Final Results Announcement
Full year ended 30 June 2004

17 August 2004

# Outline

- Performance Highlights
- Financial Review
- Operating Review
- Outlook

**Unless otherwise stated, all comparative data are in relation to the prior corresponding period, the financial year ended 30 June, 2003.**

# Performance Highlights

# Financial highlights

| | | |
|---|---|---|
| • Total Revenue | $3.6 billion | up 6 % |
| • EBITDA | $532 million | up 8 % |
| • PAT | $205 million | up27 % |
| • Basic EPS | 30.9¢ | up 25 % |
| • Free Cash Flow (FCF) | $350 million | stable |
| • FCF per share | 52.8¢ | down 2 % |
| • Capex (incl.acquisitions) | $509 million | down 3 % |
| • Net Debt / Capitalisation | 31 % | up from 29 % |
| • OCAT / Funds Employed | 14.8% | down from 15.6 % |
| • Total dividends per share | 13 cents (fully franked) | up 30 % |

# Operating Review

- Continued growth in Perth Basin oil production
- Cooper Basin sales impacted by Moomba incident
- Steady progress on major projects including BassGas, Otway and CSG
- QAL gas contract signed and CSG gas swap agreed
- Acquisition of OCA minorities, Kupe interest and RockGas
- Continued development of retail capabilities and marketing channels, with efficiency gains balancing increased customer churn costs
- SEA Gas project completed on time and on budget
- Strong performance by Generation
- Resolution of ATO challenge to deductions available from the Victorian gas business
- Credit rating upgraded to A-
- LTIFR improved from 3.1 to 2.8 injuries/million hrs worked
- Acquisition of 51.2% interest in Contact Energy being finalised

# Financial Review

# Profit & Loss

| | Jun 04 ($m) | Jun 03 ($m) | % change |
|---|---|---|---|
| Total Revenue | 3,556 | 3,352 | 6% |
| EBITDA | 532 | 491 | 8% |
| EBIT | 329 | 295 | 11% |
| Net interest expense | (45) | (49) | (7%) |
| Tax expense | (77) | (80) | (4%) |
| Outside equity interests | (2) | (4) | |
| PAT | 205 | 162 | 27% |
| Earnings per share (cents) | 30.9¢ | 24.8¢ | 25% |
| Free cash flow p s (cents) | 52.8¢ | 53.7¢ | (2%) |
| ROE | 10.6% | 9.2% | |

# Group EBITDA is up 8% driven by a strong contribution from Generation (Osborne, Mt Stuart) and Networks (SEA Gas)......

| Segments | Jun 04 ($m) | Jun 03 ($m) | % change |
|---|---|---|---|
| Exploration & Production | 197.2 | 187.6 | 5% |
| Retail | 236.2 | 232.1 | 2% |
| Generation | 69.4 | 48.3 | 44% |
| Networks | 29.4 | 23.4 | 25% |
| Total | 532.2 | 491.3 | 8% |

## .......despite the Moomba incident and Cooper reserves write-down dampening E&P and reduced benefits from Powercor forward contracts impacting Retail

## Depreciation & Amortisation expense increased by only 4% to $203 million reflecting new E&P capital …….

| | Jun 04 ($m) | Jun 03 ($m) |
|---|---|---|
| Buildings, plant & equipment | 101.4 | 93.5 |
| Producing fields | 51.7 | 46.5 |
| Electricity hedging contracts | 11.3 | 22.2 |
| Licences & Goodwill | 37.2 | 32.3 |
| Other | 1.3 | 1.6 |
| Total | 203.0 | 196.1 |

……and increased amortisation of licences and goodwill, but offset by lower amortisation of the cost of the Powercor contracts

# Group EBIT therefore rose by 11% to $329 million........

| Segments | Jun 04 ($m) | Jun 03 ($m) | % change |
|---|---|---|---|
| Exploration & Production | 105.1 | 103.3 | 2% |
| Retail | 155.1 | 143.8 | 8% |
| Generation | 42.2 | 26.5 | 59% |
| Networks | 26.9 | 21.6 | 24% |
| Total | 329.2 | 295.3 | 11% |

.......with Retails EBIT improvement of 8% more accurately reflecting its performance

# Funding & Interest

| | Jun 04 | Jun 03 | % change |
|---|---|---|---|
| Net debt ($m) | 861 | 732 | 18% |
| Total equity ($m) | 1,939 | 1,790 | 8% |
| Net debt to equity (%) | 44% | 41% | |
| Debt to (debt + equity) (%) | 31% | 29% | |
| Net interest expense ($m) | 45.4 | 48.7 | (7%) |
| Net interest cover (x EBIT) | 6.2 | 6.0 | 4% |
| Average interest rate (%) | 6.6% | 6.7% | |

- The cost of financing was reduced by an upgrade to an A- credit rating in January 2004
- $7.7m of interest was capitalised against major development projects ($0.9m in 2003)
- Interest rate sensitivity (profit before tax): 1% inc/dec = A$5.4 m dec/inc

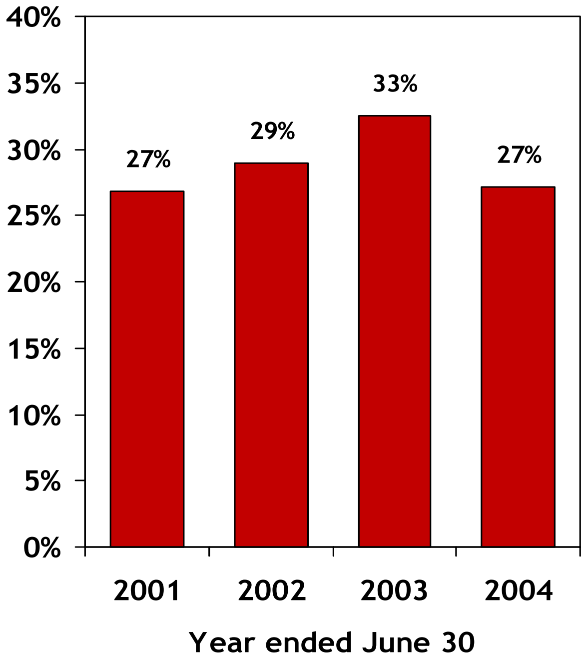
## The effective tax rate declined from 33% to 27%.......

| | Jun 04 ($m) | Jun 03 ($m) |
|---|---|---|
| Profit before tax | 283.8 | 246.6 |
| Prima facie tax | 85.4 | 74.0 |
| *add* non-deductible amortisation | 20.2 | 12.6 |
| *less* non-assessable income | (10.0) | (6.2) |
| *less* net tax benefits recognised | (18.7) | (0.2) |
| *equals* Tax expense | 76.9 | 80.2 |
| Net tax paid (refunded) | (2.2) | 39.6 |
| Subvention payments | 4.0 | 10.0 |

## ............following resolution of a major tax dispute

Origin energy

# Apart from last year, Origin's effective tax rate has been lower than 30%……….




- Prior to 2003 tax deductions transferred to Origin in respect of the Victorian gas business caused tax expense to be less than prima-facie tax
- In the 2003 financial year the ATO challenged those tax deductions
- Origin took the prudent course and elected not to recognise the benefits of those deductions in its 2003 accounts, resulting in an increase in effective tax rate to 33%
- This issue was resolved in Origin's favour in late 2003

# …….and is expected to be below 30% in future years

# There has been little improvement in operating cash flow despite higher EBITDA and lower tax………..

| | Jun 04 ($m) | Jun 03($m) |
|---|---|---|
| EBITDA | 532 | 491 |
| Change in Working Capital | (48) | 39 |
| Stay in business Capex (net) | (83) | (94) |
| Non-cash items (net) | 2 | 13 |
| Tax/Subvention Payments | (2) | (50) |
| OCAT | 402 | 399 |
| Net Interest Paid | (51) | (49) |
| Free cash flow | 350 | 350 |
| Funds Employed | 2,632 | 2,465 |
| OCAT Ratio | 14.8% | 15.6% |

……….with cash flow adversely affected by the Moomba incident ($19m), higher June quarter sales ($16m) and payments deferred from last year



Origin energy

# Capital expenditure on growth projects was higher while expenditure on acquisitions decreased

| | Jun 04 ($m) | Jun 03($m) |
|---|---|---|
| Stay in business | 86 | 97 |
| Growth | | |
| Exploration & Production | 207 | 129 |
| Retail | 30 | 19 |
| Generation | - | 4 |
| Networks | - | - |
| Total capital expenditure | 323 | 249 |
| Acquisitions | 185 | 276 |
| Capex including acquisitions | 509 | 524 |

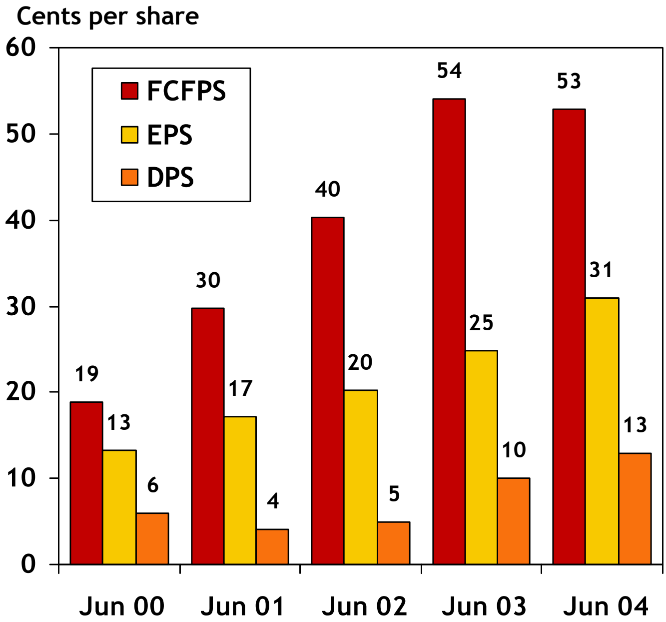
- Growth capex includes: E&P expenditure in the Bass Basin $95m; CSG $55m; and Perth Basin $28m; and the Solar Plant (Retail)
- Acquisitions includes: OCA minorities $74 m; SEA Gas $56 m; Kupe interest $30 m; and Rockgas $14 m

## E&P returns are lower than target as a result of the Moomba incident, reduced benefits from Powercor contracts and working capital movements have impacted Retail ……

| | Funds Employed ($m) | Operating Cash flow ($m) | OCFR Jun 04 (%) | OCFR Jun 03 (%) |
|---|---|---|---|---|
| Exploration & Production | 1,065 | 144 | 13.5% | 14.2% |
| Retail | 1,205 | 175 | 14.6% | 21.7% |
| Generation | 341 | 58 | 16.9% | 16.2% |
| Networks | 194 | 28 | 14.2% | 17.5% |

## ……while the Networks result is lower due to the investment in SEA Gas only generating half a year's cash flow

# Origin has improved returns per share significantly over the last four years.........



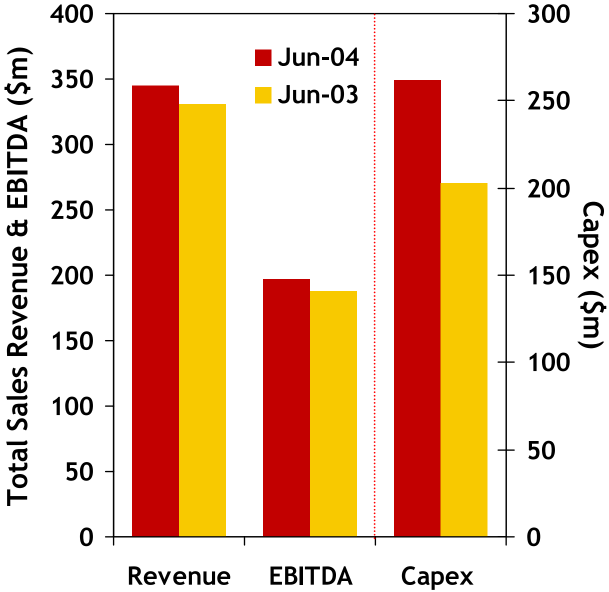

- A final dividend per share of 7¢ (fully franked) brings total dividend per share to 13¢ (fully franked)
- Total dividend payout ratio of 42% is consistent with Board guidance in October 2002

# .....and continues to achieve EPS growth in excess of the long term goal of 10 - 15% pa

Origin energy

# Operating Review

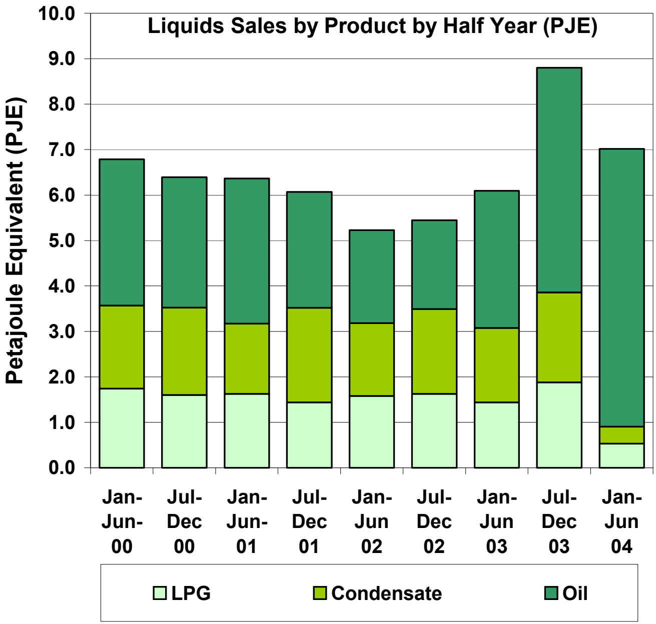
# E&P: EBITDA of $197 million was up 5% largely due to increase oil production from the Perth Basin………




- Perth Basin oil sales of 1.2 million bbls (increase of 4.9 PJe)
- Moomba incident resulted in lost sales of around 5 PJe. WA gas field decline lowered sales a further 2.4 PJe
- 2P reserves increased by 647 PJe after production of 80 PJe (800% reserves replacement). Additional reserves yet to be booked from Perth Basin gas discoveries
- QAL contract signed (180 PJ over 15 years)
- Capital expenditure increased in Perth Basin, CSG and Bass/Otway with all projects progressing well
- Acquisition of OCA minorities, 50% interest in Kupe and onshore Otway assets (in progress)

## ….and despite the Moomba incident significantly reducing gas and liquids production from the Cooper

# Higher oil production from the Perth Basin and co-mingling of condensate and crude in the Cooper lifted oil sales…..




- Perth Basin delivered record production, which will increase further as Jingemia 4 is commissioned through August and September 2004
- Reinstatement of LRP train B at the Moomba plant in late August should return liquids production from Moomba to normal levels.
- Business interruption insurance is expected to cover over half the lost contribution from liquids sales
- The average Australian dollar oil price received was 8% lower than last year as the result of fx movements

| | Average Oil Price Realised | % of sales hedged |
|---|---|---|
| FY ’03 | A$ 44.96 | 56% |
| FY ‘04 | A$ 41.06 | 65% |

## …..however the Moomba incident significantly reduced sales of LPG and condensate

# Net 2P reserves increased by 647 PJe (8 times production)

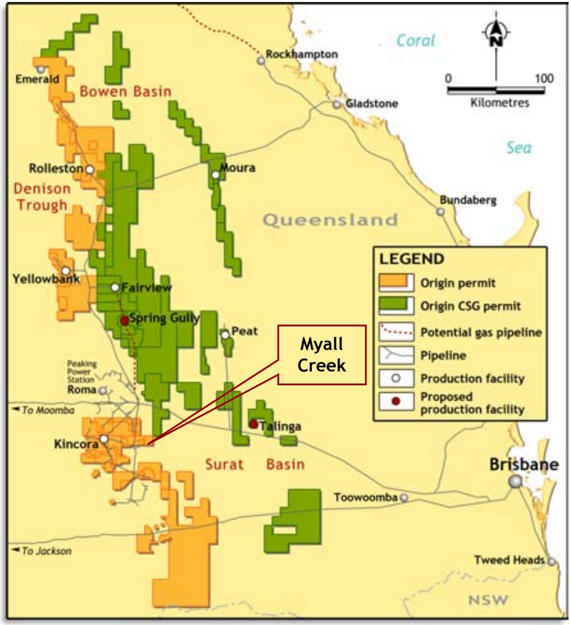
| Proved and Probable Reserves (PJe*) | |
|---|---|
| 2P reserves at 30 June, 2003 | 1,573 |
| Net effect of additions, revisions & adjustments | |
| *plus* CSG | 572 |
| *plus* Kupe acquisition | 169 |
| *plus* other (WA, Otway, central Qld) | 25 |
| *less* Cooper Basin | (39) |
| *less* production | (80) |
| 2P reserves at 30 June, 2004 | 2,220 |

* PJE – petajoule equivalent – a measure of energy

- Provisioning and write-downs in FY'04 was $15.5 million
- Exploration carrying values in Greenfields areas without imminent production $25.1 million.

Origin energy

# Origin continued to add value to its CSG assets by contracting gas, progressing development plans and adding reserves……




- Gas supply contract signed with QAL for 180 PJ of gas over 15 years from 2007, adding to the 340 PJ to be supplied to AGL from May 2005
- Engineering design for the Spring Gully development, which will supply a significant amount of gas to these contracts, was completed. Gas plant equipment and pipelines have been ordered.
- 80 CSG wells were drilled and 572 PJ of 2P reserves were added. Production testing of development wells at Spring Gully has to date exceeded expectations on gas deliverability.
- In the Surat Basin appraisal of the Myall Creek field continued. Reserves booked in the field now total 52 PJe to Origin. A 3D seismic survey currently being recorded will underpin ongoing evaluation of this field

## ………while appraisal of Myall Creek has confirmed new geological plays in the Surat Basin

Origin energy

# The BassGas project has successfully completed offshore installation and drilling of the first well……

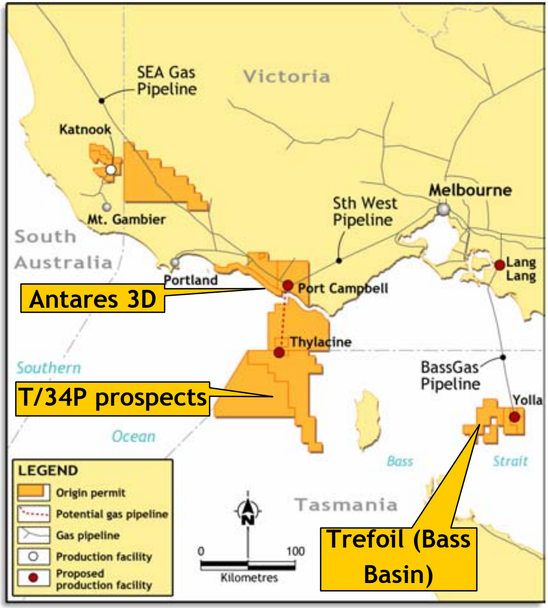
Jackup-rig E102 (grey) with cantilevered drilling platform pictured alongside BassGas production facility (yellow) while testing Yolla 4

- Platform installed successfully
- Yolla 4 drilling complete with three major gas zones intersected much as anticipated with a new oil zone discovered
- Production tests delivered strong flows from all zones, with individual zones flowing gas up to 32 million standard cubic feet per day plus condensate
- Weather related delays in completing electrical work at the onshore plant will cause project start-up to be delayed into October
- The Trefoil prospect 20 km west of Yolla will be drilled following completion of the BassGas drilling program

## …..while weather related delays have held up completion of the onshore plant

Origin energy

# The Otway Gas Project (Thylacine & Geographe development) has been approved to proceed……

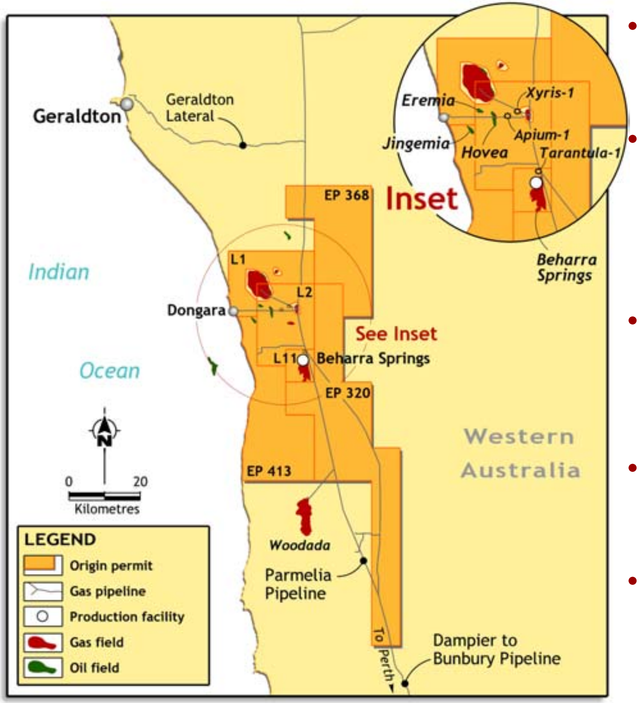



- Otway Gas Project development approved in May 04 and will produce
  - 60PJ of sales gas
  - 100,000 tonnes of LPG
  - 800,000 barrels of condensate
- Origin has contracted to purchase 48.5% of gas output
- The Antares 3D seismic survey in Vic/P37 (V) has matured shallow-water prospects close to existing and planned onshore facilities
- Prospects in T/34P to be targeted with 3D seismic in the coming year, with upside volumes exceeding current Otway Gas Project reserves
- Acquisition (in progress) of several onshore permits around Port Campbell provides additional exploration, production and gas storage opportunities

## ……and forms part of an array of assets supporting ongoing E&P activities in the region

Origin energy

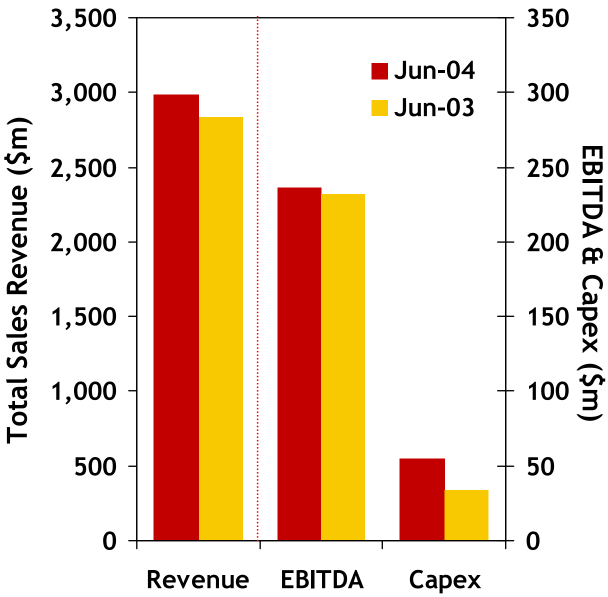
# Perth Basin development activities have delivered increasing oil production levels……..




- Oil production from the Perth Baisn increased to 1.2 million barrels (Origin net), or an average of 3,200 bopd
- 10 appraisal/development wells were drilled on the Hovea, Eremia and Jingemia fields. Facilities were expanded and water injection added for long term production support
- Daily production should increase towards 5,000 bopd (Origin net) as the Jingemia field moves to full production and artificial lift is installed at Hovea
- Exploration drilling efforts focussed on gas in the latter half of the year with discoveries at Xyris, Apium, Tarantula
- 8 exploration and 4 development wells are planned during 04/05, together with a large 3D seismic program to the northwest of existing discoveries

## …… while recent gas exploration success foreshadows significant gas development activity ahead

# Retail: EBITDA increased 2% to $236 million while EBIT increased 8% to $155 million……..




- Total sales down 3% to 196 PJe, but revenues up due to change in product mix
- Natural gas margins increased as a result of higher tariffs and changes in the segment mix
- Electricity purchasing costs increased as sales volumes increased and the Powercor hedge book rolled off, offset at the EBIT level by lower amortisation of hedging contracts
- LPG margins benefited from lower supply costs and 3 month contribution from Rockgas
- Customer service costs were in line with last year despite significantly higher customer churn and preparations for FRC in SA gas

## ….reflecting the balance of higher electricity purchase costs and lower hedge book amortisation

Origin energy

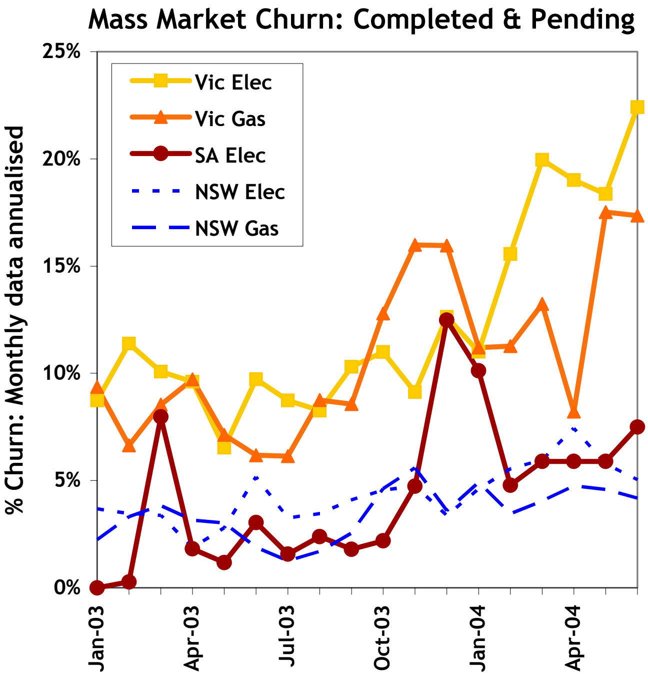
# The diversity of the Retail business has seen EBIT/sales margins constant at 5%......

| | Natural Gas | Electricity | LPG |
|---|---|---|---|
| Revenue (A$m) | 856 | 1,663 | 398 |
| Gross Margin (A$m) | 142 | 243 | 131 |
| Sales - (PJ) | 114 | | |
| Sales - (TWh) | | 15.9 | |
| LPG (Ktonnes) | | | 490 |
| Total Sales (PJe) | 114 | 57 | 24 |
| Customer # ('000) | 967 | 887 | 289 |

## …….. despite customer churn increasing significantly

Note: comparative table for last year included as appendix

# Integration cost reductions and efficiency gains have reduced the unit cost to serve……….




| Origin Customer Numbers ('000) | Natural Gas | Electricity |
|---|---|---|
| Jun '03 | 967 | 851 |
| Jun '04 | 967 | 887 |
| Net change | +36 | |

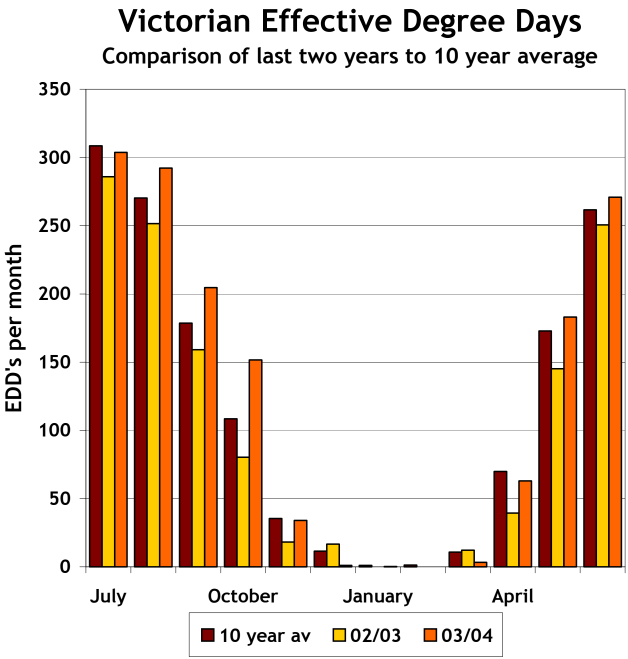
Sources:

Graph: Various websites including Vencorp, Nemmco, Gasmarketco

Table: Company information

# ……offset by higher churn rates and higher customer acquisition costs

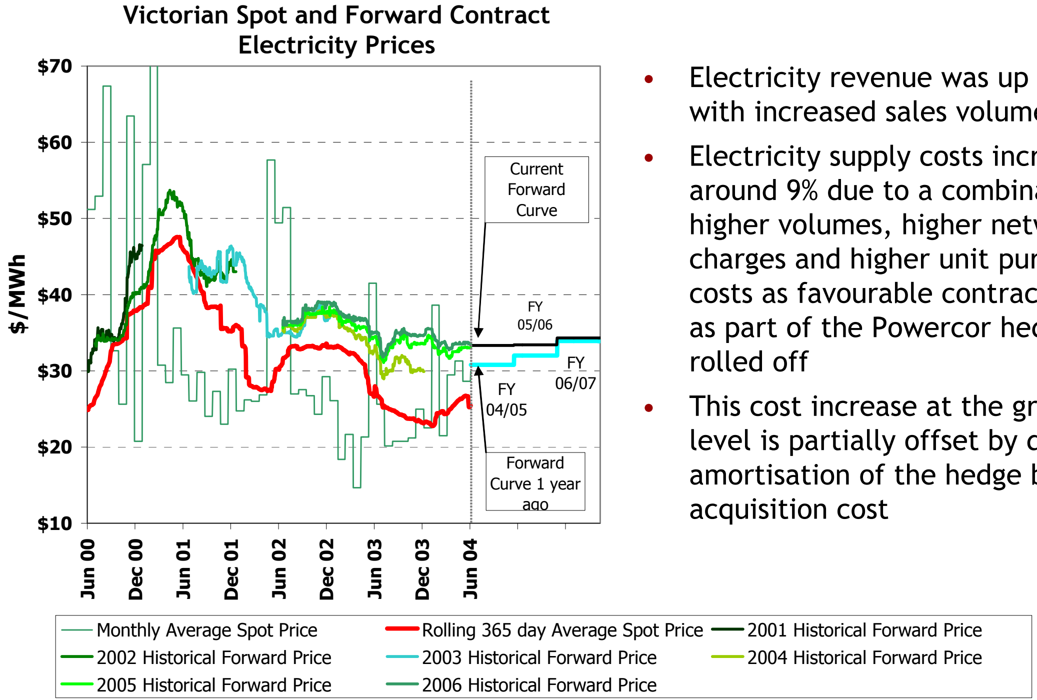
# Colder winter weather in Victoria led to increased retail gas sales ………




- Cold weather in Victoria from August through October and again from May through June resulted in Effective Degree Days exceeding both last year and the ten year average
- This boosted Retail sales of natural gas by around 3.5 PJ
- Total gas sales volumes of 114 PJ were 9% lower than last year as Retail gains were more than offset by losses in the C&I market (including the closure of the Mobil refinery in Adelaide)
- Total gas revenue increased despite the lower volume due to the improved customer mix

## …..while higher sales in the June quarter resulted in an increased level of debtors at June 30

# Electricity supply costs increased as the favourable hedge book purchased from Powercor started to roll off……

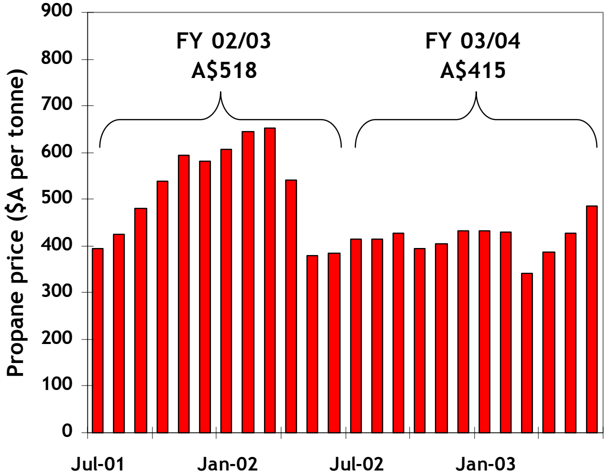



- Electricity revenue was up 6% in line with increased sales volumes
- Electricity supply costs increased by around 9% due to a combination of higher volumes, higher network charges and higher unit purchasing costs as favourable contracts acquired as part of the Powercor hedge book rolled off
- This cost increase at the gross margin level is partially offset by decreased amortisation of the hedge book acquisition cost

# ……..and the mild summer dampened volatility and hence returns

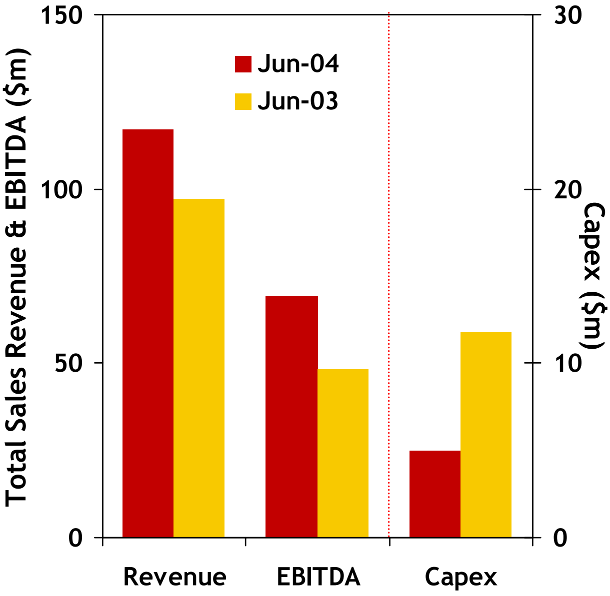
# LPG is focussing on contributing solid returns through acquisition and improvements to existing businesses

International Propane Contract Price (CP)




- LPG volumes up 11,000 tonnes compared to last year on 3 month contribution from additional 50% of Rockgas, offset by reduced autogas volumes
- Cost of LPG benchmark CP down A$103 per tonne or 20% on previous year
- EBITDA improvement through lower supply costs and contributions from Rockgas
- Rises in CP have have lagged the recent rises in crude oil prices and will put pressure on margins in the coming year

# Generation: EBITDA up 44% to $69.4 million on contributions from Mt Stuart and Osborne's entry into tax consolidation




- Availability of all plants except Ladbroke Grove was high during the period
- Pool prices have been depressed across all States reflecting high levels of supply, resulting in limited demand for gas fired peak generation
- Minimal dispatch requirements for Mt Stuart resulted in additional capacity payments of $7 million compared to prior corresponding period
- Completed construction of solar cell demonstration plant
- Continued wind farm initiatives and invested $8 million for a 17.8% stake in Geodynamics



Origin energy

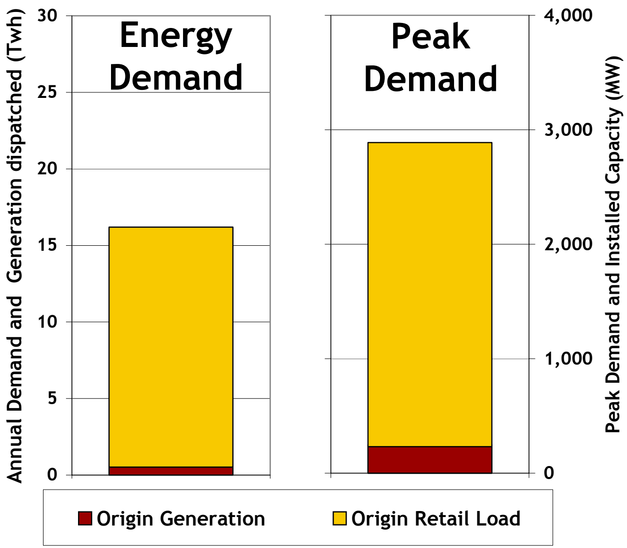
# Generation plants performed within expectations with the exception of Ladbroke Grove (turbine failure)……….

| Major Power Plants | Origin Int. % | Capacity MW | Type | Operation | Availability (%) | Capacity Factor (%) | Contracting Party |
|---|---|---|---|---|---|---|---|
| Osborne | 50 | 180 | Cogen | Base | 98 | 77 | NRG Flinders & Penrice |
| Worsley | 50 | 120 | Cogen | Base | 99 | 96 | Western Power & Worsley |
| Bulwer Is. | 50 | 32 | Cogen | Base | 94 | 79 | BP |
| OneSteel | 100 | 8 | Cogen | Base | 88 | 83 | OneSteel |
| Mt Stuart | 100 | 288 | OCGT | Peak | 98 | 1 | Enertrade |
| Quarantine | 100 | 96 | OCGT | Peak | 80 | 5 | Origin Retail |
| Ladbroke | 100 | 80 | OCGT | Base/ Int | 66* | 71 | Origin Retail |
| Roma | 100 | 74 | OCGT | Peak | 82 | 4 | Origin Retail |

* At Ladbroke Grove one turbine suffered a major failure in November 2003 and was returned to service in May 2004

# ………while the low pool prices in Queensland resulted in minimal dispatch of Mt Stuart and an additional capacity payment

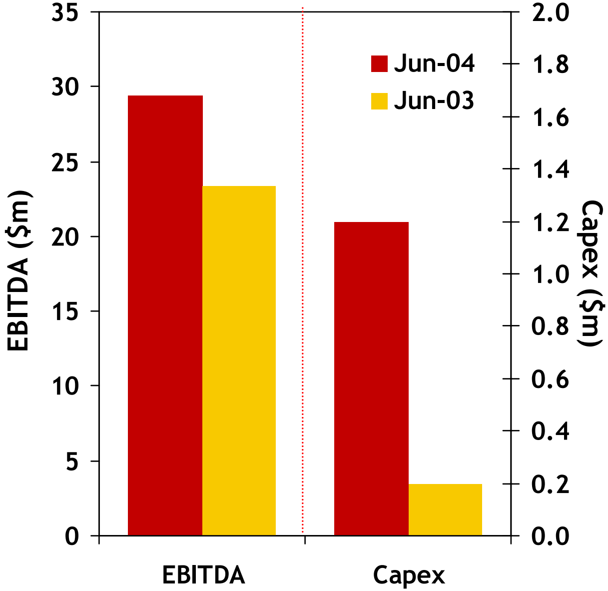
# Origin is pursuing further growth in the Generation business through power plant development and renewables……




- Gas fired power generation: Development sites in Victoria and Queensland high-graded for permitting for new combined cycle power plants to allow swift deployment once market signals are evident
- Solar: Construction of SLIVER® Solar Cell demonstration plant complete. Commercial sales expected early 2005
- Wind: Development plans and approvals for the Kemmiss Hill and Troubridge wind farms in SA have been progressed
- HDR: Origin acquired a 17.8% stake in Geodynamics at a cost of $8 million and secured arrangements to take up to 50% of the potential output

## ……compiling a series of firm projects and development options to provide a flexible response to market conditions

# Networks: EBITDA up 25% to $29.4 million largely due to initial contribution from SEA Gas




- Maiden contribution from SEA Gas to EBIT of $4.5 million
- Management fees from Envestra were consistent with last year and the CAMS JV contributed $0.5 million
- Distributions from Envestra were in line with last year
- More than 22,000 customers added to networks under management, and 360 km of new pipe laid

Origin energy

# The SEA Gas pipeline became operational on 1 January 2004, on time and on budget………..

- Pipeline in place and operational in time to meet the gas supply crisis resulting from the fire in the Moomba processing plant on 1 January and has made a significant contribution to South Australian gas requirements since that time
- Origin contributed $56 million to the SEA Gas project in January 2004 bringing the total investment to date to $83 million
- Maiden contribution of $4.5 million to EBITDA for the six months to June 30 2004

## …..and has played a critical role in managing gas supply in SA following the Moomba incident

Origin energy

# The acquisition of Edison Mission's 51.2% interest in Contact remains conditional but is progressing as expected

- On July 20, 2004 Origin entered into an agreement to acquire Edison Mission Energy's (EME) 51.2% interest in Contact Energy of New Zealand for NZ$5.67 per share, to be adjusted by any dividend paid by Contact prior to completion (10 cent dividend announced on 30 July, 2004)
- The acquisition is subject to an exemption being granted by the NZ Takeovers Panel, which will allow EME to sell its NZ holding company, rather than its Contact shares
- The NZ Takeovers Panel announced on 29 July that it approved exemptions that would enable Origin Energy to acquire EME's controlling interest in Contact in this manner, however an official Exemption Notice has not yet been issued
- Origin's agreement with EME will remain conditional until the NZ Takeovers Panel has issued an Exemption Notice in a form acceptable to both EME and Origin
- Timing of completion is dependent on the Takeovers Code exemption and bid rules but will be no later than 30 Nov 2004
- As required by the NZ Takeovers Code, Origin will make a full takeover offer to all shareholders of Contact at the same price, and Origin has committed funding in place for 100% acceptance if required
- Contact's third quarter results were consistent with Origin's expectations

# Outlook

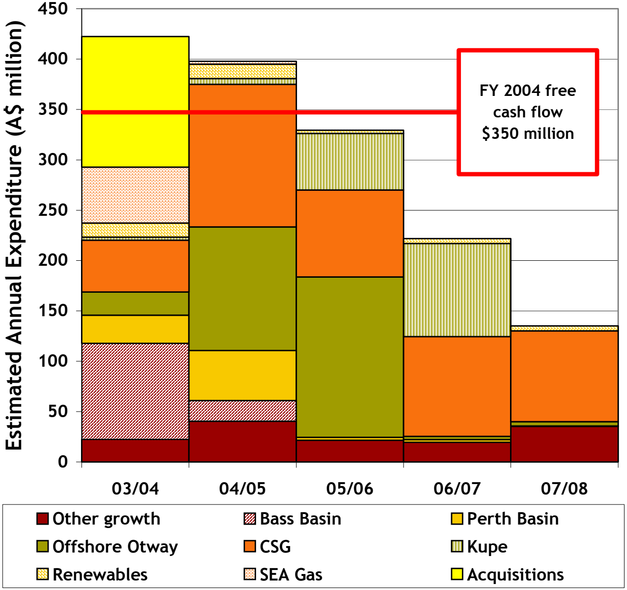
## There are a number of factors influencing the profit outlook for FY '05……….

- Cooper Basin production capacity will be fully restored
- Full year contribution from SEA Gas and Rockgas
- Perth Basin oil production will increase
- The BassGas project will start contributing to earnings
- Further reductions in Retail cost to serve are expected with the benefit to the bottom line dependent on the level of customer churn
- CSG contracts will commence in May 2005
- Completion of the Contact acquisition and the final level and timing of any equity raising

**………which are expected to provide an earnings increase from Origin's existing businesses consistent with the long term objective of 10 to 15% annual growth in EPS**

# Growth within Origin will continue to be driven largely by E&P projects already disclosed to the market…

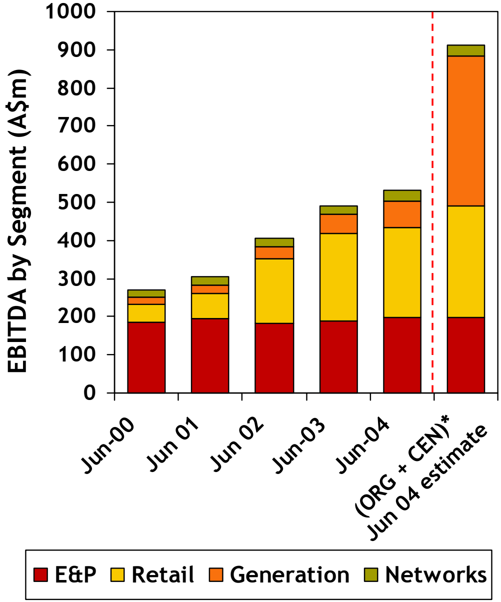
Growth capital expenditure estimates and acquisitions compared with free cash flow for FY '04




- FY '04 growth capex and acquisitions totalling $422 million funded mostly through cash flow, despite lower cash flow from Moomba incident and Retail segment
- As projects progressively reach completion expect growth in cash flows to cover these expenditures

**…..and despite a suppressed cash flow in FY '04 the business remains largely self funding even at these levels**

# Origin maintains the long term goal of achieving EPS growth of 10-15% pa through sound strategy, effective acquisitions and internally generated growth




- The combined growth across growth across Origin's existing businesses remains strong
- The acquisition of Contact provides a step changes to the dimensions of Origin's business
- On a consolidated basis Contact provides a significant contribution to Generation, and adds significantly to the regional diversity of Origin's earnings
- The acquisition will also encourage a review of Origin's businesses as part of the medium term funding

## The acquisition of Contact will contribute significantly to this goal

* Origin Estimate: Contact EBITDA for pro-forma year July 2003 to June 2004 inclusive estimated at around A$380 million . Based on quarterly reports

Origin
energy

# Appendix: Restatement of Retail product splits from Jun 2003

| | Natural Gas | Electricity | LPG |
|---|---|---|---|
| Revenue (A$m) | 841 | 1,573 | 417 |
| Gross Margin (A$m) | 131 | 266 | 114 |
| Sales - (PJ) | 123 | | |
| Sales - (TWh) | | 15.0 | |
| LPG (Ktonnes) | | | 479 |
| Total Sales (PJe) | 123 | 54 | 24 |
| Customer # ('000) | 967 | 851 | 200+ |

- Product revenue and gross margin for electricity in the accompanying table for Jun 2003 did not include the impact of the tolling arrangement with the Generation Division.  This was an internal allocation issue and did not impact total reported segment revenues EBITDA, or EBIT for either Generation or Retail
- Methodology for calculating gas customers was revised as reported in December 2003, resulting in an adjustment to Jun 2003 gas customer numbers