



2017 TAX CONTRIBUTION REPORT

Year ended 30 June 2017

HOW WE REPORT

At Origin Energy Limited (Origin), our corporate reporting suite is comprised of our Annual Report, Shareholder Review and Sustainability Report. As a signatory to the Board of Taxation's voluntary tax transparency code, this year we have published our second Tax Contribution Report.

We describe our non-financial performance in our Sustainability Report and Shareholder Review.

Our 2017 reporting suite can be accessed via our website.

- [Annual Report](#)
- [Shareholder Review](#)
- [Sustainability Report](#)

Our previous tax reports can also be accessed via our website.

- [2016 Income Tax Transparency Report](#)
- [2016 Tax Contribution Report](#)

While disclosures relating to Australia Pacific LNG Pty Ltd (Australia Pacific LNG) are included in our reporting suite, Australia Pacific LNG is excluded from the Origin group for this report. Origin's controlled entities can be found in our Annual Report on pages 128 to 130.

MESSAGE FROM THE CHIEF FINANCIAL OFFICER



I am pleased to present Origin's 2017 Tax Contribution Report which details the taxes we paid in the 2016 and 2017 financial years. Our disclosure in this report aligns with the recommendations of the Board of Taxation's voluntary tax transparency code.

We understand that our stakeholders are focused on whether companies pay their fair share of tax. We are therefore committed to providing a high level of transparency in relation to our approach to tax, and helping our stakeholders understand our approach. In this report, we also provide a reconciliation of accounting profit to tax expense, and to tax paid.

We are proud of the contribution we make to the communities in which we operate. Through the development and operation of our large-scale energy projects we create significant economic value. Our operations contribute to Australia's economic growth through local employment, the procurement of local goods and services where possible, and infrastructure investments. We also pay various indirect taxes such as royalties, excise and payroll taxes to federal and state governments.

Our business delivered a solid operational performance in the 2017 financial year. However, the utilisation of available tax losses and offsets generated during the year and in prior years meant that Origin would pay no corporate income tax relating to the 2017 financial year.

As a leading Australian integrated energy company, we are focused on getting energy right for our customers, communities and planet. As part of this commitment we are focused to deliver better outcomes for our stakeholders and make a positive contribution.

Thank you for your ongoing support of Origin.



Lawrie Tremaine
Chief Financial Officer

WHO WE ARE

Origin is a leading Australian integrated energy company. We have the leading energy retailing position in Australia with approximately 4.2 million electricity, gas and LPG customer accounts. We hold significant positions in power generation and are a large supplier of natural gas. Our activities also include energy trading, centralised energy services, metering, new energy solutions such as solar and storage, and the development of other new and emerging technologies.

Origin is the upstream operator of Australia Pacific LNG, an incorporated joint venture with Conoco Phillips and Sinopec, which supplies natural gas to domestic markets and exports LNG under long-term contracts.

Origin is focused on a cleaner, smarter and customer-centric future. We recognise that energy is a critical part of the global climate change solution and believe that the transition to a low carbon future presents more opportunities than risks for Origin. This is because we are well placed to bring low cost renewables into the portfolio formed by our existing flexible generation fleet.

Our five pillars provide the pathway for our transition to a low carbon future. See our Sustainability Report for more information on our five pillars.

In December 2017, Origin became the first Australian company to have science-based targets recognised by the global We Mean Business coalition. We have committed to a company-wide 50 per cent reduction in absolute Scope 1 and Scope 2 carbon emissions by 2032. We have also committed to a 25 per cent reduction in our Scope 3 emissions on 2017 levels over the same period.

DISTRIBUTION OF ECONOMIC VALUE

The operation of Origin's business benefits local, regional and national communities through:

- Procurement of goods and services from local suppliers when possible;
- Creation of employment opportunities;
- Investment in community initiatives and local infrastructure;
- Wages to our employees and payments to contractors; and
- Payment of income taxes, payroll tax, excise, rates and royalties to federal and state governments.

Our 2017 Sustainability Report provides more information on the contribution we make to the communities in which we operate.

ORIGIN'S TAX POLICY AND RISK MANAGEMENT FRAMEWORK

Origin complies with all tax laws and regulations applicable in the countries in which we operate and seeks to mitigate tax risks associated with our activities in line with the Australia Tax Office's (ATO) Risk Management and Governance Review Guide.

The management of tax risk is an important component of Origin's compliance approach managed via our risk management framework. The Board reviews our risk management framework annually and material risks are reported to the Board Risk Committee on a quarterly basis. Further details of our risk management framework and material risks are contained in our Annual Report.

The Origin Board does not support activities which seek to aggressively structure the company's tax position. Tax effect accounting results, significant legislative change or court decisions affecting our tax affairs and uncertain tax positions must be reported to the Board at a minimum during each half year reporting period.

These matters are also then included in monthly finance reports provided to the Board. Origin's tax risk directive focuses on the identification and assessment of tax risks, and tax related responsibilities and accountabilities across the business. Our tax function reviews any new or non-recurring transaction above a determined threshold, any transaction that has a material non-financial impact, any transaction that impacts Origin group's equity and any change in processes involving financial transactions.

For major transactions whose tax implications will have a material financial impact on the company, we seek to obtain binding rulings from revenue authorities. If we rely on public rulings, transactions must comply with the conditions of these rulings, so that Origin is assured of the appropriate tax treatment. Where we hold a joint venture interest, the company's representation on joint venture boards and operating committees help to align the joint venture entity with our position.

ORIGIN'S ENGAGEMENT WITH THE AUSTRALIAN TAX OFFICE

We have been classified as a key taxpayer by the ATO pursuant to its risk-differentiation framework, meaning the ATO considers that it would be unlikely that Origin would lodge tax returns that would apply an interpretation of the tax law which is inconsistent with that of the ATO.

As a key taxpayer, Origin's operations are assessed as having a significant effect on the tax system, and we engage with the ATO and state revenue authorities on a regular basis to confirm compliance with the tax law.

THE AUSTRALIAN TAX CONSOLIDATED GROUP

Origin has operations in Australia as well as several overseas countries. We lodge a single Australian tax return which consolidates the results of our wholly owned Australian resident companies (Origin tax consolidated group).

The Origin tax consolidated group includes acquired entities that were originally incorporated in the United Kingdom, Panama, and the Netherlands but are Australian residents for tax purposes. The central management and control of these entities, as well as the location of assets and operations in these entities are in Australia.

Origin holds a 37.5 per cent interest in Australia Pacific LNG. Australia Pacific LNG and its wholly owned subsidiary companies are not part of the Origin's tax consolidated group, as they are not wholly owned by Origin. This report is for the Origin group and excludes Australia Pacific LNG. Therefore, the taxes paid data in this report does not include taxes paid by Australia Pacific LNG.

Origin's tax return primarily discloses the income derived solely from our Australian operations as total income. The Origin group subsidiaries which have operations outside of Australia are not required to lodge an Australian tax return. However, their activities are included within Origin's tax return as an addition to the total income disclosed to the extent they are either concessionally taxed, or derive passive income or income from transactions with the Origin tax consolidated group. These companies also comply with the tax laws applicable to the countries in which they operate, are legitimate operating businesses and are not vehicles to minimise tax.

In the 2017 financial year, 98 per cent of Origin's income was earned from operations in Australia. Other income earned from our operations in New Zealand and other countries represented the remaining 2 per cent of total income.

INTERNATIONAL OPERATIONS

All of the Origin group's cross border related party dealings are conducted on an arm's length basis and they are supported by contemporaneous documentation. These dealings can be classified into the following.

THREE KEY CATEGORIES

- 1** Provision of technical petroleum services by the Origin group to our group entities in New Zealand;
 - 2** Sale of LPG and associated appliances by the Origin group to our group entities in American Samoa, Cook Islands, Fiji, Papua New Guinea, Samoa, Solomon Islands, Vanuatu and Vietnam, which operate LPG sale businesses in those countries; and
 - 3** Insurance obtained by the Origin group from our captive insurer subsidiary company in Singapore.
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In addition to meeting the Australian transfer pricing requirements, income generated from our international subsidiaries in Fiji, Cook Islands, American Samoa, Samoa, PNG, Singapore, Bermuda, Botswana, Chile, Indonesia, New Zealand and the United States of America are generally taxable in Australia pursuant to the operation of Australia's Controlled Foreign Corporation tax rules.

The Origin group includes entities based in Panama, Bermuda and Singapore. We acquired the entity based in Panama to acquire an interest in an Australian gas permit and the activities of this entity are subject to tax in Australia. The entity in Bermuda and entities in Singapore act as holding companies that the Origin group acquired or established to undertake development activities in South East Asia and South America. To date, these entities have not generated any income. Following a significant reduction in oil prices we discontinued our international exploration and geothermal activities related to these entities.

ORIGIN'S EFFECTIVE TAX RATE

The Origin group effective income tax rate for the 30 June 2017 tax year on the statutory accounting loss was 3 per cent and on underlying net profit was 34 per cent. For the 30 June 2016 tax year, the effective tax rates were 19 per cent and 43 per cent respectively. The variance from the corporate tax rate of 30 per cent is primarily due to the accounting recognition of the Australia Pacific LNG equity income.

Origin's share of Australia Pacific LNG's net profit or loss after tax is included in our pre-tax accounting profit or loss in accordance with equity accounting principles. However, only dividends received from Australia Pacific LNG are subject to income tax, and not the equity accounted share of net income or loss (i.e. equity income). The higher Australia Pacific LNG equity income is as a proportion of profit, the greater the impact on Origin's effective tax rate. Of \$2,299 million net loss for Origin in the 2017 financial year, \$1,912 million net loss was attributable to Australia Pacific LNG equity income.

In the 2016 and 2017 financial years, Origin did not receive any dividend from Australia Pacific LNG.

TAXES PAID BY ORIGIN

During the 2017 financial year, we paid \$81 million in payroll tax, royalties, excise, and fringe benefits tax to the ATO and State Revenue Offices. These amounts exclude taxes paid by Australia Pacific LNG.

	2017 SMILLION	2016 SMILLION
Payroll tax	35	45
Royalties	15	6
Excise	26	27
Fringe benefits tax	5	4
Total	81	82

We also collect and remit taxes such as GST and PAYG withholding to the ATO.

Details of Origin's income tax position can be found in the next section titled Reconciliation of Accounting Profit to Tax Expense to Tax Paid.

RECONCILIATION OF ACCOUNTING PROFIT TO TAX EXPENSE TO TAX PAID

This section provides details of the Origin group accounting profit before tax, income tax expense and tax paid. Further information can be found in our Annual Report.

	2017 \$MILLION	2016 \$MILLION
Reconciliation between tax expense and pre-tax net profit Reconciliation		
(Loss)/profit from continuing operations before income tax	(2,075)	(279)
(Loss)/profit from discontinued operations before income tax	(224)	(479)
	(2,299)	(758)
Income tax using the domestic corporation tax rate of 30 per cent		
(Loss)/profit from continuing operations before income tax		
– at Australian tax rate of 30 per cent	(690)	(228)
– adjustment for difference between Australian and overseas tax rates	5	15
	(685)	(213)
Income tax expense on pre-tax accounting profit at standard rates		
<i>Increase/(decrease) in income tax expense due to:</i>		
Impairment expense not recoverable	28	23
Write-off exploration expense	–	13
Sale of Contact Energy	–	(3)
Capital loss re-recognition	(40)	(30)
Reset of tax bases on consolidation of Uranquinty into tax group	–	(9)
Share of results of equity accounted investees	574	65
Tax benefit on translation of foreign denominated tax balances	(3)	(3)
Recognition of change in net tax loss position	–	–
Recognition of cost base on disposal of entities	21	–
Other	17	–
	7	11
	604	67
Total non-temporary income tax expense adjustments		
Under provided in prior years – current and deferred	5	3
	(76)	(143)
Total Income Tax benefit		
Accounting effective company tax rate (statutory profit)	3%	19%

	2017 \$MILLION	2016 \$MILLION
Reconciliation between tax expense to tax paid		
Income tax expense on pre-tax accounting profit at standard rates	(76)	(143)
<i>Elimination of income tax expense (as outlined in the table above) which does not impact tax payable:</i>		
Capital loss re-recognition	40	30
Contact Energy income tax expense	–	(14)
Recognition of cost base on disposal of entities	(17)	–
Under provided in prior years – current and deferred	(5)	(3)
	18	13
Total income tax benefit after removing adjustments not impacting tax payable	(58)	(130)
<i>Temporary differences:</i>		
Accrued expenses not incurred for tax	(4)	2
Employee benefits	(1)	(9)
Acquired environmental scheme certificate purchase obligations	(2)	(2)
Acquired energy purchase obligations Capital loss re-recognition	(7)	(8)
Provisions	(12)	30
Tax losses recognised ⁺	(154)	25
Property, plant and equipment	186	89
Exploration and evaluation assets	273	(102)
Financial instruments at fair value	(125)	21
Adjustment to investment in Australia Pacific LNG relating to capitalised interest	3	28
Business related costs (deductible under s.40-880 ITAA97)	2	20
Other items	(1)	39
Prior period differences	(48)	(9)
	110	124
Estimate of current year tax payable/(losses) as at 30 June 2017	52	(6)
<i>Changes to temporary & non-temporary differences per lodged income tax return</i>	(11)	10
Current year tax payable/(losses)	41	4
<i>Australian income tax payable*</i>	37	–
<i>International income tax payable</i>	4	4

+ Tax losses include research and development tax offsets.

* Income tax payment of \$37 million was paid in the 2018 financial year as franking deficit tax (prepayment of income tax) and will therefore be reported as income tax paid in the 2018 Tax Contribution Report.

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