



Acquisition of Sun Retail

27 November 2006

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Outline

- Overview
- The three businesses
- Funding



Overview

The acquisition of Sun Retail provides a unique opportunity for Origin to:

- ✓ Secure a leading position in the continuing consolidation and integration of the Australian and New Zealand energy markets
- ✓ Have a very competitive cost position in retail, wholesale and production segments through increased scale, diversity and integration of the business
- ✓ Access additional opportunities to grow by deepening the integration of Origin's business across the competitive segment of the energy industry

The acquisition will be EPS accretive from the first full year of ownership

Sun Retail comprises three businesses which have been acquired for \$1,202 million. The Mass Market Retail business is valued at \$1,100 per customer

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

The aggregated EBIT/Sales margins of all three businesses are expected to be consistent with Origin's current retail margins of approximately 7%

Key contributors to the valuation of Sun Retail include:

- ✓ Origin's estimate that scale benefit on cost-to-serve is approximately \$20 per customer per year of which less than \$10 is ascribed to the acquisition. This benefit contributes approximately \$250 to the retail valuation of \$1,100 per customer
- ✓ Benefits from Sun Retail and Origin's combined purchase of approximately 33 TWh of electricity each year. The wholesale trading value of \$220 million corresponds to a benefit to Origin's integrated portfolio of only \$0.61/MWh per year

Origin estimates that the purchase price represents a multiple of approximately 9 times EBITDA in 2007/08

Origin will fund the acquisition through a number of financing options...

- ✓ A \$400 million fully underwritten institutional bookbuild placement of ordinary shares which commences today (details follow)
- ✓ Bridging finance and term debt facilities
- ✓ Share Purchase Plan proposed for the March quarter 2007
- ✓ Issue of a hybrid security contemplated in the March quarter 2007
- ✓ A review of Origin's ownership of its Networks business has also been initiated

...providing Origin with continued financial flexibility to pursue growth projects whilst maintaining our BBB+ (stable) credit rating, and gearing within targeted range

Origin expects the acquisition of Sun Retail to be EPS accretive from the first full year of ownership...

- ✓ In the period to June 2007, the acquisition will reduce EPS
 - Some acquisition and transition costs will be expensed
 - Equity will be raised two months prior to settlement
- ✓ From 2007/08 the acquisition will be accretive even though some transition costs are still being expensed in that year
- ✓ Within three to five years earnings will be further enhanced through new opportunities for growth arising from the acquisition

...thereby creating ongoing value for Origin shareholders

Origin has a strong track record of integrating acquired energy businesses with existing operations...

- ✓ Origin has a successful track record of integrating systems and migrating data for the Energy 21, Powercor and CitiPower acquisitions
- ✓ The SPA includes provision for Energex to provide transitional services to Origin for a period of up to 18 months
- ✓ This ensures a smooth transition from Sun Retail (Energex) systems to Origin systems
- ✓ During that time Origin will be working diligently to integrate billing and customer management systems
- ✓ Over time, once integration is complete, Origin will drive to improve cost to serve across its portfolio

...and has already established a business integration team to ensure a smooth transition





The three businesses

Mass Market Retail

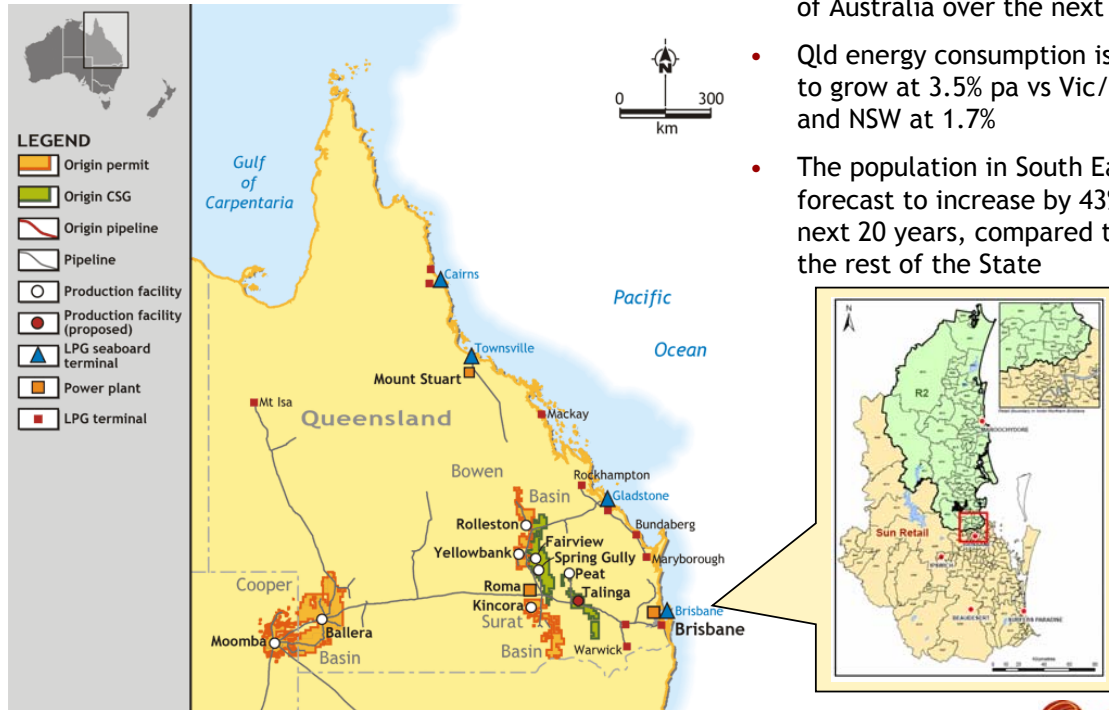
Wholesale

LPG

Sun Retail provides exposure to fast growing south east Queensland

Population and Economic Growth

- Queensland's GDP growth is forecast to be higher than the rest of Australia over the next decade.
- Qld energy consumption is forecast to grow at 3.5% pa vs Vic/SA at 0.8% and NSW at 1.7%
- The population in South East Qld is forecast to increase by 43% over the next 20 years, compared to 28% for the rest of the State



It's acquisition adds significantly to Origin's retail position with over 1 million customers in Queensland, approximately 2.7 million gas and electricity accounts across Australia...

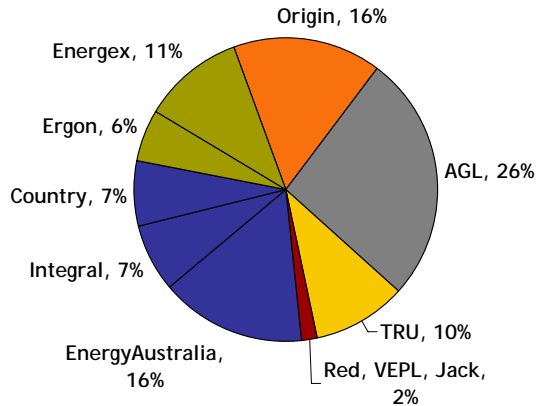
Customer accounts/sites ('000) [#]	Sun Retail	Origin Energy Qld	Combined Qld	Total Origin Energy	Contact Energy	Origin Energy Group
Electricity	841		841	1,787	514	2,301
Gas		90	90	879	79	958
Total Mass Market	841	90	931	2,666	593	3,259
LPG	55	123	178	357	-	357
Total	896	213	1,109	3,023	593	3,616

...and including LPG and Contact Energy over 3.6 million accounts across Australasia

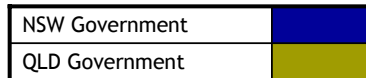
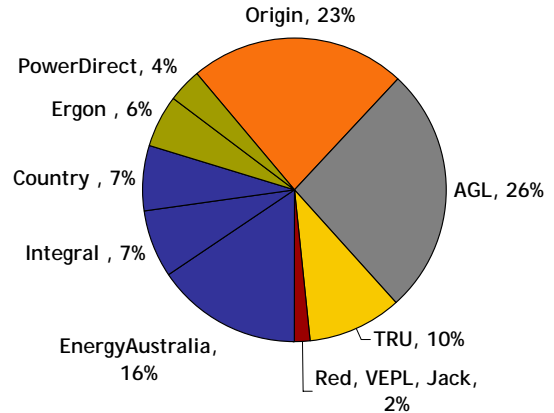
The acquisition increases Origin's electricity and gas customer number market share to 23%...

Gas and Electricity Market Position Eastern Australia

Pre-acquisition



Post-acquisition

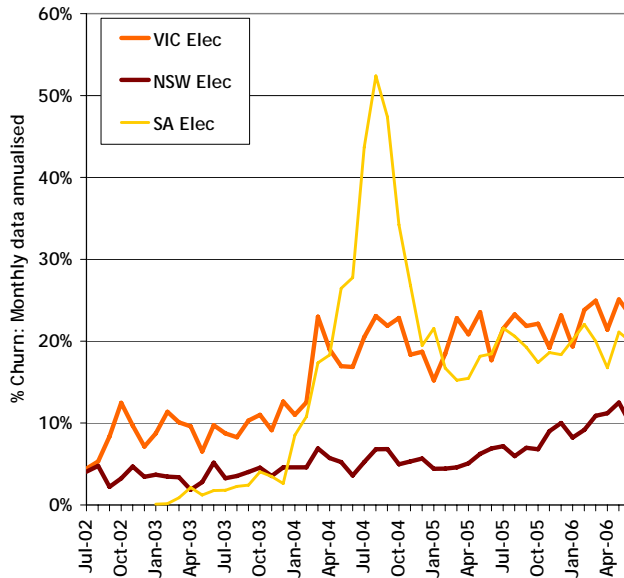


...securing a leading position in the consolidation of the energy industry



While it is anticipated that there will be churn once the Queensland market opens to competition in July 2007...

Mass Market Churn: Completed & Pending



Initial churn rates are likely to be high and settle between the higher margin Victorian market and the lower margin NSW market

...Origin has maintained customer numbers across contestable markets since competition was introduced and will continue to do so following this acquisition

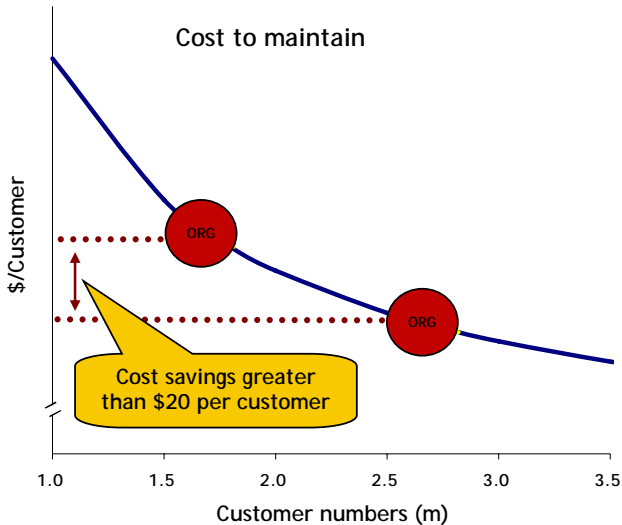


Revenue certainty has been enhanced through Queensland Government defining price setting mechanisms reducing risks to recovery of cost increases

- ✓ Revenue to FRC date is set on a 71% / 29% split
- ✓ Prior to FRC all customers are on a default tariff
- ✓ A “building-block” approach in the movement in the default tariff reflects changes in
 1. Network Costs
 2. Long Run Marginal Cost of Energy
 3. Efficient retailer cost to serve
 4. Reasonable Retail Margin
- ✓ Customers who sign market contracts move off the default tariff

Revenue risks are similar to the other retail markets in NSW, Victoria and South Australia

Once fully integrated the scale benefits of the acquisition bring Origin well down the cost curve...

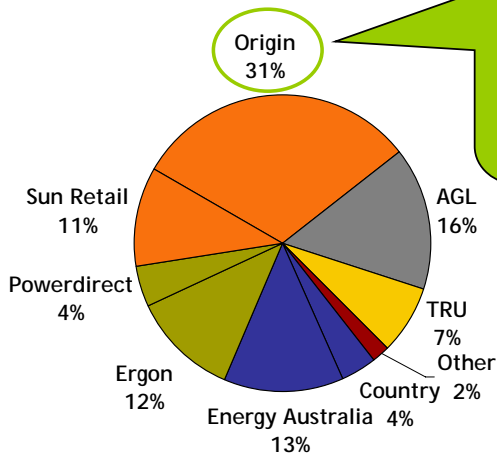


- Until March 2008 billing and call centre services will be provided by Energex at a fixed cost which is higher than Origin's cost to serve
- Over this period Origin will complete transition to its own billing systems

...Origin estimates this benefit up to \$20 per customer of which less than \$10 per customer has been applied to the acquisition

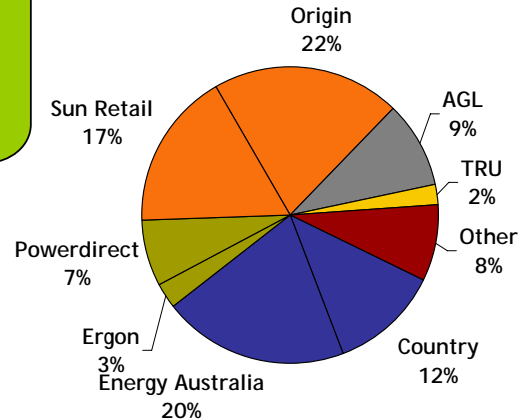
The acquisition also confirms Origin as the leading provider of green energy products by combining the largest two portfolios of green energy customers in Australia

Green Power - Share of Customer Numbers



Customer numbers at March 06 - Origin now has over 120,000 contracted Green Electricity accounts¹

Green Power - Share of Load (MWhs)



Source: National Green Power Accreditation Program. As at 31 March 2006.

1. Origin green electricity contracted customer accounts in excess of 120,000 at October 2006 and Green Gas contracted accounts increased to over 20,000 at October 2006
2. Information based on the Energex Electricity Retail base (pre restructure calculated on a 71-29 split to Sun Retail and Powerdirect).



The three businesses

Mass Market Retail

Wholesale

LPG

The Wholesale business comprises;

- ✓ Sales to Large Customers - currently 7 TWh/a
- ✓ Purchase arrangements comprising 16 TWh/a for sale to large customers and the mass market retail business
- ✓ Purchase arrangements to cover GEC and REC obligations*
- ✓ Permitted site at Braemar for a 450 MW Peaker

Combined with Origin's existing wholesale business, the annual purchase arrangements comprise 33 TWh together with 2 million GECs and 800,000 RECs

The Wholesale Business has been valued at \$220 million which corresponds to a benefit of \$0.61/MWh across the whole Origin portfolio

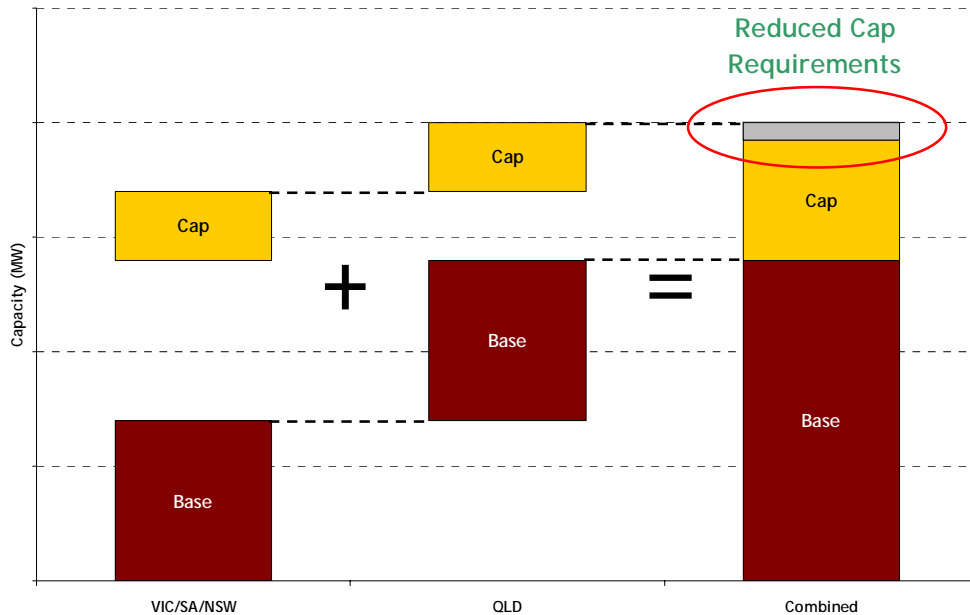
The wholesale position creates contracting optimisation and investment opportunities...

- ✓ Reduction in the overall risk profile of the total Origin retail customer base due to geographic diversity
- ✓ Revenue to support existing peak generation assets and contracts in Queensland
- ✓ Revenue certainty to support new generation investment *and* new CSG development
- ✓ Revenue certainty to support mandatory GEC and REC portfolio

...thereby improving the competitiveness and deepening the integration of Origin's business

The geographic diversity of the combined Origin and Sun Retail volumes reduces volatility of the load and therefore the cost of managing that volatility

Combined Portfolios



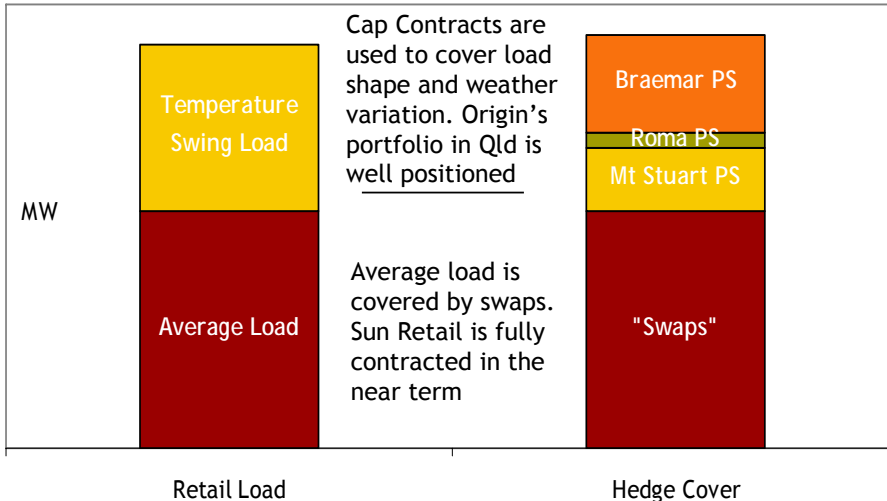
Origin estimates this benefit as a reduction in cap cover of up to 250 MW

This corresponds to a potential benefit of approximately \$20 million per year

The Sun Retail customer base provides revenue certainty for Origin's current generation portfolio

The Braemar contract, Mt Stuart and Roma Power Stations provide an internal hedge against extreme price events

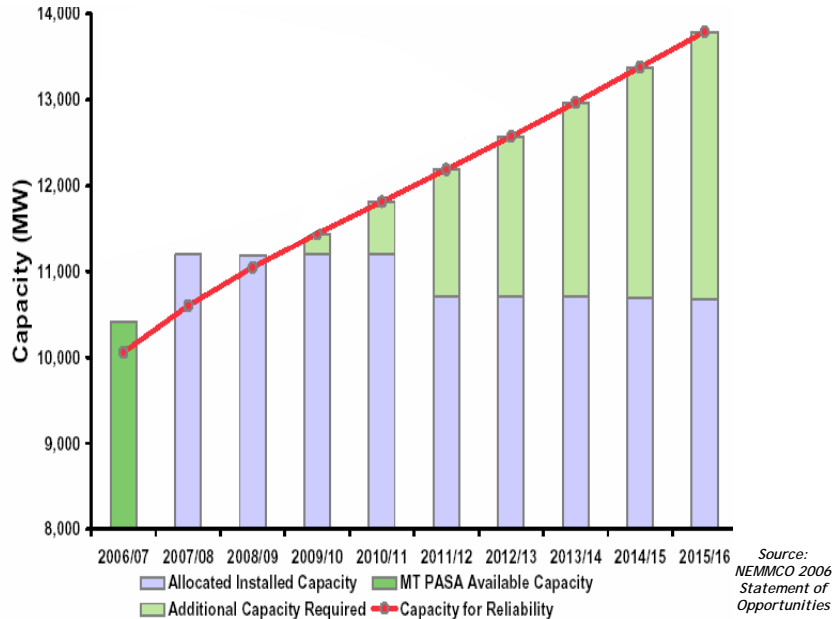
Sun Retail Electricity Sales



Replacement cost for Mt Stuart and Roma \$300 million (362 MW) - yet the book value of these assets is currently around \$75 million

Queensland requires new capacity from 2010 with an additional ~500 MW per annum every year thereafter

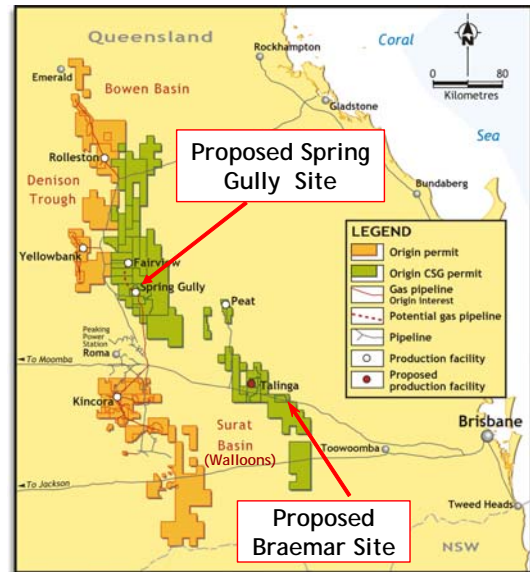
Origin & Sun Retail have around 1,500 MW already permitted to access this growth and has the gas reserves to support the development



Ownership of Sun Retail provides access to the revenue certainty to support the required investment and provides leverage to either invest or contract for the balance of load

The option to develop cost effective base load gas fired power generation at Spring Gully creates the ability to cover base energy needs...

- The Queensland Government has mandated that 13% of electricity sold must have a Gas Electricity Certificate (GEC) attached. These are created through Gas Fired Generation
- Stage 1 Spring Gully will annually generate 4 TWh and create 3.2 million GECs
- Sun Retail has a current requirement for up to 2 million GECs per annum
- The current market price for GECs is around \$16/GEC (which equates to \$13/MWh) which is passed through to retail customers
- Sun Retail's load therefore secures up to \$32 million per annum revenue for the Spring Gully Power Project



... while the Braemar site - close to Origin's Walloons coal seam gas acreage - provides additional option for further CSG based power development



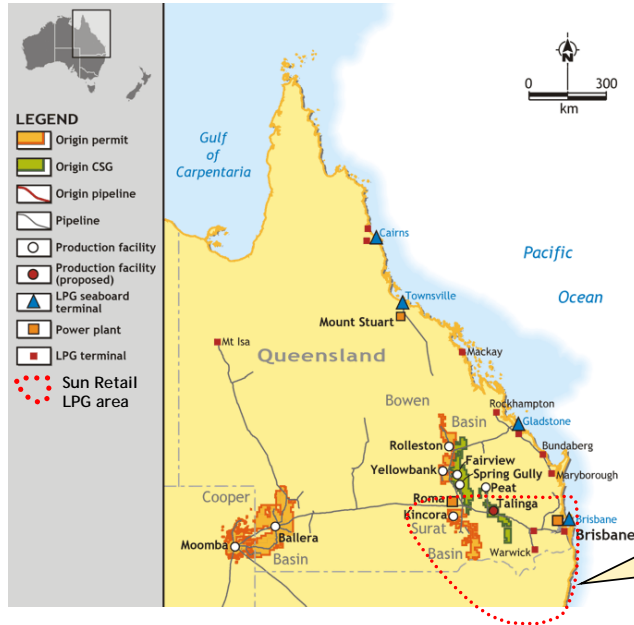
The three businesses

Mass Market Retail

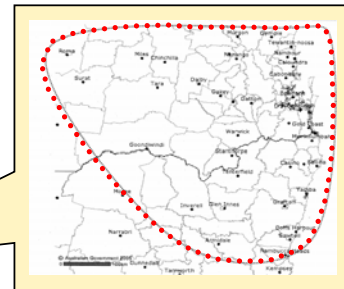
Wholesale

LPG

The LPG business complements Origin's existing extensive distribution network across the State



- Sun Retail adds approximately 55,000 LPG customers and 31,000 tonnes of sales per annum
- Origin's LPG business encompasses the Sun Retail geographic and segment spread
- Operational efficiencies and improved customer offerings both add value



The acquisition price of \$2,130/tonne is below recent transactions such as Speed-E-Gas (\$2,615/tonne)





Funding

Origin will fund the acquisition through a number of financing options...

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...providing Origin with continued financial flexibility to pursue growth projects whilst maintaining a BBB+ credit rating

Placement Summary

Issuer

Origin Energy Limited

Offering size

A\$400 million

Indicative bookbuild range

A\$6.90 to A\$7.15 (58 to 56 million shares)

Lower end of range (A\$6.90) representing a:

- 5.3% discount to the closing price of A\$7.29 on Friday, 24 November 2006
- 5.2% discount to the 5 day VWAP of A\$7.28 ending Friday, 24 November 2006
- 5.1% discount to the 1 month VWAP of A\$7.27 ending Friday, 24 November 2006

Offer structure

Underwritten bookbuild, 2-day trading halt

Joint bookrunners & underwriters

Citigroup Global Markets Australia Pty Limited and Macquarie Equity Capital Markets Limited

Ranking

New shares to rank pari passu with existing shares

Placement Summary

2 day trading halt announced	Monday, 27 November 2006 - before trading commences
Offer opens	Monday, 27 November 2006 - 3.00pm
Offer close*	Tuesday, 28 November 2006 - 5.00pm
Trade date	Wednesday, 29 November 2006
DvP Settlement	Monday, 4 December 2006
Allotment	Monday, 4 December 2006
New shares start trading on ASX	Tuesday, 5 December 2006
Settlement of acquisition	Thursday, 1 February 2007

* Underwriters reserve the right to close the offer early

Share Purchase Plan

- ✓ All shareholders will be given the opportunity to purchase up to \$5,000 of shares at the lower of:
 - The institutional placement price; or
 - The same discount as the institutional placement to the 5 day VWAP following the Share Purchase Plan record date.
- ✓ If subscriptions received from shareholders exceed \$75 million, or such other amount as Origin determines, Origin may scale back the maximum number of shares issued
- ✓ No brokerage or other transaction costs will be payable by shareholders
- ✓ The offer made under the Share Purchase Plan is non-renounceable

A review of Origin's ownership of its Networks business has been initiated...

- ✓ Origin's strategy has been to focus on the competitive rather than the regulated segments of the energy supply chain
- ✓ Consistent with this focus Origin has initiated a review of its ownership of the Networks business which includes
 - a 17% interest in Envestra Ltd
 - a 33.3% interest in the SEA Gas pipeline
 - Origin Energy Asset Management which provides management services to Envestra

...and Carnegie Wylie has been appointed to assist the company with this review

The proposed timetable for completion of the transaction and associated issues is as follows

Key dates	Action / event
27 November	Transaction announced
	Institutional placement commences
28 November	Institutional placement concludes
29 November	Origin recommences trading
1 February 2007	Settlement and effective date
First quarter 2007	Share Purchase Plan
First quarter 2007	Hybrid security likely to be issued
July 2007	Introduction of retail contestability in Queensland
March 2008	Transitional services agreement ends

In summary, the acquisition of Sun Retail provides a unique opportunity for Origin to:

- ✓ Secure a leading position in the continuing consolidation and integration of the Australian and New Zealand energy markets
- ✓ Have a very competitive cost position in retail, wholesale and production segments through increased scale, diversity and integration of the business
- ✓ Access additional opportunities to grow by deepening the integration of Origin's business across the competitive segments of the energy industry

The acquisition will be EPS accretive from the first full year of ownership and will add significant value for shareholders in the years ahead



Questions

For more information

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