

# Origin Energy Limited and Controlled Entities

## Appendix 4D

### Results for announcement to the market

31 December 2016

			31 December 2016	31 December 2015
<b>Total Group Revenue (\$million)</b>	up	3% to	<b>6,321</b>	<b>6,130</b>
Revenue (\$million) - continuing operations	up	8% to	6,083	5,629
Revenue (\$million) - discontinued operations	down	52% to	238	501
<b>Net loss for the period attributable to members of the parent entity (\$million)</b>				
	down	560% to	<b>(1,677)</b>	<b>(254)</b>
From continuing operations (\$million)	down	656% to	(1,496)	(198)
From discontinued operations (\$million)	down	223% to	(181)	(56)
			<b>31 December 2016</b>	<b>30 June 2016</b>
Net tangible asset backing per ordinary security	down	17% to	\$4.33	\$5.21
<b>Dividends</b>				
			Amount per security	Franked amount per security at 30 per cent tax
Interim dividend determined subsequent to 31 December 2016			nil	nil
Previous corresponding period (31 December 2015)			10 cents	nil
Record date for determining entitlements to the dividend			N/A	
Dividend payment date			N/A	
<b>Brief explanation of any of the figures reported above or other item(s) of importance not previously released to the market.</b>				
Refer to the attached Directors' Report and Operating and Financial Review for explanations.				
<b>Discussion and Analysis of the results for the year ended 31 December 2016.</b>				
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 2016**

# 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>2016</b> <b>\$million</b>	<b>2015<sup>(1)</sup></b> <b>\$million</b>
<b>Continuing operations</b>			
Revenue	A2	6,083	5,629
Other income	A2	110	2
Expenses	A3	(6,513)	(5,510)
Results of equity accounted investees	A5	(1,104)	(80)
Interest income	A2	108	93
Interest expense	A3	(287)	(288)
<b>Loss before income tax</b>		<b>(1,603)</b>	<b>(154)</b>
Income tax benefit/(expense)		108	(40)
<b>Loss for the period from continuing operations</b>		<b>(1,495)</b>	<b>(194)</b>
<b>Discontinued operations</b>			
Loss from discontinued operations	C3	(181)	(49)
<b>Loss for the period</b>		<b>(1,676)</b>	<b>(243)</b>
<b>Profit/(loss) for the period attributable to:</b>			
Members of the parent entity		(1,677)	(254)
Non-controlling interests		1	11
<b>Loss for the period</b>		<b>(1,676)</b>	<b>(243)</b>
<b>Earnings per share</b>			
Basic earnings per share	A6	(95.6) cents	(18.1) cents
Diluted earnings per share	A6	(95.6) cents	(18.1) cents
<b>Profit/(loss) for the period from continuing operations attributable to:</b>			
Members of the parent entity		(1,496)	(198)
Non-controlling interests		1	4
<b>Loss for the period</b>		<b>(1,495)</b>	<b>(194)</b>
<b>Earnings per share from continuing operations</b>			
Basic earnings per share	A6	(85.3) cents	(14.1) cents
Diluted earnings per share	A6	(85.3) cents	(14.1) cents

<sup>(1)</sup> Certain amounts have been re-presented to separately show those operations classified as discontinued operations.

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>2016</b> <b>\$million</b>	<b>2015</b> <b>\$million</b>
<b>Loss for the period</b>	<b>(1,676)</b>	<b>(243)</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to the income statement</i>		
Foreign currency translation differences for foreign operations	212	119
<b>Available for sale financial assets</b>		
Valuation gain taken to equity	7	18
<b>Cash flow hedges</b>		
Changes in cashflow hedges	(105)	284
Net loss on hedge of net investment in foreign operations	-	(29)
<b>Total other comprehensive income for the period, net of tax</b>	<b>114</b>	<b>392</b>
<b>Total comprehensive income for the period</b>	<b>(1,562)</b>	<b>149</b>
<b>Total comprehensive income attributable to:</b>		
<i>Items that may be reclassified to the income statement</i>		
Members of the parent entity	(1,563)	138
Non-controlling interests	1	11
	<b>(1,562)</b>	<b>149</b>
<b>Total comprehensive income for the period</b>	<b>(1,562)</b>	<b>149</b>
<b>Total comprehensive income for the period attributable to members of the parent entity arising from:</b>		
Continuing operations	(1,246)	58
Discontinued operations	(317)	80

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**

<b>as at</b>	<b>Note</b>	<b>31 December 2016 \$million</b>	<b>30 June 2016 \$million</b>
<b>Current assets</b>			
Cash and cash equivalents		120	146
Trade and other receivables		1,736	1,945
Inventories		187	248
Derivatives		294	253
Other financial assets	B1	518	312
Income tax receivable		3	59
Assets classified as held for sale	C3	2,619	471
Other assets		128	137
<b>Total current assets</b>		<b>5,605</b>	<b>3,571</b>
<b>Non-current assets</b>			
Trade and other receivables		3	3
Derivatives		1,204	1,134
Other financial assets	B1	3,956	4,943
Investments accounted for using the equity method	C1	6,494	5,945
Property, plant and equipment		3,756	5,685
Exploration and evaluation assets		848	1,932
Development assets		-	292
Intangible assets		5,351	5,366
Other assets		35	27
<b>Total non-current assets</b>		<b>21,647</b>	<b>25,327</b>
<b>Total assets</b>		<b>27,252</b>	<b>28,898</b>
<b>Current liabilities</b>			
Trade and other payables		1,505	2,048
Payables to joint ventures		133	-
Interest-bearing liabilities		107	110
Derivatives		45	18
Other financial liabilities	B1	644	375
Provision for income tax		1	6
Employee benefits		151	215
Provisions		59	71
Liabilities classified as held for sale	C3	691	46
<b>Total current liabilities</b>		<b>3,336</b>	<b>2,889</b>
<b>Non-current liabilities</b>			
Trade and other payables		15	68
Interest-bearing liabilities		9,325	9,506
Derivatives		1,241	1,050
Deferred tax liabilities		116	110
Employee benefits		32	35
Provisions		205	710
<b>Total non-current liabilities</b>		<b>10,934</b>	<b>11,479</b>
<b>Total liabilities</b>		<b>14,270</b>	<b>14,368</b>
<b>Net assets</b>		<b>12,982</b>	<b>14,530</b>
<b>Equity</b>			
Share capital	B3	7,150	7,150
Reserves		985	857
Retained earnings		4,825	6,502
<b>Total parent entity interest</b>		<b>12,960</b>	<b>14,509</b>
Non-controlling interests		22	21
<b>Total equity</b>		<b>12,982</b>	<b>14,530</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**

<b>\$million</b>	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 2016</b>	<b>7,150</b>	<b>197</b>	<b>314</b>	<b>321</b>	<b>25</b>	<b>6,502</b>	<b>21</b>	<b>14,530</b>
Other comprehensive income (Loss)/Profit	-	-	212	(105)	7	-	-	114
<b>Total comprehensive income/(expense) for the period</b>	<b>-</b>	<b>-</b>	<b>212</b>	<b>(105)</b>	<b>7</b>	<b>(1,677)</b>	<b>1</b>	<b>(1,562)</b>
Share-based payments	-	14	-	-	-	-	-	14
<b>Total transactions with owners recorded directly in equity</b>	<b>-</b>	<b>14</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14</b>
<b>Balance as at 31 December 2016</b>	<b>7,150</b>	<b>211</b>	<b>526</b>	<b>216</b>	<b>32</b>	<b>4,825</b>	<b>22</b>	<b>12,982</b>
<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 (Loss)/Profit	-	-	90	284	18	-	-	392
<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	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>

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>2016</b> <b>\$million</b>	<b>2015</b> <b>\$million</b>
<b>Cash flows from operating activities</b>		
Cash receipts from customers	7,077	7,311
Cash paid to suppliers	(6,633)	(6,841)
Cash generated from operations	444	470
Income taxes paid, net of refunds received	51	(2)
<b>Net cash from operating activities</b>	<b>495</b>	<b>468</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(236)	(248)
Acquisition of exploration and development assets	(22)	(65)
Acquisition of other assets	(23)	(82)
Investment in equity accounted investees	(228)	(8)
Loans to equity accounted investees	-	(996)
Interest received from equity accounted investees	102	140
Investment in equity accounted investees (funding of APLNG debt service reserve account) <sup>(1)</sup>	(127)	-
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	365	8
<b>Net cash (used) in/from investing activities</b>	<b>(169)</b>	<b>349</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	2,664	5,025
Repayment of borrowings	(2,826)	(7,757)
Proceeds from share rights issue	-	2,496
Interest paid	(281)	(320)
Dividends paid by the parent entity	-	(251)
Dividends paid to non-controlling interests	-	(8)
Loan from equity accounted investees <sup>(1)</sup>	127	-
<b>Net cash used in financing activities</b>	<b>(316)</b>	<b>(815)</b>
<b>Net increase in cash and cash equivalents</b>	<b>10</b>	<b>2</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>146</b>	<b>155</b>
Effect of exchange rate changes on cash	2	1
<b>Cash and cash equivalents at the end of the period<sup>(2)</sup></b>	<b>158</b>	<b>158</b>

(1) Relates to cash calls provided by the Group to Australia Pacific LNG to allow it to meet its project finance Debt Service Reserve Account requirements. These amounts were subsequently loaned back to the Group by Australia Pacific LNG. The loan is disclosed as a payable to joint ventures in the Interim Statement of Financial Position.

(2) Cash and cash equivalents at the end of the period of \$158 million includes \$38 million of cash and cash equivalents which are 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 2016, 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 16 February 2017.

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 2016, 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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that Instrument, 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 2016.

Estimates of recoverable amounts are based on an asset's value in use or fair value less costs of disposal, 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 2016 based on the types of judgements and estimates described above. Where required, any impairment has been recognised in the interim 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.

**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>		Corporate <sup>(3)</sup>		Total continuing operations		Contact Energy <sup>(4)</sup>		Other discontinued operations		Total discontinued operations <sup>(7)</sup>		Consolidated	
		2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>Revenue</b>																	
Segment revenue		6,026	5,629	57	-	-	-	6,083	5,629	-	251	397	335	397	586	6,480	6,215
Eliminations	(a)	-	-	-	-	-	-	-	-	-	-	(159)	(85)	(159)	(85)	(159)	(85)
<b>External revenue</b>		<b>6,026</b>	<b>5,629</b>	<b>57</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,083</b>	<b>5,629</b>	<b>-</b>	<b>251</b>	<b>238</b>	<b>250</b>	<b>238</b>	<b>501</b>	<b>6,321</b>	<b>6,130</b>
<b>Underlying EBITDA</b>	(b)	<b>734</b>	<b>721</b>	<b>287</b>	<b>21</b>	<b>(31)</b>	<b>(51)</b>	<b>990</b>	<b>691</b>	<b>-</b>	<b>61</b>	<b>155</b>	<b>116</b>	<b>155</b>	<b>177</b>	<b>1,145</b>	<b>868</b>
Depreciation and amortisation		(158)	(164)	(9)	(7)	-	-	(167)	(171)	-	(20)	(133)	(136)	(133)	(156)	(300)	(327)
Share of ITDA of equity accounted investees		-	-	(400)	(57)	-	-	(400)	(57)	-	-	-	-	-	-	(400)	(57)
<b>Underlying EBIT</b>	(c)	<b>576</b>	<b>557</b>	<b>(122)</b>	<b>(43)</b>	<b>(31)</b>	<b>(51)</b>	<b>423</b>	<b>463</b>	<b>-</b>	<b>41</b>	<b>22</b>	<b>(20)</b>	<b>22</b>	<b>21</b>	<b>445</b>	<b>484</b>
Net financing costs <sup>(5)</sup>		-	-	(86)	-	(48)	(31)	(134)	(31)	-	(9)	(6)	(6)	(6)	(15)	(140)	(46)
Income tax expense <sup>(6)</sup>		-	-	-	-	(115)	(157)	(115)	(157)	-	(11)	(5)	(2)	(5)	(13)	(120)	(170)
Non-controlling interests (NCI)		-	-	-	-	(1)	(4)	(1)	(4)	-	(10)	-	-	-	(10)	(1)	(14)
<b>Segment result and underlying profit</b>		<b>576</b>	<b>557</b>	<b>(208)</b>	<b>(43)</b>	<b>(195)</b>	<b>(243)</b>	<b>173</b>	<b>271</b>	<b>-</b>	<b>11</b>	<b>11</b>	<b>(28)</b>	<b>11</b>	<b>(17)</b>	<b>184</b>	<b>254</b>
<b>Items excluded from underlying profit</b>																	
Fair value and foreign exchange	(d)	52	64	(6)	(94)	12	(43)	58	(73)	-	(10)	(4)	(34)	(4)	(44)	54	(117)
LNG related items pre revenue recognition	(e)	-	-	(52)	(208)	-	-	(52)	(208)	-	-	-	-	-	-	(52)	(208)
Disposals, impairments and business restructuring	(f)	95	(12)	(1,856)	(3)	(137)	(290)	(1,898)	(305)	-	14	(239)	(37)	(239)	(23)	(2,137)	(328)
Tax and NCI on items excluded from underlying profit		-	-	-	-	223	117	223	117	-	6	51	22	51	28	274	145
<b>Items excluded from underlying profit</b>		<b>147</b>	<b>52</b>	<b>(1,914)</b>	<b>(305)</b>	<b>98</b>	<b>(216)</b>	<b>(1,669)</b>	<b>(469)</b>	<b>-</b>	<b>10</b>	<b>(192)</b>	<b>(49)</b>	<b>(192)</b>	<b>(39)</b>	<b>(1,861)</b>	<b>(508)</b>
<b>Statutory loss attributable to members of the parent entity</b>																<b>(1,677)</b>	<b>(254)</b>

(1) Energy retailing, power generation and LPG operations predominantly in Australia.

(2) Unconventional Gas business including the Group's investment in Australia Pacific LNG, the results of the Group's activities as Australia Pacific LNG Upstream Operator and management of the Group's exposure to LNG pricing risk. The results of the Group's Upstream conventional business have been classified as 'Other discontinued operations'.

(3) Various business development and support activities that are not allocated to operating segments. The December 2015 results include \$6 million of net financing costs and \$5 million of income tax benefit and NCI relating to the Group's funding of its investment in Contact Energy.

(4) 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 were classified as a discontinued operation at 31 December 2015 (refer to note C3).

(5) Net financing costs have been allocated to the Integrated Gas segment relating to the LNG business, the Contact Energy segment (until disposal on 10 August 2015) and to other discontinued operations.

(6) Income tax expense for entities in the Origin tax consolidated group is allocated to the Corporate segment with the exception of amounts related to other discontinued operations.

(7) Further details of discontinued operations are included in note C3.

**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 Upstream conventional business (classified as Other discontinued operations) sells gas and LPG to the Energy Markets segment and previously LPG to Contact Energy. Contact Energy previously sold electricity to the Upstream conventional business.

**(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 \$327 million (2015: \$16 million). Refer to note C1.2 for details.

**(c) Net financing costs**

Net financing costs is the aggregation of interest income of \$108 million (2015: \$93 million), interest expense of \$287 million (2015: \$288 million) from continuing operations, interest expense of \$6 million relating to discontinued operations (2015: \$15 million), less net interest expense relating to Australia Pacific LNG funding of \$45 million (2015: \$164 million).

	2016		2015	
	Gross	Tax and NCI	Gross	Tax and NCI
<b>(d) Fair value and foreign exchange movements</b>				
<b>\$million</b>				
Decrease in fair value of financial instruments	(53)	16	(62)	22
LNG foreign currency gain/(loss)	107	(32)	(44)	12
LNG translation of foreign denominated long term tax balances	-	-	(11)	-
Tax benefit on translation of foreign denominated long term tax balances	-	(1)	-	1
	<b>54</b>	<b>(17)</b>	<b>(117)</b>	<b>35</b>

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

Net financing costs incurred in funding the Australia Pacific LNG project	(45)	14	(164)	48
LNG pre-production costs not able to be capitalised	(7)	2	(44)	6
	<b>(52)</b>	<b>16</b>	<b>(208)</b>	<b>54</b>

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

Gain on sale of Rimu, Kauri and Manutahi (RKM)	1	-	-	-
Gain on sale of Mortlake Pipeline	88	(26)	-	-
Gain on sale of Surat Basin	2	(1)	-	-
Gain on sale of Cullerin Range Wind Farm	12	(4)	-	-
Loss on sale of OTP Geothermal Pte Ltd	(1)	-	-	-
Gain on sale of Contact Energy	-	-	14	-
<b>Disposals</b>	<b>102</b>	<b>(31)</b>	<b>14</b>	<b>-</b>
<i>Integrated Gas</i>				
Share of Australia Pacific LNG impairment of non-current assets	(1,031)	-	-	-
Browse Basin	(825)	247	-	-
Assets held for sale	(243)	73	-	-
BassGas	-	-	(61)	18
Surat Basin	-	-	30	(9)
<i>Corporate</i>				
Investment in Energia Austral SpA	(114)	-	-	-
IT transformation	-	-	(94)	29
Investment in Energia Andina S.A.	-	-	(86)	-
Investment in OTP Geothermal Pte Ltd	-	-	(71)	-
<b>Impairments</b>	<b>(2,213)</b>	<b>320</b>	<b>(282)</b>	<b>38</b>
Integration & transformation costs	-	-	(3)	1
Restructure costs	(16)	4	(55)	16
Corporate transaction costs	(10)	3	(2)	1
De-recognition of New Zealand tax losses forecast to be no longer available post IPO	-	(21)	-	-
<b>Business restructuring</b>	<b>(26)</b>	<b>(14)</b>	<b>(60)</b>	<b>18</b>
<b>Total disposals, impairments and business restructuring</b>	<b>(2,137)</b>	<b>275</b>	<b>(328)</b>	<b>56</b>

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

A1 Segments (continued)

A1.2 Segment Assets and Liabilities

Million as at	Energy Markets		Integrated Gas		Corporate		Total continuing operations		Contact Energy assets and liabilities held for sale		Other assets and liabilities held for sale		Total assets and liabilities held for sale <sup>(2)</sup>		Consolidated	
	31 Dec 2016	30 June 2016	31 Dec 2016	30 June 2016	31 Dec 2016	30 June 2016	31 Dec 2016	30 June 2016	31 Dec 2016	30 June 2016	31 Dec 2016	30 June 2016	31 Dec 2016	30 June 2016	31 Dec 2016	30 June 2016
<b>Assets</b>																
Segment assets	12,396	12,133	970	4,431	132	118	13,498	16,682	-	-	2,344	318	2,344	318	15,842	17,000
Investments accounted for using the equity method (refer to note C1)	-	-	6,494	5,945	-	-	6,494	5,945	-	-	9	152	9	152	6,503	6,097
Cash, funding related derivatives and tax assets			3,837	4,848	804	952	4,641	5,800	-	-	266	1	266	1	4,907	5,801
<b>Total assets</b>	<b>12,396</b>	<b>12,133</b>	<b>11,301</b>	<b>15,224</b>	<b>936</b>	<b>1,070</b>	<b>24,633</b>	<b>28,427</b>	<b>-</b>	<b>-</b>	<b>2,619</b>	<b>471</b>	<b>2,619</b>	<b>471</b>	<b>27,252</b>	<b>28,898</b>
<b>Liabilities</b>																
Segment liabilities	(2,241)	(2,247)	(807)	(1,293)	(452)	(380)	(3,500)	(3,920)	-	-	(668)	(46)	(668)	(46)	(4,168)	(3,966)
Financial liabilities, interest-bearing liabilities, funding related derivatives and tax liabilities			(7,391)	(6,905)	(2,688)	(3,497)	(10,079)	(10,402)	-	-	(23)	-	(23)	-	(10,102)	(10,402)
<b>Total liabilities</b>	<b>(2,241)</b>	<b>(2,247)</b>	<b>(8,198)</b>	<b>(8,198)</b>	<b>(3,140)</b>	<b>(3,877)</b>	<b>(13,579)</b>	<b>(14,322)</b>	<b>-</b>	<b>-</b>	<b>(691)</b>	<b>(46)</b>	<b>(691)</b>	<b>(46)</b>	<b>(14,270)</b>	<b>(14,368)</b>
Acquisitions of non-current assets (includes capital expenditure) <sup>(1)</sup>	142	223	240	383	7	15	389	621	-	7	59	25	59	32	448	653

(1) The Integrated Gas segment includes \$226 million of cash contributions to Australia Pacific LNG. 2015 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) Further details of held for sale amounts are included in note C3.

# Origin Energy Limited and its Controlled Entities

## Notes to the interim financial statements

### A2 Income

for the half year ended 31 December	2016 \$million <sup>(1)</sup>	2015 \$million <sup>(1)</sup>
<b>Income from continuing operations</b>		
Revenue <sup>(2)</sup>	6,083	5,629
Net gain on sale of assets	99	-
Other	11	2
<b>Other income</b>	<b>110</b>	<b>2</b>
Interest earned from other parties	-	1
Interest earned on Australia Pacific LNG MRCPS (refer to note C1)	108	92
<b>Interest income<sup>(3)</sup></b>	<b>108</b>	<b>93</b>

(1) Excludes amounts classified as discontinued operations. Refer to note C3.

(2) Revenue from the sale of oil and gas by the Integrated Gas and Other Discontinued Operations segments is recognised when title to the commodity passes to the customer. Revenue from the sale of electricity and gas by the Energy Markets segment is recognised on delivery of the product.

(3) Interest income is recognised as it accrues.

### A3 Expenses

for the half year ended 31 December	2016 \$million <sup>(1)</sup>	2015 \$million <sup>(1)</sup>
<b>Expenses from continuing operations</b>		
Raw materials and consumables used	4,804	4,287
Labour	315	370
Depreciation and amortisation	167	171
Impairment of assets	939	251
Decrease in fair value of financial instruments	48	18
Net foreign exchange (gain)/loss	(107)	44
Other	347	369
<b>Expenses</b>	<b>6,513</b>	<b>5,510</b>
Interest charged by other parties	47	30
Impact of discounting on long term provisions	1	2
Interest expense related to Australia Pacific LNG funding	239	256
<b>Interest expense</b>	<b>287</b>	<b>288</b>
Financing costs capitalised	1	31

(1) Excludes amounts classified as discontinued operations. Refer to note C3.

### A4 Income tax expense

for the half year ended 31 December	2016 per cent	2015 per cent
Effective statutory tax rate for continuing operations	7	(26)

The 31 December 2016 effective statutory tax rate for continuing operations of 7% is different to the restated comparative period (26%) and the corporate rate of 30% primarily due to the non-deductible impairment of both international investments and the investment in Australia Pacific LNG.

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

**A5 Results of equity accounted investees**

<b>\$million</b>		Share of interest, tax, depreciation and amortisation (ITDA)	Share of net profit/(loss)
<b>for the half year ended 31 December 2016</b>			
Australia Pacific LNG <sup>(1)</sup>	(1,146)	42	(1,104)
<b>Total</b>	<b>(1,146)</b>	<b>42</b>	<b>(1,104)</b>

Group's share of Australia Pacific LNG's items excluded from underlying consolidated profit <sup>(1)</sup>	1,473	(442)	1,031
<b>Total excluding Group's share of Australia Pacific LNG's items excluded from underlying consolidated profit<sup>(2)</sup></b>	<b>327</b>	<b>(400)</b>	<b>(73)</b>

<b>\$million</b>			
<b>for the half year ended 31 December 2015</b>			
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>

(1) Detailed further in note C1.

(2) 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**

<b>for the half year ended 31 December</b>	<b>2016</b>	<b>2015</b>
<b>Earnings per share based on statutory consolidated loss</b>		
Basic earnings per share	(95.6) cents	(18.1) cents
Diluted earnings per share	(95.6) cents	(18.1) cents
Basic earnings per share from continuing operations	(85.3) cents	(14.1) cents
Diluted earnings per share from continuing operations	(85.3) cents	(14.1) cents
Basic earnings per share from discontinued operations	(10.3) cents	(4.0) cents
Diluted earnings per share from discontinued operations	(10.3) cents	(4.0) cents
<b>Earnings per share based on underlying consolidated profit<sup>(1)</sup></b>		
Underlying basic earnings per share	10.5 cents	18.1 cents
Underlying diluted earnings per share	10.5 cents	18.1 cents

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

**Calculation of earnings per share**

Basic earnings per share is calculated as profit for the period attributable to the parent (2016: \$1,677 million loss; 2015: \$254 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 (2016: \$1,496 million loss; 2015: \$198 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 (2016: 1,757,916,870; 2015: 1,407,518,327) 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 (2016: 3,975,222; 2015: 720,324). Due to the statutory loss attributable to the parent for the half years ended 31 December 2016 and 2015, the effect of these instruments and the impact of the rights issue has been excluded from the 31 December 2016 and 2015 calculation of diluted earnings per share and diluted earnings per share from continuing operations as their inclusion would reduce the loss per share.

**A7 Dividends**

	<b>2016</b>	<b>2015</b>
	<b>\$million</b>	<b>\$million</b>
Nil final dividend (2015: Final dividend of 25 cents per share, unfranked, paid 28 September 2015)	-	277

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**

as at	31 Dec 2016 \$million	30 June 2016 \$million
<b>Other financial assets</b>		
<i>Current</i>		
Environmental scheme certificates	455	261
Available-for-sale financial assets	63	51
	<b>518</b>	<b>312</b>
<i>Non-current</i>		
Available-for-sale financial assets	119	95
Mandatorily Redeemable Cumulative Preference Shares issued by Australia Pacific LNG (refer to note C1) <sup>(1)</sup>	3,837	4,848
	<b>3,956</b>	<b>4,943</b>

(1) The A\$4.8 billion Mandatorily Redeemable Cumulative Preference Shares (MRCPS) were cancelled on 1 July 2016 and replaced with US\$2.8 billion of MRCPS and US\$0.8 billion capital contribution.

**Other financial liabilities**

<i>Current</i>		
Environmental scheme surrender obligations	526	270
Other financial liabilities	118	105
	<b>644</b>	<b>375</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><i>Instrument</i></b>	<b><i>Fair Value Methodology</i></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	The valuation models for long term electricity derivatives 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. The 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. The valuation models for short-term electricity derivatives include premiums for lack of volume in the market relative to the size of the instruments being valued.
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 \$million	Level 2 \$million	Level 3 \$million	Total \$million
<b>as at 31 December 2016</b>				
Derivative financial assets	125	1,052	321	1,498
Environmental scheme certificates	455	-	-	455
Available-for-sale financial assets	182	-	-	182
<b>Total financial assets carried at fair value</b>	<b>762</b>	<b>1,052</b>	<b>321</b>	<b>2,135</b>
Derivative financial liabilities	(2)	(875)	(409)	(1,286)
Environmental scheme surrender obligations	(526)	-	-	(526)
<b>Total financial liabilities carried at fair value</b>	<b>(528)</b>	<b>(875)</b>	<b>(409)</b>	<b>(1,812)</b>
<b>as at 30 June 2016</b>				
Derivative financial assets	115	1,022	250	1,387
Environmental scheme certificates	261	-	-	261
Available-for-sale financial assets	146	-	-	146
<b>Total financial assets carried at fair value</b>	<b>522</b>	<b>1,022</b>	<b>250</b>	<b>1,794</b>
Derivative financial liabilities	(3)	(717)	(348)	(1,068)
Environmental scheme surrender obligations	(270)	-	-	(270)
<b>Total financial liabilities carried at fair value</b>	<b>(273)</b>	<b>(717)</b>	<b>(348)</b>	<b>(1,338)</b>

The consolidated entity recognises transfers between levels of the fair value hierarchy as of the beginning of the reporting period during which the transfer occurred. There were no transfers during the period.

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 2016</b>	(98)
Net gain recognised in other comprehensive income	13
Net loss realised in revenue line	(31)
Net loss realised in cost of sales	(98)
Net loss from financial instruments at fair value	(30)
Cash settlements on existing instruments	156
<b>Balance as at 31 December 2016</b>	<b>(88)</b>

Following the announcement to divest the conventional upstream assets (refer note C3), a cash flow hedge was de-designated as the underlying forecast transaction no longer met the highly probable criteria of hedge accounting requirements.

## 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.

**Liquidity premium:** A premium was applied to allow for the lack of volume in the market relative to the size of the instruments being valued.

**Lower strike premium:** A premium was applied to allow for instances where instruments have lower strike prices compared to strike prices associated with the observable market prices.

**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	2016		2015	
	Effect on profit or loss		Effect on profit or loss	
	Increase	Decrease	Increase	Decrease
	\$million		\$million	
Long term electricity derivative assets	60	(60)	30	(30)
Long term electricity derivative liabilities	59	(59)	58	(58)
Short term electricity derivative assets	11	(11)	-	-
Oil derivative assets	-	-	(28)	40

## Origin Energy Limited and its Controlled Entities

### Notes to the interim financial statements

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

##### 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:

	31 December
as at	2016 \$million
<b>Derivative assets</b>	
Opening balance - gain	72
Transfers to liabilities	(29)
Recognised in the interim income statement	(1)
Closing balance - gain	42
<b>Derivative liabilities</b>	
Opening balance - gain	34
Transfers to assets	29
Recognised in the interim income statement	(26)
Closing balance - gain	37

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 2016 \$million	30 Jun 2016 \$million	31 Dec 2016 \$million	30 Jun 2016 \$million
<b>Assets</b>					
Other financial assets	2	3,837	4,848	3,278	5,128
<b>Liabilities</b>					
Bank loans - unsecured	2	1,570	726	1,522	764
Capital markets borrowings - unsecured	2	7,747	8,772	8,085	8,642
		<b>9,317</b>	<b>9,498</b>	<b>9,607</b>	<b>9,406</b>

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 31 December 2016 \$million	12 months to 30 June 2016 \$million
<b>Issued and paid-up capital</b>		
1,754,891,624 (June 2016: 1,753,335,764) ordinary shares, fully paid	7,150	7,150
Ordinary share capital at the beginning of the period	7,150	4,599
Shares issued:		
• Nil (June 2016: 636,086,881) shares under a rights issue	-	2,509
• Nil (June 2016: 6,483,666) shares in accordance with the Dividend Reinvestment Plan	-	42
• 1,555,860 (June 2016: 1,136,313) shares in accordance with the Equity Incentive Plan	-	-
<b>Total movements in ordinary share capital</b>	<b>-</b>	<b>2,551</b>
<b>Ordinary share capital at the end of the period</b>	<b>7,150</b>	<b>7,150</b>

**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 (%)	
			2016	2015
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 <sup>(4)</sup>	31 December	Singapore	-	50.0
PNG Energy Developments Limited	31 December	PNG	50.0	50.0
Venn Energy Trading Pte Limited	31 March	Singapore	50.0	50.0

(1) 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.

(2) 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.

(3) 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.

(4) OTP Geothermal Pte Ltd is a separate legal entity. On 16th August 2016 the Group sold its interest in OTP Geothermal Pte Ltd.

## 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

Australia Pacific LNG's second LNG train commenced production during the period, with revenue recognition for the second train commencing in November 2016. A summary of Australia Pacific LNG's financial performance for the periods ended 31 December 2016 and 31 December 2015, and its financial position as at 31 December 2016 and 30 June 2016 follows:

\$million for the half year ended 31 December	2016		2015	
	Total APLNG	Origin interest	Total APLNG	Origin interest
Operating revenue	1,475		229	
Operating expenses	(603)		(180)	
<b>EBITDA</b>	<b>872</b>	<b>327</b>	<b>49</b>	<b>18</b>
Depreciation and amortisation expense	(770)		(182)	
Interest income	2		3	
Interest expense	(393)		(19)	
Income tax benefit	90		44	
<b>Underlying result for the period</b>	<b>(199)</b>	<b>(75)</b>	<b>(105)</b>	<b>(40)</b>
Elimination of MRCPS depreciation <sup>(1)</sup>	-	2	-	-
<b>Total underlying result for the period</b>	<b>(199)</b>	<b>(73)</b>	<b>(105)</b>	<b>(40)</b>
<b>Items excluded from segment result:</b>				
Impairment of non-current assets	(2,749)	(1,031)	-	-
Net foreign exchange loss	-	-	(7)	(3)
Tax expense on translation of foreign denominated tax balances	-	-	(30)	(11)
Pre-production costs not able to be capitalised	-	-	(61)	(23)
Restructure costs	-	-	(7)	(2)
<b>Total items excluded from segment result</b>	<b>(2,749)</b>	<b>(1,031)</b>	<b>(105)</b>	<b>(39)</b>
<b>Net loss for the period</b>	<b>(2,948)</b>	<b>(1,104)</b>	<b>(210)</b>	<b>(79)</b>
Other comprehensive income	-	-	170	63
<b>Total comprehensive loss</b>	<b>(2,948)</b>	<b>(1,104)</b>	<b>(40)</b>	<b>(16)</b>

(1) The interest on the Mandatorily Redeemable Cumulative Preference Shares (MRCPS) was capitalised by Australia Pacific LNG prior to commencement of revenue recognition. As the project is now operational, previously capitalised interest is being unwound through depreciation. The proportion of the unwind attributable to Origin's share is eliminated as Origin had previously eliminated the impact of the capitalised interest through the equity investment balance.

#### Impairment of investment

\$million

for the half year ended 31 December

Share of Australia Pacific LNG impairment of non-current assets

2016

2015

1,031

-

# 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)

##### Impairment of investment (continued)

The carrying amount of the Group's equity accounted investment in Australia Pacific LNG (APLNG) is reviewed at each reporting date to determine whether there is any indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made.

APLNG has performed its own impairment assessment at 31 December 2016 and determined that an impairment of US\$2,888 million (A\$3,927 million) pre-tax should be recognised. As a result, the Group has taken up its 37.5% share (A\$1,031 million post-tax) of the impairment recognised by APLNG. This is recorded within the results from equity accounted investees in the Interim Income Statement.

The Group's own assessment of the carrying value of its equity accounted investment in APLNG identified no additional impairment. The Group's share of the impairment recognised by APLNG is due to a change in a number of assumptions but principally a significant increase in USD interest rates impacting APLNG's underlying risk free and base rates by 0.9%.

The APLNG valuation is determined based on an assessment of fair value less costs of disposal (based on level 3 fair value hierarchy). Key assumptions in APLNG's valuation are reserves, future production profiles, commodity prices, operating costs and any future development costs necessary to produce the reserves.

Estimated unconventional reserve quantities in APLNG are based upon interpretations of geological and geophysical models and assessment of the technical feasibility and commercial viability of producing the reserves. Reserve estimates are prepared which conform to guidelines prepared by the Society of Petroleum Engineers. These assessments require assumptions to be made regarding future development and production cost, commodity prices, exchange rates and fiscal regimes. The estimates of reserves may change from period to period as the economic assumptions used to estimate the reserves can change from period to period, and as additional geological data is generated during the course of operations. Estimated reserve quantities include a Probabilistic Resource Assessment approach.

Estimates of future commodity prices are based on APLNG's best estimate of future market prices with reference to external industry and market analysts' forecasts, current spot prices and forward curves. Future commodity prices for impairment testing are reviewed 6 monthly. Where volumes are contracted, future prices are based on the contracted price.

Oil prices (Brent oil Nominal, US\$/bbl) used by APLNG in its impairment assessment were:

##### 31 December 2016

2017	2018	2019	2020	2021 <sup>(1)</sup>
59	59	69	74	77

<sup>(1)</sup> Escalated at 2.1% from 2021

Forecasts of the foreign exchange rate for foreign currencies, where relevant, are estimated with reference to observable external market data and forward values, including analysis of broker and consensus estimates.

The future estimated AUD/USD rates applied by APLNG are represented below:

##### 31 December 2016

2017	2018	2019	2020	2021
0.72	0.71	0.71	0.70	0.70

The pre-tax discount rate, determined as APLNG's weighted average cost of capital, adjusted for risks where appropriate, that has been applied is 10.2% (30 June 2016: 9.0%).

In the event that future circumstances vary from these assumptions, the recoverable amount of the investment could change materially and result in further impairment losses or the reversal of previous impairment losses.



**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)**

\$million as at	31 December 2016	30 June 2016
<b>Summary statement of financial position of Australia Pacific LNG</b>		
Cash and cash equivalents	624	286
Other current assets	527	584
<b>Current assets</b>	<b>1,151</b>	<b>870</b>
Receivables from shareholders	310	-
Property, plant and equipment	37,966	40,011
Exploration, evaluation and development assets	537	1,354
Other non-current assets	1,630	379
<b>Non-current assets</b>	<b>40,443</b>	<b>41,744</b>
<b>Total assets</b>	<b>41,594</b>	<b>42,614</b>
Bank loans - secured	829	360
Other current liabilities	830	890
<b>Current liabilities</b>	<b>1,659</b>	<b>1,250</b>
Bank loans - secured	10,598	10,742
Payable to shareholders	10,231	12,927
Other non-current liabilities	1,378	1,463
<b>Non-current liabilities</b>	<b>22,207</b>	<b>25,132</b>
<b>Total liabilities</b>	<b>23,866</b>	<b>26,382</b>
<b>Net assets</b>	<b>17,728</b>	<b>16,232</b>
Group's interest of 37.5 per cent	6,649	6,087
Group's own costs	25	25
Mandatorily Redeemable Cumulative Preference Shares elimination <sup>(1)</sup>	(180)	(167)
<b>Investment in Australia Pacific LNG Pty Ltd</b>	<b>6,494</b>	<b>5,945</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 own interest (37.5 per cent) is eliminated through the equity accounted investment balance as Australia Pacific LNG capitalises a portion of interest expense associated with the MRCPS.

# 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)

In calculating Origin's return on capital employed, an adjustment is made to the carrying value of the Australia Pacific LNG equity accounted investment as noted below.

	31 December 2016 \$million	30 June 2016 \$million
Investment in Australia Pacific LNG Pty Ltd	6,494	5,945
Less: Non-cash fair value uplift <sup>(1)</sup>	(860)	(1,923)
<b>Adjusted investment in Australia Pacific LNG Pty Ltd</b>	<b>5,634</b>	<b>4,022</b>

(1) Non-cash fair value uplift represents the increase in Origin's equity accounted investment in Australia Pacific LNG arising from the partly paid shares issued to ConocoPhillips (CoP) in October 2009 and the dilution impact of subsequent share issues to Sinopec (August 2011 and July 2012).

In the initial years, Origin was not required to make an equivalent contribution and instead recorded a non-cash fair value uplift to its investment in Australia Pacific LNG. The amount is being reduced by the \$1,031 million impairment during the period. The equity contributions made by CoP and Sinopec to Australia Pacific LNG were used to fund construction of the LNG Project assets, which will be depreciated over their useful lives (approximately 30 years).

In each period Origin's equity accounted share of Australia Pacific LNG's earnings will include a depreciation charge referable to the non-cash fair value uplift. When these earnings are reflected in Origin's investment balance this depreciation amount will reduce the remaining balance of the non-cash fair value uplift.

The 31 December 2016 balance includes an estimated depreciation charge of \$32 million (30 June 2016: \$22 million) associated with the non-cash fair value uplift described above.

### C2 Changes in controlled entities

#### 2016

There were no significant business combinations during the period.

#### Changes in controlled entities

Sagasco South East Inc was deregistered on 10 October 2016.

Cullerin Range Wind Farm Pty Ltd was sold during the half year ended 31 December 2016.

Darling Downs Solar Farm Operating Holding Pty Ltd, Darling Downs Solar Farm Asset Holding Pty Ltd, Darling Downs Solar Farm Asset Pty Ltd and Darling Downs Solar Farm Operating Pty Ltd were incorporated during the half year ended 31 December 2016.

#### 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.

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

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

On 6 December 2016 the Group announced its intention to divest the conventional upstream assets by way of an initial public offering. The associated earnings, along with those from the Darling Downs Pipeline, have been classified as discontinued operations in the Interim Income Statement and all related note disclosures for the current and comparative period. The earnings of Contact Energy, prior to the Group's sale of its investment on 10 August 2015, were also classified as discontinued operations in the comparative period.

<b>for the half year ended 31 December</b>	<b>2016</b>	<b>2015</b>
<b>Results of discontinued operations</b>	<b>\$million</b>	<b>\$million</b>
Revenue	238	501
Net gain on sale of assets	3	15
Expenses	(219)	(562)
Impairment	(243)	-
Net financing expense	(6)	(15)
<b>Profit/(loss) before income tax</b>	<b>(227)</b>	<b>(61)</b>
Income tax (expense)/benefit	46	12
<b>Loss after tax from discontinued operations</b>	<b>(181)</b>	<b>(49)</b>
<b>Attributable to:</b>		
Members of the parent entity	(181)	(56)
Non-controlling interest	-	7
	<b>(181)</b>	<b>(49)</b>
Financing costs capitalised	6	15
<b>Cash flows of discontinued operations</b>		
Cash flows from operating activities	105	125
Cash flows used in investing activities	(86)	(223)
Cash flows used in financing activities <sup>(1)</sup>	-	(63)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>19</b>	<b>(161)</b>

<sup>(1)</sup> Cash flows used in financing activities in the Origin Group are managed by Group Treasury on a consolidated basis and are not classified as cash flows from discontinued operations. Prior period cash flows used in financing activities relate to Contact Energy.

## 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 announced IPO of the conventional Upstream business, Stockyard Hill Wind Farm, Darling Downs Pipeline and Javiera solar project have been classified as held for sale at 31 December 2016 (June 2016: Mortlake Pipeline, Cullerin Range Wind Farm, New Zealand on-shore assets, Waitsia, Senecio, Beharra, Energia Austral SpA, OTP Geothermal Pte Ltd and Javiera solar project).

	31 December 2016 \$million	30 June 2016 \$million
<b>Assets and liabilities classified as held for sale</b>		
Cash and cash equivalents	38	-
Trade and other receivables	81	2
Inventories	71	2
Other financial assets	-	5
Other assets	12	-
Investments accounted for using the equity method	9	152
Property, plant and equipment	2,175	294
Exploration and evaluation assets	-	9
Intangible assets	5	6
Tax assets	228	1
<b>Assets classified as held for sale</b>	<b>2,619</b>	<b>471</b>
Trade and other payables	164	9
Provisions	504	37
Deferred tax liabilities	23	-
<b>Liabilities classified as held for sale</b>	<b>691</b>	<b>46</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 obligations to purchase electricity from the National Electricity Market.

	31 December 2016 \$million	30 June 2016 \$million
<b>as at</b>		
Bank guarantees - unsecured	410	398
Letters of credit - unsecured	2	2

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 (APLNG) has secured US\$8.5 billion in funding through a project finance facility. As of 31 December 2016, APLNG has drawn down US\$8.5 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. On 31 October 2016 US\$5.1 billion (37.5 per cent share being US\$1.9 billion) of shareholder guarantees were released after the project's first production train successfully satisfied lender's completion tests. The remaining US\$3.4 billion remains guaranteed at 31 December 2016 (37.5 per cent share being US\$1.3 billion).

In September 2016, APLNG made a loan to the Group of \$US96 million and receipt of this \$US96 million from APLNG is shown as a current payable to joint ventures in the Statement of Financial Position. The loan was made by APLNG to the Group in accordance with the terms of the APLNG project financing facility, which allows APLNG to make a loan to a shareholder if the shareholder provides the project financiers with a letter of credit for the amount of the loan.

The Group continues to provide parent company guarantees in excess of its 37.5 per cent shareholding in Australia Pacific LNG in respect of certain historical domestic contracts.

#### 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. Where outcomes can be reasonably predicted, provisions are recorded.

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 agreed to pay cash consideration 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 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.

as at	31 December 2016 \$million <sup>(1)</sup>	30 June 2016 \$million <sup>(1)</sup>
Capital expenditure commitments	83	81
Joint venture commitments <sup>(2)</sup>	926	993

(1) Includes \$31 million (June 2016: \$27 million) of capital expenditure commitments and \$122 million (June 2016: \$139 million) of joint venture commitments relating to discontinued operations.

(2) Includes \$791 million (June 2016: \$822 million) in relation to the Group's share of Australia Pacific LNG's capital, joint venture and operating lease 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.

for the half year ended 31 December	2016 \$million	2015 \$million
-------------------------------------	-------------------	-------------------

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

Investment in equity accounted investees <sup>(1)</sup>	(1,116)	-
Reduction in loan to equity accounted investees <sup>(1)</sup>	1,116	-
Issue of shares in respect of the Dividend Reinvestment Plan	-	26
	-	26

(1) Relates to non-cash movement in relation to cancellation of MRCPS and capital contribution as disclosed in note B1.

#### D4 Subsequent events

No item, transaction or event of a material nature has arisen since 31 December 2016 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 2016 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:



Gordon M Cairns, Chairman  
*Director*

Sydney, 16 February 2017



## **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 2016, 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.

### *Responsibility of the Directors 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 for the review of the interim financial report*

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 2016 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 2016 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 handwritten signature of 'KPMG' in black ink, written in a cursive style.

KPMG

A handwritten signature of 'Duncan McLennan' in black ink, written in a cursive style.

Duncan McLennan  
*Partner*

Sydney

16 February 2017

## **Directors' Report for the six months ended 31 December 2016**

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 2016 ("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 2016 and up until the date of this Report are as follows:

Gordon M Cairns (Chairman)

Frank G Calabria (Managing Director & Chief Executive Officer) (appointed 19 October 2016)

Grant A King (Managing Director) (retired 19 October 2016)

John H Akehurst

Maxine N Brenner

Bruce W D Morgan

Helen M Nugent

Scott R Perkins

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 not to pay an interim dividend for the half year ended 31 December 2016.

### **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 2016.

### **Rounding**

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that class order, amounts in the financial report 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, 16 February 2017



***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 interim period ended 31 December 2016 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 in black ink, appearing to read 'D McLennan'.

Duncan McLennan  
*Partner*

Sydney

16 February 2017