



To	Company Announcements Office	Facsimile	1300 135 638
Company	ASX Limited	Date	11 April 2017
From	Helen Hardy	Pages	7
Subject	Half Year Report to Shareholders		

In accordance with Listing Rule 3.17 please find attached the Half Year Report to Shareholders for the half year ended 31 December 2016 which is being sent to Origin Energy Shareholders who have elected to receive it.

Regards

Helen Hardy  
Company Secretary

02 8345 5000

# CLEANER ENERGY SMARTER FUTURE

HALF YEAR  
REPORT 2017



# MESSAGE FROM THE CHAIRMAN AND CEO

## Fellow shareholder

We are pleased to share Origin's half year results for 2017 including progress on our key priorities.

Our operational performance was solid during the period and a number of important milestones were achieved. A review of the carrying value of all Origin's assets also led to an impairment charge that heavily impacted the statutory result.

## SOLID OPERATIONAL PERFORMANCE

Underlying EBITDA increased by 32 per cent or \$277 million to \$1.15 billion, driven by higher contributions from Origin's two business units, Integrated Gas and Energy Markets.

In Integrated Gas, completion of Australia Pacific LNG was a standout achievement. This, along with first gas from the Halladale and Speculant fields in the Otway Basin, resulted in a significant increase in production, EBITDA and cash flow. Energy Markets continued to deliver increasing earnings, with the natural gas and electricity portfolios performing well. Customer numbers increased, as did gas and electricity volumes, and higher margins were achieved in solar and energy services.

In December 2016, we announced an intention to sell via Initial Public Offering (IPO) Origin's conventional upstream assets. Progress continues on this transaction and it is on track to complete in 2017. Other important developments included installation of a new leadership team, including the appointment of Lawrie Tremaine as Chief Financial Officer, and continued progress on asset sales.

## FINANCIAL RESULT

Origin recorded a Statutory Loss of \$1.7 billion, principally driven by an impairment of \$1.9 billion. The total impairment charge was comprised of Origin's 37.5 per cent share of Australia Pacific LNG's impairment of its assets (\$1.03 billion), and impairment of investments in the Browse Basin (\$578 million), conventional exploration assets (\$170 million) and Energía Austral SpA (\$114 million). The total impairment charge is an after tax, non-cash item with no impact on cash flow or EBITDA.

Underlying Profit of \$184 million was a 28 per cent reduction on the prior period.

## DIVIDEND

The Board has determined not to pay a dividend in respect of earnings for the first half of the 2017 financial year. The Board will continue to review each dividend in light of our focus on debt reduction.

## OUTLOOK

Origin's FY2017 Underlying EBITDA guidance range, which was previously \$2.370 billion to \$2.615 billion, has improved to \$2.450 billion to \$2.615 billion, subject to market conditions. Underlying Profit guidance is \$480 million to \$590 million for FY2017.

Adjusted net debt is targeted to be well below \$9 billion by the end of FY2017. Upon completion of the expected sale via IPO of the conventional upstream assets, we expect a further material reduction in debt.

## PROSPECTS

Origin's focus is on our Energy Markets business and a simplified Integrated Gas business.

Leadership in Energy Markets means delivering a market leading customer experience with a focus on our digital and innovation capabilities, growing the volume of renewable energy we supply and developing new energy solutions for our customers.

The Integrated Gas business is aiming to build on our leadership as Australia's largest onshore unconventional gas developer and operator, using our scale and capability to explore, develop and produce unconventional gas resources. We will also continue to execute momentum at Australia Pacific LNG by improving operating and capital efficiency.

We believe focusing on these key priorities will position Origin for growth in a rapidly changing market.

Thank you for your continued support.



**Gordon Cairns**  
Chairman



**Frank Calabria**  
CEO



Artist impression of Conergy's Lakeland Solar and Storage Project in far north Queensland.

## HY2017 HIGHLIGHTS

GREW TOTAL CUSTOMERS BY

17,000



AUSTRALIA'S  
LEADING PURCHASER  
OF SOLAR POWER

MATERIAL SHALE  
GAS DISCOVERY  
IN THE BEETALOO  
BASIN



24%

INCREASE IN  
GAS SOLD TO  
BUSINESS  
CUSTOMERS

RECORD NATURAL  
GAS PRODUCTION



154.3PJ<sub>e</sub>



COMMENCEMENT  
OF LNG EXPORTS  
FROM TRAIN 2

## ENERGY MARKETS

Origin is Australia's leading electricity, gas and LPG retailer servicing approximately 4.2 million customer accounts. Origin also operates one of the country's largest power generation portfolios of approximately 6,000 MW.

### ENERGY MARKETS POSTS EARNINGS GROWTH

Energy Markets continued to deliver increasing earnings in the period, with Underlying EBITDA of \$734 million up by \$13 million.

### ELECTRICITY AND NATURAL GAS PORTFOLIOS PERFORMING WELL

While the market remains competitive, Origin's total customer accounts increased by 17,000 and churn was stable. This was a result of improved customer experience and retention, and product innovation as highlighted by a 4-point increase in Origin's interactive Net Promoter Score to +13.4.

Origin's digital platform continues to support easier payment and online account management for customers with 1.7 million customer accounts now registered for e-billing (up 54 per cent) and 0.9 million customer accounts paid by direct debit (up 26 per cent).

The volume of gas sold to business customers, including LNG projects, increased by 24 per cent. Origin also maintained a competitive cost of gas supply despite a reduction in the benefits of ramp gas compared to the prior period.

In electricity, a competitive cost of energy was achieved, while a one in 20-year maintenance program at Eraring was completed. This, combined with higher market prices, contributed to margin improvement.

### TRANSITION TO RENEWABLES ACCELERATING

Origin continues to grow its renewable energy portfolio and during the period signed 275 MW of new utility scale solar Power Purchase Agreements (PPAs). These included the Clare (North Queensland), Bungala (South Australia), Lakeland (far north Queensland) and DeGrussa (Western Australia) solar developments. This has cemented Origin's position as the largest contractor of solar power in Australia. The new PPAs have been signed at prices well below the average of recent years.

### LEADING ENERGY SOLUTIONS

Origin continued to grow its solar and energy services business. Solar sales during the period of 23 MW were up 14 MW on the prior period. The digital metering business installed 22,000 electricity meters, with a total of 39,000 meters now installed, providing customers with greater insight into their energy use.

# INTEGRATED GAS

Origin is a leading producer of natural gas on Australia's east coast, with a 37.5 per cent interest in Australia Pacific LNG which exports LNG under long-term contracts to customers in Asia. Origin also has a range of conventional and unconventional exploration and production interests in Australia and New Zealand.

In December 2016, Origin announced its intention to sell via IPO its conventional gas business.

## INTEGRATED GAS ACHIEVES MAJOR MILESTONES

Integrated Gas reported a \$305 million increase in Underlying EBITDA to \$442 million, while the standout achievement for the period was the completion of Australia Pacific LNG.

Production by Australia Pacific LNG increased by 76 per cent with the commencement of exports from Train 2 and Origin's E&P production increased by 12 per cent as the Halladale and Speculant fields came online. This led to record production for the period of 154.3 PJ.

Australia Pacific LNG continues to increase production with supply on track for the two train operational test. In the half year, 45 cargoes were loaded and shipped from the Australia Pacific LNG facility in Gladstone, including to Sinopec and Kansai in accordance with their respective long-term contracts. Train 2 revenue recognition commenced in November 2016, following the commencement of exports from that train.

## ORIGIN FINDS MATERIAL SHALE GAS RESERVOIR

In the Beetaloo Basin, Origin has been buoyed by the results of recent drilling activity which confirm the existence of a material shale gas reservoir. The drilling results were submitted to the Northern Territory Government on 15 February 2017. Further exploration and appraisal activity will be required in order to move towards contingent resource and reserve positions.

# OUTLOOK

Origin advises that its FY2017 Underlying EBITDA guidance range, which was previously \$2.370 billion to \$2.615 billion, has improved to \$2.450 billion to \$2.615 billion<sup>1</sup>, subject to market conditions.

Underlying Profit guidance is \$480 million to \$590 million for FY2017.

Origin's remaining contribution to Australia Pacific LNG is expected to be \$0.3 billion, a \$0.2 billion reduction on previous guidance<sup>2</sup>, reflecting higher revenue and lower capital spend than previously forecast.

Accelerating debt reduction continues to be a key priority for Origin, with adjusted net debt targeted to be well below \$9 billion by the end of FY2017. Upon completion of the expected sale via IPO of the company's conventional gas assets, Origin expects a further material reduction in debt.

<sup>1</sup> Based on US\$52.33 per barrel and AUD/USD exchange rate of \$0.73. For Australia Pacific LNG, 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.

<sup>2</sup> Previous guidance of Origin's remaining contribution to Australia Pacific LNG was \$600 million from 1 July 2016, less \$124 million contributed in the six months to 31 December 2016.



Sinopec's new custom-built LNG tanker CESI Gladstone arrives at the Australia Pacific LNG facility on Curtis Island.

# FINANCIAL HIGHLIGHTS

A reconciliation between Statutory and Underlying Profit measures can be found in note A1 of the Origin Consolidated Interim Financial Statements.

Half year ended 31 December	2016 (\$m)	2015 (\$m)
Statutory Loss	(1,677)	(254)
Statutory EPS (cps)	(95.6cps)	(18.1cps)
Items excluded from Underlying Profit	(1,861)	(508)
Underlying Profit	184	254
Underlying EPS	10.5cps	18.1cps
Underlying EBITDA	1,145	868
Interim Dividend Unfranked	Nil	10cps
Origin cash contribution to Australia Pacific LNG	124	856
Net debt <sup>3</sup>	9,143	9,131

## UNDERLYING EBITDA

Half year ended 31 December	2016 (\$m)	2015 (\$m)
Energy Markets	734	721
Integrated Gas		
– LNG	287	21
– E&P	155	116
Corporate	(31)	(51)
Contact	-	61
<b>Underlying EBITDA</b>	<b>1,145</b>	<b>868</b>

<sup>3</sup> Interest bearing debt less cash. Prior period comparative is 30 June 2016.

# FINANCIAL HISTORY

FOR THE HALF YEAR ENDED 31 DECEMBER<sup>4,5</sup>

Underlying EBITDA		Underlying Profit	
\$1,145 million		\$184 million	
2015	\$868 million	2015	\$254 million
2014	\$1,080 million	2014	\$346 million
2013	\$1,082 million	2013	\$381 million
2012	\$1,055 million	2012	\$362 million

Underlying Earnings Per Share <sup>6</sup>		Interim Dividend	
10.5¢		Nil	
2015	18.1¢	2015	10¢
2014	27.4¢	2014	25¢
2013	30.4¢	2013	25¢
2012	29.1¢	2012	25¢

<sup>4</sup> Includes discontinued operations.  
<sup>5</sup> Half year on half year comparison.  
<sup>6</sup> Prior periods adjusted for the bonus element (discount to market price) of the September 2015 rights issue.

## GLOSSARY

<b>Underlying EBITDA</b>	Underlying earnings before underlying interest, underlying tax, underlying depreciation and amortisation (EBITDA) as disclosed in note A1 of the Origin Consolidated Interim Financial Statements.
<b>Underlying EPS</b>	Underlying profit/loss divided by weighted average number of shares.
<b>Underlying Profit</b>	Underlying Profit is derived from Statutory Profit and excludes certain items to facilitate a more representative comparison of the ongoing performance of the business between periods.

### FINANCIAL CALENDAR 2017

<b>30 June</b>	End of financial year
<b>16 August</b>	Full year results announcement
<b>18 October</b>	Annual General Meeting

## **DIRECTORY**

### **ORIGIN ENERGY LIMITED**

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#### **Secretaries**

Andrew Clarke  
Helen Hardy

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#### **Auditor**

KPMG

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#### **Share register**

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Further information about  
Origin's performance can  
be found on the website:  
[www.originenergy.com.au](http://www.originenergy.com.au)