Half Yearly Report to Shareholders

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

origin energy

Dear Shareholders,

On 28 February we announced an Underlying Profit for the half year ended 31 December 2007 of $200 million, a decline of 3% on the Underlying Profit in the prior corresponding period.

The first half performance was achieved in an environment of historically high wholesale costs for the procurement of electricity, natural gas and LPG for our Retail operations. The second half is expected to see a return to historical margins as the result of tariff adjustments and moderation of these high energy procurement costs. In addition we expect a higher contribution from our Exploration and Production business as the Otway Gas Project comes on line and coal seam gas production continues to grow.

Statutory Profit was $335 million, an increase of 44% on the prior half year, and Statutory earnings per share were 38.3 cents, an increase of 32%.

The Statutory Profit contains a number of significant items including profit from the sale of businesses and assets, changes in the fair value of financial instruments and one-off costs associated with both Contact Energy's retirement of the New Plymouth Power Station and Origin Energy's acquisition of Sun Retail. These items have been adjusted for in the Underlying Profit. Accordingly we consider that the reported Underlying Profit is a more appropriate measure of Origin Energy's financial performance for the period.

The sale of the Networks business was settled in two tranches in late June and early July 2007. It made no contribution to the operational performance of the business in the six months to 31 December 2007.

We are pleased to report our total recordable incident frequency rate (TRIFR) improved by 53% from 22.8 at 31 December 2006 to 10.6 at 31 December 2007. Since 30 June 2007, our TRIFR has decreased from 12.3 to 10.6. The continued improvement on our safety record is a high priority across our business.

In December 2007, we were awarded the 2007 Sustainable Company of the Year by Ethical Investor Magazine, recognising our broad leadership and achievements in sustainability, workplace and community programs and our commitment in providing easy and affordable green options to our customers.

Dividend

The company's Directors have declared an interim dividend of 12 cents per share fully franked, an increase of 20% on the prior corresponding period. This will be payable on 4 April 2008 to shareholders on record on 11 March 2008.

Outlook

Based on current market conditions we expect a strong performance in the second half and believe we should deliver an increase in Underlying Profit for the current financial year of at least 15%.

Significant capital expenditure programs will continue to be undertaken in our Exploration and Production and Generation businesses. This is in addition to continuing to invest in the development of low emission technologies, such as geothermal and wind projects in both Australia and New Zealand and continuing investments in the commercialisation of SLIVER® solar photovoltaic technology.

Recent additions to our debt facilities, together with strong cash flow, see us well placed to continue to access funds for the company's ongoing development and growth.

Kevin McCann G King

Kevin McCann
Chairman

Grant King
Managing Director

Half year in brief

- Sales revenue and other income up 33% to $3,828 million.
- EBITDAF up 3% to $608 million.*
- Underlying Profit down 3% to $200 million.
- Underlying earnings per share 22.9 cents, down 11% on expanded capital base.
- Operating cash flow after tax (OCAT) up 5% to $385 million.
- Interim dividend declared of 12 cents per share fully franked, an increase of 20%.

* EBITDAF is compared with the prior year on the basis of continuing businesses

Cover: Ensco 107 drilling rig over the Kupe offshore platform in New Zealand.

Operations Review

Exploration and Production

Record production, sales volumes and revenue were achieved for the December half year. Growth in production from our coal seam gas (CSG) and BassGas assets more than offset the anticipated decline in our more mature production assets, particularly the Cooper and Perth basins. Our equity share of CSG production reached a milestone of 100TJ/d in mid-December 2007, reinforcing our position as Australia's largest CSG producer.

EBITDAF of $133 million was 5% lower than last half year, largely due to an increase in exploration expenses of $9 million.

Looking ahead annual production will continue to grow as we address existing contracts and commence ramping up for new contractual commitments in 2010.

The Otway Gas Project has commenced commissioning and the Kupe Gas Project remains on track for commissioning in mid-2009. We also acquired Woodside's interest in exploration permits covering the Halladale and Blackwatch gas fields in the offshore Otway Basin in Victoria and we are in the process of completing the acquisition of a range of production and exploration assets from Swift Energy in New Zealand.

Generation

Operating performance of the Generation business was consistent with the prior corresponding period.

The only significant change in the business between the current and prior corresponding period was the termination of the Mt Stuart Power Purchase Agreement. As a result, contracts with Enertrade, a third party, have been replaced by an internal contract with our Retail business. The non-recurrence of a capacity payment of $18 million under that contract means that EBITDAF decreased by 38% from $46 million to $28 million.

Origin Energy is pursuing a significant portfolio of growth opportunities in the Generation business in Australia. We are currently committed to the development of over 870MW of gas capable generation including the Darling Downs Power Station (630MW) and expansion of the Mt Stuart and Quarantine power stations by 126MW and 120MW respectively. We are also seeking tenders for the construction of a 500MW power station at Mortlake in Victoria.

Our commitment to renewable energy generation has continued with additional interests acquired in geothermal projects and the commitment to construct our first wind farm at Cullerin Range in New South Wales with a capacity of 30MW. We are also continuing to pursue the commercial development of our SLIVER® solar photovoltaic cells.

Retail

During the six months to December 2007 the Retail business successfully progressed integration of the Sun Retail acquisition, increased its customer numbers by over 21,000 accounts across electricity, natural gas and LPG, and maintained a 33% market share of accredited GreenPower accounts.

Sales volumes and revenues for Retail were a record for the first half, following the acquisition of Sun Retail in February 2007. EBITDAF grew by 21% to $201 million with significant increases in the wholesale cost of energy purchases across the whole of the Retail business partially offsetting the uplift in contribution from Sun Retail.

Our customer numbers increased by more than 21,000 accounts across the business, notwithstanding the introduction of full retail contestability in the Queensland electricity market and a related increase in customer churn.

We remain the market leader in green energy with over 361,000 signed green gas and electricity customers, a 33% total market share.

In November 2007, our GreenPower products once again achieved the highest ranking in Green Electricity Watch (a representative group of environmental NGOs, and led by the Australian Conservation Foundation). This is the fourth time that a selection of our products has been recognised as market leading by the Green Electricity Watch.

Contact Energy

Contact Energy contributed $246 million to EBITDAF, 4% higher than the $238 million recorded for the prior corresponding period.

The main factors contributing to this result were:

- An increase in electricity generation.
- An increase in total electricity revenue, driven by 3% increases in both volume and price of retail sales.
- Higher operating revenue and costs increased as a result of the addition of the Rockgas LPG business purchased from Origin Energy, partially offset by higher costs.
- A 20% increase in the average per unit cost of natural gas.

Contact Energy is also pursuing a number of exciting generation opportunities to complement its existing diversified portfolio of thermal, geothermal and hydro generation. This includes additional geothermal projects (up to 500MW), wind developments (up to 550MW), gas-fired power generation (up to 700MW) and hydro (17MW).

Financial highlights

Six months to 31 December	2007 ($m)	2006 ($m)	Change %
Sales revenue and other income	**3,828**	2,874	33
EBITDAF[1]	**608**	590	3
EBIT	**634**	482	31
Statutory Profit	**335**	233	44
Statutory EPS	**38.3 cps**	29.0 cps	32
Underlying Profit	**200**	207	(3)
Underlying EPS	**22.9 cps**	25.7 cps	(11)
Capital Expenditure[2]	**714**	320	123
Free cash flow	**259**	267	(3)
Adjusted net debt to (debt + equity)[3]	**38%**	36%	
OCAT Ratio[4] – calendar year	**11.8%**	12.2%	

(1) EBITDAF represents earnings before interest, tax, depreciation/amortisation, significant items and the impact of changes in fair value of financial instruments from continuing operations.

(2) Including acquisitions.

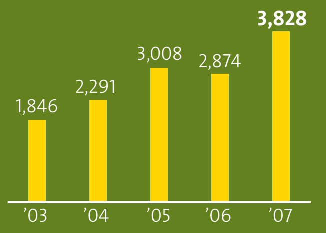
EBITDAF

Six months to 31 December	2007 ($m)	2006 ($m)	Change %
Exploration & Production	**133**	140	(5)
Generation	**28**	46	(38)
Retail	**201**	166	21
Contact Energy	**246**	238	4
EBITDAF	**608**	590	3
Networks (discontinued)	**–**	16	–

(3) Adjusted to exclude impact of derivative financial instruments.

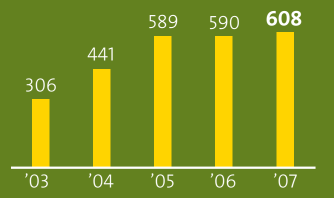
(4) OCAT Ratio = (OCAT – interest tax shield)/funds employed excluding capital work in progress.

Performance and growth



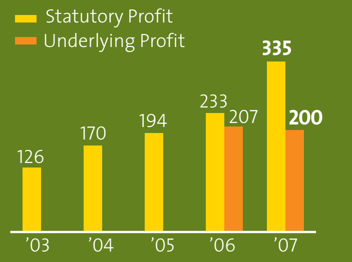
Sales revenue and other income ($m)

$3,828 million, up 33%



EBITDAF ($m)

$608 million, up 3%

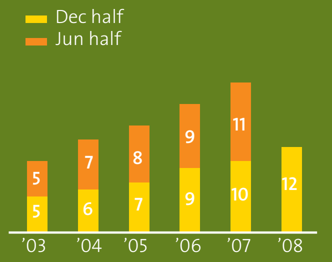


Statutory Profit ($m)

$335 million, up 44%

Underlying Profit ($m)

$200 million, down 3%



Interim dividends

12 cents per share, up 20%

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