



Media Release

28 February 2008

Origin Energy announces a first half underlying profit of \$200 million with a strong outlook for the full financial year

Origin Energy today announced an underlying profit for the half year ended 31 December 2007 of \$200 million, a decline of 3 per cent on the underlying profit in the prior corresponding period.

Statutory profit was \$335 million, an increase of 44 per cent on the prior half year, and statutory earnings per share was 38.3 cents, an increase of 32 per cent.

The statutory profit contains a number of significant items including profit from the sale of businesses and assets, changes in the fair value of financial instruments and one-off costs associated with Contact Energy's retirement of the New Plymouth Power Station and Origin's acquisition of Sun Retail. These items have been adjusted for in the underlying profit.

Origin Chairman, Kevin McCann said, "Directors are pleased with the continued development of Origin Energy in an unusually challenging period. We had previously given guidance that growth in full year profit would be between 10-15 per cent. Based on current market conditions we expect a stronger second half which should result in an increase in full year profit of at least 15 per cent.

"With this view in mind, Directors are pleased to announce a 20 per cent increase in the interim dividend to 12 cents per share, fully franked."

Financial highlights of half year results

- Revenue up 33% to 3,817 million
- EBITDAF up 3% to \$608 million*
- Underlying profit down 3% to \$200 million
- Underlying earnings per share 22.9 cents, down 11% on expanded capital base
- Operating Cash Flow after Tax (OCAT) up 5% to \$385 million
- Interim Dividend declared of 12 cents per share fully franked, an increase of 20%

* EBITDAF is compared with the prior year on the basis of continuing businesses

In commenting on the result, Origin Managing Director, Grant King said, "Notwithstanding the small decline in underlying profit of 3 per cent to \$200 million, our operating cashflow after tax of \$385 million was up 5 per cent on the previous corresponding period. This reflects the strength of Origin's business."

Exploration and Production

The Exploration and Production segment achieved record production and revenue for the half year. Despite delays in the commissioning of the Otway Gas Project, new projects such as BassGas and growing coal seam gas (CSG) production offset declining contributions from maturing assets such as the Cooper and Perth Basins. EBITDAF was down slightly in line with increased exploration expense.



Generation

The Generation business performed well with operating performance consistent with the previous corresponding period. The only significant change in the business between the current and previous corresponding period was the termination of the Mt Stuart Power Purchase Agreement whereby contracts with a third party (Enertrade) have been replaced by an internal contract with Origin's Retail business. This has resulted in contribution from electricity sales now being reported in the Retail segment with a commensurate reduction in EBITDAF reported in the Generation segment.

Retail

In Retail, sales volumes and revenues were records for the first half, following the acquisition of Sun Retail. Notwithstanding the introduction of full retail contestability in the Queensland electricity market and a related increase in customer churn, customer numbers increased by over 21,000 accounts across the business. EBITDAF grew by 21 per cent to \$201 million with significant increases in the wholesale cost of energy purchases across the whole of the Retail business partially offsetting the uplift in contribution from Sun Retail.

Contact Energy

Contact Energy contributed \$246 million to EBITDAF, 4 per cent higher than the \$238 million recorded for the prior corresponding period. This was primarily due to a six month contribution from the Rockgas LPG business and increased contribution from both the energy retailing and power generation businesses.

Mr King commented that the last six months had also seen important steps taken in the continued development of Origin's business.

Mr King said, "In our Upstream business, we are now beginning to see significant contributions emerge from new projects such as BassGas and our CSG projects where our share of production now exceeds 100 TJ/day and will continue to increase strongly as current sales contracts are fulfilled.

"The Otway project has commenced commissioning and the offshore phase of the Kupe project is progressing to schedule. Origin has also acquired Woodside's interest in the Halladale and Blackwatch exploration permit and is in the process of completing the acquisition of Swift's upstream assets in New Zealand. We are confident these new projects will replace earnings from our maturing assets in the Cooper and Perth basins.

"Over the past year we have announced the construction of the Darling Downs Power Station and the expansion of the Quarantine and Mt Stuart power stations which will add 876 MW to Origin's power generation portfolio. We have also announced our intention to further the development of the 500 MW Mortlake Power Station. These projects are accelerating the commercialisation of Origin's gas resources and deepening the integration of Origin's business at a time of increasing wholesale electricity prices.

"Despite high levels of competition we continue to grow our Retail business. We have established a strong competitive position through the acquisition of Sun Retail which will be fully integrated with Origin's business in the current half year. We have also secured our market leading position as a supplier of green energy."

In commenting on climate change, Mr King said, "It is appearing increasingly likely that a greenhouse gas emissions trading scheme will be introduced in the medium term. In addition to Origin's fleet of gas fired generation which have substantially lower greenhouse gas emissions intensity than the average intensity of generation in the National Electricity Market, Origin has developed a set of valuable opportunities in renewable generation.



"In October 2007, the Company entered into a farm-in agreement providing a 30 per cent interest in a joint venture covering various geothermal permits in northern South Australia held by Geodynamics Limited. Origin expects to invest approximately \$150 million in the Geodynamics joint venture over the next three years. The Company also has a portfolio of wind projects commencing with the development of the 30 MW Cullerin Range Wind Farm. Good progress continues to be made on SLIVER[®] technology to manufacture photovoltaic cells.

"In New Zealand, Contact Energy's business is adjusting well to higher natural gas prices and Contact has developed a strong portfolio of geothermal and wind projects that will drive its growth in the years ahead.

"Our growing CSG reserves, lower emissions intensity of gas fired generation, a portfolio of renewable energy opportunities, and our market leadership in retail green energy position us well for a carbon constrained future."

Outlook

Based on performance for the first two months of the second half and the continuation of current market conditions the Company expects a stronger second half due to:

- an expected decrease in the wholesale cost of electricity as already observed in the National Electricity Market (NEM) in the first two months of the second half;
- a return to more traditional levels of volatility in the NEM as already observed since October 2007, providing returns on Origin's electricity cap instruments;
- tariff increases for electricity and gas awarded in the Victorian market from 1 January 2008;
- the commencement of contribution to earnings from the Otway Gas Project in March 2008;
- further increases in CSG production servicing existing contracts in Queensland; and
- an increased contribution from Contact Energy due to higher wholesale electricity prices in New Zealand.

For these reasons Origin believes that it should deliver an increase in underlying net profit after tax for the current financial year of at least 15 per cent.

Origin is continuing to undertake significant capital expenditure programs in its Exploration and Production and Generation businesses. Recent additions to the Company's debt facilities, together with strong cash flow, see the Company well placed to continue to access funds for its ongoing development and growth.

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Origin Energy Key Financials

Six months ended 31 December	2007 (\$m)	2006 (\$m)	Change (%)
Total external revenue	3,817	2,865	33
EBITDAF ¹	608	590	3
EBIT	634	482	31
Profit after tax	384	286	34
Minority Interests	49	53	6
Statutory Profit	335	233	44
Underlying Profit	200	207	(3)
Free cash flow ²	259	267	(3)
OCAT ratio ³ including CAPWIP (12 months to 31 December)	10.1%	10.5%	n/a
OCAT ratio ³ excluding CAPWIP (12 months to 31 December)	11.8%	12.2%	n/a
Average Funds Employed including CAPWIP (12 months to 31 December)	7,612	6,251	22
Average Funds Employed excluding CAPWIP (12 months to 31 December)	6,473	5,395	20
Capital expenditure (including acquisitions)	714	320	123
Total assets	12,310	9,232	33
Adjusted total assets ⁴	10,836	8,885	22
Net debt	2,855	2,090	37
Adjusted net debt ⁴	3,171	2,422	31
Shareholders equity	5,660	4,504	26
Adjusted shareholders equity ⁴	5,076	4,357	17
Key Ratios			
Earnings per share - Statutory	38.3¢	29.0¢	32
Earnings per share - Underlying	22.9¢	25.7¢	(11)
Free cash flow per share ²	29.6¢	33.1¢	(11)
Total dividend per share	12¢	10¢	20
Net asset backing per share	\$6.47	\$5.26	23
Adjusted net asset backing per share ⁴	\$5.80	\$5.09	14
Net debt to debt plus equity	33.5%	31.7%	n/a
Adjusted net debt to debt plus equity ⁴	38.4%	35.7%	n/a
Interest cover ⁵	5.3x	4.7x	n/a
Segment Analysis (EBITDAF)¹			
Exploration & Production	133	140	(5)
Generation	28	46	(38)
Retail	201	166	21
Contact Energy	246	238	4
EBITDAF¹	608	590	3
Networks (discontinued)	-	16	-

¹ Earnings before interest, tax, depreciation, amortisation, significant items and change in fair value of financial instruments from continuing operations.

² Free cash flow is defined here as cash available to fund distributions to shareholders and growth capital. It includes deductions for stay-in-business capital, interest and tax.

³ OCAT Ratio = (OCAT - interest tax shield) / funds employed.

⁴ Adjusted to exclude impact of derivative financial instruments.

⁵ EBIT/Interest - Includes capitalised interest, excludes unwinding discounts on provision.