# ORIGIN ENERGY

## Operating and Financial Review

## For the half year ended 31 December 2016

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

# IMPORTANT INFORMATION

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

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

This OFR and Directors’ Report refer to Origin’s financial results, including Origin’s Statutory Profit and Underlying Profit. Origin’s Statutory Profit contains a number of items that when excluded provide a different perspective on the financial and operational performance of the business. Income Statement amounts, presented on an underlying basis such as Underlying Profit, are non-IFRS financial measures, and exclude the impact of these items consistent with the manner in which the Managing Director reviews the financial and operating performance of the business. Each underlying measure disclosed has been adjusted to remove the impact of these items on a consistent basis. A reconciliation and description of the items that contribute to the difference between Statutory Profit and Underlying Profit is provided in Section 1.2 of this OFR.

Certain other non-IFRS financial measures are also included in this OFR. These non-IFRS financial measures are used internally by management to assess the performance of Origin’s business and make decisions on allocation of resources. Further information regarding the non-IFRS financial measures is included in the Glossary in Appendix 3 of this OFR. Non-IFRS measures have not been subject to audit or review. Certain comparative amounts from the prior corresponding period have been re-presented to conform to the current period’s presentation.

On 6 December 2016 Origin announced its intention to divest selected upstream conventional assets via an Initial Public Offering (IPO). On 10 August 2015, Origin divested its entire 53.09% interest in Contact Energy. The selected upstream assets and Contact Energy are treated as discontinued operations in Origin’s financial statements. Financial information in this report, unless otherwise stated, references total operations including those classified as discontinued, consistent with the way Origin management assesses performance. Note C3 of Origin’s accounts contains earnings, cash flow and statement of financial position for Discontinued Operations.

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# 1. REVIEW OF OPERATIONS

## 1.1 Results Overview

During the period Origin continued to progress its key priorities of reducing debt and improving returns:

- Completed the APLNG CSG to LNG and conventional Halladale / Speculant projects, marking the end of a multi-year expenditure program and contributing to a significant increase in production, EBITDA and cash flow in the Integrated Gas business.
- Announced intention to divest, via Initial Public Offering (IPO), selected conventional upstream assets (NewCo) to accelerate debt reduction and simplify the Integrated Gas business.
- Progressed asset sales program with the realisation of $365 million (bringing total asset sale proceeds to $483 million) from the completion of previously announced sales. Sale processes for Darling Downs pipeline and Stockyard Hill wind development are well underway. The program is on track to reach the target of $800 million.
- Successfully executed its Energy Markets strategies resulting in:
    - a continuing trend of increasing earnings with higher natural gas volumes and increased volumes and margins in electricity;
    - improved customer experience and retention, and product innovation resulting in increased customer numbers and operating cost reductions;
    - growing renewable energy by contracting additional solar Power Purchase Agreement (PPA) commitments at attractive prices, providing competitive cost of energy on an ongoing basis; and
    - increased sales volumes and margins from Solar & Energy Services.
- Reduced capital expenditure and Origin contribution to APLNG following the completion of growth projects.
- Reduced operating costs with continued focus across the business on operating efficiencies and the benefits of prior head-count reductions.

Progress made during the period positions Origin well for the remainder of 2017 financial year:

- FY2017 Underlying EBITDA range has improved to $2,450 - $2,615 million, compared to the previous guidance range of $2,370 – $2,615 million (subject to market conditions).
- Remaining Origin contribution to APLNG from 1 January 2017 of $0.3 billion ($0.2 billion lower than previous guidance[1] driven by higher revenue and lower capital spend).
- Targeting Adjusted Net Debt well below $9 billion by 30 June 2017, excluding IPO proceeds should the transaction complete before the end of FY2017.

| Half year ended 31 December | 2016 ($m) | 2015 ($m) | Change ($m) |
|---|---|---|---|
| Statutory Loss | (1,677) | (254) | (1,423) |
| Underlying EBITDA | 1,145 | 868 | 277 |
| Underlying Profit | 184 | 254 | (70) |
| Operating cash flow | 495 | 468 | 27 |
| Adjusted Net Debt | 9,143 | 9,131[2] | 12 |
| Interim dividend per share - unfranked | Nil | 10.0¢ | |

2017 Half Year Highlights

- Statutory Loss of $1,677 million reflecting impairments of $1,893 million relating to Origin's investments in APLNG, conventional upstream exploration assets held for sale, the Browse Basin and Energía Austral SpA.
- Underlying EBITDA up $277 million with an increased contribution from all business segments.

[1] Previous guidance of Origin's remaining contribution to APLNG was $0.6 billion from 1 July 2016 less $124 million contributed in the six months to 31 December 2016.
[2] Adjusted Net Debt as at 30 June 2016.

- Underlying profit of $184 million, down $70 million driven by a lower contribution from APLNG due to low oil prices resulting in insufficient LNG revenue to cover increased ITDA (interest, tax, depreciation and amortisation).
- Operating cash flow of $495 million, up $27 million. Lower net cash flow from operating and investing activities (NCOIA) due to the sale of Contact in the prior period.
- Adjusted net debt flat at $9.1 billion, targeting debt reduction in 2H FY2017.
- The Board has determined to not pay an interim dividend in respect of earnings for the first half of the financial year.

## 1.2 Statutory results

| Half year ended 31 December | 2016 ($m) | 2015 ($m) | Movement ($m) |
|---|---|---|---|
| **Statutory Loss** | **(1,677)** | **(254)** | **(1,423)** |
| **Statutory earnings per share** | **(95.6¢)** | **(18.1¢)** | **(77.5¢)** |
| Items Excluded from Underlying Profit | | | |
| Fair value and foreign exchange movements[3] | 37 | (82) | 119 |
| LNG items pre revenue recognition3 | (36) | (154) | 118 |
| Disposals, impairments and business restructuring3 | (1,862) | (272) | (1,590) |
| Total Items Excluded from Underlying Profit | (1,861) | (508) | (1,353) |
| **Underlying Profit** | **184** | **254** | **(70)** |

Statutory loss of $1,677 million reflects an Underlying Profit of $184 million and Items excluded from Underlying Profit of -$1,861 million including impairment of $1,893 million relating to:

- Origin's share of impairment following APLNG's review of asset carrying values ($1,031 million)

  In determining the carrying value of its assets, APLNG considers a range of project and macro assumptions – including oil price, AUD/USD exchange rates, discount rates and costs. The cumulative net effect of these has reduced the valuation over time but had not warranted a revision by APLNG of the carrying value of its assets until now. Since the last assessment at 30 June 2016, there has been a change in a number of relevant assumptions but principally an increase in US dollar interest rates which caused an increase in the discount rate from 9.0 per cent to 10.2 per cent (pre-tax) .As a result, APLNG is now recognising an impairment.

  Origin's own assessment of the carrying value of its equity accounted investment in APLNG identified that no further impairment was required, based on the same discount rate as APLNG and using Brent oil price consistent with the forward curve at 31 December 2016 for the short term, stepping up to US$71/bbl (real) from FY2021 and an AUD/USD exchange rate consistent with the 31 December 2016 forward curve and a long term rate of 0.70 from FY2021. Origin's valuation of its investment in APLNG is sensitive to changes in these assumptions which could impact the financial statements in the future.

- The impairment of the Browse Basin ($578 million) following an assessment of the likely timing and potential commercialisation of the resource. Based on new information, Origin has formed the view that the Caldita-Barossa fields are now the lead prospects to be developed to backfill Darwin LNG and other commercialisation alternatives are unlikely in the near term.

[3] Aggregation of items excluded from Underlying Profit has changed from the prior period

- Upstream exploration assets held for sale ($170 million). Following a review of the carrying value of the assets to be included in the proposed Initial Public Offering of our conventional gas assets (announced in December 2016) an impairment of exploration assets that primarily offer low growth has been recognised.

- International Development asset Energia Austral SpA in Chile ($114 million). After an extended sale process, the impairment reflects the reduced prospects of an asset sale proceeding.

Movements in Statutory earnings per share reflect movements in earnings and the effect of a higher weighted average number of shares following the entitlement offer completed during October 2015.

Underlying Profit is derived from Statutory Profit and excludes certain items to provide a more representative view of the ongoing performance of the business. Items Excluded from Underlying Profit are classified into the following categories:

**Fair value and foreign exchange movements ($37 million post-tax)**:
- Non-cash loss due to the appreciation of the forward oil price following the purchase of oil put options and collars to reduce exposure to low oil prices partly offset by movement into underlying earnings of put option expense[4] (-$18 million);
- Financial instruments impacting Energy Markets including environmental certificates (+$36 million);
- Foreign exchange movements relating to LNG (+$11 million); and
- Non-cash gain due to higher variable Australian dollar interest rates resulting in a lower net liability on variable to fixed swaps (+$8 million).

**LNG related items pre revenue recognition[5] (-$36 million post-tax):**
- -$31 million net financing costs[6] on the average debt balance relating to the funding of APLNG and interest income received on Mandatorily Redeemable Cumulative Preference Shares (MRCPS). The net financing costs would otherwise be capitalised if the development project was held directly by Origin rather than via an equity accounted investment; and
- Pre-production costs not able to be capitalised ($5 million).

**Disposals, impairments and business restructuring (-$1,862 million post-tax):**
- Impairment $1,893 million (as described above).
- Gains associated with the asset sales programme ($71 million).
- Business restructuring costs ($40 million) including Origin's cost reduction programs ($12 million) and tax loss write-offs associated with Origin's conventional upstream assets held for sale ($21 million).

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[4] On 22 December, 2015 Origin announced the purchase of put options over 15 million barrels of oil for the 2017 financial year. Origin has purchased put options over a further 20 million barrels for the 2018 financial year.
[5] Train 1 costs (including net financing costs) and disproportionate share of costs related to infrastructure assets, were included in Underlying Profit from 1 March, 2016 following Train 1 revenue recognition and Train 2 costs included in Underlying Profit from 5 November, 2016.
[6] A further $60 million after tax ($86 million pre tax) is included in Underlying earnings representing four months of net financing costs related to Train 1 and infrastructure assets. See Appendix 1 for further details

## 1.3 Underlying financial performance[7]

Financial information in this section, unless otherwise stated, references total operations including those classified as discontinued, consistent with the way Origin management assesses performance. Note C3 of Origin's accounts contains earnings, cash flow and balance sheet information for Discontinued Operations.

| Half year ended 31 December | 2016 ($m) | 2015 ($m) | Change (%) |
|---|---|---|---|
| Energy Markets Underlying EBITDA | 734 | 721 | 2 |
| Integrated Gas Underlying EBITDA | 442 | 137 | 223 |
| Corporate Underlying EBITDA | (31) | (51) | (39) |
| Contact Energy | - | 61 | N/A |
| **Underlying EBITDA** | **1,145** | **868** | **32** |
| Underlying depreciation and amortisation | (300) | (327) | (8) |
| Underlying share of APLNG ITDA | (400) | (57) | 602 |
| **Underlying EBIT** | **445** | **484** | **(8)** |
| Underlying net financing costs[8] | (140) | (46) | 204 |
| **Underlying Profit before income tax and non-controlling interests** | **305** | **438** | **(30)** |
| Underlying income tax expense | (120) | (170) | (29) |
| Non-controlling interests' share of Underlying Profit | (1) | (14) | (93) |
| **Underlying Profit** | **184** | **254** | **(28)** |
| Underlying earnings per share | 10.5¢ | 18.1¢ | (42) |
| Interim dividend per share - unfranked | Nil | 10.0¢ | |

Underlying EBITDA increased $277 million or 32% to $1,145 million:

- Energy Markets Underlying EBITDA increased $13 million with underlying growth from natural gas, electricity, LPG and solar & energy services partly offset by low cost ramp gas exiting the market and the impact of a planned maintenance outage at Eraring.
- Integrated Gas Underlying EBITDA increased $305 million reflecting the commencement of LNG sales (none in the prior period) from APLNG and the commencement of gas sales from Halladale/Speculant.

Depreciation and amortisation decreased $27 million to $300 million including the impacts of:

- The sale of Contact Energy in the prior period ($20 million) and lower Energy Markets ($6 million), partly offset by
- Integrated Gas (up $1 million) increased depreciation and amortisation following the commencement of production at Halladale / Speculant offset by ceasing to depreciate and amortise the conventional upstream assets held for sale from 7 December 2016.

Origin's Underlying share of APLNG ITDA increased $343 million to $400 million reflecting the commencement of LNG production.

Underlying net financing costs increased $94 million to $140 million reflecting:

- net financing costs associated with the funding of Origin's investment in APLNG moving into Underlying financing costs following commencement of LNG sales; and
- ceasing to capitalise interest associated with upstream projects (including the Browse Basin) partly offset by

[7] Refer to Glossary in Appendix 3 for definitions of terms in the table.
[8] Refer to Appendix 1 for additional detail.

- the impact of the sale of Origin's interest in Contact Energy in the prior period.

Refer to Appendix 1 for additional detail on the Underlying net financing costs.

Underlying Profit decreased $70 million or 28% to $184 million.

## 1.4 Statement of cash flows

| Half year ended 31 December | 2016 ($m) | 2015 ($m) | Change ($m) | Change (%) |
|---|---|---|---|---|
| **Total cash flow from operating activities** | **495** | **468** | **27** | **6** |
| **Cash flow from investing activities** | | | | |
| Capital expenditure | (283) | (403) | 120 | (30) |
| APLNG net contribution | (124) | (856) | 732 | (86) |
| APLNG – reserve accounts | (127) | - | (127) | N/A |
| Net disposals / (acquisitions) | 365 | 1,608 | (1,243) | (77) |
| **Total cash flow used in investing activities** | **(169)** | **349** | **(518)** | **(148)** |
| **Net cash flow from operating and investing activities (NCOIA)** | **326** | **817** | **(491)** | **(60)** |
| **Cash flow from financing activities** | | | | |
| Net proceeds/(repayment) of debt | (162) | (2,732) | 2,570 | (94) |
| APLNG – loan proceeds | 127 | - | 127 | N/A |
| Interest paid | (281) | (320) | 39 | (12) |
| Dividends paid | - | (259) | 259 | (100) |
| Proceeds from share issue | - | 2,496 | (2,496) | (100) |
| **Total cash flow from financing activities** | **(316)** | **(815)** | **499** | **(61)** |

Total cash flow from operating activities increased 6% or $27 million to $495 million. Refer to section 1.5.

Cash flow used in investing activities increased $518 million to $169 million primarily due to the sale of Contact in the prior period. Capital expenditure and Origin's net contribution to APLNG have reduced by $120 million and $732 million respectively.

APLNG – reserve accounts represents cash provided to APLNG to satisfy project finance debt service reserve account requirements ($127 million). Upon issue of a bank guarantee to APLNG by Origin, this amount was returned to Origin as a loan (classified as a financing cash flow).

Net cash from operating and investing activities (NCOIA) of $326 million in the current period along with proceeds returned from APLNG in relation to the funding of reserve accounts ($127 million) was used to meet interest payments ($281 million) and repay debt ($162 million). NCOIA decreased $491 million due to the sale of Contact in the prior period, partly offset by lower capital expenditure and Origin net contribution to APLNG in the current period.

## 1.5 Cash flows from operating activities reconciliation

The following table reconciles Underlying EBITDA to Cash Flows from operating activities.

| Half year ended 31 December | 2016 ($m) | 2015 ($m) | Change ($m) | Change (%) |
|---|---|---|---|---|
| **Underlying EBITDA** | **1,145** | **868** | **277** | **32** |
| Origin's share of APLNG EBITDA | (327) | (18) | (309) | 1,717 |
| Exploration expense | 44 | 56 | (12) | (21) |
| Oil Puts premium amortised[9] | 50 | - | 50 | N/A |
| Oil Forward Sale | (73) | (69) | (4) | 6 |
| Change in working capital | (254) | (68) | (186) | 274 |
| Oil Puts premium paid[9] | (64) | (117) | 53 | (45) |
| Insurance relating to completion of APLNG | (7) | (37) | 30 | (81) |
| Re-structuring costs | (13) | (56) | 43 | (77) |
| Other | (57) | (89) | 32 | (36) |
| Tax paid | 51 | (2) | 53 | N/A |
| **Cash flows from operating activities** | **495** | **468** | **27** | **6** |

Cash flows from operating activities increased 6% or $27 million to $495 million.

EBITDA adjusted for the non-cash impacts of the contribution from equity accounted APLNG operations, exploration expense, Oil Puts premium amortised and Oil Forward Sale increased $2 million.

Increased working capital ($186 million) primarily in the Energy Markets business driven by increased coal and gas inventory and a reduction in creditors, including the impacts of timing of gas deliveries to LNG customers and oil derivative payments. Working capital is expected to decrease in the second half of financial year 2017 relative to current levels.

Lower oil put option premium ($53 million) reflected a revised hedging strategy and improving forward oil prices.

Operational progress during the period resulted in a $106 million reduction in costs:

- Lower restructuring ($43 million) and Other ($32 million) costs primarily the result of the implementation of efficiencies and head-count reductions in the prior period
- Lower APLNG related insurance following project completion ($30 million)

[9] Origin has implemented hedging to protect its ability to reduce debt in a low oil price environment. During the prior period Origin purchased put options for $117 million covering exposure to 15 million barrels in financial year 2017. In the current period, a combination of put options and collars were purchased for $64 million covering exposure to 20 million barrels in financial year 2018. The hedging costs are amortised over the period to which the derivatives relate.

## 1.6 Financial Position and Return on Capital[10]

| As at | 31-Dec-16 ($m) | 31-Dec-15 ($m) |
|---|---|---|
| Net Assets | 12,982 | 15,084 |
| *including:* | | |
| *Investment in APLNG* | *6,494* | *6,161* |
| *MRCPS[11] issued by APLNG* | *3,837* | *4,300* |
| Non-cash fair value uplift | (860) | (1,945) |
| Adjusted net assets | 12,122 | 13,139 |
| Origin net debt | 9,274 | 9,348 |
| Net derivative liabilities | (213) | (320) |
| Origin's share of APLNG project finance | 4,285 | 4,217 |
| **Capital employed** | **25,468** | **26,384** |
| Origin's adjusted EBIT | 445 | 484 |
| Origin's equity share of APLNG interest and tax | 113 | (10) |
| Dilution depreciation adjustment | 32 | - |
| **Adjusted EBIT** | **590** | **473** |

As at 31 December 2016, Origin's capital employed of $25,468 million includes capital related to APLNG of $13,756 million, comprising the carrying value of its equity accounted investment ($6,494 million), the balance of MRCPS ($3,837 million) and Origin's share of APLNG project finance ($4,285 million) less the non-cash fair value uplift[12] ($860 million after the deduction of Origin's share of APLNG impairment) recorded on the creation of APLNG and subsequent share issues to Sinopec. APLNG is ramping up to full operations in a low oil price environment, and as a result, is yet to deliver a meaningful return on capital.

Adjusted EBIT increased $117 million to $590 million reflecting increased earnings across all Origin segments, with the commencement of LNG sales resulting in a Dilution depreciation adjustment of $32 million associated with the Non-cash fair value uplift (reducing the balance of the latter over the expected life of the assets). Lower capital employed reflects the impairments of exploration assets held for sale, upstream investment in the Browse Basin and International Development assets in Chile.

## 1.7 Funding and capital management

### Liquidity

Origin continues to hold sufficient liquidity for all foreseeable funding requirements. During the period Origin extended the maturity of $4.5 billion of syndicated bank loans by 34 months to October 2021 and redeemed the A$900 million Subordinated Notes on 22 December 2016.

As at 31 December 2016, Origin held cash and cash equivalents of $158 million ($146 million at 30 June 2016) and $5.7 billion of committed undrawn debt facilities and cash (excluding bank guarantees).

[10] Return on capital (ROCE) in respect of FY2017 remuneration will be treated consistently with the FY2016 Remuneration (REM) report.
[11] Mandatory Redeemable Preference Shares (MRCPS).
[12] Refer to definition in Appendix 6.

## Adjusted Net Debt

Between 2011 and 2015, Origin raised foreign currency denominated debt in the US and Euro markets. This foreign currency debt was hedged into either AUD or USD using cross currency interest rate swap (CCIRS) derivatives.
Accounting standards require the foreign currency debt and the linked CCIRS derivatives to be disclosed in different lines on the Statement of Financial Position (Balance Sheet). Foreign currency debt is translated at the current market spot rate and classified as interest-bearing liabilities, whilst the associated CCIRS derivatives are measured at current market rates (fair value) and are classified as either derivative assets or derivative liabilities on the Statement of Financial Position. It is the combination of the interest-bearing liabilities and the derivative assets or derivative liabilities that reflect the Company's adjusted net debt position or the quantum of funds the Company is required to repay upon maturity of the debt.

As at 31 December 2016, Origin's interest bearing liabilities on the Statement of Financial Position were $9,432 million. The associated CCIRS was a net derivative asset of $131 million on the Statement of Financial Position. Adjusted Net Debt of $9,143 million increased $12 million compared to the prior period. Refer to Appendix 2 for additional detail.

| As at | 31 December 2016 ($m) | 30 June 2016 ($m) |
|---|---|---|
| Total interest bearing liabilities | 9,432 | 9,616 |
| Less: cash and cash equivalents | (158) | (146) |
| **Net Debt** | **9,274** | **9,470** |
| Fair value adjustments on FX hedging transactions | (131) | (339) |
| **Adjusted Net Debt** | **9,143** | **9,131** |

## Interest rates

Origin's Statutory average interest rate incurred on debt for the current period was 6.5%, consistent with the prior period. The average interest rate reflected in the Underlying finance costs was 6.4% compared to 5.6% in the prior period. During the period Underlying net financing costs included a portion of the costs associated with the funding of Origin's investment in APLNG following commencement of LNG sales. The funding of this investment included hybrid debt incurring a higher interest rate relative to the portfolio average, resulting in a higher underlying interest rate.

Underlying net financing costs used to calculate the Underlying average interest rate include interest on Origin's Australian Dollar, US Dollar and New Zealand Dollar debt obligations. Origin's New Zealand Dollar debt obligations were converted to Australian Dollar obligations following the sale of Contact Energy in August 2015.

Approximately 61% of Origin's consolidated debt obligations are fixed to 30 June 2017 at an average rate of 6.2% including margin.

## APLNG Debt

The total amount drawn down by APLNG from its project finance facility during the period was nil. Interest on the project finance facility of US$38 million has been capitalised during the current period and US$130 million has been recorded in the Income Statement. At 31 December 2016, US$8,462 million of the total US$8,500 million project finance facility had been drawn.

### APLNG Funding

Origin's capital contributions to APLNG were previously made via subscription for AUD Mandatory Redeemable Cumulative Preference Shares (MRCPS) issued by APLNG or ordinary equity investment. On 1 July 2016 APLNG adopted US dollar functional currency for accounting and reporting purposes. At that time APLNG's MRCPS facility of A$12.9 billion (Origin share A$4.8 billion) was repaid and cancelled. This was funded by the issue of new USD denominated MRCPS of US$7.4 billion (Origin share US$2.8 billion) and capital contributions of US$2.2 billion (Origin share US$0.8 billion). No new cash contributions were made by shareholders as part of these changes.

During the period Origin's investment in APLNG was via capital contribution. Origin has a US$2.8 billion MRCPS receivable as at 31 December 2016. The USD MRCPS earn an effective interest rate of 6.37% per annum. Origin plans to manage the income statement impact of foreign exchange rate gains or losses related to its US dollar denominated MRCPS receivable against exposure to its existing US dollar denominated debt portfolio. Any residual foreign exchange impact will be disclosed outside of underlying earnings.

### Share capital

During the current period, Origin issued an additional 1.6 million shares under incentive plans and the total number of shares on issue was 1,755 million at 31 December 2016.

The weighted average number of shares used to calculate basic EPS at 31 December 2016 increased by 347 million to 1,754 million from 1,407 million at 31 December 2015.

## 1.8 Interim dividend –Nil

As a result of Origin's primary focus on reducing debt, the Board has determined not to pay a dividend in respect of earnings for the first half of the financial year.

# 2. PROSPECTS AND OUTLOOK FOR FUTURE FINANCIAL YEARS

## 2.1 Prospects

Origin recently announced the decision to focus on its Energy Markets business and simplified Integrated Gas business. There are three pillars to Origin's strategy built on the foundation of a high performance culture:

1. Reducing debt and improving returns
2. Leadership in Energy Markets – market leading customer experience, growth through renewables and gas, and new energy solutions
3. Leadership in Integrated Gas - largest developer and operator of unconventional gas resources in Australia

### Reducing debt and improving returns

- **Maximise earnings and operating cash flow**

  Continue the strong performance in the Energy Markets business and increase production, improve operational and capital efficiency in Integrated Gas. Continue to reduce costs through operational improvement programs across all areas of the Company.
- **Limit capital spend**

  Capital expenditure (excluding APLNG) is predominantly limited to maintaining existing assets and meeting joint venture and permit commitments and investing in digital capability to improve customer experience and increase operating efficiency.
- **Complete the planned IPO of the conventional upstream business**

  The successful completion of the transaction will focus the business, accelerate debt reduction and reduce ongoing capital spend, while retaining gas integration benefits through contractual arrangements with NewCo. The IPO is targeted for 2017.
- **Continue to deliver on the asset sales program**

  The sale of infrastructure, wind and geothermal assets totalling $483 million have been completed, with the Darling Downs pipeline and Stockyard Hill wind development processes well underway and targeted to complete by the end of FY2017. The program is on track to reach the target of $800 million.

### Leadership in Energy Markets

Energy Markets continues to advance key elements of its strategy spanning customers, the integrated wholesale portfolio and new energy solutions, with a vision to become Australia's most trusted energy solutions provider.

The Australian energy market is currently, and expected to continue to be, characterised by a combination of increased amounts of renewable energy entering the market, coal plant closures, and increased natural gas demand driven by the ramp up of LNG exports. This has created a tightening supply/demand balance and increased wholesale prices and volatility in both gas and electricity markets. Origin's integrated portfolio is well positioned in this environment to deliver a competitive cost of energy in both electricity and gas and benefit from volume and duration of gas supply.

Origin is growing its renewable energy supply by actively contracting solar and wind PPA's at prices well below the average of recent years. During the period Origin has executed 275 MW of renewable PPA's. Origin's total PPA portfolio comprises 732 MW commenced to date, 375 MW signed but not yet commenced, and approximately 600 MW being progressed relating to Darling Downs Solar Farm and Stockyard Hill Wind Farm. This growth in renewable supply is expected to benefit Origin's portfolio in the medium term, lowering its average cost of energy.

These trends of increasing wholesale prices and volatility are expected to improve Origin's competitive position compared to retailers with less integrated and flexible portfolios. Origin's short energy and long capacity position, combined with a short REC portfolio, means that Origin's existing generation assets will not be stranded through its growing renewable position, and the gas peaking fleet in particular will benefit from increased electricity price volatility.

Energy Markets' customer strategy is to provide market leading customer experience and service, while targeting high value customers through differentiated products and services. The development of Origin's digital and innovation capabilities will ensure Origin can provide this level of customer experience at an efficient cost.

Origin is targeting ongoing reductions in operating costs across Natural Gas and Electricity cost to serve, generation and LPG through operational excellence and innovation.

For customers, product and service innovations like Solar-as-a-Service, Predictable Plan, batteries and metering services will be a priority. The continued success and growth of the LPG, Solar, Centralised Energy Services and Acumen businesses underpin Origin's aspiration to expand the multi-product holdings of customers and increase customer life time value.

### Leadership in Integrated Gas

Origin has announced a planned IPO of its conventional upstream business. This will focus the Integrated Gas business on its unconventional onshore activities. Origin is Australia's largest onshore unconventional gas developer and has clear scale and capability in exploring, developing and producing these resources. Importantly, Origin will retain the gas integration benefits associated with the conventional upstream assets through contractual arrangements with NewCo.

Origin continues to build resilience to low oil prices with the key priorities being to:

- Protect Origin's ability to repay debt by reducing downside oil price risks whilst maintaining substantial oil price upside exposure.
- Continue execution momentum at APLNG, in particular
    - fulfilling the two train operational 90 day project finance lenders' test and other completion tests to release the remaining shareholder guarantees; and
    - improve operating and capital efficiency.
- Secure new high value markets for spot and strip sales and LNG backfill opportunities.

*APLNG*

The APLNG project has commenced of production from Trains 1 and 2, with 87 cargoes loaded to date, the majority under long term Sale and Purchase Agreements with Sinopec and Kansai. The 120 day Train 1 project finance lenders' test was successfully completed, with the plant performing above design nameplate capacity resulting in the release of 60% of shareholder guarantees relating to APLNG's US$8.5 billion project finance facility. The focus now shifts to ensuring the successful completion of the 90 day two train lenders' test and securing the release of the remaining shareholder guarantees (US$3.4 billion) in the first half of FY2018.

Origin's remaining contribution to APLNG is expected to be $0.3 billion from 1 January 2017, $0.2 billion lower than previous guidance[13].

Well costs have declined in line with original expectations and Origin remains focused on further cost reductions through the adoption of new well technology and innovation.

[13] Previous guidance of Origin's remaining contribution to APLNG was $0.6 billion from 1 July 2016 less $124 million contributed in the six months to 31 December 2016.

### Building a high performance culture

Origin recognises that having the right people and establishing a high performance culture is integral to successfully executing priorities and will:

- Build the capability and culture to deliver with a focus on our purpose, values and behaviours.
- Develop our leaders.
- Leverage diversity for performance and innovation by increasing indigenous and female participation.
- Increase local procurement and activity to encourage more staff to live locally.
- Focus on customer and community centricity across Origin through the introduction of participation programmes for all our employees.

## 2.2 Outlook

**Origin's FY2017 Underlying EBITDA range has improved to $2,450 - $2,615 million[14],** compared to the previous guidance range of $2,370 – $2,615 million (subject to market conditions):

- **Energy Markets Underlying EBITDA is expected to be $1,440 - $1,500 million,** compared to the previous guidance range $1,440 - $1,540 million. Natural Gas gross profit to increase relative to FY2016 and prior guidance due to increased Business sales volumes and margins. Electricity gross profit to increase relative to FY2016 due to margin expansion, however lower than previously guided due to extreme weather conditions in February. Record Queensland system demand (February month to date average maximum 11% higher than previous record[15]) leading to a short position combined with higher wholesale energy prices. Cost to serve to be in line with FY2016 with operating efficiencies offset by increased acquisition/retention activity.

- **E&P Underlying EBITDA is expected to be $350- $400 million,** in line with previous guidance. The contribution in the second half of FY2017 is expected to be higher (subject to IPO timing) than the first half of FY2017 reflecting a full 6 month contribution of Halladale/Speculant production and lower exploration expense.

- **LNG Underlying EBITDA is expected to be $730– $780 million** compared to the previous guidance range $650 - $750 million. LNG Underlying EBITDA includes earlier revenue recognition (from November 2016) as a result of Train 2 commencing production earlier than expected, and lower gas sales to QGC, partly offset by lower effective Australian Dollar oil prices and higher capitalised revenue in the first half FY2017 compared to prior guidance.

  The contribution in the second half of FY2017 is expected to be higher than the first half of FY2017 reflecting two trains in operation, and expected higher effective Australian Dollar oil prices through the second half compared to the first half FY2017, partly offset by the planned first year shutdown of Train 1 during the second half of FY2017.

- **Corporate Underlying EBITDA is expected to be ($65) – ($70) million** compared to the previous guidance range ($70) – ($75) million.

**Underlying Depreciation & Amortisation (ex-APLNG)** will be lower in the second half of FY2017 relative to the first half of FY2017. On 6 December 2016 Origin announced its intention to divest its conventional upstream business by IPO, resulting in the classification of this business as "held for sale" and a "discontinued operation" in Origin's statutory accounts. As such, the depreciation and amortisation of this business ceased on this date. Total depreciation in the first half of FY2017 was $300 million, of which $133 million was attributed to around five months of operations associated with the conventional upstream business.

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[14] Based on US$52.33 per barrel and AUD/USD exchange rate of $0.73. For APLNG the effective oil price for oil linked LNG sales will incorporate the lag in oil prices associated with LNG Sale and Purchase Agreements. Previous guidance based on average oil price of US$52.90/bbl and AUD/USD exchange rate of $0.74

[15] Source: AEMO

**Underlying APLNG ITDA** will be higher in the second half of FY2017 relative to the first half of FY2017 due to a full six month contribution from both LNG trains.

**Underlying net financing costs** will be higher in the second half of FY2017 relative to the first half of FY2017 due to a full six month contribution from both LNG trains. All APLNG net finance costs previously excluded from Underlying Profit will be recognised in Underlying Profit in the second half of FY2017.

**Underlying NPAT in FY2017 is expected to be in the range of $480- $590million**.

**Excluding potential IPO proceeds, targeting Adjusted Net Debt well below $9 billion by 30 June 2017**, driven by an expected increase in operating cash flow in the second half, including a reduction in working capital. Cash flow in the second half is also expected to reflect the completion of Origin's targeted $800 million asset sales program and Origin's remaining contribution to APLNG of $0.3 billion ($0.2 billion lower than previous guidance[16]).

[16] Previous guidance of Origin's remaining contribution to APLNG was $0.6 billion from 1 July 2016 less $124 million contributed in the six months to 31 December 2016.

# 3. REVIEW OF SEGMENT OPERATIONS

## 3.1 Energy Markets

Origin's Energy Markets business is an integrated provider of energy solutions to retail and wholesale markets in Australia and in the Pacific. As Australia's leading electricity, gas and LPG retailer, Energy Markets continues to increase product and service offerings to customers, improve customer experience and increase customer lifetime value. Energy Markets has a diverse portfolio of gas and coal supply contracts, and operates one of Australia's largest, most flexible and diverse generation portfolios. In addition, Energy Markets is increasing its investment in renewable energy across both solar and wind opportunities.

| Half year ended 31 December | 2016 ($m) | 2015 ($m) | Change % |
|---|---|---|---|
| Total Segment Revenue[17] | 6,026 | 5,629 | 7% |
| Underlying EBITDA | 734 | 721 | 2% |
| Segment Result | 576 | 557 | 3% |
| Underlying EBIT margin | 10.7% | 11.2% | |
| Cash flow from operating activities | 501 | 621 | (19%) |
| Capital expenditure | 154 | 116 | 33% |
| Net cash flow from operating and investing activities | 662 | 505 | 31% |

Underlying EBITDA increased $13 million to $734 million with increased contributions from Electricity gross profit ($22 million), LPG ($13 million), Solar & Energy Services ($7 million) and lower Electricity and Natural Gas Operating Costs ($1 million), partly offset by a reduced contribution from Natural Gas gross profit ($30 million).

Increased Electricity gross profit reflects margin improvement in both retail and business customer segments, partly offset by a planned 1 in 20 year maintenance outage at Eraring and the cost of operational contracts associated with recently sold assets.

Lower Natural Gas gross profit reflects the impact of low cost ramp gas supplies leaving the market and a lower realised oil price on sales to LNG producers, partly offset by increased volumes and margins.

Lower Electricity and Natural Gas Operating Costs reflect a reduction in customer Maintenance Costs of $8 million partly offset by an increase in customer Acquisition and Retention costs of $7 million to grow customer numbers.

Underlying EBIT margin decreased to 10.7% from 11.2% primarily due the contraction in Natural Gas Gross Profit and a higher proportion of sales to Business customers in the Electricity segment at lower relative margins.

Net cash flow from operating and investing activities increased by $157 million to $662 million reflecting the successful sale of the Mortlake gas pipeline for $243 million and the Cullerin range wind farm for $72 million, partly offset by lower cash flow from operating activities and higher capital expenditure.

Cash flow from operating activities decreased $120 million to $501 million. EBITDA growth was more than offset by unfavourable working capital movements and higher capital expenditure. Collection performance continues to improve, with debtor days reducing by 2 in the current period. However, working capital was negatively impacted ($150 million) by increased coal and gas inventory and a reduction in creditors, including the impacts of timing of gas deliveries to LNG customers and oil derivative payments. Working capital is expected to decrease in the second half of financial year 2017 relative to current levels.

[17] Refer to Glossary in Appendix 3.

Capital expenditure of $154 million increased by $38 million compared to the prior period, due to a major planned maintenance outage at Eraring ($45 million), with a higher proportion of total financial year capital expenditure occurring in the first half of the year.

### 3.1.1 Natural Gas

| Half year ended 31 December | 2016 | $/GJ | 2015[18] | $/GJ | Change % | Change ($/GJ) |
|---|---|---|---|---|---|---|
| **Volumes Sold (PJ)** | **120.9** | | **113.9** | | **6** | |
| Retail (Consumer & SME) | 24.5 | | 24.2 | | 1 | |
| Business | 74.6 | | 60.1 | | 24 | |
| **Total external volumes** | **99.1** | | **84.3** | | **17** | |
| Internal Sales (Generation) | 21.9 | | 29.6 | | (26) | |
| **Revenue ($m)** | **1,090** | **11.0** | **1,006** | **11.9** | **8** | **(0.9)** |
| Retail (Consumer & SME) | 554 | 22.6 | 534[19] | 22.1 | 4 | 0.5 |
| Business | 536 | 7.2 | 471 | 7.8 | 14 | (0.6) |
| **Cost of goods sold ($m)** | **(823)** | **(8.3)** | **(709)** | **(8.4)** | **16** | **0.1** |
| Network Costs | (358) | (3.6) | (361) | (4.3) | (1) | 0.7 |
| Energy Procurement Costs | (466) | (4.7) | (348) | (4.1) | 34 | (0.6) |
| **Gross Profit ($m)** | **267** | **2.7** | **297[19]** | **3.5** | **(10)** | **(0.8)** |
| Gross Margin % | 24.5% | | 29.6% | | (17.5) | |
| Period-end customer accounts ('000) | 1,106 | | 1,077 | | 3 | |
| Average customer accounts ('000) | 1,099 | | 1,077 | | 2 | |
| **$ Gross profit per customer** | **243** | | **276** | | **(12)** | |

Natural Gas sales volumes increased 6% or 7 PJ to 120.9 PJ. Business customer volumes increased 14.5 PJ or 24%, with sales to LNG producers increasing by 20 PJ to 36 PJ. Volumes supplied for internal generation reduced 8 PJ or 26%, with the gas being utilised for sales to LNG producers.

Natural Gas revenue rates declined by $0.90/GJ to $11/GJ. Lower Business revenue rates were driven by increased sales to LNG producers at a lower average rate than the remainder of Business sales, including the effect of a lower realised oil price. Higher Retail revenue rates reflect the recovery of higher wholesale energy prices.

Energy Procurement Costs increased $0.60/GJ to $4.70/GJ largely reflecting the impact of low cost ramp gas leaving the market.

Natural Gas Gross Profit decreased by 10% or $30 million to $267 million reflecting the impact of low cost ramp gas supplies leaving the market ($50 million) and lower realised oil price on sales to LNG producers ($20 million), partly offset by increased domestic customer volumes and margins ($40 million).

Gross Profit unit margin decreased $0.80/GJ to $2.70/GJ predominantly due the impact of low cost ramp gas leaving the market.

[18] Osborne gas sales re-classified as internal due to new operational agreement. As a result prior period external sales volumes, revenues and costs have been revised with no impact on gross profit.
[19] The period ending 31 December 2015 has been re-stated to reflect a change in the treatment of other income, which is now treated as an offset to Electricity and Natural Gas Operating Costs.

### Retail Natural Gas volumes sold

| Half year ended 31 December (PJ) | 2016 | 2015 | Change (PJ) | Change % |
|---|---|---|---|---|
| NSW | 5.1 | 4.4 | 0.7 | 16.6 |
| Victoria | 14.8 | 15.1 | (0.3) | (2.1) |
| Queensland | 1.5 | 1.6 | (0.0) | (3.1) |
| South Australia | 3.0 | 3.1 | (0.1) | (2.4) |
| **Total Retail volumes** | **24.5** | **24.2** | **0.3** | **1.2** |

### 3.1.2 Electricity

| Half year ended 31 December | 2016 | $/MWh | 2015[20] | $/MWh | Change % | Change ($/MWh) |
|---|---|---|---|---|---|---|
| **Volumes Sold (TWh)** | **19.4** | | **18.6** | | **4** | |
| Retail (Consumer & SME) | 9.2 | | 9.4 | | (2) | |
| Business | 10.2 | | 9.3 | | 10 | |
| **Revenue ($m)** | **3,867** | **199.6** | **3,571** | **191.7** | **8** | **7.9** |
| Retail (Consumer & SME) | 2,482 | 270.4 | 2,419 [21] | 258.6 | 3 | 11.8 |
| Business | 1,381 | 135.6 | 1,121 | 121.0 | 23 | 14.7 |
| Externally Contracted Generation | 3 | | 31 | | (91) | |
| **Cost of goods sold ($m)** | **(3,172)** | **(163.7)** | **(2,899)** | **(155.6)** | **9** | **(8.1)** |
| Network Costs | (1,863) | (96.2) | (1,808) | (97.1) | 3 | 0.9 |
| Wholesale Energy Costs | (1,205) | (62.2) | (960) | (51.5) | 26 | (10.7) |
| Generation Operating costs | (103) | (5.3) | (130) | (7.0) | (21) | 1.7 |
| Energy Procurement Costs | (1,309) | (67.6) | (1,090) | (58.5) | 20 | (9.0) |
| **Gross Profit ($m)** | **695** | **35.9** | **673**[21] | **36.1** | **3** | **(0.2)** |
| Gross Margin % | 18.0% | | 18.9% | | (4.7) | |
| Period-end customer accounts ('000) | 2,740 | | 2,760 | | (1) | |
| Average customer accounts ('000) | 2,740 | | 2,768 | | (1) | |
| **$ Gross profit per customer** | **254** | | **243** | | **4** | |

Electricity volumes increased by 0.8 TWh or 4% to 19.4 TWh. Energy Markets successfully increased Business volumes by 0.9 TWh, while Retail volumes decreased by 0.2 TWh predominantly reflecting milder weather.

Electricity revenue unit rates increased by $7.90/MWh or 8%, reflecting higher wholesale market energy prices in both the Retail and Business segments.

Energy Procurement Costs increased $9.0/MWh (compared to black and green wholesale market increases of approximately $18/MWh) reflecting higher gas and coal fuel costs, rising pool prices and contract prices, the impact of the planned Eraring outage for one in 20 year maintenance, and the cost of contracts for recently sold assets.

[20] Prior period restated to better reflect the recognition of volumes, revenues and costs associated with feed-in volumes from solar customers with no impact on gross profit.
[21] The period ending 31 December 2015 has been re-stated to reflect a change in the treatment of other income which is now treated as an offset to Electricity and Natural Gas Operating Costs.

Generation Operating Costs decreased $27 million reflecting the end of the Worsley Joint Venture and underlying cost reductions through operational efficiencies.

Electricity Gross Profit increased by 3% or $22 million reflecting margin improvement in both customer segments ($78 million), partly offset by a planned 1 in 20 year maintenance outage at Eraring ($41 million) and the cost of contracts for previously owned assets ($15 million)

Gross Profit unit margin decreased $0.20/MWh to $35.90/MWh reflecting a higher proportion of lower margin Business volumes which more than offset the impact of margin expansion in both customer segments.

### Retail Electricity volumes sold

| Half year ended 31 December (TWh) | 2016 | 2015 | Change (TWh) | Change (%) |
|---|---|---|---|---|
| NSW | 4.5 | 4.5 | (0.0) | (0.2) |
| Victoria | 1.7 | 1.9 | (0.3) | (13.8) |
| Queensland | 2.5 | 2.4 | 0.1 | 4.8 |
| South Australia | 0.5 | 0.5 | (0.0) | (2.2) |
| **Total Retail volumes** | **9.2** | **9.4** | **(0.2)** | **(1.8)** |

### Generation portfolio

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

| Half year ended 31 December | Nameplate Capacity (MW) | Type[22] | Equivalent Reliability Factor [23] | Capacity Factor | Electricity Output (GWh) | Pool Revenue ($m) | Pool Revenue ($/MWh) |
|---|---|---|---|---|---|---|---|
| Eraring | 2,880 | Black Coal | **88.7%** | **46%** | 5,841 | 322 | 55 |
| Darling Downs | 644 | CCGT | **98.5%** | **52%** | 1,490 | 95 | 64 |
| Osborne | 180 | CCGT | **100.0%** | **41%** | 322 | 45 | 139 |
| OCGT | 2,037 | OCGT | **93.7%** | **6%** | 556 | 87 | 157 |
| Shoalhaven | 240 | Pump/Hydro | **91.6%** | **5%** | 57 | 7 | 121 |
| Cullerin Range* | 30 | Wind | **93.0%** | **60%** | 5 | 0 | 87 |
| **Internal Generation** | **6,011** | | **91.5%** | | **8,272** | **557** | **67** |
| Renewable PPA's | 732 | Solar / Wind | n.a. | 37% | 1,209 | | |

Origin generated 8.3 TWh of electricity from its internal generation portfolio (10.3 TWh in the prior period) representing 42% (53% in the prior period) of Origin's 19.4 TWh of Electricity volumes sold. Output from Eraring decreased by 1.1 TWh to 5.8 TWh reflecting the planned 1 in 20 year maintenance outage. Output from Origin's gas-fired generation fleet decreased by 0.8 TWh to 2.4 TWh reflecting decreased availability of low cost ramp gas.

During the period Origin contracted 1.2 TWh of renewable energy power purchase agreements. New agreements for 275 MW have been entered into during the period, being a further 35 MW as part of the Clare Solar development in North Queensland, 220 MW Bungala solar development in South Australia, 11 MW Lakeland solar development in far north Queensland and 11 MW Degrussa solar development in Western

[22] OCGT = Open cycle gas turbine; CCGT = Combined cycle gas turbine.
[23] Availability for Eraring = Equivalent Availability Factor (which takes into account de-ratings).

Australia. These new PPA's have been signed at prices well below the average of recent years and continue to pivot the portfolio to a renewable future.

### 3.1.3 Electricity and Natural Gas Operating Costs

| Half year ended 31 December | 2016 | 2015[24] | Change | Change % |
|---|---|---|---|---|
| Cost to maintain ($ per average customer[25]) | (59) | (61) | 2 | (3) |
| Cost to acquire/retain ($ per average customer) | (16) | (14) | (2) | 15 |
| **Elec & Natural Gas Cost to Serve[26] ($ per average customer[25])** | **(75)** | **(75)** | **0** | **(0)** |
| Maintenance Costs ($m) | (220) | (229) | 8 | (4) |
| Acquisition & Retention Costs[25] ($m) | (59) | (52) | (7) | 14 |
| **Elec & Natural Gas Operating Cost ($m)** | **(280)** | **(281)** | **1** | **(0)** |

Electricity and Natural Gas Operating Costs decreased by $1 million driven by a $8 million decrease in Maintenance costs partly offset by a $7 million increase in Acquisition and Retention Costs.

The reduction in customer Maintenance Costs reflects ongoing productivity improvements and outsourcing arrangements reducing labour and property costs.

The increase in customer Acquisition and Retention Costs reflects an increase in total sales (customer wins and retains) of 60,000, resulting in a 17,000 increase in customer accounts during the period.

Paperless billing increased, with around 1.7 million customer accounts now taking up e-billing (54% increase) and 0.9 million customers accounts paying by direct debit (26% increase).

Improvements in customer experience have led to a reduction in Ombudsman complaints from 3.9 to 2.6 (per 1,000 customers), and an increase in the Interaction Net Promoter Score (NPS)[27] of 4 points to +13.4.

### 3.1.4 LPG

| Half year ended 31 December | 2016 | 2015 | Change % |
|---|---|---|---|
| Volumes (kt) | 233 | 242 | (4) |
| Revenue ($m) | 331 | 322 | (3) |
| Cost of Goods Sold ($m) | (221) | (214) | 3 |
| **Gross Profit ($m)** | **109** | **109** | **1** |
| Operating Costs ($m) | (61) | (73) | (16) |
| **Underlying EBITDA ($m)** | **48** | **35** | **36** |

LPG Gross Profit was maintained at $109 million. Gross profit was maintained with margin on retail sales volumes in the Pacific region offsetting reduced margin on wholesale volumes in Australia.

Operating costs decreased $12 million resulting in an underlying EBITDA increase of $13 million or 36% reflecting ongoing cost reduction initiatives.

24 The period ending 31 December 2015 has been re-stated to reflect a change in the treatment of other income which is now treated as an offset to Electricity and Natural Gas Operating Costs.
25 Customer wins (HY17:286,000; prior corresponding period: 258,000) and retains (HY17: 734,000; prior corresponding period: 702,000) and represents Cost to Serve per average customer account, excluding serviced hot water accounts.
26 Origin includes within its Cost to Serve all costs associated with servicing and maintaining customers, all customer acquisition and retention costs. Maintenance costs include billing, credit and collections.
27 Refer to Glossary in Appendix 3.

### 3.1.5 Solar & Energy Services

| Half year ended 31 December | 2016 | 2015 | Change % |
|---|---|---|---|
| Revenue ($m) | 75 | 69 | 9 |
| Cost of Goods Sold ($m) | (38) | (41) | (7) |
| **Gross Profit ($m)** | **37** | **28** | **31** |
| Operating Costs ($m) | (33) | (32) | 5 |
| **Underlying EBITDA ($m)** | **4** | **(4)** | **(198)** |

Solar & Energy Services sales volumes increased from the prior period:

- Solar sales of 23 MW in the current period (up 14MW on the prior period)
- Centralised Energy Services customer accounts increased by 16,000 to 126,000
- Origin's Acumen metering business deployed 22,000 electricity meters and 8,000 serviced hot water meters in the current period, with 39,000 billable electricity meters and 54,000 billable serviced hot water meters now installed

Solar & Energy Services underlying EBITDA increased by 198% or $7 million to $4 million. The growth in EBITDA was predominantly due to an increased solar contribution from reduced module costs, reduced costs of legacy inverter claims not covered under warranties and growth in home product sales. Centralised Energy Services and Acumen Metering also increased their contributions due to growing customer accounts and billable meters.

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

Origin's customers increased 17,000 during the period reflecting the loss of 1,000 Electricity customers and the addition of 18,000 Natural Gas customers.

#### Customer account movement

| Customer Accounts ('000) | 31 December 2016 | | | 30 June 2016 | | | |
|---|---|---|---|---|---|---|---|
| | Electricity | Natural Gas | Total | Electricity | Natural Gas | Total | Change |
| NSW[28] | 1,233 | 260 | 1,493 | 1,240 | 252 | 1,492 | 1 |
| Victoria | 761 | 165 | 926 | 761 | 160 | 921 | 5 |
| Queensland | 561 | 481 | 1,041 | 566 | 478 | 1,044 | (3) |
| South Australia[29] | 185 | 201 | 386 | 174 | 199 | 372 | 14 |
| **Total** | **2,740** | **1,107** | **3,846** | **2,741** | **1,089** | **3,830** | **17** |

As at 31 December 2016, Origin's penetration of dual fuel (Electricity and Natural Gas) customer accounts was 35.4%, increasing from 34.9% at 30 June 2016 reflecting Origin's continued focus on high value dual fuel customers. As at 31 December 2016, Origin had 390,000 LPG customer accounts, an increase of 3,000 accounts from 30 June 2016.

### 3.1.7 Capital Expenditure

Capital expenditure of $154 million was an increase of $38 million from the prior period, due to a planned major maintenance outage at Eraring ($45 million), expenditure towards the replacement of the Business customer billing system and a higher proportion of total financial year capital expenditure occurring in the first half of the year.

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[28] Australian Capital Territory (ACT) customer accounts are included in New South Wales.
[29]Northern Territory customers are included in South Australia.

## 3.2 Integrated Gas

Integrated Gas includes Origin's E&P and LNG operations.

LNG includes Origin's 37.5% equity accounted share of the results of APLNG and Origin's activities and transactions arising from its operatorship of the APLNG upstream operations and management of Origin's exposure to LNG pricing risk.

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

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

Origin has announced its intention to divest via IPO its conventional upstream business supplying Australian and New Zealand domestic markets. For details, refer to the announcement dated 6 December 2016.

| Half year ended 31 December | 2016 E&P ($m) | 2016 LNG ($m) | 2016 Integrated Gas ($m) | 2015 E&P ($m) | 2015 LNG ($m) | 2015 Integrated Gas ($m) | Change (%) |
|---|---|---|---|---|---|---|---|
| Underlying EBITDA | 155 | 287 | 442 | 116 | 21 | 137 | 223 |
| Segment Result | 22 | (208) | (186) | (20) | (43) | (63) | 195 |
| Cash flow from operating activities | 107 | (90) | 17 | 53 | (155) | (102) | (117) |
| Exploration expense | 44 | - | 44 | 56 | - | 56 | (21) |
| Capital expenditure | 115 | 5 | 120 | 245 | 17 | 262 | (54) |
| Contribution to APLNG | - | 124 | 124 | - | 856 | 856 | (86) |
| Net cash flow from operating and investing activities[30] | 3 | (347) | (344) | (184) | (1,029) | (1,213) | (72) |

Strong operational performance delivered increased production, EBITDA and cash flow from operating activities:

- The APLNG project completed during the period and the first cargo was produced from Train 2 on 8 October.
- Strong APLNG upstream performance with production increasing 76% to meet downstream requirements.
- Completion of the Halladale / Speculant project in the Otway Basin resulted in a 12% increase in production from E&P operations.
- Underlying EBITDA increased $305 million or 223% to $442 million reflecting increased production.
- The Segment Result decreased $123 million to a loss of $186 million with low oil prices following the commencement of LNG sales resulting in insufficient revenue to cover increased ITDA and the recognition of net financing costs ($86 million) associated with the funding of Origin's investment in APLNG.

[30] Includes cash (classified as investing activity) provided to APLNG to satisfy Project Finance reserve requirements ($127 million) via bank guarantee returned to Origin as a loan (classified as financing activity).

- Net cash flow from operating and investing activities increased by $869 million reflecting Origin's lower contribution to APLNG following the completion of the export project and ramp up of LNG production, higher EBITDA and lower capital expenditure within E&P as growth projects completed, and lower cash costs associated with oil hedging.

### 3.2.1 LNG

#### LNG financial performance

LNG financial performance includes Origin's share of APLNG. APLNG's financial performance during the period reflected the recognition of a six month contribution from Train 1 of its CSG-LNG export project, and a two month contribution from Train 2 with revenues relating to APLNG Train 2 recognised in the income statement from November 2016.

| Half year ended 31 December | 2016 ($m) | 2015 ($m) | Change ($m) |
|---|---|---|---|
| APLNG Underlying EBITDA (Origin share) | 327 | 18 | 309 |
| LNG (other) | (40) | 3 | (43) |
| LNG Underlying EBITDA | 287 | 21 | 266 |
| APLNG Underlying ITDA (Origin share) | (400) | (57) | (343) |
| LNG D&A expense | (9) | (7) | (2) |
| Origin's net financing costs | (86) | - | (86) |
| LNG Segment Result | (208) | (43) | (165) |
| Cash flow from operating activities | (90) | (155) | 65 |

Underlying LNG EBITDA increased $266 million reflecting:

- Higher share of APLNG EBITDA ($309 million) following the commencement of LNG production and sales ($334 million) partly offset by the impact of lower oil prices on APLNG's lower gas sales to QGC ($27 million); and
- Lower LNG (other), primarily due to the expensing of Oil Puts hedging net of pay-out ($36 million).

The LNG segment result decreased $165 million primarily reflecting:

- Decrease in Origin's share of APLNG Underlying NPAT ($33 million) with LNG sales revenue insufficient to offset the associated increase in ITDA due to the impact of a low oil price (effective oil price of US$42 per barrel for contracted volumes);
- The impact of oil hedging implemented by Origin to protect the ability to reduce debt ($36 million); and
- The movement into Underlying earnings (from Items excluded from Underlying Profit in HY2016) of a portion of Origin's net financing costs associated with the funding of Origin's investment in APLNG following recognition of LNG sales ($86 million).

Cash flow from operating activities increased $65 million to ($90 million) reflecting a decrease in oil hedging costs ($53 million).

## APLNG Production, Sales and Revenue

| Operating Performance | Total APLNG (PJe) | Origin share (PJe) | Total APLNG (PJe) | Origin share (PJe) |
|---|---|---|---|---|
| | Half year ended 31 Dec 2016 | | Half year ended 31 Dec 2015 | |
| **Production Volumes** | **294** | **110** | **167** | **63** |
| Natural Gas (domestic) | 111 | 42 | 158 | 59 |
| Natural Gas (LNG feed gas) | 182 | 68 | 9 | 4 |
| **Sales Volumes** | **291** | **109** | **155** | **58** |
| Natural Gas | 120 | 45 | 155 | 58 |
| LNG | 171 | 64 | 0 | 0 |
| **Sales Volumes Net[31]** | **271** | **102** | **110** | **41** |
| Natural Gas | 109 | 41 | 110 | 41 |
| LNG | 162 | 61 | 0 | 0 |

Total APLNG production increased by 127 PJe or 76% to 294 PJe, to meet LNG Train demand. Domestic volumes decreased reflecting a reduction in short term ramp sales to maximise LNG production.

Further information regarding production, sales volumes and revenues is provided in Origin's December 2016 Quarterly Production Report, available at www.originenergy.com.au.

## APLNG Underlying financial performance

| Financial performance ($ million) | 31 December 2016 | | 31 December 2015 | |
|---|---|---|---|---|
| | 100% APLNG | Origin share | 100% APLNG | Origin share |
| Operating revenue | 1,475 | | 229 | |
| Operating expenses | (603) | | (180) | |
| **Underlying EBITDA** | **872** | **327** | **49** | **18** |
| D&A expense | (770) | | (182) | |
| Net financing expense | (391) | | (16) | |
| Income tax benefit | 90 | | 44 | |
| **Underlying ITDA** | **(1,071)** | **(402)** | **(154)** | **(58)** |
| **Underlying Result** | **(199)** | **(73)** | **(105)** | **(40)** |

## APLNG Project

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

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

[31] Sales volumes are net of 20 PJe of capitalised sales (31 Dec 2015: 45 PJe).

**Project performance and key milestones**

The APLNG Project is now 100% complete as at 31 December 2016 with minor project close out work remaining for the Downstream project.

APLNG successfully completed the 120 day Train 1 operational lenders test with the plant performing above design nameplate capacity and met all other requirements of the Train 1 project finance lenders' test resulting in the release of US$5.1 billion (60 per cent) of shareholder guarantees relating to APLNG's $US8.5 billion project finance facility.

During the period, commissioning of Train 2 was completed with first cargo produced on 8 October 2016, and completion of the Bechtel Performance Test and hand-over of the plant to the Operator on 12 December 2016. Train 2 has performed in line with expectations, and continues to ramp up LNG production in advance of the two train 90 day lenders test in the first half of financial year 2018.

During the period, production from operated fields was increased to meet LNG train demand with average production from operated assets increasing to 1,175 TJ/d in the December 2016 quarter from 689TJ/d in the December 2015 quarter.

During the period a total of 45 produced LNG cargoes were loaded and shipped from the APLNG facility on Curtis Island, including to Sinopec and Kansai in accordance with their respective long term Sales and Purchase Agreements.

**Key Accomplishments / Milestones**

The following table reports progress against the key goals and milestones Origin outlined in its full year 2016 financial year Operating and Financial Review:

| Goals | Plan | Actual Progress |
|---|---|---|
| Train 1 project finance lenders' tests met and 60% of shareholder guarantees released | Q2 FY17 | Accomplished |
| First Cargo from Train 2 | Q2 FY17 | Accomplished |
| Train 2 revenue recognition | Q3 FY17 | Accomplished Q2 FY17 |

**Key Project goals and milestones for the 2017 financial year**

The following table reports key remaining milestones.

| Key Goals and Milestones | FY17 Plan |
|---|---|
| Train 2 project finance lenders' tests met and remaining shareholder guarantees released | H1 FY2018 |

## Capital expenditure and funding

Origin's net contribution to APLNG during the period was $124 million.

No draw down of the project finance facility by APLNG occurred during the period. Project finance facility interest of US$167 million was incurred during the period of which US$38 million was capitalised. At 31 December 2016, US$8,462 million of the project finance facility had been drawn.

### 3.2.2 Exploration and Production

#### Production, Sales and Revenue

| Half year ended 31 December | 2016 | 2015 | Change (%) |
|---|---|---|---|
| Total Production (PJe) | 44.2 | 39.5 | 12 |
| Total Sales (PJe) | 51.5 | 42.8 | 20 |
| Revenue ($m)[32] | 360 | 307 | 17 |
| Underlying EBITDA | 155 | 116 | 34 |
| Cash flow from operating activities | 108 | 53 | 104 |

Origin's share of total production increased 4.7 PJe to 44.2 PJe due to higher Otway Basin production (6.1 PJe) following the commencement of production from Halladale / Speculant, partly offset by lower well deliverability and natural field decline at Otway, and lower Bass Basin production (1.0 PJe) due to planned statutory maintenance shutdown.

Sales volumes increased 8.7 PJe to 51.5 PJe due to increased production and use of inventory to meet higher gas nominations at Cooper Basin. Commodity Sales Revenue increased by $53 million or 17% to $360 million, in-line with higher sales volumes.

E&P EBITDA increased $39 million to $155 million primarily due to commencement of production from Halladale / Speculant and lower exploration expense.

Cash flow from operating activities increased $55 million to $108 million due to higher EBITDA adjusted for non-cash exploration expense ($26 million), and lower working capital requirements in the current period ($29 million).

#### Costs of goods sold and Stock movement

| Half year ended 31 December | 2016 ($m) | 2015 ($m) | Change % |
|---|---|---|---|
| Cost of goods sold | (39) | (40) | (3) |
| Stock movement | (24) | 2 | N/A |

Stock movement reflects a reduction in gas inventory due to higher customer nominations in the period within the Cooper Basin.

[32] Includes gain/(loss) – forward sale and hedging of $17 million in current period ($19 million prior period).

## Expenses

| Half year ended 31 December | 2016 ($m) | 2015 ($m) | Change % |
|---|---|---|---|
| Royalties, tariffs and freight | (42) | (21) | 100 |
| General operating costs | (95) | (104) | (9) |
| Exploration expense | (44) | (56) | 21 |
| Total expenses | **(181)** | **(181)** | **(0)** |

Total expenses of $181 million were in-line with the prior period with an increase in royalties, tariffs and freight ($21 million) driven by higher sales volumes and revenue, offset by decreased exploration expense ($12 million) and lower general operating costs ($9 million). Exploration expense included the write-off of T/34P following application for consent to surrender the exploration permit ($26 million) and Crowes Foot 3D offshore seismic survey acquisition ($11 million) in the current period and the $53 million write-off of Vietnam in the prior period.

Further information regarding production, sales volumes and revenues is provided in Origin's December 2016 Quarterly Production Report, available at www.originenergy.com.au.

## Capital Expenditure

Capital expenditure decreased $130 million from the prior period following the completion of development projects across the Otway, Bass and Cooper basins. Capital expenditure for the period of $115 million included:

- Otway including Halladale / Speculant – $40 million;
- Cooper Basin – $16 million;
- Beetaloo Basin farm-in – $14 million;
- Bass Basin: $12 million; and
- Other assets $33 million.

## Operations

### Production and Development

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

Origin's development activities during the year reflected actions taken by Origin to limit capital expenditure to completing projects that have commenced and utilise existing infrastructure.

In the Otway Basin, the Halladale and Speculant fields achieved first gas on 26 August 2016 resulting in increased production at the Otway Gas Plant.

In the Perth Basin, the non-operated Stage 1A Waitsia gas field project achieved first gas on 24 August 2016. Stage 1A comprised the installation of new infrastructure to connect Waitsia-1 and Senecio-3 gas wells to the Xyris Production Facility (XPF).

During the planned maintenance shutdown at BassGas, the compressor piping was successfully tied in, and production is now flowing via the new compressor and condensate module bypass piping. The compression and condensate modules are expected to come online late in the 2017 financial year.

**Exploration and Appraisal**

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

In the Otway Basin, the Crowes Foot 3D offshore seismic survey was acquired during the period in exploration permit VICP/69. The processing of the 3D seismic data is underway. The Enterprise 2 3D seismic acquisition commenced in January in the offshore exploration permit VIC/P42(V).

In the Beetaloo Basin, hydraulic fracture stimulation and extended production test of the Amungee NW-1H well was completed in the period confirming the existence of moveable hydrocarbons. The third vertical well in the program, Beetaloo W-1 well in EP117 reached total depth in the period.

As part of Origin's obligations under the CBOS Farmin Agreements entered into in 2014, Origin committed to a multi well work programme in the Cooper Basin. In fulfilment of the farm-in obligations, the hydraulic fracture stimulation and extended production test of the Ethereal-1 exploration well in PEL 637 was partially completed with further evaluation work planned.

## 3.3 Corporate

This segment reports corporate activities that have not been allocated to other operating segments together with business development activities outside Origin's existing operations.

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

### Financial Performance

| Half year ended 31 December | 2016 ($m) | 2015 ($m) | Change (%) |
|---|---|---|---|
| Underlying EBITDA | (31) | (51) | (39) |
| Segment Result[33] | (206) | (251) | (18) |
| Capital expenditure | 8 | 17 | (53) |
| Net cash flow from operating and investing activities | 9 | 1,479 | (99) |

- Lower Underlying EBITDA loss due to functional cost savings.
- Segment Result includes non-APLNG Underlying net financing costs of $54 million and Underlying income tax expense of $120 million.
- Net cash flow from operating and investing activities decreased due to the prior period sale of Origin's interest in Contact Energy ($1,599 million).

[33] The Corporate Segment Result includes interest and tax relating to discontinued operations.

# APPENDIX 1 – NET FINANCING COSTS

| Half year ended 31 December | 2016 | 2015 | Change |
|---|---|---|---|
| Statutory Net Financing Cost – total operation | | | |
| **Total interest charged by other parties** | **(293)** | **(341)** | **48** |
| Impact of discounting on long term provisions | (7) | (8) | 1 |
| Capitalised interest | 7 | 46 | (39) |
| **Total interest expense** | **(293)** | **(303)** | **10** |
| MRCPS interest income | 108 | 92 | 16 |
| Other interest income | - | 1 | (1) |
| **Statutory Net financing costs** | **(185)** | **(210)** | **25** |
| **Average interest rate[34]** | **6.5%** | **6.5%** | **0.0%** |
| Items excluded from Underlying Net Financing Costs relating to funding of APLNG | | | |
| **Total interest expense** | **(68)** | **(256)** | **188** |
| MRCPS interest income | 23 | 92 | (69) |
| **Net financing costs relating to funding of APLNG** | **(45)** | **(164)** | **119** |
| **Average interest rate[34]** | **6.8%** | **6.8%** | **0.0%** |
| Underlying Net Financing Cost – total operations | | | |
| Total interest charged by other parties (excluding costs associated with funding of APLNG) | (54) | (85) | 31 |
| Total interest charged by other parties (costs associated with funding of APLNG) | (171) | - | (171) |
| Impact of discounting on long term provisions | (7) | (8) | 1 |
| Capitalised interest | 7 | 46 | (39) |
| **Total interest expense** | **(225)** | **(47)** | **(178)** |
| MRCPS interest income (in Underlying) | 85 | - | 85 |
| Other interest income | - | 1 | (1) |
| **Underlying Net financing costs** | **(140)** | **(46)** | **(94)** |
| **Average interest rate[34]** | **6.4%** | **5.6%** | **0.8%** |
| **Average interest rate[34] (excluding costs associated with funding of APLNG)** | **5.5%** | **5.6%** | **(0.1%)** |
| Underlying Net Financing Cost – discontinued operations | | | |
| **Underlying Net financing costs** | **(6)** | **(15)** | **9** |
| **Average interest rate[34]** | **5.5%** | **6.9%** | **(1.4%)** |

[34] Average interest rate calculated using total interest charged by other parties

## APPENDIX 2 – RECONCILIATION OF ADJUSTED NET DEBT

| | Issue Currency | Issue Notional | Hedged Currency | Hedged Notional | AUD $m Dec-16 | AUD $m Dec-16 | AUD $m Dec-16 |
|---|---|---|---|---|---|---|---|
| | | | | | Interest-bearing liabilities | Fair value adjustments on FX hedging transactions | Adjusted net debt |
| AUD debt | AUD | 1,280 | AUD | 1,280 | 1,280 | 0 | **1,280** |
| USD Debt left in USD | USD | 850 | USD | 850 | 1,175 | 0 | **1,175** |
| USD debt swapped to AUD | USD | 895 | AUD | 1,004 | 1,244 | (240) | **1,004** |
| EUR debt swapped to AUD | EUR | 2,700 | AUD | 3,727 | 4,040 | (313) | **3,727** |
| EUR debt swapped to USD | EUR | 1,000 | USD | 1,372 | 1,456 | 441 | **1,897** |
| NZD debt swapped to AUD | NZD | 246 | AUD | 218 | 237 | (19) | **218** |
| Total | | | | | 9,432 | (131) | **9,301** |
| Cash and cash equivalents | | | | | | | (158) |
| **Adjusted net debt** | | | | | | | **(9,143)** |

# APPENDIX 3– GLOSSARY AND INTERPRETATION

## Financial Measures

### Statutory Financial Measures

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

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

### Non-IFRS Financial Measures

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

The principle non-IFRS profit and loss measure of Underlying Profit has been reconciled to Statutory Profit in Section 1.2. The key Non-IFRS Financial Measures included in this report are defined below.

| Term | Meaning |
| --- | --- |
| Current period | 6 months ended 31 December 2016. |
| Prior period | 6 months ended 31 December 2015. |
| Underlying Profit | Underlying net profit after tax and non-controlling interests as disclosed in note A1 of the Origin Consolidated Financial Statements. |
| Underlying earnings per share | Underlying profit/loss divided by weighted average number of shares. |
| Items excluded from Underlying Profit | Items that do not align with the manner in which the Managing Director reviews the financial and operating performance of the business which are excluded from Underlying Profit. Items excluded from Underlying Profit are categorised as:<br>Fair value and foreign exchange movements – reflecting the impact of mark to market movements on financial assets and liabilities from period to period<br>LNG related items before revenue recognition – primarily comprising net financing costs incurred (but unable to be capitalised) in funding Origin's investment in APLNG which relate to the period prior to revenue recognition for each of the two LNG Trains.<br>Disposals, impairments and business restructuring – reflecting the impact of actions and decisions to dispose, acquire, revalue or restructure the company's assets and business operations. |
| Total Segment Revenue | Total revenue for the Energy Markets, Integrated Gas, Contact Energy and Corporate segments, including inter-segment sales, as disclosed in note A1 of the Origin Consolidated Financial Statements. |
| Underlying average interest rate | Underlying interest expense for the current period divided by Origin's average drawn debt during the current period (excluding funding related to APLNG). |
| Underlying EBITDA | Underlying earnings before underlying interest, underlying tax, underlying depreciation and amortisation (EBITDA) as disclosed in note A1 of the Origin Consolidated Financial Statements. |
| Underlying depreciation and amortisation | Underlying depreciation and amortisation as disclosed in note A1 of the Origin Consolidated Financial Statements. |
| Underlying EBIT | Underlying earnings before underlying interest and underlying tax (EBIT) as disclosed in note A1 of the Origin Consolidated Financial Statements. |
| Underlying income tax expense | Underlying income tax expense as disclosed in note A1 of the Origin Consolidated Financial Statements. |
| Underlying net financing costs | Underlying interest expense net of interest income as disclosed in note A1 of the Origin Consolidated Financial Statements. |
| Underlying profit before tax | Underlying profit before tax as disclosed in note A1 of the Origin Consolidated Financial Statements. |
| Underlying share of ITDA | The Group's share of underlying interest, underlying tax, underlying depreciation and underlying amortisation (ITDA) of equity accounted investees as disclosed in note A1 of the Origin Consolidated Financial Statements. |
| Underlying ROCE | Underlying ROCE is calculated as Adjusted EBIT / Average Capital Employed.<br>• Average Capital Employed = Shareholders Equity + Origin Debt + Origin's Share of APLNG project finance + Non-cash fair value uplift + net derivative liabilities. The average is a simple average of opening and closing in any year.<br>• Adjusted EBIT = Origin Underlying EBIT and Origin's share of APLNG Underlying EBIT + Dilution Adjustment = Statutory Origin EBIT adjusted to remove the following items: a) Items excluded from underlying earnings; b) Origin's share of APLNG underlying interest and tax; and c) the depreciation of the Non-cash fair value uplift adjustment.<br>• In contrast, for remuneration purposes Origin's statutory EBIT is adjusted to remove Origin's share of APLNG statutory interest and tax (which is included in Origin's reported EBIT) and certain items excluded from underlying earnings. Gains and losses on disposals and impairments will only be |

| Term | Meaning |
|---|---|
| | excluded subject to Board discretion. The Remuneration Report provides specific details. |
| Gross Profit | Revenue less cost of goods sold. |
| Adjusted Net Debt | Net Debt adjusted to remove fair value adjustments on hedged borrowings. |
| Non-cash fair value uplift | Reflects the impact of the accounting uplift in the asset base of APLNG of $1.9 billion which was recorded on the creation of APLNG and subsequent share issues to Sinopec. This balance will be depreciated in APLNG's income statement on an ongoing basis and, therefore, a dilution adjustment is made to remove this depreciation. The non-cash fair value uplift adjustments are disclosed and explained in Note C1.2 of the financial statements. |
| TRIFR | Total Recordable Incident Frequency Rate. |

## Non-Financial Terms

| Term | Meaning |
|---|---|
| 1P reserves | Proved Reserves are those reserves which analysis of geological and engineering data can be estimated with reasonable certainty to be commercially recoverable. There should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. |
| 2P reserves | The sum of Proved plus Probable Reserves. Probable Reserves are those additional reserves which analysis of geological and engineering data indicate are less likely to be recovered than Proved Reserves but more certain than Possible Reserves. There should be at least a 50% possibility that the quantities actually recovered will equal or exceed the best estimate of Proved plus Probable Reserves (2P). |
| 3P reserves | Proved plus Probable plus Possible Reserves. Possible Reserves are those additional Reserves which analysis of geological and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have at least a 10% probability of exceeding the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high estimate scenario. |
| 2C resources | The best estimate quantity of petroleum estimated to be potentially recoverable from known accumulations by application of development oil and gas projects, but which are not currently considered to be commercially recoverable due to one or more contingencies. The total quantities ultimately recovered from the project have at least a 50% probability to equal or exceed the best estimate for 2C contingent resources. |
| Capacity factor | A generation plant's output over a period compared with the expected maximum output from the plant in the period based on 100% availability at the manufacturer's operating specifications. |
| Discounting | For Energy Markets, discounting refers to offers made to customers at a reduced price to the published tariffs. While a customer bill comprises a fixed and a variable portion, Origin's discounts only apply to the variable portion. In some cases, these discounts are conditional, such as requiring direct debit payment or on-time payments. |
| Equivalent reliability factor | Equivalent reliability factor is the availability of the plant after scheduled outages. |
| GJ | Gigajoule = $10^9$ joules |
| GJe | Gigajoules equivalent = $10^{-6}$ PJe |
| Joule | Primary measure of energy in the metric system. |
| kT | kilo tonnes = 1,000 tonnes |
| kW | Kilowatt = $10^3$ watts |
| kWh | Kilowatt hour = standard unit of electrical energy representing consumption of one kilowatt over one hour. |
| MW | Megawatt = $10^6$ watts |
| MWh | Megawatt hour = $10^3$ kilowatt hours |

| Term | Meaning |
|---|---|
| NPS | Net Promoter Score (NPS) is a measure of customers' propensity to recommend Origin to friends and family |
| Oil Forward Sale Agreements | Agreements to sell a portion of future oil and condensate production from July 2015 for 72 months at prices linked to the oil forward pricing curve at the agreement date. The cash proceeds were received upfront in the 2013 financial year at a locked-in price of $62.40/bbl. |
| PJ | Petajoule = $10^{15}$ joules |
| PJe | Petajoules equivalent = an energy measurement Origin uses to represent the equivalent energy in different products so the amount of energy contained in these products can be compared. The factors used by Origin to convert to PJe are: 1 million barrels crude oil = 5.8 PJe; 1 million barrels condensate = 5.4 PJe; 1 million tonnes LPG = 49.3 PJe; 1 TWh of electricity = 3.6 PJe. |
| Ramp gas | Short term Queensland gas supply as upstream assets associated with CSG-to-LNG projects gradually increase production in advance of first LNG |
| TW | Terawatt = $10^{12}$ watts |
| TWh | Terawatt hour = $10^{9}$ kilowatt hours |
| Watt | A measure of power when a one ampere of current flows under one volt of pressure. |

## Interpretation

All comparable results reflect a comparison between the current period and the prior period ended 31 December 2015, unless specifically stated otherwise.

A reference to APLNG is a reference to APLNG Pty Limited in which Origin holds a 37.5% shareholding. Origin's shareholding in APLNG is equity accounted.

A reference to $ is a reference to Australian dollars unless specifically marked otherwise.

All references to debt are a reference to interest bearing debt only.

Individual items and totals are rounded to the nearest appropriate number or decimal. Some totals may not add down the page due to rounding of individual components.

When calculating a percentage change, a positive or negative percentage change denotes the mathematical movement in the underlying metric, rather than a positive or a detrimental impact.

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