Half Yearly Report

to Shareholders

For the half year ended
31 December 2000

Origin energy

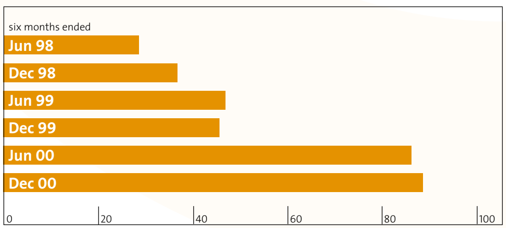
Half-year in brief

- *Higher natural gas sales and new generation capacity saw revenue increase by 20% to $674 million*
- *EBITDA up 37% to $155.2 million with all businesses performing strongly*
- *EBIT almost doubled to $88.5 million*
- *Profit after tax increased 77% to $49.5 million*
- *Capital expenditure, excluding acquisitions, of $70 million was down 21%*
- *Balance sheet continues to strengthen with net debt to equity of 31.3%*
- *Earnings per share for the half was 8.7 cents, an increase of 77%*
- *Proposed on-market share buy-back announced*
- *Company well positioned for future growth*

Note: Except where otherwise stated, comparison figures quoted refer to the December 2000 half-year against the December 1999 half-year. For comparison purposes, the Boral building and construction materials business has been excluded from the December 1999 half-year.

Investment program over the past three years is delivering results

EBIT ($m)



Managing Director's Review

I am pleased to advise Origin Energy achieved a profit after tax (PAT) of $49.5 million for the six months ended 31 December 2000, a 77% increase on the pre-abnormals profit in the previous corresponding period.

This result further consolidates the improvement reported in the June 2000 half-year. As indicated in last year's Annual Report, over the past three years Origin Energy (Origin) has undertaken a substantial re-investment program aimed at growing its activities in the competitive segments of the energy chain. This strong result, combined with the improved result in the June 2000 half-year, demonstrates the success of this program and reflects the ongoing strategic focus of the company.

Over the next six months projects such as the Peat coal seam gas (CSG) field and the BP Bulwer Island cogeneration plant will begin contributing to earnings.

Financial highlights

Total revenue, including agency income relating to the Victorian natural gas business and the distribution from Envestra, grew by 17% to $792.5 million.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 37% to $155.2 million, with earnings before interest and tax (EBIT) almost doubling to $88.5 million. EBITDA and EBIT margins improved to 23% and 13% respectively.

Factors driving the substantial improvement included:

- a $16 million turnaround in Retail & Trading driven by a combination of improved margin management and higher sales volumes as a result of a cooler winter and the addition of a number of large industrial users;
- increased natural gas sales volumes in Exploration & Production;
- higher oil prices; and
- a six month contribution from the Ladbroke Grove power station.

Earnings per share for the December 2000 half-year increased from 4.9 cents to 8.7 cents.

Details on the operational performance of each Group are included in the Operational Review.

The company's balance sheet continued to strengthen with a net debt to equity[1] ratio of 31.3% as at 31 December 2000. This compares with 35.6% as at 30 June 2000. Interest cover remains robust at 5.7 times.

Capital expenditure during the six month period of $70 million was 21% lower than in the previous corresponding period. Over 80% of the capital expenditure during the period occurred in Exploration & Production following an extensive $40 million development (including plant and equipment) program.

The management of working capital has been a major focus for the company over the past year. As a result of this focus, a $1.3 million reduction to the provision for bad and doubtful debts was made in the December 2000 half-year.

The company has continued to hedge a significant portion of its exposure to both the oil price and the USD exchange rate. Currently, the company has hedged 50% of its oil and condensate exposure over the next 12 months at prices above US$26.00 per barrel and 73% of its exposure to the USD at an average of US57.5 cents.

Returns to Shareholders

Origin is unable to pay a franked dividend and expects limited franking credits to become available over the next three to five years.

Shareholders are taxed at their marginal rates on unfranked dividends. Furthermore the 50,000 shareholders who currently elect to reinvest their dividend in the company through the Dividend Reinvestment Plan must fund the consequential tax liability from other sources. Under a buy-back option the effect of reinvesting dividends into the company can be replicated by not participating in the buy-back. This also has the advantage of not crystallising any tax liability.

The Board recognises however many shareholders wish to receive cash returns. Share buy-backs provide shareholders with the option of realising cash returns and are also an effective capital management tool.

As most shareholders have a cost base close to, or in excess of, the company's current market price (following the demerger from Boral), they will pay little or no capital gains tax on the proceeds from a buy-back.

A review of the alternative forms of share buy-back concludes that any buy-back should be conducted on-market.

The Board is concerned, however, that traditional on-market share buy-backs are not readily accessible by small shareholders, and involve relatively high transaction costs. This deficiency can be overcome by providing each shareholder with an equal opportunity to sell a fixed proportion of his or her holding into the buy-back without incurring brokerage.

The Board considers this equal access on-market buy-back represents an attractive addition to the capital management options available to the company.

In order to facilitate this form of buy-back, a change to the company's Constitution will be put to a General Meeting on 11 April 2001. This will enable such buy-backs to be conducted from time to time.

Pending the outcome of the General Meeting in April, the decision on payment of an interim dividend has been deferred. If the buy-back proposal is adopted, it is intended the company will offer to buy back up to 5% of its shares during May.

Decisions on future returns to shareholders will be reviewed on an ongoing basis. As franking credits are received from investments and partly owned subsidiaries, they will be utilised to pay dividends. A small (one or two cents per share) fully franked dividend is likely to be paid in the second half of 2001.

[1]Excludes outside equity interests

Outlook

Origin is well positioned to pursue further growth opportunities. This includes an aggressive exploration drilling program planned for the June 2001 half-year, power generation and cogeneration opportunities and the continued development of the company's energy retailing capability.

Over the next 12-18 months full retail contestability in the electricity and natural gas markets will be introduced. In preparing for this, Origin is placing a strong focus on operational improvement, enabling it to compete in a sustainable manner. Initiatives to date include investing in customer systems, e-procurement and focusing on margin management and working capital.

The main factors influencing earnings during the June 2001 half-year will include:

- contribution from Peat CSG which came on-line early February;
- contribution from BP Bulwer Island cogeneration plant;
- impact of weather conditions on natural gas sales in the mass market;
- impact of the Victoria to NSW Duke pipeline on Cooper Basin natural gas sales into NSW;
- failure of the turbine at Ladbroke Grove power station and the outcome of the insurance claim; and
- movement in the world price for LPG and oil.

Balancing these factors with the strong performance in the December half, Origin expects earnings for the full year to materially exceed that of the last year.

Grant King
Managing Director

Operational Review

Exploration & Production

	Dec 00 $m	Dec 99 $m	% Change
EBITDA	**105.9**	92.8	14.1
EBIT	**65.0**	48.7	33.4

The improvement in earnings resulted from a 5% increase in sales volumes to 44.9 PJe and high oil prices.

Increased sales volumes were driven by higher gas sales, particularly in the Perth, Carnarvon and Surat Basins. Combined with increased volumes supplied to Origin's Ladbroke Grove power station, this more than offset the sales decline arising from relinquishment of rights to the Port Campbell field, declining sales from the Cooper Basin into NSW and declining production of liquids.

The average price received for oil and condensate during the period was 44% higher at A$45.51 per barrel, accounting for two-thirds of the increased earnings.

During the six month period capital expenditure totalled $57 million including plant and equipment together with participation in 80 development, exploration and appraisal wells.

Development (including plant and equipment) expenditure increased from $22 million to $40 million. This includes:

- a high level of drilling activity in the Cooper Eromanga Basin where 33 development wells were drilled with all but one well cased for production; and
- the construction of the production facility at the Queensland Peat coal seam gas (CSG) field was completed, ready for gas supply in early February 2001 to the BP Bulwer Island Clean Fuels Project.

The main highlights of the $17 million exploration and appraisal program include:

- a 7.8 PJe increase in Denison Trough gas reserves, enabling the extension of the QAL contract;
- an expected increase in daily oil production by 600 barrels in the Bodalla South and Kenmore fields;
- 14 wells cased for production in the Cooper-Eromanga Basin;

- additional 4 TJ per day deliverability in the Peat CSG field;
- the drilling of a further 11 CSG wells targeting increased production at the Dawson Valley project in Moura;
- the Tuihu-1 well in New Zealand's onshore Taranaki Basin was plugged and suspended for potential re-entry at a later date. Though inconclusive, results from the well indicated a likely oil column and a likely gas/condensate column in fractured reservoirs.

As part of the company's strategy to focus on adding reserves to economically address markets, Origin continued to adjust its portfolio including:

- agreeing terms to earn up to a 50% interest in Perth Basin's L1 and L2 production leases;
- acquiring exploration permit ATP692P within the northern Surat Basin targeting shallow CSG (through Oil Company of Australia in conjunction with Suncor Energy Inc. of Canada);
- relinquishing interests in offshore Otway Basin permit EPP24;
- selling interests in offshore Carnarvon Basin permits WA256P and WA257P to Wandoo Petroleum;
- acquiring the new permit PEL83, in the onshore Otway Basin; and
- expanding interests in New Zealand through the farm-in to onshore Taranaki Basin permits PEP38718 and PEP38728.

During the second half of 2000/01, Origin expects to participate in the drilling of 86 wells. This includes at least five greenfield wells – two in the offshore Otway Basin and three in the onshore Perth and Otway Basins – many of which will be drilled on 3D seismic data sets acquired and interpreted during the past year.

Of particular note, the two offshore Otway Basin wells will target potentially large gas reserves.

Retail & Trading

	Dec 00 $m	Dec 99 $m	% Change
EBITDA	**29.7**	14.7	101.4
EBIT	**10.2**	(6.0)	–

Retail & Trading reported a significant turnaround during the half driven by improved margin management and stronger natural gas sales on the back of a cooler winter, and additional volumes from new large industrial users.

It is estimated the cooler winter contributed an additional 2.5 PJ in natural gas sales to the retail mass market resulting in around $8 million in additional EBIT. (Note: the six months to December 2000 was still considerably warmer than the long term average with particularly warm weather during spring.)

Natural gas volumes to large industrial customers increased by 10%, boosted by new contracts and renewals which more than offset the loss of customers such as Amcor. Contracts entered into with large industrial users during the half totalled 22 PJ, comprising around 50% additional and 50% renewed volumes.

In Queensland the 4.0% natural gas tariff increase, effective July 2000, was the first in the State since 1992. Tariff increases were also approved in South Australia, Victoria and New South Wales during the period.

Despite ongoing high wholesale LPG costs – related to the high world oil prices and strong northern hemisphere demand – profitability in LPG improved over the previous corresponding period, reflecting improved margin management. LPG volumes and prices however remain under considerable pressure.

Autogas volumes and margins also suffered from the high LPG cost, impacting severely on the performance of Vitalgas.

The Rockgas (NZ) contribution improved with a cooler winter and favourable autogas prices relative to petrol and diesel.

Other initiatives and highlights include:

- A major focus on effectively managing working capital resulting in the reduction of bad debts by $1.3 million. Further efforts are continuing.
- A pilot program – launched in conjunction with Australia Post – enabling the presentation and payment of gas accounts via the internet. To be implemented during the second half of the year, this program supports previous on-line initiatives such as the ordering of LPG cylinders.
- Extension of the company's service despatch operations to other companies with similar needs. This contributed modestly to earnings.
- Successful commissioning of a total energy facility in the Townsville hospital. Origin also achieved short listing or preferred supplier status on other projects in the health and hospitality sector.

In preparation for full retail contestability, a major process and systems development program commenced. To date it has reviewed all business processes required to comply with new regulations and codes as well as requirements for sales and marketing support in a competitive market. Concurrently, Origin has undertaken to consolidate its billing systems in order to achieve scale and replace the high cost legacy system in Victoria. The anticipated $40 million investment will ensure systems are specific, scaleable and maintain Origin's low cost to serve. The systems will be fully tested, integrated and implemented in time for contestability.

Origin's examination of options for the management of wholesale electricity market risk in the mass market competitive retail environment has resulted in an agreement with a major generator which will allow the efficient and effective management of electricity purchase risk. The agreement, effective following half-year end, will add long-term competitive advantage to Origin's mass market presence and allow growth of Origin's electricity retailing business.

Generation

	Dec 00 $m	Dec 99 $m	% Change
EBITDA	**12.7**	1.2	922.8
EBIT	**8.9**	(0.6)	–

A six months contribution from the Ladbroke Grove power station saw a significant growth in earnings.

The Roma power plant generated 56GWh of electricity receiving an average spot price of $93 per MWh, well in excess of the $41 per MWh Queensland average pool price. Supply constraints in South Australia saw the pool price average $55 per MWh in that State. As a result of the high pool prices Ladbroke Grove operated in excess of 90% utilisation, generating 319GWh of electricity during the half.

In December 2000, Ladbroke Grove power station experienced a failure in one of its generators. Repairs to the unit (under warranty) are expected to restore full operations by April 2001. The loss of profit attributable to the unit failure is subject to an insurance claim.

Other highlights during the half include:

- Installation of inlet air-cooling at Ladbroke Grove power station enhancing generation capacity on hot, dry days by up to 30%.
- The Bulwer Island Energy Partnership cogeneration plant was progressively commissioned from August 2000. This 32MW plant supplies all power and the majority of steam to BP's $500 million Clean Fuels expansion and the existing BP Brisbane Refinery. Origin, together with co-venturer ATCO Power, has purchased half of the one-third interest in the project held by Lend Lease, taking Origin's interest to 50% effective 1 January 2001.
- Development work continued on a number of new power and cogeneration projects.

Origin's commitment to provide customers with the option of clean energy products, saw Advanced Energy Systems Limited commence a $2.5 million research and development program to develop power conditioning equipment for Origin. This program complements the Epilift™ solar photovoltaic cells currently being developed for Origin by scientists at the Australian National University.

Networks

	Dec 00 $m	Dec 99 $m	% Change
EBITDA	**11.3**	10.1	11.6
EBIT	**10.3**	9.0	14.4

Earnings in Networks comprised a $6.5 million distribution relating to the equity investment in Envestra and operation and management fees of $4.8 million.

A total of 11,500 consumers were connected to networks operated and maintained by Origin, an increase of almost 20% over the prior period. This strong performance appears to be associated with the carry over of the pre-GST demand for housing construction.

On behalf of Envestra, Origin is developing an Asset Management System to facilitate improved management of key business processes associated with the creation, operation and maintenance of the gas network assets. This will replace and consolidate legacy information systems across Victoria, South Australia and Queensland resulting in significant cost savings for Envestra.

Corporate

Origin's successful introduction of the Ariba Buyer e-procurement system enhances the company's ability to capture and control indirect expenditure through pre-negotiated contracts with preferred suppliers. As one of the first companies to introduce such a system, Origin is positioned at the forefront of B2B e-business and will now look at complementary opportunities to reduce costs.

Safety

The lost time injury frequency rate as at 31 December 2000 was 5.4, down slightly from 5.9 as at 30 June 2000. The company believes this rate is too high and consequently undertook a review of the HSE management system. Following the review, the company commenced the roll out of a number of changes to the system.

Profit and Loss Account

$'000 For the half year ended 31 December	CONSOLIDATED 2000	 1999*
Sales revenue	**671,978**	561,908
Share of associates' net profit attributable to members	**2,392**	1,618
	674,370	563,526
Other revenue	**118,127**	115,210
Total revenue	**792,497**	678,736
EBITDA	**155,173**	113,437
Depreciation	**36,515**	32,324
Amortisation	**30,201**	35,419
EBIT	**88,457**	45,694
Net interest expense	**15,628**	13,741
Profit before tax and abnormal items	**72,829**	31,953
Tax expense	**20,632**	2,193
Profit after tax, before abnormal items	**52,197**	29,760
Outside equity interests	**2,669**	1,810
Profit after tax attributable to members, before abnormal items	**49,528**	27,950
Abnormal items (net of tax and outside equity interests)	**–**	8,760
Profit after tax and abnormals attributable to members	**49,528**	36,710

* Pro forma accounts reflect only the continuing energy operations. The statutory accounts for the half-year can be found in the ASX Report Appendix 4B available on Origin Energy's website or on request from the company. The 1999 statutory comparatives include the results of the Boral building and construction business that were subsequently demerged from the company's continuing energy operations with affect from 1 January 2000.

Balance Sheet

$'000 As at end of	CONSOLIDATED DEC 00	 JUN 00
Current assets		
Cash	**11,799**	18,641
Receivables	**269,564**	341,324
Inventories	**39,625**	37,358
Other	**30,081**	26,707
Total current assets	**351,069**	424,030
Non-current assets		
Receivables	**50,586**	48,794
Investments in associates	**7,391**	6,166
Other investments	**144,529**	139,979
Exploration and evaluation expenditure capitalised	**55,354**	52,483
Development properties (oil and gas interests)	**27,218**	26,138
Other property, plant and equipment (net)	**916,853**	918,180
Intangibles (net)	**465,644**	473,275
Other	**151,570**	142,206
Total non-current assets	**1,819,145**	1,807,221
Total assets	**2,170,214**	2,231,251
Current liabilities		
Accounts payable	**171,888**	221,876
Borrowings	**39,119**	19,566
Provisions	**58,662**	77,529
Total current liabilities	**269,669**	318,971
Non-current liabilities		
Accounts payable	**38,720**	45,592
Borrowings	**370,000**	430,000
Provisions	**186,925**	196,251
Total non-current liabilities	**595,645**	671,843
Total liabilities	**865,314**	990,814
Net assets	**1,304,900**	1,240,437
Equity		
Capital	**178,457**	167,156
Reserves	**116,881**	115,133
Retained profits	**976,027**	926,561
Equity attributable to members of the parent entity	**1,271,365**	1,208,850
Outside equity interest in controlled entities	**33,535**	31,587
Total equity	**1,304,900**	1,240,437

Statement of Cash Flows

$'000 For the half year ended 31 December	CONSOLIDATED 2000
Cash flows related to operating activities	
Receipts from customers	**845,322**
Payments to suppliers and employees	**(694,978)**
Dividends received from associates	**1,221**
Other dividends received	**394**
Interest and other items of similar nature received	**1,341**
Interest and other costs of finance paid	**(17,478)**
Income taxes paid	**(14,248)**
Net operating cash flows	**121,574**
Cash flows related to investing activities	
Payment for purchases of property, plant and equipment	**(35,990)**
Proceeds from sale of property, plant and equipment	**10,506**
Payment for purchases of equity investments	**(4,550)**
Other (payments for exploration and development)	**(34,335)**
Net investing cash flows	**(64,369)**
Cash flows related to financing activities	
Proceeds from borrowings	**7,884**
Repayment of borrowings	**(38,384)**
Dividends paid	**(23,219)**
Net financing cash flows	**(53,719)**
Net increase/(decrease) in cash held	**3,486**
Cash at beginning of period	**99**
Exchange rate adjustments	**(360)**
Cash at end of period	**3,225**

Pro forma Cash Flow Information

$'000 FOR THE HALF YEAR ENDED 31 DECEMBER	CONSOLIDATED 2000	 1999*
Operating profit before abnormal items and income tax	**72,829**	31,953
Add back:		
– Net interest expense	**15,628**	13,741
– Depreciation/amortisation	**66,716**	67,743
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**155,173**	113,437
Other significant cash flows include:		
Stay in business capital expenditure	**(45,908)**	(38,003)
Growth capital expenditure	**(24,417)**	(50,842)
Major acquisitions	**(4,550)**	(3,795)
Disposals	**10,507**	9,178
Net interest paid	**(15,657)**	(13,741)
Income tax paid	**(3,248)**	(2,974)
Subvention payments	**(11,000)**	(20,000)

* Pro forma accounts reflect only the continuing energy operations. The statutory accounts for the half-year can be found in the ASX Report Appendix 4B available on Origin Energy's website or on request from the company. The 1999 statutory comparatives include the results of the Boral building and construction business that were subsequently demerged from the company's continuing energy operations with affect from 1 January 2000.

Shareholding Enquiries

ASX Perpetual Registrars Limited
Locked Bag A14
Sydney South NSW 1232

Telephone 1300 664 446
e-mail registrars@aprl.com.au
Web site www.perpetual.com.au

Other Enquiries

Company Secretary
Origin Energy Limited
GPO Box 5376
Sydney NSW 2001

Telephone (02) 9220 6400
e-mail investor.relations@originenergy.com.au
Web site www.originenergy.com.au

Origin Energy Limited ABN 30 000 051 696

Origin energy

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