17 February 2004

Directors' Report for the six months ended 31 December 2003

In accordance with the Corporations Act, the Directors of Origin Energy Limited (the Company) submit their report together with the consolidated financial report on the consolidated entity, being the Company and its controlled entities, for the half year ended 31 December 2003.

Except where otherwise stated, all figures in this report relate to Origin's businesses for the six months ended 31 December 2003 compared with the six months ended 31 December 2002.

Financial Review

Profit and Dividend Declaration

Origin Energy reported a profit after tax and outside equity interests (PAT) of $125.6 million for the six months ended 31 December 2003, a 40% increase on the prior corresponding period. Earnings per share increased by 39% to 19.2 cents per share primarily due to higher contributions from energy retailing, oil production and power generation.

An interim fully franked dividend of six cents per share will be paid on 18 March 2004 to shareholders of record on 26 February 2004. Origin shares will trade ex-dividend as from 19 February 2004.

The Dividend Reinvestment Plan will continue to apply for this dividend. A discount of 2.5% will apply to the shares allotted under the Plan.

Financial Highlights

Half year ended 31 December	**2003 ($m)**	**2002 ($m)**	**Change %**
Revenue	1,845.8	1,669.9	11
EBITDA	306.5	255.9	20
Net profit after tax	125.6	89.6	40
Free cash flow	230.0	191.0	20
Capital expenditure	241.2	381.8	(37)
Basic earnings per share	19.2 cents	13.8 cents	39
Net debt/capitalisation	28%	29%	
OCAT/funds employed (calendar year)	16.1%	16.5%	

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The main operating factors contributing to the result include:

- Significantly increased oil production in the onshore Perth Basin;
- The acquisition of the minority interests of Oil Company of Australia (OCA) reducing outside equity interests;
- Higher sales from the Retail gas business boosted by cooler weather in the key markets of South Australia and Victoria; and
- An additional capacity payment received in respect of the Mt Stuart Power Station, adding $7 million to pre-tax profit.

The last two factors above cannot be expected to repeat in the second half. The first half contribution to full year results is therefore likely to be higher than would be expected based on normal seasonal trends.

A number of one-off items are also included in the result, the net impact of which adds $1 million to net profit after tax. On an after tax basis benefits arose due to:

- A net tax benefit of $4.1 million, arising largely as a consequence of the ATO decision in relation to the Victorian gas business ; and
- A benefit of $9.3 million, being Origin's 50% share of the reduced deferred tax liability of Osborne Cogeneration Pty Limited (an associated entity) upon its entry into the new tax consolidation regime.

These were largely offset by the net effect of:

- A provision for write-down of the Cooper Basin by $16.2 million; and
- The reversal of a provision of $3.8 million for the write-down of the Surat Basin assets.

The following events occurred after the half year end which will have a material effect on the company's operations in the current or future financial years:

- Moomba incident – A fire at the Moomba Gas Plant on 1 January 2004 will disrupt production in the six months ending 30 June 2004. The plant is operated by Santos and Origin has a 13.2% interest. The estimated impact on profit for the current year is a reduction of $6 million to $7 million after tax.
- SEA Gas – Origin contributed $55.6 million in equity to the SEA Gas pipeline project on 2 January 2004.
- Kupe acquisition – On 13 February 2004 Origin acquired a 50% interest in the Kupe gas field in the offshore Taranaki Basin in New Zealand from Genesis Power. The cash consideration for the purchase was NZ$33 million.

Group Financial Performance

Total revenue increased 11% to $1,846 million from $1,670 million in the prior corresponding period.

External sales revenue increased to $1,829 million from $1,658 million in the prior half year. This increase was primarily due to higher oil, gas and electricity sales over the half year.

EBITDA increased 20% to $306.5 million from $255.9 million, of which segment contributions were:

	EBITDA		
Half year ended 31 December	**2003 $m**	**2002 $m**	**% change**
Exploration & Production	102.9	90.2	14
Retail	146.7	129.5	13
Generation	43.7	23.9	83
Networks	13.2	12.3	7
Total	306.5	255.9	20

Depreciation and amortisation expense increased by 9% to $100.6 million largely due to increased investment in plant and equipment and increased amortisation of intangible items.

EBIT showed strong growth with a 26% improvement to $205.9 million.

Net interest expense for the half year was $24.0 million, down from $24.8 million in the prior period. The effective interest rate has declined as a number of unfavourable interest rate hedging contracts expired during the period.

Taxation

Tax expense for the half year was $54.8 million, an increase of 16.1% over the prior year reflecting higher taxable income partly offset by a lower effective rate of 30% compared with 34% in the prior period. The lower effective rate is primarily due to the $4.1 million net impact of several factors largely relating to the Victorian gas business tax losses.

In November, the ATO advised that it would not take any further action in relation to the tax losses transferred to Origin in respect of the Victorian gas business. The amount of unutilised losses available at 30 June 2003 in relation to this matter was $78.5 million and this benefit has been brought to account. As a separate matter the new tax consolidation regime raises doubts over rights to future tax losses associated with this business. As a consequence Origin has taken the prudent course of writing off this asset ($24.8 million).

Now that the Victorian gas business tax losses have become available, the utilisation of other tax losses will be deferred. As a consequence of this deferral and a detailed review of the Group's carried forward tax losses, certain losses no longer satisfy the accounting test of "virtual certainty". Future income tax benefits of $49.7 million have therefore been derecognised.

Funding and Capital Management

The company's balance sheet remains strong with a net debt to capitalisation ratio of 28% as at 31 December 2003. This compares with 29% as at 30 June 2003. A total of $17.2 million in equity was raised through the Dividend Reinvestment Plan during the half. Strong cash flow over the half year has meant that net borrowings increased by only $12 million to $744 million despite the company spending over $240 million on capital projects and acquisitions as outlined below. Interest cover remains robust at 8.6 times EBIT.

In December 2003 Standard and Poor's issued a credit rating upgrade from BBB+ to A-.

Capital Expenditure

Capital expenditure on growth and stay-in-business projects was $158 million.

Stay-in-business capital expenditure associated with the maintenance of ongoing operations was $40 million, $4 million lower than in the prior period.

Growth capital expenditure was $118 million, $49 million higher than in the prior period. This included expenditure in the following areas:

- Coal seam gas (CSG) assets in Queensland ($22.4 million);
- Perth Basin oil and gas assets in Western Australia ($11.6 million);
- The BassGas Project ($56.9 million); and
- The offshore Otway Basin including the Thylacine and Geographe fields ($8.2 million).

Capital expenditure on acquisitions totalled $84 million, which mostly related to the acquisition of the minority interests in OCA ($73.8 million).

Total capital expenditure including acquisitions was $241.2 million, 37% lower than the prior year.

Cash Flow

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

The annualised OCAT Ratio for the 2003 calendar year was 16.1% compared to 16.5% for calendar year 2002. The operating cash flow after tax has grown from $216 million to $254 million for the half year due to strong EBITDA performance, strict management of working capital and control of stay-in-business capital expenditure. Continued acquisitions and capital expenditure on growth projects has increased average funds employed by $320 million to $2.6 billion.

Cash flow available for funding growth and distributions to shareholders (free cash flow) was $230 million compared with $191 million in the prior period.

Risk Management

Origin manages its risk exposure in energy markets through a combination of natural physical hedges in the business, contracts and financial hedges. Risk exposure is assessed and managed against policy limits for each commodity or relevant variable which have been established by management and approved by the Board. Regular reporting is provided to the Board to review exposures and compliance with these limits.

Consistent with this policy framework Origin hedges a significant portion of its exposure to electricity, oil and LPG prices and the USD exchange rate.

In the electricity market Origin assesses its policy limits against extreme events. Within the policy limits determined as acceptable by the Board, Origin has arrangements in place to cover extreme price and demand events as well as average forecast demand for the near term.

Origin has hedged approximately 45% of its oil and condensate forecast exposure for the 12 months to 31 December 2004 at prices above US$25 per barrel. With regard to foreign exchange, Origin is significantly hedged over the next 12 months due to a combination of external hedging and ongoing US dollar expenditure associated with major upstream projects, and expects that variability in the USD exchange rate will have minimal impact on group profitability.

Returns to Shareholders

An interim fully franked dividend of six cents per share has been declared payable on 18 March 2004 to shareholders of record on 26 February 2004. The Dividend Reinvestment Plan (DRP) will apply to the current dividend with a discount of 2.5% on the volume weighted average price over the five days prior to the books close.

Recent legislative changes allow Origin to elect to pay sufficient tax to fully frank its dividends, notwithstanding the availability of substantial carried forward tax losses. The cost of funding tax prepayments is more than outweighed by the benefits of franking to shareholders. Based on current tax legislation Origin intends to fully frank its future dividends.

Given the company's new policy on dividend franking and its strong operating cash flows, the 2.5% discount on the DRP will no longer apply. Origin's policy is to pay annual dividends at a target level of around 40% of full year profit.

Employee Share and Option Plans

The company issued 3,910,000 options under the Senior Executive Option Plan at an exercise price of $4.31 each. The exercise price was equal to the volume weighted average price in the five days prior to the Annual General Meeting on 16 October 2003.

Under the Employee Share Plan up to $1,000 of shares are granted to all eligible employees as long as the company achieves its financial and safety targets. In 2003 all full-time qualifying employees were each granted 219 shares, which were acquired on-market for $1.8 million.

Issued Capital

An additional 4,889,797 shares were issued during the period. Of these 4,184,447 shares were issued as a result of the company's Dividend Reinvestment Plan and 705,350 shares were issued as a result of the exercise of options.

As at 31 December 2003, Origin had 662,599,548 shares on issue.

Segment Results

Exploration and Production

Six months ended	Dec 03 $m	Dec 02 $m	% Change
EBITDA	102.9	90.2	14
EBIT	56.3	47.1	19

Sales Volumes

	Dec 03	Dec 02	% Change
Natural gas (PJ)	36.6	38.7	(5)
Crude oil (kbbls)	849.6	334.9	154
Condensate/naphtha (kbbls)	364.1	343.1	6
LPG (ktonnes)	38.2	33.1	15
Ethane (ktonnes)	23.9	21.1	13
Total (PJe)	46.7	45.3	3

External sales revenues for the Exploration and Production division increased by 12% to $162.3 million largely as a result of increasing oil production from the onshore Perth Basin. Total sales were 46.7 PJe which was 3% higher than 2002.

Crude oil sales increased by 154% to 850 kbbls as a result of increased production from the onshore Perth Basin. The average oil price received after hedging of price and foreign exchange exposure was $41.26 per barrel compared with $48.03 per barrel in 2002.

Sales of natural gas of 36.6 PJ were 5% lower than in the prior corresponding period.

Higher sales volumes, partly offset by lower oil prices and higher costs, saw a higher EBITDA of $102.9 million compared with $90.2 million in 2002. EBIT was $56.3 million compared to $47.1 million in 2002 after higher depreciation and amortisation of $46.6 million, 8% higher than the $43.1 million for the same period last year.

Capital Expenditure

Capital expenditure for the six-month period was $129 million, up $42 million on 2002 as a result of construction on the BassGas Project and the Otway Gas and Spring Gully (Durham) CSG Projects moving into the early development phase.

Drilling and Reserves

Origin participated in 95 wells including 45 CSG wells and 35 wells in the Cooper Basin. 73 of these wells have been cased and suspended as potential producers.

Preliminary technical data received from Santos Limited, operator of the South Australia Cooper Basin field, has indicated a reduction in proved and probable (2P) reserves. Origin's share of the reduction is 38 PJe.

Origin's overall 2P reserves however increased by 368 PJe during the half as a result of reserve additions in the Spring Gully field 450 PJe net of the reserves write down in the Cooper Basin (-38 PJe) and production for the half (-44 PJe).

The acquisition of a 50% interest in the Kupe field in New Zealand during February will add approximately 170 PJe to total 2P reserves.

Perth Basin (Western Australia)

Production rate of oil from the Eremia, Jingemia and Hovea fields in the Perth Basin reached 8,400 BOPD by the end of the half year. Appraisal and development of the Hovea and Eremia fields continued. Water injection on the Hovea field has increased production rates and a second Eremia well was brought on stream in late January 2004 at a constrained rate pending completion of water handling facilities. Extended production testing on the Jingemia field has commenced lifting the production rate to 1,950 BOPD at half year end. A Production Licence has been applied for over the Jingemia field.

Coal Seam Gas (CSG) (Queensland)

Origin consolidated its position as Australia's largest producer of CSG with the signing of a 15 year contract to supply CSG to Queensland Alumina Limited (QAL). Under the contract Origin will supply around 12 PJ of gas per annum from 1 November 2006 from its central Queensland CSG fields.

In the Spring Gully CSG Project, the development plan has been finalised and engineering studies for Front End Engineering Design (FEED) have been completed. Petroleum Leases 195 and 204 over the central Durham area have been granted together with relevant environmental licences which allow construction work to commence.

A five well pilot development is currently producing at around 1.5 million standard cubic feet per day (MMscfd) with gas rates continuing to increase. An initial eleven well development drilling program commenced in November 2003 and is scheduled for completion in late February 2004. These wells are the first of 48 wells scheduled for drilling through to May 2005.

A field review of the Spring Gully-Fairview area in the September quarter resulted in a reserves increase of approximately 450 PJ of gas (Origin share). A decision made by the Queensland Government will prohibit drilling under National Parks. This decision will prevent a portion of the gas resource in the Fairview field from being accessed but does not affect the Spring Gully project. Compensation is being sought by the Fairview Joint Venture for this decision.

Two wells drilled on the Fairview field have produced at high rates (6.25 MMscfd and 4.2 MMscfd) indicating existence of a gas cap.   Production testing of the Mungi field has continued with production now at around 1.75 MMscfd.

Surat Basin (Queensland)

In the Myall Creek area two of three wells successfully tested gas with a fourth well yet to test the primary target. The Myall Creek 6 and Myall Creek 7 wells recorded strong gas flows confirming the existence of a large stratigraphic trap in the region.

The reserves implications as a result of these wells are being assessed and it is expected that 2P reserves being accessed by the current Myall Creek wells will exceed the current 2P reserves of 40 billion cubic feet (BCF). In 2000 a provision was made against these producing assets reflecting the increasing decline in reserves. The recent exploration success means this provision is no longer required and consequently $5.4 million (after tax $3.8 million) has been written back.

BassGas (Victoria/Tasmania)

The BassGas Project, operated by Origin, is on schedule to deliver gas from the Yolla field to Victorian gas markets in the September quarter 2004. Construction of the platform in Batam, Indonesia was completed in January and it is scheduled to be on location and commissioned by mid-year.

The drilling of the horizontal conduit for the shoreline crossing and the laying of the 147km subsea pipeline have been completed. The construction of the onshore pipeline is in progress and is due to be completed by April 2004. The construction of the onshore processing plant at Lang Lang is on schedule.

The BassGas Project, in which Origin has a 37.5% interest, will provide 20 PJ of gas and more than one million barrels of liquids per annum.

Otway Basin (Victoria/Tasmania)

The operator, Woodside Petroleum, has progressed development with a view to the final investment decision being made in the June quarter 2004.

FEED has been completed and tenders have been received for key development infrastructure. A Field Development Plan and Production licence applications have been submitted to the relevant authority. Environmental and production licence approvals are expected in the first quarter 2004.

The project is designed to provide 60 PJ of gas per annum from mid-2006. Origin has a 29.75% interest in the project.

Taranaki Basin (New Zealand)

On 13 February 2004 Origin completed an agreement with Genesis Power to acquire a 50% interest in the Kupe Gas field for a cash consideration of NZ$33 million. Under the agreement Origin will contract its share of sales gas from the field to Genesis.

Origin will assume operatorship of the field, and will immediately commence final development planning, including obtaining government and environment approvals.

The Kupe field contains gross 2P reserves of approximately 340 PJe of sales gas , LPG and condensate, with additional reserves potential within the licence area. The final development is expected to be on line by mid 2007, and will likely produce around 20 PJ of sales gas and approximately 1.5 million barrels of liquid hydrocarbons per annum.

Cooper Basin (Queensland/South Australia)

On 1 January 2004 there was a release of gas and subsequent fire at the Moomba Gas Plant operated by Santos Limited in which Origin has a 13.19% interest. The plant has now been restored to normal production levels for summer. Full sales gas production capacity of about 650 TJ/day is targeted for the second half of April 2004.

Origin's share of reserves in the South Australian Cooper Basin were reduced by 38 PJe following the preliminary technical reserves data from the operator Santos.

The Cooper Basin producers, including Origin, signed short-medium term contracts for the supply of gas to Pasminco and BHPB Cannington.

Greenfields Exploration

Origin is maintaining a vigorous exploration program which, if successful, will establish new oil or gas fairways or extend existing areas.

In the offshore Otway Basin Origin was awarded the T/34P exploration permit and completed a major 3D seismic survey in the Vic/P37(V) permit during the half year.

In the Bass Basin planning has continued for the drilling of the Trefoil prospect which lies between the existing gas discoveries at Yolla and White Ibis. The jack-up rig to be used to drill the Yolla development wells will also be used to drill this exploration target.

In the Perth Basin, Origin, in various joint ventures, has planned four onshore exploration wells and one offshore well which is likely to be drilled in the June 2004 quarter.

In the Surat Basin gas exploration wells are planned during the coming half at Horseshoe 3, Palmerston 1 (farmin well) and Weribone 2. A 3D survey is currently in progress in the Myall Creek area of the Surat Basin covering the recent Myall Creek 6 and 7 wells along with the likely extent of this recently defined stratigraphic trap.

The momentum to expand CSG areas has also seen the drilling of 15 exploration CSG wells with ten in the Comet Ridge area north from the Fairview and Spring

Gully fields, four to extend the Dawson Valley producing area northwards and one in the Walloons CSG area.

In the offshore Taranaki Basin in New Zealand, Origin has been granted Petroleum Exploration Permit PEP38485 jointly with OMV New Zealand and Todd Petroleum Mining Company.

Retail

Six months ended	Dec 03 $m	Dec 02 $m	% Change
EBITDA	146.7	129.5	13
EBIT	107.1	90.3	19

Sales Volumes

	Natural Gas	Electricity	LPG
Revenue ($m)	467	839	194
Gross Margin ($m)	89	134	62
Sales - (PJ)	62	-	-
Sales - (TWh)	-	8.1	-
Sales - (ktonnes)	-	-	246
Total Sales (PJe)	62	29	12
Customer # ('000)	980	850	200+

Revenue from the Retail division increased 9% to $1,544 million mostly from a 13% increase in electricity revenues associated with higher volumes and higher prices. Natural gas revenues increased due to the cessation of the Gascor Agency Agreement with the Victorian Government and higher sales to mass market customers, while LPG revenue was lower due to lower volumes and the pass through of lower wholesale Contract Prices (CP).

Operating costs increased at a lower rate than revenue increases resulting in improved EBITDA margins and EBIT margins.

During the half year Origin reviewed its system for reporting customer numbers and standardised the definition of customer numbers across its legacy business units. This led to a reduction in the reported number of gas customers at 30 June 2003 by approximately 19,000 (from 986,000 to 967,000). From this base Origin increased its gas customer numbers by over 13,000 to 980,000 and maintained its electricity customers at 850,000. The churn rate for Origin customers in Victorian electricity of 10.5% is slightly above the industry rate of 10%. In Victorian gas, Origin's churn rate of 10.4% remains below the industry rate of 11%.

Origin continued to retain and acquire customers through established sales channels including telemarketing, door-to-door sales, Origin Energy Shops and new home builders.

In December the Victorian Government announced that it had reached agreement with energy retailers on prices that will apply to retail gas and electricity mass market sales from January 2004. This agreement established a price path for standard and deemed electricity and gas retail contracts in Victoria to the end of 2007, providing greater certainty for revenue over this period.

In February 2004 Origin launched a joint energy/memberships promotion with the AFL. Victorian and South Australian football fans that change to Origin as their energy retailer will be offered $50 off their 2004 and 2005 AFL club memberships in the first high-profile affinity marketing program between an energy retailer and a major sporting body.

Electricity

Sales volumes were up 5%, reflecting a full six months of contributions from customers acquired through the CitiPower electricity retail business and an increase in wholesale electricity customers. Electricity revenue of $839 million was up 13% compared to the December half last year reflecting higher volumes and higher prices.

The gross margin for electricity sales of $134 million was lower than last year. This reflects an increase in purchasing costs associated with the timing of instalments for caps purchased as part of the CitiPower acquisition, replacing positions previously covered by favourable hedges acquired through the Powercor hedge book with new hedges at market rates. The impact on profit of the additional cost of replacing the Powercor hedges has been mitigated by a reduction in the amortisation of the acquisition cost of the Powercor hedge book. In addition, lower power prices resulted in lower dispatch of Quarantine and Roma Power Stations.

The integration of the CitiPower business into the existing Retail Division was largely completed with the changeover of customers to the Origin billing system in August. Continuing integration costs have been incurred from this acquisition but are expected to reduce in the six months ending 30 June 2004.

At the wholesale level the industry has undergone a degree of consolidation with the withdrawal of several competitors. This has benefited Origin with successful customer acquisition and resulting higher electricity wholesale revenue.

The GreenEarth product range enabling customers to buy electricity from renewable sources has been well received providing an expanding customer base across its existing market areas as well as into New South Wales and South Australia. The product has provided strong competitor differentiation and has attracted over 35,000 customers and continues to grow.

Origin has commenced expanding its electricity retail business into South Australia where full retail contestability commenced on 1 January 2003. An additional 17,000 electricity customers have been won in South Australia since then. Offers have been made to residential customers and small businesses leveraging off the existing natural gas customer base.

Natural Gas

Natural gas sales to mass market customers benefited from colder than average weather in late winter and early spring. The measure of effective degree days, which provides an indication of heating requirements, was above the 10-year average for the first time in several years and underpinned higher sales in this segment. However volume gains at the mass market level were offset by a reduction in sales to the commercial and industrial sectors due to the loss of a number of high volume customers due to either business closure or loss to competitors. Overall gas volumes were down 8% to 62 PJ.

Despite this volume reduction revenues increased compared to the prior corresponding period due to higher sales in the high-tariff mass market segment and the termination of the Gascor Agency Agreement with the Victorian Government from 1 October 2002.

Customer acquisition channels have continued to be established through the Origin Energy Shops and the service and installation business Origin Energy '24 Direct' in Victoria and South Australia. This has been enhanced with negotiation of installation deals with several major builders in Victoria.

LPG

The LPG business continued to perform strongly. While overall sales volumes of 246 kilotonnes were 4% down from the prior corresponding period, price management and tight cost control helped realise a significant increase in profit contribution to the group.

The industry wide decline in auto gas consumption and changing industry dynamics with new retailer entry into the automotive fuel segment has impacted autogas volumes. Sales in Australia were also affected by lower demand in drought affected rural areas. This was partially offset by the addition of sales from the Treston Gas business in Shepparton, Victoria.

The international cost of supply of LPG was favourably impacted by a 17% reduction in the benchmark price for propane, the Contract Price (CP), to an average of $415 per tonne.

As a result of lower volumes and lower prices total revenues of $194 million were 9% or $19.3 million lower than the prior corresponding period.

Despite the reduction in volumes and revenues, margins improved at all levels in the business, due to a focussed approach to price management and tight control on costs.

In the May 2003 Federal budget the Government announced the gradual introduction of an excise on LPG transportation fuels from 2008. As a result of intense industry advocacy, this proposed fiscal regime was revised and the introduction deferred one year. The implications for the auto gas market are being reviewed. While this is a high volume segment for Origin, the profit contribution is relatively small.

Generation

Six months ended	Dec 03 $m	Dec 02 $m	% Change
EBITDA	43.7	23.9*	83
EBIT	30.3	14.8*	104

* restated on the basis of tolling agreement between Generation and Retail Divisions

Sales Volumes

	Dec 03	Dec 02	% Change
Total Sales (MWh)	917,495	1,011,452	(9)

The Generation division recorded an increase in external revenue of 93% to $44.8 million due to inclusion of six months revenues from Mt Stuart Power Station (half month only in December 2002). EBITDA increased by 83% to $43.7 million.

Since the December 2002 acquisition of the 288 MW Mt Stuart Power Station, total installed capacity has remained unchanged during the past year at 883 MW while the business consolidated its expanded generation portfolio.

Contract Plant

Power and steam from Origin's contracted plant is sold under long-term purchase agreements.

Mt Stuart maintained high availability. Changes in dispatch levels resulted in an additional capacity payment being received under the Enertrade Power Purchase Agreement. This resulted in a $7 million improvement on prior half year net profit.

At Osborne in South Australia, entry into the new tax consolidation regime resulted in a one-off tax adjustment reflecting a reduced deferred tax liability. Origin's 50% share of this adjustment is $9.3 million and is included on an equity accounted basis in EBITDA for the six months ended 31 December 2003.

The Osborne, Worsley and BP Bulwer Island Cogeneration Plants continued to operate at high levels of availability, providing reliable steam and electricity supply to their customers.

Construction of the Toowoomba and Baillie Henderson energy centres for Queensland Health was completed. Construction project management fees and operating revenues are included in the December 2003 half year result.

Merchant Plant

Origin owns and operates a portfolio of gas-fired merchant plants selling electricity directly into the National Electricity Market, with plant dispatch directed by Origin's Retail division, who receive all market-based revenues from plant operation. Generation receives availability based capacity revenue from Origin's Retail business under an internal tolling agreement.

Quarantine Power Station achieved 94% availability, despite two weeks' downtime on two turbines for warranty rectification work. The remaining two units will be similarly rectified in April 2004.

A 40 MW generation unit at Ladbroke Grove Power Station failed in mid November. The cause of the failure is under investigation and the unit is expected to return to service in April 2004 after repairs estimated to cost around $2 million, are completed. The cost of repairs has been provided for in the half year.

The Roma Power Station maintained high availability, although relatively low Queensland power prices resulted in minimal dispatch.

Generation stay-in-business capital expenditure for the current half year was $4.6 million compared to the December 2002 half year of $4.3 million. Major projects for both periods included gas turbine hot section replacements and maintenance at Ladbroke Grove and Roma.

Renewable Energy

Significant progress was achieved on the construction of Origin's solar photovoltaic manufacturing plant which will commercialise the innovative Sliver® cell technology. Construction of the $20 million demonstration plant at Regency Park in South Australia, is on schedule and well advanced. Commercial production of Sliver® modules is scheduled to commence in early 2005.

Origin acquired a 19% interest in Geodynamics Limited. Geodynamics explores for and seeks to develop hot dry rock geothermal resources in the Cooper Basin. Under a Power Purchase Agreement Origin will have the right to purchase 50% of the power generated by Geodynamics projects including renewable energy credits and environmental credits at a discount to prevailing market price.

Networks

Six months ended	Dec 03 $m	Dec 02 $m	% Change
EBITDA	13.2	12.3	7
EBIT	12.1	11.4	6

The Networks division EBITDA of $13.2 million was 7% higher than the prior corresponding period.

Winter in Victoria and South Australia was significantly colder than in 2002 and this drove most of the increase via increased network management fees from Envestra.

A further increase in EBITDA was achieved through management fees and an equity income share from the Coliban Water joint venture with United Utilities.

Energy Asset Management Services

Natural gas connections increased by 1.3% to 917,000 largely due to the continued strength of the domestic housing market. About 150 km of new mains were laid and around 60 km of existing mains replaced.

Full Retail Contestability will be introduced for South Australian natural gas customers in mid 2004, allowing consumers to change retailers. New information systems and processes are being developed to ensure cost efficient metering and billing of consumers in the new competitive environment.

Water Asset Management Services

In a joint venture with United Utilities, Origin won a contract for the management of the water network and treatment assets of Coliban Water in regional Victoria. The 10-year contract commenced on 1 July 2003 and will generate more than $120 million in revenue over the contract term.

In the first six months of operation the joint venture has successfully transitioned operations from the previous operator. The ongoing running of the network and treatment assets is in line with expectations, and all key performance indicators required of the joint venture were met and in many cases exceeded.

SEA Gas Pipeline

Construction of the SEA Gas pipeline was completed on time and on budget on 1 January 2004.

The SEA Gas Pipeline links Origin's new gas production interests in Victoria (Yolla and Thylacine/Geographe) to Origin's retail gas markets and growing generation assets in South Australia.

The SEA Gas Pipeline provides a critical second major pipeline into South Australia which until now has been solely reliant on gas from the Cooper Basin via the Moomba to Adelaide Pipeline. The completion of the SEA Gas Pipeline coincided with a fire at the Moomba Gas Plant which substantially reduced gas supplies to South Australia. SEA Gas was able to supply critical gas into South Australia, and is expected to continue to provide a significant amount of the State's gas until the end of February 2004 when temporary alternate processing facilities at Moomba are expected to come on line.

Financially, Origin contributed equity of $55.6 million to the SEA Gas Project on 2 January 2004.

People, Health, Safety & Environment (HSE)

Employee numbers increased since June 2003 by 58 to 2,915 mostly due to staffing requirements for the CSG and BassGas Projects. During the half year there was no time lost to industrial disputes.

The lost time injury frequency rate decreased from 2.9 at 30 June 2003 to 2.1 at 31 December 2003. The total reportable case frequency rate, which includes medical treatment injuries as well as lost time injuries fell from 25.7 to 24.0.

During the half year there were no significant environmental incidents and no breaches of significant environmental regulations that relate to the company's operations.

Outlook

The performance of the company over the first half was enhanced by increased contributions from all business segments. For seasonal reasons Origin expects that first half earnings would normally comprise 55-60% of full year earnings. Cooler than normal weather in the first half and the additional capacity payment from Mt Stuart Power Station are unlikely to occur in the second half. In addition the impact of the disruption to production at the Moomba Gas Plant will reduce earnings in the second half. For these reasons Origin expects first half earnings to comprise 60-65% of full year earnings and expects full year earnings per share to be around 20% higher than last year.

Looking further ahead the Company continues to develop a number of major projects, which will make significant contributions in future years. These include:

- The BassGas Project, which is entering the final stages of construction, will start to deliver gas to the Victorian market in the September quarter 2004;

- The offshore Otway Project which is expected to commence development in the June quarter 2004 and to deliver gas into the South Australian and Victorian markets from early 2006;

- Coal seam gas contracts with AGL for the supply of gas over 15 years from May 2005 and QAL over 15 years from November 2006 will drive development of the Company's CSG reserves in Queensland; and

- Kupe – Origin acquired a 50% interest in the Kupe Gas Field in New Zealand which is expected to produce around 20 PJ of gas and 1.5 million barrels of hydrocarbons from mid 2007.

On the basis of these projects the Company expects to be able to maintain annual growth in earnings per share of 10-15% in the medium term.

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

Directors

There were no changes to the Board of Directors during the period.

The names of the Directors holding office during the half year ended 31 December 2003 and up until the date of this report are as follows:

H Kevin McCann	Chairman
Grant A King	Managing Director
Bruce G Beeren	Executive Director, Commercial
Helen M Nugent	Director
Trevor Bourne	Director
Colin B Carter	Director
J Roland Williams	Director

Rounding

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Financial Report and Directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:

Mr H Kevin McCann
Chairman

Sydney, 17 February 2004