



To	Company Announcements Office	Facsimile	1300 135 638
Company	ASX Limited	Date	31 March 2016
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 2015 which is being sent to Origin Energy Shareholders who have elected to receive it.

Regards

Helen Hardy  
Company Secretary

02 8345 5000

# WE HELP ELLEN STAY CONNECTED

## ENERGY MADE FRESH DAILY



HALF YEAR  
REPORT  
2016

# MESSAGE FROM THE CHAIRMAN AND MANAGING DIRECTOR

## Fellow shareholder

During the period, we continued to take action to strengthen our balance sheet and build further resilience in the low oil price environment.

## SOLID PERFORMANCE FROM CONTINUING OPERATIONS

In reporting on the half year ended 31 December 2015, the Company delivered a solid underlying performance from its continuing operations with Underlying EBITDA of \$807 million and Underlying Profit<sup>(1)</sup> of \$243 million. Origin also recorded a Statutory Loss of \$254 million.

The strong performance of Origin's Energy Markets business, which delivered a \$100 million increase in Underlying EBITDA during the period, contributed to Origin's steady Underlying EBITDA. The increase in Energy Markets' contribution was driven by higher natural gas volumes and margins, stable electricity contribution, and continued improvement in Cost to Serve.

A very important milestone achieved by Australia Pacific LNG during the period has been first production of LNG with five cargoes exported to date<sup>(2)</sup>. Given the long-term nature of this project, we believe Origin's investment in Australia Pacific LNG will be rewarding for shareholders despite current low oil prices.

Origin also announced a non-cash impairment of \$244 million – driven primarily by prior decisions to reduce debt and preserve cash through restructuring, the discontinuation of geothermal activities and deferral of large-scale IT projects.

## IMPROVED RESILIENCE TO OIL PRICE

In the half, Origin achieved \$5.5 billion in debt reduction and initiated cash preservation measures to reduce net debt to below \$9 billion in FY2017.

To guard against falls in oil price below US\$40 per barrel in FY2017, Origin has purchased put options to provide a partial offset to any additional contributions to Australia Pacific LNG.

A \$1 billion planned reduction in Australia Pacific LNG's upstream operating costs has been achieved six months ahead of schedule. As Upstream operator for the project, Origin is working on further reducing Australia Pacific LNG's breakeven costs.

Our Electricity and Natural Gas Cost to Serve continues to fall and Energy Markets remains on track to achieve a targeted \$100 million cost reduction, as well as a \$50 million reduction in capital expenditure by the end of FY2016.

We also remain on track to deliver \$200 million in functional cost savings from FY2017 and are targeting at least \$800 million from asset sales.

We're providing reliable, affordable and sustainable energy, including solar to power homes.



## DIVIDEND

In line with guidance provided at the time of last year's Entitlement Offer, the Board has determined an unfranked interim dividend of 10 cents per share, which represents a payout ratio of 55 per cent of underlying earnings. The dividend will be paid to shareholders on 31 March 2016.

## PROSPECTS

To drive improved returns for shareholders in a low oil price environment, Origin continues to progress its three key priorities of growing the contribution from Energy Markets; growing production and reducing costs in Integrated Gas; and maintaining adequate funding and an appropriate capital structure.

Thank you for your ongoing support.

**Gordon Cairns**  
Chairman

**Grant King**  
Managing Director

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

(2) As announced with the interim financial results on 18 February 2016.

# ENERGY MARKETS

Energy Markets is the leading energy retailer in Australia by customer accounts<sup>(3)</sup> servicing approximately 4.3 million gas, electricity and LPG customers and operates one of the largest power generation portfolios of approximately 6,000 MW.

With the vision to be Australia's leading energy solutions provider, Energy Markets is using technology to further enable customers to generate electricity from roof tops, store electricity for use in peak periods and manage their energy requirements.

## ENERGY MARKETS POSTS EARNINGS GROWTH

Underlying EBITDA for the Energy Markets business increased by 16 per cent to \$721 million. This is also reflected in an improved Underlying EBIT margin for Energy Markets of 11.2 per cent, which increased from 9.4 per cent in the prior corresponding period.

Despite rising wholesale prices, Origin's flexible portfolio helped to maintain stable gas and electricity procurement costs, resulting in margin expansion of both natural gas and electricity.

Natural gas and electricity Cost to Serve continues to fall with improvements in billing and collection performance; a reduction in outsourcing costs and other operational improvements resulting in savings of \$25 million.

The introduction of a new sales and service operating model and an enhanced digital platform supported easier payment and online account management for customers. The introduction of new value propositions such as the Origin cash voucher also saw customer experience improve during the period.

## PROVIDING AUSTRALIA'S LEADING ENERGY SOLUTIONS

Total customer accounts increased by 1,000 in the half, reflecting the addition of 9,000 natural gas accounts and reduction of 8,000 electricity customer accounts. Origin continues to focus on the retention of high-value customers and the use of cost-effective internal channels for customer acquisition and retention.

Energy Markets grew its digital metering business, providing greater insight and knowledge into the way customers use energy. This will enable Origin to further improve its service and products. At the end of the half year, Origin operated more than 50,000 meters.

## WELL PLACED TO ACCELERATE TOWARDS RENEWABLES

Solar sales grew by 42 per cent during the period, driven by growth in the SME segment, initiatives such as Solar as a Service and launch of the highly anticipated Tesla battery offering.

More broadly, Origin continues to evaluate the potential of large scale solar and wind opportunities, including the potential to enter into long term contract agreements. The recent approval of the Development Application for Darling Downs Solar Farm provides an opportunity for Origin to accelerate the transition to a greater contribution from renewable energy.

# INTEGRATED GAS

With the upstream development phase for Australia Pacific LNG complete, the previous Exploration & Production and LNG segments have been combined to create Integrated Gas.

Origin holds a 37.5 per cent shareholding in Australia Pacific LNG. The project has a nameplate capacity of 9 million tonnes of LNG per year and is underpinned by long term supply contracts with Asian customers.

In addition, Origin holds exploration and production interests located in the Otway, Cooper and Bass basins in eastern and southern Australia, the Browse and Perth basins in Western Australia, the Bonaparte Basin in north-western Australia, the Beetaloo Basin in the Northern Territory, and in New Zealand.

## INTEGRATED GAS ACHIEVES MAJOR MILESTONES

Integrated Gas Underlying EBITDA decreased 50 per cent to \$137 million.

Exploration & Production EBITDA decreased \$94 million to \$117 million. This is due to a non-cash write-off of exploration expense of \$53 million in Vietnam following a decision to withdraw from all international exploration activity (excluding New Zealand), lower liquids prices and lower production.

During the period, Origin limited its capital expenditure to: commissioning Yolla-5 and Yolla-6; connecting Halladale and Speculant to Otway with first gas expected in FY2017; and meeting exploration commitments in the Cooper and Beetaloo basins.

LNG EBITDA decreased \$42 million to \$20 million reflecting a reduction in cost recovery from Australia Pacific LNG as upstream expenditure fell, and the impact of low oil prices on the project's oil-linked gas sales to QGC which commenced during the period.

The Upstream project is complete and performing at or above expectations with all key facilities commissioned. The Downstream project produced first LNG in the period and to date has exported five LNG cargoes, including three to Sinopec<sup>(2)</sup>. First cargo from Train 2 is expected to occur in the first half of FY2017.

Australia Pacific LNG ships its first  
Sinopec LNG export cargo.



(3) Based on Origin natural gas and electricity customer accounts as at 31 December 2015 and estimated market customer accounts as at 30 June 2015.

# PROSPECTS

Origin continues to progress its three key priorities to deliver shareholder value.

## GROWING CONTRIBUTIONS FROM ENERGY MARKETS

Origin expects to grow Energy Markets contribution by:

- Continuing to leverage its competitive and flexible gas portfolio to drive growth in Natural Gas;
- Maintaining a competitive cost of electricity to drive margin expansion and accelerate the transition to renewable energy;
- Continuing to build customer loyalty and trust by improving customer experience through simplifying processes and using new technologies to engage customers;
- Extending the range of energy products and services offered, including solar, batteries and metering products; and
- Focusing to reduce operating costs and increase cash generation.

## GROWING PRODUCTION AND REDUCING COST IN INTEGRATED GAS

In the current low oil price environment, Integrated Gas has implemented actions to mitigate the risk associated with sustained low oil prices and limit its contribution to Australia Pacific LNG.

In light of these actions and the objectives of growing production and reducing cost, the Integrated Gas key priorities are as follows:

- Continuing execution momentum, including completing the Australia Pacific LNG project and fulfilling the project finance tests and completing the Halladale / Speculant project;
- Deepening resilience to a sustained low oil price by lowering Australia Pacific LNG's breakeven costs by between A\$3-\$5 per barrel and reducing controllable costs across Exploration & Production operations;
- Securing new high value markets to support future growth;
- Managing the portfolio with discipline by delivering the previously announced asset sales program and investing in backfill opportunities only when a clear route to market exists; and
- Building the capability and culture to deliver with a particular focus on increasing Indigenous and female participation.

The *Methane Spirit* moored at Australia Pacific LNG's jetty is loaded with the first LNG export cargo.



## MAINTAINING ADEQUATE FUNDING AND APPROPRIATE CAPITAL STRUCTURE

As at 31 December 2015, Origin's net debt position was \$9.3 billion. Origin has \$6.8 billion of undrawn committed bank facilities and cash, which is more than sufficient to support its remaining contributions to Australia Pacific LNG of approximately \$1 billion. With the expected cash flow from the existing businesses and proceeds from the planned asset sales, Origin continues to target the reduction of net debt to below \$9 billion in FY2017.

Origin is focused on maximising cash generation so that cash flow from the existing businesses remains sufficient to service all interest and dividend payments and planned capital expenditure without reliance on distributions from Australia Pacific LNG.

Origin will pursue all opportunities to achieve ongoing debt reduction. Should the current low oil price environment persist through the second half of FY2016, which puts ongoing debt reduction at risk, the Company will suspend dividends until an appropriate level of debt is achieved.



# FINANCIAL HIGHLIGHTS

FOR THE HALF YEAR ENDED 31 DECEMBER<sup>(7,8)</sup>

Underlying EBITDA		Underlying Profit	
\$868 million		\$254 million	
2014	\$1,080 million	2014	\$346 million
2013	\$1,082 million	2013	\$381 million
2012	\$1,055 million	2012	\$362 million
2011	\$1,157 million	2011	\$489 million

  

Underlying Earnings Per Share <sup>(9)</sup>		Interim Dividend	
18.1¢		10¢	
2014	27.4¢	2014	25¢
2013	30.4¢	2013	25¢
2012	29.1¢	2012	25¢
2011	39.9¢	2011	25¢

(7) Includes discontinued operations.  
(8) Half year on half year comparison.  
(9) 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 HIGHLIGHTS

A reconciliation between Statutory and Underlying Profit measures can be found in note A1 of the Origin Consolidated Interim Financial Statements. Underlying performance from continuing operations is derived from underlying performance from total operations and excludes Contact Energy due to Origin's divestment of its entire 53.09 per cent interest on 10 August 2015.

Half year ended 31 December	2015 (\$m)	2014 (\$m)
Statutory Loss	(254)	(25)
Statutory EPS (cps) <sup>(4)</sup>	(18.1)	(2.0)
Items excluded from Underlying Profit	(508)	(371)
Underlying Profit – total operations	254	346
Underlying EPS (cps) – total operations <sup>(4)</sup>	18.1	27.4
Underlying EBITDA – total operations	868	1,080
Underlying Profit – continuing operations	243	308
Underlying EBITDA – continuing operations	807	846
Origin cash contribution to Australia Pacific LNG <sup>(5)</sup>	856	1,412
Net debt <sup>(6)</sup>	9,348	13,273

## UNDERLYING EBITDA

Half year ended 31 December	2015 (\$m)	2014 (\$m)
Energy Markets	721	621
Integrated Gas	137	273
Corporate	(51)	(48)
<b>Underlying EBITDA – continuing operations</b>	<b>807</b>	<b>846</b>
Contact Energy	61	234
<b>Underlying EBITDA – total operations</b>	<b>868</b>	<b>1,080</b>

(4) Prior period adjusted for the bonus element (discount to market price) of the September 2015 rights issue.  
(5) Origin's cash contribution to Australia Pacific LNG for the current year is net of \$140 million of interest income (\$58 million in the prior period) received on Mandatorily Redeemable Cumulative Preference Shares.  
(6) Interest bearing debt less cash. Prior period comparative is 30 June 2015.

## FINANCIAL CALENDAR 2016

<b>31 March</b>	Half year dividend payment
<b>30 June</b>	End of financial year
<b>18 August</b>	Full year results announcement
<b>October</b>	Annual General Meeting

## DIRECTORY

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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)

