australia Pacific LNG to Origin) net of interest income received on Mandatorily Redeemable Cumulative Preference Shares.

## 2.6 Funding and capital management

Net Debt for the consolidated entity decreased by 30% or \$3,925 million to \$9,348 million from \$13,273 million at 30 June 2015. The movement in Net Debt is summarised in the following table:

| Movement in Net Debt                                        | (\$m)         |
|-------------------------------------------------------------|---------------|
| <b>Net Debt – 30 June 2015 (including Contact)</b>          | <b>13,273</b> |
| Deconsolidation of Contact Energy Net Debt following sale   | (1,547)       |
| Repayment of debt with proceeds from sale of Contact Energy | (1,427)       |
| Equity raising proceeds                                     | (2,496)       |
| Cash flows from operating activities                        | (397)         |
| Net cash contribution to Australia Pacific LNG              | 856           |
| Capital expenditure                                         | 395           |
| Interest payments                                           | 320           |
| Non-cash debt movements                                     | 301           |
| Net cash dividend payment                                   | 251           |
| Other                                                       | (181)         |
| <b>Net Debt 31 December 2015</b>                            | <b>9,348</b>  |

The non-cash fair value and foreign currency translation movements in debt of \$301 million are primarily driven by the impact of foreign currency movements on foreign currency denominated debt used to match expected US dollar earnings from Australia Pacific LNG. Other (\$181) million relates to financing cash flow movements associated with supporting the operational activities of the Integrated Gas and Energy Markets businesses.

As at 31 December 2015, Origin held cash and cash equivalents of \$158 million compared with \$151 million at 30 June 2015.

As at 31 December 2015, Origin has \$6.8 billion of committed undrawn debt facilities and cash (excluding bank guarantees). This liquidity position is more than that required to support Origin's remaining funding contribution to Australia Pacific LNG and other business initiatives.

The total amount drawn down by Australia Pacific LNG from its project finance facility during the period was US\$122 million. Interest on the project finance facility of US\$150 million has been capitalised during the current period. At 31 December 2015, US\$8,427 million of the total US\$8,500 million project finance facility had been drawn.

### 2.6.1 Interest rates

Origin's underlying average interest rate incurred on debt for the current period was 5.6%, compared with 5.7% in the prior period. The lower average interest rate was due to reductions in the Australian dollar floating interest rate and Origin's funding margin.

## **2.6.2 Share capital**

During the current period, Origin issued an additional 640 million shares (including 636 million shares under the entitlement offer completed during October 2015, three million shares under incentive plans and one million shares under Origin's dividend re-investment plan), raising a total of \$2,522 million (\$2,496 million net cash proceeds of the entitlement offer and \$26 million from the dividend reinvestment plan).

The total number of shares on issue was 1,750 million at 31 December 2015.

The weighted average number of shares used to calculate basic EPS at 31 December 2015 increased by 145 million to 1,407 million from 1,262 million at 31 December 2014.

## **2.7 Interim dividend – 10 cps unfranked**

An interim dividend of 10 cents per share will be paid on 31 March 2016 to shareholders of record on 25 February 2016. Origin will trade ex-dividend from 23 February 2016.

As a result of 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 interim dividend. The conduit foreign income component of the final dividend is nil.

The Dividend Reinvestment Plan (DRP) will apply to this dividend. No discount will be applied in the calculation of the DRP price. The DRP price of shares will be calculated as the arithmetic average of the daily volume weighted average market price during a period of ten trading days commencing on the third trading day immediately following the Record Date. The last election date for the DRP is 26 February 2016. Shares issued under the DRP will rank equally with other fully paid ordinary shares of the Company.

### 3. ORIGIN'S BUSINESS STRATEGY

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In the short term, in light of the significant fall in oil prices, Origin has taken steps to increase business resilience to low oil prices as described in section 2. Origin has also made adjustments to its strategy to focus on two strong businesses, Energy Markets and Integrated Gas, including the decision to:

- pursue its renewable energy strategy through Energy Markets; and
- discontinue international exploration (excluding New Zealand) and geothermal activities.

Origin currently supplies energy to wholesale and retail energy markets primarily in Australia, and to the Asia Pacific region via its 37.5% interest in Australia Pacific LNG.

In supplying these markets, Origin's strategy is to invest in the contestable segments of energy production, power generation and energy retailing. This strategy is designed to provide opportunities to grow the value of the Company and deliver a return on capital employed in excess of the Company's cost of capital by connecting energy production to customers, while allowing for the more effective management of the risks that arise across an increasingly competitive energy supply chain.

Origin intends to grow its interests in natural gas resources in Australia with paths to monetise resources both domestically through Energy Markets and internationally through LNG exports, particularly to the Asia Pacific region where demand for energy is expected to increase over the medium to long term. Origin also intends to continue growing its position in renewable energy to meet its obligations under the Renewable Energy Target in Australia and build capability for the increasing role that renewable energy is expected to play in the future.

Origin believes the successful pursuit of this strategy will lead to Origin:

- being a leader in energy markets; and
- having a regionally significant position in natural gas and LNG production.

#### 3.1 Leader in energy markets

Origin, through its Energy Markets business, has leading integrated operations in the energy supply, power generation and retail sectors of the Australian energy supply chain. The Energy Markets business comprises:

- the leading energy retailing position in Australia by customer accounts with approximately 29%<sup>10</sup> share of natural gas and electricity retail customer accounts in Australia's eastern and southern states, servicing approximately 4.3 million gas, electricity and LPG customers with a broad range of energy products and solutions;
- a large and diverse gas portfolio which, together with flexible gas transport arrangements and coal supply agreements, support a strong domestic power generation and retail business;
- a significant power generation portfolio of approximately 6,000 MW providing flexibility and diversity across fuel, generation type and geography; and
- a substantial renewable energy portfolio that provides flexibility for Origin to develop or support the development of the additional renewable energy required to meet the Renewable Energy Target.

With the vision to be *Australia's leading energy solutions provider* offering products and services across both grid supply and distributed generation, Energy Markets is extending its reach beyond the meter. The energy landscape is rapidly empowering consumers, with technology enabling consumers to generate electricity from roof tops, storing electricity for use in peak periods and managing energy requirements using connected devices.

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<sup>10</sup> Based on Origin natural gas and electricity customer accounts as at 31 December 2015 and estimated market customer accounts as at 30 June 2015.

Combining capability in retail and wholesale markets with deeper knowledge of customers, Energy Markets is embracing this change to provide differentiated solutions and services to help the empowered consumer manage their energy needs. The Energy Markets strategy comprises three pillars:

- Build customer loyalty and trust
- Maximise the value of the core business (competitive Cost of Energy and Retail position)
- Provide New Energy Solutions.

## **3.2 Regionally significant position in natural gas and LNG production**

Origin is pursuing its strategy in natural gas and LNG through its Integrated Gas business which comprises its 37.5% shareholding in Australia Pacific LNG and existing Exploration & Production operations.

Australia Pacific LNG owns extensive CSG reserves, predominantly in the Surat and Bowen basins in Queensland. Australia Pacific LNG has the largest 2P CSG reserves position<sup>11</sup> in Australia of 13,778 PJ<sup>12</sup> and is developing a large-scale CSG-to-LNG project that has a nameplate capacity of 9 million tonnes of LNG each year to supply Asian customers under long term supply contracts. Origin is the upstream operator of the Australia Pacific LNG project, responsible for the development of the CSG resources and the processing and transportation of gas to the LNG facility on Curtis Island.

Origin also has upstream Exploration & Production operations in Australia and New Zealand, with exploration and production interests in the Otway, Bass and Cooper Basins in eastern and southern Australia, the Browse and Perth basins in Western Australia, the Bonaparte basin in north-western Australia and Beetaloo basin in the Northern Territory and in New Zealand.

As the upstream operator of the Australia Pacific LNG project, together with Origin's own existing gas operations, Origin has significant capabilities in natural gas production and has a substantial reserves position in the Asia Pacific region with 6,260 PJ of 2P reserves<sup>13</sup>, making Origin a regionally significant participant in natural gas and LNG.

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<sup>11</sup> EnergyQuest, November 2015

<sup>12</sup> At 30 June 2015. For further information refer to Origin's Annual Reserves Report for the year ended 30 June 2015, announced on 31 July 2015. Also refer to the Important Information on reserves and resources disclosures prior to Section 1.

<sup>13</sup> At 30 June 2015. Including hydrocarbon liquids. Includes Origin's 37.5% share of Australia Pacific LNG.

## **4. PROSPECTS AND OUTLOOK FOR FUTURE FINANCIAL YEARS**

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### **4.1 Prospects**

Seven years after the establishment of Australia Pacific LNG in October 2008, the first train of the two train (9 million tonnes per annum nameplate capacity) CSG to LNG project has been commissioned and LNG production and export has commenced. Train 2 is expected to commence production in the first half of the 2017 financial year.

The completion by Australia Pacific LNG of this project marks a major milestone in the growth and development of Origin. However, it comes at a time when oil prices are currently at a 12 year low and significantly below the long term prices assumed at the time the investment decision was made.

During the period Origin took a series of steps (set out in section 2) that has resulted in a reduction in net debt to \$9.3 billion at 31 December 2015. Notwithstanding the remaining \$1 billion contribution to Australia Pacific LNG, Origin is targeting further reduction in net debt to below \$9 billion at the end of the 2017 financial year. To achieve this target and drive improved returns for shareholders in a low oil price environment, Origin's priorities are:

- Growing contributions from Energy Markets;
- Growing production and reducing costs in Integrated Gas; and
- Maintaining adequate funding and appropriate capital structure.

#### **4.1.1 Growing contributions from Energy Markets**

Origin will continue to leverage its competitive and flexible gas portfolio to drive growth in Natural Gas. Some of the benefit from the availability of ramp gas is expected to reduce in the second half of the financial year and result in lower Natural Gas contributions for the second half. Natural Gas contribution expected to grow in the 2017 financial year due to increasing sales volumes to GLNG.

In the short term, Origin expects wholesale electricity prices to increase in Queensland and to a certain extent NSW, driven by the reduction in gas fired electricity production and increased electricity demand as the LNG industry commences production. In South Australia prices are rising due to increasing volatility caused by increased reliance on wind power generation and the consequential early retirement of coal fired generation in that state.

Origin's electricity portfolio is structured to maintain a competitive cost of energy and support further margin expansion as higher wholesale market prices are reflected in customer tariffs in the 2017 financial year. Under these conditions Origin can create up to 10 TWh of exposure above retail market load to wholesale electricity market prices through the operation of its flexible generation fleet with access to competitive coal and gas supplies. Origin's portfolio is also 2,000 MW long in fixed price capacity above the peak retail demand creating positive exposure to rising cap pricing from increased volatility.

Origin's renewable energy portfolio provides over 3 million Renewable Energy Certificates (RECs) per annum and captures the benefit of increases in REC market prices. Within this portfolio is a bank of 3 million physical RECs that Origin can monetise in the market at current high prices to allow additional renewable energy to be brought into the portfolio and satisfy its obligations under the Renewable Energy Target.

In the medium term, with the expected 14 TWh increase in renewable generation to meet the Renewable Energy Target of 33TWh by 2020, combined with continued pressure on industrial demand, wholesale markets are expected to remain oversupplied. In this environment, especially if coal fired generation is retired as a result of the additional renewable energy supply and reduction in industrial demand, wholesale prices are expected to become more volatile as evidenced in South Australia, with periods of very low prices interspersed with periods of very high prices.

With an overall short energy and long capacity position and a flexible renewable portfolio, Origin is well placed to benefit from additional renewable energy in its portfolio without stranding existing baseload generation position, while Origin's peaking generation will benefit from the additional volatility that is expected to result from increased renewable energy. The development cost of renewable energy, especially utility-scale solar, is rapidly decreasing and is expected to provide Origin with competitive cost of electricity and renewable certificates.

The above mentioned trends of increasing wholesale prices, volatility and REC prices are expected to improve Origin's competitive position compared to retailers with less integrated and flexible portfolios. Origin will focus on managing margin and protecting its customer position and continue to build customer loyalty and trust by improving customer experience through simplifying processes, using new technologies to engage customers and extending the range of energy products and services offered, including solar, batteries and metering products. Origin will also continue to focus on further operational improvements to reduce operating costs and increase cash generation.

#### **4.1.2 Growing production and reducing cost in Integrated Gas**

In the current low oil price environment, Integrated Gas has implemented actions to mitigate the risk associated with sustained low oil prices and limit contribution to Australia Pacific LNG. In light of these action and the objectives of growing production and reducing cost, the Integrated Gas key priorities are as follows:

- Continuing execution momentum, including completing the Australia Pacific LNG project and fulfilling the project finance tests and completing the Halladale / Speculant project;
- Deepening resilience to a sustained low oil price by lowering Australia Pacific LNG's breakeven costs by between A\$3 and \$5/boe and reducing controllable costs across Exploration & Production operations;
- Securing new high value markets to support future growth;
- Managing the portfolio with discipline by delivering the previously announced asset sales program and investing in backfill opportunities only when a clear route to market exists; and
- Building the capability and culture to deliver with a particular focus on increasing indigenous and female participation.

##### *Australia Pacific LNG*

Australia Pacific LNG has commenced production of its first train and exported five cargoes to customers including three cargoes to Sinopec under the Sale and Purchase Agreement. First cargo from Train 2 is expected in the first half of the 2017 financial year. As of 31 December 2015, \$25.5 billion<sup>14</sup> had been spent. Project costs are expected to be \$25.9 billion, not materially different from budget<sup>15</sup>.

Origin has previously announced a cost reduction program to Australia Pacific LNG's Upstream cost base by \$1 billion per annum. As at 31 December 2015, in excess of \$1 billion of initiatives had been implemented, with the full amount of these savings expected to be realised on a recurring basis from financial year 2017.

Since the commencement of this cost reduction program, a reduction of over 20% has been realised in Australia Pacific LNG's per well drill, complete and connect cost, with further cost reductions expected. In addition, the duration required to develop a well and bring it on line is reducing from 36 months to between six and nine months, which increases the flexibility to tailor future capital spend. Australia Pacific LNG's current operating plan and field development plan is targeting the production of sufficient gas to meet supply obligations under Australia Pacific LNG's long-term oil linked LNG sales agreements, domestic gas contracts and Train 1 and Train 2 operations tests<sup>16</sup> required to release the parent company guarantees provided by Australia Pacific LNG's shareholders in favour of the lenders under Australia Pacific LNG's US\$8.5 billion project finance facility.

<sup>14</sup> Includes an unfavourable foreign exchange translation impact of A\$436 million relative to project cost estimates announced in February 2013, which were based on 31 December 2012 exchange rates and includes \$200 million of accrued expenses yet to be funded.

<sup>15</sup> As announced in February 2013, based on December 2012 exchange rates.

<sup>16</sup> The 120 day train operational test is expected to be completed in calendar year 2016 and the 90 day two trains operational test is expected to be completed in calendar year 2017.

During December, Australia Pacific LNG produced at a rate which, combined with volumes provided from non-operated assets, exceeded supply requirements for domestic contracts and feed gas for one LNG Train. As Australia Pacific LNG continues to commission incremental wells and more production information becomes available from each of Australia Pacific LNG's fields, Origin has gained increased levels of confidence that Australia Pacific LNG is well positioned to deliver on its supply obligations under Australia Pacific LNG's long term oil linked sales agreements and domestic gas contracts.

In the short term, Origin as Upstream Operator has identified opportunities to reduce both operational and distribution breakeven costs by A\$3–\$5/boe, reflecting:

- Short term cost savings as a result of cost deflation and further efficiencies in current low oil price environment; and
- Deferring near-term Sustain development or monetising additional production.

Over the next 12-18 months, Origin remains focused on continuing to reduce Australia Pacific LNG's costs.

Given the long term nature of the Australia Pacific LNG investment, Origin remains satisfied with the carrying value of its investment, notwithstanding the current low oil price environment<sup>17</sup>.

### *Exploration and Production*

Production in the existing Exploration and Production operation in the 2016 financial year is expected to be lower than the prior year due to scheduled maintenance shutdowns at Otway and Kupe and field decline at Otway. Exploration and Production is expected to deliver strong growth in the 2017 financial year with an increase in production as Halladale and Speculant comes online in early 2017 financial year.

Origin is focused on continuing to limit capital expenditure in Exploration and Production to completing projects that have commenced, including Halladale and Speculant, and joint venture and permit commitments.

#### **4.1.3 Maintain adequate funding and appropriate capital structure**

As at 31 December 2015, Origin's net debt position was \$9.3 billion. Origin has \$6.8 billion of undrawn committed bank facilities and cash, which is more than sufficient to support its remaining contributions to Australia Pacific LNG of approximately \$1 billion. With the expected cash flow from the existing business and proceeds from the planned asset sales, Origin continues to target the reduction of net debt to below \$9 billion in the 2017 financial year.

Origin is focused on maximising cash generation so that cash flow from the existing businesses remains sufficient to service all interest and dividend payments and planned capital expenditure without reliance on distributions from Australia Pacific LNG.

Origin will pursue all opportunities to achieve ongoing debt reduction. Should the current low oil price environment persist through the second half of financial year 2016, which puts ongoing debt reduction at risk, the Company will suspend dividends until an appropriate level of debt is achieved.

## **4.2 Outlook**

In respect of the earnings guidance for the existing businesses provided at the time of the Entitlement Offer<sup>18</sup>, Origin reaffirms that it expects:

- 2016 financial year Underlying EBITDA (excluding LNG Underlying EBITDA) to be \$1.45 – \$1.55 billion
- 2017 financial year Underlying EBITDA (excluding LNG Underlying EBITDA) to be \$1.90 – \$2.10 billion.

During the remainder of the 2016 financial year and through to the 2017 financial year, Origin expects:

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<sup>17</sup> Based on a long term Brent oil price of US\$70/bbl (real) from the 2019 financial year

<sup>18</sup> Refer to the Origin's Entitlement Offer presentation released to the ASX on 30 September 2015 for a list of the forward looking assumptions on which guidance has been based

- Lower contributions from Energy Markets in the second half of the 2016 financial year, compared with the first half, as the reduction in ramp gas benefit and seasonality impact in Electricity and Natural Gas more than offset continued improvement in Cost to Serve. Energy Markets contribution is expected to continue to grow in the 2017 financial year driven by Electricity margin expansion as a result of higher wholesale prices being reflected in tariffs and full deregulation in New South Wales and full year of sales to GLNG under long term contracts.
- Contribution from Exploration & Production in the second half of financial year 2016, compared with the first half, will be driven by lower exploration expense (with no repeat of Vietnam exploration expense) offset by lower production due to scheduled maintenance at Otway. Contribution from Exploration & Production in the 2017 financial year is expected to be significantly higher driven by increased production as Halladale and Speculant come online, and no material exploration expense.
- Early benefits from the functional cost reduction program in the second half of the 2016 financial year and full year of cost savings to be realised from the 2017 financial year across Energy Markets and Integrated Gas.

The guidance in relation to the contribution from LNG to Origin's EBITDA and NPAT provided at the time of the Entitlement Offer of:

- Financial year 2016 Underlying EBITDA of \$110 – \$230 million and contribution to Underlying NPAT of (\$170) – (\$220) million; and
  - Financial year 2017 Underlying EBITDA of \$1.2 – \$1.3 billion
- was premised on the following key assumptions:
- The Bechtel Performance Date<sup>19</sup> for Train 1 would occur in the third quarter of the 2016 financial year; and
  - The oil price for the 2016 financial year would be US\$54/bbl and US\$59/bbl for the 2017 financial year and the AUD/USD exchange rate would be \$0.73 across both financial years.

The Bechtel Performance Date for Train 1 is now expected to occur in the fourth quarter of the 2016 financial year. The delay in the Bechtel Performance Date will not impact Australia Pacific LNG's cash flows but will impact the timing of recognition of earnings from Australia Pacific LNG as well as the corresponding recognition of depreciation, amortisation and interest expense.

Since the Entitlement Offer, the oil price has further declined and oil prices for the 2016 and 2017 financial years are now assumed to be US\$43/bbl and US\$45/bbl respectively<sup>20</sup>. Origin has purchased put options over 15 million barrels of oil for the 2017 financial year to reduce the impact on cash flow and earnings of further falls in oil below the strike price of US\$40/bbl and A\$55/bbl.

Given the above, Origin expects:

- Origin's remaining contributions to Australia Pacific LNG from 1 January 2016 until Australia Pacific LNG is self-funding is approximately \$1 billion. The remaining contribution is dependent on timing of Train 2 completion and changes in oil price from current assumptions of US\$43/bbl and US\$45/bbl for the 2016 and 2017 financial years respectively. Oil put options that Origin has in place will provide a partial offset to any additional contributions Origin may be required to make to Australia Pacific LNG should oil prices be below US\$40/bbl (A\$55/bbl) in the 2017 financial year.
- Underlying LNG EBITDA for the 2016 financial year to be \$30 – \$80 million and contribution to Underlying NPAT to be within the original guidance range (\$170) - (\$220) million reflecting delay in the Bechtel Performance Date; and
- Underlying LNG EBITDA for the 2017 financial year to be \$650 – \$750 million reflecting a lower oil price assumption, timing of Train 2 completion and recognition of oil put premium expense (\$117 million, non-cash).

<sup>19</sup> Refer to Glossary in Appendix 5

<sup>20</sup> AUD/USD FX rate assumption of \$0.70 for financial year 2016 and \$0.72 for financial year 2017

## 5. REVIEW OF SEGMENT OPERATIONS

### 5.1 Energy Markets

Origin's Energy Markets business is an integrated provider of energy solutions to retail and wholesale markets in Australia and in the Pacific. As Australia's leading electricity, gas and LPG retailer, Energy Markets continues to increase product and service offerings to customers, has a diverse portfolio of gas and coal supply contracts, and operates one of Australia's largest, most flexible and diverse generation portfolios.

| Half year ended 31 December         | 2015<br>(\$m) | 2014<br>(\$m) | Change % |
|-------------------------------------|---------------|---------------|----------|
| Total Segment Revenue <sup>21</sup> | 5,629         | 5,678         | (1)      |
| Underlying EBITDA                   | 721           | 621           | 16       |
| Segment Result                      | 557           | 470           | 19       |
| Cash flow from operating activities | 621           | 694           | (11)     |
| Total capital expenditure           | 116           | 132           | (12)     |

- Underlying EBITDA up 16% or \$100 million to \$721 million mainly due to increased sales volumes and continued margin expansion in Natural Gas through the benefit of Origin's flexible portfolio, stable Electricity contribution and improvement in Natural Gas and Electricity Cost to Serve.
- Cash flow from operating activities down 11% or \$73 million to \$621 million as higher underlying EBITDA performance was more than offset by higher working capital requirement as the prior period benefitted from favourable timing of carbon payments.
- Natural Gas and Electricity Cost to Serve decreased by \$6 per customer, or \$25 million, driven by continued improvements in bad and doubtful debts, a reduction in outsourced operating costs and benefits achieved from operational improvements.
- Underlying EBIT margin increased from 9.4% to 11.2%.
- Segment Result up 19% or \$87 million to \$557 million driven by the increase in Underlying EBITDA. The segment result includes a depreciation expense of \$164 million (up 9% from the prior corresponding period) primarily reflecting digital transformation expenditure and Eraring unit overhaul schedule.
- Customer experience continues to improve with increased focus on Net Promoter Score, the introduction of a new sales and service operating model and the CONNECT Customer Experience methodology. Energy Markets has also delivered an enhanced digital platform supporting easier payment options and online account management, and new customer value propositions such as the Origin cash voucher.
- Solar sales increased 42% this period with strong volume growth in the SME segment and the introduction of Solar as a Service. Origin has also commenced the sale of batteries following agreement with Tesla.

<sup>21</sup> Refer to Glossary in Appendix 5.

### 5.1.1 Segment financial performance

#### Summary Financial and Operational Performance

| Half year ended 31 December                           | Natural Gas                                                                        | Electricity                 | Solar and Energy Services                                                            | LPG         |
|-------------------------------------------------------|------------------------------------------------------------------------------------|-----------------------------|--------------------------------------------------------------------------------------|-------------|
| Revenue (\$m) <sup>22,23</sup>                        | 1,008 (26%)                                                                        | 3,572 (-6%)                 | 69 (39%)                                                                             | 322 (-9%)   |
| Cost of Goods Sold (\$m)                              | -709 (22%)                                                                         | -2,899 (-7%)                | -41 (26%)                                                                            | -214 (-17%) |
| Gross Profit (\$m)                                    | 299 (36%)                                                                          | 674 (-1%)                   | 28 (62%)                                                                             | 109 (13%)   |
| Total Operating Costs (\$m)                           |                                                                                    | -389 (-1%)                  |                                                                                      |             |
| Underlying EBITDA (\$m)                               |                                                                                    | 721 (16%)                   |                                                                                      |             |
| Underlying EBIT (\$m)                                 |                                                                                    | 557 (19%)                   |                                                                                      |             |
| Underlying EBIT Margin (%)                            |                                                                                    | 11.2% (December 2014: 9.4%) |                                                                                      |             |
| Volumes Sold <sup>24</sup>                            | 84 (32%)                                                                           | 19 (-3%)                    | n/a                                                                                  | 242 (9%)    |
| Period-end customer accounts ('000)                   | 1,077 (2%)                                                                         | 2,760 (-1%)                 | n/a                                                                                  | 386 (1%)    |
| Average customer accounts ('000) <sup>25</sup>        | 1,077 (4%)                                                                         | 2,768 (-2%)                 | n/a                                                                                  | 385 (1%)    |
| Gross Profit per customer (average accounts, \$)      | 275 (32%)                                                                          | 243 (1%)                    | n/a                                                                                  | 283 (12%)   |
| Underlying EBITDA per customer (average accounts, \$) |                                                                                    | 178 (16%)                   |                                                                                      | 92 (27%)    |
| Underlying EBIT per customer (average accounts, \$)   |  | 140 (19%)                   |  | 47 (38%)    |

Energy Markets Underlying EBITDA increased by 16% or \$100 million to \$721 million primarily due to an increased contribution from Natural Gas, stable Electricity contribution and improvement in Cost to Serve.

Natural Gas Gross Profit increased by 36% or \$80 million primarily due to higher sales volumes to LNG customers and other Business customers and higher Retail volumes supported by cooler winter weather conditions and an increase in customer numbers (\$70 million), and margin expansion as procurement costs remained stable in a market responding to higher wholesale prices (\$10 million).

Electricity Gross Profit decreased by 1% or \$9 million driven by lower Retail volumes as a result of customer losses in the prior period (-\$21 million), partly offset by higher unit margins as Origin's Cost of Energy was held stable amidst rising market prices (\$12 million).

LPG Gross Profit increased by 13% or \$12 million to \$109 million driven by lower wholesale supply costs.

Solar and Energy Services Gross Profit increased by 62% or \$11 million to \$28 million driven by an increase in reticulated Hot Water customers and rising solar sales.

<sup>22</sup> Energy Markets Total Segment Revenue includes pool revenue from the sale of electricity when Origin's internal generation portfolio is dispatched, including power purchase agreements. These pool revenues, along with associated fuel costs, are netted off in Electricity cost of goods sold.

<sup>23</sup> Energy Markets Total Segment Revenue includes revenue from the sale of gas swaps to major customers and pass-through TUOS charges to customers at no margin. These revenues are netted off with the associated cost in Natural Gas cost of goods sold.

<sup>24</sup> Does not include internal sales for Origin's generation portfolio (period ended 31 December 2015: 29.6 PJ; period ended 31 December 2014: 36.8 PJ). Units explained in Glossary in Appendix 5.

<sup>25</sup> Average Customer Accounts is calculated as the average of the month-end customer numbers for each month of the year.

Total Operating Costs decreased by 1% or \$5 million reflecting a \$25 million reduction in Electricity and Natural Gas Operating Costs, partly offset by a \$15 million increase in Solar and Energy Services Operating Costs reflecting investment in growing the solar business and a \$4 million increase in LPG Operating Costs.

The \$25 million reduction in Electricity and Natural Gas Operating Costs is driven by continued improvements in the operations of the retail business including billing, collections and bad debt management, outsourced operating costs and operational efficiencies through simplified customer journeys and a “digital first” approach to customer facing and back office processes.

Customer experience remains a priority for Energy Markets. With the completion of the online digital platform, Origin is simplifying key customer journeys and utilising contemporary media to engage the way customers prefer. Customer experience improvements are evidenced through reduced service calls per customer, reduced ombudsman complaints and rising NPS. Origin also maintains the industry leading customer hardship program.

Origin's customer position held steady (+1,000) during the period reflecting the loss of 8,000 Electricity customers and the addition of 9,000 Natural Gas customers.

Energy Markets' Underlying EBIT margin increased from 9.4% at 31 December 2014 to 11.2% in the current period.

### 5.1.2 Natural Gas

| Half year ended 31 December         | 2015         | \$/GJ        | 2014 <sup>26</sup>  | \$/GJ        | Change %  | Change (\$/GJ) |
|-------------------------------------|--------------|--------------|---------------------|--------------|-----------|----------------|
| <b>Volumes Sold (PJ)</b>            | <b>113.9</b> |              | <b>100.7</b>        |              | <b>13</b> |                |
| Retail (Consumer & SME)             | 24.2         |              | 22.5                |              | 7         |                |
| Business                            | 60.1         |              | 41.5                |              | 45        |                |
| <b>Total external volumes</b>       | <b>84.3</b>  |              | <b>64.0</b>         |              | <b>32</b> |                |
| Internal Sales (Generation)         | 29.6         |              | 36.8                |              | (20)      |                |
| <b>Revenue (\$m)</b>                | <b>1,008</b> | <b>12.0</b>  | <b>802</b>          | <b>12.5</b>  | <b>26</b> | <b>(0.6)</b>   |
| Retail (Consumer & SME)             | 537          | 22.2         | 514                 | 22.8         | 4         | (0.7)          |
| Business                            | 471          | 7.8          | 288                 | 6.9          | 64        | 0.9            |
| <b>Cost of goods sold (\$m)</b>     | <b>(709)</b> | <b>(8.4)</b> | <b>(583)</b>        | <b>(9.1)</b> | <b>22</b> | <b>0.7</b>     |
| Network Costs                       | (361)        | (4.3)        | (325)               | (5.1)        | 11        | 0.8            |
| Energy Procurement Costs            | (348)        | (4.1)        | (258)               | (4.0)        | 35        | (0.1)          |
| <b>Gross Profit (\$m)</b>           | <b>299</b>   | <b>3.5</b>   | <b>219</b>          | <b>3.4</b>   | <b>36</b> | <b>0.1</b>     |
| Gross Margin %                      | 29.7%        |              | 27.3%               |              | <b>9</b>  |                |
| Period-end customer accounts ('000) | 1,077        |              | 1,052 <sup>27</sup> |              | 2         |                |
| Average customer accounts ('000)    | 1,077        |              | 1,038 <sup>27</sup> |              | 4         |                |
| <b>\$ Gross profit per customer</b> | <b>277</b>   |              | <b>211</b>          |              | <b>31</b> |                |

Natural Gas sales volumes were up 13% or 13 PJ to 114 PJ. Business customer volumes increased 18.6 PJ or 45%, driven by the sale of 16 PJ to LNG customers sourced primarily from increased contract volumes and a reduction in volumes supplied for internal generation (7 PJ). Retail volumes increased by 1.7 PJ or 7% with higher sales volumes from growth in customer accounts since the prior corresponding period and cooler winter weather conditions.

Retail tariffs reflect the pass through of lower network costs. Excluding network costs, retail tariffs increased due to higher wholesale energy prices whilst Origin's Energy Procurement Costs have remained largely stable resulting in an increase in unit margin from \$3.40/GJ to \$3.50/GJ.

Natural Gas Gross Profit increased by 36% or \$80 million driven by a 32% increase in external sales volumes (\$70 million) and margin improvement (\$10 million).

Gross Profit per customer increased by 31%, or \$66, to \$277 per customer primarily reflecting the contribution from sales to LNG customers and margin improvement.

<sup>26</sup> Osborne gas sales re-classified as an internal due to new operational agreement. As a result prior period external sales volumes, revenues and costs have been revised with no impact on gross profit.

<sup>27</sup> Revised customer accounts methodology to exclude customers in the process of transferring to or away from Origin in order to reflect active customers.

## Retail Natural Gas volumes sold

| Half year ended 31 December (PJ) | 2015        | 2014        | Change (PJ) | Change % |
|----------------------------------|-------------|-------------|-------------|----------|
| NSW                              | 4.4         | 3.9         | 0.5         | 12       |
| Victoria                         | 15.1        | 13.9        | 1.2         | 9        |
| Queensland                       | 1.6         | 1.5         | 0.1         | 4        |
| South Australia                  | 3.1         | 3.1         | -           | (1)      |
| <b>Total Retail volumes</b>      | <b>24.2</b> | <b>22.5</b> | <b>1.6</b>  | <b>7</b> |

## 5.1.3 Electricity

| Half year ended 31 December         | 2015           | \$/MWh         | 2014 <sup>28</sup>  | \$/MWh         | Change %   | Change (\$/MWh) |
|-------------------------------------|----------------|----------------|---------------------|----------------|------------|-----------------|
| <b>Volumes Sold (TWh)</b>           | <b>18.6</b>    |                | <b>19.2</b>         |                | <b>(3)</b> |                 |
| Retail (Consumer & SME)             | 9.4            |                | 9.6                 |                | (3)        |                 |
| Business                            | 9.3            |                | 9.6                 |                | (3)        |                 |
| <b>Revenue (\$m)</b>                | <b>3,572</b>   | <b>191.8</b>   | <b>3,814</b>        | <b>198.6</b>   | <b>(6)</b> | <b>(6.8)</b>    |
| Retail (Consumer & SME)             | 2,420          | 258.7          | 2,646               | 275.5          | (9)        | (16.8)          |
| Business                            | 1,121          | 121.0          | 1,132               | 117.9          | (1)        | 3.0             |
| Externally contracted Generation    | 31             |                | 36                  |                | (14)       |                 |
| <b>Cost of goods sold (\$m)</b>     | <b>(2,899)</b> | <b>(155.6)</b> | <b>(3,131)</b>      | <b>(163.1)</b> | <b>(7)</b> | <b>7.4</b>      |
| Network Costs                       | (1,808)        | (97.1)         | (2,009)             | (104.6)        | (10)       | 7.5             |
| Wholesale Energy Costs              | (960)          | (51.5)         | (991)               | (51.6)         | (3)        | 0.1             |
| Generation Operating costs          | (130)          | (7.0)          | (131)               | (6.8)          | (1)        | (0.2)           |
| Energy Procurement Costs            | (1,090)        | (58.5)         | (1,123)             | (58.5)         | (3)        | (0.1)           |
| <b>Gross Profit (\$m)</b>           | <b>674</b>     | <b>36.2</b>    | <b>683</b>          | <b>35.5</b>    | <b>(1)</b> | <b>0.6</b>      |
| Gross Margin %                      | 18.9%          |                | 17.9%               |                | 5          |                 |
| Period-end customer accounts ('000) | 2,760          |                | 2,798 <sup>29</sup> |                | (1)        |                 |
| Average customer accounts ('000)    | 2,768          |                | 2,825 <sup>29</sup> |                | (2)        |                 |
| <b>\$ Gross profit per customer</b> | <b>243</b>     |                | <b>242</b>          |                | <b>1</b>   |                 |

Electricity volumes decreased by 0.6 TWh or 3% to 18.6 TWh. Retail volumes decreased by 0.2 TWh reflecting customer losses in the prior period, while higher volumes from cold winter weather were offset by moderating energy efficiency and solar impacts keeping average customer usage flat for retail customers. Business volumes decreased by 0.3 TWh.

Electricity Gross Profit was essentially flat (decreased \$9 million or 1%), driven by lower Retail volumes (-\$21 million), partly offset by an increase in unit margin (+\$12 million).

Retail tariffs reflect the reduction in NSW and South Australian network costs. Excluding network costs, retail tariffs increased due to increased wholesale market prices whilst Origin's Energy Procurement Cost remained largely stable, resulting in a \$0.60/MWh increase in unit margin.

<sup>28</sup> Prior period restated to better reflect the recognition of volumes, revenues and costs associated with feed-in volumes from solar customers with no impact on gross profit.

<sup>29</sup> Revised customer accounts methodology to exclude customers in the process of transferring to or away from Origin in order to reflect active customers.

Gross Profit per customer was flat (up \$1 per customer) at \$243 per customer with margin expansion offsetting lower average usage by Business customers.

### Retail Electricity volumes sold

| Half year ended 31 December (TWh) | 2015       | 2014 <sup>28</sup> | Change (TWh) | Change (%) |
|-----------------------------------|------------|--------------------|--------------|------------|
| NSW                               | 4.5        | 4.7                | (0.2)        | (4)        |
| Victoria                          | 1.9        | 1.8                | 0.1          | 7          |
| Queensland                        | 2.4        | 2.6                | (0.1)        | (5)        |
| South Australia                   | 0.5        | 0.4                | 0.0          | 9          |
| <b>Total Retail volumes</b>       | <b>9.4</b> | <b>9.6</b>         | <b>(0.2)</b> | <b>(2)</b> |

### 5.1.4 Internal generation portfolio

Performance of the generation portfolio, including contracted plant is summarised below:

| Half year ended 31 December 2015            | Nameplate Capacity (MW) | Type <sup>(1)</sup> | Equivalent Reliability Factor <sup>(2)</sup> | Capacity Factor | Electricity Output (GWh) | Pool Revenue (\$m) | Pool Revenue (\$/MWh) |
|---------------------------------------------|-------------------------|---------------------|----------------------------------------------|-----------------|--------------------------|--------------------|-----------------------|
| Eraring                                     | 2,880                   | Black coal          | 92.9%                                        | 55%             | 6,984                    | 317                | 45                    |
| Darling Downs                               | 644                     | CCGT                | 99.3%                                        | 70%             | 1,978                    | 83                 | 42                    |
| Osborne <sup>30</sup>                       | 180                     | CCGT                | 100.0%                                       | 76%             | 604                      | 38                 | 63                    |
| OCGT plant                                  | 2,037                   | OCGT                | 96.0%                                        | 7%              | 661                      | 51                 | 77                    |
| Shoalhaven                                  | 240                     | Pump/Hydro          | 86.3%                                        | 0%              | 59                       | 6                  | 108                   |
| Cullerin Range                              | 30                      | Wind                | 95.7%                                        | 38%             | 50                       | 2                  | 41                    |
| <b>Internal Generation</b>                  | <b>6,011</b>            |                     | <b>94.6%</b>                                 |                 | <b>10,347</b>            | <b>497</b>         | <b>48</b>             |
| Worsley - Externally Contracted (50% share) | 60                      | Cogen.              | 98.8%                                        | 93%             |                          |                    |                       |
| <b>TOTAL</b>                                | <b>6,071</b>            |                     | <b>95.1%</b>                                 |                 |                          |                    |                       |

(1) OCGT = Open cycle gas turbine; CCGT= Combined cycle gas turbine.

(2) Availability for Eraring= Equivalent Availability Factor (which takes into account de-ratings).

Origin generated 10.3 TWh of electricity from its internal generation portfolio (11.5 TWh in the prior period) and total generation represented 56% (60% in the prior period) of Origin's 18.6 TWh of Electricity volumes sold. Output from Origin's gas-fired generation fleet decreased by 0.7 TWh to 3.2 TWh to allow for gas sales to higher margin LNG customers. Origin also contracted 1.1 TWh from wind power purchase agreements.

### 5.1.5 Natural Gas, Electricity and LPG customer accounts

Closing Electricity and Natural Gas customer accounts held steady (+1,000), with an increase of 9,000 Natural Gas accounts reflecting Origin's continued focus on high value dual fuel customers, offset by a reduction of 8,000 Electricity customer accounts.

<sup>30</sup> Origin has 50% interest in the 180MW plant and contracts 100% of the output. The Osborne plant has been re-classified as Internal Generation from Externally Contracted due to a new operational agreement.

## Customer account movement

| Customer Accounts ('000)      | 31 December 2015 |              |              | 30 June 2015 <sup>31</sup> |              |              | Change   |
|-------------------------------|------------------|--------------|--------------|----------------------------|--------------|--------------|----------|
|                               | Electricity      | Natural Gas  | Total        | Electricity                | Natural Gas  | Total        |          |
| NSW <sup>32</sup>             | 1,257            | 245          | 1,502        | 1,268                      | 239          | 1,507        | (5)      |
| Victoria                      | 573              | 477          | 1,050        | 576                        | 475          | 1,051        | (1)      |
| Queensland                    | 761              | 156          | 917          | 758                        | 154          | 912          | 5        |
| South Australia <sup>33</sup> | 170              | 199          | 369          | 166                        | 201          | 367          | 2        |
| <b>Total</b>                  | <b>2,760</b>     | <b>1,077</b> | <b>3,837</b> | <b>2,768</b>               | <b>1,068</b> | <b>3,836</b> | <b>1</b> |

As at 31 December 2015, Origin held 1,290,000 dual fuel (Electricity and Natural Gas) customer accounts, an increase of 38,000 accounts from 30 June 2015. As at 31 December 2015, Origin had 386,000 LPG customer accounts, up 4,000 accounts relative to 30 June 2015.

### 5.1.6 Operating costs

| Half year ended 31 December                                            | 2015         | 2014         | Change    | Change %   |
|------------------------------------------------------------------------|--------------|--------------|-----------|------------|
| <b>Cost to Serve<sup>1</sup> (\$ per average customer<sup>2</sup>)</b> | <b>(76)</b>  | <b>(82)</b>  | <b>6</b>  | <b>(7)</b> |
| Cost to maintain (\$ per average customer <sup>2</sup> )               | (62)         | (70)         | 7         | (11)       |
| Cost to acquire/retain (\$ per average customer <sup>2</sup> )         | (14)         | (12)         | (2)       | 12         |
| Maintenance Costs                                                      | (232)        | (262)        | 30        | (11)       |
| Acquisition & Retention costs <sup>2</sup> (\$m)                       | (52)         | (47)         | (5)       | 11         |
| <b>Total Electricity &amp; Natural Gas Operating Cost (\$m)</b>        | <b>(284)</b> | <b>(309)</b> | <b>25</b> | <b>(8)</b> |
| LPG Operating Costs (\$m)                                              | (73)         | (69)         | (4)       | 6          |
| S&EB and Energy Services Operating Costs (\$m)                         | (32)         | (17)         | (15)      | 88         |
| <b>Total Operating Costs (\$m)</b>                                     | <b>(389)</b> | <b>(394)</b> | <b>5</b>  | <b>(1)</b> |

<sup>1</sup> Origin includes within its Cost to Serve all costs associated with servicing and maintaining customers, all customer acquisition and retention costs. Maintenance costs include billing, credit and collections.

<sup>2</sup> Customer wins (1H16: 258,000; prior period: 259,000) and retains (1H16: 702,000; prior period: 626,000) and represents Cost to Serve per average customer account, excluding serviced hot water accounts.

### Total Natural Gas & Electricity operating costs

Total Natural Gas & Electricity Operating Costs decreased by \$25 million driven by a \$30 million decrease in Maintenance Costs reflecting continued improvements in billing and debt collection performance, a reduction in outsourcing costs following the transition to Accenture and other operational improvements reducing effort and improving customer experience.

Further operational improvements this period evidenced by Ombudsmen complaints reducing further to 3.9 (per 1000 customers) down from 4.9, and Net Promoter Score (NPS)<sup>34</sup> improving to 9.7. Bad debt expense as a percentage of Total Natural Gas and Electricity Revenue has reduced to 0.57% from 0.78%. Debt collection performance improves with data and analytics enabling the strategic application of dunning paths to tailor debt recovery to specific customer segments. Business processing operations were successfully transferred to Accenture during the period, which will continue to deliver cost savings through further automation and optimisation.

<sup>31</sup> Revised customer accounts methodology to exclude customers in the process of transferring to or away from Origin in order to reflect active customers.

<sup>32</sup> Australian Capital Territory (ACT) customer accounts are included in New South Wales.

<sup>33</sup> Northern Territory customers are included in South Australia.

<sup>34</sup> Refer to Glossary in Appendix 5.

Acquisition and retention costs increased \$5 million due to an 8% increase in sales activity. This increase reflects higher inbound call volumes driven by our popular 'Origin Voucher' campaign as we continue to drive sales activity toward internal channels and retentions increase 12%. Successful completion of the online digital platform has provided an enhanced customer experience and improved functionality. Successful eMigration campaigns have increased the number of customers utilising the digital platform services and lowering our Cost to Serve. Origin now has 1,112,000 e-billing customer accounts (37% increase), 990,000 customers are registered in our online self-service portal 'My Account' (9% increase) and 717,000 customers are paying by direct debit (12% increase).

## 5.2 Integrated Gas

With the upstream development phase for Australia Pacific LNG complete, the previous Exploration & Production (E&P) and LNG segments have been recombined to create Integrated Gas.

LNG includes Origin's equity accounted share of the results of Australia Pacific LNG and Origin's activities and transactions arising from its operatorship of the Australia Pacific LNG upstream operations and management of Origin's exposure to LNG pricing risk.

Origin's shareholding in Australia Pacific LNG at 31 December 2015 was 37.5%, consistent with its shareholding as at 31 December 2014.

In Origin's Financial Statements, the financial performance of Australia Pacific LNG is equity accounted. Consequently, revenue and expenses from Australia Pacific LNG do not appear on a line by line basis in the Integrated Gas segment result. Origin's share of Australia Pacific LNG's Underlying EBITDA is included in the Underlying EBITDA of the Integrated Gas segment. Origin's share of Australia Pacific LNG's Underlying interest, tax, depreciation and amortisation expense is accounted for between Underlying EBITDA and Underlying EBIT in the line item "Share of interest, tax, depreciation and amortisation of equity accounted investees". As a result, Origin's share of Australia Pacific LNG's Underlying net profit after tax is included in the Underlying EBIT and Segment Result lines.

E&P includes exploration and production interests located in eastern and southern Australia, the Browse and Perth basins in Western Australia, the Bonaparte basin in north-western Australia, the Beetaloo basin in Northern Territory and in New Zealand.

| Half year ended<br>31 December      | 2015         |              |                            | 2014         |              |                            | Change |
|-------------------------------------|--------------|--------------|----------------------------|--------------|--------------|----------------------------|--------|
|                                     | E&P<br>(\$m) | LNG<br>(\$m) | Integrated<br>Gas<br>(\$m) | E&P<br>(\$m) | LNG<br>(\$m) | Integrated<br>Gas<br>(\$m) |        |
| Total Segment Revenue               | 335          | -            | 335                        | 424          | -            | 424                        | (21)   |
| External Revenue <sup>35</sup>      | 250          | -            | 250                        | 339          | -            | 339                        | (26)   |
| Underlying EBITDA                   | 117          | 20           | 137                        | 211          | 62           | 273                        | (50)   |
| Segment Result                      | (19)         | (44)         | (63)                       | 67           | 28           | 95                         | (166)  |
| Cash flow from operating activities | 53           | (155)        | (102)                      | 221          | 33           | 254                        | N/A    |
| Exploration expense                 | (56)         | -            | (56)                       | (13)         | -            | (13)                       | 331    |
| Capital expenditure                 | 291          | 17           | 308                        | 981          | 28           | 1,009                      | (69)   |
| Contribution to APLNG               | -            | 856          | 856                        | -            | 1,412        | 1,412                      | (39)   |

- Integrated Gas Underlying EBITDA decreased 50% or \$136 million to \$137 million driven by lower EBITDA from the E&P (-\$94 million) and LNG (-\$42 million) operations.
- E&P EBITDA decreased \$94 million to \$117 million primarily due to the \$53 million write-off of exploration expenditure in Vietnam following a decision to withdraw from all international exploration activity (excluding New Zealand) (-\$43 million), lower liquids prices (-\$30 million), lower production at Otway due to lower Origin nominations and natural field decline (-\$21 million).
- LNG EBITDA decreased \$42 million to \$20 million reflecting a reduced indirect cost recovery from Australia Pacific LNG as upstream expenditure decreases (\$25 million) and the impact of low oil prices on Australia Pacific LNG oil-linked gas sales to QGC which commenced during the period.
- The segment result of -\$63 million includes depreciation and amortisation expense of \$143 million (\$10 million decrease on the prior period) and share of Australia Pacific LNG ITDA expense of \$57 million (\$32

<sup>35</sup> E&P sells gas and LPG to the Energy Markets and Contact Energy segments on an arm's length basis. Intersegment sales are eliminated on consolidation.

million increase on the prior period primarily due to increased share of depreciation and amortisation associated with volumes sold to QGC).

- Cash flow from operating activities decreased \$356 million to -\$102 million due to lower EBITDA (-\$136 million), the non-cash impact of the movements in exploration expense and equity accounted share of Australia Pacific LNG EBITDA (+\$54 million), option premium paid for Oil Puts (-\$117 million), the commencement of oil and condensate production deliveries into the Oil Forward Sale Agreements (-\$69 million) and an increase in working capital (-\$45 million).
- Capital expenditure decreased by 69% or \$701 million to \$308 million primarily due to the \$686 million Poseidon acquisition in the prior period
- Origin's net cash contribution to Australia Pacific LNG during the period was \$856 million down from \$1,412 million in the prior period.
- Australia Pacific LNG produced first LNG on 9 December 2015, and the first shipment of LNG departed the Australia Pacific LNG facility on Curtis Island on 9 January 2016. A total of five cargoes have been shipped to customers including three to Sinopec in accordance with the Sinopec Sales and Purchase Agreement.
- Work to connect the Halladale and Speculant wells to the Otway Gas Plant continued, with first gas expected early in the 2017 financial year.
- Flow testing of the Waitsia 1 appraisal well yielded positive results and a Final Investment Decision for Stage 1A of the non-operated Waitsia gas field project was achieved in January 2016 with first gas expected early in the 2017 financial year.

## 5.2.1 LNG

### LNG financial performance

The LNG operations include Origin's equity accounted share of the results of Australia Pacific LNG and Origin's activities and transactions arising from its operatorship of the Australia Pacific LNG upstream operations and management of Origin's exposure to LNG pricing risk.

LNG EBITDA decreased \$42 million to \$20 million reflecting a reduction in cost recovery from Australia Pacific LNG as upstream expenditure on the project reduced (-\$25 million) and the impact of low oil prices on Australia Pacific LNG oil-linked gas sales to QGC. During the period, 47 PJ were delivered into the QGC contract (nil in the prior period) with volumes declining from financial year 2017 to average 25 PJ over the initial 20 year contract.

| Half year ended 31 December            | 2015<br>(\$m) | 2014<br>(\$m) | Change<br>(\$m) |
|----------------------------------------|---------------|---------------|-----------------|
| APLNG Underlying EBITDA (Origin share) | 18            | 29            | (11)            |
| LNG net recovery                       | 2             | 33            | (31)            |
| LNG Underlying EBITDA                  | 20            | 62            | (42)            |
| APLNG Underlying ITDA (Origin share)   | (58)          | (25)          | (33)            |
| LNG D&A expense                        | (6)           | (9)           | 3               |
| LNG Segment Result                     | (44)          | 28            | (72)            |

## Australia Pacific LNG financial performance (100% basis)

### APLNG Production, Sales and Revenue

| Operating Performance                 | Total APLNG<br>(PJe)       | Origin<br>share (PJe) | Total APLNG<br>(PJe)       | Origin<br>share (PJe) |
|---------------------------------------|----------------------------|-----------------------|----------------------------|-----------------------|
|                                       | 6 months ended 31 Dec 2015 |                       | 6 months ended 31 Dec 2014 |                       |
| <b>Production Volumes</b>             | <b>167</b>                 | <b>63</b>             | <b>71</b>                  | <b>26</b>             |
| Natural Gas (domestic)                | 158                        | 59                    | 71                         | 26                    |
| Natural Gas (LNG feed gas)            | 9                          | 4                     | 0                          | 0                     |
| <b>Sales Volumes</b>                  | <b>155</b>                 | <b>58</b>             | <b>73</b>                  | <b>27</b>             |
| Natural Gas                           | 155                        | 58                    | 73                         | 27                    |
| LNG                                   | 0                          | 0                     | 0                          | 0                     |
| <b>Sales Volumes Net<sup>36</sup></b> | <b>110</b>                 | <b>41</b>             | <b>55</b>                  | <b>21</b>             |
| Natural Gas                           | 110                        | 41                    | 55                         | 21                    |
| LNG                                   | 0                          | 0                     | 0                          | 0                     |

Total Australia Pacific LNG production increased by 96 PJe or 135% to 167 PJe, reflecting increased production in preparation for LNG production from Train 1 and the commencement of the QGC contract. Australia Pacific LNG produced first LNG on 9 December 2015, and the first shipment of LNG departed the Australia Pacific LNG facility on Curtis Island on 9 January 2016.

Further information regarding production, sales volumes and revenues is provided in Origin's December 2015 Quarterly Production Report, available at [www.originenergy.com.au](http://www.originenergy.com.au).

### APLNG underlying financial performance

| Financial performance (\$ million) | 31 December 2015 |              | 31 December 2014 |              |
|------------------------------------|------------------|--------------|------------------|--------------|
|                                    | 100%<br>APLNG    | Origin share | 100%<br>APLNG    | Origin share |
| Operating revenue                  | 229              |              | 196              |              |
| Operating expenses                 | (180)            |              | (119)            |              |
| <b>Underlying EBITDA</b>           | <b>49</b>        | <b>18</b>    | <b>77</b>        | <b>29</b>    |
| D&A expense                        | (182)            |              | (63)             |              |
| Net financing (expense)/income     | (16)             |              | (13)             |              |
| Income tax (expense)/benefit       | 44               |              | 11               |              |
| <b>Underlying ITDA</b>             | <b>(154)</b>     | <b>(58)</b>  | <b>(65)</b>      | <b>(25)</b>  |
| <b>Underlying Result</b>           | <b>(105)</b>     | <b>(40)</b>  | <b>12</b>        | <b>4</b>     |

Australia Pacific LNG's financial performance during the period reflected earnings associated with domestic contracts only (including the QGC contract) as LNG related revenue and costs, including production volumes of development fields in the ramp up for LNG operations, are capitalised until the Bechtel Performance Date for each of the two Trains and pre-production costs unable to be capitalised are classified as items excluded from underlying profit.

<sup>36</sup> Sales volumes are net of 45 PJe of capitalised sales (31 Dec 2014: 18 PJe)

Australia Pacific LNG's underlying EBITDA result decreased by \$29 million to \$49 million primarily due to the impact of low oil prices on revenues received under the QGC contract. Australia Pacific LNG's Underlying Result decreased \$117 million to -\$105 million reflecting lower EBITDA and an increase in D&A expense primarily due to non-operated assets coming into service to supply the QGC contract.

### Australia Pacific LNG Project

The Australia Pacific LNG export project is a two train project with a nameplate capacity of 9 million tonnes per annum of LNG.

Australia Pacific LNG has committed LNG offtake agreements for approximately 20 years with Sinopec for approximately 7.6 million tonnes per annum and with Kansai Electric for approximately 1 million tonnes per annum.

### Project performance and key milestones

The Upstream project is complete with the only activities remaining relating to contract close out. All key facilities are now commissioned, including the final three gas processing trains at Combabula and the Spring Gully Pipeline Compression Facility.

Maximum well deliverability increased during the period as commissioned wells continue to de-water. Fields were operating below their full production capacity for the majority of the period prior to ramp up in production for the commencement of LNG production in December 2015. During December, Australia Pacific LNG production from operated assets exceeded 1,000TJ/d, and is now producing at a rate which, combined with volumes provided from non-operated assets is more than sufficient to supply domestic contracts and feed gas for one LNG Train.

The Downstream project was 96% complete at 31 December 2015.

Australia Pacific LNG produced first LNG on 9 December 2015, and the first shipment of LNG departed the Australia Pacific LNG facility on Curtis Island on 9 January 2016. A total of five cargoes have been shipped to customers including three to Sinopec in accordance with the Sinopec Sales and Purchase Agreement.

### Key Accomplishments

The following table reports progress against the key goals and milestones Origin outlined in its 2015 financial year Operating and Financial Review:

| Goals                       | FY2016 Plan | Actual Progress |
|-----------------------------|-------------|-----------------|
| First Cargo from Train 1    | Q2          | Accomplished Q3 |
| Commencement of Sinopec SPA | Q2          | Accomplished    |

### Upstream - Non-operated

#### *Upstream - QGC-operated*

59 development wells were drilled during the period in ATP610, ATP 620 and ATP 648. All of the QGC Phase 1 field compression stations and central processing plants are now completed and in operation.

#### *Upstream - GLNG-operated*

No development wells were drilled during the period in the Fairview field, with all development wells approved under the initial Fairview development phase now commissioned.

## Key Project goals and milestones for the second half of the 2016 financial year

The following table reports key goals and milestones in the near term.

| Key Goals and Milestones                                                  | FY16 Plan |
|---------------------------------------------------------------------------|-----------|
| Completion of Bechtel Performance Test Train 1 (Bechtel Performance Date) | Q4        |
| First Cargo from Train 2                                                  | H1 FY17   |

## Capital expenditure and funding

The table below details Australia Pacific LNG capital expenditure (100% basis)<sup>37</sup> for the current half year and cumulative to 31 December 2015.

| APLNG Capital Expenditure (100% basis) <sup>38</sup><br>A\$ million |                             | Half year to<br>31 December 2015 | Cumulative from FID 1 to<br>31 December 2015 <sup>39</sup> |
|---------------------------------------------------------------------|-----------------------------|----------------------------------|------------------------------------------------------------|
| Project costs                                                       | Operated – Growth           | 503                              | 23,033                                                     |
|                                                                     | Non-Operated – Growth       | 4                                | 2,437                                                      |
|                                                                     |                             | 507                              | 25,470                                                     |
| Capitalised O&M costs                                               | Operated – Growth           | 288                              |                                                            |
| Domestic costs                                                      | Operated – Stay-In-Business | 146                              |                                                            |
|                                                                     | Non-Operated – Growth       | 15                               |                                                            |
|                                                                     |                             | 161                              |                                                            |
| Exploration costs                                                   | Operated                    | 14                               |                                                            |
|                                                                     | Non-Operated                | -                                |                                                            |
| Sustain costs                                                       | Operated                    | 574                              |                                                            |
|                                                                     | Non-Operated                | 132                              |                                                            |
|                                                                     |                             | 706                              |                                                            |
| Total                                                               |                             | 1,676                            |                                                            |
| Origin net cash contribution                                        |                             | 856                              | 7,564                                                      |

<sup>37</sup> Australia Pacific LNG capital expenditure includes capitalised revenues and associated variable costs from production volumes of development fields in the ramp up for LNG operations. These net capitalised amounts, reduce project costs by \$94 million in the current year (\$46 million in the prior period).

<sup>38</sup> **Project costs** include all operated and non-operated capital costs associated with the LNG project.

**Capitalised O&M costs** includes all operating and maintenance costs associated with the LNG project which have been capitalised and are excluded from the LNG export project cost estimates. The capitalisation of operating and maintenance costs prior to LNG start up will continue to be assessed.

**Domestic costs** include capital costs from Australia Pacific LNG's domestic operations, upstream non-operated capital costs associated with the supply of gas to third party LNG projects and costs associated with head office, project and system assets.

**Exploration costs** are attributable to exploration and appraisal activities and permit acquisition costs not related to the gas required for Phase 1 of the LNG project.

**Sustain costs** are attributable to all capital costs necessary to maintain the required Upstream production volumes after first commercial operations of the LNG facility.

<sup>39</sup> Includes an unfavourable foreign exchange translation impact of A\$436 million relative to project cost estimates announced in February 2013, which were based on 31 December 2012 exchange rates and includes \$200 million of accrued expenses yet to be funded.

During the current period, Origin's net cash contribution to Australia Pacific LNG was \$856 million, compared with \$1,412 million in the prior period.

The total amount drawn down by Australia Pacific LNG from its project finance facility during the current period was US\$122 million. Interest on the project finance facility of US\$150 million has been capitalised during the current period. At 31 December 2015, US\$8,427 million of the project finance facility had been drawn.

## 5.2.2 Exploration and Production

### Production, Sales and Revenue

| Half year ended 31 December                 | 2015 | 2014 | Change (%) |
|---------------------------------------------|------|------|------------|
| Total Production (PJe)                      | 39.5 | 41.8 | (6)        |
| Total Sales (PJe)                           | 42.8 | 46.1 | (7)        |
| Commodity Sales Revenue (\$m) <sup>40</sup> | 307  | 397  | (23)       |

Origin's share of total production decreased 2 PJe or 6% to 39 PJe due to field decline and lower Origin nominations at Otway (-3.3 PJe), partly offset by higher Bass Basin production (+1.8 PJe) due to Yolla 5 and Yolla 6 coming on-line during the current period.

Sales volumes decreased 3 PJe or 7% to 43 PJe in line with decreased production. Commodity Sales Revenue decreased by \$90 million or 23% to \$307 million, predominantly driven by lower production and lower average realised liquids prices (including impact of forward sales and hedging). During the period Origin commenced selling oil and condensate production into the Oil Forward Agreements. Revenue on these volumes is recognised at US\$62.40/bbl (or A\$85/bbl) in the current period, materially above the current oil prices but below the average price realised during the prior period of A\$97/bbl.

### Costs of goods sold and Stock movement

| Half year ended 31 December | 2015<br>(\$m) | 2014<br>(\$m) | Change<br>% |
|-----------------------------|---------------|---------------|-------------|
| Cost of goods sold          | (40)          | (73)          | (46)        |
| Stock movement              | 2             | (2)           | N/A         |

Cost of goods sold decreased by \$33 million or 46% to \$40 million primarily due to lower average prices of crude purchases and a decrease in third party volumes within the Cooper Basin.

### Expenses

| Half year ended 31 December    | 2015<br>(\$m) | 2014<br>(\$m) | Change<br>% |
|--------------------------------|---------------|---------------|-------------|
| Royalties, tariffs and freight | (21)          | (28)          | (26)        |
| General operating costs        | (104)         | (101)         | 3           |
| Exploration expense            | (56)          | (13)          | N/A         |
| Total expenses                 | <b>(181)</b>  | <b>(142)</b>  | <b>28</b>   |

Total expenses increased by \$39 million or 28% to \$181m million primarily reflecting the \$53 million non-cash write-off of Vietnam Block 121 exploration expenditure following a decision to withdraw from all international

<sup>40</sup> Includes gain/(loss) – forward sale and hedging of \$19 million in current period (\$6 million prior period)

exploration activity (-\$43 million), partly offset by a decrease in royalties, tariffs and freight (-\$7 million) due to lower sales volumes and revenue.

Further information regarding production, sales volumes and revenues is provided in Origin's December 2015 Quarterly Production Report, available at [www.originenergy.com.au](http://www.originenergy.com.au).

## Operations

### Production and Development

Origin's producing operations include assets in the Bass and Otway Basins off the south coast of Victoria, the Cooper Basin in central Australia the Perth Basin in Western Australia and the Taranaki Basin in New Zealand.

Origin's development activities during the period reflected actions taken by Origin to limit capital expenditure to completing projects that have commenced and utilise existing infrastructure, and reduce future expenditure through asset disposals.

In the Bass Basin, the Yolla-5 and Yolla-6 production wells were commissioned and production commenced during the period. The tie-in and commissioning of the compression and condensate modules onto the Yolla platform commenced during the current period with the modules expected to be online early in the 2018 financial year. This will maintain high levels of plant utilisation from the BassGas production facility at Lang Lang, Victoria.

Progress continued on the development of the Halladale/Speculant project in the Otway Basin. During the period the Speculant-1 and Speculant 2-ST1 appraisal wells were completed. Civil works are underway at the Otway Gas Plant on the Halladale and Speculant pipeline and reception facilities to connect the wells to the Otway Gas Plant, with first gas expected early in the 2017 financial year, increasing utilisation of the Otway Gas Plant.

In the Perth Basin, Final Investment Decision for Stage 1A of the non-operated Waitsia gas field project was achieved in January 2016. This includes the connection of the Waitsia-1 and Senecio-3 gas wells to the existing Xyris Gas Facility, operated by AWE Limited. First gas is expected early in the 2017 financial year.

### Exploration and Appraisal

Development and Appraisal activities within Australia and New Zealand during the period were confined to joint venture and permit commitments.

During the period three exploration wells were drilled in the Beetaloo Basin as part of Origin's farm-in obligations. Core analysis results are ongoing which will inform the reservoir potential of the target shale formations in the basin.

In PEL 637 in the Cooper Basin, a two well exploration drilling program was completed during the period as part of Origin's farm-in obligations. The Efficient-1 and Ethereal-1 exploration wells were drilled and targeted the gas accumulations in the Permian section of the Allunga Trough.

### 5.3 Corporate

This segment reports corporate activities that have not been allocated to other operating segments together with business development activities outside Origin's existing operations. In particular, Origin's existing investments in Chile and Indonesia's energy sectors include interests in geothermal and hydro development.

Origin's net financing costs (excluding costs relating to LNG operations) and tax are recorded in the Corporate segment.

#### Financial Performance

| Half year ended 31 December | 2015<br>(\$m) | 2014<br>(\$m) | Change<br>(%) |
|-----------------------------|---------------|---------------|---------------|
| Underlying EBITDA           | (51)          | (48)          | 6             |
| Segment Result              | (250)         | (249)         | 0             |
| Total capital expenditure   | 17            | 52            | (67)          |

- Higher Underlying EBITDA loss due to a reduction in international development costs recovered from joint venture partners following Origin's decision to withdraw from such activities.
- Segment Result includes Underlying net financing costs of \$31 million and Underlying income tax expense of \$166 million.

## 6. RISKS RELATED TO ORIGIN'S FUTURE FINANCIAL PROSPECTS

The scope of Origin's operations means that a range of factors may impact on the achievement of the Company's strategies and future financial prospects. Material risks and the Company's approach to managing these risks are summarised below. The summary is not an exhaustive list of all risks that affect the business and the items have not been prioritised.

### Material Risks

#### Commodity prices

- **Oil prices** - Origin has a material long term exposure to the international oil price through the sale of gas and LNG where the sale price is linked to the international oil price. This exposure arises both through Origin's shareholding in Australia Pacific LNG and from Origin's sales of gas, crude oil and LPG. The international oil price is subject to volatile price movements which are difficult to predict and downward price movements can have a material adverse impact on Origin's cash flow, financial performance, recoverable reserves, and as a result, the carrying value of Origin's upstream assets.
- **Wholesale electricity prices** - Origin procures electricity supply from Australian wholesale electricity markets for on-sale to customers. Wholesale electricity prices are volatile and influenced by many factors that are difficult to predict, such as supply and demand balancing. Unexpected movements in wholesale prices can result from a range of factors including operating constraints at Origin's owned and operated power stations. Unexpected movements, which are not mitigated through hedging arrangements, could result in material adverse impacts on Origin's financial performance.
- **Other Commodity prices** - Origin is exposed to commodity price fluctuations in respect of coal and gas purchases for electricity generation and gas, renewable energy and LPG for on-sale to customers. If the cost of purchasing coal, gas, renewable energy or LPG is higher than expected this could have an adverse impact on Origin's margins to the extent that it is unable to pass on the additional costs to customers. In addition, using higher priced gas or coal could limit Origin's ability to competitively operate its power stations and to hedge its exposure to wholesale electricity prices and Origin would need to arrange alternate hedging arrangements which may be on less favourable terms. Unexpected movements in commodity prices could result in material adverse impacts on Origin's financial performance.

#### Management of commodity price risk

Origin manages exposure to wholesale electricity, oil and other commodity price risk through a combination of physical positions (ownership, generation despatch rights or gas supply) and derivatives contracts. Exposure limits reflect the level of underlying risk which cannot be mitigated through hedging due to mismatches between customer demand and available hedges and the expected returns available through managing spot market volatility. Strict limits are set by the Board to manage the overall exposure that Origin is prepared to take, and a commodity risk management system is in place to monitor and report performance against these limits.

Origin constantly monitors gas and electricity supply and demand dynamics and has built a portfolio of physical generation assets to assist in managing the exposure to movements in supply and demand. As a result of the physical assets, Origin is able to hedge a component of exposure to supply volatility by using owned generation or gas to meet demand. Origin supplies a range of market participants to manage demand risks.

## Competition and energy demand

- **Competition in energy markets** - In the competitive Australian energy retailing markets, electricity, gas and LPG customers are able to change providers which, in turn, can affect Origin's future financial performance. High levels of competition can result in downward pressure on margins, customer account losses and higher costs of acquiring and maintaining customers, which can adversely impact future financial performance. There are many power generators in Australia which compete for generation capacity and sources of fuel, and that activity impacts the cost of energy supply. Further, there is a risk that the future development of competing generation technologies will displace Origin's existing generation assets. These industry changes, including the competitive demand and supply balance for energy, may result in Origin's portfolio becoming uncompetitive in the market.
- **Competition for sale and purchase of gas in eastern Australia** - The potential discovery or commissioning of significant new gas resources in eastern Australia could have a significant impact on the gas supply and demand dynamics in eastern Australia. This could result in changes in gas prices and therefore Origin's future revenues and purchase costs. In addition, the LNG production on Curtis Island in Queensland will compete with domestic demand for gas. Changes in the demand and supply of gas in eastern Australia could result in material changes to the gas price, which could result in adverse impacts on Origin's financial performance.
- **Demand for energy** - The volume of electricity, gas and LPG the Company sells is dependent on our customers' energy usage. Reductions in energy demand from price changes, consumer perception of energy affordability, operational closures across energy intensive industries, technological advancement, mandatory energy efficiency schemes, weather and other factors, can reduce Origin's revenues and adversely affect Origin's future financial performance.

### Management of competition and energy demand risks

In responding to competition and changes in customers' energy demand, Origin regularly reviews the products offered to energy consumers, including alternative technology options (for example solar), by Origin and other market participants to ensure that offerings remain competitive. Origin is able to respond to changes in the competitive environment by changing its product offerings, the terms on which it is prepared to supply customers, including opportunities for customers to manage their consumption and billing.

Origin is able to mitigate its exposure to competition for sale and purchase of gas in eastern Australia to some extent by altering how it manages its wholesale and generation portfolio.

## Project delivery and reserves

- **Project delivery** - Origin undertakes investments in a variety of major projects including gas, oil, electricity generation and operational systems. There is a risk that major projects, including Australia Pacific LNG's CSG-to-LNG project in Queensland, could be subject to events within or not within Origin's control, such as weather events, natural disasters and regulatory intervention. There is also a risk of exposure to cost increases in non-operated joint ventures in which Origin (or Australia Pacific LNG) has an interest but does not control. Such events could result in projects costing more than intended or not proceeding as planned, including start up or completion of the project being delayed, which could adversely impact the Company's future financial performance.
- **Oil and gas reserves** - There are numerous uncertainties inherent in exploring for new oil and gas reserves including estimating oil and gas reserves and factors beyond Origin's control.

Origin is involved in oil and gas exploration and there is no assurance that resources will be discovered through these activities or that any particular undeveloped reserves will proceed to development or will be ultimately recovered. This risk could adversely impact Origin's future financial prospects.

Reserves classification is the attempt to define the degree of uncertainty involved in estimating oil and gas reserves. There is a risk that actual production may vary from reserves predicted and any material variances could have an adverse impact on Origin's future financial prospects and ability to supply fuel to its generation portfolio and to customers.

### Management of project delivery and reserves risks

Origin manages projects in accordance with well established project management processes and continually reviews progress against deliverables, including budget and schedule. Origin employs geological and other standard industry procedures to identify and consider areas for potential exploration. These procedures consider a number of factors including the likelihood of exploration success, cost of exploration and potential benefit of success. Origin monitors well performance on a continual basis and reports production and reserves to the market regularly.

### Regulatory, Tax and Legal

- **Acts and regulations** - Origin operates in highly regulated environments, both domestic and international and is exposed to the risk of changes in regulations or its own failure to meet regulatory requirements. Origin's business, in particular Energy Markets, includes regulated electricity and gas retailer operations and is subject to a wide range of regulations such as dealing with customers, tariff setting in some States, participation in energy trading markets and competition. Origin's assets are governed by a range of regulations, both during construction and once operational, including environmental, industrial relations, health and safety, gas and electricity markets and competition. Origin is exposed to the risk of changes in government policy, and changes in the interpretation and enforcement of policy, for example climate and renewable policy. Further, retail tariffs set by regulators in regulated markets may not reflect Origin's underlying costs, which could cause deterioration in profit margins. Failure to respond to changes in or meet regulatory requirements may result in a loss or constraint to Origin's licence to operate and its inability to achieve its future financial prospects.
- **Tax liabilities** - Origin is exposed to risks arising from the manner in which the Australian and international tax regimes may be amended, applied, interpreted and enforced. Any actual or alleged failure to comply with, or any change in the interpretation, application or enforcement of, applicable tax laws and regulations could significantly increase Origin's tax liability and expose Origin to legal, regulatory and other actions that could adversely affect Origin's financial performance and prospects.

There is also a risk that the Australian federal government or, where relevant, state or territory governments, or foreign governments, will alter (or will alter the interpretation or enforcement of) tax or royalty regimes that apply to Origin, Australia Pacific LNG, or to other entities in which it holds an investment, thereby adversely impacting Origin's financial position.

Australia Pacific LNG is required to pay royalties on its production to the Queensland government, and on 4 January, 2016 Australia Pacific LNG received a response from the Minister in relation to its application for a Petroleum Royalty Decision, in respect of a methodology to calculate the amount that LNG feedstock gas could reasonably have been expected to realise, if it had been sold on a commercial basis. Australia Pacific LNG is seeking judicial review of the decision.

- **Litigation and dispute resolution** - The nature of Origin's business means that it has been, currently is and from time to time is likely to be involved in litigation, regulatory actions or similar dispute resolution processes arising from a wide range of possible matters. Origin may also be involved in investigations, inquiries, audits, disputes or claims. Any of these could result in delays, increase costs or otherwise

adversely impact Origin's assets and operations, and adversely impact Origin's financial performance and future financial prospects. See also the "Tri-Star Claim" risk below.

- **Reversion** – The CSG interests that Australia Pacific LNG acquired from the Tri-Star Group in 2002 are subject to reversionary rights. If triggered, these rights would require Australia Pacific LNG to transfer back to Tri-Star a 45% interest in those CSG interests for no consideration. The reversion trigger is calculated in accordance with a formula. It would occur when Australia Pacific LNG has fully recovered from its revenue derived from the reversionary tenements, its capital and operating expenditure plus an uplift factor, together with the acquisition price and government and vendor royalties for all of the reversionary tenements. If reversion is triggered, it would do so simultaneously for all of the reversionary tenements.

Approximately 22% of Australia Pacific LNG's 3P CSG reserves as of 30 June 2015 are subject to these reversionary rights. If reversion occurs, the reserves and resources that are subject to reversion may not be available for Australia Pacific LNG to sell or use after the date of reversion.

- **Tri-Star Claim** – On 24 October 2014, Tri-Star filed proceedings against Australia Pacific LNG (the "Tri-Star Claim") claiming that reversion has occurred. Tri-Star served the claim on Australia Pacific LNG on 20 October 2015. Tri-Star alleges that the subscription amounts received by Australia Pacific LNG from ConocoPhillips in 2008 and Sinopec in 2012, amounts Australia Pacific LNG will receive from LNG sales contracts and domestic gas sales contracts constitute "revenue" for purposes of the reversion trigger. Tri-Star also disputes Australia Pacific LNG's treatment of other elements of the reversion formula. The relief which Tri-Star is ultimately seeking is not clear, but if the Tri-Star Claim is successful, Tri-Star may be entitled to an order that reversion has occurred as early as 1 November 2008.

Australia Pacific LNG disagrees with all claims in the Tri-Star Claim and intends to defend it.

There is no guarantee that Australia Pacific LNG will prevail in defending the Tri-Star Claim or any other dispute between it and Tri-Star, including future disputes. Failure to succeed in any of these disputes may mean that reserves that are subject to reversion may not be available for Australia Pacific LNG to sell or use after the date of reversion, that Australia Pacific LNG incurred costs which are not recovered and that Australia Pacific LNG may need to bring forward other well developments to meet sales commitments. There may be a circumstance where these events have a material adverse impact on the financial performance of Australia Pacific LNG and therefore significantly affect the amount and timing of cash flows from Australia Pacific LNG to its shareholders (including Origin).

## Management of Regulatory, Tax and Legal risks

Origin has in place systems and processes to identify, understand and capture compliance and regulatory obligations across the business, including tax liabilities. Origin's risk management system and framework is designed to encourage early escalation of potential risks, including regulatory issues. Whistleblower and Serious Concern policies are in place to further enable issues to be escalated. In the event of non-compliance by individuals, Origin has procedures in place to take appropriate actions. Origin manages litigation and legal risk using internal legal counsel and external legal advice as required.

## Operational

- **Health, safety and security** - The complexity, scale and geography of Origin's operations give rise to a range of health, safety and security risks potentially affecting our employees and contractors, including travel to and from our operations. Unintended harm to our employees and contractors may adversely impact the Company.
- **Production** - Origin is involved in large scale operating activities including oil and gas projects, power generation, LPG facilities and, through Australia Pacific LNG, construction and operation of CSG to LNG

wells, facilities and infrastructure. There is a risk that our operating equipment and facilities may not operate as intended and suffer outages or significant damage. This includes interruptions to any fuel supply required to operate the assets including gas, water and power in addition to subsurface reservoir underperformance which may negatively impact production. In addition, any failure or unavailability of third party infrastructure or providers including, in particular, transmission, distribution and pipeline infrastructure, could materially and adversely affect the ability of Origin to conduct business and production operations.

- **Technological developments** - The energy industry is the subject of considerable research and development in respect of electricity generation technologies, delivery of energy and electricity to homes and businesses, and management of energy usage throughout buildings and industrial sites and development of new business models utilising new technology. There is a risk that technological developments may result in Origin's existing assets becoming redundant or may result in Origin incurring substantial customer losses. This could reduce the value of Origin's assets, earnings and cash flows.
- **Process safety** - Origin's production assets, including onshore and offshore wells, platforms, drilling facilities, onshore gas processing plants, pipelines and power stations, are exposed to process safety and other containment loss risks. Unintended losses of containment in our assets, or those in which we have a non-operated interest may adversely impact the Company.
- **Joint venture relations** - Origin's joint venture partners may have economic or other business interests or goals that are inconsistent with Origin's and may take actions contrary to the objectives or interests of Origin. There is also the risk that joint venture partners may become bankrupt, default on or fail to fulfil their obligations as required or expected thereby impacting the performance of the joint venture and adversely affecting Origin or its interests in the joint venture.
- **Supply chain** - In Origin's projects and operations, there is a risk that goods or services may not be delivered or supplied to contracted price, time or quality specifications or in accordance with Origin's anti-bribery and corruption or health, safety and environmental requirements. Inadequate supply chain performance both internally and externally may adversely impact the Company achieving its financial prospects.
- **Counterparty and Customers – performance and collections** - Origin and Australia Pacific LNG supply a range of customers. Some of these customers, for example LNG purchasers, purchase significant volumes. Failure by such a customer to perform in accordance with contract terms may cause delay or a reduction in earnings to Origin. If any of these events occur, or Origin is unable to effectively bill and or collect outstanding debt from customers, it could have an adverse impact on Origin's future financial prospects.
- **Cyber security** - A cyber security incident could lead to a breach of privacy, disruption of critical business processes or theft of commercially sensitive information. Such events could have an adverse impact on Origin's profitability or financial position.
- **People and culture** - There is a finite availability of skilled labour with expertise in some of the market sectors in which Origin operates, and certain of its operations may be reliant on small groups of individuals with specialist knowledge. The ability to attract and retain such personnel may impede Origin's ability to undertake its activities efficiently and effectively. Origin is also exposed to the risk that industrial disputes may arise (for example, in relation to claims for higher wages or better conditions) which might disrupt some of Origin's business.
- **Insurance** - In accordance with customary industry practices, Origin maintains insurance coverage limiting financial loss resulting from certain of these operating hazards. Origin performs a cost/benefit analysis when determining its insurance coverage, as not all risks inherent to the operations can be insured economically or at all. Losses and liabilities arising from uninsured or underinsured events could reduce Origin's revenues or increase costs.

## Management of Operational risks

Origin's risk management system and framework operates to identify, manage and mitigate operational risk across the business. It sets out the minimum standards that Origin expects of all operated assets. Procedures have been developed to identify and investigate significant incidents and near misses and to ensure that learnings are shared across the business.

All projects and operations are subject to periodic audits and assurance of activities to ensure appropriate compliance to standards and effective risk management. Origin also maintains an extensive insurance program to mitigate the financial consequence by transferring some or all of its financial risk exposure to insurance markets.

Origin works closely with joint venture and third party providers to reduce the likelihood of business interruption and to manage any exposure to cost increases and breaches. However, it is not always possible for Origin to influence the operational environment of third party providers (e.g. transmission companies).

Origin continues to review its product and service offerings to customers including in the areas of solar and related services and battery storage, to offset, over time, the impact of technological change.

Origin has procurement and contracting policies, systems and personnel to support effective management of risks in the supply chain, covering selection, performance management and contract management.

Origin administers customer credit procedures to monitor customer billings and debtor balances. These procedures are designed to monitor the accuracy and completeness of customer billings and reduce the incidence of bad debts.

Origin has processes and systems in place for the ongoing detection of and protection against cyber security threats to IT services, including virus attacks, hacking, access control breaches and physical environment control failures.

Origin's remuneration structure includes a number of features to create significant attraction and retention incentives for key personnel including a short term incentive plan awarded partly in cash and partly as deferred share rights, and a long term incentive plan in the form of performance share rights and/or options. There is also a comprehensive program to measure and understand the drivers of employee engagement, and to positively influence these through enhanced management development, performance management and internal communication.

## Environmental and Social

- **Environment** - The complexity, scale and geography of Origin's projects and operations, including gas and oil exploration and production, give rise to a range of environmental risks including climate change (see below), water and brine management, waste management, environmental contamination and biodiversity risks. These risks have the potential to harm the environment, increase operating costs and cause the loss of operating licences, and result in potentially significant monetary damages, suspension of Origin's operations and reputational damage, all of which may reduce Origin's profitability and ability to operate in the future.
- **Climate change** – In December 2015, International and Australian governments agreed to evolve policies and regulations to aggressively limit the risks of man-made climate change during the 21st century. The energy sector is a significant contributor to global carbon emissions and wide decarbonisation of this sector is likely occur. This presents both risks and opportunities for Origin.

Origin is exposed to the risk of decreased demand for fossil fuels in some markets and the potential

increased regulation of greenhouse gas emissions from operating assets. The expected life of higher carbon-intensive assets may decrease, and the development of higher carbon-intensive opportunities may become less viable as these policies and regulations evolve. Origin's operations may also be negatively affected by the physical impacts of climate change, such as more frequent and extreme weather events and variations in resource availability. In addition, growth in alternative energy solutions may disrupt the energy market (see Technological developments risk above). Failure to meet stakeholder expectations in managing climate change may also negatively impact Origin's reputation.

- **Social** - Origin's projects and operations interact with a range of community stakeholders who have an interest in the impacts of our activities and the manner in which economic benefits are shared from such activities. These interactions give rise to a range of social risks including land access, reduced community acceptance and adverse public perception of Origin and the industries in which it operates. These risks have the potential to reduce access to resources and markets, impact Origin's reputation and increase operating costs including from compliance obligations arising from changes in laws and regulations.

### Management of Environmental and Social risks

Origin's risk management system and framework is used to assess and manage the environmental (including climate change) and social risks for all projects and operations. Projects are developed with precautionary engineering and management measures in place to mitigate or manage key environmental and social risks, and operations are managed using policies and procedures to control remaining environmental and social risks.

Environmental and social regulatory obligations are maintained and managed for projects, including the Australia Pacific LNG's CSG-to-LNG project. These approvals have been issued by regulatory bodies following extensive consultation with community and other stakeholders and cover a comprehensive range of environmental and social risks. Origin's and Australia Pacific LNG's processes and internal compliance monitoring are designed to ensure activities are conducted in accordance with all approval obligations.

Stakeholder engagement is undertaken to communicate relevant knowledge and information to customers and regulators and obtain feedback. Origin also operates regional development programs and social and environmental research programs to better share the economic value created within the communities it operates.

### Credit, Market and Financing

- **Access to Capital Markets** - To meet its financial obligations, Origin is required to maintain sufficient cash and available funding through an adequate amount of committed credit facilities. Due to the dynamic nature of its business, Origin aims to maintain flexibility in funding by keeping committed credit lines available and ensuring that it has liquidity buffers in accordance with Board approved limits. Whilst Origin considers that it currently has sufficient secured liquidity, if it fails to appropriately manage its liquidity position in the future, if there is a credit rating downgrade or if markets are not available generally, or not available to it (or any entity in which Origin holds an interest, such as Australia Pacific LNG) at the time of any financing or refinancing that it (or such entity) requires, there is a risk that Origin's business and prospects, and financial flexibility will be adversely affected.

**Australia Pacific LNG project finance facility** - Australia Pacific LNG has a US\$8.5 billion project finance facility to fund the downstream parts of the project. Each shareholder has provided a several guarantee of its shareholding percentage of the debt during the project construction phase. Those guarantees terminate upon completion of the construction phase of the project provided customary completion tests have been achieved by specified dates. A delay in doing so will mean Origin's guarantee remains in place longer, which would be detrimental to Origin's credit metrics.

The project finance facility contains customary restrictions on Australia Pacific LNG making distributions

to shareholders from the downstream project if specified financial metrics are not satisfied. .

- **Credit** - Origin is subject to the risk that some counterparties may fail to fulfil their obligations under major hedge and sales contracts, including making payments as they fall due, and such defaults could adversely impact Origin's financial prospects.
- **Financial Market** - Origin is exposed to foreign exchange rate fluctuations directly and through its interest in Australia Pacific LNG. These include the Australian dollar value of foreign currency denominated assets and liabilities, revenues, dividends received and expenses including interest expense. Interest rate risk rises in respect of the Company's long term borrowings could adversely impact Origin's financial prospects.

### Management of Credit, Market and Liquidity risks

Credit risk is managed using a contracts governance process that requires due diligence around counterparty default risks.

Market risks are managed within Board approved risk limits. Financial exposures are subject to regular review and exposure limits are set at a level designed to preserve the financial integrity of the Company under a range of downside scenarios.

Origin manages its liquidity position within limits designed to maintain sufficient liquidity to meet its objectives even in periods of reduced market liquidity.

## APPENDIX 1 – ORIGIN'S KEY FINANCIALS

| Half year ended 31 December                                                                    | 2015 (\$m) | 2014 (\$m)           | Change (%) |
|------------------------------------------------------------------------------------------------|------------|----------------------|------------|
| <b>Total operations – income statement</b>                                                     |            |                      |            |
| External revenue                                                                               | 6,130      | 7,139                | (14)       |
| Underlying EBITDA                                                                              | 868        | 1,080                | (20)       |
| Underlying EBIT                                                                                | 484        | 659                  | (27)       |
| Underlying Profit                                                                              | 254        | 346                  | (27)       |
| Items excluded from Underlying Profit                                                          | (508)      | (371)                | 37         |
| Statutory (Loss)/Profit                                                                        | (254)      | (25)                 | 916        |
| Statutory Earnings per share                                                                   | (18.1¢)    | (2.0¢) <sup>41</sup> | 805        |
| Underlying Earnings per share                                                                  | 18.1¢      | 27.4¢ <sup>41</sup>  | (34)       |
| <b>Total operations – statement of cash flows</b>                                              |            |                      |            |
| Cash flows from operating activities                                                           | 468        | 1,041                | (55)       |
| Cash flows used in investing activities                                                        | 349        | (2,610)              | N/A        |
| Cash flows used in financing activities                                                        | (815)      | 1,554                | N/A        |
| <b>Continuing operations – income statement</b>                                                |            |                      |            |
| External revenue                                                                               | 5,879      | 6,017                | (2)        |
| Underlying EBITDA                                                                              | 807        | 846                  | (5)        |
| Underlying depreciation and amortisation                                                       | (307)      | (304)                | 1          |
| Underlying share of interest, tax, depreciation and amortisation of equity accounted investees | (57)       | (25)                 | 128        |
| Underlying EBIT                                                                                | 443        | 517                  | (14)       |
| Underlying net financing costs                                                                 | (37)       | (62)                 | (40)       |
| Underlying Profit before income tax and non-controlling interests                              | 406        | 455                  | (11)       |
| Underlying income tax expense                                                                  | (159)      | (143)                | 11         |
| Underlying net profit after tax before elimination of Non-controlling interests                | 247        | 312                  | (21)       |
| Non-controlling interests' share of Underlying Profit                                          | (4)        | (4)                  | 0          |
| Underlying Profit                                                                              | 243        | 308                  | (21)       |
| Items excluded from Underlying Profit                                                          | (518)      | (357)                | 45         |
| Underlying earnings per share                                                                  | 17.3¢      | 24.4¢ <sup>41</sup>  | (29)       |
| <b>Continuing operations – statement of cash flows</b>                                         |            |                      |            |
| Cash flows from operating activities                                                           | 397        | 826                  | (52)       |
| Cash flows used in investing activities                                                        | 357        | (2,555)              | N/A        |
| Cash flows used in financing activities                                                        | (752)      | 1,715                | N/A        |
| <b>Discontinued operations – income statement</b>                                              |            |                      |            |
| External revenue                                                                               | 251        | 1,122                | (78)       |
| Underlying EBITDA                                                                              | 61         | 234                  | (74)       |

<sup>41</sup> Prior period adjusted for the bonus element (discount to market price) of the September 2015 rights issue

| Half year ended 31 December                                  | 2015 (\$m) | 2014 (\$m) | Change (%) |
|--------------------------------------------------------------|------------|------------|------------|
| Underlying EBIT                                              | 41         | 142        | (71)       |
| Underlying Profit                                            | 11         | 38         | (71)       |
| Items excluded from Underlying Profit                        | 10         | (14)       | n/a        |
| <b>Discontinued operations – statement of cash flows</b>     |            |            |            |
| Cash flows from operating activities                         | 71         | 215        | (67)       |
| Cash flows used in investing activities                      | (8)        | (55)       | (85)       |
| Cash flows used in financing activities                      | (63)       | (161)      | (61)       |
| <b>Other items</b>                                           |            |            |            |
| Weighted average shares in basic EPS (million shares)        | 1,407      | 1,262      | 11         |
| Interim dividend per share (unfranked)                       | 10¢        | 25¢        | (60)       |
| Total employees (numbers) <sup>42</sup>                      | 6,186      | 6,912      | (11)       |
| Total Recordable Injury Frequency Rate (TRIFR) <sup>43</sup> | 3.7        | 4.8        | (23)       |

<sup>42</sup> Excludes employees from Contact Energy.

<sup>43</sup> Reported on a rolling 12 month basis.

## APPENDIX 2 – ITEMS EXCLUDED FROM UNDERLYING PROFIT – PRIOR PERIOD

Underlying Profit is derived from Statutory Profit and excludes certain items to facilitate a more representative comparison of the ongoing performance of the business between periods. These items are categorised as:

- **Fair value and foreign exchange movements** – reflecting the impact of marked to market movements on financial assets and liabilities from period to period
- **LNG related items before revenue recognition** – comprising costs incurred in relation to Origin's investment in Australia Pacific LNG which relate to the period prior to revenue recognition of the export project that are unable to be capitalised. These costs will be recognised in Underlying Profit when Australia Pacific LNG recognises revenue from the project.
- **Disposals, impairments and business restructuring** – reflecting the impact of actions and decisions to dispose, acquire, revalue or restructure the company's assets and business operations.

| Reconciliation<br>Half year ended<br>31 December 2014<br>(\$ million) | Continuing<br>operations | Dis-continued<br>operations | Total<br>operations |
|-----------------------------------------------------------------------|--------------------------|-----------------------------|---------------------|
| <b>Statutory (Loss)/Profit</b>                                        | <b>(49)</b>              | <b>24</b>                   | <b>(25)</b>         |
| Fair value and foreign exchange movements                             | (361)                    | (8)                         | (369)               |
| LNG items pre revenue recognition                                     | (68)                     | -                           | (68)                |
| Disposals, impairments and business restructuring                     | 72                       | (6)                         | 66                  |
| <b>Less total excluded items</b>                                      | <b>(357)</b>             | <b>(14)</b>                 | <b>(371)</b>        |
| <b>Underlying profit</b>                                              | <b>308</b>               | <b>38</b>                   | <b>346</b>          |
| <b>Underlying Basic EPS (cps)</b>                                     |                          |                             | <b>27.4¢</b>        |

## APPENDIX 3 – UNDERLYING SEGMENT EBITDA AND EBIT

| Half year ended 31 December        | Underlying EBITDA |               |               | Underlying EBIT |               |               |
|------------------------------------|-------------------|---------------|---------------|-----------------|---------------|---------------|
|                                    | 2015<br>(\$m)     | 2014<br>(\$m) | Change<br>(%) | 2015<br>(\$m)   | 2014<br>(\$m) | Change<br>(%) |
| Energy Markets                     | 721               | 621           | 16            | 557             | 470           | 19            |
| Integrated Gas                     | 137               | 273           | (50)          | (63)            | 95            | (166)         |
| Corporate                          | (51)              | (48)          | 6             | (51)            | (48)          | 6             |
| <b>Total continuing operations</b> | <b>807</b>        | <b>846</b>    | <b>(5)</b>    | <b>443</b>      | <b>517</b>    | <b>(14)</b>   |
| Contact Energy                     | 61                | 234           | (74)          | 41              | 142           | (71)          |
| <b>Total operations</b>            | <b>868</b>        | <b>1,080</b>  | <b>(20)</b>   | <b>484</b>      | <b>659</b>    | <b>(27)</b>   |
| <b>Total operations ex LNG</b>     | <b>848</b>        | <b>1,018</b>  | <b>(17)</b>   | <b>528</b>      | <b>631</b>    | <b>(16)</b>   |

## APPENDIX 4 –NET FINANCING COSTS

| Half year ended 31 December                                                            | 2015         | 2014         | Change        |
|----------------------------------------------------------------------------------------|--------------|--------------|---------------|
| <b>Statutory Net Financing Cost – continuing operations</b>                            |              |              |               |
| Total interest charged by other parties (excluding benefit of MOCCS)                   | (332)        | (304)        | (28)          |
| Benefit of MOCCS <sup>44</sup>                                                         | -            | 77           | (77)          |
| <b>Total interest charged by other parties</b>                                         | <b>(332)</b> | <b>(227)</b> | <b>(105)</b>  |
| Impact of discounting on long term provisions                                          | (8)          | (8)          | 0             |
| Capitalised interest                                                                   | 46           | 51           | (5)           |
| <b>Total interest expense</b>                                                          | <b>(294)</b> | <b>(184)</b> | <b>(110)</b>  |
| MRCPS interest income                                                                  | 92           | 42           | 50            |
| Other interest income                                                                  | 1            | -            | 1             |
| <b>Statutory Net financing costs</b>                                                   | <b>(201)</b> | <b>(142)</b> | <b>(59)</b>   |
| <b>Average interest rate<sup>45</sup></b>                                              | <b>6.5%</b>  | <b>4.7%</b>  | <b>1.8%</b>   |
| <b>Items excluded from Underlying Net Financing Costs relating to funding of APLNG</b> |              |              |               |
| Total interest charged by other parties (excluding benefit of MOCCS)                   | (256)        | (201)        | (55)          |
| Benefit of MOCCS                                                                       | -            | 77           | (77)          |
| <b>Total interest charged by other parties</b>                                         | <b>(256)</b> | <b>(124)</b> | <b>(132)</b>  |
| MRCPS interest income                                                                  | 92           | 42           | 50            |
| <b>Net financing costs relating to funding of APLNG</b>                                | <b>(164)</b> | <b>(82)</b>  | <b>(82)</b>   |
| <b>Average interest rate<sup>45</sup></b>                                              | <b>6.8%</b>  | <b>4.2%</b>  | <b>2.6%</b>   |
| <b>Underlying Net Financing Cost – continuing operations</b>                           |              |              |               |
| Total interest charged by other parties                                                | (76)         | (103)        | 27            |
| Impact of discounting on long term provisions                                          | (8)          | (10)         | 2             |
| Capitalised interest                                                                   | 46           | 51           | (5)           |
| <b>Total interest expense</b>                                                          | <b>(38)</b>  | <b>(62)</b>  | <b>24</b>     |
| Other interest income                                                                  | 1            | -            | 1             |
| <b>Underlying Net financing costs</b>                                                  | <b>(37)</b>  | <b>(62)</b>  | <b>25</b>     |
| <b>Average interest rate<sup>45</sup></b>                                              | <b>5.6%</b>  | <b>5.7%</b>  | <b>(0.1%)</b> |
| <b>Underlying Net Financing Cost – discontinued operations</b>                         |              |              |               |
| <b>Underlying Net financing costs</b>                                                  | <b>(9)</b>   | <b>(45)</b>  | <b>36</b>     |
| <b>Average interest rate<sup>45</sup></b>                                              | <b>6.9%</b>  | <b>6.6%</b>  | <b>0.3%</b>   |

<sup>44</sup> The Monetisation of Cross Currency Swaps (MOCCS) provided a benefit in financial year 2015 reflecting the bringing forward of the positive fair value as the swaps were reset to the market rates in March 2014.

<sup>45</sup> Average interest rate calculated using total interest charged by other parties

## APPENDIX 5 – GLOSSARY AND INTERPRETATION

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### Financial Measures

#### Statutory Financial Measures

Statutory Financial Measures are measures included in the Financial Statements for the Origin Consolidated Group, which are measured and disclosed in accordance with applicable Australian Accounting Standards. Statutory Financial Measures also include measures that have been directly calculated from, or disaggregated directly from financial information included in the Financial Statements for the Origin Consolidated Group.

| Term                                    | Meaning                                                                                                                                                       |
|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Statutory Profit/Loss                   | Net profit/loss after tax and non-controlling interests as disclosed in the Income Statement of the Origin Consolidated Financial Statements.                 |
| Statutory earnings per share            | Statutory profit divided by weighted average number of shares.                                                                                                |
| Cash flows from operating activities    | Statutory cash flows from operating activities as disclosed in the Cash Flow Statement of the Origin Consolidated Interim Financial Statements.               |
| Cash flows used in investing activities | Statutory cash flows used in investing activities as disclosed in the Cash Flow Statement of the Origin Consolidated Interim Financial Statements.            |
| Cash flows from financing activities    | Statutory cash flows from financing activities as disclosed in the Cash Flow Statement of the Origin Consolidated Interim Financial Statements                |
| External revenue                        | Revenue after elimination of intersegment sales on consolidation as disclosed in the Income Statement of the Origin Consolidated Interim Financial Statements |
| Net Debt                                | Total current and non-current interest bearing liabilities only, less cash and cash equivalents.                                                              |
| Non-controlling interest                | Economic interest in a controlled entity of the consolidated entity that is not held by the Parent entity or a controlled entity of the consolidated entity.  |
| Statutory net financing costs           | Interest expense net of interest income as disclosed in the Origin Consolidated Interim Financial Statements.                                                 |

#### Non-IFRS Financial Measures

This document includes certain Non-IFRS Financial Measures. Non-IFRS Financial Measures are defined as financial measures that are presented other than in accordance with all relevant Accounting Standards. Non-IFRS Financial Measures are used internally by management to assess the performance of Origin's business, and to make decisions on allocation of resources. The Non-IFRS Financial Measures have been derived from Statutory Financial Measures included in the Origin Consolidated Financial Statements, and are provided in this report, along with the Statutory Financial Measures to enable further insight and a different perspective into the financial performance, including profit and loss and cash flow outcomes, of the Origin business.

The principle non-IFRS profit and loss measure of Underlying Profit has been reconciled to Statutory Profit in Section 1.1.1. The key Non-IFRS Financial Measures included in this report are defined below.

| Term                                     | Meaning                                                                                                                                                                                                                             |
|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Current period                           | 6 months ended 31 December 2015.                                                                                                                                                                                                    |
| Prior period                             | 6 months ended 31 December 2014.                                                                                                                                                                                                    |
| Underlying Profit                        | Underlying net profit after tax and non-controlling interests as disclosed in note A1 of the Origin Consolidated Interim Financial Statements.                                                                                      |
| Underlying earnings per share            | Underlying profit/loss divided by weighted average number of shares.                                                                                                                                                                |
| Items excluded from Underlying Profit    | Items that do not align with the manner in which the Managing Director reviews the financial and operating performance of the business which are excluded from Underlying Profit.                                                   |
| Total Segment Revenue                    | Total revenue for the Energy Markets, Integrated Gas, Contact Energy and Corporate segments, including inter-segment sales, as disclosed in note A1 of the Origin Consolidated Financial Statements.                                |
| Underlying average interest rate         | Underlying interest expense for the current period divided by Origin's average drawn debt during the current period (excluding funding related to Australia Pacific LNG).                                                           |
| Underlying EBITDA                        | Underlying earnings before underlying interest, underlying tax, underlying depreciation and amortisation (EBITDA) as disclosed in note A1 of the Origin Consolidated Interim Financial Statements.                                  |
| Underlying depreciation and amortisation | Underlying depreciation and amortisation as disclosed in note A1 of the Origin Consolidated Interim Financial Statements.                                                                                                           |
| Underlying EBIT                          | Underlying earnings before underlying interest and underlying tax (EBIT) as disclosed in note A1 of the Origin Consolidated Interim Financial Statements.                                                                           |
| Underlying income tax expense            | Underlying income tax expense as disclosed in note A1 of the Origin Consolidated Interim Financial Statements.                                                                                                                      |
| Underlying net financing costs           | Underlying interest expense net of interest income as disclosed in note A1 of the Origin Consolidated Interim Financial Statements.                                                                                                 |
| Underlying profit before tax             | Underlying profit before tax as disclosed in note A1 of the Origin Consolidated Interim Financial Statements.                                                                                                                       |
| Underlying share of ITDA                 | The Group's share of underlying interest, underlying tax, underlying depreciation and underlying amortisation (ITDA) of equity accounted investees as disclosed in note A1 of the Origin Consolidated Interim Financial Statements. |
| Gross Margin                             | Gross profit divided by Revenue.                                                                                                                                                                                                    |
| Gross Profit                             | Revenue less cost of goods sold.                                                                                                                                                                                                    |
| Adjusted Net Debt                        | Net Debt adjusted to remove fair value adjustments on borrowings in hedge relationships.                                                                                                                                            |
| TRIFR                                    | Total Recordable Incident Frequency Rate.                                                                                                                                                                                           |

## Non-Financial Terms

| Term                           | Meaning                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1P reserves                    | Proved Reserves are those reserves which analysis of geological and engineering data can be estimated with reasonable certainty to be commercially recoverable. There should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.                                                                                                                                              |
| 2P reserves                    | The sum of Proved plus Probable Reserves. Probable Reserves are those additional reserves which analysis of geological and engineering data indicate are less likely to be recovered than Proved Reserves but more certain than Possible Reserves. There should be at least a 50% possibility that the quantities actually recovered will equal or exceed the best estimate of Proved plus Probable Reserves (2P).                |
| 3P reserves                    | Proved plus Probable plus Possible Reserves. Possible Reserves are those additional Reserves which analysis of geological and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have at least a 10% probability of exceeding the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high estimate scenario.   |
| 2C resources                   | The best estimate quantity of petroleum estimated to be potentially recoverable from known accumulations by application of development oil and gas projects, but which are not currently considered to be commercially recoverable due to one or more contingencies. The total quantities ultimately recovered from the project have at least a 50% probability to equal or exceed the best estimate for 2C contingent resources. |
| Bechtel Performance Date (BPD) | The date on which the performance test for each Train under the Bechtel EPC contract is satisfied.                                                                                                                                                                                                                                                                                                                                |
| Capacity factor                | A generation plant's output over a period compared with the expected maximum output from the plant in the period based on 100% availability at the manufacturer's operating specifications.                                                                                                                                                                                                                                       |
| Discounting                    | For Energy Markets, discounting refers to offers made to customers at a reduced price to the published tariffs. While a customer bill comprises a fixed and a variable portion, Origin's discounts only apply to the variable portion. In some cases, these discounts are conditional, such as requiring direct debit payment or on-time payments.                                                                                |
| Equivalent reliability factor  | Equivalent reliability factor is the availability of the plant after scheduled outages.                                                                                                                                                                                                                                                                                                                                           |
| GJ                             | Gigajoule = $10^9$ joules                                                                                                                                                                                                                                                                                                                                                                                                         |
| GJe                            | Gigajoules equivalent = $10^6$ PJe                                                                                                                                                                                                                                                                                                                                                                                                |
| Joule                          | Primary measure of energy in the metric system.                                                                                                                                                                                                                                                                                                                                                                                   |
| kT                             | kilo tonnes = 1,000 tonnes                                                                                                                                                                                                                                                                                                                                                                                                        |
| kW                             | Kilowatt = $10^3$ watts                                                                                                                                                                                                                                                                                                                                                                                                           |
| kWh                            | Kilowatt hour = standard unit of electrical energy representing consumption of one kilowatt over one hour.                                                                                                                                                                                                                                                                                                                        |
| MW                             | Megawatt = $10^6$ watts                                                                                                                                                                                                                                                                                                                                                                                                           |
| MWh                            | Megawatt hour = $10^3$ kilowatt hours                                                                                                                                                                                                                                                                                                                                                                                             |
| Netback                        | For Contact Energy is calculated by deducting the network, meter, levy and cost to serve costs from the retail customer tariffs.                                                                                                                                                                                                                                                                                                  |
| NPS                            | Net Promoter Score (NPS) is a measure of customers' propensity to recommend Origin to friends and family                                                                                                                                                                                                                                                                                                                          |
| Oil Sale Agreements            | Agreements to sell a portion of future oil and condensate production from July 2015 for 72 months at prices linked to the oil forward pricing curve at the agreement date. The cash proceeds were received upfront in the 2013 financial year at a locked-in price of \$62.40/bbl.                                                                                                                                                |
| PJ                             | Petajoule = $10^{15}$ joules                                                                                                                                                                                                                                                                                                                                                                                                      |
| PJe                            | Petajoules equivalent = an energy measurement Origin uses to represent the equivalent energy in different products so the amount of energy contained in these products can be compared. The factors used by Origin to convert to PJe are: 1 million barrels crude oil = 5.8 PJe; 1 million barrels                                                                                                                                |

| Term     | Meaning                                                                                                                                       |
|----------|-----------------------------------------------------------------------------------------------------------------------------------------------|
|          | condensate = 5.4 PJe; 1 million tonnes LPG = 49.3 PJe; 1 TWh of electricity = 3.6 PJe.                                                        |
| Ramp gas | Short term Queensland gas supply as upstream assets associated with CSG-to-LNG projects gradually increase production in advance of first LNG |
| TW       | Terawatt = $10^{12}$ watts                                                                                                                    |
| TWh      | Terawatt hour = $10^9$ kilowatt hours                                                                                                         |
| Watt     | A measure of power when a one ampere of current flows under one volt of pressure.                                                             |

## Interpretation

All comparable results reflect a comparison between the current period and the prior period ended 31 December 2014, unless specifically stated otherwise.

A reference to Contact Energy is a reference to Origin's controlled entity (53.09% ownership) Contact Energy Limited in New Zealand. In accordance with Australian Accounting Standards, Origin consolidates Contact Energy within its result. On 10 August 2015, Origin divested its entire interest in Contact Energy.

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.

Percentage changes on measures for which the numbers change from negative to positive, or vice versa, are labelled as not applicable.