



Origin Energy Results for the half year ended 31 December 2010 Management Discussion and Analysis

All figures in this report relate to businesses of the Origin Energy Group ("Origin", "Company"), being Origin Energy Limited and its controlled entities, for the six months ended 31 December 2010 ("the half year") compared with the six months ended 31 December 2009 (the "prior half year"), except where otherwise stated. A reference to Contact is a reference to Origin's subsidiary Contact Energy in New Zealand. A reference to Australia Pacific LNG or APLNG is a reference to Australia Pacific LNG Pty Ltd in which Origin has a 50% equity interest. In accordance with Australian accounting standards Origin consolidates 100% of Contact within its result. All reference to \$ is a reference to Australian dollars unless specifically marked otherwise. All reference to debt is a reference to interest bearing debt only. Individual items and totals are rounded to the nearest appropriate number or decimal. Some totals may not add down the page due to rounding of individual components.

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Report for the six months ended 31 December 2010 Management Discussion and Analysis

All figures in this report relate to businesses of the Origin Energy Group (“Origin”, “Company”) for the six months ended 31 December 2010 (the “half year”) compared with the six months ended 31 December 2009 (the “prior half year”), except where otherwise stated. Origin’s Statutory Profit contains a number of items in both periods which do not reflect the underlying performance of the business. Underlying Profit excludes the impact of these items to better illustrate the business performance of the Company. This Management Discussion and Analysis therefore focuses on underlying financial measures.

Each underlying measure discussed has been adjusted to remove these items from both this half year and the prior half year. A detailed reconciliation and description of the items that contribute to the difference between Statutory Profit and Underlying Profit is provided in Appendix 1.

1. Profit and Dividend Declaration

1.1 Statutory Profit / (Loss) - (\$136) million, down from \$371 million

Origin reported a net loss after tax and non-controlling interests ("Statutory Loss") of \$136 million for the half year, a decrease of \$507 million compared with a Statutory Profit of \$371 million reported in the prior half year.

The Statutory Loss for the half year contains a number of items which do not reflect the underlying performance of the business totalling \$440 million. These include the impairment of Origin's investments in the Innamincka Deeps Joint Venture and Geodynamics Limited (\$154 million), changes in the fair value of financial instruments (\$156 million) and transition and transaction costs including state stamp duty associated with Origin's recently announced but not finalised acquisition of the NSW Government's energy assets¹ (\$164 million). Underlying Profit, excluding these items, was \$304 million. For further details see sections 1.4 and 1.7.

1.2 Earnings per share - (15.4) cents per share, down from 42.3 cps

Basic earnings per share (EPS) calculated from Statutory Loss amounted to a loss of 15.4 cents per share ("cps") down from earnings of 42.3 cps in the prior half year. The weighted average capital base of 883 million shares increased 1% from 876 million shares in the prior half year.

1.3 Interim Dividend - 25 cps fully franked

An interim fully franked dividend of 25 cps will be paid on 1 April 2011 to shareholders of record on 7 March 2011. This is in line with the prior half year. Origin shares will trade ex-dividend from 1 March 2011.

The Dividend Reinvestment Plan ("DRP") will apply to this dividend without discount subject to the DRP rules.

¹ A reference to the "NSW energy assets" or "NSW acquisition" is a reference to the Integral Energy and Country Energy retail businesses and the Eraring GenTrader arrangements.

1.4 Underlying Profit - \$304 million, down 14%

Underlying Profit for the half year decreased 14% or \$51 million to \$304 million. The Underlying result reflects the following items:

Underlying Items Half year ended 31 December	2010 (\$m)	2009 (\$m)	Change (\$m)
EBITDA before exploration expenses	915	728	187
Exploration expense	(97)	(22)	(75)
EBITDA	818	706	112
Depreciation and amortisation, and ITDA of equity accounted investees	(282)	(217)	(65)
Net financing (costs) / income	(44)	12	(56)
Tax expense	(154)	(110)	(44)
Non-controlling interests share of profit	(34)	(36)	2
Underlying Profit	304	355	(51)

Underlying EBITDA before exploration expenses for the half year was up 26% or \$187 million to \$915 million driven by significant contributions from the Kupe and Otway developments in the Exploration and Production segment, the Darling Downs Power Station in the Generation segment and improved retail margins in the Retail segment.

During the half year Origin undertook an expanded offshore and international drilling program in greenfield areas which involved drilling a number of offshore wells in Australia and New Zealand and the drilling and/or testing of wells as part of a portfolio of oil and gas interests in South East Asia. As at 31 December 2010 none of these wells were assessed as successful. Largely as a result of this program, Origin's exploration expense increased from \$22 million in the prior half year to \$97 million during the half year.

Including the impact of these exploration expenses, Underlying EBITDA increased 16% to \$818 million from \$706 million in the prior half year.

Underlying depreciation and amortisation, and Origin's share of interest, tax, depreciation and amortisation (ITDA) of equity accounted investees increased by \$65 million or 30% to \$282 million primarily as a result of investments in the Kupe Gas Project, the Otway Gas Project and the Darling Downs Power Station. This was broadly in-line with a 26% increase in EBITDA before exploration expense.

Origin's net financing costs increased by \$56 million to \$44 million due to Origin's ongoing capital expenditure program, which has resulted in an increase in productive capital of \$2.1 billion.

Underlying tax expense increased 40% to \$154 million for the half year largely reflecting an increase in the effective tax rate from 22% in the prior half year to 31% in this half year.

As a consequence, Underlying Profit for the period decreased \$51 million or 14% to \$304 million.

Further details are provided in Section 3 - Financial Review of Performance.

1.5 Underlying EPS - 34.4 cps, down 15%

Underlying EPS calculated on the Underlying Profit decreased by 15% to 34.4 cps from 40.5 cps on a weighted average capital base of 883 million shares. Origin's dividend of 25 cps represents a payout ratio of 73% based on Underlying EPS.

1.6 Operating Cash Flow - \$794 million, up 87%

Group operating cash flow after tax ("OCAT") increased by 87% or \$369 million to \$794 million. This was primarily due to higher Underlying EBITDA, changes to working capital due to movements in electricity prices and lower tax paid.

Further details are provided in Section 4.

1.7 Reconciliation of Underlying Profit and Statutory Profit

Statutory (Loss) / Profit for the half year and the prior half year contain the impact of a number of items that do not reflect the underlying performance of the business as outlined in the table below.

In the half year these items provided an overall cost of \$440 million. This compared to a benefit of \$16 million in the prior half year.

Reconciliation of Statutory and Underlying Profit

(\$millions)	Dec 2010		Dec 2009		Change
	Impact After Tax & Non-controlling Interests	NPAT	Impact After Tax & Non-controlling Interests	NPAT	
Statutory (Loss) / Profit		(136)		371	(507)
Items excluded from Underlying Profit					
Impairment of assets	(154)		(8)		(146)
Gain on dilution of Origin's interest in subsidiaries	-		27		(27)
Decrease in fair value of financial instruments	(156)		(19)		(137)
Unwinding of discounts resulting from APLNG receivables and payables	8		27		(19)
Transition and transaction costs	(164)		(11)		(153)
Other tax related	26		-		26
Less total excluded items		(440)		16	(456)
Underlying Profit		304		355	(51)
Underlying EPS (cps)		34.4		40.5	(6.1)

A more detailed reconciliation of Statutory Profit to Underlying Profit is provided in Appendix 1.

2. Outlook

Origin expects the trend in operational performance observed in the first half to continue into the second half, with the following factors also influencing the performance of the underlying business:

- A significantly lower level of greenfields exploration activity will be undertaken and consequently a lower level of exploration expense is expected;
- Recent floods and volatile weather conditions are expected to have some impact on operations during the second half, however this is not likely to have a material impact on earnings;
- Origin's generation portfolio will continue to contribute to earnings in line with the increased productive capital deployed in this segment, however it is not anticipated that the Mortlake Power Station will make any contribution to the result for the full year; and
- At the full year Retail margins are expected to be in line with the prior year reflecting natural seasonality in the Retail business.

In addition Origin will benefit from a four month contribution from the NSW energy assets following the scheduled completion on 1 March 2011. At the time of announcing the \$3.25 billion transaction in December 2010, Origin advised that the acquisition would be funded through new debt facilities, with the expectation that these facilities would be partly refinanced with a pro-rata equity offering. Origin reconfirms this intention.

Taking all these factors into account, and based on prevailing market conditions, Origin expects Underlying EBITDA to increase by approximately 35 per cent in the 2011 financial year when compared with the prior year. The company also anticipates an increase in Underlying Profit of around 10 to 15 per cent when compared with the prior year, with the range reflecting the timing of any equity raising.

The following year will see significant contributions to earnings coming from a full year of contribution from the NSW energy assets. It will also include completion of the Mortlake Power Station and the completion of Contact's Ahuroa gas storage and Stratford peakers as well as continuing growth in coal seam gas production and sales.

Growth Opportunities

The Australia Pacific LNG project has made significant progress towards a Final Investment Decision by Origin and ConocoPhillips.

State and Federal Government approvals have been received for the project's EIS including up to four LNG trains and up to 10,000 wells over a 49 year operating period. Australia Pacific LNG's Proved and Probable Reserves have continued to mature to more than 11,000 PJ. There has also been continued progress on FEED and commitment to early works and long lead time items. To better align the economic interests of Origin and ConocoPhillips to progress a FID in the near term, agreement has been reached with ConocoPhillips which includes a potential deferral of the FID payments for the first two LNG trains.

These payments were due to Australia Pacific LNG at the time a FID was approved and would have seen Origin's funding for Australia Pacific LNG reduced by US\$500 million per train. If deferred, the payments will be made when the project pays out an agreed economic return on the total investment by ConocoPhillips in Australia Pacific LNG.

Australia Pacific LNG is now well advanced in negotiations with a number of foundation customers whose LNG requirements can trigger a FID for the LNG project.

Looking further ahead, Origin continues to develop a number of significant opportunities which will expand on the scale and scope of our business and provide earnings growth in future years.

Additional opportunities include:

- Thermal and renewable generation development options, including new greenfields developments and potential expansion of existing generation sites;
- Australia Pacific LNG's investments in the Fairview field associated with the GLNG project and the ATP 648 and 620 permits associated with the QCLNG project;
- Implementation of the retail transformation program;
- Continuing development of geothermal opportunities in Australia, Indonesia and New Zealand including the Te Mihi geothermal development being undertaken by Contact;
- The potential commercial development of solar photovoltaic technology through Transform Solar, a joint venture with Micron Technology Inc;
- Exploration opportunities in the Lamu Basin in Kenya and the Canterbury Basin in New Zealand benefiting from farm-out arrangements with strong joint venture parties; and
- The Purari hydro-electric project which is designed to bring baseload renewable energy to Papua New Guinea and Queensland.

Based on these opportunities Origin continues to target long term growth in Underlying earnings per share of 10 to 15 per cent per annum on average.

3. Financial Review of Performance

Half year ended 31 December	2010 (\$m)	2009 (\$m)	Change (%)
Total external revenue	4,603	4,300	7
Underlying EBITDA	818	706	16
Underlying depreciation and amortisation	(260)	(194)	(34)
Underlying share of interest, tax, depreciation and amortisation of equity accounted investees	(22)	(23)	4
Underlying EBIT	536	489	10
Underlying net financing (costs) / income	(44)	12	n/a
Underlying Profit before income tax	492	501	(2)
Income tax expense on Underlying Profit	(154)	(110)	(40)
Underlying net profit after tax before elimination of Non-controlling Interests	338	391	(14)
Non-controlling Interests share of Underlying Profit	(34)	(36)	6
Underlying Profit	304	355	(14)
Earnings per share - Underlying	34.4c	40.5c	(15)
Items excluded from Underlying Profit	(440)	16	n/a
Statutory (Loss) / Profit	(136)	371	(137)
Earnings per share - Statutory	(15.4)c	42.3c	(136)

Half year ended 31 December	2010 (\$m)	2009 (\$m)	Change (\$m)
Free cash flow	692	360	332
Group OCAT	794	425	369
Capital expenditure (including acquisitions)	626	1,550	(924)
Productive capital (year to 31 December) ²	9,631	7,526	2,105
Group OCAT Ratio (year to 31 December) ³	13.2%	11.2%	
Origin Cash (excluding Contact)	691	2,766	(2,075)
Origin Debt (excluding Contact) ⁴	(2,537)	(3,354)	817
Contact Net Debt	(985)	(882)	(103)
Adjusted net debt to (net debt plus equity) ⁵	21.6%	13.1%	

Further segmentation of the profit and loss line items in the table above is available in Note 2 in the Interim Financial Statements and within this document.

² Productive Capital is 12 months average funds employed excluding capital work in progress and including 50% of APLNG

³ Group OCAT Ratio = (OCAT - interest tax shield)/Productive Capital

⁴ The reported numbers for net debt include interest bearing debt obligations only

⁵ Adjusted to exclude impact of financial instruments

3.1 Revenue - \$4,603 million, up 7%

Total external revenue increased by 7% or \$303 million to \$4,603 million.

This primarily reflected an increase in external revenues from the Exploration and Production segment as a result of higher sales volumes, from the Retail segment as the result of higher product tariffs, and from Contact in New Zealand.

Further details are available in Section 9 Operational Review.

3.2 Underlying EBITDA - \$818 million, up 16%

For the half year Underlying EBITDA increased 16% or \$112 million to \$818 million. The segment contributions to this result are presented in the following table:

Underlying earnings before interest, tax, depreciation and amortisation (EBITDA)

Half year ended 31 December	2010 (\$m)	2009 (\$m)	Change (%)
Exploration & Production	125	104	20
Generation	144	98	47
Retail	369	320	15
Contact	180	184	(2)
Underlying EBITDA	818	706	16

Exploration & Production Underlying EBITDA contribution was 20% or \$21 million higher than the prior half year. Excluding exploration expenses from both periods provides an Underlying EBITDA of \$222 million, up 76% for the half year compared with \$126 million in the prior half year. This increase was due to contributions from the Kupe Gas Project and Origin's increased equity interest in the Otway Gas Project.

Further details are available in Section 9.1

Generation Underlying EBITDA increased 47% or \$46 million to \$144 million. During the half year generation capacity increased from 1,620 MW to 2,250 MW with the addition of the Darling Downs Power Station. The increased EBITDA reflects higher payments from the Retail segment as a result of this increased capacity.

Further details are available in Section 9.2

Retail Underlying EBITDA increased 15% or \$49 million to \$369 million. This was primarily due to effective management of the wholesale energy portfolio, while increased tariffs for natural gas and electricity were largely driven by the pass through of higher network costs.

Further details are available in Section 9.3

Contact Underlying EBITDA decreased 2% or \$4 million to \$180 million. At an operating level EBITDA as reported by Contact was flat in NZD terms at NZ\$225 million with the decrease due to exchange rate movements. Operationally a stronger performance in the electricity segment was offset by lower sales volumes associated with natural gas and LPG.

Further details are available in Section 9.4

3.3 Underlying depreciation and amortisation - \$260 million, up 34%

Underlying depreciation and amortisation expenses increased by 34% or \$66 million to \$260 million. These increases reflect the addition of the Darling Downs Power Station from July 2010, the commissioning of the Kupe Gas Project in New Zealand from December 2009 and the additional interest in the Otway Gas project acquired in March 2010.

3.4 Underlying share of interest, tax, depreciation and amortisation of equity accounted investees - \$22 million, down 4%

The share of interest, tax, depreciation and amortisation expenses attributable to equity accounted investees decreased 4% or \$1 million to \$22 million. This half year's expense included \$18 million in relation to Australia Pacific LNG within the Exploration and Production segment, \$2 million attributable to the Bulwer and Osborne power stations and Transform Solar within the Generation segment and \$2 million in relation to Contact's equity accounted investment in the Oakey Power Station.

3.5 Underlying EBIT - \$536 million, up 10%

For the half year Underlying EBIT increased 10% or \$47 million to \$536 million.

Underlying earnings before interest and tax (EBIT)

Half year ended 31 December	2010 (\$m)	2009 (\$m)	Change (%)
Exploration & Production	(6)	15	(140)
Generation	94	75	25
Retail	337	286	18
Contact	111	113	(2)
Underlying EBIT	536	489	10

Exploration & Production Underlying EBIT contribution of (\$6) million was down \$21 million compared to the prior half year. This result was due to higher exploration expenses. Excluding the impact of the higher exploration costs, EBIT would have increased to \$69 million in the current half year compared to \$15 million in the prior half year.

Further details are available in Section 9.1

Generation Underlying EBIT increased 25% or \$19 million to \$94 million. During the half year generation capacity increased from 1,620 MW to 2,250 MW with the addition of the Darling Downs Power Station. The increased EBIT reflects higher capacity payments from the Retail segment as Origin increased its generation fleet partially offset by the higher depreciation expense associated with the Darling Downs Power Station.

Further details are available in Section 9.2

Retail Underlying EBIT increased 18% or \$51 million to \$337 million. This was primarily due to effective management of the wholesale energy portfolio, while increased tariffs for natural gas and electricity were largely driven by the pass through of higher network costs.

Further details are available in Section 9.3

Contact Underlying EBIT decreased 2% or \$2 million to \$111 million.

Further details are available in Section 9.4

3.6 Underlying net financing costs / (income) - expense up \$56 million to \$44 million

Origin's Underlying net financing cost for the half year of \$44 million represents a \$56 million increase in net costs compared with the prior half year's income of \$12 million. The net financing costs for this half year comprises interest expense of \$62 million and interest revenue of \$18 million compared with interest expense of \$62 million and interest revenue of \$74 million in the prior half year. Interest revenue of \$18 million is \$56 million lower than the prior half year primarily due to a decrease in cash on hand due to our ongoing capital expenditure programs.

Capitalised interest for the half year was \$74 million compared with \$78 million in the prior half year.

3.7 Income tax expense on Underlying Profit - \$154 million, up 40%

Underlying income tax expense for the half year increased 40% or \$44 million to \$154 million. The Underlying effective tax rate was 31% compared with 22% in the prior half year. The Underlying effective tax rate was higher than the prima facie 30% corporate tax rate mainly due to non-deductible international exploration costs relating to the half year. The prior half year benefited from research and development concessional expenditure within the Origin 100% held entities and recognition of carried forward losses.

3.8 Non-controlling Interests share of Underlying Profit - \$34 million, down 6%

Underlying Profit attributable to Non-controlling Interests decreased 6% or \$2 million to \$34 million reflecting the lower contribution from Origin's 51.9% subsidiary, Contact Energy.

3.9 Underlying Profit - \$304 million, down 14%

As a result of the factors above Origin's Underlying Profit for the half year decreased 14% or \$51 million to \$304 million.

4. Operating Cash flow After Tax (OCAT)

Half year ended 31 December	2010 (\$m)	2009 (\$m)	Change (\$m)	Change (%)
Underlying EBITDA	818	706	112	16
Change in working capital	(62)	(162)	100	62
Stay-in-business capex	(69)	(85)	16	19
Share of APLNG OCAT less EBITDA	10	7	3	43
Exploration expense	97	22	75	341
Other	8	(12)	20	167
Tax paid	(8)	(51)	43	84
Group OCAT	794	425	369	87
Net interest paid	(102)	(65)	(37)	(57)
Free cash flow	692	360	332	92
Productive Capital 12 months to 31 December	9,631	7,526	2,105	28
Group OCAT Ratio 12 months to 31 December ⁶	13.2%	11.2%		

One of Origin's internal measures of performance is its Group OCAT Ratio which is an indicator of the cash returns the Company is generating from productive funds employed within its operations.

Group OCAT increased by 87% or \$369 million to \$794 million.

The key driver of the increase in Group OCAT was a \$112 million increase in EBITDA, a reduction of \$100 million in working capital primarily due to lower volatility in electricity pool prices compared to the prior half year, an increase in the add back of exploration expense of \$75 million, changes in other items of \$20 million and a benefit of \$43 million from lower tax payments from operations in the half year. The add-back of non-cash equity accounted profits excluding APLNG and movements in provision balances are included within the "Other" line item.

Net interest paid was \$37 million higher than the prior half year reflecting higher average net debt balances due to Origin's ongoing capital expenditure programs.

Free cash flow available for funding growth and distributions to shareholders increased by 92% from \$360 million to \$692 million.

Productive Capital in the business increased by 28% in the half year. Major assets contributing to this included the Kupe Gas Project from December 2009; the acquisition of an additional 36% interest in the Otway Gas Project from March 2010; and the commencement of commercial operations for the Darling Downs Power Station from July 2010.

The combined impact of the increased Group OCAT and Productive Capital resulted in a Group OCAT ratio for the 12 months to 31 December 2010 of 13.2% compared with 11.2% for the 12 months to 31 December 2009.

⁶ *Group OCAT Ratio = (OCAT - interest tax shield)/Productive Capital*

5. Capital expenditure and divestments

Capital expenditure below is based on cash flow amounts rather than accrual accounting and includes capitalised interest.

Capital expenditure on stay-in-business and growth projects was \$626 million for the half year.

Stay-in-business capital expenditure was \$69 million compared with \$85 million in the prior half year primarily due to a \$12 million reduction in expenditure in the Cooper Basin.

Growth capital expenditure (including capitalised interest) was \$557 million, 30% lower than in the prior half year. This included expenditure on significant projects in the following areas:

- Exploration and Production - \$162 million in total, including:
 - Ironbark CSG exploration tenement - \$34 million;
 - Northland Basin exploration wells⁷ - \$31 million;
 - South East Asia including Salamander farm-in activities⁷ - \$21 million;
 - Bass Basin⁷ - \$19 million; and
 - Perth Basin - \$14 million.
- Generation Projects - \$210 million in total, including:
 - Mortlake Power Station - \$129 million;
 - Transform Solar - \$22 million; and
 - Geothermal⁷ - \$21 million.
- Retail Projects - \$61 million in total, including:
 - Retail Transformation - \$51 million.
- Contact - \$124 million in total, including:
 - Wairakei geothermal plant and development - \$32 million;
 - Stratford Power Station - \$26 million;
 - Enterprise Transformation program \$21 million; and
 - Ahuroa Gas Storage - \$19 million.

Origin did not complete the acquisition of any significant assets during the half year.

Total capital expenditure including acquisitions was \$626 million, compared with \$1,550 million in the prior half year.

During the half year Origin invested \$266 million on environmental product certificates compared to the prior half expenditure of \$53 million. In addition, Contact incurred \$21 million of expenditure associated with injecting inventory gas at its Ahuroa Gas Storage facility.

Following completion of the Australia Pacific LNG transaction, ConocoPhillips is funding capital expenditure within Australia Pacific LNG to a cumulative total of \$2.3 billion. During the half year Australia Pacific LNG's gross capital expenditure was \$562 million. The cumulative capital spent by Australia Pacific LNG since inception of the joint venture is \$1,573 million which has been funded through both cash calls from ConocoPhillips and the re-investment of cash flow generated from operations. Origin has a 50% equity interest in Australia Pacific LNG; however there will be no cash call on Origin until after ConocoPhillips has funded its commitment of \$2.3 billion. On current estimates this is likely to occur towards the end of the 2011 financial year.

⁷ Certain capital expenditure incurred on these projects has been expensed in the Income Statement during the half year

6. Funding and capital management

6.1 Net Debt and Equity

6.1.1 Net Debt

The net debt⁸ for the consolidated entity increased to \$2,831 million at 31 December 2010 from \$2,663 million at 30 June 2010, a net movement of \$168 million.

The calculation of these positions includes a favourable mark-to-market adjustment of \$227 million as at 31 December 2010 compared with a favourable adjustment of \$172 million as at 30 June 2010. Favourable adjustments act to decrease the net debt quoted.

Excluding these mark-to-market adjustments, the "adjusted net debt" for the consolidated entity was \$3,058 million at 31 December 2010 compared with a \$2,835 million adjusted net debt balance at 30 June 2010, a net movement of \$223 million.

The movement in the adjusted net debt of \$223 million is primarily attributable to Origin's ongoing capital expenditure program partially offset by cash flows from operations.

6.1.2 Equity

Shareholder's equity decreased 4% from \$11,438 million at 30 June 2010 to \$10,968 million at 31 December 2010. The decrease of \$470 million is predominantly due to Statutory Loss after tax and before Non-controlling Interests of \$100 million combined with \$204 million of dividends paid for the half year. These amounts are partially offset by \$30 million of share issuance and \$14 million from share-based payments.

Excluding the mark-to-market adjustment for the consolidated entities financial instruments, adjusted shareholder's equity decreased 4% from \$11,552 million at 30 June 2010 to \$11,090 million at 31 December 2010.

6.1.3 Gearing Ratios

The following two tables provide different calculations of the net debt to net debt plus equity ratio based on unadjusted and adjusted positions discussed in 6.1.1 and 6.1.2 above. Using adjusted values to calculate the net debt to net debt plus equity ratio removes any short term volatility caused by changes in fair value of financial instruments and is a better long term measure of the strength of Origin's capital structure.

Calculation of Net Debt to Net Debt plus Equity:

	December 2010 (\$m)	June 2010 (\$m)
Net debt as reported	2,831	2,663
Equity as reported	10,968	11,438
Net debt to (net debt + equity)	20.5%	18.9%

⁸ The reported numbers for net debt include interest bearing debt obligations only

Calculation of Adjusted Net Debt to (Net Debt plus Equity) - excluding movements in fair value of financial instruments:

	December 2010 (\$m)	June 2010 (\$m)
Adjusted net debt	3,058	2,835
Adjusted equity	11,090	11,552
Adjusted net debt to (net debt + equity)	21.6%	19.7%

6.2 Net Debt excluding Contact

Origin owns 51.9% of the quoted ordinary shares of Contact and is therefore required under the accounting standards to consolidate all of Contact's assets and liabilities in Origin's Statement of Financial Position. This includes consolidating 100% of Contact's outstanding debt obligations. However, under the terms of those debt obligations Origin has no liability associated with Contact's debt.

Excluding Contact's debt obligations, Origin has an adjusted net debt position as at 31 December 2010 of \$1,987 million compared with an adjusted net debt position of \$1,747 million as at 30 June 2010, a change of \$240 million.

6.3 Share Capital

During the year Origin issued an additional 4.2 million shares. This included 2.0 million shares issued under the DRP representing \$30 million together with 2.2 million shares issued as the result of the exercise of employee options which raised \$14 million.

As a consequence the total number of shares on issue at 31 December 2010 increased by 4,169,640 shares to 884,838,512 from 880,668,872 at 30 June 2010.

The weighted average number of shares used to calculate basic earnings per share increased by 4,892,887 to 882,865,291 at 31 December 2010 from 877,972,404 as at 30 June 2010.

7. Risk management

7.1 General

Origin manages its risk exposure in energy markets through a combination of natural hedges in the business, contracts and financial hedges. Policy limits have been approved by the Board for all material risk exposures. Regular reporting is provided to the Board to review exposures and compliance with these limits.

Consistent with this policy framework Origin undertakes hedging of its exposure to electricity prices, oil prices, interest rates and foreign currency exchange rates.

7.2 Electricity and Gas

In the electricity and gas markets, Origin assesses its policy limits against a combination of profit at risk and extreme events. Within these policy limits, Origin has arrangements in place to cover extreme price and demand events as well as average forecast demand for the near to mid-term.

7.3 Environmental products

As part of Origin's operations in the energy sector, it is exposed to liabilities from various state and federal based government environmental schemes. At present these liabilities accrue during a set of annual compliance periods and are typically related to electricity supply and demand. In order to reduce Origin's exposure to environmental product prices, the liabilities are first forecast and then an inventory of certificates is accrued during the period in order to meet the expected liability at the end of each compliance period.

7.4 Oil and Condensate

On an ongoing basis, Origin assesses its anticipated medium term production volumes, current forward oil prices and risk exposure to movement in oil prices. As a result of these assessments, and having regard to the Board approved risk limits, Origin from time to time enters into hedges for a portion of its oil and condensate production.

For the six months to 31 December 2010, Origin held hedge contracts for 330 thousand barrels at an effective price of \$92.07 per barrel in Australian Dollar terms. In addition, hedge contracts were held for 90 thousand barrels of oil related to production from the Kupe asset at an effective price of US\$64.99. Kupe reports its earnings in US Dollars and consequently Origin did not have associated FX hedges for these volumes.

For the year to 30 June 2011, hedge contracts are held for 420 thousand barrels at an effective price of \$95.07 per barrel in Australian Dollar terms. In addition, hedge contracts are held for 180 thousand barrels of oil related to production from the Kupe asset at an effective price of US\$64.44 per barrel and do not have associated FX hedges.

7.5 Foreign Exchange

Origin prudently manages its foreign exchange exposure through external hedging arrangements where appropriate.

Origin is primarily exposed to US Dollar exchange rate risk through the sale of commodities and the translation of Origin's US denominated Exploration and Production activities in New Zealand. NZ Dollar exchange rate risk arises through the translation of Contact's earnings to Australia Dollars. Origin's foreign exchange hedge position associated with US Dollar receipts from the sale of oil is reflected in the oil commentary above.

A one cent depreciation in the US Dollar and NZ Dollar versus the Australian Dollar would reduce Origin's Australian Dollar profit after tax and Non-controlling Interests for the six months to 30 June 2011 by approximately \$1.6 million and \$0.6 million respectively.

7.6 Interest Rates

Origin's consolidated average interest rate paid on debt for the half year was 6.9%. This includes Contact's NZ dollar denominated debt and Origin's Australian dollar, US dollar and NZ dollar debt obligations. Origin's average interest rate paid excluding Contact was 6.6% for the half year.

Looking forward, approximately 40% of Origin's consolidated debt obligations are hedged to 30 June 2011 at an average rate of 7.2% including margin. Excluding Contact, Origin has 31% of its debt obligations hedged at an average rate of 6.7% including margin to 30 June 2011. This hedge percentage gradually reduces over the following five plus years.

As at 31 December 2010, Origin held cash on deposit of approximately \$695 million compared with \$823 million at 30 June 2010. This cash was invested at an average rate of 5.1% for the half year. Looking forward, \$500 million of this amount is invested in fixed rate deposits with maturities out to June 2011 at an average rate of 6.1%.

8. People, Health, Safety & Environment

8.1 People

Origin's employee numbers (excluding Contact) increased by 371 to 4,763 from 30 June 2010. Employee numbers increased in the Exploration and Production segment and the Retail segment as Origin further builds its capabilities in delivering major developments and prepares for the Retail Transformation project.

8.2 Health and Safety

Origin uses as its primary safety performance measure the industry standard Total Recordable Incident Frequency Rate (TRIFR). This measures the total number of recordable injuries that occur per million hours worked on a rolling 12 month basis. Recordable injuries include lost time cases, restricted work cases and medical treatment cases. This measure improved by 38% from 9.1 at 30 June 2009 to 5.6 at 30 June 2010. As at the end of December 2010, the Origin TRIFR was 6.1.

8.3 Environment

For the half year, there were 21 reported environmental incidents that involved regulatory matters and notification to environmental authorities.

Of these only one was reported as a serious incident. This related to a leak from an underground oil pipeline from the Rimu Gas plant in New Zealand. It was estimated that approximately 200 litres of oil slowly leaked from the pipeline over a week, which affected an offsite area of about 50 square metres. The affected ground has been treated and the Company, in conjunction with the regulator, is monitoring the surrounding environment. All other environmental incidents have all been investigated to identify causes and implement preventative actions to reduce risk of recurrence.

9. Operational Review

9.1 Exploration and Production

Financial Performance

Half year ended 31 December	2010 (\$m)	2009 (\$m)	Change (%)
Total revenue	351	234	50
Underlying EBITDA before exploration expenses	222	126	76
Underlying EBITDA	125	104	20
Underlying EBIT	(6)	15	(140)

Operational Performance

Half year ended 31 December	2010	2009	Change (%)
Total Production (PJe)	68	50	38
Total Sales (PJe)	81	54	50
Commodity Sales Revenue \$m	351	234	50

APLNG Reserves (PJ)	December 2010	June 2010	Change (%)
Proved plus Probable Reserves (PJ)	11,262	10,142	11%

Origin's Exploration and Production segment reported record annual sales volumes and commodity revenues during the half year. Australia Pacific LNG increased its Proved plus Probable ("2P") CSG reserves by 11% to 11,262 PJ.

Underlying EBITDA prior to exploration expenses for the Exploration and Production segment increased by 76% or \$96 million to \$222 million from \$126 million in the prior half year. This was driven by a six month contribution from the Kupe Gas Project which commenced production in December 2009 and an increased equity interest in the Otway Gas Project from March 2010, partially offset by significantly higher exploration expense.

During the half year Origin has participated in the drilling and/or testing of five exploration wells as part of an expanded offshore and international drilling program. This included drilling one well in Australia, two wells in New Zealand waters, one well in offshore Vietnam and final testing of a well in Laos.

As at 31 December 2010, none of these wells are assessed to have encountered commercial hydrocarbons. As a consequence of the results of this and other elements of Origin's exploration program an exploration expense of \$97 million was recorded for the half year as compared to \$22 million in the prior half year.

After including exploration expenses Underlying EBITDA for the Exploration and Production segment increased by 20% or \$21 million to \$125 million.

During the course of the year, production and sales are reported to the market on a consolidated basis which includes Origin's 50% share of Australia Pacific LNG. In the statutory accounts the financial performance of Australia Pacific LNG is equity accounted. Consequently revenue and expenses from Australia Pacific LNG do not appear explicitly in the Exploration and Production results. Origin's 50% share of Australia Pacific LNG's EBITDA is however included in the EBITDA of the Exploration and Production segment. Australia Pacific LNG's depreciation, amortisation, interest and tax expense are accounted for

between EBITDA and EBIT in the line item "Share of interest, tax, depreciation and amortisation of equity accounted investees".

9.1.1 Production, Sales and Revenues

Half year ended 31 December 2010	APLNG (50%)	Conventional	Total
Consolidated Production, Sales and Commodity Revenue			
Production (PJe)	24	44	68
Sales (PJe)	28	53	81
Commodity Sales Revenue (\$m)	88	336	424
Statutory Revenue			
Commodity Sales Revenue (\$m)		336	336
Other Revenue (\$m)		15	15
Total Revenue (\$m)		351	351

Half year ended 31 December 2009	APLNG (50%)	Conventional	Total
Consolidated Production, Sales and Commodity Revenue			
Production (PJe)	17	33	50
Sales (PJe)	19	36	54
Commodity Revenue (\$m)	61	226	286
Statutory Revenue			
Commodity Sales Revenue (\$m)		226	226
Other Revenue (\$m)		8	8
Total Revenue (\$m)		234	234

Origin's share of total production was up 18 PJe or 36% to 68 PJe for the half year. Significant contributors to this result included the Kupe Gas Project, Origin's increased share of the Otway Gas Project production and a 44% increase in Australia Pacific LNG's production.

The Kupe Project which commenced production in December 2009 contributed an additional 7.4 PJe of production, the increased share of the Otway Gas Project following completion of the acquisition of part of Woodside's interest in March 2010 added 8.3 PJe, while Australia Pacific LNG's CSG production is now supplying gas to Rio Tinto Alumina and the Darling Downs Power Station under supply contracts provided a further 7.4 PJe of production. These increases were partially offset by lower contributions from the Cooper Basin due to adverse weather conditions (-1.5 PJe), lower production from the Surat Basin due to the sale of stored gas in late 2009 (-1.9 PJe) and declining production in the Perth Basin (-0.9 PJe) and the onshore Taranaki Basin (-0.3 PJe).

Origin purchases and on-sells production from third parties and from time to time sells production from storage. This year these sales represented 10.6 PJe compared with 4.8 PJe in the prior year, predominantly as the result of higher purchase and onsale of gas from joint venture parties in the Otway Basin.

Total Revenue increased by 50% from \$234 million in the prior half year to a record \$351 million for the half year. This reflected higher sales volume which increased 47% from 36 PJe in the prior year to 53 PJe this year.

9.1.2 Expenses

Total Expenses increased by 67% from \$154 million in the prior half year to \$258 million for the half year. This reflected higher production volumes which increased 33% from 33 PJe in the prior half year to 44 PJe this half year. These volumes exclude Australia Pacific LNG's equity accounted production.

Half year ended 31 December	2010 (\$m)	2009 (\$m)	Change %
Cost of Goods Sold	43	30	(40)
Stock movement	5	6	10
Royalties and Tariffs	24	20	(19)
General Costs	89	75	(18)
Exploration	97	22	(334)
Total Expenses	258	154	(67)

For the half year, Cost of Goods Sold was \$43 million compared with \$30 million in the prior half year reflecting an increase in the volume of third party purchases, predominantly in the Otway Basin. Stock movement expense for the half year was comparable with the prior half year with an expense of \$5 million. The revenue receipts from the associated sales of third party purchases and stock offset these costs.

Expenses associated with royalties and tariffs increased from \$20 million to \$24 million which largely reflected the higher production volumes from Origin's onshore, conventional Australian gas fields.

General operating costs increased by \$14 million to \$89 million largely as a result of Origin's increased interest in the Otway Gas Project and the commencement of production from the Kupe Gas Project. This represented an 18% increase in general costs associated with Origin's assets outside of Australia Pacific LNG, compared with a 33% increase in production volumes. Consequently, Origin's general costs per unit of production reduced by 11% to \$2.02 per GJe.

For the half year exploration expenses were \$97 million compared with \$22 million in the prior half year. The large increase primarily relates to the expanded offshore and international drilling campaign in the half year.

9.1.3 Earnings

Underlying EBITDA

Half year ended 31 December	2010 (\$m)	2009 (\$m)	Change %
Total Revenue	351	234	50
<i>less expenses</i>	(258)	(154)	(67)
<i>add Share of Underlying EBITDA of APLNG</i>	32	24	33
Underlying EBITDA	125	104	20

Underlying EBITDA increased 20% or \$21 million to \$125 million. This result was predominantly driven by higher production from the Kupe Gas Project which commenced commercial operations during December 2009 (\$54 million), Origin's additional interest in the Otway Gas Project (\$34 million) and higher Australia Pacific LNG production (\$8 million) partially offset by higher exploration expenses (\$75 million) and lower production from the Perth and Cooper Basins (\$6 million and \$5 million respectively).

Underlying Depreciation and Amortisation

Underlying depreciation and amortisation charges increased 59% or \$42 million to \$113 million. This primarily reflects Origin's increased investment in capital intensive offshore gas-liquids assets such as the Kupe Gas Project and an increased interest in the Otway Gas Project. These increases were partially offset by lower depreciation and amortisation expense for the Cooper Basin and NZ onshore Basin reflecting lower production volumes from these fields.

Underlying share of interest, tax, depreciation and amortisation of equity accounted investees

Origin's share of interest, tax, depreciation and amortisation of Australia Pacific LNG is equity accounted and included in a single line item between Underlying EBITDA and Underlying EBIT. This expense for the half year was in line with the prior half year and totalled \$18 million.

Underlying EBIT

Underlying EBIT for the year decreased by \$21 million from \$15 million to a loss before interest and tax of \$6 million as a result of higher exploration expenses partly offset by contributions from Kupe Gas Project and Origin's additional interest in the Otway Gas Project.

9.1.4 Operations

CSG (APLNG) (Queensland)

Australia Pacific LNG continued to grow its Australian domestic market while at the same time making significant progress in preparation for a final investment decision (FID) on its proposed CSG to LNG export project.

This has included approval of its Environmental Impact Statement (EIS) by both State and Federal authorities; continuing progress on the maturation of reserves to service the development; advances in front end engineering and design studies, Early Works projects, and contract negotiations for long lead time items; and continuing progress on discussions with customers for LNG off-take arrangements.

Origin's share of CSG production (24.3 PJ) has increased 44% compared to the prior half year (16.9 PJ). Rio Tinto Alumina commenced taking contracted gas from 6 July 2010. The Darling Downs Power Station also commenced commercial operations.

Production capacity reached in excess of 320 TJ/d as the construction of Stage 6 of the Spring Gully development and Phase 1 of the Talinga development nears completion. In both areas contracted demand has been met well before the full drilling program has been completed. At Talinga only 64 of the 98 development wells in the program have been required to be tied-in to meet the 90 TJ/d design capacity of the plant with 28 of these wells producing at rates greater than 1.5 mmscfd and seven exceeding 4.0 mmscfd. These rates are increasing as the field's reservoir pressures are lowered.

Approval to discharge treated water from the Talinga Water Treatment plant into the Condamine River was received in September 2010.

The fracture stimulation program was also suspended for approximately two months pending the outcome of investigations into the occurrence of trace amounts of BTEX compounds in fluids recovered from eight hydraulically fracture stimulated (HFS) wells in October 2010. The investigations identified the possible sources of the BTEX compounds and established APLNG's controls were appropriate to minimise environmental risk and protect water sources both at the surface and below ground. Additional controls and assurance processes have been implemented to allow HFS operations to recommence. With all produced waters contained in lined ponds, there have been no breaches of licence conditions as a result of the BTEX findings.

Weather conditions late in 2010 reduced the total production capacity operated by Australia Pacific LNG to approximately 290 TJ/d as 19 wells were isolated and shut-in at Talinga (16) and in the Denison Trough (3) and one compressor at Spring Gully was out of service. Wet spring and summer weather caused very high water levels in ponds necessitating contingency plans to be negotiated with regulatory authorities for discharge to creeks under controlled conditions if deemed necessary.

In non-operated areas, Australia Pacific LNG has a 40.6% interest in the Kenya sales gas plant which now contributes approximately 20 TJ/d to Australia Pacific LNG's daily production. Australia Pacific LNG also elected to buy back into and participate in the initial development of PL 247 (Bellevue) under arrangements agreed in 2008. Australia Pacific LNG back-paid its share of expenditure in December 2010 as if it had been a participant in the initial development from its commencement. Australia Pacific LNG is now entitled to its share of gas produced, such gas to be taken in accordance with gas banking provisions under the arrangements with QGC. In addition the Fairview field has been delivering approximately 32 TJ/d to Australia Pacific LNG's daily production.

In total, 100 wells were drilled in Australia Pacific LNG's permits during the half year, 80 of which had exploration or appraisal objectives including 44 pilot wells which have been progressively production tested to determine deliverability for reserves calculation. Origin has had five rigs operating during the half year, curtailed only by access availability due to

weather conditions and to a lesser extent by suspension of fracking operations and landowner access.

As a result of the drilling, development and evaluation program during the half year Australia Pacific LNG added 1,119 PJ of Proved and Probable (2P) reserves net of production. With 11,262 PJ of 2P reserves and 14,602 PJ of 3P reserves. Australia Pacific LNG is in a strong position to support customer requirements and a final investment decision on the project.

APLNG Reserves (PJ) ⁹	Reserves June 2010	Gross Increase	Production	Net Increase	Reserves Dec 2010	Change %
Proved and Probable (2P)	10,143	1,168	49	1,119	11,262	11
Proved, Probable and Possible (3P)	14,598	53	49	4	14,602	-

APLNG Resources ¹¹ (PJ)	Resources June 2010	Net Increase/ (Decrease)	Resources Dec 2010	Change %
2C Contingent Resources	4,844	(515)	4,329	(11)
3C Contingent Resources	11,478	(1,032)	10,446	(9)

Origin holds an effective interest of 50% in Australia Pacific LNG.

Australia Pacific LNG's reserves have been assessed against existing contractual arrangements and a forward price scenario based on monetisation of the reserves through domestic markets, power generation opportunities, direct sales to end users and utilisation of Origin's wholesale and retail channels to market.

Ironbark CSG (Queensland)

Origin advanced the appraisal program of its 100% owned Ironbark exploration tenement with the drilling of a further corehole and five pilot wells which will be production tested. Two further multi-well pilots and a single-well pilot are due to be drilled by June 2011, subject to rig availability. The program is designed to establish additional reserves to increase the flexibility of Origins' gas supply portfolio.

⁹ The December 2010 assessment of Origin's CSG reserves and resources has been prepared by internationally recognised petroleum consultant Netherland, Sewell & Associates, Inc. (NSAI) as per their report dated 22 February 2011, compiled by Mr John G. Hattner, a full-time employee of NSAI. Mr John G. Hattner has consented to the statements based on this information, and to the form and context in which these statements appear. The information in this Reserves Statement has been compiled by Andrew Mayers, a full-time employee of Origin. Andrew Mayers is qualified in accordance with ASX listing rule 5.11 and has consented to the form and context in which this statement appears.

The Reserves Statement has been prepared to be consistent with the Petroleum Resources Management System 2007 published by Society of Petroleum Engineers (SPE). This document may be found at the SPE website <http://www.spe.org/spe-app/spe/industry/reserves/prms.htm>

A factor of 1.038 petajoules per billion cubic feet of gas was used in the conversion of volumetric petroleum product measures to the energy measure of petajoules.

Origin's interests in exploration and production tenements (held directly or indirectly) may change from time to time and some of Australia Pacific LNG's CSG tenements are subject to commercial arrangements under which, after the recovery of acquisition, royalty, exploration, development and operating costs, plus an uplift on exploration, development and operating costs, a portion of some of the interests may revert to previous holders of the tenements. Origin has assessed the potential impact of reversionary rights associated with such interests and based on that assessment does not consider that reversion will impact the reserves quoted within this report.

Cooper Basin (Queensland/South Australia)

In the Cooper Basin the major flood event in early 2010 and continuing unseasonal weather patterns impacted production levels, particularly of crude oil. Origin's share of production for the six months was 9.8 PJe, a 6% improvement on the six months to 30 June 2010 but 13% below the prior half year. Compared with the prior half year, gas production (including ethane) fell by 10% to 7.8 PJ and oil production by 34% to 127 kbbls. Gas sales volumes continued to be maintained by third party purchases and recovery from storage.

Origin participated in the drilling of only eight wells as a result of restricted access following the flooding event. All of these wells were development wells (two oil, six gas) and all were cased and suspended as future producers.

On 25 October 2010, Santos Limited announced an agreement to supply 750 PJ of gas to the GLNG project at Gladstone with the existing uncontracted Cooper Basin 2P reserves being the primary source. Santos advised that it was in negotiation with the Cooper Basin Joint Venture parties regarding their possible participation in the GLNG supply agreement. As a party in the Cooper Basin Joint Ventures, Origin has been offered participation and is reviewing its position.

Perth Basin (Western Australia)

In the Perth Basin Origin has focussed on the effective management of the natural decline in production from oil fields in the area, together with the evaluation and monetisation of new gas discoveries.

Oil production for the half year attributable to Origin of 59 kbbls was 44% lower than the 106 kbbls recorded in the prior half year. However production decline was mitigated toward the end of the half year with the return to production of the Hovea 8 and Jingemia 8 wells after workovers.

Gas production of 0.7 PJ was 46% lower compared to the prior half year due to low gas market demand, production constraints and delayed installation of pipeline infrastructure.

Exploration and appraisal of the Redback Terrace area continued with the drilling of the Wolf 1 well. The well encountered hydrocarbons and is yet to be fully evaluated.

During the half year Origin began supply under a new contract for the sale of gas over approximately 5 years to a subsidiary of AWE Limited, for onsale to the Western Australian energy retailer Synergy.

Otway Basin (Tasmania and Victoria)

Origin completed the acquisition of an additional 36.5% interest in the Otway Gas Project on 1 March 2010 to increase its equity interest from 31% to 67%, and assumed operatorship of the project on 1 July 2010. Origin's share of production totalled 18.1 PJe, 85% above that for the prior half year largely reflecting Origin's increased percentage share. Production was lower due to lower seasonal demand and a nine day shutdown. During this maintenance operation it was determined that an export gas compressor had sustained damage and this was replaced during a shutdown in January 2011.

Work on the Inlet Compression project is continuing with commissioning expected around the middle of calendar year 2011.

Major 3D seismic programs are planned during calendar year 2011 to define new drilling targets in areas close to the Thylacine and Geographe fields in T/30P and Vic/P43. Development plans for the nearshore Halladale and Blackwatch gas fields are progressing. The Speculant Transition Zone 3D seismic survey has been acquired over the nearshore waters of Vic/RL2(V) and adjacent onshore areas.

Bass Basin (Tasmania and Victoria)

Production from the BassGas facility has generally been steady and reliable. However with wireline operations to retrieve a plug in Yolla 3 being largely unsuccessful, gas production has been restricted to Yolla 4 at rates of around 50 TJ/d over the period. Total production was 5.0 PJe, 4% higher than the prior half year which included the start of an extended shutdown between November 2009 and April 2010.

The revised Yolla Mid-Life Enhancement (MLE) development plan has been finalised based on a two stage execution program. Stage 1 of this program has been approved by the BassGas joint venture. Stage 1 involves the installation of compression and pumping facilities, new accommodation and safety upgrades on the Yolla platform. The Stage 1 offshore construction campaign is to be undertaken in the summer of 2011/12 using a specialised construction support vessel and is expected to cost around \$360 million gross (Origin share 42.5%). Detailed planning continues for Stage 2, involving the drilling of the Yolla 5 and 6 development wells. The drilling campaign is expected to proceed in the summer of 2012/13, subject to remaining technical considerations and rig availability.

Evaluation of the drilling results from the Rockhopper exploration well and sidetrack in T/18P is being undertaken. The T/18P Joint Venture will acquire a 3D seismic survey over prospects east of Rockhopper during 2011 designed to build the drilling inventory.

In December 2010 the Silvereye 1 well was drilled in the neighbouring T/44P, using the Kan Tan IV rig. The well failed to encounter commercial oil or gas and was plugged and abandoned.

New Zealand

The Kupe field and associated facilities have added significantly to Origin's production and financial performance, and has operated at a high level of reliability. During the six months it has produced 8.1 PJe (4.5 PJ of gas, 470 kbbls of light crude (condensate) and 19 Kt of LPG). A successful 24 day shutdown for maintenance and plant integrity inspection was completed as scheduled during November and December 2010.

In the Northland Basin, Origin drilled two exploration wells, Korimako 1 and Tarapunga 1 in PEP 38619 during October and November 2010. Both failed to encounter commercial hydrocarbons and were plugged and abandoned. The results of these wells will be fully evaluated before deciding on future work in PEP 38619.

Onshore New Zealand, Petroleum Mining Permit No. 52278 was granted to Contact Energy Limited on 16 December 2010 for 40 years to inject, store and withdraw gas in the Ahuroa reservoir, the first commercial underground gas storage operation in New Zealand. Origin will continue to operate the facility on behalf of Contact.

Kenya

Processing of data from the 800 sq km Mbawa 3D seismic survey is being completed. A location for a well will be established from the interpretation of this data. On 16 February 2011 Origin announced it has reached a conditional agreement with a subsidiary of Apache Corporation ("Apache") to divest a 50% undivided interest in a Production Sharing Contract (PSC) for petroleum exploration and production, pertaining to Block L8 located in the Lamu Basin. Under the terms of the agreement Origin will, on completion, be reimbursed historical costs of US\$13.2 million and Apache will become operator of the PSC. The agreement is subject to certain joint venture rights and approvals from the other joint venture parties in Block L8 and from the Kenyan Ministry of Energy. It is expected that these conditions will be satisfied and completion will take place by the end of June 2011.

South East Asia (Vietnam, Laos, Thailand)

In the 100% held Block 121, Origin acquired a 1,133 square kilometre 3-dimensional seismic survey over two possible drilling targets. Negotiations continue with parties interested in farming in to Block 121.

Origin funded a further well in the offshore Vietnam Block 31 as part of the Salamander Energy farm-in agreement. The well 31-THX-IX (Tom Hum Xanh) failed to encounter significant hydrocarbons in the target horizons and was plugged and abandoned. An earlier farm-in well in the Laos Savannahket PSC area, Bang Nouan 1, was tested to assess the significance of gas encountered in the Triassic Kuchanarai sands. No significant flow was achieved and the well was plugged and abandoned.

Origin has now completed operations on three of the five wells to be drilled under the farm-in arrangements. The two remaining wells, appraisal wells on the Thai Dao Ruang structure, are planned for early calendar year 2011 (Dao Ruang 2 spudded on 16 January). An application has been made to the Lao authorities by the Savannahket Joint Venture to surrender the Savannahket PSC.

9.2 Generation

Half year ended 31 December	2010 (\$m)	2009 (\$m)	Change (%)
<i>Internally Contracted Plant Revenue</i>	169	97	75
<i>Externally Contracted Plant Revenue</i>	23	22	5
Total Revenue	192	119	62
Underlying EBITDA	144	98	47
Underlying EBIT	94	75	25

Generation Volumes

Half year ended 31 December	2010	2009	Change (%)
Internally Contracted Sales Volume (TWh)	2.0	0.6	239
Externally Contracted Sales Volume (TWh)	0.5	0.6	(11)
Total Sales Volume (TWh)	2.6	1.2	114
Externally Contracted Steam Sold (PJ)	2.1	2.1	-

Underlying EBITDA increased 47% or \$46 million to \$144 million reflecting increased capacity payments from the Retail segment as Origin increased its generation fleet from 1,620 MW to 2,250 MW.

The Darling Downs Power Station commenced commercial operations on 1 July 2010. Darling Downs' plant performance achieved target availability and equivalent reliability for the half year.

On 15 December 2010 Origin announced it had acquired the rights to the power generated by the Eraring and Shoalhaven power stations for \$950¹⁰ million under the Eraring Energy GenTrader arrangement as part of the NSW privatisation. Origin will have the ability to dispatch up to 3,040 MW¹¹ from these power stations once the transaction is complete.

Post completion of the Eraring GenTrader arrangement and the commissioning of the Mortlake Power Station, Origin's generation portfolio capacity will reach up to 5,840 MW.

9.2.1 Revenue

Revenue for the Generation segment is derived through capacity payments from the Retail segment for internally contracted plants and the sale of electricity and steam from externally contracted cogeneration plants.

Capacity payments for internally contracted plant represent a fee paid for dispatch rights and also cover operating and maintenance costs associated with running the power stations. The plants are then available at call to generate electricity and contribute to risk management for the Retail segment.

Of Origin's three externally contracted plants, the Worsley cogeneration plant is the only one that contributes to reported revenue in the interim financial statements. The Osborne and Bulwer Island power stations are held within incorporated joint ventures in which Origin has a 50% equity stake and are therefore equity accounted.

¹⁰ Excludes GST and a conditional amount of up to \$198 million which will be payable if certain payments under the GenTrader arrangements are ruled to be tax deductible. An ATO tax ruling will be sought.

¹¹ The Eraring Power Station is currently undergoing major capital improvements with each of four main generating units being upgraded from 660 MW to 720 MW, after which total capacity available to Origin for dispatch will be 2,800 MW. In addition, the Shoalhaven Hydro Scheme will provide an additional 240 MW of capacity. In total the Eraring GenTrader agreement will provide Origin with up to 3040 MW of capacity.

Revenue increased by 62% or \$73 million to \$192 million. The key driver of the increase in revenue is the additional capacity payments received from the Retail segment reflecting the growth in internally contracted generation capacity.

No major unplanned outages occurred in the generation fleet during the period. Details of the year's operational performance of Origin's power generation plants are tabulated below.

Generation Plant	Nameplate Plant Capacity MW	Type	Equivalent Reliability Factor**	Capacity Factor
Cullerin Range	30	Internal	98%	41%
Ladbroke Grove	80	Internal	100%	21%
Mt Stuart	414	Internal	100%	1%
Quarantine	216	Internal	98%	6%
Roma	74	Internal	100%	3%
Uranquinty	640	Internal	99%	3%
Darling Downs	630	Internal	96%	62%
Bulwer Island*	32	External	99%	77%
Osborne*	180	External	99%	58%
Worsley*	120	External	99%	95%

*Origin holds a 50% share

** Equivalent reliability factor is the availability of the plant after scheduled outages.

9.2.2 Earnings

Underlying EBITDA increased by 47% or \$46 million to \$144 million, mainly due to initial contributions from the Darling Downs Power Station. This result was partially offset by higher development costs for the half year. In addition, the prior half year included the receipt of insurance recoveries relating to the unplanned plant outages experienced during the financial year ended 30 June 2009.

Depreciation expense increased by 140% or \$28 million to \$48 million reflecting the increased asset base.

The share of Underlying interest, tax, depreciation and amortisation of the generation segment's equity accounted investees was \$2 million compared with \$3 million in the prior half year.

Underlying EBIT increased by 25% or \$19 million to \$94 million.

9.2.3 Thermal Generation Developments

The 630 MW Darling Downs Power Station in Queensland is Australia's largest combined-cycle power station and represents an investment of \$1 billion by Origin. The plant successfully commenced commercial operations on 1 July 2010, providing an additional 630 MW of capacity to the portfolio.

Commissioning of the gas pipeline to the 550 MW open cycle power station at Mortlake in Victoria was completed in January 2011 with full commercial operations of the power station now targeted to commence early in the 2012 financial year. The final project cost is expected to be approximately \$735 million, excluding capitalised interest.

On 15 December 2010 Origin announced it had acquired the rights to the power generated by the Eraring and Shoalhaven power stations for \$950 million under the Eraring Energy

GenTrader arrangement as part of the NSW privatisation. Origin will have the ability to dispatch up to 3,040 MW from these power stations once the transaction is complete.

Under the GenTrader arrangements, Origin will supply the fuel, pay the agreed charges, and have the right to dispatch and sell electricity output while Eraring Energy will own, operate and maintain the power stations.

Post completion, Origin will either own or hold contractual rights for dispatch of over 5,800 MW¹².

Origin's development pipeline of thermal generation projects now includes 3,670 MW of gas fired power plant development options comprising sites near existing facilities such as at Mortlake, Quarantine and Darling Downs, together with sites at Spring Gully in Queensland and Kerrawary in New South Wales.

9.2.4 Renewable Energy Developments

Wind

During the half year Origin received planning approval from the Victorian State Government for the construction of 157 wind turbines at Stockyard Hill located near Ballarat. The project has undergone review by Federal authorities with Ministerial approval received on 11 February 2011. The project has a capacity of between 300 to 450 MW and an expected capacity factor of 43%.

Origin recently completed impact studies and detailed wind monitoring over the full extent of the proposed Collaby Hill wind farm project and anticipates submitting a Development Application in mid 2011. The project is expected to have an installed capacity of 60 to 80 MW and is located approximately 190km north of Adelaide in South Australia.

As at 31 December 2010 Origin's portfolio of potential wind development sites included approximately 380 MW for which Development Applications have been approved, 360 MW that are in the advanced planning and permitting stage, 1,500 MW in the planning and permitting stage and 1,240 MW undergoing feasibility studies.

Geothermal

Origin's Australian geothermal energy investments include a 30% interest in the Innamincka Deeps Joint Venture ("Deeps Joint Venture") with Geodynamics Ltd ("Geodynamics"), an equity interest of approximately 6% in Geodynamics ASX listed securities, a 50% interest in the Innamincka Shallows Joint Venture with Geodynamics and a 100% interest in permit area GEL 185.

During the half year the Deeps Joint Venture suspended the Jolokia 1 well following well completion activities which included fracture stimulation and injectivity testing. The Deeps Joint Venture continued to assess earlier results in the overall program. Progress on the Deeps Joint Venture has taken longer than planned and has not met Origin's expectations to date, reducing the prospects of a timely development of the resource. As a result, the expenditure previously capitalised in respect of the Deeps Joint Venture does not meet the requirements under accounting standards to be carried forward and an impairment charge of \$196 million has been recorded. Additionally, Origin has recorded an impairment charge of \$9 million against Origin's shareholding in Geodynamics Limited as the share price of the listed securities has traded below Origin's initial cost for a prolonged period of time. The total impairment charge in respect of Origin's Geothermal investments was \$205 million before tax (\$154 million after tax). Origin will continue to seek commercial avenues to evaluate this resource.

¹² Post completion of the Mortlake Power Station

Origin and Geodynamics have also formed the Innamincka Shallows Joint Venture to evaluate the geothermal potential of the shallower Cooper and Eromanga basin section within the same permit areas. Origin is the exploration operator and over the next six months will drill and test two Shallows exploration wells. Origin will use Rig 100 which has been used to undertake drilling in the Deeps Joint Venture, with the first well, Celcius 1, likely to commence drilling during the March Quarter 2011.

In addition, Origin expects to drill one well in Geothermal Exploration Licence (GEL) 185 over the next six months. Origin has a 100% interest in GEL 185. GEL 185 had been acquired through a farm-in agreement with Eden Energy Limited and adjoins the geothermal licences held by Geodynamics in the Cooper Basin.

Solar

In December 2009 Origin and Micron Technology, Inc ("Micron") formed a 50:50 joint venture, Transform Solar, with a focus on the development of photovoltaic energy. Micron is a US listed company and one of the world's leading providers of advanced semiconductor solutions. The first 20 MW production line is being implemented in Micron's US production facilities.

9.3 Retail

Half year ended 31 December	2010 (\$m)	2009 (\$m)	Change (%)
Total revenue	3,377	3,266	3
Underlying EBITDA	369	320	15
Underlying EBIT	337	286	18

Performance metrics by commodity and variance from prior half year

Half year ended 31 December 2010	Electricity	Natural Gas	LPG
Commodity Revenue (\$m)	2,124 ¹³ (+1%)	610 ¹⁴ (+3%)	334 (+4%)
Gross Profit (\$m)	410 (+25%)	105 (-10%)	84 (+2%)
Underlying EBITDA (\$m)	324 (+16%)		33 (-9%)
Underlying EBIT (\$m)	304 (+16%)		19 (-19%)
Sales - (TWh)	14 (-9%)		
Sales - (PJ)		73 (-2%)	
Sales - (ktonnes)			246 (-6%)
Total Sales (PJe)	50 (-9%)	73 (-2%)	12 (-6%)
Customer accounts ('000) - <i>(Change from 30 June 2010)</i>	1,722 (0%)	886 (+2%)	352 (+1%)

9.3.1 Retail Performance

During the half year Retail revenues increased by 3% or \$111 million to \$3,377 million. The increase was driven by natural gas and electricity tariff increases associated with increased network charges and strong growth in non-commodity sales, predominantly solar. This was partially offset by lower sales volume.

The Retail Underlying EBITDA increased 15% or \$49 million to \$369 million. This was primarily due to the effective management of the wholesale energy portfolio, while increased tariffs for natural gas and electricity were largely driven by the pass through of higher network costs. The non-commodity business continued to develop with a strong contribution from solar sales.

Electricity

Electricity revenues increased 1% or \$22 million to \$2,124 million due to tariff increases across all markets driven primarily by the pass through of higher electricity network charges. This was despite a 9% reduction in sales volume to 13.9 TWh, as a result of lower average demand from all customer segments where a mild summer was a key contributor.

Overall electricity procurement costs decreased by 3% or \$59 million to \$1,714 million. This was driven by lower sales volumes and lower wholesale electricity costs, partially offset by higher network charges. Origin's energy portfolio performed well with lower average prices only partially offset by higher hedge contract prices and higher environmental product costs.

The Retail segment pays the Generation segment a capacity payment for the dispatch rights to five open cycle power stations, one combined cycle power station and one wind farm. The Retail segment earns pool revenue when the electricity from generation plant is

¹³ Excludes electricity pool revenue derived from running merchant plants

¹⁴ Gas revenue excludes revenues associated with zero margin volumes such as swaps

dispatched and is responsible for the cost of providing fuel to run the plant. The net result of pool revenues, capacity payments and fuel costs is included in the cost of goods sold above.

The combination of factors above resulted in a 25% or \$81 million increase in electricity gross profit to \$410 million.

Natural Gas

Natural gas revenues increased 3% or \$20 million to \$610 million reflecting higher residential tariffs and commercial and industrial prices. Natural gas sales volumes decreased 2% or 2.0 PJ to 73 PJ, driven by reduced commercial and industrial consumption. This was partially offset by higher mass market consumption due to the colder weather experienced during the half year.

Gas procurement cost for the half year increased by 7% or \$32 million to \$505 million. Gas contract price reviews and new gas purchase agreements resulted in an increase in gas costs compared with the prior half year which had sustained periods of low pool prices due to mild weather and an excess of gas in the market. As a result, gross profit decreased by 10% or \$11 million to \$105 million.

Gas and Electricity Market Churn

During the six months to December 2010 there was significant competitor activity, particularly in Victoria and Queensland. Victoria continued to be the most active market.

Origin won 273 thousand new customer accounts across its gas and electricity business compared to 232 thousand in the prior half year. Origin increased its gas and electricity customer account numbers by 3 thousand to 2.61 million over the half year compared to the year ended June 2010. Origin's customer account numbers at 31 December 2010 include approximately 507 thousand signed green energy accounts. This comprises approximately 381 thousand GreenPower electricity and 126 thousand green gas customer accounts, reflecting Origin's strong market leadership position in this area.

Cost to Serve - Electricity and Natural Gas

Origin includes within its Retail cost to serve all costs associated with servicing and maintaining customers, all churn and customer acquisition and retention costs, and an allocation of corporate costs.

The total cost to serve for Origin's gas and electricity retail business increased from \$164 million to \$191 million for the half year. This was predominantly driven by labour costs as Origin invested in people and processes focused on customer service improvements and the support of both product development and readiness for systems platform change over.

Origin's cost to serve per customer for its retail gas and electricity was 16% higher at \$73 per customer for the half year.

Electricity and Natural Gas Margins

Half year ended 31 December	2010	2009	Change
Customer numbers ('000)	2,609	2,606	3
Underlying EBITDA/Sales	11.9%	10.4%	1.5%
Underlying EBIT/Sales	11.1%	9.7%	1.4%
\$/Customer			
Gross Profit/Customer	197	171	26
Opex/Customer	(73)	(63)	(10)
Underlying EBITDA/Customer	124	107	17

Underlying EBITDA across the gas and electricity business increased by 16% or \$44 million to \$324 million. The increase in electricity gross profit offset lower natural gas margins and increased costs to serve. This resulted in Underlying EBITDA margins improving from 10.4% to 11.9%.

Underlying EBIT across electricity and natural gas also increased by 16% or \$43 million to \$304 million. Underlying EBIT margins increased from 9.7% to 11.1%.

LPG

Sales revenue increased 4% or \$13 million to \$334 million. This was driven by an increase in the average prices charged to customers as a result of higher international benchmark LPG prices. Despite higher prices, retail volumes increased 4.4 ktonnes predominately in the Australian residential sector. The reduced demand for NZ wholesale supply volumes due to Kupe coming on line has contributed to the overall 6% decrease in volumes from 262 ktonnes to 246 ktonnes.

Higher international benchmark LPG prices resulted in Origin's average unit product cost increasing by 11% when compared to the prior half year.

As a result gross profit for the LPG business increased by \$1 million to \$84 million.

Underlying EBITDA for the LPG business decreased 9% or \$3 million to \$33 million predominantly due to higher operating costs.

LPG customer accounts increased by approximately 3 thousand during the half year. As of 31 December 2010 LPG customer accounts totalled 352 thousand.

9.3.2 Operational Capability - Retail Transformation Program

Origin continues to transform all aspects of its Retail business to improve business process efficiency, optimise cost to serve and further enhance customer service. This will result in simplified operating processes and a single integrated SAP billing and customer management system.

Origin has successfully completed the configuration and system build of the new SAP technology platform for electricity and natural gas products. Next stage testing and data migration activities are currently being undertaken.

Origin's Retail Transformation program has to date achieved on key milestones and remains on track and within budget. It is anticipated the system will be released to production on or around the middle of calendar year 2011.

9.3.3 New Retail Businesses

Origin has continued to progressively invest in creating and developing new business lines to provide a greater range of customer offerings and solutions. The current portfolio includes products such as solar hot water, solar photovoltaic rooftop systems, serviced bulk hot water systems, heat pumps, and tri-generation systems for application in commercial and industrial settings.

In particular, Origin was well positioned to participate in the recent growth of the solar photovoltaic market with half year revenues growing by 400% to \$187 million versus the prior half year. The MW sold capacity increased from 2.4 MW in the prior half year to over 28 MW in the half year.

Other new business lines introduced during the period include the Acumen metering services business which provide customers metering and data management technologies and systems and the sale of our first Electric Vehicle charge point solution. Two tri-generation plant installations are progressing with six sites currently operational.

9.3.4 NSW Retail Acquisition

In December 2010 Origin executed sale and purchase agreements with the NSW Government to acquire the retail businesses of Integral Energy and Country Energy, and enter into GenTrader arrangements with Earing Energy for a consideration of \$3,250 million¹⁵.

The transaction is scheduled to complete on 1 March 2011. Following completion, Origin's total customer base will increase by more than 50 per cent, from around 3 million customer accounts to 4.6 million.

Integral Energy has NSW's second largest electricity customer base with an incumbent position in growth corridors in the State, along with customers across the National Electricity Market.

Country Energy has an incumbent market position in regional NSW and electricity and natural gas customer accounts in six states and territories.

As part of the transaction, Origin will acquire the retail business of both Integral Energy and Country Energy including customer and supplier contracts, working capital and intellectual property, including brands. The transaction does not include the acquisition of retail legal entities or employees.

¹⁵ Acquisition price includes \$132 million for stamp duty in NSW and excludes \$14 million of stamp duty outside of NSW. It excludes GST and a conditional amount of up to \$198 million which will be payable if certain payments under the GenTrader arrangements are ruled to be tax deductible. An ATO tax ruling will be sought.

9.4 Contact

Half year ended 31 December	2010 (\$m)	2009 (\$m)	Change (%)
Total revenue	935	855	9
Underlying EBITDA	180	184	(2)
Underlying EBIT	111	113	(2)

Performance of operations

Half year ended 31 December	2010	2009	Change (%)
Electricity Generated (GWh)	5,482	5,207	5
Customer Electricity Sales (GWh)	4,250	3,911	9
Gas Sales (retail and wholesale) (PJ)	7.9	8.3	(5)
LPG Sales (Tonnes)	36,127	38,132	(5)
Electricity Customers (000s)	464	478	(3)
Gas Customers (000s)	62	65	(5)
LPG Customers (including franchisees) (000s)	59	56	5
Total Customers (000s)	585	599	(2)

Origin owns a 51.9% interest in Contact of New Zealand and consolidates 100% of Contact in accordance with Australian Accounting Standards. The interests attributable to minority shareholders are recognised as Non-controlling Interest in the Interim Financial Statements.

A financial report entitled "Management discussion of financial results for the year ended 31 December 2010" was issued by Contact to the New Zealand Stock Exchange (NZX) on 22 February 2011 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 half year.

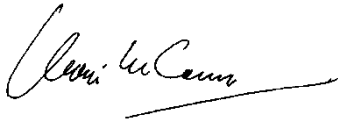
In consolidating Contact's results, Origin has used an average exchange rate for the half year of NZ\$1.28 to the AUD, compared with NZ\$1.25 to the AUD for the prior half year.

Contact's Underlying EBITDA as consolidated in Origin's accounts decreased to \$180 million from \$184 million. At an operating level EBITDA as reported by Contact was flat at NZ\$225 million. Improvements in revenue through volume and price increases were largely offset by increases in energy and network costs and the introduction of carbon costs.

- The Electricity segment was NZ\$5 million higher than the prior period. Increases in revenue due to increases in generation volumes (up 5%) and retail sales (up 9%), were largely offset by increases in network costs (up 18% for mass market), increases in gas costs (up 26%) including the costs of take or pay gas, and the impacts of the emissions trading scheme (NZ\$16 million);
- The Other segment was NZ\$4 million lower due to reductions in LPG, retail and wholesale gas volumes and the costs associated with the introduction of the emissions trading scheme of NZ\$3.5 million.

Underlying EBIT as consolidated in Origin's accounts decreased 2% or \$2 million to \$111 million. At an operating level Underlying EBIT increased by NZ\$2 million, largely due to a reduction of NZ\$1.2 million in depreciation compared with the prior half year as the result of a review of asset lives undertaken at the time of the FY2010 financial results.

Further details on how these market dynamics have impacted the financial performance of Contact are available in the reports it has lodged with the NZX.

A handwritten signature in black ink, appearing to read 'Kevin McCann', with a long horizontal flourish extending to the right.

H Kevin McCann
Chairman

Sydney, 23 February 2011

10. Origin Energy Key Financials

Half year ended 31 December	2010 (\$m)	2009 (\$m)	Change (%)
Total external revenue	4,603	4,300	7
Underlying EBITDA	818	706	16
Underlying depreciation and amortisation	(260)	(194)	(34)
Underlying share of interest, tax, depreciation and amortisation of equity accounted investees	(22)	(23)	4
Underlying EBIT	536	489	10
Underlying net financing income/(costs)	(44)	12	(467)
Underlying Profit before income tax	492	501	(2)
Income tax expense on Underlying Profit	(154)	(110)	(40)
Underlying net profit after tax before elimination of Non-controlling Interests	338	391	(14)
Non-controlling Interests share of Underlying Profit	(34)	(36)	6
Underlying Profit	304	355	(14)
Items excluded from Underlying Profit	(440)	16	n/a
Statutory Profit / (Loss)	(136)	371	(137)
Group OCAT	794	425	87
Productive capital (12 months to 31 December) ¹⁶	9,631	7,526	28
Group OCAT Ratio (12 months to 31 December) ¹⁷	13.2%	11.2%	
Capital expenditure (including acquisitions)	626	1,550	(60)
Total assets	21,532	22,616	(5)
Adjusted total assets ¹⁸	20,880	22,065	(5)
Net debt/(cash) ¹⁹	2,831	1,472	92
Adjusted net debt/(cash) ¹⁵	3,058	1,731	77
Shareholders' equity	10,968	11,385	(4)
Adjusted shareholders equity ¹⁵	11,090	11,462	(3)
Earnings per share - Statutory	(15.4)¢	42.3¢	n/a
Earnings per share - Underlying	34.4¢	40.5¢	(15)
Free cash flow per share	78.2¢	41.0¢	91
Interim dividend per share	25¢	25¢	-
Net asset backing per share	11.11	11.63	(4)
Net debt to net debt plus equity ¹⁶	20.5%	11.4%	
Adjusted [net debt to net debt plus equity] ¹⁵	21.6%	13.1%	
Origin Cash (excluding Contact)	691	2,766	(75)
Origin Debt (excluding Contact)	(2,537)	(3,354)	24
Contact Net Debt	(985)	(882)	(12)

¹⁶ Productive Capital is 12 months average funds employed excluding capital work in progress and including 50% of APLNG

¹⁷ Group OCAT Ratio = (OCAT - interest tax shield)/Productive Capital

¹⁸ Adjusted to exclude impact of financial instruments

¹⁹ The reported numbers for net debt include interest bearing debt obligations only

11. Appendix 1 - Reconciliation of Statutory to Underlying Profit

A number of items are excluded from the Underlying Profit for the half year. Together these items provided an after-tax and Non-controlling Interests expense of \$440 million in the half year. They are excluded from Underlying Profit to better illustrate the business performance of the Company. The after tax and Non-controlling interest impacts of these items are described in more detail below.

Reconciliation half year ended 31 December 2010	Before Tax Impact (\$m)	Tax (\$m)	Non-controlling Interests (\$m)	After Tax & Non-controlling Interests Impact (\$m)	NPAT (\$m)
Statutory Profit / (Loss)					(136)
Impairment of assets	(205)	51	-	(154)	
Increase (decrease) in fair value of financial instruments	(221)	66	(1)	(156)	
Gain on dilution of Origin's interest in subsidiaries	-	-	-	-	
Unwinding of discounted loan payable to APLNG	(12)	3	-	(9)	
Share of unwinding of discounted receivables within APLNG	17	-	-	17	
Transition and transaction costs	(172)	8	-	(164)	
Change in New Zealand corporate income tax legislation	-	3	(1)	2	
Tax expense on translation of foreign denominated tax balances	-	21	-	21	
Share of tax expense on translation of foreign denominated tax balances with APLNG	3	-	-	3	
Less total excluded items	(590)	152	(2)	(440)	(440)
Underlying Profit					304
Underlying Basic EPS (cps)					34.4

Impairment of assets

During the half year a review of the carrying amount of the Company's assets led to the recognition of an impairment loss of \$154 million after tax in relation to Origin's 6% direct shareholding in Geodynamics and Origin's investment in the Innamincka Deeps Joint Venture. The tax expense impact is not 30% of the pre-tax impairment expense amount as certain components of the impaired geothermal expenditure are not subject to a tax deduction.

Decrease in fair value of financial instruments

Origin utilises a range of financial instruments and derivatives in order to manage the various price, interest rate and foreign exchange risks to which it is exposed. All such instruments are valid economic hedges of the relevant risks. Amounts recognised in the Income Statement are for valid hedging instruments which either do not qualify for hedge accounting under the specific accounting rules or are assessed to contain an element of ineffectiveness. At the end of the half year a decrease in the relevant market prices of energy commodities reduced the fair value of the financial instruments used to hedge energy commodity price risk. As a result, \$156 million of this decrease was required to be recognised as an expense.

Unwinding of discounted loan payable to APLNG

A non cash expense of \$9 million being the unwinding of the discounted loan payable to APLNG was recorded for the half year. The amount reflects the nominal interest expense required to be attributed to the loan reflective of the unwinding of the original present value discount over the relevant period of the loan.

Share of unwinding of discounted receivables within APLNG

A non cash benefit of \$17 million being Origin's share of the unwinding of the discounted receivables within APLNG was recorded for the half year. The amount reflects the nominal interest benefit required to be attributed to the receivables reflective of the unwinding of the original present value discount over the relevant period of the receivables.

Transition and transaction costs

Transition and transaction costs were \$164 million covering the costs incurred on successful and unsuccessful acquisition activity, including stamp duty of \$146 million on the NSW transaction. The tax expense impact is not 30% of the pre-tax expense as a tax benefit in respect of the stamp duty payable on the proposed acquisition of the NSW Government assets has not been recorded.

Change in New Zealand corporate income tax legislation

As a result of the change in the New Zealand corporate tax legislation from 30% to 28% Origin has recognised a benefit of \$2 million.

Tax expense on translation of foreign denominated tax balances

During the period a benefit of \$21 million was recognised for the foreign currency translation to US Dollars of the long term tax bases recorded in Origin's Exploration and Production activities in New Zealand which have a US Dollar functional currency.

Share of tax expense on translation of foreign denominated tax balances with APLNG

During the period a benefit of \$3 million was recognised for the share of Tax expense arising on the foreign currency translation of the long term tax bases recorded in the equity accounted investment Australia Pacific LNG.

As a result of these factors, items excluded from Underlying Profit for the half year provided an expense of \$590 million before tax and an expense of \$440 million after tax. This compares with an expense of \$9 million before tax and a \$16 million benefit after tax in the prior year as detailed in the following table.

Reconciliation half year ended 31 December 2009	Before Tax Impact (\$m)	Tax (\$m)	Non-controlling Interests (\$m)	After Tax & Non-controlling Interests Impact (\$m)	NPAT (\$m)
Statutory Profit					371
Impairment of assets	(12)	4	-	(8)	
Increase (decrease) in fair value of financial instruments	(22)	6	(3)	(19)	
Gain on dilution of Origin's interest in subsidiaries	42	(15)	-	27	
Unwinding of discounted loan payable to APLNG	(94)	28	-	(66)	
Share of unwinding of discounted receivables within APLNG	93	-	-	93	
Transition and transaction costs	(16)	5	-	(11)	
Less total excluded items	(9)	28	(3)	16	16
Underlying Profit					355
Underlying Basic EPS (cps)					40.5

12. Appendix 2 - Movements in fair value of financial instruments

Summary of movements in financial instruments

Statement of Financial Position	Net Assets (\$m)		Change in Net Assets (\$m)
	Dec 2010	Jun 2010	
Commodity Risk Management	(428)	(152)	(276)
Contact	(224)	(234)	10
Treasury and Other	(147)	(170)	23
Total	(799)	(556)	(243)
Reconciliation of Statement of Financial Position and Income Statement items associated with movements in financial instruments			(\$m)
Recognition of "effective" instruments in the Statement of Financial Position			(22)
<i>Recognised in Equity (Hedge Reserve post tax)</i>			(20)
<i>Recognised in Deferred Tax Liability</i>			(2)
Recognition of "ineffective" instruments in the Income Statement			(221)
Change in net assets (as above)			(243)

The fair value of financial instruments as measured against market prices is recorded in the Statement of Financial Position in the financial asset and liability balances.

The total decrease in the fair value of financial instruments for the half year ended 31 December 2010 was \$243 million of which an amount of \$22 million qualified for hedge accounting and is recognised in Equity (Hedge Reserve). The balance of \$221 million is recognised as an expense in the Income Statement and is attributable to:

- Commodity risk management instruments (expense of \$229 million) - predominantly electricity caps and the decrease in market prices of carbon instruments during the period. Of the total of \$229 million, \$2 million is attributable to Contact and \$226 million is attributable to Origin (excluding Contact);
- Interest rate risk management instruments (benefit of \$8 million) - predominantly due to the higher forward interest rates and the appreciation of the Australian and New Zealand Dollars against the US Dollar during the period. Of the total benefit of \$8 million, \$4 million is attributable to Contact and \$4 million is attributable to Origin (excluding Contact).

The expense in the Income Statement of \$221 million this year compares with an expense of \$22 million in the prior half year, which was predominantly attributable to commodity risk management instruments.