Origin Energy Results for the year ended 30 June 2011
Management Discussion and Analysis

All figures in this report relate to businesses of the Origin Energy Group (Origin, or the Company), being Origin Energy Limited and its controlled entities, for the year ended 30 June 2011 (this year or the current year) compared with the year ended 30 June 2010 (the prior year), except where otherwise stated.

A reference to Contact is a reference to Origin's subsidiary (52.6% ownership) Contact Energy in New Zealand. In accordance with Australian accounting standards, Origin consolidates 100% of Contact within its result. A reference to Australia Pacific LNG or APLNG is a reference to Australia Pacific LNG Pty Ltd in which Origin had a 50% equity interest as at 30 June 2011.

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

All reference to $ is a reference to Australian Dollars unless specifically marked otherwise. All references to debt are 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.

Origin's Statutory Profit contains a number of items in this year and the prior year that do not portray the ongoing performance of the business. Underlying Profit excludes the impact of these items to better illustrate the business performance of the Company. Each Underlying measure discussed has been adjusted to remove these items from both this year and the prior 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.

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1. Profit and Dividend Declaration

1.1 Statutory Profit – $186 million, down from $612 million

Origin reported a Net Profit After Tax and Non-controlling interests (Statutory Profit) of $186 million for the year ended 30 June 2011, a decrease of 70% compared with $612 million reported in the prior year.

The key factors contributing to the year-on-year change in the Statutory Profit from $612 million to $186 million included a positive contribution from higher Underlying Profit (+$88 million) offset by a higher impairment of assets (-$137 million), a decrease in the fair value of financial instruments (-$150 million) and higher transition and transaction costs related to the acquisition of the Integral Energy and Country Energy retail businesses as part of the NSW privatisation process (-$215 million).

Further details are provided in Section 1.6 - Reconciliation of the Underlying Profit and Statutory Profit.

1.2 Earnings per share – 19.6 cps, down from 67.7 cps[1]

Basic earnings per share (EPS) calculated based on Statutory Profit decreased by 71% to 19.6 cents per share (cps) from 67.7 cps[1] in the prior year. The weighted average capital base of 948 million shares increased 44 million shares on the prior year[2], mainly due to the $2.3 billion share issuance related to the pro rata equity offering completed in April 2011.

1.3 Final Dividend – 25 cps fully franked

A final fully franked dividend of 25 cps will be paid on 29 September 2011 to shareholders of record on 2 September 2011. Origin shares will trade ex-dividend from 29 August 2011. This will bring the total dividend attributable to financial year 2011 to 50 cps and is in line with the prior year.

The Dividend Reinvestment Plan (DRP) will apply to this dividend. Origin will apply a discount of 2.5% to the price of shares issued under the DRP in respect of the dividend for the period ending 30 June 2011. Origin has entered an agreement to underwrite up to 100% of the interim and final dividends up to and including the period ending 31 December 2012. The final dividend for the period ending 30 June 2011 will be fully underwritten.

1.4 Underlying Profit - $673 million, up 15%

Underlying Profit for the year increased 15% or $88 million to $673 million from $585 million. The result primarily reflects a 32% increase in Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (Underlying EBITDA) ($436 million) resulting from higher commodity prices and initial contributions from the acquisition of the Integral Energy and Country Energy retail businesses and the GenTrader arrangements, the Kupe development and the increased share in the Otway Gas Project; and offset by higher exploration expense from an expanded greenfield exploration program. Increased Underlying EBITDA was partially offset by higher Underlying depreciation and amortisation charges predominantly from the Generation and Exploration and Production business segments ($122 million); an increase in Underlying net financing costs due to higher net debt from acquisitions and capital expenditure ($130 million) and a higher tax expense from higher Underlying profits and a higher Underlying effective tax rate ($84 million).

[1] FY2010 Statutory EPS of 69.7 cps restated to 67.7 cps for the bonus element of the rights issue completed in April 2011.
[2] 877,972,404 shares as at 30 June 2010 restated to 903,353,998 for the bonus element of the rights issue completed in April 2011.

Further details are provided in Section 3.

1.5 Underlying EPS – 71.0 cps, up 10%

Underlying EPS calculated on the Underlying Profit increased by 10% to 71.0 cps from 64.8 cps[3] on a weighted average capital base of 948 million shares.

Origin's full year dividend of 50 cps represents a payout ratio of 70% based on Underlying EPS.

1.6 Reconciliation of Underlying Profit and Statutory Profit

Statutory Profit for this year and the prior year contain the impact of a number of items, as shown in the table below, that do not portray the ongoing performance of the business.

In the year to 30 June 2011, these items amounted to an expense of $487 million. This compared with the year to 30 June 2010 in which these items had a benefit of $27 million.

Reconciliation of Statutory and Underlying Profit

($millions)	June 2011 Impact After Tax & Non-controlling Interests	June 2011 NPAT	June 2010 Impact After Tax & Non-controlling Interests	June 2010 NPAT	Change ($m)	Change (%)
Statutory Profit		**186**		**612**	**(426)**	**(70)**
Items excluded from Underlying Profit						
Impairment of assets	(160)		(23)		(137)	596
Gain on dilution of Origin's interest in subsidiaries	-		27		(27)	(100)
Increase/(decrease) in fair value of financial instruments	(140)		10		(150)	(1,500)
Unwinding of discounts resulting from APLNG receivables and payables	12		39		(27)	(69)
Transition and transaction costs	(235)		(20)		(215)	1,075
Other	36		(6)		42	700
Less total excluded items		**(487)**		**27**	**(514)**	**(1,904)**
Underlying Profit		**673**		**585**	**88**	**15**

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

[3] FY2010 Underlying EPS of 66.6 cps restated to 64.8 cps for the bonus element of the rights issue completed in April 2011.

1.7 Operating Cash flow After Tax (OCAT) - $1,585 million, up 64%

Group OCAT increased by 64% or $620 million to $1,585 million. This was primarily due to higher Underlying EBITDA.

Further details are provided in Section 4.

1.8 Capital expenditure and divestments - $4,954 million, up 64%

Total capital expenditure including acquisitions was $4,954 million compared with $3,027 million in the prior year. This includes $1,829 million stay-in-business and growth capital expenditure and $3,125 million of capital expenditure on acquisitions, net of transaction costs.

Further details are provided in Section 5.

2. Outlook

During 2011, Origin invested $5.0 billion in developing and growing its business. This included $3.1 billion on the acquisition of the Integral Energy and Country Energy retail businesses and entry into the Eraring GenTrader arrangements. In addition, in July 2011, Origin committed US$6.0 billion for the first phase of the Australia Pacific LNG project. This will drive short, medium and longer term growth for Origin.

In the coming year, Origin's Underlying EBITDA will benefit from:

- a full year contribution from the acquisition of the Integral Energy and Country Energy retail businesses;
- a full year contribution from the GenTrader arrangements covering the Eraring and Shoalhaven power stations and contributions from the Mortlake Power Station which is expected to commence commercial operations during the first half of the financial year;
- increased contribution from the Exploration and Production business due to lower levels of planned exploration expense versus the prior year; and
- improved profitability in Contact in New Zealand as the Stratford Power Station and the Ahuroa Gas Storage Project deliver flexibility to Contact's energy supply portfolio.

Depreciation and amortisation expense will continue to increase as capital intensive assets come on line or provide a full year's contribution.

Underlying net financing costs will increase associated with the funding of the NSW acquisition and completed developments. As Australia Pacific LNG is a development project, interest expense associated with its funding is excluded from the guidance of Underlying Profit.

Origin's Underlying effective tax rate is expected to remain above 30 per cent due to the non-deductibility for tax purposes of amortisation associated with the GenTrader arrangements.

Based on Origin's current assessment of operations and prevailing market conditions, Origin anticipates Underlying EBITDA to increase by around 35 per cent and Underlying Profit to increase by around 30 per cent for financial year 2012 when compared with the prior year.

In July 2011, Origin committed to fund its 42.5 per cent share of the US$14 billion of estimated capital expenditure for the first phase of the Australia Pacific LNG project, with the option of progressing to a full two-train development. Capital has also been committed to develop the Te Mihi geothermal project via Origin's shareholding in Contact and Origin will fund the continued upgrade of capacity of the Eraring Power Station. These commitments will continue to drive growth in the medium term.

Origin is also pursuing a number of opportunities, which will expand the scale and diversity of its business and provide earnings growth in the medium to long term.

Origin has several options available to expand its generation capacity. This includes the development of Australia's largest wind farm at Stockyard Hill and the option to convert some open cycle gas turbine sites to highly efficient combine cycle gas turbines.

In addition, Origin is pursuing a range of low carbon emission and renewable energy opportunities in growing offshore markets. These include exploration and development of geothermal resources particularly in Chile and Indonesia, assessment and development of hydro resources such as the potential Purari Hydro project in Papua New Guinea and the exploration for gas particularly in the Canterbury Basin in New Zealand, in South East Asia and Kenya.

Since first listing in 2000, Origin has demonstrated the ability to deliver sustained growth in earnings which has resulted in long-term growth in shareholder value. Based on the opportunities available to the Company, Origin continues to target long term growth in Underlying EPS of 10 to 15 per cent per annum on average.

3. Review of Financial Performance

Year ended 30 June	2011 ($m)	2010 ($m)	Change (%)
Total external revenue	10,344	8,534	21
Underlying EBITDA	**1,782**	**1,346**	**32**
Underlying depreciation and amortisation	(539)	(408)	32
Underlying share of interest, tax, depreciation and amortisation of equity accounted investees	(49)	(42)	17
Underlying EBIT	**1,194**	**896**	**33**
Underlying net financing costs	(143)	(13)	1,000
Underlying Profit before income tax	**1,051**	**883**	**19**
Income tax expense on Underlying Profit	(316)	(232)	36
Underlying net profit after tax before elimination of Non-controlling Interests	**735**	**651**	**13**
Non-controlling Interests share of Underlying Profit	(62)	(66)	(6)
Underlying Profit	**673**	**585**	**15**
Items excluded from Underlying Profit	(487)	27	(1,904)
Statutory Profit	**186**	**612**	**(70)**
Earnings per share – Underlying	71.0¢	64.8¢[4]	10
Earnings per share – Statutory	19.6¢	67.7¢[5]	(71)

3.1 External revenue - $10,344 million, up 21%

Total external revenue increased by 21% or $1,810 million to $10,344 million.

This reflected an increase in external revenues from the Retail business segment ($1,679 million) predominantly associated with the acquisition of the Integral Energy and Country Energy retail businesses and entry into the Eraring GenTrader arrangements, together with increased revenues from the Exploration and Production business segment ($145 million).

Further details are available in Section 8.

3.2 Underlying EBITDA - $1,782 million, up 32%

For the year ended 30 June 2011, Underlying EBITDA increased 32% or $436 million to $1,782 million. The Underlying EBITDA contributions by business segment are presented in the following table:

Underlying EBITDA by business segment

Year ended 30 June	2011 ($m)	2010 ($m)	Change (%)
Exploration & Production	325	250	30
Generation	327	182	80
Retail	785	568	38
Contact	345	346	0
Underlying EBITDA	1,782	1,346	32

[4] FY2010 Underlying EPS of 66.6 cps restated to 64.8 cps for the bonus element of the rights issue completed in April 2011.
[5] FY2010 Statutory EPS of 69.7 cps restated to 67.7 cps for the bonus element of the rights issue completed in April 2011.

Exploration & Production Underlying EBITDA increased by 30% or $75 million to $325 million. This was driven by higher average commodity prices together with a full year contribution from the Kupe development compared with six months in the prior year, a full year contribution of an additional 36% interest in the Otway Gas Project compared with three and a half months in the prior year, higher production from BassGas and a higher contribution from Australia Pacific LNG; partially offset by significantly higher exploration expense of $118 million in the current year from an expanded greenfield exploration program compared with $45 million in the prior year and a lower contribution from onshore producing assets.

Further details are available in Section 8.1.

Generation Underlying EBITDA increased 80% or $145 million to $327 million. This reflected the increase in Origin's owned and contracted generation capacity from 1,710 MW to 5,310 MW, including a full year contribution from the Darling Downs Power Station and four months' contribution from the GenTrader arrangements for Eraring and Shoalhaven power stations ($43 million).

Further details are available in Section 8.2.

Retail Underlying EBITDA increased 38% or $217 million to $785 million. This was primarily due to the first four months' contribution from the acquired Integral Energy and Country Energy retail businesses in NSW ($183 million), effective management of the energy portfolio and growth in non-commodity sales, predominantly solar.

Further details are available in Section 8.3.

Contact Underlying EBITDA decreased $1 million to $345 million. Higher generation volumes and increased wholesale electricity prices in New Zealand resulted in a NZ$14 million increase in Underlying EBITDA as reported by Contact. However, the foreign exchange impact of a strengthening Australian Dollar against the New Zealand Dollar resulted in a marginal decrease in the Australian Dollar Underlying EBITDA.

Further details are available in Section 8.4.

3.3 Underlying depreciation and amortisation - $539 million, up 32%

Underlying depreciation and amortisation increased by 32% or $131 million to $539 million. This was primarily due to the higher asset base and increased production associated with the Darling Downs, Eraring and Shoalhaven power stations and the Kupe and Otway gas developments.

3.4 Underlying share of interest, tax, depreciation and amortisation of equity accounted investees - $49 million, up 17%

The share of Underlying interest, tax, depreciation and amortisation (ITDA) attributable to equity accounted investees increased 17% or $7 million to $49 million. This was primarily due to an increase of $10 million associated with Origin's interest in Australia Pacific LNG, which had increased due to additional assets becoming operational during the period and an increase in production in the current year.

3.5 Underlying EBIT - $1,194 million, up 33%

For the year ended 30 June 2011, Underlying Earnings Before Interest and Tax (Underlying EBIT) increased 33% or $298 million to $1,194 million. The Underlying EBIT contributions by business segment are presented in the following table:

Underlying EBIT by business segment

Year ended 30 June	2011 ($m)	2010 ($m)	Change (%)
Exploration & Production	62	48	29
Generation	208	131	59
Retail	710	503	41
Contact	214	214	-
Underlying EBIT	1,194	896	33

3.6 Underlying net financing costs - $143 million, up $130 million

The net financing costs for the full year comprise an interest expense of $179 million and interest revenue of $36 million compared with interest expense of $126 million and interest revenue of $113 million in the prior year.

Capitalised interest was $153 million compared with $156 million in the prior year.

3.7 Income tax expense on Underlying Profit - $316 million, up 36%

Underlying income tax expense for the full year increased 36% or $84 million to $316 million reflecting higher Underlying profit before income tax and a higher Underlying effective tax rate of 30% compared with 26% in the prior year. The Underlying effective tax rate was higher than the prior year mainly due to tax benefits in the prior year arising from recognition of previously unbooked capital losses.

3.8 Non-controlling interests share of Underlying Profit – $62 million, down 6%

Underlying Profit attributable to Non-controlling Interests decreased 6% to $62 million from $66 million.

3.9 Underlying Profit - $673 million, up 15%

Underlying Profit for the year increased 15% or $88 million to $673 million from $585 million.

4. Operating Cash flow After Tax (OCAT) - $1,585 million, up 64%

Year ended 30 June	2011 ($m)	2010 ($m)	Change ($m)	Change (%)
Underlying EBITDA	1,782	1,346	436	32
Change in working capital	(37)	(179)	142	(79)
Stay-in-business capex	(203)	(179)	(24)	13
Share of APLNG OCAT less EBITDA	11	18	(7)	(39)
Exploration expense	118	45	73	162
NSW acquisition related liabilities	(128)	-	(128)	-
Other[6]	39	16	23	144
Tax paid	3	(102)	105	103
Group OCAT	1,585	965	620	64
Net interest paid	(269)	(165)	(104)	63
Free cash flow	1,316	800	516	64
Productive Capital	11,571	8,423	3,148	37
Group OCAT Ratio[7]	13.0%	10.9%	2.1%	19

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. The Group OCAT Ratio increased from 10.9% in the prior year to 13.0% due to significant returns from new acquisitions, higher cash generation from existing assets and lower working capital. Details of the contributing factors to this increase are provided below.

Group OCAT increased by 64% or $620 million to $1,585 million.

The key drivers of the increase in Group OCAT were:

- $436 million increase in Underlying EBITDA;
- an improvement in working capital which increased by only $37 million compared to a $179 million increase in financial year 2010. This was primarily due to the timing of creditor payments in Exploration and Production ($62 million) and timing of network creditors in Retail ($130 million). This has been partly offset by higher debtors in Retail due to increased solar sales;
- an increase in exploration expense of $73 million which is added back to cash flows;
- changes in other items of $23 million mainly due to higher employee-related provisions; and
- a net tax refund of $3 million in financial year 2011 compared with tax paid of $102 million in financial year 2010.

This was partly offset by:

- an increase of $24 million in stay-in-business capex, primarily in the Contact and Generation business segments; and
- a total of $128 million for the unwinding of non-cash provisions relating to the NSW acquisition. This includes the utilisation of the provision for the onerous Transitional Services Agreements (TSAs) of $35 million and the unwinding of the liability in respect of the acquired power purchase agreements, hedge contracts and green rights contracts ($93 million).

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[6] *The add-back of non-cash equity accounted profits excluding APLNG and movements in provision balances are included within the "Other" line item.*

[7] *Group OCAT Ratio = (OCAT – interest tax shield)/Productive Capital*

Net interest paid was $104 million higher than the prior year reflecting higher average net debt balances and higher average interest rates.

Free cash flow available for funding growth and distributions to shareholders increased by 64% from $800 million to $1,316 million.

Productive Capital in the business, calculated on a 12 month weighted average basis, increased by 37% to $11,571 million. Major assets contributing to this increase were a full year inclusion of Darling Downs Power Station which commenced commercial operation on 1 July 2010; a four month inclusion of the Integral Energy and Country Energy retail businesses, and Eraring and Shoalhaven power stations; a full year inclusion of Kupe compared with six months in the prior year; and a full year inclusion of an additional 36% interest in the Otway Gas Project compared with three and a half months in the prior year.

The combined impact of the increased Group OCAT and Productive Capital resulted in a Group OCAT ratio for the year ended 30 June 2011 of 13.0% compared with 10.9% in the prior year.

5. Capital expenditure[8] - $4,954 million, up 64%

Capital expenditure on stay-in-business and growth projects was $1,829 million for the year to 30 June 2011.

Stay-in-business capital expenditure was $203 million compared with $179 million in the prior year primarily due to increases in the Generation and Contact business segments reflecting their larger asset bases.

Growth capital expenditure (including capitalised interest) was $1,626 million, 2% lower than in the prior year. This included expenditure of $35 million or more in the following areas:

- Retail - $497 million in total, including:
    - Environmental product certificates - $291 million; and
    - Retail Transformation - $118 million.
- Generation - $464 million in total, including:
    - Mortlake Power Station - $230 million;
    - Eraring Power Station - $56 million; and
    - Transform Solar joint venture - $38 million.
- Exploration and Production - $324 million in total, including:
    - Ironbark CSG - $78 million (including $57 million of capitalised interest):
    - Australia and New Zealand Offshore Exploration $58m;
    - Australia and New Zealand Offshore Production $57m;
    - Australia onshore Exploration and Production $45m; and
    - South East Asia $35m.
- Contact - $341 million in total, including:
    - Te Mihi geothermal development - $71 million;
    - Wairakei (steam field works and drilling) - $68 million;
    - Inventory gas at Ahuroa Gas Storage facility - $41 million; and
    - Enterprise Transformation project - $38 million.

Capital expenditure on acquisitions totalled $3,125 million for the acquisition of the Integral Energy and Country Energy retail businesses and entering the Eraring GenTrader arrangements, net of transaction costs.

Total capital expenditure including acquisitions was $4,954 million compared with $3,027 million[9] in the prior year.

Following completion of a transaction in late 2008 in which ConocoPhillips became a 50% shareholder in Australia Pacific LNG, ConocoPhillips is funding expenditure by Australia Pacific LNG to a cumulative total of $2.3 billion. As at 30 June 2011, $284 million of the $2.3 billion remained to be spent.

Origin will start contributing to capital expenditure within Australia Pacific LNG following completion of ConocoPhillips' remaining $284 million commitment and utilisation of Sinopec's $1.8 billion equity contribution. On current estimates, Origin will commence contributing its share of capital expenditure to Australia Pacific LNG in the December quarter of financial year 2012.

[8] *The capital expenditure below is based on cash flow amounts rather than accrual accounting amounts and includes capitalised interest.*

[9] *FY2010 capital expenditure is restated to conform with the current year's classification.*

6. Funding and capital management

6.1 Capital management initiatives

During the year, Origin has undertaken a number of capital management initiatives to fund acquisitions and the ongoing capital expenditure requirements of the business while preserving balance sheet strength.

Origin raised $3.3 billion of funding to support the transaction to acquire the Integral Energy and Country Energy retail businesses, and to enter into the GenTrader arrangements with Eraring Energy as announced on 15 December 2010. The funding facilities included a $2.2 billion bridge facility and a three to five year syndicated bank facility.

The bridge facility was subsequently refinanced through a number of transactions, including a $2.3 billion pro-rata equity entitlement offer completed in April 2011. In addition, Origin expanded the three to five year syndicated bank facility to refinance $900 million of existing bank debt and also accepted oversubscriptions which resulted in the syndication of a A$2.15 billion and US$350 million three to five year bank facility in April 2011. Origin also refinanced a number of small bilateral facilities during the year.

In June 2011, Origin undertook a €500 million (A$675 million) hybrid issue, which was hedged into US Dollars. This instrument obtained 100% equity credit from Standard & Poor's and 50% equity credit from Moody's.

In June 2011, Origin contributed NZ$202 million to Contact's NZ$351 million pro rata entitlement offer, increasing its shareholding in Contact to 52.6%.

Post 30 June 2011, Origin announced that Australia Pacific LNG would proceed with the first phase of a two train CSG to LNG development. The first phase development will cost approximately US$14 billion and Origin's funding for its contributions will be covered by a range of sources including:

- existing committed undrawn debt facilities and cash totalling around $3.9 billion at 30 June 2011;
- cash flows from Origin's underlying business;
- new debt facilities, which may include the consideration of project financing at the Australia Pacific LNG level; and
- up to $1 billion from the underwritten DRP covering the next four dividend payments.

The underwritten DRP will commence with the final dividend for the financial year ended 30 June 2011 and will apply a 2.5% discount.

Origin will actively manage its existing debt facilities and, as required from time to time, will add further debt facilities to ensure sufficient liquidity exists to cover its expected forward contributions to Australia Pacific LNG and other capital expenditure required for the balance of Origin's business.

Origin currently holds BBB+ (stable outlook) and Baa1 (negative outlook) long-term credit ratings with Standard & Poor's and Moody's respectively.

6.2 Share Capital

During the year, Origin issued an additional 183,838,387 shares raising a total of $2.3 billion. This included 177,100,055 shares issued under the pro rata equity entitlement offer which raised $2.3 billion; 3,929,332 shares issued under the DRP which raised $61 million; and 2,809,000 shares issued as the result of the exercise of long-term incentives which raised $18 million.

As a consequence, the total number of shares on issue at 30 June 2011 increased by 183,838,387 shares to 1,064,507,259 from 880,668,872 at 30 June 2010.

The weighted average number of shares used to calculate basic earnings per share at 30 June 2011 increased by 44,387,901 to 947,741,899 from 903,353,998[10] as at 30 June 2010.

6.3 Net debt and equity

6.3.1 Net debt

The net debt[11] for the consolidated entity increased to $4,060 million at 30 June 2011 from $2,663 million at 30 June 2010, a net movement of $1,397 million.

The calculation of this debt amount includes a favourable mark-to-market adjustment of $223 million as at 30 June 2011 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 $4,283 million at 30 June 2011 compared with a $2,835 million adjusted net debt balance at 30 June 2010, a net movement of $1,448 million.

The movement in the adjusted net debt of $1,448 million is primarily attributable to Origin's funding requirements for the purchase of the Integral Energy and Country Energy retail businesses and the Eraring GenTrader arrangements and for Origin's ongoing capital expenditure program.

6.3.2 Equity

Shareholder's equity increased 18% or $2,078 million from $11,438 million at 30 June 2010 to $13,516 million at 30 June 2011.

The increase of $2,078 million is predominantly due to $2,267 million (net of transaction costs) raised through the pro rata equity entitlement offer undertaken in March and April 2011. A total of $1,112 million related to the institutional offer and $1,155 million related to the retail offer. Other factors contributing to the increase are Statutory Profit after tax and before Non-controlling Interests of $248 million, $61 million of share issuance (DRP) and $18 million from share-based payments. These amounts are partially offset by $408 million of dividends paid for the full year.

Excluding the mark-to-market adjustment for the consolidated entities financial instruments, adjusted shareholder's equity increased 18% from $11,552 million at 30 June 2010 to $13,639 million at 30 June 2011.

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[10] 877,972,404 shares restated as 903,353,998 increased by the bonus element of the rights issue completed in April 2011.
[11] The reported numbers for net debt include interest-bearing debt obligations only.

6.3.3 Gearing Ratios[12]

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 Sections 6.3.1 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:

	2011 ($m)	2010 ($m)
Net debt as reported	4,060	2,663
Equity as reported	13,516	11,438
Net debt to (net debt + equity)	**23.1%**	**18.9%**

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

	2011 ($m)	2010 ($m)
Adjusted net debt	4,283	2,835
Adjusted equity	13,639	11,552
Adjusted net debt to (net debt + equity)	**23.9%**	**19.7%**

6.3.4 Net debt and gearing ratio excluding Contact

Origin owns 52.6% of the 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 30 June 2011 of $3,365 million compared with an adjusted net debt position of $1,747 million as at 30 June 2010, a change of $1,618 million.

[12] The reported numbers for net debt include interest-bearing debt obligations only.

7. Risk management

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 Origin Board for products or financial variables for which there is a material risk exposure. 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 and natural gas prices, environmental products, oil prices, foreign currency exchange rates and interest rates.

Reaching a Final Investment Decision on Australia Pacific LNG introduces additional exposure to interest rate and foreign currency risk in the short term and oil prices in the longer term.

7.1 Electricity and Gas

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

7.2 Environmental products

Origin is exposed to liabilities from State and Federal based government environmental schemes. These liabilities accrue during a set of annual compliance periods and are typically related to electricity supply and demand. An inventory of certificates is accrued during the period in order to meet the expected liability at the end of each compliance period.

Origin is aware of the intention of the Federal Government to introduce the clean energy future policy package that places a value on carbon. Origin has positioned its business over many years to provide flexibility to respond to the imposition of a carbon pricing regime. Origin will remain engaged with policy makers and regulators to ensure the business remains well positioned to respond to the proposed carbon price.

7.3 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.

For the financial year ended 30 June 2011, Origin held hedge contracts for 600 thousand barrels in total, of which 180 thousand barrels of oil hedges related to production from the Kupe asset. Given Kupe reports its earnings in US Dollars, Origin did not have associated foreign currency hedges for these volumes.

Origin currently has 990 thousand barrels of its anticipated production hedged for the year to June 2012. Of these hedged barrels, a portion is allocated against Australian production and has associated foreign currency hedges. The remaining portion does not have associated foreign currency hedges, as this relates to production from the Kupe asset, which reports its earnings in US Dollars.

7.4 Foreign currency exchange rates

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, the translation of Origin's US Dollar denominated Exploration and Production activities in New Zealand, the translation of US Dollar denominated debt obligations and future committed US Dollar-denominated capital expenditure primarily associated with Origin's interest in Australia Pacific LNG Limited. New Zealand Dollar exchange rate risk arises through the translation of Contact's earnings to Australia Dollars.

7.5 Interest rates

Origin's consolidated average interest rate paid on debt for the full year was 7.1%. This includes Contact's New Zealand Dollar denominated debt and Origin's Australian Dollar, US Dollar and New Zealand Dollar debt obligations. Origin's average annual interest rate paid excluding Contact was 7.1%.

As at 30 June 2011, Origin held cash on deposit and cash equivalents of approximately $728 million compared with $823 million at 30 June 2010, including Contact. This cash was invested at an average rate of 5.1% for financial year 2011.

Approximately 55% of Origin's consolidated debt obligations are hedged to 30 June 2012 at an average rate of 6.2% including margin. Excluding Contact, Origin has 47% of its debt obligations hedged at an average rate of 6% including margin. This hedge percentage gradually reduces over the following five plus years.

8. Operational Review

8.1 Exploration & Production

Financial Performance

Year ended 30 June	2011 ($m)	2010 ($m)	Change (%)
Total revenue	701	522	34
Underlying EBITDA before exploration expense	443	295	50
Underlying EBITDA	325	250	30
Underlying EBIT	62	48	29

Operational Performance

Year ended 30 June	2011	2010	Change (%)
Total Production (PJe)	135	104	30
Total Sales (PJe)	150	117	28
Commodity Sales Revenue $m[(1)]	835	632	32
Proved plus Probable (2P) Reserves (PJe)[(2)]	7,041	6,207	13

(1) Includes APLNG
(2) Includes Origin 50% share of APLNG reserves as at 30 June 2011. Origin's share post-Sinopec completion on 9 August 2011 is 42.5% diluting Origin's 2P reserves by 883 PJ.

Origin's Exploration and Production business segment reported record annual sales volumes and commodity revenues during the year.

Underlying EBITDA for the Exploration and Production business segment increased by 30% or $75 million to $325 million from $250 million in the prior year. This was driven by higher average commodity prices together with a full year contribution from the Kupe development compared with six months in the prior year, a full year contribution of an additional 36% interest in the Otway Gas Project compared with three and a half months in the prior year, higher production from BassGas following an extended maintenance shutdown in the prior year and a higher contribution from Australia Pacific LNG. These increases were partially offset by significantly higher exploration expense of $118 million in the current year from an expanded greenfield exploration program compared with $45 million in the prior year and lower contributions from onshore producing assets.

The Australia Pacific LNG joint venture continued to make substantial progress in both development of the domestic gas supply business and its CSG to LNG export project. Progress on the CSG to LNG project included signing of binding equity subscription and LNG sales agreements with Sinopec in April 2011 and a Final Investment Decision (FID) on the first phase of a two train CSG to LNG project in late July 2011.

In addition, Origin continued to grow its reserves base, with 2P reserves up by 834 PJe or 13% to 7,041 PJe as of 30 June 2011.

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 (APLNG). In the financial statements, the financial performance of APLNG is equity accounted. Consequently, revenue and expenses from APLNG do not appear explicitly in the Exploration and Production business segment results. Origin's 50% share of APLNG's Underlying EBITDA is included in the Underlying EBITDA of the Exploration and Production business segment. APLNG's Underlying depreciation, amortisation, interest and tax expense are accounted for between Underlying EBITDA and Underlying EBIT in the line item "Share of interest, tax, depreciation and amortisation of equity accounted investees". A summary of APLNG's accounts is provided in Appendix 3.

8.1.1 Production, Sales and Revenues

Year ended 30 June 2011	APLNG (50%)	Origin Upstream excluding APLNG	Total
Consolidated Production, Sales and Commodity Revenue			
Production (PJe)	48	87	135
Sales (PJe)	54	96	150
Commodity Revenue ($m)	168	667	835
Statutory Revenue			
Commodity Sales Revenue ($m)		667	667
Other Revenue ($m)		34	34
Total Revenue ($m)		**701**	**701**

Year ended 30 June 2010	APLNG (50%)	Origin Upstream excluding APLNG	Total
Consolidated Production, Sales and Commodity Revenue			
Production (PJe)	36	68	104
Sales (PJe)	38	79	117
Commodity Revenue ($m)	125	507	632
Statutory Revenue			
Commodity Sales Revenue ($m)		507	507
Other Revenue ($m)		15	15
Total Revenue ($m)		**522**	**522**

Production

Origin's share of total production was up 31 PJe or 30% to 135 PJe for the full year. Significant contributors to this result included a 36% increase in Origin's share of production from Australia Pacific LNG (+12.8 PJe), Origin's increased share of the Otway Gas Project production (+12.3 PJe), a full year from the Kupe Gas Project compared with six months in the prior year (+7.1 PJe) and higher production from BassGas due to greater plant availability (+2.7 PJe). These increases were partially offset by lower production from Origin's onshore assets in the Cooper, Surat, Perth and Taranaki basins (-4.1 PJe). Excluding Australia Pacific LNG, production increased by 19 PJe or 28%.

Further information regarding production, sales volumes and revenues is provided in Origin's Quarterly Production Report and, in particular, the report for the June Quarter and year to 30 June 2011, available at Origin's website www.originenergy.com.au.

Underlying Revenue and Expenses excluding APLNG

Total Revenue excluding APLNG increased by 34% from $522 million in the prior year to a record $701 million for the current year. This reflected an increase in sales volumes of 17 PJe or 22% from 79 PJe in the prior year to 96 PJe this year, together with higher average prices across all commodities.

Expenses relating to sales and operations excluding APLNG increased by 18% to $321 million from $273 million in the prior year. This increase in expenses was substantially lower than the increase in sales volumes and revenues of 22% and 34% respectively.

Year ended 30 June	2011 ($m)	2010 ($m)	%
Cost of Goods Sold	70	58	21
Stock movement	1	8	(88)
Royalties, tariffs and freight	57	40	43
General operating costs	193	167	16
Sub-total	321	273	18
Exploration	118	45	162
Total Expenses	**439**	**318**	**38**

For the current year, Cost of Goods Sold was $70 million compared with $58 million in the prior year reflecting an increase in the volume of third party purchases, predominantly in the Cooper Basin. Stock movement expense was $1 million compared with $8 million in the prior year.

Royalties, tariffs and freight increased by $17 million from $40 million to $57 million. This increase is primarily due to an increase in royalties paid by Kupe, which increased production substantially this year and was no longer able to claim construction deductibles against royalty expenses as it had in the prior year.

General operating costs increased by 16% or $26 million to $193 million. This compared with a 28% increase in corresponding production volumes. Consequently, Origin's general costs per unit of production reduced by 10% to $2.22 per GJe.

During the year, Origin continued an expanded greenfield exploration program, both domestically and internationally. This included three offshore wells in Australia and New Zealand, four wells in South East Asia and a substantial seismic exploration program. Origin has actively managed its exposure across a number of its exploration areas and recovered back costs in two areas through farmout arrangements in Kenya and in the Canterbury Basin in New Zealand. Expanded exploration activity has led to an increase in exploration expense net of farmout receipts to $118 million before tax, compared with $45 million in the prior year.

8.1.2 Earnings

Year ended 30 June	2011 ($m)	2010 ($m)	Change %
Total Revenue	**701**	**522**	**34**
less expenses	(439)	(318)	38
add Share of Underlying EBITDA of APLNG	63	45	40
Underlying EBITDA	**325**	**250**	**30**
less Depreciation & Amortisation	(221)	(170)	30
less ITDA Share of Equity Accounted Entities [1]	(42)	(32)	31
Underlying EBIT	**62**	**48**	**29**

[1] Includes APLNG

Underlying EBITDA

Underlying EBITDA increased 30% or $75 million to $325 million. This was driven by higher average commodity prices, a full year contribution from the Kupe Gas Project, Origin's increased share of the Otway Gas Project, higher production from BassGas due to greater plant availability and a 36% increase in production from Australia Pacific LNG. These increases were partially offset by lower contributions from Origin's onshore production assets and significantly higher exploration expense.

Underlying Depreciation and Amortisation

Underlying depreciation and amortisation charges excluding Australia Pacific LNG increased 30% or $51 million to $221 million primarily due to a full year of production from Kupe and an increased share in the Otway project.

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

Origin's share of Underlying ITDA of Australia Pacific LNG is equity accounted and included in a single line item between Underlying EBITDA and Underlying EBIT. Origin's share of Australia Pacific LNG's Underlying ITDA expense increased by 31% from $32 million to $42 million driven by an increase in Underlying depreciation and amortisation due to additional assets becoming operational during the period and an increase in production in the current year.

Underlying EBIT

As a consequence of the changes noted above, Underlying EBIT for the year increased 29% or $14 million to $62 million.

8.1.3 Reserves

The Proved plus Probable (2P) reserves attributable to Origin across its areas of interest at 30 June 2011 totalled 7,041 petajoules equivalent (PJe)[13], an increase of 834 PJe or 13% from 30 June 2010. The overall increase of 834 PJe included additions, revisions and corrections totalling 968 PJe together with production of 135 PJe.

Origin undertakes a full assessment of its reserves on an annual basis at the end of the financial year. A full statement of reserves attributable to Origin at 30 June 2011 is included in Origin's Annual Reserves Report released to ASX on 28 July 2011 and available on Origin's website at www.originenergy.com.au/news/article/asxmedia-releases/1322.

8.1.4 Exploration and Production Operations

Australia excluding Australia Pacific LNG

Origin's Australian operations include producing assets in the Bass and Otway Basins off the south coast of Victoria, the Cooper Basin in central Australia, the Surat Basin in Queensland and the Perth Basin in Western Australia.

Collectively, these assets produced 70 PJe net to Origin during the year, an increase of 12 PJe or 21% on the prior year. Production for the year included 58 PJ of sales gas, 1.3 million barrels of crude oil and condensate and 66 ktonnes of LPG.

Offshore Australia

Production from Origin's offshore Australian assets in the Otway and Bass basins was 49% higher than the prior year. This reflected an increase in Origin's equity interest in the Otway Basin from 31% to 67% and a return to higher levels of production in the Bass Basin following an extended shut-down in the prior year. In the coming year, production from these assets is expected to be 10% to 15% lower due to an extended shutdown of the BassGas facilities as phase 1 of the Mid-Life Enhancement project is implemented and a 30 day planned maintenance shutdown of the Otway facilities.

In the Otway Basin, work has continued on the inlet compression project, which is expected to be commissioned in the first half of financial year 2012. Planning activities have also continued for development of the Geographe field and for the potential development of the Halladale and Blackwatch discoveries. Evaluation studies have resulted in a downward revision of approximately 65 PJe in Origin's reserves position across the Thylacine and Geographe fields net of production.

In the Bass Basin, preparations for the Mid-Life Enhancement project continued. In addition, the Silvereye-1 exploration well was drilled to the south of the BassGas facilities but failed to encounter commercial hydrocarbons. Evaluation studies are continuing in relation to discoveries at Trefoil and Rockhopper.

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[13] The statements in this Management Discussion & Analysis relating to reserves and resources for other assets have 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 these statements appear.

Origin's interests in exploration and production tenements (held directly or indirectly) may change from time to time and some of APLNG's CSG tenements are subject to commercial arrangements under which, after the recovery of acquisition, royalty, development and operating costs, plus an uplift on 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 based on the economic tests consistent with these CSG reserves and based on that assessment does not consider that reversion will impact the reserves quoted within this announcement.

Onshore Australia

Production from Origin's onshore assets declined marginally due to the impact of flooding in central Australia and Queensland combined with natural field decline across all three regions.

Flooding in the Cooper Basin region in late 2010 / early 2011 restricted Origin's net production of 19 PJe, 7% lower than the prior year, and Origin participated in the drilling of only 18 wells compared with 26 wells in the prior year. Origin's reserves in the Cooper Basin increased by 49 PJe net of production. It is anticipated that production levels will decline in the Cooper Basin in financial year 2012 as a result of the lower drilling activity in the current year.

During the year, the Operator of the Cooper Basin assets executed an agreement to supply 750 PJ of gas from the Cooper Basin to the GLNG LNG export project over a number of years. Origin has elected to participate in the capital expenditure required to develop supply for this agreement and has reserved the right to take its share of gas for its own use.

Production from Origin's conventional fields in the Perth and Surat Basins decreased by 31% to 5 PJe predominantly due to natural field decline and the non-repeat of gas sales from storage in the Surat Basin. Evaluation of Origin's 100% owned CSG acreage at Ironbark in the eastern Surat Basin has resulted in the booking of 118 PJ of 2P reserves.

Australia Pacific LNG

The Australia Pacific LNG joint venture has continued to make substantial progress in both development of the domestic gas supply business and its CSG to LNG export project.

Domestic gas supply increased to 97 PJe for the financial year (Origin share 48 PJe). This represented an increase of 36% on the prior year as supply was ramped up to Origin's Darling Downs Power Station and supply commenced to the expansion of the Yarwun alumina refinery in Gladstone. Well deliverability continues to exceed expectations with well enhancement activities delivering a record flow rate of 10 terajoules per day from one well in Spring Gully, and average rates of 1.7 terajoules per day being achieved at the Talinga development.

The CSG to LNG export project achieved several major milestones during the year, culminating in the Final Investment Decision (FID) on the first phase of a two train CSG to LNG project in late July 2011. This followed the receipt of State and Federal approvals of the Environmental Impact Statement; the signing of agreements with subsidiaries of Sinopec for both a 15% equity stake in Australia Pacific LNG and the sale of 4.3 million tonnes of LNG per annum from 2015; the completion of front end engineering and design studies; and completion of all major construction and procurement contracts required to underpin the development. Following the FID and completion of the Sinopec equity subscription, Origin's interest in Australia Pacific LNG has been diluted to 42.5%.

The first phase FID has initiated development of the first LNG train and infrastructure to support a second train. This will include further development of Australia Pacific LNG's CSG fields in regional Queensland, the construction of a major gas transmission pipeline to Curtis Island, the construction of LNG facilities and development of associated port infrastructure at an estimated capital cost of approximately US$14 billion.

The first phase provides an economically attractive project and allows all the synergies of a two train project to be captured once further off-take agreements are finalised. Australia Pacific LNG is well positioned to progress to a full two-train project, and marketing discussions for the second LNG train are well advanced with a number of parties. The full two-train LNG development will have a capacity of 9 million tonnes per annum at an estimated capital cost of US$20 billion, inclusive of phase one expenditure.

Australia Pacific LNG also increased 2P reserves from 10,143 PJ at 30 June 2010 to 11,775 PJ at 30 June 2011, with 3P reserves increasing from 14,598 PJ to 14,742 PJ. Following completion of the subscription agreement between Australia Pacific LNG and Sinopec, Origin's share of these reserves has been diluted from 50% to 42.5%.

New Zealand

In New Zealand, Origin participates in production from both offshore and onshore assets in the Taranaki Basin.

Origin's share of production from the offshore Kupe field for the year increased by 7 PJe or 84% to 16 PJe, reflecting a full year of production compared with a six month contribution in the prior year. This included over one million barrels of light oil (condensate) and LPG. Production was constrained due to compressor issues over a part of the year and a scheduled maintenance shutdown in November 2010. A shutdown for statutory inspection purposes is also scheduled for December 2011.

Production from Origin's onshore Taranaki Basin assets in New Zealand was 1.3 PJe for the year compared with 1.7 PJe in the prior year. This is expected to be supplemented in the coming year by production from the successful completion of three horizontal development wells on the Manutahi field.

During the year, two offshore wells were drilled in the Northland Basin off the North Island of New Zealand to assess the prospectivity of this region. These wells failed to encounter hydrocarbons and were plugged and abandoned. Looking ahead, planning is continuing for the drilling of a deepwater offshore well in the Canterbury Basin off the east coast of the South Island of New Zealand, currently expected in the 2012 calendar year. In addition, Origin and Anadarko renegotiated the terms of their existing farmin agreement in relation to the Canterbury Basin such that Anadarko has paid US$15 million of Origin's historical costs.

International Exploration Ventures

Origin is pursuing exploration activities in a number of international regions where the combination of geological prospectivity and market opportunities provides incentive to explore. Efforts to date have focused on a number of countries in South East Asia as well as Kenya on the prospective east coast of Africa.

During the year, Origin drilled four exploration or appraisal wells as part of farmin arrangements for a portfolio of five exploration blocks across north-east Thailand, Lao PDR and Vietnam. None of these wells encountered commercial hydrocarbons and all wells were plugged and abandoned. Origin also operates Block 121 in the Song Hong Basin in Vietnam where additional seismic data was recorded and evaluation continued. Planning for a well in 2012 is continuing, and Origin is seeking to farmout some of its interest in this permit.

In Kenya, Origin entered into a farmin agreement with Apache Corporation whereby Apache reimbursed Origin's historical costs amounting to US$13 million, and will meet a component of Origin's cost of the first well to be drilled in the area. Apache has also assumed operatorship of the permit. A well is due to be drilled in the permit prior to January 2013.

8.2 Generation

Year ended 30 June	2011 ($m)	2010 ($m)	Change (%)
Internally Contracted Plant Revenue	*437*	*192*	*128*
Externally Contracted Plant Revenue	*37*	*42*	*(12)*
Total Revenue	**474**	**234**	**103**
Underlying EBITDA	327	182	80
Underlying EBIT	208	131	59

Generation Volumes

Year ended 30 June	2011	2010	Change (%)
Internally Contracted Sales Volume (TWh)	8.6	1.2	617
Externally Contracted Sales Volume (TWh)	1.0	1.2	(17)
Total Sales Volume (TWh)	**9.6**	**2.4**	**300**
Externally Contracted Steam Sold (PJ)	**3.7**	**4.2**	**(12)**

During the year Origin increased its portfolio of owned and contracted generation from 1,710 MW[14] to 5,310 MW. This followed the commencement of commercial operations at the 630 MW Darling Downs Power Station and entry into the GenTrader arrangements with the Eraring and Shoalhaven power stations (+2,970 MW). These assets were integrated into the business successfully and provided the Retail business segment with added flexibility in managing its energy portfolio.

The generation fleet will be further enhanced by the completion of the Mortlake Power Station in the first half of financial year 2012. This will increase Origin's available generation capacity by a further 550 MW to 5,860 MW. Completion of upgrades to the Eraring Power Station in 2012 will further increase capacity to around 5,930 MW.

Revenue and earnings in the Generation business segment are derived through capacity payments from the Retail business segment for the internally contracted power stations and the sale of electricity and steam from the externally contracted cogeneration plants. Capacity payments are also received from the Retail segment for the GenTrader arrangements at Eraring and Shoalhaven. For the internally contracted power stations, pool revenue of $354 million generated from the sale of electricity to the National Electricity Market is captured in the Retail business segment. Of Origin's three externally contracted plants only one, Worsley, contributes to revenues reported in this segment, with the other two plants, Bulwer Island and Osborne, being equity accounted.

Total Revenue increased 103% or $240 million to $474 million as a result of the increased capacity from Darling Downs Power Station and the Eraring GenTrader arrangements. This included $132 million from Darling Downs and $97 million representing four months' contribution from Eraring and Shoalhaven from 1 March 2011.

Underlying EBITDA increased 80% or $145 million to $327 million reflecting the increased generation capacity payments.

Underlying depreciation expense increased by 161% or $71 million to $115 million reflecting the increased asset base.

[14] Includes 90 MW of contracted capacity from Osborne and equity interests in 1,620 MW of installed capacity.

Underlying EBIT increased by 59% or $77 million to $208 million. The four month contribution from the Eraring and Shoalhaven power stations was $27 million.

8.2.1 Operational performance

Details of the year's operational performance of Origin's power generation plants are set out below. Availability and reliability for Origin owned generation was impacted by flood related outage and remedial work under warranty of the steam turbine at Darling Downs. Of the contracted plants, a change to the timing of a major overhaul at Worsley from November to June resulted in a lower than expected equivalent reliability factor of 93%.

Generation Plant	Nameplate Plant Capacity	Equity Interest	Type	Equivalent Reliability Factor**	Capacity Factor
Cullerin Range	30	100%	Internal	98%	41%
Ladbroke Grove	80	100%	Internal	100%	19%
Mt Stuart	414	100%	Internal	100%	1%
Quarantine	216	100%	Internal	97%	15%
Roma	74	100%	Internal	100%	6%
Uranquinty	640	100%	Internal	99%	4%
Darling Downs	630	100%	Internal	88%	51%
Bulwer Island*	32	50%	External	99%	63%
Osborne*	180	50%	External	100%	76%
Worsley*	120	50%	External	93%	79%
Eraring	2,730	N/A	Contracted	96%	61%
Shoalhaven	240	N/A	Contracted	100%	3%
Osborne	90	N/A	Contracted	100%	76%

*Origin holds a 50% equity share.

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

The 630 MW Darling Downs Power Station in Queensland successfully commenced commercial operations on 1 July 2010 and generated 2,828 GWh for the year at a capacity factor of 51%.

In December 2010, it was announced that Origin had acquired the contractual rights to the generation dispatched from both the Eraring and Shoalhaven power stations under the GenTrader arrangements, as part of the NSW energy privatisation process. The transaction was completed on 1 March 2011 and both plants have been performing well under the GenTrader arrangement since that time.

Optimal running regimes for the Eraring and Shoalhaven power stations have been determined and effectively implemented. Electricity generation from the Eraring Power Station has exceeded 5,000 GWh. A four week planned refurbishment was undertaken at Shoalhaven Power Station reducing availability. Shoalhaven has operated as a peaking power station and generated around 18 GWh of electricity.

8.2.2 Thermal generation developments and opportunities

First fire testing of the 550 MW open cycle power station at Mortlake in south-western Victoria was completed during July 2011. The Mortlake Power Station is expected to commence operations in the first half of financial year 2012. Once completed and commissioned, the open cycle power station will supply peaking power to Victoria in times of high electricity demand.

Origin's pipeline of gas fired power plant developments includes 3,670 MW of options covering expansions at existing sites or the development of new plants. This includes sites at Mortlake in Victoria, Spring Gully and Darling Downs in Queensland, Kerrawary in NSW and Quarantine in South Australia. These options provide flexibility to continue to enhance Origin's electricity supply portfolio.

8.2.3 Renewable energy development opportunities

Wind

Origin is continuing to mature a number of potential wind development projects in Eastern Australia. This portfolio of sites includes up to 587 MW for which Development Applications have been approved, over 300 MW that are in the advanced planning and permitting stage, 1,200 MW in the planning and permitting stage and around 1,300 MW undergoing feasibility studies.

During the year Origin received planning approval from State and Federal authorities for the construction of 157 wind turbines at Stockyard Hill located near Ballarat. The project has a capacity of 300 to 450 MW and an expected capacity factor of 43%. Origin continues to work actively on permitting and community engagement on the Stockyard Hill and other wind farm opportunities. The wind farm design for Stockyard Hill is currently being optimised within the constraints of the planning permit.

Geothermal

Origin is investigating geothermal development options both within Australia and internationally. Contact is also actively pursuing geothermal development opportunities in New Zealand to add to its existing capability.

Within Australia, Origin's primary investment in geothermal exploration and development opportunities is through the "Deeps" and "Shallows" joint ventures with Geodynamics.

Origin has a 30% interest in the Innamincka Deeps Joint Venture with Geodynamics and an equity interest of approximately 6% in the listed company. During the year, Geodynamics completed the hydraulic fracture stimulation program at Jolokia 1 within the deep granite target. The suitability of these fractures for further enhancement for use as an underground heat exchanges is still being assessed.

Origin has a 50% interest in, and operates, the Innamincka Shallows Joint Venture targeting sedimentary rocks above the granite targeted by the Innamincka Deeps Joint Venture. During the year, the Celcius 1 exploration well was drilled to assess the potential of this system. The well results indicated higher temperatures (145 degrees Celsius) than anticipated but reservoir permeability was below target. Results for the well are being evaluated and will help determine the extent of any further program.

Internationally, Origin has targeted opportunities in countries on the Pacific "Ring of Fire" that have high geothermal potential and a growing demand for energy.

In September 2010, Origin and The Tata Power Company Limited of India, in consortium with PT Supraco Indonesia, were awarded the Sorik Marapi geothermal concession in Northern Sumatra, Indonesia. Origin has a 47.5% effective interest in the concession. The concession is estimated to support the development of 200-300 MW of geothermal power generation. If the exploration and appraisal processes are successful and appropriate commercial agreements have been secured, development is expected to begin in late 2012.

In May 2011, Origin acquired a 40 per cent interest in Energia Andina S.A. (EASA), Chile's leading geothermal exploration company. EASA has a portfolio of eight geothermal exploration projects in the northern and central regions of Chile. Chile has significant and growing energy demand from local industrial and power distribution companies and is estimated to contain up to 60 per cent of the total Latin American geothermal resource potential. Origin will work in a collaborative manner with the other joint venture owner of EASA, Antofagasta Minerals S.A., to further develop the geothermal potential of the region.

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 based on Origin's SLIVER technology. Micron is a US listed company and one of the world's leading providers of advanced semiconductor solutions. The commissioning of the first 20 MW production line, which is being developed in Micron's US production facilities, is in progress. Work continues towards an expansion decision to increase production to 50 MW or more expected to occur in financial year 2012.

Hydro

PNG Energy Developments Limited (PNG EDL) is a 50:50 joint venture between Origin Energy and PNG Sustainable Development Program (PNG SDP). PNG EDL is evaluating the hydro-electric potential of the Purari Hydro resource at Wabo, in the Gulf Province of Papua New Guinea. Capturing the power of the existing river flows, the project would have the capacity to generate approximately 1,800 MW of renewable baseload electricity.

PNG EDL, PNG SDP and Origin are in continuing discussions with key stakeholders including the Papua New Guinean, Australian and Queensland governments. These discussions follow the Memorandum of Cooperation signed in September 2010 between the governments of Papua New Guinea and Queensland, PNG EDL and Origin to support the Project.

A comprehensive review of environmental, sociological and engineering aspects is expected to be completed in 2012 with a final investment decision on the project expected to be made in 2013.

PNG EDL will be guided by international environmental and social standards, including those endorsed by the Papua New Guinean and Australian governments, the International Finance Corporation, the World Commission on Dams and the International Hydropower Association.

8.3 Retail

Year ended 30 June	2011 ($m)	2010 ($m)	Change (%)
Total revenue	8,072	6,393	26
Underlying EBITDA	785	568	38
Underlying EBIT	710	503	41

Through the acquisition of the Integral Energy and Country Energy retail businesses on 1 March 2011, Retail increased its customer accounts from 2.9 million to 4.5 million which established Origin as Australia's leading energy retailer. The GenTrader arrangements for the dispatch of power from Eraring and Shoalhaven power stations also added to Origin's controlled generation capacity, providing a significant increase in the flexibility of the electricity supply portfolio servicing the Retail business segment.

Together with an increase in the contribution from new businesses such as solar rooftop installations, the NSW acquisition has helped drive a 26% increase in total revenue, a 38% increase in Underlying EBITDA and a 41% increase in Underlying EBIT. Within this result, the NSW acquisition contributed revenues of $1,269 million, Underlying EBITDA of $183 million and Underlying EBIT of $175 million. Organically, the Retail business increased revenue by $410 million or 6% and Underlying EBITDA by $34 million or 6%. Further details are provided throughout this section.

In addition, the Retail business segment has been implementing a major transformation of its billing systems. A significant milestone in the Retail Transformation Program was achieved in June 2011, with 300,000 South Australian customers transitioned onto the SAP billing platform. Performance has exceeded expectations with call centre average handle times in the new SAP system already consistent with, and in some cases less than, legacy systems. Further migration activities are planned for other States in the coming months.

Performance metrics by commodity and variance from prior year

Year ended 30 June 2011	Electricity	Natural Gas	LPG	Retail Solutions
Revenue ($m)	5,349 *(+27%)*	1,180 *(+13%)*	670 *(+6%)*	445 *(+128%)*
Gross Profit ($m)	929 *(+43%)*	205 *(+10%)*	166 *(+8%)*	64 *(+21%)*
Underlying EBITDA ($m)	710 *(+42%)*		50 *(+0%)*	25 *(+47%)*
Underlying EBIT ($m)	662 *(+43%)*		26 *(+5%)*	22 *(+57%)*
Sales - (TWh)	34 *(+14%)*			
Sales - (PJ)		142 *(+5%)*		
Sales - (ktonnes)			476 *(-3%)*	
Total Sales (PJe)	123 *(+14%)*	142 *(+5%)*	24 *(-3%)*	
Customer accounts ('000)	3,214 (+87%)	923 (+6%)	365 (+5%)	

The Electricity and Natural Gas businesses benefited from four months' contribution from the Integral Energy and Country Energy retail businesses. Origin was also able to benefit from sustained periods of low wholesale energy prices particularly in the first half. Further details are provided in Section 8.3.1.

LPG increased Underlying EBIT by 5% to $26 million, mainly due to higher LPG prices and lower depreciation. Further details are provided in Section 8.3.3.

Origin's Retail Solutions business increased its contribution substantially, with Revenue more than doubling to $445 million and Underlying EBIT increasing 57% to $22 million. Within Retail Solutions, Origin's solar business continues to grow, increasing installations from 6,449 in the prior year to 36,840 in the current year. Further details are provided in Section 8.3.4.

In addition to the revenue reported in the above table, the External Revenue reported in the Retail business segment includes pool revenue from the sale of electricity when Origin's internal generation plant is dispatched, as well as the pass through of revenue received from sales of gas swaps. Overall, there was an increase in this revenue of $118 million or 38% to $427 million. The net result of pool revenues less capacity payments to the Generation segment and fuel costs is included in the cost of goods sold, together with the cost of procuring other electricity supplies from third parties. Further details are provided in Section 8.3.5.

8.3.1 Electricity and Natural Gas performance

Electricity and Natural Gas margins

Year ended 30 June	2011	2011 Excludes acquisition contract liability unwind	2010	Change
Commodity Revenue ($m)	6,529	**6,529**	**5,254**	1,275
Gross Profit ($m)	1,134	**1,041**	**838**	203
Underlying EBITDA ($m)	710	**617**	**501**	116
Underlying EBIT ($m)	662	**569**	**464**	105
Customer numbers ('000)	4,137	**4,137**	**2,589**	1,548
Underlying EBITDA/Sales	10.9%	**9.5%**	**9.5%**	-
Underlying EBIT/Sales	10.1%	**8.7%**	**8.8%**	(0.1%)
$/Customer[15]				
Gross Profit/Customer		**334**	**323**	11
Opex/Customer		**(136)**	**(130)**	(6)
Underlying EBITDA/Customer		**198**	**193**	5

At the date of completion of the NSW acquisition, Origin recognised a fair value liability associated with the mark-to-market of acquired power purchase agreements, hedge contracts and green rights contracts. Subsequently, as these contracts are utilised, Origin receives a benefit from the unwind of the liability ("acquisition contract liability"). This appears as a reduction in the cost of goods sold. In the four months to 30 June 2011, this amounted to a benefit of $93 million.

Excluding the benefit from unwinding the acquisition contract liability, Electricity and Natural Gas margins were broadly in line with Origin's Retail business segment in the prior year. On this basis, Origin's Underlying EBIT to sales margin was 8.7% across its combined businesses, compared with 8.8% in the prior year.

[15] For the per customer metrics, customers acquired through the NSW privatisation process have been apportioned to align with only four months of financial contribution.

Underlying EBITDA per customer increased 3% or $5 to $198 per customer.

Electricity

Electricity gross profit increased 43% or $277 million to $929 million. The NSW acquisition contributed $250 million of the increase, inclusive of the $93 million benefit described above. The pre-acquisition Electricity business grew gross profit by 4% or $27 million.

Mild weather in the summer months and a change in customer mix resulted in an 8% reduction in sales volumes in the pre-acquisition Electricity business. Tariffs increased across all markets, primarily reflecting increased network charges. However, tariffs in NSW and Queensland did not reflect the costs associated with the Small-Scale Renewable Energy Scheme.

Effective management of the wholesale electricity portfolio enabled the Electricity business to benefit from sustained periods of low energy prices, particularly in the first half, while protecting against periods of high price volatility.

Natural Gas

Natural Gas gross profit increased in the year by 10% or $19 million to $205 million. Sales volumes increased 5% or 7 PJ to 142 PJ, driven by higher mass market consumption as a result of colder weather and an increase in customer numbers. Residential tariffs and commercial and industrial prices also increased largely reflecting energy cost increase. The NSW acquisition contributed $2 million to Natural Gas gross profit.

Electricity and Natural Gas customer accounts and churn

Inclusive of the acquired businesses, Origin's net customer accounts for Electricity and Natural Gas increased from 2.589 million to 4.137 million (excluding LPG customers), an increase of 1.548 million customers from the prior year.

At the time of announcing the acquisition of the Integral Energy and Country Energy retail businesses, customer accounts were quoted based on balances at 30 June 2010 of 1.636 million electricity and gas accounts. Churn within the businesses from 30 June 2010 to 28 February 2011 reduced this number by 51 thousand accounts.

On 1 March 2011, Origin therefore added 1.585 million Electricity and Natural Gas customer accounts from the Integral Energy and Country Energy retail businesses. This included 1.4 million accounts in NSW with the balance in Queensland, Victoria and South Australia.

Over the course of the year, Origin won an additional 567 thousand accounts across its Electricity and Natural Gas businesses, up from 482 thousand wins in the prior year. However, increased levels of churn resulted in the loss of 604 thousand accounts or a net loss of 37 thousand customer accounts over the year.

Market churn in NSW has increased from an average of 12% in the eight months prior to 1 March 2011, to 14% in the four months post completion of the NSW privatisation process. It is anticipated that market churn will continue to increase to levels experienced in other competitive markets, such as Victoria and Queensland.

Customer account movement from 30 June 2010 to 30 June 2011 ('000)

Electricity & Natural Gas		
Customer accounts – 30 June 2010		2,589
Integral Energy & Country Energy – 30 June 2010	1,636	
Churn prior to acquisition	(51)	
Net customers acquired		**1,585**
Total wins	567	
Total losses	(604)	
Net customer wins/(losses)		**(37)**
Customer accounts – 30 June 2011		**4,137**

Customer accounts by state at 30 June 2011 ('000)

Electricity & Natural Gas	Electricity	Natural Gas	Total 2011	Total 2010	Change
Victoria	690	466	1,156	1,150	6
South Australia	158	208	366	360	6
Queensland	834	129	963	827	136
NSW	1,532	120	1,652	252	1,400
Customer accounts – 30 June 2011	**3,214**	**923**	**4,137**	**2,589**	**1,548**

Origin's customer account numbers at 30 June 2011 include approximately 503 thousand signed green energy accounts. This comprises approximately 373 thousand GreenPower electricity and 130 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 year has seen significant growth and increased business activity in the Retail business. Origin's cost-to-serve increased substantially with the addition of customers associated with the Integral Energy and Country Energy retail businesses. In addition, Origin continued to invest in people and processes to ensure service levels could be maintained while delivering smooth and successful cut-over of core systems to the SAP billing system. Increased market activity led to higher customer acquisitions and increased call centre activity, while bad debts expense also increased.

At the time of the NSW acquisition, Origin entered into Transition Services Agreements (TSAs) with the NSW distribution network businesses to continue to provide services such as customer billing, collections, debtor management, call centre and other customer services. The services under the TSAs are at a cost which is higher than the incremental cost Origin would have incurred had they been provided internally. Consequently, a provision was raised on acquisition and is being unwound to offset this effect. The unwinding of this provision provided a net benefit of $35 million for the four months, proportionately allocated across Origin's entire Electricity and Natural Gas customer base.

Taking all of the above factors into account, the average cost-to-serve, inclusive of the benefit of the TSAs, increased from $130 per customer to $136 per customer.

8.3.2 Electricity and Natural Gas - NSW acquisition

Year ended 30 June	2011	2011 Excludes acquisition contract liability unwind
Commodity Revenue ($m)	1,121	**1,121**
Gross Profit ($m)	250	**157**
Underlying EBITDA ($m)	183	**90**
Underlying EBIT ($m)	175	**82**
Customer numbers ('000)	1,538	**1,538**
Underlying EBITDA/Sales	16.3%	**8.0%**
Underlying EBIT/Sales	15.6%	**7.3%**
$/Customer[16]		
Gross Profit/Customer	481	**302**
Opex/Customer	(129)	**(129)**
Underlying EBITDA/Customer	352	**173**

Commodity revenue for the four months was $1.1 billion representing 7 TWh of sold volume. Gross Profit was $250 million, which includes the $93 million unwinding of the acquisition contract liability. Underlying EBITDA was $183 million while Underlying EBIT was $175 million. This included a benefit of $6 million from the unwinding of the onerous contract provision relating to the TSAs.

Underlying EBIT margins of 7.3% are in line with expectations. Origin anticipates margins in the coming year to be between 8% and 9%, in line with current performance including the recent tariff determination, which recognises the recovery of costs associated with the Small-Scale Renewable Energy Scheme.

8.3.3 LPG

Sales revenue increased 6% or $36 million to $670 million. This was driven by an increase in volumes and average prices charged to customers as a result of strategic price management and higher international benchmark LPG prices. Despite higher prices, retail volumes increased 12 ktonnes predominantly in the Australian residential sector. The reduced demand for NZ wholesale supply volumes due to Kupe coming on line has contributed to the overall 3% decrease in volumes from 492 ktonnes to 476 ktonnes.

Higher international benchmark LPG prices resulted in Origin's average unit product cost increasing by 8% when compared to the prior year.

As a result gross profit for the LPG business increased by $13 million to $166 million.

Operating costs increased $12 million due to investment in people capability across Australia and Asia Pacific and the impact of natural disasters which resulted in higher logistics costs necessary to maintain customer supply during this difficult period.

Consequently, LPG increased Underlying EBIT by 5% to $26 million.

[16] For the per customer metrics, customers acquired through the NSW privatisation process have been apportioned to align with only 4 months of financial contribution, being approximately 520,000 customer accounts.

LPG customer accounts increased by approximately 16,000 during the year, which includes 5,000 won following the acquisition of Country Energy and Integral Energy. As of 30 June 2011 LPG customer accounts totalled approximately 365,000.

8.3.4 Retail Solutions

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 photovoltaic rooftop systems, solar hot water, serviced bulk hot water systems, heat pumps and tri-generation systems for application in the commercial and industrial sector.

Revenue for the non-commodity businesses grew by 128% or $250 million to $445 million. The business generated Underlying EBITDA of $25 million, an increase of 47% on the prior year. Underlying EBIT grew to $22 million, an increase of 57%.

Origin's solar business was the key contributor to this growth in revenue and earnings, with 36,840 installations in the year. Since 2009, Origin has installed approximately 47,000 systems, with total installed capacity of more than 70 MW. Despite regulatory uncertainty surrounding the industry, the increasingly competitive cost of solar compared to grid power will ensure strong ongoing contribution from this business.

Remaining at the forefront of market and industry trends, Origin is trialling several of the first electric vehicles to arrive in Australia, and in November 2010 sold its first electric vehicle ChargePoint™ to Google. Origin was also successful at delivering tri-generation solutions to the University of NSW and a commercial property in Victoria, and continues to assess opportunities in the market.

8.3.5 Pool and Other Revenue

The External Revenue reported in the Retail business segment includes pool revenue from the sale of electricity when Origin's internal generation plant is dispatched, as well as the pass through of revenue received from sales of gas swaps.

This year the Retail business segment earned pool revenue of $354 million from the sale of 8.6 TWh of electricity. This is a 59% increase in revenue compared with the prior year. The introduction of baseload power from Darling Downs and Eraring was the key contributor to the 7.4 TWh increase in electricity sold. Revenue generated from Darling Downs and Eraring was at an average rate of $31/MWh. The peaking portfolio generated 0.8 TWh of electricity at an average rate of $139/MWh compared with 1.2 TWh at an average rate of $179/MWh in the prior year.

Pass through of revenue received from the sales of gas swaps to other retailers decreased by $14 million or 16% to $73 million.

8.3.6 Retail Transformation Program

Origin continues to transform all aspects of its Retail business. This will result in simplified operating processes and a single integrated SAP billing and customer management system. The infrastructure will enable improved data quality, improved customer insights and better use of technology to engage with customers. This will enable Origin to deliver innovative energy solutions that the changing energy market will require while optimising its cost-to-serve.

The first release of the SAP billing system into operation occurred for 300,000 South Australian customers in June 2011. The migration went as planned, with data integrity and financial reconciliations exceeding expectations. Call centre average handle times in the new SAP system are already consistent with, and in some cases less than, legacy systems.

A strong platform has been built for further releases across the customer base and planning is well advanced for migration of Victorian and Queensland customers through the remainder of this calendar year. Acquired NSW customers will be migrated in subsequent years in line with Transition Agreements.

Plans are underway for implementation of commercial and industrial (C&I) customers, as well as for an ongoing upgrade program.

8.4 Contact

Financial Performance

Year ended 30 June	2011 ($m)	2010 ($m)	Change (%)
Total revenue	1,708	1,717	(1)
Underlying EBITDA	345	346	0
Underlying EBIT	214	214	-

Operational Performance

Year ended 30 June	2011	2010	Change (%)
Electricity Generated (GWh)	9,843	9,691	2
Customer Electricity Sales (GWh)	8,254	7,674[17]	8
Gas Sales (retail and wholesale) (PJ)	9.9	13.9	(29)
LPG Sales (Tonnes)	65,201	70,327	(7)
Electricity Customers	447,000	477,000	(6)
Gas Customers	60,000	64,000	(6)
LPG Customers (including franchisees)	59,000	58,000	2
Total Customers	566,000	599,000	(6)

Origin owns a 52.6% 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 Financial Statements.

A financial report entitled "Management discussion of financial results for the year ended 30 June 2011" was issued by Contact to the New Zealand Stock Exchange (NZX) on 22 August 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 year.

In consolidating Contact's results, Origin has used an average exchange rate for the period of NZ$1.30 to the Australian Dollar, compared with NZ$1.26 to the Australian Dollar for the prior year. Movements in Contact's Revenue, Underlying EBITDA and Underlying EBIT between the reporting periods were all positive, however, the strengthening of the Australian Dollar against the New Zealand Dollar has resulted in flat or negative movements in Australian Dollar terms. The commentary below relates to Contact's performance in New Zealand Dollar terms.

Contact's Underlying EBITDA increased NZ$14 million (3%) in a continued low wholesale price environment and high hydrology. This was primarily due to an increased contribution by the Electricity business segment which was partially offset by a lower contribution from the Other (retail gas, wholesale gas, LPG and meters) business segment.

- The Electricity business segment Underlying EBITDA was NZ$23 million (6%) higher than the prior period. Increased retail revenue, due to an 8% increase in sales volumes and a 4% increase in sales price, was partially offset by increased network and gas costs and the introduction of carbon taxes through New Zealand's Emissions Trading Scheme. Increased flexibility due to the commissioning of Ahuroa Gas Storage and Stratford peaker power station and a lower contracted minimum gas take or pay level helped to

[17] *FY2010 Customer Electricity Sales are restated to conform with Contact's current classification.*

increase Electricity earnings in the second half of financial year 2012 by 8% on the second half of financial year 2010.

- The Underlying EBITDA contribution from the Other business segment partially offset the Electricity business segment, primarily due to decreased sales and the introduction of carbon taxes.

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

Underlying EBITDA reported in Origin's accounts in Australian Dollars has decreased by $1 million to $345 million, while Underlying EBIT is in line with the prior year at $214 million.

H Kevin McCann
Chairman

Sydney, 23 August 2011

9. Origin Energy Key Financials

Year ended 30 June	2011 ($m)	2010 ($m)	Change (%)
Total external revenue	10,344	8,534	21
Underlying EBITDA	1,782	1,346	32
Underlying depreciation and amortisation	(539)	(408)	32
Underlying share of interest, tax, depreciation and amortisation of equity accounted investees	(49)	(42)	17
Underlying EBIT	1,194	896	33
Underlying net financing income/(costs)	(143)	(13)	1,000
Underlying Profit before income tax	1,051	883	19
Income tax expense on Underlying Profit	(316)	(232)	36
Underlying net profit after tax before elimination of Non-controlling Interests	735	651	13
Non-controlling Interests share of Underlying Profit	(62)	(66)	(6)
Underlying Profit	673	585	15
Items excluded from Underlying Profit	(487)	27	(1,904)
Statutory Profit	186	612	(70)
Free cash flow	1,316	800	65
Group OCAT Ratio (year to 30 June)[18]	13.0%	10.9%	19
Productive capital (year to 30 June)[19]	11,571	8,423	37
Capital expenditure (including acquisitions)	4,954	3,027[20]	64
Total assets	26,640	21,834	22
Adjusted total assets[21]	25,569	21,194	21
Net debt/(cash)[22]	4,060	2,663	52
Adjusted net debt/(cash)[21]	4,283	2,835	51
Shareholders' equity	13,516	11,438	18
Adjusted shareholders' equity[21]	13,639	11,552	18
Earnings per share - Statutory	19.6¢	67.7¢[23]	(71)
Earnings per share – Underlying	71.0¢	64.8¢[22]	10
Free cash flow per share	123.6¢	90.8¢	36
Interim dividend per share	25¢	25¢	-
Final dividend per share	25¢	25¢	-
Total dividend per share	50¢	50¢	-
Net asset backing per share	$12.70	$12.99	(2)
Adjusted net asset backing per share[21]	$12.81	$13.12	(2)
Net debt to net debt plus equity	23.1%	18.9%	22
Adjusted net debt to net debt plus equity[21]	23.9%	19.7%	21
Origin Cash (excluding Contact)	692	823	(16)
Origin Debt (excluding Contact)	(3,949)	(2,443)	62
Contact Net Debt	(802)	(1,042)	(23)
Total employees (numbers)	5,213	4,392	19
Total Recordable Injury Frequency Rate (TRIFR)	6.0	5.6	7

[18] Group OCAT Ratio = (OCAT – interest tax shield)/Productive Capital.
[19] Productive Capital is 12 months average funds employed excluding capital work in progress and including 50% of APLNG
[20] FY2010 capital expenditure is restated to conform with the current year's classification.
[21] Adjusted to exclude the impact of financial instruments.
[22] The reported numbers for net debt include interest bearing debt obligations only.
[23] Restated for the bonus element of the rights issue completed in April 2011.

10. Appendix 1 – Reconciliation of Statutory to Underlying Profit

Reconciliation year ended 30 June 2011	Before Tax Impact ($m)	Tax ($m)	Non-controlling Interests ($m)	After Tax & Non-controlling Interests Impact ($m)	NPAT ($m)
Statutory Profit					**186**
Impairment of assets	(214)	54	-	(160)	
Increase/(decrease) in fair value of financial instruments	(201)	60	1	(140)	
Unwinding of discounted loan payable to APLNG	(12)	4	-	(8)	
Share of unwinding of discounted receivables within APLNG	20	-	-	20	
Transition and transaction costs	(253)	18	-	(235)	
Change in New Zealand corporate income tax legislation	-	2	(1)	1	
Tax expense on translation of foreign denominated tax balances	-	31	-	31	
Share of tax expense on translation of foreign denominated tax balances within APLNG (equity accounted)	4	-	-	4	
Less total excluded items	**(656)**	**169**	**-**	**(487)**	
Underlying Profit					**673**
Underlying Basic EPS (cps)					**71.0**

A number of items are excluded from the Underlying Profit for the year to 30 June 2011. Together these items provided an after-tax and Non-controlling Interests cost of $487 million in the year to 30 June 2011. 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.

Impairment of assets (expense of $160 million)
As advised at 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. A further impairment loss of $6 million after tax was recognised at 30 June 2011.

Decrease in fair value of financial instruments (expense of $140 million)
During the period an decrease in the fair value of financial instruments, primarily relating to the change in fair value of financial instruments not qualifying for hedge accounting resulted in an expense of $140 million.

Unwinding of discounted loan payable to APLNG (expense $8 million)
A non cash expense of $8 million being the unwinding of the discounted loan payable to APLNG was recorded for the year. The amount reflects the nominal interest benefit required to be attributed to the payables reflective of the unwinding of the original present value discount over the relevant period of the payables.

Share of unwinding of discounted receivables within APLNG (benefit of $20 million)
A non cash benefit of $20 million being Origin's share of the unwinding of the discounted receivables within APLNG was recorded for the 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 (expense of $235 million)
Origin recorded a $235 million expense for the year in relation to transition and transaction costs associated with corporate acquisitions and integration activities. The expense was driven by costs associated with the acquisition of the Integral Energy and Country Energy retail businesses from the NSW government.

Change in New Zealand corporate income tax legislation ($1 million benefit)
As a result of the change in the New Zealand corporate tax legislation from 30% to 28% effective from the year ending 30 June 2012, Origin has recognised a benefit of $1 million.

Tax expense on translation of foreign denominated tax balances (benefit of $31 million)
During the period a benefit of $31 million was recognised for the foreign currency translation to US Dollars of the long-term tax assets 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 within APLNG (benefit of $4 million)
During the period, a benefit of $4 million was recognised for the share of the foreign currency translation to US Dollars of the long-term tax assets within Australia Pacific LNG associated with its downstream activities.

As a result of these factors, items excluded from Underlying Profit for the year provided an expense of $656 million before tax and an expense of $487 million after tax and Non-controlling Interests. This compares with a $7 million expense before tax and a $27 million benefit after tax and Non-controlling Interests in the prior year as detailed below.

Please refer to the "Management Discussion and Analysis" report for the year ended 30 June 2010 for more details.

Reconciliation year ended 30 June 2010	Before Tax Impact ($m)	Tax ($m)	Non-controlling Interests ($m)	After Tax & Non-controlling Interests Impact ($m)	NPAT ($m)
Statutory Profit					**612**
Impairment of assets	(33)	10	-	(23)	
Increase (decrease) in fair value of financial instruments	15	(4)	(1)	10	
Gain on dilution of Origin's interest in subsidiaries	38	(11)	-	27	
Unwinding of discounted loan payable to APLNG	(111)	33	-	(78)	
Share of unwinding of discounted receivables within APLNG	117	-	-	117	
Transition and transaction costs	(29)	8	1	(20)	
New Plymouth asbestos removal/ related costs	(4)	1	1	(2)	
Change in New Zealand corporate income tax legislation	-	8	(3)	5	
Tax expense on translation of foreign denominated tax balances	-	(9)	-	(9)	
Less total excluded items	**(7)**	**36**	**(2)**	**27**	
Underlying Profit					**585**
Underlying Basic EPS (cps)					**64.8**[24]

[24] FY2010 Underlying EPS of 66.6 cps restated as 64.8 cps reduced by the bonus element of the rights issue completed in April 2011.

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

Summary of movements in financial instruments

Balance Sheet	Net Assets ($m)		Change in Net Assets ($m)
	June 2011	June 2010	
Commodity Risk Management	(74)	115	(189)
Contact	(60)	(23)	(37)
Treasury and Other	(161)	(165)	4
Total	**(295)**	**(73)**	**(222)**

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		**(21)**
Recognised in Equity (Hedge Reserve post tax)	*(20)*	
Recognised in Deferred Tax Liability	*(1)*	
Recognition of "ineffective" instruments in the Income Statement		**(201)**
Change in net assets (as above)		**(222)**

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 year ended 30 June 2011 was $222 million of which an amount of $21 million qualified for hedge accounting and is recognised in Equity (Hedge Reserve). The balance of $201 million is recognised as an expense in the Income Statement and is attributable to:

- Commodity risk management instruments (expense of $214 million) – predominantly electricity caps and the decrease in market prices of carbon instruments during the period. Of the total of $214 million, $1 million is attributable to Contact and $213 million is attributable to Origin (excluding Contact);

- Foreign exchange and interest rate risk management instruments (benefit of $13 million) - predominantly due to the appreciation of the Australian and New Zealand Dollars against the US Dollar and Euro during the period partially offset by lower forward interest rates in New Zealand. Of the total benefit of $13 million, a $4 million expense is attributable to Contact and a $17 million benefit is attributable to Origin (excluding Contact).

The expense in the Income Statement of $201 million this year compares with a benefit of $15 million in the prior year, which was predominantly attributable to commodity risk management instruments.

12. Appendix 3 - Investment in Australia Pacific LNG

The following table is included in the notes to the statutory accounts and is extended to provide a reconciliation to Australia Pacific LNG's Statutory Profit.

Financial Performance	**Total APLNG ($m)**	**Origin's 50% interest ($m)**	**Total APLNG ($m)**	**Origin's 50% interest ($m)**
	June 2011		**June 2010**	
Operating revenue	336		250	
Operating expenses	(210)		(159)	
Underlying EBITDA	**126**	**63**	**91**	**45**
Depreciation and amortisation expense	(77)		(47)	
Net financing costs	(4)		(2)	
Underlying operating profit before income tax	**45**		**42**	
Income tax expense	(3)		(15)	
Underlying operating profit after tax	**42**	**21**	**27**	**14**

Operating Performance	**Total APLNG (PJe)**	**Origin's 50% interest (PJe)**	**Total APLNG (PJe)**	**Origin's 50% Interest (PJe)**
	June 2011		**June 2010**	
Production Volumes	97	48	71	36
Sales Volume	109	54	77	39

The Australia Pacific LNG joint venture increased its production by 36% or 25.6 PJe, from 71.0 PJe to 96.6 PJe. This was primarily due to commencement of commercial operations of new fields and the commencement of supply to the Rio Tinto Alumina contract and ramp up of supply to Darling Downs Power Station.

Revenue increased by 34% or $86 million, from $250 million to $336 million reflecting increased production.

Operating expenses increased 32% or $51 million, from $159 million to $210 million reflecting increased activity in ramping up operation for delivery to domestic contracts.

Depreciation and amortisation expenses increased by 64% or $30 million from $47 million to $77 million due to additional assets becoming operational during the period and an increase in production in the current year.

Income tax expense decreased as a result of higher expenditure on items qualifying for tax concessions compared to the prior year.

Underlying profit after tax increased by 56% or $15 million from $27 million to $42 million.