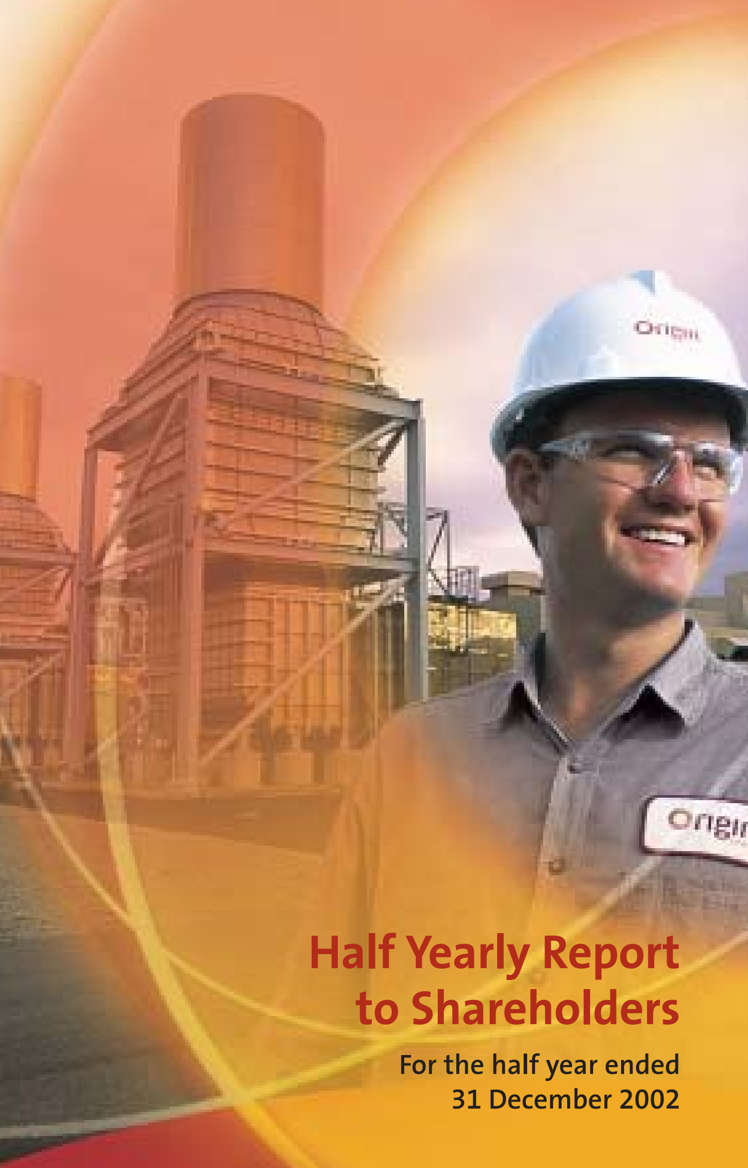
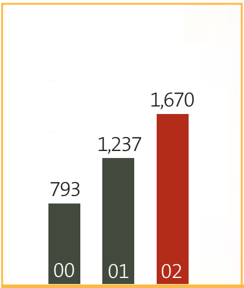


Half Yearly Report to Shareholders

For the half year ended 31 December 2002

Origin energy

REVENUE ($M)



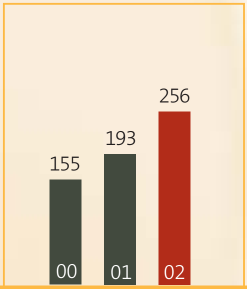
$1,670m **UP 35%**

Half Year in Brief

Note: The bar charts above relate to financial results for the first half of the financial year.

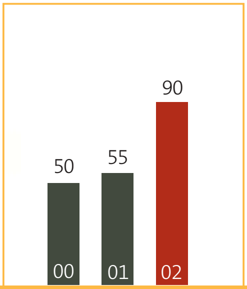
Cover caption: Origin Energy completed the purchase of the Mt Stuart Power Station in January. Located in Townsville Queensland, this plant is expected to contribute $17 million EBITDA in a full year to future earnings. Pictured is the plant's technician, Rowan McLean.

EBITDA ($M)



$256m **UP 33%**

PROFIT AFTER TAX ($M)



$89.6m **UP 64%**

- **Earnings per share of 13.8 cents, up 59%**
- **Strong balance sheet with net debt to equity of 41%**
- **Dividend of 5 cents per share franked to 2 cents to be paid on 24 March 2003**
- **Dividend Reinvestment Plan – 5% discount to apply**

Note: Except where otherwise stated, all figures are compared to the December 2001 half-year.

Dear shareholders

We are pleased to report another strong result for Origin Energy with a profit after tax and outside equity interests (PAT) of $89.6 million for the six months ended 31 December 2002; a 64% increase on the profit for the previous corresponding period.

The increased profit has been driven by contributions from acquisitions, tariff increases and improved margins in energy retailing.

Revenue from ordinary activities increased 35% to $1,670 million from $1,237 million largely due to increased sales from the recently acquired Victorian electricity retail businesses.

Earnings before interest, tax, depreciation and amortisation (EBITDA) were up 33% to $255.9 million with Retail increasing its EBITDA contribution by 98% to $133.8 million. Our investments in the electricity retail business in particular have delivered strong results. Energy retailing now contributes over 50% of our total operating earnings.

Generation earnings also increased significantly with an EBITDA contribution of $19.5 million. Quarantine Power Station, higher availability of Ladbroke Grove Power Station and higher electricity pool prices all contributed to this result.

Improvements in these businesses more than offset a reduced contribution from Exploration and Production reflecting lower oil production and increased exploration provisions.

Financial performance

External sales revenue increased 36% to $1,658 million from $1,223 million due to an increase in revenues from the electricity retail business following tariff increases, the acquisition of the CitiPower customer base and the termination of the Gascor Agency Agreement on 1 October 2002.

Depreciation and amortisation expense increased by 6% to $92.3 million following the deployment and initial depreciation of systems for full retail competition and as a result of amortisation of goodwill arising from the CitiPower acquisition.

EBITDA	2002 $m	2001 $m	Change %
Exploration & Production	90.2	102.3	-12
Retail	133.8	67.7	98
Generation	19.5	10.4	88
Networks	12.3	12.2	1
Total	255.9	192.6	33

Earnings before interest and tax (EBIT) showed strong growth with a 55% improvement to $163.7 million.

Net interest expense for the half-year was $24.8 million, up $2.3 million from last year due to the higher average debt levels over the period. However, the refinancing of existing facilities under the debt issuance program established in January 2002, has allowed us to lengthen our debt maturity profile and reduce interest costs.

Tax expense increased reflecting higher profits and the non-recognition of certain tax loss transfers. In 1999, as part of the acquisition of the Victorian gas business, Origin entered into a Subvention Deed with Envestra under which tax losses arising from the gas distribution network were to be transferred to the Origin group. At that time Origin obtained advice of senior counsel as to the availability of the loss transfers before entering into the arrangement with Envestra.

The Australian Taxation Office has indicated it considers the loss transfers under the Subvention Deed are not available to the Origin group. Origin has made representation to the Taxation Office disputing this view and to date no assessment has been issued disallowing the loss transfers. If Origin is ultimately unsuccessful in this matter we have alternative tax losses available to replace Subvention Deed losses claimed to date.

Pending resolution of the matter, tax benefits arising from the loss transfers are not being recognised, resulting in an increase in tax expense for the half-year of $5.65 million.

Capital expenditure

Capital expenditure totalled $382 million and included:

- stay-in-business capital expenditure associated with the maintenance of ongoing operations of $44 million ($8 million higher than in 2001) mainly associated with drilling and facilities development activities in the Cooper Basin.
- growth capital expenditure of $69 million ($34 million lower than in 2001) including the development of coal seam gas (CSG) assets in Queensland; the Hovea oil and gas field in Western Australia; the BassGas Project; and the Thylacine and Geographe fields in the offshore Otway Basin.
- acquisitions totalling $269 million, reflecting the purchase of the CitiPower electricity retail business; additional CSG assets in central Queensland; and the Mt Stuart power plant in Queensland.

Funding and capital management

Origin's balance sheet is strong with a net debt to equity ratio of 41% (net debt to total capitalisation of 30%) as at 31 December, up from 39% in June. Over the half-year net borrowings increased by $72 million to $705 million. Interest cover remains robust at 6.6 times EBIT.

We have refinanced existing borrowings using a note program launched in 2002, and intend to further restructure our debt facilities to provide longer repayment schedules and greater funding flexibility.

Cash flow

Cash flow available for funding growth and shareholder dividends was $191 million, up 74% on the prior period.

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

The strong performance in EBITDA, strict management of working capital and control of stay-in-business capital expenditure resulted in further growth in operating cash flow after tax of $84 million to $216 million. Funds employed increased from $1,940 million to $2,312 million, largely as a result of the CitiPower retail business and CSG asset purchases, and further expenditure on retail systems.

These factors produced an OCAT ratio of 16.5% for the 2002 calendar year – well in excess of our targeted 9.7%.

Risk management

Risk management continues to be a critical focus for Origin. We manage our risk exposure in energy markets through a combination of natural physical hedges in the business, physical contracts and financial hedges.

In the electricity market we assess our exposure limits against extreme events, such as very high prices driven by electricity demand on hot days. Within risk limits determined as acceptable by the Board, Origin has arrangements in place to cover extreme price and demand events as well as average forecast demand for the near term.

We hedged 49% of our oil and condensate exposure over the six months to 30 June 2003 at prices above US$24 per barrel and 52% of our exposure to the USD at an average of less than US53 cents.

Returns to shareholders

Since listing, Origin has consistently stated a long-term target of achieving growth in earnings per share of 10 to 15% per year. To date we have comfortably exceeded this target.

In October we announced a new dividend policy targeting a 40% earnings per share pay out ratio, irrespective of whether franking credits were available or not.

Consistent with this new policy, the first half dividend is 5 cents per share franked to 2 cents – a payout ratio of 36%.

The Dividend Reinvestment Plan will apply to the dividend with a discount of 5% on the volume weighted average price for the five days of trading up to and including the record date of 7 March 2003. This discount will be reduced to 2.5% for future dividends.

An additional 4,488,808 shares were issued during the period, and at 31 December 2002, Origin had 652,317,960 shares on issue.

Employee Share and Option Plans

Under commitments for the year ending 30 June 2002, Origin issued 2,580,000 options under the Senior Executive Option Plan. The exercise price of $3.56 was equal to the volume weighted average price in the five days prior to the record date of the final dividend. As the Australian Accounting Standard does not provide for the expensing of options, the cost of these options was not charged against profit. If the US Standard FAS 123 were applied the charge to profit for outstanding options including those issued during the half-year would have been $757,000. At the Annual General Meeting, we announced the suspension of the Senior Executive Option Plan pending a review of the long-term incentive policy.

As we achieved our safety and financial targets for 2002, employees were granted $1000 worth of shares through the Employee Share Plan. These shares were acquired on-market for a cost of $1.8 million. This amount has been fully expensed and is reflected in the profit results for the half-year.

Outlook

Our performance over the first half was enhanced by the electricity tariff increase granted in December 2001, contributions from the CitiPower business and the termination of the retained profit payments to the Victorian Government in part offset by increased costs. These factors have set a new benchmark for Origin's performance, however the company's profit profile remains seasonal and weighted towards the first half. Consequently, the second half performance will not be as strong. The full year profit is expected to exceed last year's by around 20%.

The main factors influencing earnings during the June 2003 half year will include:

- the Victorian Government's decision to reject tariff increases for natural gas and electricity and to reduce electricity tariffs for customers in the former CitiPower area by 4% from January 2003, which will constrain margins from the retail gas and electricity business in Victoria.
- electricity purchase costs, which tend to be below average from July to December and above average from January to June, leading to anticipated lower margins in the second half.
- the termination of the Gascor Agency Agreement in October 2002, which will improve earnings from the gas retail business.
- lower oil production in the second half than in the same period last year due to the sale of the Eromanga Basin oil assets in 2002; although this will be offset by production from the Hovea and Jingemia discoveries in the Perth Basin.
- higher oil prices which are likely to offset the lower production but will most likely result in lower LPG margins.
- six months of contribution from the Mt Stuart generation facility.
- impact of weather on natural gas retail income and electricity wholesale pool prices.

Looking further ahead we have invested in a number of important projects, which will make significant contributions in future years. These include:

- the BassGas Project which will start to deliver gas to the Victorian market in late 2004;
- development of the offshore Otway project with first gas to be delivered into the South Australian and Victorian markets from early 2006;

- long-term arrangements with AGL for the supply of gas from CSG fields in Queensland and the Cooper Basin which will accelerate development of our recently acquired CSG resources; and
- completion of the SEA Gas Pipeline with first gas to be delivered to Adelaide in late 2003.

Origin's balance sheet remains conservatively geared and our credit rating will facilitate the raising of additional debt financing when required. This combined with a strong cash flow means Origin continues to be well placed to take advantage of further growth opportunities.

H Kevin McCann
Chairman

Grant A King
Managing Director

Beharra Springs Processing Plant, Perth Basin, WA.

Segment Results

Exploration and Production

	Dec 02 $m	Dec 01 $m	Change %
EBITDA	**90.2**	102.3	-12
EBIT	**47.1**	57.4	-18
Total Sales (PJe)	**45.3**	45.9	-1

External sales revenues for the Exploration and Production Division increased by 2.7% to $144.6 million as a result of higher average commodity prices despite marginally lower sales volumes.

Sales of natural gas rose by 0.4% to 38.7 PJ with an increase in sales volumes from coal seam gas (CSG) production of 12.6% to 4.74 PJ, offsetting marginal decreases in other areas. Crude oil sales fell by 23.7% to 335 kbbls following the sale of the Eromanga Basin oil interests. The average oil price received after hedging of price and foreign exchange exposure was $48.03 per barrel compared with $42.44 per barrel in 2001.

Capital expenditure for the six-month period was up $12 million to $87 million. This included purchases of plant and equipment and participation in 72 development, appraisal and exploration wells. Of these 79% were identified as potential producers.

During the half-year we continued development of a number of projects and were successful in securing contracts that will position Origin for growth in the medium to long term.

Coal seam gas (CSG) In December, Origin and our subsidiary Oil Company of Australia (OCA) signed a long-term supply arrangement with AGL for 340 PJ of gas for 15 years from May 2005. This contract followed the purchase of further interests in the Fairview and Durham CSG fields in central Queensland at a cost of $48 million.

Cooper Basin (Queensland/South Australia) In December, Origin and our Cooper Basin co-venturers also signed a long-term supply arrangement with AGL for up to 505 PJ of gas over a period of 14 years from 2003. Origin's net share of this supply will be up to 71 PJ.

BassGas Project (Victoria) Origin is the operator and has a 37.5% interest in the BassGas Project, which will deliver gas and liquids from the Bass Basin to Victorian markets over 15 years from 2004. The BassGas joint venture has committed a further $400 million to the project over the next 18 months. Construction commenced in January 2003.

Offshore Otway Basin (Victoria/Tasmania) Feasibility studies have confirmed the economic viability of the joint development of the Thylacine and the Geographe fields. Facility engineering designs are being finalised and environmental assessment studies are being prepared. The operator, Woodside Petroleum, has signed conditional agreements for its share of production and delivery of gas to the Victorian and South Australian markets is expected in early 2006.

Onshore Perth Basin (Western Australia) A drilling program to follow up last year's discoveries at Beharra Springs North 1 (gas) and Hovea 1 (oil) resulted in a new gas discovery at Hovea 2 and the successful appraisal of the Hovea 1 oil discovery with the wells Hovea 3 to 7. The Hovea field is now capable of producing over 4,500 barrels of oil per day.

Following an oil discovery at the Jingemia 1 exploration well, oil flowed at up to 2000 barrels a day under a short-term test. A long-term production test is scheduled to commence in late March.

Retail

	Dec 02 $m	Dec 01 $m	Change %
EBITDA	**133.8**	67.7	98
EBIT	**94.6**	34.8	172
	Electricity	**Natural Gas**	**LPG**
Total Sales (PJe)	28	68	13

Origin sells electricty, natural gas and LPG to over 2 million customers predominantly in south-east Australia. In August we acquired the Victorian retailer, CitiPower, making Origin the second largest energy retailer in Australia, and providing access to 60% of Victorian households.

Electricity Revenue increased by $334 million largely due to the CitiPower acquisition. Gross margins increased by $89 million, benefiting from the larger customer base after the acquisition of the CitiPower retail business and tariff increases of 13.5% in January 2002. Contributions were also improved through lower purchase costs.

The Victorian Government has rejected proposed 2003 electricity tariff increases and has implemented a 4% tariff reduction to customers in the former CitiPower area. This decision will adversely impact margins particularly as electricity purchasing costs are expected to be higher in the second half of the financial year.

Full Retail Contestability (FRC) was introduced in Victoria in January 2002. Customer churn in the Victorian electricity market is averaging approximately 6% per annum with little change in Origin's total customer numbers to date.

The GreenEarth product range enabling customers to buy electricity from renewable sources has been well received providing an expanding customer base across the existing Victorian market as well as into New South Wales and South Australia. The product has provided strong differentiation, has attracted over 24,000 customers and continues to grow.

We are expanding our electricity retail business into South Australia with FRC commencing on 1 January 2003. Offers will be made to residential and small business customers leveraging off the existing natural gas customer base.

Natural gas Sales of natural gas were adversely affected by mild winter weather in Victoria and South Australia. However, revenues increased mainly due to the termination of the Gascor Agency Agreement with the Victorian Government from 1 October 2002. Cost savings in both states led to improved margins.

FRC was introduced in Victoria for gas in October 2002. However, customer churn has been minimal.

Also in Victoria, the State Government has rejected gas tariff increases which will result in flat average prices for the second half of the year.

In South Australia, a 6% tariff increase for residential customers assisted earnings for the first half and will continue to boost revenues from this market in the second half-year.

LPG The LPG business continued to perform strongly as a result of improved margins and reduced operating expenditure.

The international benchmark price for LPG during the period increased 9% to an average of $503 per tonne. While the cost of gas supply increased, it was partially offset by increased revenues through customer contracts linked to the international benchmark and focussed price management. Margins improved with a favourable change in the mix of sales towards the higher margin customers and overall increases in volume.

The drought in rural areas depressed sales and it is anticipated that volumes in the second half will also be affected.

Increases in the international benchmark price will create additional challenges for the LPG business in managing and protecting its margins. Continued cost reductions and better management of stock and debtors has lifted profitability of the business and positioned it well to manage these price fluctuations and continuing competition.

Mt Stuart Power Station, Queensland.

Generation

	Dec 02 \$m	Dec 01 \$m	Change %
EBITDA	**19.5**	10.4	88
EBIT	**10.5**	2.5	326
Total Sales (MWh)	**1,011,452**	686,891	47

The Generation Division result reflected improved trading conditions and increased investment.

Stronger wholesale electricity prices and the inclusion of Quarantine Power Station for the full half-year contributed to the improved result. Contracted plant operations performed well, reflecting higher availability and the impact of improved electricity prices.

The 288 MW Mt Stuart Power Station, which contributed to earnings for the first time in December, boosted our generation capacity by around 50% to 886 MW. Under a long-term contract to Queensland Government owned Enertrade, the plant is expected to contribute additional EBITDA of $17 million in a full year, and enhance the earnings stability of the division.

In addition to investigating several prospective wind farm sites in South Australia, Origin has entered into an option agreement with Pacific Hydro to acquire a 50% interest in the 52.5 MW Challicum Hills wind farm under construction near Ararat in Western Victoria.

Origin-funded research on solar photovoltaic power by The Australian National University made a significant breakthrough with Sliver Cell™ technology which uses one tenth of the costly silicon used in conventional solar panels. Planning for a pilot plant to manufacture the cells has commenced.

Networks

	Dec 02 $m	Dec 01 $m	Change %
EBITDA	**12.3**	12.2	1
EBIT	**11.4**	10.9	5

Origin's Networks Division continued to provide steady earnings including $5 million in management fees and a $7.7 million distribution from our investment in Envestra.

Gas delivered by Envestra was 60.2 PJ – 1% higher than last year.

During the six-month period, 11,741 new consumers were connected to the networks under management. At 12% higher than last year, this was a strong result compared with expectations, due to the continued growth of the residential housing market through to the end of 2002. The 148 kilometres of new mains laid was similar to last year.

The construction of the SEA Gas Pipeline, connecting the South Australian gas market to Victoria, continues to make excellent progress. In September the pipeline diameter was increased to 18 inches following agreement with TXU to join the project as a one third equity participant. The expanded project will now be capable of delivering up to 125 PJ per annum into South Australia. The project is on schedule to deliver gas to South Australia later in 2003.

People, Health, Safety & Environment

Employee numbers increased by 149 to 2,961 and included 137 employees who joined Origin from CitiPower.

During the half year there was no time lost to industrial disputes and there were improvements in our safety metrics. The lost time injury frequency rate decreased from 3.6 to 3.3, and the total reportable case frequency rate, which includes medical treatment injuries as well as lost time injuries fell from 33.7 to 24.1.

There were no significant environmental incidents and no breaches of significant environmental regulations.

Statement of Financial Performance

	Consolidated	
	Dec 02 $A'000	Dec 01 $A'000
Revenues from ordinary activities	**1,669,903**	1,237,468
Expenses from ordinary activities	**(1,512,481)**	(1,134,693)
Borrowing costs	**(25,485)**	(23,318)
Share of net profits of associates and joint venture entities	**6,928**	3,543
Profit from ordinary activities before tax	**138,865**	83,000
Income tax on ordinary activities	**47,201**	25,776
Net profit	**91,664**	57,224
Net profit attributable to outside equity interests	**2,065**	2,562
Net profit for the period attributable to members	**89,599**	54,662
Non-owner transaction changes in equity		
Net exchange differences on translation of financial statements of self-sustaining foreign operations:		
– Net gain/(loss) on translation of assets and liabilities of overseas controlled entities	**1,126**	(708)
Total revenues, expenses and valuation adjustments attributable to members of Origin Energy Limited recognised directly in equity	**1,126**	(708)
Total changes in equity from non-owner related transactions attributable to members of Origin Energy Limited	**90,725**	53,954
Basic earnings per share	**13.8 cents**	8.7 cents
Diluted earnings per share	**13.7 cents**	8.7 cents

Statement of Financial Position

	Consolidated	
	Dec 02 $A'000	Jun 02 $A'000
Current assets		
Cash assets	**30,418**	17,255
Receivables	**508,939**	485,538
Other financial assets	**4,111**	–
Inventories	**53,246**	46,392
Other	**72,190**	37,064
Total current assets	**668,904**	586,249
Non-current assets		
Receivables	**22,350**	21,499
Investments (equity accounted)	**56,680**	53,347
Other investments and other financial assets	**186,037**	196,135
Exploration and evaluation expenditure capitalised	**138,978**	125,624
Development properties	**9,443**	5,031
Other property, plant and equipment (net)	**1,305,353**	1,155,372
Intangibles (net)	**730,932**	634,436
Tax assets	**199,354**	171,654
Other	**8,316**	8,587
Total non-current assets	**2,657,443**	2,371,685
Total assets	**3,326,347**	2,957,934
Current liabilities		
Payables	**475,070**	371,534
Interest bearing liabilities	**105,000**	85,238
Tax liabilities	**787**	3,290
Provisions	**68,894**	67,451
Other	**4,297**	–
Total current liabilities	**654,048**	527,513
Non-current liabilities		
Payables	**5,881**	6,100
Interest bearing liabilities	**630,125**	565,139
Tax liabilities	**230,746**	197,055
Provisions	**74,345**	36,088
Total non-current liabilities	**941,097**	804,382
Total liabilities	**1,595,145**	1,331,895
Net assets	**1,731,202**	1,626,039
Equity		
Capital/contributed equity	**399,124**	385,039
Reserves	**113,394**	112,347
Retained profits	**1,184,810**	1,095,158
Equity attributable to members of the parent entity	**1,697,328**	1,592,544
Outside equity interest in controlled entities	**33,874**	33,495
Total equity	**1,731,202**	1,626,039

Statement of Cash Flows

	Consolidated	
	Dec 02 $A'000	Dec 01 $A'000
Cash flows related to operating activities		
Receipts from customers	**1,913,902**	1,496,076
Payments to suppliers and employees	**(1,653,187)**	(1,308,034)
Dividends/distributions received from associates and joint venture entities	**4,000**	4,000
Other dividends received	**399**	409
Interest and other items of similar nature received	**1,093**	817
Interest and other costs of finance paid	**(25,615)**	(23,182)
Income taxes paid	**(15,353)**	(14,128)
Other (subvention payments)	**(6,000)**	(10,000)
Net operating cash flows	**219,239**	145,958
Cash flows related to investing activities		
Payment for purchases of property, plant and equipment	**(57,338)**	(72,573)
Payment for exploration and development	**(96,991)**	(59,253)
Proceeds from sale of property, plant and equipment	**2,200**	692
Payment for purchase of controlled entities	**–**	(7,651)
Payment for purchase of businesses	**(131,614)**	–
Payment for purchases of equity investments	**–**	(700)
Net investing cash flows	**(283,743)**	(139,485)
Cash flows related to financing activities		
Proceeds from issues of securities (shares, options, etc)	**3,794**	197,892
Proceeds from borrowings	**328,115**	–
Repayment of borrowings	**(236,662)**	(176,040)
Dividends paid	**(10,943)**	(22,653)
Net financing cash flows	**84,304**	(801)
Net increase/(decrease) in cash held	**19,800**	5,672
Cash at beginning of period	**10,551**	15,910
Exchange rate adjustments	**67**	(427)
Cash at end of period	**30,418**	21,155

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