



## ASX/Media Release

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### Origin delivers 28 per cent increase in Underlying Profit and reconfirms Full Year guidance

Origin Energy ("Origin") today announced a 28 per cent increase in underlying profit to \$355 million for the six months to 31 December 2009. This increase is primarily driven by reduced financing costs, reflecting lower net debt due to receipt of funds following the Australia Pacific LNG transaction, and the increase in first half underlying EBITDA.

Commenting on the result, Origin Chairman, Mr Kevin McCann said, "It is ten years since Origin was first listed on the ASX. During this period we have consistently delivered underlying profit growth which has averaged 24 per cent per annum.

"The 28 per cent increase in underlying profit to \$355 million for the six months to 31 December 2009 continues to demonstrate our capacity to grow.

"During the past six months we have invested significantly in the ongoing growth of our business with capital expenditure on growth and acquisitions of \$1.5 billion. Origin maintains significant balance sheet flexibility and has cash and undrawn committed facilities of \$3.7 billion now available to fund ongoing growth.

"The Board has declared a fully franked interim dividend of 25 cents per share, representing a dividend payout ratio of 62 per cent of underlying earnings per share," he said.

The interim dividend will be paid on 1 April 2010 to shareholders of record on 9 March 2010. Origin shares will trade ex-dividend from 2 March 2010.

Financial Highlights	First Half 2010	Change from First Half 2009
Total Revenue	\$4,300 million	\$84 million
Underlying EBITDA	\$706 million	\$20 million
Underlying Profit	\$355 million	\$78 million
Underlying EPS	40.5 cents	8.9 cents
Operating Cash Flow after Tax	\$425 million	\$60 million
Interim fully franked dividend	25 cps	steady

Statutory net profit after tax was \$371 million for the period, compared with \$6.7 billion in the prior first half. The prior first half contained a significant item relating to a gain on the dilution of Origin's interest in Australia Pacific LNG which provided a benefit of \$6.7 billion in the statutory profit for that period.

## Review of Business Operations

Overall underlying EBITDA for the half year to 31 December 2009 increased 3 per cent or \$20 million to \$706 million.

Commenting on business operations, Origin Managing Director, Mr Grant King said, "The performance of Origin's underlying business during the half has again demonstrated the value of the Company's fuel integrated strategy, which continues to deliver growth across the competitive segments of the energy chain.

"Origin has more than doubled the capacity of its generation fleet from 704 MW in December 2008 to 1,620 MW in December 2009. This has resulted in significantly higher earnings from the Generation segment, with underlying EBITDA increasing from \$22 million to \$98 million.

"The Retail segment also increased underlying EBITDA by 7 per cent to \$320 million, primarily due to improved gross profit from natural gas and LPG together with benefits from a lower cost of serving our customers," said Mr King.

The increase in earnings from Generation and Retail helped to offset a lower contribution from Exploration and Production, with underlying EBITDA of \$104 million. The reduced Exploration and Production contribution reflects the dilution of Origin's interest in Australia Pacific LNG, higher exploration expenses, lower production volumes and lower average liquids prices.

The performance of Contact Energy's business was in line with the prior first half. However, a strengthening in the Australian/New Zealand dollar exchange rate led to a marginally lower underlying EBITDA contribution, decreasing 3 per cent to \$184 million.

## Outlook

In October guidance was given that the underlying full year profit would be around 15 per cent higher than the prior year. Excluded from that guidance was any expense that could arise from capital expenditure on this year's greenfield exploration program estimated at \$100 million.

In respect of the \$100 million exploration program the first well drilled in the program (Somerset) was unsuccessful and the cost of that well (\$9 million) has been expensed in the results for the first half of the year. The subsequent wells, Trefoil 2, Rockhopper and Rockhopper sidetrack, have found gas and oil and the costs incurred in drilling those wells have been, or will be, capitalised. The next well to be drilled as part of this program is in the Northland Basin in New Zealand and is expected to commence late in the financial year. Results are not likely to be known by year end so it is unlikely to have any impact on the full year.

While underlying profit for the first half was up 28 per cent compared with the prior half year, it remains Origin's expectation, based on current market conditions prevailing, that the full year underlying profit will be around 15 per cent higher than the prior year.

In prior years it has been usual for underlying EBITDA in the second half to be lower than the first half for seasonal reasons. In the current year we expect retail margins to be consistent with the prior year, while contributions from new projects such as Kupe, an increase in the Company's interests in the Otway Basin and the initial contribution of Darling Downs Power Station will offset this usual trend. Net financing costs in the second half will be substantially higher as a result of Origin holding a lower cash balance after paying for acquired assets and lower capitalised interest as projects come on line. Origin also expects a higher effective tax rate in the second half resulting in the effective tax rate for the full year being around 26 per cent.

During the half year Origin also entered into a farm-in agreement to earn interests in five exploration blocks in South East Asia. Under the farm-in agreement the drilling program commenced in February 2010 and it is likely that up to \$40 million may be spent on exploration in these blocks in the second half of the financial year. It is possible that some elements of this program may be unsuccessful and could result in a write-off of exploration expense occurring in this year. No assumption has been made for any expense in the guidance.

A number of projects are expected to contribute to increased earnings in the 2011 financial year with full year contributions expected from the Kupe Gas Project, Darling Downs Power Station, the expanded Mt Stuart Power Station and the increased interest in the Otway Basin. Additional contributions to earnings are also expected from the continued development of the Australia Pacific LNG's domestic CSG production and the completion of the 550 MW Mortlake Power Station in late 2010.

### **The Next Decade**

Mr King said, "Looking further ahead, Origin has a number of opportunities to continue to grow and develop its business.

"Origin expects to increase its share of growing energy markets in Australia and New Zealand. Australia Pacific LNG will continue to develop its CSG to LNG project. We can see potential additional gas and oil discoveries from an expanded exploration program.

"We are also well placed to capitalise on the increasing demand for renewable energy sources through a substantially expanded portfolio including wind and geothermal interests. Our joint venture with Micron provides the potential to expand globally in the manufacturing of solar photovoltaic cells.

In conclusion Mr King said, "The results for the half year demonstrate continuation of a decade of growth and we believe that Origin has many opportunities to continue that growth through the next decade."

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**About Origin Energy**

Origin Energy is Australasia's leading integrated energy company focused on gas and oil exploration and production, power generation and energy retailing.

Listed in the ASX top 20 the company has approximately 4,000 employees, is a leading producer of gas in eastern Australia, is the largest owner and developer of gas-fired electricity generation in Australia and is a leading wholesaler and retailer of energy. The company services more than 3.5 million electricity, natural gas and LPG customers across Australia, New Zealand and the Pacific. Origin's strategic positioning and portfolio of assets provide flexibility, stability and significant opportunities for growth in the ever changing energy industry. Through Australia Pacific LNG, its 50:50 joint venture with ConocoPhillips, Origin is developing Australia's largest CSG reserves base into the country's largest CSG to LNG project.

In New Zealand, Origin is the major shareholder in Contact Energy, the country's leading integrated energy company, operating geothermal, thermal and hydro generation facilities and servicing electricity, gas and LPG customers across both the North and South islands. Origin also operates several oil and gas projects in New Zealand and is one of the largest holders of petroleum exploration acreage in the country.

Origin has investments in renewable energy, a strong focus on ensuring the sustainability of its operations and is the largest green energy retailer in Australia.

For more information go to [www.originenergy.com.au](http://www.originenergy.com.au)