To	Company Announcements Office	Facsimile	1300 135 638
Company	ASX Limited	Date	18 August 2016
From	Helen Hardy	Pages	5
Subject	Strong operational performance with earnings impacted by low oil prices, material debt reduction of $4 billion		

Please find attached a release on the above subject.

Regards

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Company Secretary
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ASX/Media Release

18 August 2016

Strong operational performance with earnings impacted by low oil prices, material debt reduction of $4 billion

Origin Energy Limited (Origin) today announced its FY2016 results including an underlying profit from continuing operations of $354 million, down 41 per cent on the previous year. The major drivers of this result were a strong operational performance from Origin's Energy Markets business and maiden LNG production by Australia Pacific LNG (APLNG), more than offset by the impact of lower oil prices.

Statutory loss from total operations was $589 million, an improvement of 10 per cent on the prior year. The main drivers of this result include the lower underlying profit from continuing operations ($249 million), the sale of Origin's interest in Contact Energy ($55 million) and a reduction ($386 million) in items excluded from underlying profit.

Items excluded from underlying profit include non-cash, after tax impairments of $515 million in the full year, $271 million of which was taken in the second half, driven mainly by downward revisions to reserves previously disclosed in the Company's Annual Reserves Report in July 2016.

Net cash from operating and investing activities improved $3.3 billion to $1.2 billion driven by asset sales and improving cash flow as capital expenditure and operating costs reduced. As a consequence of improved cash flows, asset sales and the Entitlement Offer in October 2015, Origin's adjusted net debt decreased $4 billion to $9.1 billion.

The increase in issued capital and lower underlying profit resulted in statutory and underlying earnings of (37.3) cents and 23.2 cents respectively.

Financial Summary	FY2016	FY2015
Statutory Loss Statutory EPS	$(589) million (37.3) cps	$(658) million (52.1) cps
Items excluded from Underlying Profit	$(954) million	$(1,340) million
Underlying Profit – total operations Underlying EPS – total operations Underlying EBITDA – total operations	$365 million 23.2 cps $1,696 million	$682 million 54 cps $2,149 million
Underlying Profit – continuing operations Underlying EBITDA – continuing operations	$354 million $1,635 million	$603 million $1,662 million
Final Dividend Unfranked	Nil	25 cps

Origin Chairman, Mr Gordon Cairns said, "While acknowledging both a statutory loss and a reduction in underlying profit, Origin has made significant progress in the past year to build resilience to lower oil prices through asset sales, cost reduction, improving cash flow and the equity raising. These actions have resulted in a significant reduction in debt and the

Company is well placed to exceed its target to reduce debt to below $9 billion by end FY2017.

“At an operational level, Origin has performed well. The Energy Markets business has significantly increased cash from operating and investing activities and improved operational outcomes across many key indicators of performance.

“Our Integrated Gas business has achieved a very important milestone with the commencement of LNG production from APLNG’s first train.

“We expect Train 2 to commence production in Q2 FY2017. This transition from development through to production in FY2016 and FY2017 will see the Company benefit significantly from its investment in APLNG through earnings and returns from FY2018 and beyond.

“Given the important task of continued debt reduction, and the fact that in the current lower oil price environment the Company is not generating franking credits sufficient to frank any dividends, the Board has determined to not pay a dividend in respect of earnings for the second half of the financial year. While the Board will review each dividend decision in light of the prevailing circumstances, the Board’s view is that suspension of the dividend is in the best overall interest of shareholders,” said Mr Cairns.

Origin Managing Director, Mr Grant King said, “Underlying EBITDA from continuing operations of $1.6 billion was in line with the prior year.

“A strong operational performance from Energy Markets resulted in an increased contribution of $70 million to $1.3 billion. Gross profit contributions from the Natural Gas and Electricity businesses were preserved in a market that has changed significantly in the past year while costs were reduced. Importantly, net cash from operating and investing activities increased by $522 million to $1.3 billion.

“A major milestone was the commencement of LNG sales by APLNG in January 2016. Production has ramped up quickly to above design nameplate capacity and to date, APLNG has shipped 36 cargoes, primarily to its two major customers, Sinopec and Kansai.

“The maiden EBITDA contribution from the commencement of LNG production by APLNG has in part offset the impact of lower oil prices on the Integrated Gas business which decreased by $112 million to $386 million. As the investment in APLNG nears completion and cash flows from production reduced Origin’s required contribution to APLNG, cash flow after operating and investing activities has improved by $1.4 billion to ($1.6) billion.

“In association with the commencement of LNG production, Origin brings to account its share of APLNG’s Interest, Tax, Depreciation and Amortisation (ITDA). This has increased ITDA in Origin’s accounts from $62 million to $296 million and includes a disproportionate share of costs associated with infrastructure assets. The increase in revenue at current low oil prices did not fully offset the increase in ITDA and is the main driver of the decline in Underlying Profit from continuing operations of $249 million to $354 million,” said Mr King.

The Company released its Annual Reserves Report on 29 July, 2016. Including production, Origin’s proved plus probable (2P) reserves increased by 17 PJe to a total of 6,277 PJe, when compared to the prior year. The key changes in 2P reserves include 249 PJe net increase resulting from revisions and extensions with notable increases in the Perth Basin (Waitsia/Senecio field) and offshore NZ (Kupe field), partly offset by decreases in Cooper, Otway and Bass basins, and a 231 PJe decrease due to production.

Mr King said, “In building resilience to a lower oil price environment, Origin has made good progress on asset sales and cost reduction.

“During the past year, asset sales totaling $484 million have been announced, in addition to the sale of Origin’s interest in Contact Energy ($1.6 billion). The sale of additional assets is on track to meet our target of $800 million by the end of FY2017.

“In the 18 months to the end of FY2016, we have reduced our workforce by 28 per cent, or 2,500 people, as capital projects have been completed or stopped and operating costs reduced. This will support a continued reduction in cash costs into FY2017.

“We have also taken action to reduce exposure to low oil prices through the purchase of put options over 15 million barrels of oil for FY2017 at prices of US$40 per barrel and A$55 per barrel.

“The 2016 financial year has seen some major changes in the global energy industry with lower oil prices, new LNG projects coming into production and the adoption of carbon reduction targets on a global basis.

“The energy resources that will benefit most from these trends are natural gas and renewables. Origin’s strategy of investing in gas and renewables sees the Company well placed to lead this transition in local markets through its Energy Markets business and in regional markets through its investment in APLNG and its growing LNG production,” Mr King said.

Outlook

FY2016 and FY2017 are transitional years for Origin as LNG production commences and ramps up to full production over this period. In FY2017 Origin expects[1] a 45 – 60 per cent increase in Underlying EBITDA when compared to FY2016 Underlying EBITDA from continuing operations:

- Energy Markets Underlying EBITDA to increase to $1.44 billion – $1.54 billion, driven by Electricity margin expansion, maintaining the increased Natural Gas contribution, continued improvement in cost to serve and an increased contribution from LPG and Solar & Energy Services. This includes additional annual costs of approximately $32 million from new agreements entered into as part of asset sales to date.
- Integrated Gas Underlying EBITDA to increase to $1 billion – $1.15 billion, comprising:
  - E&P Underlying EBITDA to increase to $350 million – $400 million, driven by increased production to approximately 90 PJe (from 75 PJe in FY2015) from Halladale/Speculant coming online, albeit about two months later than previously scheduled, partly offset by lower production across other basins.
  - LNG Underlying EBITDA to increase to $650 million – $750 million as LNG production continues to ramp up and revenue recognition for Train 2 begins in Q3 FY2017. The negative contribution from APLNG oil-linked domestic contracts is forecast to have a diminishing impact as the initial ramp period of

[1] This guidance is based on an average oil price US$52.90/bbl and a AUD/USD exchange rate of $0.74 and is dependent on the timing of production from Train 2. 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.

selling gas to QGC[2] is expected to come to an end during H1 FY2017, with volumes reducing in FY2017 to approximately 65 PJ[3] (from approximately 100 PJ[3] in FY2016), and thereafter averaging 25 PJ[3] over the medium term.

- Corporate costs to reduce as benefits from the functional cost reduction program are realised.

Underlying Depreciation and Amortisation (ex-APLNG) will increase driven by Halladale/Speculant coming online.

Underlying APLNG ITDA will increase significantly as APLNG comes into full production. Disproportionate costs associated with APLNG infrastructure will continue to have an impact until Train 2 revenue recognition commences.

Following Train 2 revenue recognition, all LNG related items previously excluded from Underlying Profit will be recognised within Underlying Profit.

Origin's remaining contribution to APLNG is expected to be $0.6 billion from 1 July 2016 until APLNG is self-funding, in line with previous guidance. Capital expenditure (excluding APLNG) for the 2017 financial year is expected to be approximately $550 million, limited to maintaining existing assets, IT spend in Energy Markets, completing projects that have commenced and meeting joint venture and permit commitments. This is higher than previous guidance due to the timing of asset sales and the completion of the Halladale/Speculant project, additional spend associated with appraisal testing on the Waitsia resource and additional maintenance spend in the Otway Basin and the Darling Downs Power Station.

Mr King said, "Origin continues to target further debt reduction and expects adjusted net debt to be well below its target of $9 billion at the end of the 2017 financial year.

"In FY2018 and beyond, as APLNG completes the transition from development to production of its LNG project, Origin expects to see significant growth in earnings and returns, strong cash flow and continuing reduction in debt," said Mr King.

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[2] Under agreements that APLNG entered into with QGC in 2010, APLNG will sell to QGC its entire share of gas production from the ATP620/648 fields for an initial ramp period.

[3] 100% APLNG