Half Yearly Report to Shareholders

For the half-year ended 31 December 2006

Origin energy

Dear Shareholders,

On 28 February we announced a net profit after tax and minority interests for the six months to 31 December 2006 of $233 million, a 20 percent increase on December 2005. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased nine percent to $640 million from $589 million.

The result was achieved on a healthy underlying operating performance with strong contributions from the Exploration and Production, Retail and Generation segments. It benefited from a positive mark-to market[i] valuation of our retail electricity hedge book, a contract termination payment at the Mount Stuart Power Station and lower exploration expenses.

Dividends

Shareholders at the record date of 9 March 2007 will receive a fully franked 10 cents per share interim dividend on 30 March 2007. This is an increase from nine cents in the prior period and continues Origin Energy's record of steadily growing dividends.

Employees, health and safety

Our employee numbers increased by 98 to 3,456 during the half-year. Our combined lost-time-injury and moderate medical injuries ratio per million hours worked deteriorated from 4.7 to 6.1 in December 2006. While disappointed with the safety result for this period, we are committed to progressing programs to improve safety performance.

Merger proposal from AGL

You will no doubt have read in the media that AGL approached Origin Energy proposing a nil premium merger of equals between the two companies. The Board conducted an evaluation of the proposal and after careful consideration determined that the benefits that Origin Energy brought to the potential merger would not have been adequately recognised in a nil premium merger. The Board therefore rejected this proposal on 23 February 2007.

AGL has since informed the Australian Stock Exchange that it does not intend to pursue its proposal.

Outlook

Consistent with prior years, the natural seasonality in earnings will see second half earnings lower than the first half. However, the strong underlying performance of the company will result in an increase in year-on-year earnings for financial year 2007.

Origin Energy has also been successful with a number of important initiatives to strengthen and grow the company, including:

- acquisition of Sun Retail which provides significant scale and purchasing benefits to our Retail business nationally and a power station development opportunity in the Darling Downs;
- announcement of the proposed sale of our Networks assets. The proceeds of the sale will be reinvested in our core business;
- termination of the power purchase agreement for the Mount Stuart Power Station, paving the way for realising greater value from this asset; and
- acquisition of new exploration acreage in the Bass Basin in Australia and in New Zealand together with substantial seismic acquisition in greenfields exploration permits. This creates additional opportunities for growth in our upstream business.

This year is a year of transition as the capital expenditure program on coal seam gas at Spring Gully, BassGas and the offshore Otway is essentially completed. A full year of contributions from these projects together with Sun Retail will significantly increase earnings in 2008.

Development of the Kupe Gas Project in New Zealand is progressing well and we have announced the acceleration of development efforts on the Darling Downs power station in Queensland. If approved, this will also accelerate coal seam gas production.

Contact Energy has announced it is considering development opportunities in renewable energy in New Zealand.

We are well positioned as a fuel integrated generator/retailer. We are looking forward with confidence to continued growth in returns to shareholders.

Kevin McCann
Chairman

Grant King
Managing Director

Half-year in brief

- Basic earnings per share 29 cents, up 13%
- Dividend of 10 cents per share fully franked to be paid on 30 March 2007

All figures in this report relate to Origin Energy's businesses for the six months ended 31 December 2006 compared with the six months ended 31 December 2005 (the prior corresponding period), except where otherwise stated. All reference to $ is a reference to Australian dollars unless specifically marked otherwise.

Cover image (Brisbane CBD) supplied courtesy of Tourism Queensland.

Operations Review

Exploration and Production

EBITDA increased by 38 percent to $136 million and total production for the half year increased 11 percent to 43.8 PJe. Contributing to the strong performance was the commencement of sales from the BassGas Project and continued growth in coal seam gas production, more than offsetting natural production declines in the Otway and Cooper Basins.

Located off the southern coast of Victoria, BassGas successfully reached production milestones of 67 TJ a day, in October 2006. Our Spring Gully coal seam gas plant in central Queensland continues to perform well and the planned expansion to a capacity of 85 TJ a day is on time and ahead of budget.

The drilling of three development wells in the Perth Basin reduced the rate of decline of these fields. Oil production from the Perth Basin rose in December 2006 to an average of over 3,500 barrels of oil per day, net to Origin Energy.

Development of the Kupe Gas Project in New Zealand has progressed with the construction contract awarded to global specialists, Technip. The project remains on schedule for first gas in the first half of 2009.

Retail

The Retail segment performed strongly across electricity, natural gas and LPG product streams. EBITDA of $186 million was 30 percent higher than the contribution for last corresponding period.

Retail earnings were higher as a result of increased gas and electricity sales and lower costs of goods sold. Margins have improved despite the rising cost of customer churn.

At the end of the period Origin Energy had around 2,140,000 customer accounts in Australia across natural gas, electricity and LPG compared with approximately 2,135,000 accounts at the end of June 2006.

The Retail segment also benefited from a positive mark-to-market[i] adjustment in the hedge book of $27.5 million.

Sun Retail

Origin Energy was the successful bidder for the Sun Retail business in Queensland which will be integrated into existing Origin Energy operations during 2007. Origin Energy purchased Sun Retail from the Queensland Government for $1,202 million. Sun Retail is the largest retail electricity supplier in Queensland and brings Origin Energy's customer account numbers to 3.6 million including New Zealand. This acquisition secures us a leading position in the continuing consolidation and integration of the Australian and New Zealand energy markets.

i *The act of recording the price or value of a portfolio or account to reflect its current market value rather than its book value.*

Generation

The Generation business delivered a significantly higher contribution to earnings. EBITDA increased by 52 percent to $66 million from $43 million in the prior corresponding period.

A focus on plant availability continues to deliver solid underlying contributions. A $19.6 million payment on the termination of the Mt Stuart power purchase arrangement contributed to the result.

Power station developments

We are evaluating the potential to build gas-fired power stations at three sites – Spring Gully and Darling Downs in Queensland and Mortlake in Victoria. Acquired through the Sun Retail purchase, the Darling Downs site has development approvals. Regulatory approvals for Spring Gully and Mortlake were also received in 2006.

In late 2006, an application for an additional 120 MW of peaking capacity was lodged for our existing 96 MW Quarantine power station in South Australia.

Renewables

Reliability testing of 75 W SLIVER solar cell modules was successfully achieved and early stage commercial production has commenced. Partnership discussions are ongoing to assist in commercialisation of SLIVER technology.

Networks

EBITDA of $14 million represented a nine percent decrease on the prior corresponding period.

The contribution to earnings was lower primarily due to higher South Australian property operating costs, a lower level of energy services asset construction works undertaken and lower interest distribution income from Envestra.

In November 2006, Origin Energy announced a review of its ownership of the Networks business which consists of Origin Energy Asset Management, a 17.2 percent interest in Envestra and a 33.3 percent interest in the SEA Gas Pipeline. After receiving strong interest in this proposition, Origin Energy is now proceeding with a sale process.

Contact Energy

Origin Energy owns a 51.4 percent interest in Contact Energy of New Zealand.

Contact Energy contributed $238 million at the EBITDA[ii] level compared with $289 million in the prior corresponding period. A weakening of the New Zealand dollar against the Australian dollar, lower wholesale prices for generation and the non-recurrence of the Valley Power sale resulted in this lower contribution.

On release of its financial results Contact Energy also announced its intention to invest up to NZ$2 billion in renewable energy projects focussed on geothermal and wind farm developments.

ii *100 percent of Contact Energy's EBITDA has been consolidated.*

Financial highlights

Six months ended 31 December	2006 ($m)	2005 ($m)	Change %
Total revenue and other income	**2,894**	3,008	(4)
EBITDA	**640**	589	9
Net profit after tax before elimination of minority interests	**286**	263	9
Minority interests	**53**	69	(24)
Net profit after tax	**233**	194	20
Basic earnings per share (cents)	**29.0**	25.5	13
Free cash flow [(1)]	**267**	328	(19)
Capital expenditure	**320**	426	(25)
OCAT Ratio[(2)] – Calendar year calculation	**11.4%**	13.6%	–
Adjusted net debt/(debt + equity)[(3)]	**35%**	43%	–

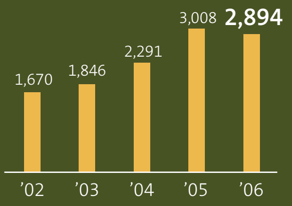
(1) *Free cash flow is defined here as cash available to fund distributions to shareholders and growth capital. It includes deductions for stay-in-business capital, interest and tax.*
(2) *Operating Cash Flow After Tax (OCAT) Ratio: OCAT Ratio = EBITDA less change in working capital, stay in business capital, tax and interest tax shield all divided by the weighted average funds employed.*
(3) *Excludes the impact of debt mark-to-market.*

Earnings before interest, tax, depreciation and amortisation (EBITDA)

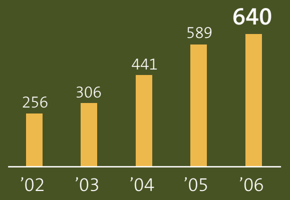
Six months ended 31 December	2006 ($m)	2005 ($m)	Change %
Exploration and Production	**136.4**	98.7	38
Retail	**185.6**	142.2	30
Generation	**65.6**	43.1	52
Networks	**14.4**	15.8	(9)
Contact Energy*	**237.5**	289.4	(18)
Total	**639.6**	589.3	9

* *100% of Contact Energy's EBITDA is included in the consolidated statement of financial performance.*

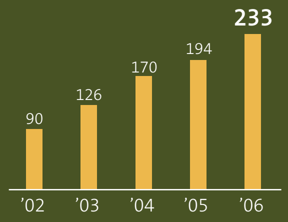
Performance and growth



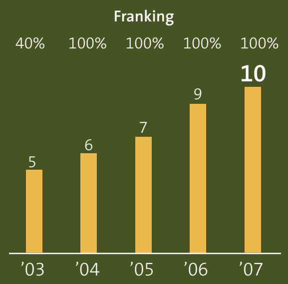
Sales revenue and other income ($m)
$2,894 million, down 4%



EBITDA ($m)
$640 million, up 9%



Net profit after tax ($m)
$233 million, up 20%



Interim dividend (cents)
10 cents per share, up 11%

Shareholding enquiries
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

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

Other enquiries
Company Secretary
Origin Energy Limited
GPO Box 5376
Sydney NSW 2001

Telephone (02) 8345 5000
e-mail investor.relations@originenergy.com.au
Web site www.originenergy.com.au

Origin Energy Limited

ABN 30 000 051 696

ORIG0124 – Issued 03/07
Printed on paper with 50% recycled fibre and 50% virgin pulp from sustainable plantation forest, completely recyclable and bio-degradable.