

21 February 2005

Directors' Report for the six months ended 31 December 2004

In accordance with the Corporations Act, the Directors of Origin Energy Limited (the Company or Origin) submit their report together with the consolidated financial report on the consolidated entity, being the Company and its controlled entities, for the half year ended 31 December 2004.

Except where otherwise stated, all figures in this report relate to Origin's businesses for the six months ended 31 December 2004 compared with the six months ended 31 December 2003. All reference to \$ is a reference to Australian \$ unless specifically marked otherwise.

The acquisition of a 51.4% interest in Contact Energy Limited ("Contact") was completed on 1 October 2004. The half year results include the consolidation of Contact's financial performance for the three months from that date.

Financial review

Profit and dividend declaration

Origin reported a net profit after tax and outside equity interests (NPAT) of \$152.1 million for the six months ended 31 December 2004, a 21% increase on the prior corresponding period.

Basic earnings per share increased by 18% to 22.6 cents per share primarily due to increased contributions from the Retail and Exploration & Production segments, and the impact of consolidating Contact's results for the period 1 October to 31 December 2004.

An interim fully franked dividend of seven cents per share will be paid on 23 March 2005 to shareholders of record on 2 March 2005. Origin shares will trade ex-dividend from 24 February 2005.

Financial highlights

Six months ended 31 December	2004 (\$m)	2003 (\$m)	Change %
Revenue	2,291.8	1,845.8	24%
EBITDA	440.4	306.5	44%
Net profit after tax	152.1	125.6	21%
Free cash flow	247.2	230.0	7%
Capital expenditure	1,191.5	241.2	394%
Basic earnings per share	22.6 cents	19.2 cents	18%
Net debt/capitalisation	41%	28%	
OCAT/funds employed (calendar year)*	13.6%	16.1%	

* Calculated over calendar year 2004. Excludes 3 months of Contact.

The main operating factors impacting the results across Origin's existing businesses include:

- Increased oil production, higher oil prices and lower exploration write downs, partially offset by lower sales volumes of natural gas and associated liquids;
- Increased contribution from Retail primarily due to increased margins in electricity more than offsetting decreases from natural gas;
- Lower Generation earnings, reflecting the non-recurrence of tax consolidation benefits received in the prior corresponding period and lower contributions from Osborne and Mt Stuart; and
- A full six months of contribution from the SEA Gas Pipeline.

The consolidation of Contact for the three months from 1 October 2004 has increased the net profit after tax by \$6.6 million after deducting the cost of debt funding and recognition of outside equity interests.

A one-off benefit of \$9 million after tax arose from the sale of the Carpentaria gas pipeline connecting Ballera to Mount Isa. This was partially offset by a \$2 million provision raised with respect to redundancies associated with the organisational restructure. Net one-off items therefore amount to \$7 million.

Group financial performance

Total revenue increased 24% to \$ 2,292 million from \$1,846 million in the prior corresponding period.

This increase was primarily due to the consolidation of Contact's results, higher oil sales from Exploration & Production and higher aggregate retail sales over the half year.

EBITDA increased 44% to \$440.4 million from \$306.5 million, of which segment contributions were:

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)			
Six months ended 31 December	2004 \$m	2003 \$m	% change
Exploration & Production	121.0	102.9	18%
Retail	157.4	147.2	7%
Generation	30.0	43.2	(31%)
Networks	16.5	13.2	25%
Contact*	115.5	-	-
Total	440.4	306.5	44%

*In accordance with Australian GAAP 100% of Contact's EBITDA since the acquisition on 1 October 2004 is included in the consolidated statement of financial performance.

Depreciation and amortisation expense increased by 35% to \$135.8 million reflecting depreciation and amortisation of Contact now consolidated within Origin and higher depreciation of Exploration & Production assets.

EBIT was up \$98.8 million to \$304.6 million of which \$83.6 million was attributable to Contact.

Net interest expense for the half year was \$53.3 million, up from \$24.0 million in the prior period. The increase was due to the consolidation of Contact and higher borrowings to fund the Contact acquisition.

Taxation

Tax expense for the half year was \$77 million, an increase of 41% over the prior corresponding period primarily resulting from the consolidation of Contact. This represents an effective tax rate of 30.7% up from 27.1% for the year ended 30 June 2004. The increase in effective tax rate reflects the higher New Zealand corporate tax rate (33%) and the effective tax rate incurred by Contact.

Funding and capital management

The Company's net debt to capitalisation ratio was 41% as at 31 December 2004. This compares with 31% as at 30 June 2004. A total of \$15.1 million in equity was raised through the Dividend Reinvestment Plan and \$5.5 million from the exercise of options during the half year. Interest cover including capitalised interest is 4.9 times EBIT.

Origin acquired the 51.4% interest in Contact for NZ\$5.57 per share. After deducting the NZ\$535 million of Edison Mission debt, the net consideration for the acquisition paid by Origin was \$1.0 billion.

Origin funded the acquisition through the issuance of Convertible Undated Preference Shares (CUPS) (\$595 million, net of transaction costs) and external debt facilities (\$426 million). Immediately following the acquisition Origin further drew down its external debt facilities to repay NZ\$285 million of the NZ\$535 million of debt assumed from Edison Mission.

The CUPS are classified as equity in Origin's statement of financial position in the form of outside equity interest in accordance with Australian GAAP. Accordingly the dividends in respect of the CUPS are not expensed. In addition the CUPS are not included in determining the weighted number of ordinary shares in calculating the basic EPS and diluted EPS.

The Company intends to undertake a rights issue under which additional equity will be sought to repay the CUPS, with any balance applied to the reduction of debt.

Capital expenditure

Capital expenditure on growth and stay-in-business projects was \$224 million.

Stay-in-business capital expenditure associated with the maintenance of ongoing operations was \$56 million, or \$17 million higher than in the prior period. Of this, \$15 million was attributable to the consolidation of Contact.

Growth capital expenditure was \$168 million, \$50 million higher than in the prior period. This included expenditure greater than \$10 million in the following areas:

- Coal seam gas (CSG) assets in Queensland (\$57 million);
- The BassGas Project (\$37 million);
- The offshore Otway Basin including the Thylacine and Geographe fields (\$28 million);
- Perth Basin oil and gas assets in Western Australia (\$13 million); and
- Aggregate expenditure in the Retail area on LPG reticulation and distribution assets, natural gas bus fuelling stations and systems for managing retail contestability in South Australia and NSW (in total \$11 million).

Capital expenditure on acquisitions totalled \$968 million, largely comprised of \$943 million for the 51.4% interest in Contact (net of debt and acquired cash balances) and \$20 million (net of adjustments) for assets acquired from Santos Ltd in the onshore Otway Basin.

Total capital expenditure including acquisitions was \$1,192 million, compared with \$241 million in the prior corresponding period.

Cash flow

The operating cash flow after tax has grown from \$254 million to \$301 million for the half year due to the inclusion of Contact's cash flow from 1 October. This contribution more than offsets a higher working capital requirement and higher tax payments. The increase in working capital reflects the receivable due for the sale of the Carpentaria pipeline and timing of cash calls on major development projects. Acquisitions and capital expenditure on growth projects has increased average funds employed by \$2.6 billion to \$4.5 billion.

Cash flow available for funding growth and distributions to shareholders (free cash flow) was \$247 million compared with \$230 million in the prior period.

The OCAT Ratio in respect of the Origin business excluding Contact for the 2004 calendar year was 13.6% compared to 16.1% for calendar year 2003.¹ Contact has been excluded from the ratio as it only contributed three months cash flow to the result.

Risk management

Origin manages its risk exposure in energy markets through a combination of natural hedges in the business, contracts and financial hedges. Risk exposure is assessed and managed against policy limits for each commodity or relevant variable which have been established by management and approved by the Board. Regular reporting is provided to the Board to review exposures and compliance with these limits.

Consistent with this policy framework Origin hedges a significant portion of its exposure to electricity, oil and LPG prices and the USD exchange rate.

In the electricity market Origin assesses its policy limits against extreme events. Within the policy limits determined as acceptable by the Board, Origin has arrangements in place to cover extreme price and demand events as well as average forecast demand for the near term.

Origin has a policy of hedging between 30% and 80% of its anticipated production of crude oil and condensate over a rolling 12 month period. During the half year Origin had expected the BassGas Project to have commenced production and that sales of condensate would have been higher than were realised. As a consequence of this lower level of production, the relative percentage of production hedged was higher than planned at 69%. Looking forward, Origin has hedged approximately 47% of its forecast oil and condensate sales for the six months to 30 June 2005 at prices above US\$28 per barrel.

With regard to foreign exchange, Origin is significantly hedged over the next 12 months due to a combination of external hedging and ongoing US dollar expenditure associated with major development projects. Origin expects that variability in the USD exchange rate will have minimal impact on group profitability.

Returns to shareholders

An interim fully franked dividend of seven cents per share has been declared, payable on 23 March 2005 to shareholders of record on 2 March 2005. The Dividend Reinvestment Plan (DRP) will apply to the current dividend without discount.

Tax legislation allows Origin to elect to pay sufficient tax to fully frank its dividends, notwithstanding the availability of carried forward tax losses.

¹ Origin's primary performance measure is operating cash flow after tax over average funds employed (referred to as the OCAT Ratio). OCAT is calculated from EBITDA as the primary source of cash contribution, but adjusted for stay-in-business capital expenditure, changes in working capital, non-cash items and tax paid. Funds employed are averaged over the relevant period.

Origin's policy is to pay annual dividends at a target level of around 40% of full year profit.

Employee Share and Option Plans

The Company issued 3,371,000 options under the Senior Executive Option Plan. 775,000 were issued at an exercise price of \$6.14 each and 2,596,000 at an exercise price of \$5.88 each.

Under the Employee Share Plan up to \$1,000 of shares are granted to all eligible employees as long as the Company achieves its financial and safety targets. In 2004 all full-time qualifying employees were granted 166 shares each. These shares were acquired by the Company on-market for \$2.0 million and this amount appears as an expense in the accounts for the six months ended 31 December 2004.

Issued capital

An additional 5,642,037 shares were issued during the period. Of these 2,572,337 shares were issued as a result of the Company's Dividend Reinvestment Plan and 3,069,700 shares were issued as a result of the exercise of options.

As at 31 December 2004, Origin had 674,330,397 shares on issue.

International financial reporting standards

The adoption of Australian equivalent International Financial Reporting Standards (A-IFRS) will apply from 1 July 2005, that is, for the year ending 30 June 2006, although retrospective application is required for comparatives (for the year ending 30 June 2005). The effective transition date to A-IFRS is therefore 1 July 2004.

Adoption of A-IFRS will require changes to Origin's current accounting policies which may impact the recognition and measurement of income, deferred tax balances, share-based payments, employee related provisions, asset valuations and the amortisation of goodwill. Accounting policy decisions will not be finalised until all standards have been agreed internationally, accordingly the detailed impact of A-IFRS is not yet quantifiable. The amortisation of goodwill will cease under A-IFRS. Changes in asset impairment tests, hedging and documentation criteria in relation to financial instruments may introduce significant volatility into the Company's results.

Although not mandatory until 2007 in New Zealand, Contact will early adopt IFRS from 1 October 2004 to coincide with Origin's transition to A-IFRS.

Segment results

Exploration and Production

Six months ended	Dec 04 \$m	Dec 03 \$m	% Change
EBITDA	121.0	102.9	18%
EBIT	67.9	56.3	21%

Sales volumes

	Dec 04	Dec 03	% Change
Natural gas (PJ)	34.6	36.6	(6%)
Crude oil (kbbls)	1,064.5	849.6	25%
Condensate/naphtha (kbbls)	319.9	364.1	(12%)
LPG (ktonnes)	23.4	38.2	(39%)
Ethane (ktonnes)	22.8	23.9	(5%)
Total (PJe)	44.8	46.7	(4%)

Total sales revenue of \$193.9 million was 4% higher than in the six months to 31 December 2003.

Oil sales for the half were 25% higher than last year reflecting the addition of several producing wells and upgraded production facilities in the Perth Basin. Milder weather, lower requirements for gas for electricity generation and the closure of the Mobil refinery in South Australia reduced gas sales volumes and the sales of associated liquids. Sales of LPG and condensate were also impacted at the beginning of the half year by restricted operation of the Moomba liquids processing facility. Full operation of the facility was restored in August 2004, returning sales of LPG and condensate to normal levels.

Higher prices realised for all commodities offset the lower production levels, leading to a 4% increase in total sales revenue. The average prices realised for gas and ethane sales rose in real terms, while the average price received for oil sales increased from \$41.26 to \$43.85 per barrel, inclusive of oil price and foreign exchange hedging. The price received for sales of LPG increased over 25%.

Volume related operating costs rose in line with higher oil production and higher revenues with only marginal rises in controllable costs.

EBITDA increased 18% to \$121.0 million compared with \$102.9 million in 2003.

Depreciation, amortisation and exploration write-downs amounted to \$56.8 million, \$5.5 million lower than during the corresponding period last year. Depreciation and amortisation expense was \$7 million higher reflecting ongoing capital investment and higher production levels in the Perth Basin and higher depletion charges in the Cooper Basin and Otway Basin. This was more than

offset by lower exploration write-downs (\$3.7 million this half compared with \$15.7 million in the prior corresponding period).

Depreciation and amortisation expense in the Cooper Basin increased after the operator, Santos Ltd, advised of a further write-down of reserves. Origin has consequently reduced its share of Proved and Probable (2P) reserves in the Cooper Basin by 30 petajoule equivalents (PJe). The discounted cash flow valuation of the Cooper Basin asset following the reserves write-down remains in excess of the asset carrying value and a financial write-down was not required. Similarly a reduction of reserves in the onshore Otway Basin in South Australia of 9 PJe increased depreciation and amortisation charges and did not require a write down of the asset².

EBIT was \$67.9 million compared to \$56.3 million in 2003. Profit from the sale of the Carpentaria gas pipeline announced on 24 December 2004 made a positive contribution of \$10.5 million to EBIT, and \$9.0 million to profit after tax.

- **Cooper Basin (Queensland/South Australia)** Full production was restored at the Moomba processing plant in late August 2004, following a fire at the plant on 1 January. In December 2004, the lead insurer advised the plant operator, Santos, that indemnity had been extended to the joint venturers on the terms, conditions, exclusions and limitations of the policy.

While full production has been restored at the Moomba facility, production volumes are expected to decline over the next few years as gas supplies from alternative sources such as the Otway Basin and coal seam gas come into production.

- **Surat/Bowen Basin (Queensland)** During the period new agreements to supply coal seam gas (CSG) were signed with Incitec Pivot for the supply of 7 PJ per annum from 2007 for 10 years, and with Qmag for the supply of 1.8 PJ per annum for seven years.

Production from the Fairview CSG field increased up to a record 30 terajoules (TJ) per day (7 TJ per day Origin share) due to improved spot sales and existing customer demand. Plans to increase plant capacity are being implemented.

A 3D seismic survey over the Myall Creek gas field and neighbouring ATP375P will be interpreted during the first half of 2005 with plans for additional exploration and appraisal wells in this region in the third quarter of calendar 2005.

- **Perth Basin (Western Australia)** Oil production at the end of the period was approximately 10,000 barrels of oil per day (Origin share 50%). The Hovea 11 oil production well was connected, and facilities are being upgraded at the Jingemia and Eremia fields. Oil exploration in the Jingemia, Hovea and Eremia fields is expected to re-commence in the second quarter of 2005 after the acquisition of a 3D seismic survey.

² The reserves information included in this report is based on information compiled by Mark Mussared, a full time employee qualified in accordance with Listing Rule 5.11, who has consented to the inclusion of the statements regarding reserves and the form and context in which they appear.

The Xyris gas development, the first new greenfield gas development in the Perth Basin for almost 14 years, was brought on stream in November and is now supplying gas to customers in the Perth area.

Drilling of the Tarantula 1 gas discovery, which was suspended in July 2004, is expected to re-commence during the second quarter of 2005. Exploration wells are planned in the area between the Dongara and Yardarino gas fields and adjacent to the Beharra Springs gas field.

- **Onshore Otway Basin (South Australia/Victoria)** A write-down of 2P reserves in the Katnook and Ladbroke Grove fields, amounting to 9 PJe was taken following a review of recent production data. In early February, after a greater than anticipated fall in the total gas deliverability from wells in the area, the producers from these fields called a force majeure event in relation to gas supply. While production is continuing from these fields the wells are not able to meet the requirements associated with periods of high daily demand.

During 2004 Origin initiated plans to connect the Katnook area to the SEA Gas Pipeline, ensuring the long term supply of gas to the region from the eastern Australian gas transmission network. Public consultation processes regarding pipeline licence and permit applications in South Australia and Victoria have been completed and Origin is finalising regulatory approvals for the project. Construction will commence as soon as practical after all necessary approvals have been obtained, and it is expected that gas will be available to be sold from the pipeline by October 2005.

In November, Origin finalised the purchase of certain exploration and production licences and assets in the Victorian onshore Otway Basin from Santos Ltd. While production in the area has almost ceased, the fields have the potential to be used for gas storage, and a number of exploration prospects have been identified. Origin plans to drill the Peterborough and Childers Cove prospects in the first half of calendar 2005.

- **BassGas Project (Victoria/Tasmania)** Drilling of the Yolla 3 and 4 development wells was successfully completed during the half. Detailed analysis of gas samples identified some impurities in the gas which has required some modification to the processing stream and operational procedures. Variations in liquids content across the various reservoirs in the field were also recorded.

Completion of the project was delayed due to performance issues under the contract with Clough Engineering. In November, the BassGas joint venture called on a bank guarantee because, in the opinion of the joint venture, Clough failed to perform significant work to achieve completion in accordance with the contract. On 28 January 2005, the Federal Court dismissed an application by Clough seeking restoration of the bank guarantee.

In December the joint venture engaged Downer Engineering to complete the remaining rectification works and perform the necessary modifications to the offshore facilities and onshore gas processing plant resulting from the identification of some impurities in the gas stream.

Despite these additional works, Origin's share of the forecast total cost of the project (prior to capitalisation of interest) remains close to budget with the favourable movement in the USD exchange rate compensating for the additional costs associated with project delays.

The project is now being commissioned with gas available on the platform. Gas will be progressively introduced into the pipeline and onshore plant.

Also in the Bass Basin the Trefoil 1 exploration well flowed gas at 16.3 million cubic feet of gas per day (mmcf/d) and 9.9 mmcf/d from two separate reservoirs confirming commercial rates of deliverability. The well was suspended for potential use in the future as a production well.

In addition to the discovery of liquids rich gas at Trefoil the Yolla development wells encountered a number of new hydrocarbon pools and gathered substantial additional data on the composition and extent of the previously known reservoirs. A detailed study of reserves across the Yolla field, Trefoil discovery and currently unbooked White Ibis discovery will be undertaken as part of the annual reserves review conducted by Origin at the end of the financial year.

- **Spring Gully Project (Queensland)** The Spring Gully CSG project continued on schedule and budget during the period. At 31 December 2004 the project was 73% complete and commissioning is expected during the second quarter of calendar 2005.
- **Otway Gas Project (Victoria/Tasmania)** Origin has a 29.75% interest in the Otway Gas Project which continued on schedule over the period. Regulatory approvals are being received on time, and gas plant site works began in October 2004. Platform design was nearing completion at the end of December, and fabrication began in January 2005 in Malaysia. Overall, the project was 16% complete at 31 December 2004 and is scheduled for commissioning in mid 2006.
- **Kupe Gas Project (New Zealand)** Origin has a 50% interest in, and is the operator of, the Kupe Gas Project in the Taranaki Basin. By December, front end engineering and design (FEED) for the offshore and onshore facilities was well advanced including the assessment of an optimum weather window for offshore construction. The joint venture is also evaluating options for processing gas in existing third party facilities against construction of a new onshore facility. It is now anticipated that official project sanction will be in the second half of 2005, with first gas deliveries expected in the second half of 2007.

Retail

Six months ended	Dec 04 \$m	Dec 03 \$m	% Change
EBITDA	157.4	147.2	7%
EBIT	120.5	107.6	12%

Sales volumes

	Natural Gas	Electricity	LPG
Revenue (\$m)	455	868	255
Gross Margin (\$m)	78	153	74
Sales - (PJ)	61		
Sales - (TWh)		8.2	
Sales - (ktonnes)			263
Total Sales (PJe)	61	29	13
Customer # ('000)	918	856	283

Total Sales Revenue from the Retail division increased 5% to \$1,613 million reflecting the net impact of higher revenues in the LPG business due to the combined impact of the acquisition of the remaining 50% of Rockgas and higher international LPG prices, higher electricity sales and lower gas sales.

Retail gas and electricity operations continued to reduce absolute costs through increased transaction efficiency, lower staffing numbers and reduction of bad and doubtful debts. This was offset by a significant increase in costs in the LPG business due to increased costs associated with Australian operations and changes in shipping arrangements.

EBITDA increased 7% to \$157.4 million. Depreciation and amortisation charges were 7% lower due to the continuing reduction in amortisation of electricity hedge contracts purchased as part of the Powercor electricity retail business.

Consequently EBIT increased 12% to \$120.5 million.

Overall the EBITDA margin for the Retail business improved from 9.5% in the half year ended December 2003 to 9.7% in this half. Similarly EBIT margins improved from 7.0% to 7.5% this half.

There has been a sharp increase in the level of churn in contestable gas and electricity markets over the past six months, reflecting the start of retail contestability for gas in South Australia and the impact of new entrants including New South Wales Government-owned retailers in both South Australia and Victoria. Despite being the incumbent gas retailer in South Australia and subject to intense competition, Origin's overall churn rate across all its markets is in line with the industry rates. This has, however, resulted in a decline of 99,000 gas and electricity customers over the half year.

Expansion in the South Australian and New South Wales electricity markets has been encouraging with a 40% increase in customer numbers in those states to over 50,000 at December 2004.

The GreenEarth product range enabling customers to buy electricity from renewable sources continues to be well received and has provided strong competitive differentiation. There were 58,000 customer contracted to GreenEarth as at December 2004, making Origin the largest retailer of Green Power in Australia.

- **Electricity** Revenue of \$868 million was up 3% compared to the December half last year reflecting steady volumes across the market segments and modest tariff increases. Customer losses in the Victorian mass market were partially offset by gains in South Australia and New South Wales.

The gross margin on electricity sales increased by 14% to \$153 million largely due to a combination of reduced purchasing costs, higher contribution from Origin's merchant power plants, and abolition of the Smelter Levy in Victoria.

- **Natural Gas** Overall natural gas volumes were down 0.8 PJ to 61 PJ. Mass market sales were lower as the result of milder weather in Victoria and South Australia, and the loss of gas customers following the introduction of FRC in South Australia in July 2004. The loss of customers was mitigated in part by a 6.5% average tariff increase for natural gas granted by the South Australian Regulator at the onset of FRC. Sales to larger customers increased compared to the prior corresponding period, despite the impact of the closure of the Mobil refinery in South Australia.

Overall, natural gas revenues were down 2% to \$455 million, while the gross margin from natural gas sales was down 12% to \$78 million.

- **LPG** A full-period contribution and strong performance from the Rockgas business in New Zealand and the high international price of LPG were the primary drivers behind a 32% increase in LPG revenues to \$255 million.

Purchasing costs for the LPG business was impacted by a 28% increase in the wholesale contract price (CP) which was not fully recovered in the period. Autogas market share declined as the result of recent market entrants Woolworths and Coles offering discounts with supermarket purchases. For the above reasons LPG margins in Australia were lower by 13%.

Higher costs were incurred within the business due to increased costs associated with Australian operations and changes in shipping arrangements.

Generation

Six months ended	Dec 04 \$m	Dec 03 \$m	% Change
EBITDA	30.0	43.2	(31%)
EBIT	17.0	29.8	(43%)

Sales Volumes

	Dec 04	Dec 03	% Change
Total Sales (MWh)	945,247	917,495	3%

Total sales revenue for the Generation segment increased 8% to \$70 million, reflecting higher running hours across internally contracted plants. However, due mostly to the non-recurrence of the one-off Osborne tax consolidation adjustment in December 2003 (\$9.4 million), scheduled major maintenance at the plant this year (\$1.4 million) and lower capacity payments from Mt Stuart (\$1.9 million), EBITDA fell by 31% to \$30 million.

- Internally contracted plants** Origin Generation contracts the capacity of three gas-fired power plants to Origin's Retail business. Each plant has performance targets for the number of hours the plant is available to run. In South Australia, Quarantine Power Station availability was below target due to problems with the exhaust plenums, while Ladbroke Grove Power Station availability was above target for the six month period following the repair of a generating unit. Availability of the Roma Power Station in Queensland was below target due to an extended outage for repairs.
- Externally contracted plants** The Mt Stuart Power Station in Queensland maintained high availability, and the plant was called on to run during periods of high pool prices and to provide system stability.

The additional running hours reduced the net capacity payment received from Mt Stuart from \$7.0 million in the prior corresponding period to \$5.1 million in this half.

Origin has a 50% share of cogeneration plants contracted to BP Bulwer Island in Queensland, Worsley Alumina and Western Power in Western Australia and NRG Flinders and Penrice Soda Products in Osborne, South Australia.

Osborne's contribution was adversely affected by an extended major overhaul during the months of October and November. Worsley continued to operate at high levels of availability, and the availability of the Bulwer Island plant improved as Siemens continues to work on defect rectification. New design rated units will be installed in early 2005.

- Renewable Generation** The first solar modules containing Origin's new Sliver® cell technology were produced in late 2004. Reliability testing and process improvement will continue through to the commercial release of a

15W module in the first quarter of 2005. A 40W module will subsequently be released.

Operating costs associated with the solar demonstration plant are increasing as it nears commercial production and amounted to \$2.1 million expensed this half.

Origin holds a 17.9% interest in Geodynamics Limited, a company which is focussed on developing a geothermal resource in South Australia's Cooper Basin. Solid progress on the project was made over the period, including the confirmation of hydraulic connection between two test wells and the installation of testing equipment. Geodynamics completed a \$14.2 million fund raising in November 2004 to fund a reservoir testing program. Origin took up its full entitlement under the placement at a cost of \$2.3 million net of underwriting fees.

Origin continues to monitor several potential wind farm sites in South Australia, and has received planning approval to build the Troubridge Point Wind Farm. During the period, the Federal Government announced it would not increase the Mandatory Renewable Energy Target which requires electricity retailers to source a proportion of total electricity purchased from renewable energy sources. As a result, further development of wind farm options has been put on hold until the economics for wind farms improve.

- **Business development** Origin has received strong government support for two potential power station projects announced for Queensland and Victoria. A 1000MW gas fired power station at Spring Gully in central Queensland has been declared "significant" under the State Development and Public Works Act 1971.

An option has been agreed for the site of a gas-fired power station near Mortlake in Victoria and public consultation has commenced. The approval process for development of the power station has been confirmed by the Victorian Minister for Planning.

Networks

Six months ended	Dec 04 \$m	Dec 03 \$m	% Change
EBITDA	16.5	13.2	25%
EBIT	15.7	12.1	29%

Sales revenues for the network segment were down 2% to \$79.6 million. Higher network management fees received from Envestra were more than offset by lower cost incentive fees.

EBITDA of \$16.5 million represented a 25% increase on the prior corresponding period. The contribution from Origin's investment in Envestra and its asset management businesses was in line with the prior period, with the majority of the increase coming from the SEA Gas Pipeline which commenced operations in January 2004.

Total natural gas connections for gas networks under management increased by 1.2% during the half to 938,000. Full retail contestability for South Australian natural gas customers was introduced in July 2004, allowing consumers to change retailers. New information systems and processes were implemented to facilitate cost effective metering and billing of consumers serviced by Envestra's networks in the new competitive environment.

All key performance targets for the joint venture between Origin and United Utilities, which is managing the assets of Coliban Water in Victoria, were met or exceeded.

Contact

Three months ended	Dec 04 \$m	Dec 03 \$m
EBITDA	115.5	-
EBIT	83.6	-

Performance of operations

Three months ended	Dec 04	Dec 03
Total Gas Sales	12.7 PJ	-
Retail Electricity Sales	1,762 Gwh	-
Electricity Generated	2,548 Gwh	-
Electricity Customers	509,000	-
Gas Customers	88,000	-

Origin completed the acquisition of a 51.4% interest in Contact on 1 October 2004. The half year results include the consolidation of Contact's financial performance for the three months from that date.

A quarterly report entitled "Management Discussion of Unaudited Financial Results for the Quarter Ended 31 December 2004" covering the period 1 October 2004 to 31 December 2004 was issued by Contact to the New Zealand Stock Exchange on Tuesday 15 February 2005 and is available on Origin's website www.originenergy.com.au. That document contains details regarding Contact's financial and operating performance during the period, including comparisons to the performance of Contact in the prior corresponding period.

Since taking a controlling interest in Contact, Origin has taken a number of steps aimed at ensuring the ongoing financial and operating strength of Contact's businesses and ensuring that the acquisition adds value to shareholders of both companies.

This has included changes to the Board and senior management of Contact, and changes to Corporate Governance procedures and the Constitution. The reporting period for Contact has been changed to a financial year ending on 30 June to align its reporting with Origin and KPMG has been appointed as common auditors of Origin and Contact.

A review by Contact of its operations has seen the sale of the loss making business Red Energy.

Origin has consolidated 100% of Contact as required by Australian accounting standards. The interests attributable to minority shareholders are recognised as Outside Equity Interests in the final reporting of Net Profit After Tax and Total Equity.

In consolidating Contact's results Origin has used an average exchange rate for the period of NZ\$1.0843 to the A\$. The only significant adjustment on consolidation was the reversal of the loss on the sale of Red Energy during the period of \$3.2 million against a provision raised at the time of acquisition.

This resulted in the consolidation of \$115.5 million EBITDA (100% of Contact's adjusted EBITDA converted to A\$), and \$83.6 million EBIT. After the recognition of outside equity interests and deducting Origin's acquisition debt funding expenses of \$15 million (before tax), Contact contributed \$6.6 million to Origin's net profit after tax.

People, Health, Safety & Environment (HSE)

Employee numbers increased during the period by 38 to 3,249 mostly due to staffing requirements for the Spring Gully and BassGas Projects. There was also a 9% reduction in employees in the Retail division. A major restructure of the senior management reporting structure of Origin was undertaken effective 1 February 2005, and was separately announced to the market.

The Lost Time Injury Frequency Rate decreased from 2.8 at 30 June 2004 to 2.7 at 31 December 2004. The Total Reportable Case Frequency Rate, which includes medical treatment injuries as well as lost time injuries, fell from 21 to 20.4.

During the half year there were no significant environmental incidents and no breaches of significant environmental regulations that relate to Origin's operations.

Outlook

The profit of the Company over the first half was enhanced by three months of contribution from Contact and increased contributions from the existing Exploration & Production, Retail and Networks businesses.

The results for the second half of the year are expected to be higher than the corresponding period last year due to:

- The inclusion of a full six months contribution from Contact;
- The return to full gas and liquids processing capabilities at the Moomba gas plant (which was severely restricted in the half year to June 2004 following a fire at the plant on 1 January 2004); and
- Contributions from the BassGas Project which is currently being commissioned. The rate at which the BassGas Project progresses through commissioning will determine its contribution to the financial performance of Origin.

Assuming current market conditions prevail the Directors expect an increase in earnings for the full year.

Looking further ahead the Company continues to develop a number of major projects, which will make significant contributions in future years. These include:

- An increase in production from CSG fields in Queensland to supply long term contracts with AGL from May 2005, QAL from November 2006 and Incitec Pivot from mid 2007;
- The Otway Gas Project which commenced development in the June quarter 2004 and is expected to deliver gas into the South Australian and Victorian markets from mid 2006; and
- The Kupe Gas Project in New Zealand in which Origin acquired a 50% interest and became operator in 2004 which is expected to produce around 20 PJ of gas and 1.5 million barrels per annum of hydrocarbons from the second half of 2007.

The Company also continues to progress planning for major power generation projects in Queensland and Victoria.

Directors

The names of the Directors holding office during the half year ended 31 December 2004 and up until the date of this report are as follows:

H Kevin McCann	Non-executive Chairman since February 2000
Grant A King	Managing Director since February 2000
Bruce G Beeren	Executive Director, Commercial ceased 31 January 2005; Appointed Non-executive Director 1 February 2005
Trevor Bourne	Non-executive Director since February 2000
Helen M Nugent	Non-executive Director since March 2003
Colin B Carter	Non-executive Director since February 2000
J Roland Williams	Non-executive Director since February 2000

Lead Auditor's Independence Declaration

The lead auditor's independence declaration under Section 307C of the Corporations Act 2001 is set out on page 23 of the Half Year Financial Statements and forms part of the Directors' Report for the half-year ended 31 December 2004.

Rounding

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:

Mr H Kevin McCann
Chairman

Sydney, 21 February 2005