



Results Announcement

Six months ended 31 December 2000

28 February 2001

Outline

- Performance Highlights
- Financial Review
- Operational Review
- Returns to Shareholders
- Outlook

- **Comparison figures quoted refer to the performance of Origin Energy businesses during the December 2000 half-year compared to the December 1999 half-year**
- **Activities relating to the Boral building and construction business reported in Origin Energy's statutory accounts for the December 1999 half-year, has been excluded for the purposes of this briefing**



Performance Highlights

Financial highlights

- EBITDA \$155.2 million ↑ 37%
- PAT \$49.5 million ↑ 77%
- Capital expenditure \$70.3 million ↓ 21%
- Earnings per share 8.7 cents ↑ 78%
- Net debt to equity 31.3% ↓ 4%*
- Proposed on-market buy-back of up to 5%

* from June 2000

Operating highlights

- Increased natural gas production
- Stronger sales volumes in Retail & Trading
- Six month contribution from Ladbroke Grove power station
- BP Bulwer Island cogeneration plant and Peat CSG project progressively commissioned
- 11,500 additional consumers connected to networks operated and maintained by Origin Energy

Operating highlights cont...

- Ariba Buyer e-procurement system installed
- Full retail contestability systems project commenced
- Generator alliance established



Financial Review

Profit & Loss

	Dec 00 (\$m)	Dec 99 (\$m)	% change
Revenue	792.5	678.7	16.8
EBITDA	155.2	113.4	36.8
EBIT	88.5	45.7	93.6
Net interest expense	15.6	13.7	13.7
Tax expense	20.6	2.2	
Profit after tax	49.5	28.0*	77.2
Earnings per share (cents)	8.7	4.9*	77.6

* Before abnormal items

Profit & Loss: Calender year 2000

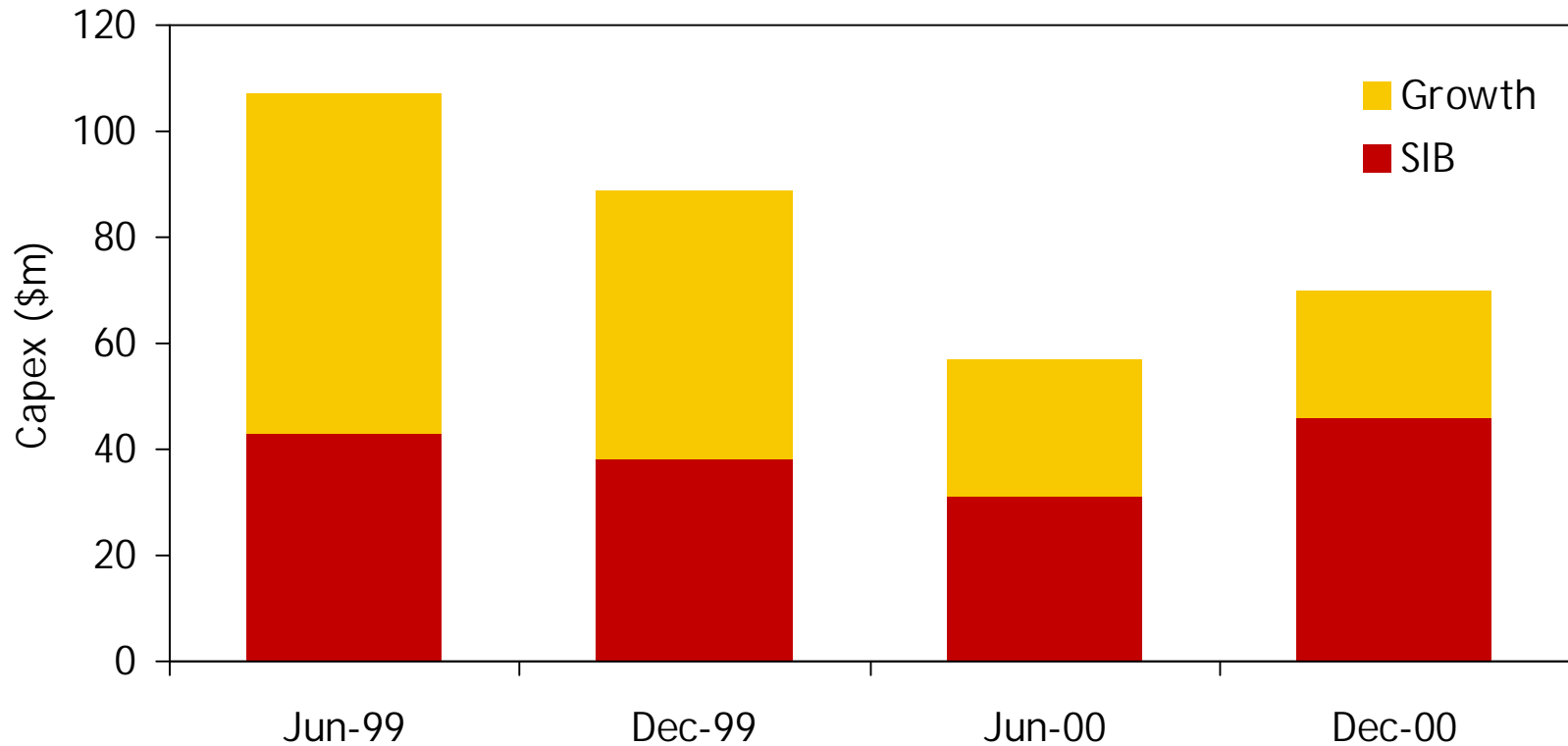
	6 mths to Jun 00 (\$m)	6 mths to Dec 00 (\$m)	12 mths to Dec 00 (\$m)
EBITDA	158.0	155.2	313.2
EBIT	85.4	88.5	173.9
Net interest expense	16.2	15.6	31.8
Tax expense	20.4	20.6	41.0
Profit after tax	47.4*	49.5	96.9
Earnings per share (cents)	8.3	8.7	17.0

* Before abnormal items

Tax reconciliation

	Dec 00 (\$m)	Dec 99 (\$m)
Profit before tax	72.9	32.0
Prima facie tax	22.9	11.5
<i>less</i> Stratus benefit	5.7	10.5
<i>add</i> Other permanent differences	3.4	1.2
<i>equals</i> Tax expense	20.6	2.2
Tax payable	3.2	3.0
Envestra subvention payments	11.0	20.0

Capital expenditure predominantly on development activities in Exploration & Production



Operating cash flow after tax

	Dec 00 (\$m)
Net operating cash flow	121.6
<i>less</i> interest received	1.3
SIB capital expenditure	45.9
<i>add</i> disposals	10.5
interest paid	17.5
Operating cash flow after tax	102.3
Funds employed	1,686.8
OCAAT/Funds employed	6.1%

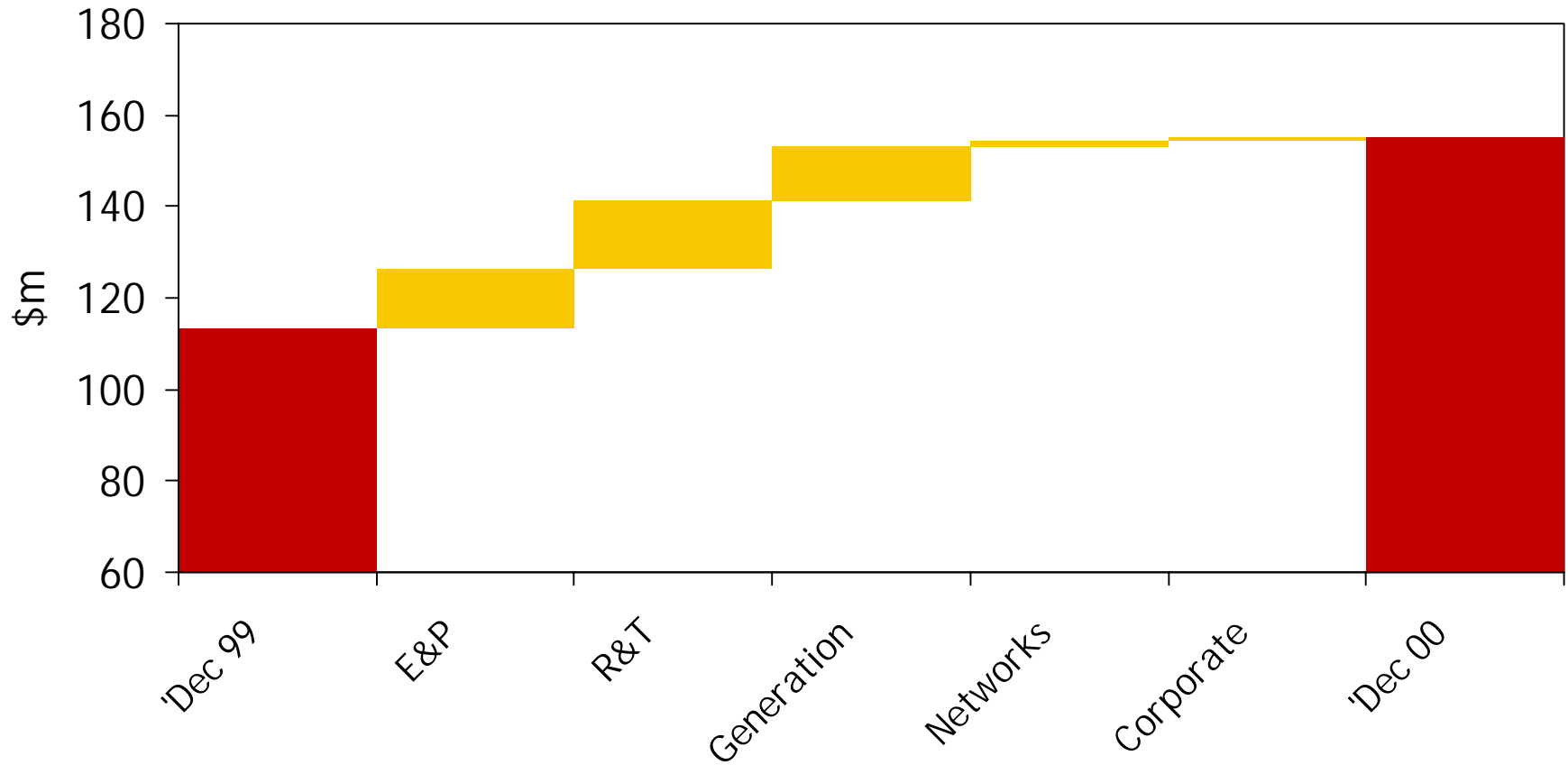
Other key ratios

- Net debt to equity (excluding OEI) of 31.3% - down from 35.6% as at June 2000
- Interest cover robust at 5.7 times compared to 4.4 times as at June 2000
- EPS per share up from 4.9 to 8.7 cents for the half
- ROE for 12 months to 31 December 2000 is 7.6%, up from 6.2% for 12 months to June 2000



Operating Review

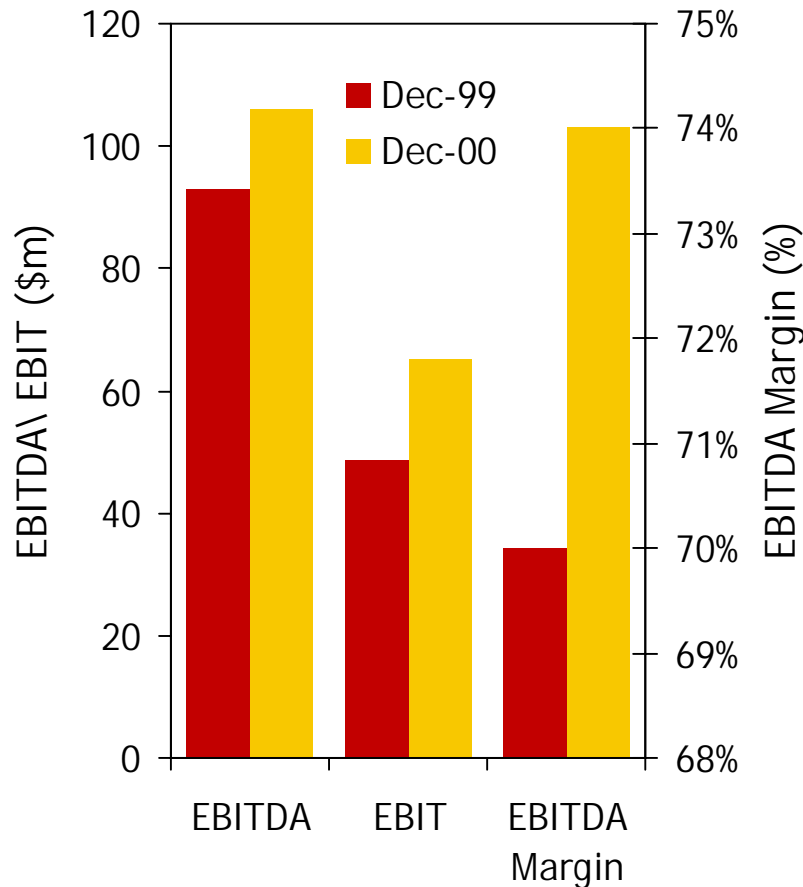
EBITDA up 37% with all segments contributing to the improvement



E&P = Exploration & Production
R&T = Retail & Trading



Exploration & Production: strong performance with EBITDA up 14% for the half to \$105.9 million



- Revenue up 8% with EBIT up 33% to \$65 million
- Sales volumes increased 5% to 44.9 PJe despite the sale of the Port Campbell assets & declining liquids sales
- Average oil price received at A\$45.51 was up 44% - accounted for two-thirds of the increase in EBIT

Hedging: 12 month forward position

Oil price

% hedged 50%

Average hedge price > US\$26.00

USD

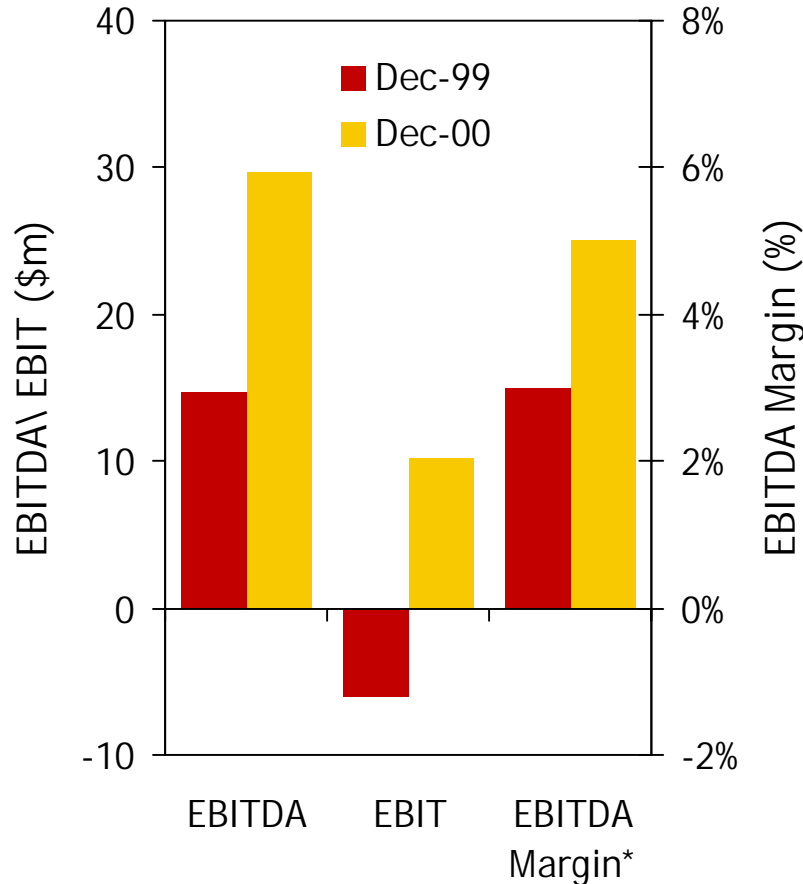
% hedged 73%

Average hedge price US 57.5 cents

Exploration & Production activity

- **Capital expenditure of \$57 million:**
 - participation in the drilling of 80 wells
 - construction of production facility at Peat CSG field
- **New acreage acquired**
 - Perth Basin: 50% interest in L1 and L2 production leases
 - Surat Basin: exploration permit ATP 692P
 - Otway Basin: PEL83 (onshore)
 - Taranaki Basin: 20% PEP 38718, 30% PEP38728

Retail & Trading: EBITDA increased by 101% to \$29.7 million

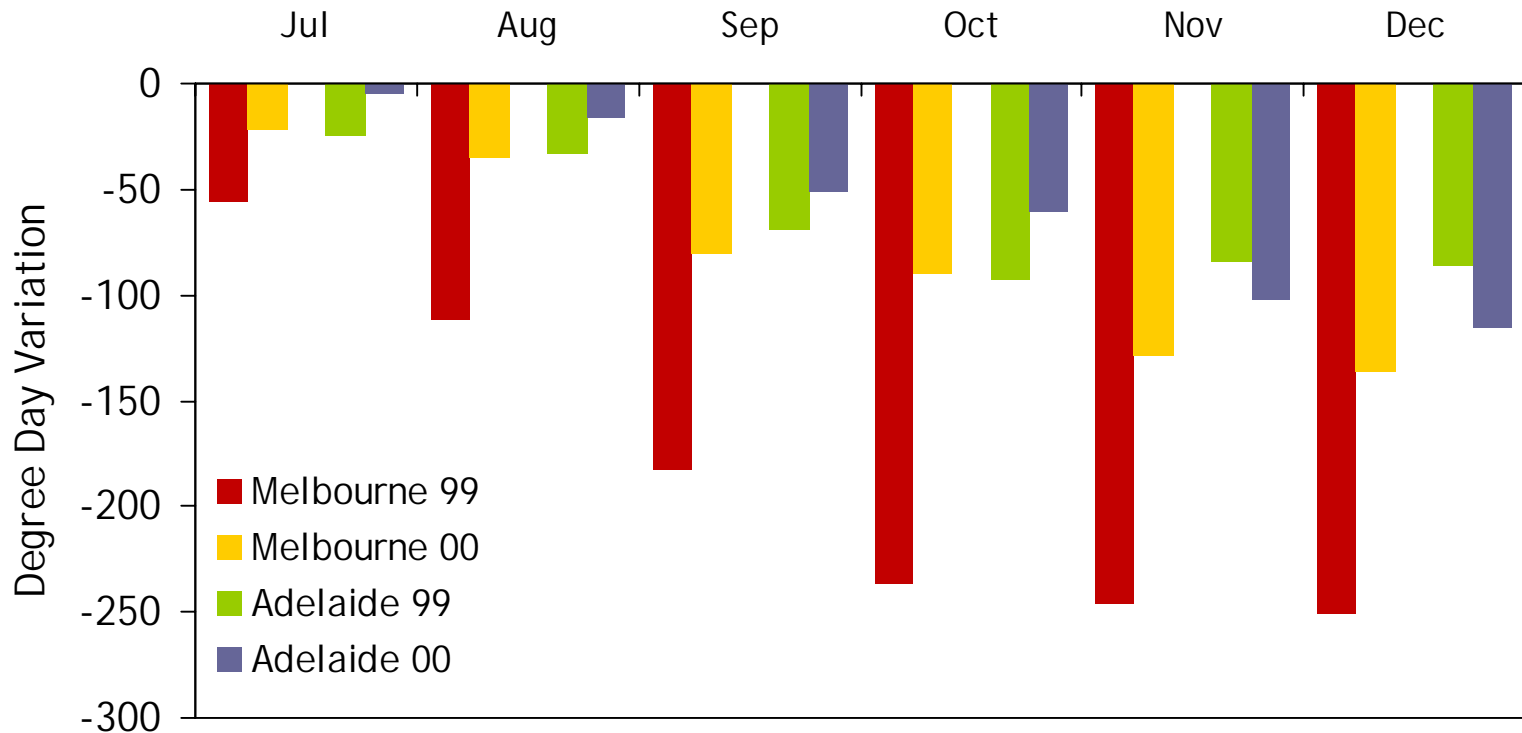


- \$16 million EBIT turnaround to report \$10.2 million
- Natural gas sales volumes up 9%
 - Cooler conditions compared to Dec 99 half: EBIT impact approx \$8 million
 - Additional larger users
- 4.0% natural gas tariff increase in Qld (first since 1992)
- Focus on working capital reduced bad debts by \$1.3 million

* Including agency income

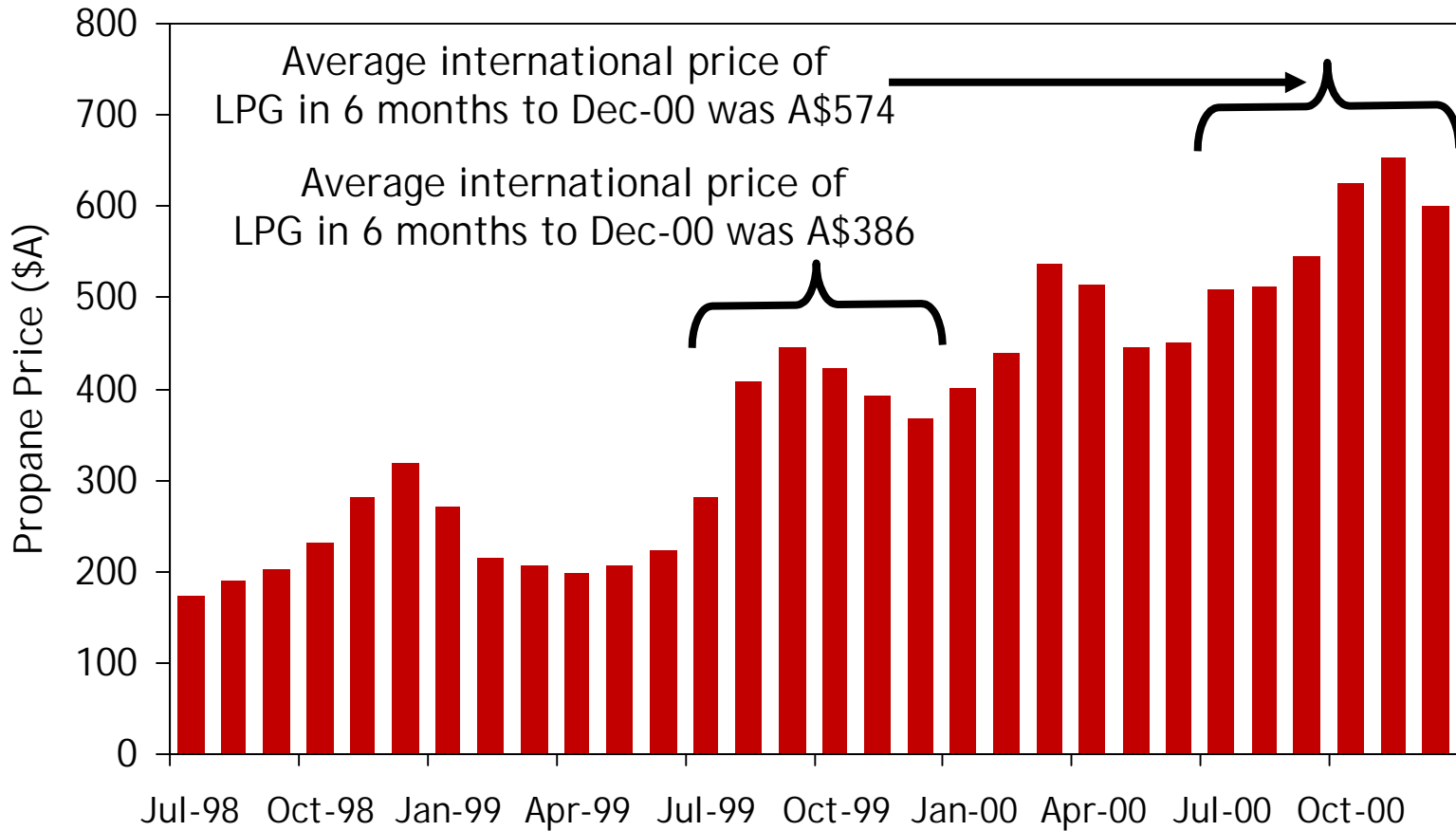
Warmer than average weather conditions adversely impacted EBIT by \$5 million

Cumulative Degree Day Variation
(from 10 year average)



	Melbourne	Adelaide
6 months to Dec 99	735	593
6 months to Jun 00	551	384
6 months to Dec 00	850	544

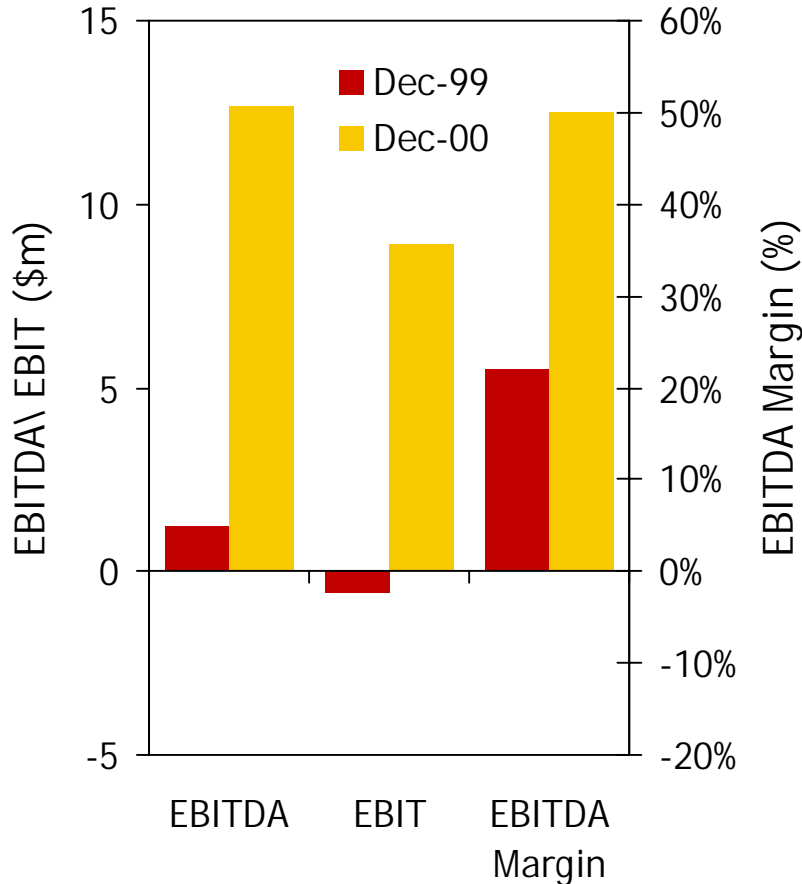
Pressure on LPG margins continued as the average wholesale price of LPG increased by A\$188 per tonne



Preparing for contestability

- **Focusing on low cost to serve**
 - consolidation of billing systems to achieve benefits of scale
 - exiting high cost legacy billing system in Victoria
 - e-commerce initiatives
- **Embarked upon major process and systems development program**
 - comply with new regulations and codes
 - support future sales and marketing processes
- **Electricity retailing**
 - entered agreement with major generator
 - allows the efficient and effective management of electricity purchase risk in the mass market

Generation: EBITDA increased from \$1.2 million to \$12.7 million



- Six month contribution from Ladbroke Grove power station
- Favourable pool prices
- BP Bulwer Island cogeneration plant progressively commissioned
- Development opportunities

Merchant power generation

Roma

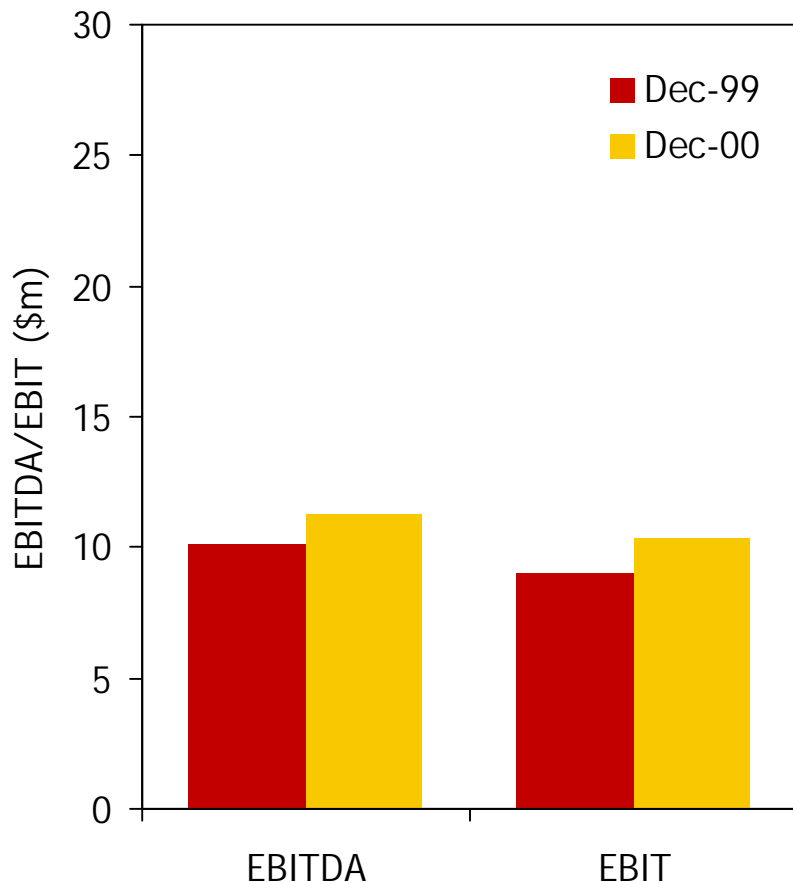
Net Generation	55,908 MWh
Capacity factor	18%
Average spot price received	\$93 per MWh

Ladbroke Grove

Net Generation	318,519 MWh
Capacity factor	91%
Average spot price received	\$55 per MWh

- One of the two Ladbroke Grove power station turbines failed in December. Repairs are under warranty and loss of profit is subject to an insurance claim.

Networks: EBITDA of \$11.3 million, up 12% from the corresponding period in the prior year



- EBITDA comprised of:
 - Envestra distribution: \$6.5 m
 - O&M fees: \$4.8 m
- 11,500 new consumers added to networks maintained and operated by Origin Energy
- Initiatives launched to consolidate a range of legacy information systems across Victoria, South Australia and Queensland



Returns to Shareholders

Returns to shareholders

- Unfranked dividends inefficient
- Shareholders pay tax at marginal rates
- DRP participants must fund tax liability from other sources (affects 50,000 shareholders)
- Many shareholders want cash returns
- Share buy-backs provide attractive option for shareholders seeking cash return

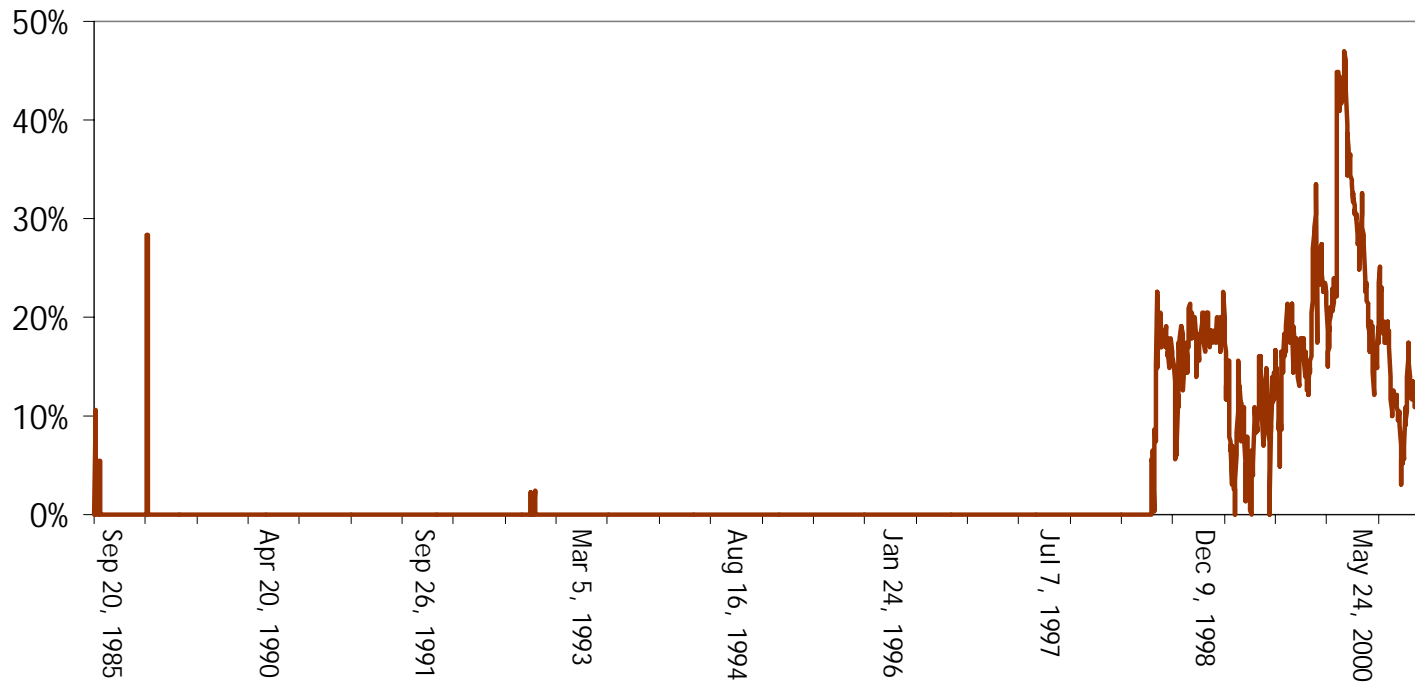
Buy-back tax implications for shareholders

- As a consequence of the Demerger, most shareholders have a cost base in excess of current market prices
- Example:
 - Boral purchased at \$3.00
 - Origin cost base = \$2.84
 - (\$3.00 x 2 - \$3.16)

Buy-back tax implications for shareholders

- Little or no CGT payable on buy-back proceeds
- Many will crystallise a capital loss

% of Proceeds Taxable - Individuals & Superannuation



Capital return options

- Demerger left Origin with low level of share capital
- Capital reductions and off-market buy-backs inappropriate
- On-market share buy-backs generally not attractive for small shareholders (transaction costs too high)

Share buy-back proposal

- Equal access on-market buy-back
- All shareholders have, for a set period of time (eg 3 weeks) equal opportunity to sell up to a fixed percentage of their holding (eg 5%) into the buy-back
- These Buy-back Shares would trade on a separate line in ASX (ORGM)
- Each shareholder can elect to sell some, all or none of their Buy-back Shares
- Buy-back Shares not purchased by the company revert to ordinary ORG shares at end of the set period
- No brokerage if Buy-back Shares sold through Origin sponsored facility

Benefits of buy-back

- **EPS and ROE positive at current prices**
- **Tax efficient for shareholders who want cash returns**
(DRP participants can ignore buy-back)
- **Equal access**
(unlike most on-market buy-backs)
- **Cost effective for shareholders**
(no brokerage)
- **Simple to participate**
(sale facility)

Implementation

- Change to Constitution proposed to facilitate buy-back
- General Meeting planned in first half of April
- If approved, 5% buy-back will be held in May
- Proceeds distributed to shareholders progressively during May/early June

Dividends

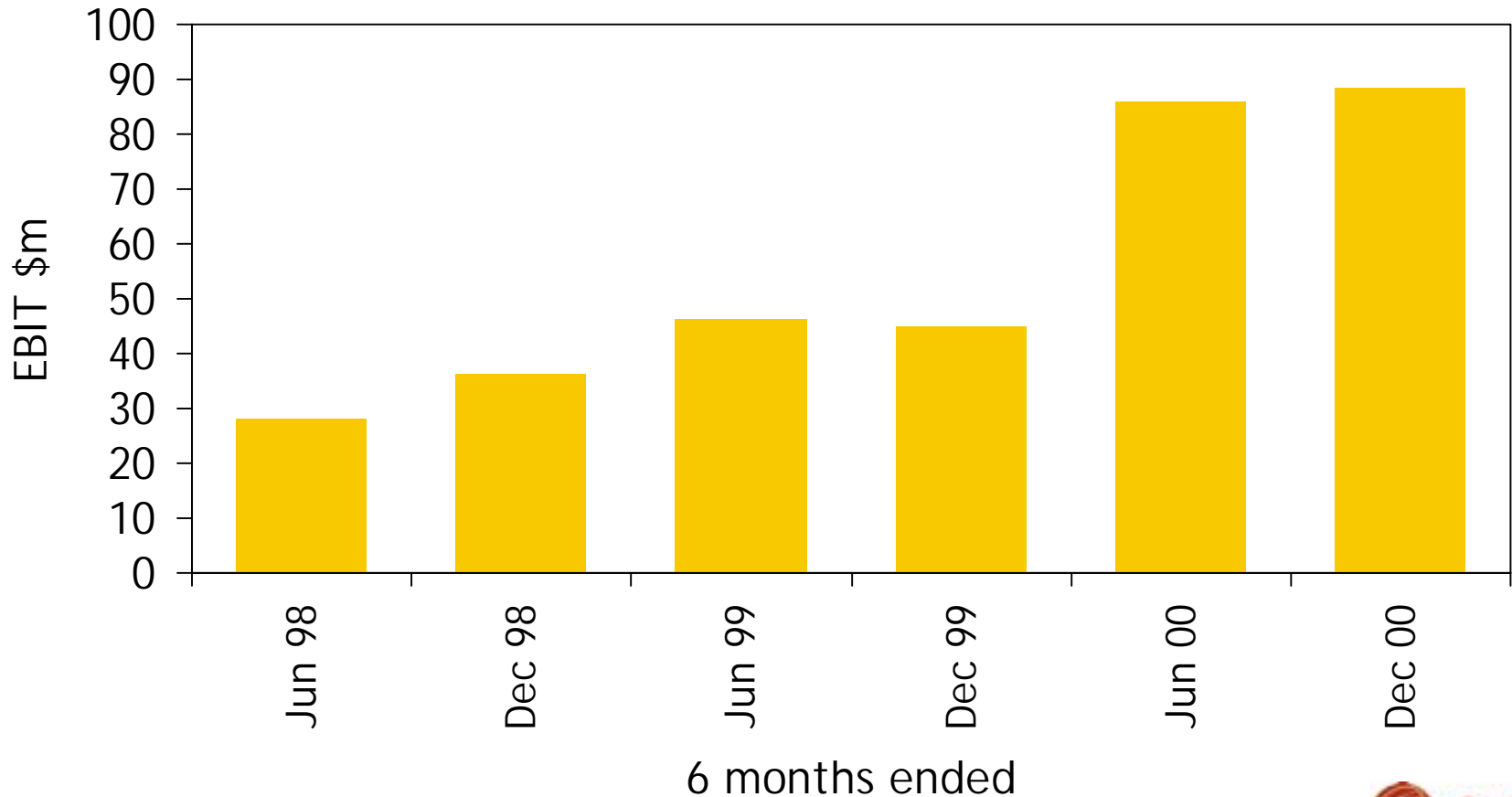
- Interim dividend deferred pending outcome of General Meeting
- Future returns to shareholders will be reviewed on an ongoing basis
- Available franking credits paid out as franked dividends
- Small fully franked dividend (1-2 cents) likely in second half of 2001



Summary

Delivering on recent investments

- Funds redeployed from sale of distribution assets are now contributing to earnings



Number of operational initiatives implemented to drive further improvement

- Full retail contestability systems project
- Margin management
- Focusing on working capital
- Ariba e-procurement system
- Unmarketable parcels

Development of further growth opportunities

- Greenfields exploration
- New gas developments
- Power generation and cogeneration opportunities
- Continued development of energy retailing capabilities
- Continuing rationalisation in the industry

Profit for the 2000/01 year currently expected to exceed last year

- **Strong first half**
(first half typically stronger than second half)
- **Peat coal seam gas on line in February**
- **BP Bulwer Island cogeneration plant contributing from 1 January**
- **Oil hedged at prices above those of last year**
- **Continued operational improvement**

The logo for Origin Energy is displayed against a vibrant red background. The word "origin" is written in a clean, white, lowercase sans-serif font. The letter "o" is stylized, featuring several overlapping, thin, golden-yellow lines that create a sense of motion or energy. Below "origin", the word "energy" is written in a smaller, golden-yellow, lowercase sans-serif font. The background is decorated with subtle, thin white curved lines and a large, soft-focus golden-yellow circular shape in the lower right corner, suggesting a sun or a globe.

origin
energy