2016 TAX CONTRIBUTION REPORT

YEAR ENDED
30 JUNE 2016

origin

HOW WE REPORT

Origin Energy Limited's (Origin) corporate reporting suite is comprised of its Annual Report, Shareholder Review, Sustainability Report and Income Tax Transparency Report.

Origin is a signatory to the Board of Taxation's voluntary tax transparency code and has released its first Tax Contribution Report for 2016 in response. This report will become part of Origin's corporate reporting suite in future years.

Origin's non-financial performance is described in the company's Sustainability Report and Shareholder Review. The Sustainability Report also outlines Origin's advocacy priorities including the company's position on Australia's fiscal arrangements.

Origin's 2016 reporting suite can be accessed via the company's website.
- Annual Report
- Shareholder Review
- Sustainability Report
- Income Tax Transparency Report (2015)

While disclosures relating to Australia Pacific LNG Pty Ltd (Australia Pacific LNG) are included in Origin's reporting suite; Australia Pacific LNG is excluded from the Origin group for the purpose of this report.

Origin's controlled entities can be found in Origin's Consolidated Financial Statements on pages 103 to 105 in the Annual Report.

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

At Origin, we are proud of the contribution we make to the Australian community and we are pleased to present the company's first Tax Contribution Report. The purpose of this report is to provide a high level of transparency on our approach to tax and further build on our recent efforts to simplify Origin's financial statements.

Since listing on the Australian Securities Exchange in 2000, our strategy has been to connect resources to markets. We explore, produce, transport and sell energy to power millions of Australian homes and businesses every day and play an integral role in shaping Australia's energy future.

The development and operation of our large scale energy projects create significant economic value. We distribute part of the value we create through the payment of taxes and royalties to federal and state governments.

This report includes the reconciliation between Origin's accounting profit to tax expense and tax paid, and is aligned with the Board of Tax's voluntary tax transparency code.

At Origin, we undertake all required tax compliance and reporting obligations. We are open and transparent about our tax arrangements and remain committed to enhancing our reporting.

Thank you for your ongoing interest in Origin.

Gary Mallett

Acting Chief Financial Officer

WHO WE ARE

Origin is the leading Australian integrated energy company.

Origin has the leading energy retailing position in Australia with more than 4.2 million electricity, gas and LPG customer accounts, and has significant positions in power generation and natural gas production. The company's 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.

Through its 37.5 per cent shareholding in Australia Pacific LNG, Origin is the upstream operator of Australia's biggest coal seam gas (CSG) to liquefied natural gas (LNG) operation based on the country's largest 2P CSG reserves base.

Origin's strategy of investing in gas and renewables sees the company well placed to lead the transition to less carbon intensive energy not only domestically through its Energy Markets business but also in regional markets through investment in Australia Pacific LNG and the company's growing LNG production.

DISTRIBUTION OF ECONOMIC VALUE

The operation of Origin's integrated 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, rates and royalties to federal and state governments.

Origin's 2016 Sustainability Report provides more information on the significant contribution the company makes to the communities in which it operates and describes the company's long term approach to distributing economic value.

ORIGIN'S TAX POLICY AND RISK MANAGEMENT FRAMEWORK

Origin takes its obligations in relation to tax seriously and seeks to align its approach to tax to one of sustainably creating and sharing value with stakeholders. While the company seeks to sustainably share value through the payment of taxes and royalties, it also seeks to maximise value for shareholders by mitigating tax risks associated with its activities.

The management of tax risk is an important component of Origin's compliance framework and is managed via Origin's risk management framework. The Board reviews Origin's risk management framework annually and material risks are reported to the Board Risk Committee on a quarterly basis. Further details of the company's risk management framework and its material risks are contained in the 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 and/or court decisions affecting Origin's 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 processes, and tax related responsibilities and accountabilities across the business. Origin's tax function reviews any new or non-recurring transaction above a determined threshold, any transaction that has a material non-financial impact and any change in processes involving financial transactions.

Commercial managers across the company must advise the tax function prior to committing to transactions that involve any change in the Origin group's equity or any major transaction. For major transactions whose tax implications will have a material financial impact on the company, Origin seeks to obtain binding rulings from revenue authorities. If Origin relies on public rulings, transactions must comply with the conditions of these rulings, so that Origin is assured of the appropriate tax treatment.

Where Origin holds a joint venture interest, the company's representation on joint venture boards and operating committees helps to align the joint venture entity with the company's position.

ORIGIN'S ENGAGEMENT WITH THE AUSTRALIAN TAX OFFICE

Origin has been classified as a key taxpayer by the Australia Tax Office (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 accordingly Origin is continually engaging with the ATO on a rolling review basis to confirm compliance with the tax law.

THE AUSTRALIAN TAX CONSOLIDATED GROUP

Origin has operations in Australia as well as a number of overseas countries. Origin lodges a single Australian tax return which consolidates the results of all of its wholly owned Australia 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, although for reporting purposes its financial performance is equity accounted in Origin's result. Refer to the section titled Origin's effective tax rate for further explanation.

Origin's tax return discloses the income derived solely from its 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 and are legitimate operating businesses and are not vehicles to minimise tax.

In FY2016, 96 per cent of Origin's income was earned from operations in Australia. Other income earned from Origin's operations in New Zealand and its activities in other countries represented 3 per cent[1] and 1 per cent[1] of total income respectively.

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. There are three key categories of these transactions in Origin:

1. provision of technical petroleum services by the Origin group to its group entities in New Zealand;
2. sale of LPG and associated appliances by the Origin group to its 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 its captive insurer subsidiary company in Singapore.

In addition to meeting the Australian transfer pricing requirements, income generated from Origin's international subsidiaries in Fiji, Cook Islands, American Samoa, Samoa, PNG, Singapore, Bermuda, Botswana, Chile, Indonesia, New Zealand and the United States of America is generally taxable in Australia by the operation of Australia's Controlled Foreign Corporation tax rules.

The Origin group also has entities based in Panama, Bermuda and Singapore. The entity based in Panama was acquired by the Origin group in order 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, none of which have generated any income to date. Following a significant reduction in oil prices, the Origin group has discontinued its international exploration and geothermal activities.

1. Total income includes discontinued operations.

ORIGIN'S EFFECTIVE TAX RATE

The Origin group's effective income tax rate for the 30 June 2016 tax year on the statutory accounting loss was 18 per cent and on underlying net profit was 43 per cent. For the 30 June 2015 tax year, it was 9 per cent and 31 per cent respectively. The variance from the corporate tax rate of 30 per cent is primarily due to the tax treatment of the Australia Pacific LNG equity income.

Origin's share of Australia Pacific LNG's net profit or loss after tax is included in Origin's pre-tax accounting profit or loss but is not subject to income tax. Only dividends received from Australia Pacific LNG are subject to income tax not the equity income share. The higher Australia Pacific LNG equity income is as a proportion of profit, the greater the impact on the effective tax rate.

TAXES PAID BY ORIGIN

Origin pays payroll tax, fringe benefits tax and royalties to the ATO and State Revenue Offices, and in FY2016 made total payments of $55 million. The amounts in the accompanying table exclude Australia Pacific LNG.

	2016 ($million)	2015 ($million)
Payroll tax	45	46
Royalties	6	9
Fringe benefits tax	4	4

Origin also collects and remits taxes such as GST, excise and PAYG to the ATO.

In FY2016, Origin recorded a statutory loss of $589 million. This result included impairments of $515 million reflecting costs related to the decision to cease certain development activities ($171 million) and upstream impairments ($344 million) due primarily to downward revisions to reserves in the Otway, Bass and Cooper basins.

Additionally, the FY2016 result included a disproportionate share of costs associated with the infrastructure assets related to the Australia Pacific LNG project.

In FY2015, Origin recorded a statutory loss of $658 million. This primarily reflected the impairment of the company's investment in Contact Energy and upstream assets, the non-cash impact of the depreciation of the Australian dollar on the value of financial instruments and debt, and interest expense which would have been capitalised if the Australia Pacific LNG project was held by Origin rather than via an equity accounted investment.

Accordingly, the company recorded an income tax benefit in the 2015 and 2016 financial years as no corporate income tax was incurred.

RECONCILIATION OF ACCOUNTING PROFIT TO TAX EXPENSE TO TAX PAID

This section provides details of the Origin group's accounting profit before tax, income tax expense and tax paid. Further information can be found in Origin's 2016 Annual Report.

	2016 ($million)	2015 ($million)
Reconciliation between tax expense and pre-tax net profit		
(Loss)/profit from continuing operations before income tax	(737)	(534)
(Loss)/profit from discontinued operations before income tax	35	(114)
	(702)	**(648)**
Income tax using the domestic corporation tax rate of 30 per cent (2015: 30 per cent)		
Prima facie income tax expense on pre-tax accounting profit:		
- at Australian tax rate of 30 per cent	(211)	(194)
- adjustment for difference between Australian and overseas tax rates	15	(1)
Income tax expense on pre-tax accounting profit at standard rates	**(196)**	**(195)**
Increase/(decrease) in income tax expense due to:		
Impairment expense not recoverable	23	80
Write-off exploration expense	13	–
Sale of Contact Energy	(3)	–
Capital loss re-recognition	(30)	–
Reset of tax bases on consolidation of OE Uranquinty into tax group	(9)	–
Share of results of equity accounted investees	65	10
Tax expense/(benefit) on translation of foreign denominated tax balances	(3)	46
Reinstatement of tax depreciation on Contact Energy's powerhouses	–	(15)
Recognition of change in net tax loss position	–	7
Other	11	9
Total non-temporary income tax expense adjustments	**67**	**137**
Under provided in prior years - current and deferred	3	–
Total income tax benefit	**(126)**	**(58)**
Accounting effective company tax rate	18%	9%

	2016 ($million)	2015 ($million)
Reconciliation between tax expense to tax paid		
Total income tax benefit	**(126)**	**(58)**
Elimination of income tax expense (as outlined in the table above) which does not impact tax payable:		
Capital loss re-recognition	30	–
Recognition of change in net tax loss position	–	(7)
Research & Development credits	9	11
New Zealand tax loss recognition	3	
Contact Energy income tax expense	(14)	15
Under provided in prior years - current and deferred	(3)	–
	25	**19**
Total income tax benefit after removing adjustments not impacting tax payable	**(101)**	**(39)**
Temporary differences:		
Accrued expenses not incurred for tax	2	(110)
Employee benefits	(9)	12
Acquired environmental scheme certificate purchase obligations	(2)	(2)
Acquired energy purchase obligations	(8)	(67)
Provisions	30	28
Inventories	4	(5)
Property, plant and equipment	89	63
Exploration and evaluation assets	(102)	(51)
Financial instruments at fair value	4	105
Adjustment to investment in Australia Pacific LNG relating to capitalised interest	28	21
Other items	55	(35)
Prior period differences	3	44
	94	**3**
Current year tax losses†	**(7)**	**(36)**
Australian income tax paid*	–	–

† Please note that movement of $25 million in the tax value of carry forward losses on page 99 of the 2016 Annual Report includes tax credits, whereas the above figure of $7 million is representative of tax losses only.

* International tax paid of $4 million in FY2016 and $3 million in FY2015.