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## ASX/Media Release

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### Origin Energy acquires Sun Retail

Australian-owned Origin Energy Limited ("Origin") today announced it has executed a Sale and Purchase Agreement with the Queensland Government to acquire Sun Retail for \$1,202 million.

Origin's Managing Director, Mr Grant King said "The acquisition of Sun Retail is a unique opportunity for Origin. It will secure for the company a leading position in the continuing consolidation and integration of the Australian and New Zealand energy markets.

"It will result in Origin having a very competitive cost position in retail, wholesale and production segments through the increased scale, diversity and integration of the business.

"The acquisition will also create additional opportunities to grow as we deepen the integration in our business across the competitive segments of the energy industry."

#### Highlights

- The bid price is 9 times 2007/08 EBITDA
- Increases group revenues by \$1.7 billion to \$7.6 billion (29%)
- EPS accretive from the first full year of ownership
- Initial funding includes underwritten placement of \$400 million with the balance from debt facilities
- Maintains BBB+ stable credit rating

Sun Retail consists of three businesses as outlined below:

	Value	Key Valuation Metric
Mass Market Retail <i>- 833,000 customers</i>	\$916 m	\$1,100/customer
Wholesale <i>- 16 TWh</i>	\$220 m	\$0.61/MWh*
LPG <i>- 31,000 tonnes</i>	\$66 m	\$2,130/tonne

\*Valued across Origin's entire wholesale electricity portfolio of 33 TWh

Settlement of the transaction will occur on 1 February 2007 and the acquisition will be effective from that date. Total acquisition costs and fees amount to an additional \$11 million.

## Benefits from the acquisition of Sun Retail

The mass market retail business of Sun Retail consists of around 833,000 mass market and small business customers, predominantly located in the high growth corridor in south east Queensland. Annual electricity sales amount to around 9 terawatt hours (TWh). This business complements Origin's existing 90,000 gas customers north of the Brisbane River. It nearly doubles the number of electricity customers supplied by Origin thereby adding scale to the company's mass market retailing business resulting in significant reductions in the cost to serve per customer.

The wholesale business includes the sale of around 7 TWh of electricity to large commercial and industrial customers at approximately 7,500 sites, a portfolio of electricity contracts and a permit to build a 450 megawatt (MW) power station near Braemar. The combined businesses have an electricity purchase requirement of approximately 33 TWh of electricity each year. The additional diversity of purchasing these requirements across a larger market reduces the cost of risk management. These purchase requirements also secure revenue to support Origin's existing peaking power stations at Roma and Mt Stuart and support new generation investment at the recently permitted Spring Gully base load power station and associated development of additional coal seam gas production.

The LPG business markets and distributes 31,000 tonnes of LPG to around 55,000 industrial, commercial and residential customers spread mainly through south east Queensland and northern New South Wales. The acquisition of this business adds to Origin's existing 123,000 LPG customers in Queensland, and will enable significant synergies and cost savings to be brought to this business.

Origin Energy has not purchased Sun Gas.

## Funding and financial impact

Origin will fund the acquisition through an underwritten placement of ordinary shares via a bookbuild process with institutional investors, debt facilities and a Share Purchase Plan (SPP). In addition, the company is considering the issue of a hybrid security and is also undertaking a strategic review of its Networks business.

This morning Origin launched an equity placement to raise \$400 million from institutional investors. Consequently Origin will remain in a trading halt on the Australian Stock Exchange until the commencement of trading on Wednesday 29 November while this placement is being undertaken. The placement is fully underwritten by Citigroup Global Markets Australia Pty Limited and Macquarie Equity Capital Markets Limited.

A SPP will be undertaken early in 2007 to provide an opportunity for eligible shareholders to acquire up to \$5,000 worth of shares. Applicants under the SPP will not incur brokerage or transaction costs. Further details of the SPP will be sent to shareholders at a later date.

The company is also contemplating the issue of a hybrid security, which is likely to be issued in the first Quarter of 2007 to both retail and institutional investors via a prospectus.

In addition, and consistent with Origin's focus on the competitive segments of the energy supply chain, the company has initiated a review of its ownership of the Networks business. This business focuses on the regulated segments of the energy industry and includes a 17% interest in Envestra, a 33.3% interest in the SEA Gas Pipeline, and the asset management business - Origin Energy Asset Management. Carnegie Wylie has been appointed to assist the company undertake this review.

Given that ordinary shares will be issued almost two months prior to the settlement of the acquisition and because some costs associated with the acquisition and transition of the business to Origin Energy will be expensed in the period to 30 June 2007, the acquisition will dilute earnings per share in this initial five month period.



On an annual basis the combined Sun Retail business is expected to increase Origin's revenues by 29%, or \$1.7 billion, to around \$7.6 billion. The acquisition is expected to be earnings accretive to shareholders from its first full year of ownership and add further to earnings as additional opportunities created by the acquisition are realised.

### **Business integration**

Origin has a successful track record in acquiring and effectively integrating retail energy businesses as demonstrated by the acquisition of the Energy 21, Powercor and CitiPower businesses in Victoria.

Commenting on the integration, Origin's Chief Operating Officer, Ms Karen Moses, said "In conjunction with Energex, Origin will undertake a comprehensive communication and transition process in the months ahead. We have appointed Peter Israel, the General Manager of our LPG business who is based in Brisbane, as the executive immediately responsible for dealing with the transition.

"We look forward to welcoming Sun Retail employees to Origin Energy and combining the strengths and experience of both organisations to maintain a high standard of customer service and present Queensland consumers with an innovative and competitive range of products.

"Origin and Energex have both been leaders in offering Green Power choices to customers. Origin's GreenEarth Solar and GreenEarth Wind products were recently named the best Green Power products in the Australian market by Green Electricity Watch. Origin is also the leading retailer of green electricity and gas with over 120,000 contracted customers. Sun Retail has around 30,000 green electricity customers and has for several years been the leader in total Green Power volume sold. Combining the two organisations will create a truly significant green energy customer base of around 150,000 accounts and growing. Together we have a great capacity to make a positive difference for the environment."

### **Conclusion**

In conclusion Mr King said, "I wish to acknowledge the key decision taken by the Queensland Government in choosing to privatise its electricity and gas retail businesses. As well, we appreciate the efforts of the many people both within Government and Sun Retail and our own employees who have worked diligently over many months to bring this transaction to its conclusion.

"I am sure that this acquisition will be one of the most significant steps taken in the continued development and growth of Origin Energy," Mr King said.

**For more information, please contact:**

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*About Sun Retail - The Sun Retail Business was formed out of the former Energex retail business. It has around 841,000 electricity customers and sites, mostly located in south east Queensland around the Gold Coast and the southern parts of Brisbane and around 55,000 LPG customers. In its customer base Sun Retail has a large number of customers who purchase Green Power products. Total electricity sales are around 16 TWh and revenue of around \$1.7 billion annually. Sun Retail employs around 180 people who are involved in customer service, revenue billing and collection, call centres and sales and marketing.*

*About Origin Energy - With a history dating back 140 years, Origin Energy is a leading Australian ASX-listed energy company and participates in most segments of the energy supply chain, including natural gas and oil exploration and production; power generation; energy retailing and trading; and asset management services. Origin Energy currently supplies energy to more than 2.1 million Australian homes and businesses and employs over 3,200 people. Origin Energy is also the major shareholder in New Zealand's Contact Energy. In 2005-06 Origin's revenue was \$5,950 million.*

*Origin in Queensland at a glance (prior to the acquisition):*

- *Has invested over \$800 million in oil and gas production, exploration and power generation since 2000*
- *Employs 620 Queenslanders in its oil and gas and LPG businesses*
- *National head office for the Exploration, Oil and Gas Production and LPG business*
- *Owns and operates the Spring Gully coal seam gas plant in central Queensland where by September 2007 it will have invested over \$314 million*
- *Is the leading producer of coal seam gas in Queensland and has an active exploration program to secure additional reserves*
- *Owns and operates the Roma and Mt Stuart Power Stations, and has a 50% interest in the Bulwer Island Power Station*
- *Manages over 2,600 km of gas distribution pipelines*
- *Retails natural gas to over 90,000 customers*
- *Supplies 123,000 customers with LPG across Queensland*
- *Potential to construct a 1,000MW power station at Spring Gully, near Roma.*

*Table 1 Summary of Origin Energy customer accounts*

Customer accounts/sites ('000) <sup>#</sup>	Sun Retail	Origin Energy Qld	Combined Qld	Australia wide	New Zealand and Pacific	Total Origin Energy	Contact Energy	Origin Energy Group
Electricity	841		841	1,787	-	1,787	514	2,301
Gas		90	90	879	-	879	79	958
Total Mass Market	841	90	931	2,666	-	2,666	593	3,259
LPG	55	123	178	317	40	357	-	357
Total	896	213	1,109	2,983	40	3,023	593	3,616

<sup>#</sup> Origin customer numbers as at end October 2006. Sun Retail numbers estimated at time of completion.

*Table 2 Origin Energy sales volumes including full year Sun Retail sales*

Annual Energy Sales	Units	Origin Energy	Sun Retail	Total	Contact Energy	Origin Energy Group
Electricity <sup>#</sup>	Terawatt hours	17	16	33	7	40
Gas	Petajoules	127	-	127	21	148
LPG	Kilotonnes	522	31	553	-	553

<sup>#</sup> Origin and Sun Retail electricity volumes based on full year forecast for the year ending 30 June 2007