Origin Energy Results for six months ended 31 December 2007
Management Discussion and Analysis

Contents

Report for the six months ended 31 December 2007
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All figures in this report relate to businesses of the Origin Energy Limited Group ("Origin" or "the Company") for the six months ended 31 December 2007 compared with the six months ended 31 December 2006 (the "prior half year"), except where otherwise stated. All reference to $ is a reference to Australian dollars unless specifically marked otherwise. 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.

1. Profit and Dividend Declaration

1.1 Statutory Profit – $335 million, up 44%

Origin reported a net profit after tax and minority interests ("Statutory Profit") of $335 million for the six months ended 31 December 2007, an increase of 44% compared with $233 million reported in the prior half year.

1.2 Earnings per share – 38.3 cents per share, up 32%

Basic earnings per share (EPS) calculated from Statutory Profit increased 32% to 38.3 cents per share (cps) from 29.0 cps in the prior half year, on an expanded weighted average capital base of 874 million shares, up 8% from 805 million in the prior half year.

1.3 Interim Dividend – 12 cps fully franked, up 20%

An interim fully franked dividend of 12 cps will be paid on 4 April 2008 to shareholders of record on 11 March 2008. This compares with 10 cents in the prior half year, an increase of 20%. Origin shares will trade ex-dividend from 5 March 2008. The Dividend Reinvestment Plan will apply to the current dividend without discount.

This represents a dividend payout ratio of 31% of Statutory EPS, and a dividend payout ratio of 52% based on Underlying EPS.

1.4 Underlying Profit - $200 million, down 3%

The Statutory Profit for Origin contains the impact of a number of significant items as outlined in the table below. This includes the following impacts on profit (after tax and minority interests):

- positive impacts from:
  - the sale of the Networks business ($147 million);
  - the sale of geothermal assets in New Zealand ($9 million); and

- reductions to profit from:
  - the net impact of fair value adjustments of financial instruments ($9 million in total);
  - charges on retirement of the New Plymouth Power Station in New Zealand ($9 million); and
  - one-off costs associated with the purchase of Sun Retail ($4 million).

These significant items provide an overall benefit of $134 million after tax and the elimination of minority interests.

The profit after tax and minority interests and before significant items ("Underlying Profit") for Origin for the half year ended 31 December 2007 was therefore $200 million.

Origin's Statutory Profit for the six months to 31 December 2006 also contained a number of one-off significant items, including positive impacts from:

- changes in the fair value of financial instruments ($12 million); and
- a payment received on termination of the Mt Stuart power purchase agreement (PPA) with Enertrade ($14 million).

When these positive adjustments, which total $26 million after tax, are subtracted from the Statutory Profit of $233 million the Underlying Profit for the six months to 31 December 2006 is $207 million.

Origin's Underlying Profit therefore decreased 3% half year to half year from $207 million to $200 million, as indicated in the table below:

Reconciliation of Statutory and Underlying Profit

	Dec 2007		Dec 2006		Change (%)
	Impact After Tax & OEI	NPAT	Impact After Tax & OEI	NPAT	
Statutory Profit ($millions)		**334.7**		**233.2**	**44**
Significant items					
Asset Sales					
- Networks	147.3				
- Mokai geothermal assets	9.3				
Changes in FV of financial instruments					
- Commodity instruments	(9.8)		9.7		
- Financing instruments	0.6		2.7		
Retirement of New Plymouth Power Station	(9.2)				
Sun Retail one-off costs	(3.7)				
Termination of Mt Stuart PPA			13.7		
Total significant items	**134.4**	**(134.4)**	**26.1**	**(26.1)**	
Underlying Profit		**200.3**		**207.1**	**(3)**
Statutory EPS (cents per share)		*38.3*		*29.0*	**32**
Underlying EPS (cents per share)		*22.9*		*25.7*	(11)

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

1.5 Underlying EPS – 22.9 cps, down 11%

Basic EPS calculated on the Underlying Profit decreased by 11% from 25.7 cps to 22.9 cps on an expanded capital base of 874 million shares.

1.6 EBITDAF - $608 million, up 3%

To provide a clearer understanding of its operational performance Origin adopted the measure EBITDAF in June 2007. EBITDAF reports earnings before interest, tax, depreciation, amortisation, significant items and the impact of fair value changes to financial instruments (EBITDAF).

To best compare the operational performance of the business with the prior half year all comparisons of EBITDAF will reference continuing businesses only. The prior half year therefore excludes the contribution from the Networks business, the sale of which was settled in two tranches on 29 June and 2 July 2007.

EBITDAF for the half year to 31 December 2007 was $608 million, a 3% increase compared with the EBITDAF from continuing businesses of $590 million last half year.

The main factors impacting EBITDAF were higher exploration expenses in the Exploration and Production segment, the transition of the Mt Stuart Power Station from an externally contracted to an internally contracted plant, and the acquisition of Sun Retail - the contribution of which was partially offset by significant increases in the wholesale cost of energy purchases across Origin's entire Retail business.

Further details are available in Section 3.3 and Section 10.

2. Outlook

Conditions in wholesale electricity and gas markets were challenging in the first half of the financial year. Based on performance for the first two months of the second half and the continuation of current market conditions the Company expects a stronger second half due to:

- an expected decrease in the wholesale cost of electricity as already observed in the National Electricity Market (NEM) in the first two months of the second half;
- a return to more traditional levels of volatility in the NEM as already observed since October 2007, providing returns on Origin's electricity cap instruments;
- tariff increases for electricity and gas awarded in the Victorian market from 1 January 2008;
- the commencement of contribution to earnings from the Otway Gas Project in March 2008;
- further increases in CSG production servicing existing contracts in Queensland; and
- an increased contribution from Contact Energy due to higher wholesale electricity prices in New Zealand.

For these reasons Origin believes that it should deliver an increase in underlying net profit after tax for the current financial year of at least 15%.

Origin is continuing to undertake significant capital expenditure programs in its Exploration and Production and Generation businesses. The offshore phase of the Kupe Gas Project has progressed to schedule and while recent heavy rains in Queensland are delaying some aspects of construction associated with CSG and power station developments in that State, this is not expected to materially impact completion schedules. The completion of the Otway Gas Project, together with these growth projects, will progressively add to the cash flow and earnings of the Company over the next few years.

The Company continues to secure a number of options for the development of low emission technologies. This has included investments in geothermal and wind projects in both Australia and New Zealand and continuing investments in the commercialisation of its SLIVER® solar photovoltaic technology.

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

3. Financial Review of Performance

3.1 Financial Review Summary

Half year ended 31 December	2007 ($m)	2006 ($m)	Change (%)
Total external revenue	3,817	2,865	33
EBITDAF	608	590	3
EBIT	634	482	31
Net profit after tax before elimination of minority interests	384	286	34
Minority interests	(49)	(53)	6
Statutory Profit	335	233	44
Significant items	(134)	(26)	n/a
Underlying Profit	200	207	(3)
Basic earnings per share on Statutory Profit (cents)	38.3	29.0	32
Basic earnings per share on Underlying Profit (cents)	22.9	25.7	(11)
Free cash flow[1]	259	267	(3)
Capital expenditure	714	320	123
OCAT Ratio[2] - 12 months to 31 December	11.8%	12.2%	n/a
Adjusted [net debt/(debt + equity)][3]	38%	36%	n/a

3.2 Revenue - $3,817 million, up 33%

Total external revenue increased by $952 million or 33% to $3,817 million.

This primarily reflected higher revenues from the Retail segment after the acquisition of Sun Retail, higher revenues from Contact Energy and record revenues from the Exploration and Production segment.

Higher revenues in the Retail business were partially offset by an $879 million increase in the cost of goods sold, reflecting increased volumes of energy purchased following the acquisition of Sun Retail and record high average prices in the NEM in response to drought conditions across eastern Australia.

3.3 EBITDAF - $608 million, up 3%

For the half year to 31 December 2007 EBITDAF was $608 million, a 3% increase from the prior half year EBITDAF of $590 million.

The segment contributions to this result are presented in the following table:

1 Free cash flow is defined here as cash available to fund distributions to shareholders and growth capital. It includes deductions for stay-in-business capital, interest and tax.

2 OCAT Ratio = (OCAT – interest tax shield) / funds employed excluding capital work in progress for calendar year 2007 and 2006 respectively.

3 Excludes the impact of mark-to-market impacts on net debt and on equity (see Section 7.1).

Earnings before interest, tax, depreciation, amortisation, significant items and change in fair value of financial instruments - EBITDAF

Half year ended 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
Networks	-	16	n/a
Adjustment for discontinued business	-	(16)	n/a
EBITDAF	608	590	3

To best compare operation performance across the two half year periods EBITDAF is reported here on the basis of continuing businesses. This requires the elimination of the contribution from the Networks business in the half year to 31 December 2006 which made no contribution to Origin's EBITDAF in the half year to 31 December 2007. When the Networks business was sold some associated assets from the Generation and Retail businesses were included in the sale, resulting in minor adjustments to the EBITDAF for these businesses, compared with the information reported at this time last year. Significant Items are not included in EBITDAF.

Exploration & Production EBITDAF decreased 5% from $140 million to $133 million, approximately in line with an increase in exploration expenses of $9 million under the successful efforts policy from $7 million in the prior half year to $16 million this half year.

Growth in contribution from Origin's CSG and BassGas assets more than offset the expected decline in Origin's more mature production assets, particularly the Cooper and Perth basins. Further details are available in Section 10.1.

Generation EBITDAF decreased $18 million or 38% from $46 million to $28 million. Operating performance of the business was steady and the reduction in EBITDAF reflects the transition of the Mt Stuart power station from being externally contracted with Enertrade under a PPA to being contracted internally to Origin's Retail division. Under the Enertrade PPA a Compensation for Shortage of Energy Requested (CSER) payment of $17.5 million was received in the prior half year to offset lower electricity sales and was in addition to capacity payments. However, consistent with the treatment of Origin's other internally contracted plant in the current half year Mt Stuart receives only a standard capacity payment from the Retail segment to cover its cost of capital. Revenues and costs resulting from its operation accrue to the Retail segment. Generation earnings have therefore reduced by approximately the value of the CSER payment of $17.5 million. Further details are available in Section 10.2.

In **Retail,** EBITDAF grew by $34 million or 21% from $166 million to $201 million. This was primarily due to a six month contribution from Sun Retail, which was in line with expectations under prevailing market conditions. Drought conditions across eastern Australia resulted in a significant increase in energy purchasing costs across Origin's entire gas and electricity retailing business during the half year, resulting in lower contributions from Origin's existing business and partially offsetting the positive impact from Sun Retail.

Despite having to manage an increased number of churning customers the Company reduced its average cost to serve for its gas and electricity business from around $61 to $53 per account for the half year and increased its combined natural gas and electricity customer account numbers by 4,000. This included an increase in dual fuel accounts of approximately 48,000 and an increase in customers signed to green products of 93,000 to over 361,000 accounts. Further details are available in Section 10.3.

Contact Energy contributed $246 million to EBITDAF, 4% higher than the $238 million recorded at this time last half year. This was primarily due to a six month contribution from the Rockgas LPG business and increased contribution from both the energy retailing and power generation businesses. Further details are available in Section 10.4.

The sale of Origin's **Networks** business was settled in two tranches on 29 June 2007 and 2 July 2007. It is reported as a discontinued business within this result. Further details are available in Section 10.5.

3.4 EBIT - $634 million, up 31%

A number of items are recorded between EBITDAF and EBIT, as identified in the table below:

Half year ended 31 December	2007 ($m, before tax)	2006 ($m, before tax)
Changes in the fair value of commodity financial instruments	(14)	14
Gain on sale of significant businesses and assets	243	-
Retirement of New Plymouth Power Station	(27)	-
Depreciation and amortisation expense	(171)	(157)
Other Significant Items		
- Sun Retail one-off costs	(5)	-
- Termination of Mt Stuart PPA	-	20
Total	26	(124)

Together these items provided a benefit of $26 million in the half year to 31 December 2007, compared with a net expense of $124 million in the prior half year. Consequently EBIT has increased 31% from $482 million to $634 million.

Changes in the fair value of commodity financial instruments (expense of $14 million)

An expense of $14 million is included in the Profit and Loss associated with the value of valid commodity hedging instruments which do not qualify for hedge accounting. This compares with a benefit of $14 million last half year. Further explanation of the accounting treatment of these instruments is included in Section 6.

Gain on sale of significant businesses and assets (benefit of $243 million)

During 2007 Origin concluded an agreement to sell its Networks business to APA Group for $556 million. Settlement of the transaction took place in two tranches. Settlement for the sale of the SEA Gas Pipeline portion of this business was effected on 29 June 2007 and was included in the accounts for the financial year ended 30 June 2007. The sale of this asset for $133 million resulted in a pre-tax profit on sale of $114 million at that time. The settlement of the balance of the business for $423 million took place on 2 July 2007, and resulted in a pre-tax profit of $225 million which is brought to account in this half year.

In addition, Contact Energy disposed of interests in geothermal assets at Mokai in New Zealand for $18 million, bringing the total gain for the sale of significant businesses and assets to $243 million before tax and minority interests.

There was no similar benefit in the prior half year.

Retirement of New Plymouth Power Station (expense of $27 million)

A charge of $27 million has been made to the Profit and Loss for retirement of the New Plymouth power station in New Zealand. Asbestos cladding was discovered in a previously unreported location in the power station and following assessment of potential remediation costs it was determined to close the power station.

There was no similar charge in the prior half year.

Depreciation and amortisation expense (expense of $171 million)

Depreciation and amortisation expense increased by 9% to $171 million compared with $157 million in the prior half year. This primarily reflects a full six months of production from the BassGas development, the ramping up of production from the Spring Gully Project, and higher depreciation charges from Contact Energy.

Other Significant Items

In the six months to 31 December 2007 expenses of $5 million were incurred specifically in relation to the integration of the Sun Retail business and have been recognised as a significant item excluded from EBITDAF. This is further to an expense of $14 million recognised as a significant item in the accounts for the year ended 30 June 2007.

In the six months to 31 December 2006 a one-off contract termination payment of $20 million was received following termination of the Mt Stuart PPA with Enertrade.

3.5 Interest - $104 million, up 9%

Net financing costs for the half year were $104 million, up 9% from $96 million in the prior corresponding period. This was due to the increase in debt required to partially fund the acquisition of Sun Retail; higher interest expense as development projects – which previously had interest capitalised during construction – move into production; and higher average interest rates.

3.6 Tax - $146 million, up 35%

Tax expense for the half year was $146 million, 35% higher than the $108 million in the six months to 31 December 2006. Prima facie tax was higher reflecting the higher pre-tax profits. Approximately 53% of this tax expense is associated with the sale of the Networks business. The effective tax rate was 27.5%, in line with the effective tax rate in the prior corresponding period.

3.7 Underlying Profit - $200 million, 3% lower than prior half year

As outlined in Section 1.4 the Statutory Profit contains a number of significant items totalling $134 million. Removing these items provides an Underlying Profit of $200 million, 3% lower than the Underlying Profit of $207 million last half year.

4. Cash flow

The operating cash flow after tax was 5% higher than the prior half year at $385 million compared to $369 million. Improvements in working capital ($28 million) and lower stay-in-business capital expenditure ($9 million) were partially offset by an increase in prepayments for Renewable Energy Certificates (RECS) and hedging instruments.

Cash flow available for funding growth and distributions to shareholders (free cash flow) was $259 million compared with $267 million in the prior half year due to higher interest paid.

Average funds employed excluding capital on projects currently in development increased by 20% from 5,395 million to 6,473 million primarily as the result of the acquisition of Sun Retail.

As a result of the increase in cash flows and a larger increase in funds employed Origin's OCAT Ratio[4] for the calendar year 2007 decreased to 11.8%, from 12.2% in the prior year.

[4] Origin uses the measure of 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 calendar year and exclude capital on development projects.

5. Capital expenditure and divestments

Capital expenditure on growth and stay-in-business projects was $708 million.

Stay-in-business capital expenditure associated with the maintenance of ongoing operations was $70 million of which $33 million was attributable to Contact Energy, $19 million related to Retail (customer systems and LPG), $14 million related to Exploration and Production (predominantly the Cooper Basin) and $4 million related to Generation.

Growth capital expenditure was $638 million, 185% higher than in the prior corresponding period. This included expenditure on significant projects in the following areas:

- Generation Projects ($144 million in total) – including the Darling Downs power plant ($110 million), expansion of the Quarantine power station ($24 million), solar developments ($9 million) and planning for other power projects;
- The Kupe Gas Project ($122 million);
- CSG assets in Queensland ($120 million);
- Geodynamics Joint Venture - commitment of expenditure to prove geothermal technology and reserves ($96 million);
- Contact Energy – predominantly geothermal drilling ($56 million);
- The offshore Otway Basin including the Thylacine and Geographe fields ($28 million);
- Customer systems associated with the acquisition of Sun Retail ($22 million); and
- Growth capital in the Cooper Basin ($18 million).

Capital expenditure on acquisitions totalled $6 million. This predominantly comprised the acquisition of options to develop a number of wind development sites from Epuron ($4.5 million).

Total capital expenditure including acquisitions was $714 million, compared with $320 million last half year.

6. Movements in fair value of financial instruments

Origin utilises a range of financial instruments and derivatives in order to manage the various price, interest rate and foreign exchange risks to which it is exposed. Due to the volatility of the energy markets in which Origin operates and the size of the transactions the company undertakes the accounting outcomes can have a significant impact on the financial results.

Under accounting standards hedges are deemed to either be "effective" and qualify for hedge accounting and recognition in the Equity Hedge Reserve, or are deemed "ineffective" and must be recognised in the Profit and Loss.

A hedge is deemed to be "effective" if the changes in fair value or cash flow of the hedged item and the hedging instrument offset each other, or if the hedge substantially offsets risk associated with the change in fair value of the hedged item. There must also be sufficient certainty with respect to the occurrence of the risk which is being offset for a hedge to qualify as "effective". "Ineffective" hedges are those instruments which, while they may be valid economic risk management instruments, do not meet the stringent criteria above.

Under these definitions some electricity cap products used by Origin to protect the Retail business from extreme price events are deemed to be ineffective, as the timing of potential events they protect against cannot be predicted with sufficient certainty.

The following tables summarise the key balances at 31 December 2007 and compares them with balances at the beginning of the period on 30 June 2007:

Summary of movements in financial instruments

Balance Sheet	Net Assets ($m) 31-Dec-07	30-Jun-07	Change ($m)
Commodity Risk Management	914	3,301	(2,387)
Contact Energy	(138)	(258)	120
Treasury and Other	(126)	(13)	(113)
Origin Total	**650**	**3,030**	**(2,380)**

Reconciliation of Balance Sheet and Profit and Loss items associated with movements in financial instruments	($m)	($m)
Change in net assets		**(2,380)**
Recognition of "effective" instruments in Balance Sheet		**(2,367)**
Recognised in Equity (Hedge Reserve post tax)	(1,657)	
Recognised in Deferred Tax Liability	(710)	
Recognition of "ineffective" instruments in Profit and Loss		**(13)**

The fair value of financial instruments as measured against market prices is recorded in the balance sheet in the derivative asset and derivative liability balances. Historically high forward prices of electricity at 30 June 2007 resulted in a large increase in the fair value of commodity risk management instruments at that time. Subsequent softening of the forward contract prices has resulted in a decrease in the fair value of these financial instruments, with Origin recording a net decrease of $2,387 million in the half year. Including the impact of other financial instruments and consolidating Contact Energy the period-on-period decrease in net assets associated with changes in value of derivatives is $2,380 million.

These changes in value are either recognised in Equity (Hedge Reserve) or the Profit and Loss each period. The total period-on-period decrease in the value of derivatives which qualify for hedge accounting is $2,367 million (pre-tax) and is recognised in the Hedge Reserve in Equity. The pre-tax decrease is partially offset by a decrease in Deferred Tax Liability of $710 million, resulting in an after tax decrease in the Hedge Reserve of $1,657 million.

The balance of $13 million (pre-tax) is recognised as an expense in the Profit and Loss and is associated with the value of valid hedging instruments which either do not qualify for hedge accounting or are assessed to contain an element of "ineffectiveness" under the accounting standards. These relate primarily either to the Company's commodity risk management activities associated with electricity purchasing costs (as described earlier in this Section 6) or to interest rate and foreign exchange risk management.

7. Funding and capital management

7.1 Net Debt, Equity and Interest Cover

Under accounting standards net debt for the consolidated entity increased 37% from $2,090 million at 31 December 2006 to $2,855 million at 31 December 2007. The calculation of net debt includes mark-to-market adjustments of $316 million ($332 million in the prior half year) which act to reduce the net debt quoted. Excluding these mark-to-market adjustments, the "adjusted net debt" for the Company was $3,171 million at 31 December 2007 ($2,422 million at 31 December 2006), an increase of 31% and best reflects the underlying debt position of the Company.

The equity of the Company has increased from $4,504 million at 31 December 2006 to $5,660 million at 31 December 2007. This includes a net increase in the Hedge Reserve and Available for Sale Reserve of $437 million primarily due to changes in the fair value of financial instruments. Removing the effects of this change in fair value, the "adjusted equity" of shareholders has increased by $711 million from $4,357 million to $5,076 million.

This reflects an increase in issued capital of $130 million, an increase in retained earnings of $411 million, and an increase in minority interests (predominantly in Contact Energy) of $179 million.

The following table provides two different calculations of the Net Debt to Net Debt plus Equity ratio as discussed above.

Calculation of Net Debt to Debt plus Equity as reported in the Interim Financial Report:

31 December	**2007 ($m)**	**2006 ($m)**	**Change (%)**
Net debt as reported	2,855	2,090	37
Equity as reported	5,660	4,504	26
Net debt/(net debt + equity)	34%	32%	

Calculation of Adjusted Net Debt to (Net Debt plus Equity) - excluding fair value impacts:

31 December	**2007 ($m)**	**2006 ($m)**	**Change (%)**
Adjusted net debt	3,171	2,422	31
Adjusted equity	5,076	4,357	17
Adjusted [net debt/(net debt + equity)]	38%	36%	

Origin believes that the calculation based on adjusted values provides the best long term measure of the strength of the Company's Balance Sheet.

EBIT cover of interest (including capitalised interest) is 5.3 times, compared with 4.7 times at 31 December 2006.

Origin manages its liquidity exposure to ensure adequate committed financing facilities are available to meet committed obligations at least over the next 12 months. Origin also ensures that no more than 20% of the total debt portfolio matures within the next 12 months.

On 9 October 2007 Origin announced that its wholly owned subsidiary Origin Energy Contact Finance No 2 Limited issued NZ$200 million of perpetual preference shares to the New Zealand public. The funds raised from the transaction were used within the Origin Energy New Zealand group of companies to repay bank debt relating to Origin's 51.4% holding in Contact Energy Limited.

On 8 February 2008 Origin executed a three year underwritten bank loan facility with five international banks. The facility is structured on a senior unsecured basis and comprises A$900 million of revolving and term tranches and a US$200 million revolving tranche. On a consolidated basis Origin including Contact currently has approximately A$1.6 billion of undrawn committed debt finance available to fund growth projects.

7.2 Share Capital

During the period an additional 3.2 million shares were issued. This included 2.3 million shares issued under the Company's Dividend Reinvestment Plan (DRP) which raised $23.7 million and 0.9 million shares issued as the result of the exercise of options which raised $3 million.

As a consequence the total number of shares on issue at 31 December 2007 rose to 875,517,318 from 872,288,456 at 30 June 2007. The weighted average number of shares used to calculate basic earnings per share increased 8% to 873,628,684.

8. Risk management

Origin manages its risk exposure in energy and financial markets through a combination of natural hedges in the business, contracts and financial hedges. Policy limits have been approved by the Board for physical commodities or relevant 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 hedges a significant portion of its exposure to electricity and oil prices and the US dollar exchange rate.

In the electricity market Origin assesses its policy limits against a combination of profit at risk and extreme events. Origin uses a number of financial instruments to manage risks associated with its electricity retail business. This predominantly consists of swaps (which provide a fixed price for volumes) and caps (which provide a price ceiling or strike price on variable volumes and are designed to protect against extreme price variations). 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.

As part of its overall risk management strategy Origin undertakes forward hedging of its oil production to reduce risks and volatility associated with fluctuation in oil price. For any period, this hedging is undertaken incrementally over the medium term, and is completed prior to any production period commencing.

As a result of this strategy, Origin had 59% of its production of oil and condensate hedged for the six months to December 2007 at an average price of US$61 per barrel (approximately A$80 per barrel). The average price received for sales of oil, condensate and naphtha over the period including the impact of hedging was over A$85 per barrel – an increase of 16% compared with the prior corresponding period.

Looking forward Origin currently has approximately 53% of its anticipated production for the six months to June 2008 hedged at an average price of over US$63 per barrel, while for the financial year ending 30 June 2009 Origin currently has approximately 43% of its anticipated production hedged at around US$66 per barrel.

With regard to foreign exchange, Origin is prudently hedged over the next 12 months through a combination of external hedging and ongoing US dollar expenditure associated with major development projects. Origin expects that variability in the US dollar exchange rate will not have a material impact on group cash flows.

With regard to interest rates, Origin has hedged approximately 50% of its expected exposure for the six months to June 2008 and approximately 40% of its expected future exposure hedged for the 12 months ending June 2009. This includes the consolidation of Contact Energy in Origin's accounts.

9. People, Health, Safety & Environment

Origin's employee numbers (excluding Contact Energy) decreased during the half year by a net 246 to 3,386. A reduction of over 500 employees as a result of the sale of the Network business and Rockgas was partially offset by increased employee numbers in the Retail business following acquisition of Sun Retail, together with increases in the Generation and the Exploration and Production businesses as the Company builds its capabilities in delivering major developments in these areas.

Origin uses as its primary safety performance measurement the industry standard measure of Total Recordable Incident Frequency Rate (TRIFR), which captures all incidents. This measure improved by 53% from 22.8 at 31 December 2006 to 10.6 at 31 December 2007. Since 30 June 2007, Origin's TRIFR has decreased from 12.3 to 10.6.

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

There was no reported loss of time during the half year due to industrial disputes.

In December 2007, Origin was awarded Sustainable Company of the Year by Ethical Investor Magazine. The award recognises Origin's broad leadership and achievements in sustainability, its workplace and community programs and the Company's commitment in providing easy and affordable green options to its customers.

10. Operational Review

10.1 Exploration & Production

Half year ended 31 December	2007 ($m)	2006 ($m)	Change (%)
Total revenue	260	239	9
EBITDAF	133	140	(5)
EBIT	59	75	(21)

Sales Volumes

Half year ended 31 December	2007	2006	Change (%)
Natural gas (PJ)	39	38	3
Crude oil (kbbls)	665	750	(11)
Condensate/naphtha (kbbls)	428	353	21
LPG (ktonnes)	37	31	20
Ethane (ktonnes)	1.0	1.1	(16)
Total (PJe)	**48**	**47**	**3**

PJ = petajoules
Kbbls = 1,000 barrels
Ktonnes = 1,000 tonnes
PJe = petajoules equivalent – a measure of energy content

The Exploration and Production segment achieved record production, sales volumes and revenue for the December half year, despite delays in the commissioning of the Otway Gas Project.

Growth in production from Origin's CSG and BassGas assets more than offset the anticipated decline in Origin's more mature production assets, particularly the Cooper and Perth basins.

10.1.1 Production, Sales and Revenues

Details of production may be found in the Quarterly Production Report for the Quarter ended 31 December 2007, released on 31 January 2008.

Sales volumes increased by 3% to 48 PJe from 47 PJe. Sales increased from the BassGas Project (+2.4 PJe) and CSG assets (+6.2 PJe), more than offsetting declines from the Cooper Basin (-4.5 PJe), Denison Trough/Surat Basin (-0.9 PJe), onshore Otway Basin (-1.1 PJe) and the Perth Basin (-0.9 PJe).

Sales of natural gas increased by 3% as higher sales from BassGas and CSG projects offset the decline from other mature producing areas. Ethane sales were lower due to reduced demand from the major customer. Higher sales of condensate essentially offset a decline in sales of crude oil to leave combined sales of oil and condensate marginally lower at 6.2 PJe (equivalent to 1,093 kbbls compared with 1,103 kbbls of combined oil and condensate sales in the last half year). Sales of LPG increased 20% to 1.8 PJe or 37 ktonnes compared with 31 ktonnes, in the last half year. The increase in condensate and LPG sales was due to a six month contribution from the BassGas project compared to approximately four months contribution in the prior half year.

Total revenue increased by 9% as a result of aggregate higher sales volumes together with higher prices realised for oil, condensate and LPG. This more than offsets a modest decline in average gas prices (due primarily to the conclusion of a favourable gas sales contract from the Denison Trough in the prior half year which contained oil price linkages).

10.1.2 Expenses

Total costs within the Exploration and Production business increased 29% compared with the prior half year as outlined in the table below.

Exploration write-downs under the successful efforts policy increased from $7 million to $16 million primarily due to a continuing high level of seismic activity and the unsuccessful Moana-1 exploration well in the Taranaki Basin in New Zealand.

General production costs have risen by 34% compared with the prior half year. The increase primarily reflects a 20% increase in employee numbers, while higher recharges from Joint Ventures not operated by Origin, above Consumer Price Index (CPI) wage inflation in the Exploration and Production sector and changes in cost of goods sold also contributed to higher costs. Origin is significantly increasing its employees in the Exploration and Production segment to ensure delivery of the three-fold increase in CSG production required to meet contractual commitments between now and 2012, as well as manning and monitoring its new offshore assets such as BassGas and the Otway Gas Project.

Exploration and Production costs	2007 ($m)	2006 ($m)	Change (%)	Comments
Royalties and tariffs	30	31	(3)	Change in product mix and increase in offshore product not subject to state royalties.
General costs (Labour, JV costs, etc)	82	61	34	Additional headcount, higher JV costs, higher administration, change in cost of goods sold.
Exploration write-downs	16	7	130	Increased largely due to write down of the offshore New Zealand Moana-1 exploration well.
Total Costs	**128**	**99**	**29**	

10.1.3 Earnings

EBITDAF

EBITDAF decreased 5% to $133 million from $140 million in the prior half year.

Depreciation and Amortisation

Depreciation and amortisation charges increased 19% to $73 million from $61 million. This reflects a full six months of production from the BassGas Project (and hence depreciation of its asset base), growth in production and associated depreciation in Origin's CSG projects and increased depletion charges in the Perth Basin following a reserves write-down in June 2007.

EBIT

As a consequence of the above factors EBIT was $59 million, a decrease of 21% compared with the previous half year.

10.1.4 Producing Assets

Coal Seam Gas (Queensland)

Compared with the last half year production has increased by 56% to 16.9 PJ from 10.8 PJ, and now exceeds Origin's share of production from the Cooper Basin of 13.4 PJe.

Origin's equity share of CSG reached 100 TJ/d in mid December 2007, reinforcing the Company's position as the largest CSG producer in Australia.

At Spring Gully production continued to ramp up and achieved peak gas sales of 73 TJ/d (Origin share approximately 97%). Phase 5 of the Spring Gully project is progressing, which is designed to increase plant processing capacity to 150 TJ/d. The reverse osmosis unit, designed to treat nine megalitres of water per day, commenced operations in late December 2007.

At Fairview the operator, Santos, announced a development and exploration program aimed at increasing production capacity to 110 TJ/d by 2009.

Gas sales from Origin's interests in CSG fields operated by Queensland Gas Company (QGC) in the Walloons area commenced during October 2007. Production from this area will service a 7 PJ per annum contract with Incitec Pivot (Origin interest 41%).

Origin approved the first major phase of its 100% owned development at Talinga in December 2007. The program includes an initial 100 wells together with gas and water processing facilities to achieve production of 90 TJ/d. The gas from Talinga will supplement supply from the Spring Gully field to meet gas demand from the Darling Downs power station (indicatively up to 44 PJ per annum for 20 years) and Rio Tinto Aluminium in Gladstone (22 PJ per annum).

Bass Basin (Victoria/Tasmania)

Production of sales gas has been restricted to around 56 TJ/d for the half year (approximately 24 TJ/d Origin share) with peak production reaching the maximum plant design capacity of 68 TJ/d.

The Yolla 3 well was shut-in for much of the half year pending remedial work which was completed in February 2008. It is anticipated that daily production rates will be higher in the second half, although a scheduled two week maintenance shut down in February will result in similar half-on-half total production volumes.

Cooper Basin (Queensland/South Australia)

Production from the Cooper Basin continued to decline during the half year in line with expectations for a mature asset. Origin's share of total production decreased 19% this half year to 13.4 PJe compared with 16.5 PJe in the prior half year. Purchases of oil and gas from third parties of 4.7 PJe were 48% higher than the 3.2 PJe in the prior half year. Margins have come under pressure in the Cooper Basin with costs remaining high despite declining production.

Perth Basin (Western Australia)

Oil production from Hovea, Jingemia and Eremia fields continued on a natural decline from around 4,400 bopd gross in mid 2007 to around 3,200 bopd gross at 31 December 2007. Origin's net share of oil production decreased by 33% from 489 kbbls to 329 kbbls for the half year.

Gas production remained flat at around 20 TJ/d. Declining gas rates from the established fields were offset with the connection of the successful Apium 2 and Beharra Springs 4 wells. The latter came on stream at a rate of 10.5 TJ/d. A fire at the Beharra Springs gas plant in late December 2007 resulted in production being shut-in. Damage was localised and the plant recommenced operations in early February 2008. It is currently producing at around 12 TJ/d.

Other Producing areas

In the Surat Basin and Denison Trough areas of Queensland Origin's share of production for the half year was 6.2 PJe compared with 6.4 PJe in the prior corresponding period, a 3% decrease. A drilling program commenced in December 2007 with the drilling of the successful Emu Apple 2 and 3 appraisal wells, both of which have been cased as future oil producing wells.

Production from the onshore Otway Basin continued to decline with total production of 0.4 PJe compared with 1.5 PJe in the prior half year. This reflected the cessation of production from the Ladbroke Grove field and the continuing natural decline of the remaining conventional gas fields in the area.

10.1.5 Development Projects

Otway Gas Project (Victoria/Tasmania)

Construction of the Otway Gas Project was completed in September 2007 and commissioning activities have commenced. After a brief period production was halted to address issues uncovered as part of the commissioning process. The plant recommenced commissioning in early February.

Kupe Gas Project (New Zealand)

Steady progress has been made on the Kupe Gas Project in New Zealand. The well head platform jacket and topside were successfully installed in December 2007. Installation of the offshore pipeline and umbilical is largely complete while drilling of the three production wells has commenced and is proceeding to plan.

10.1.6 Exploration

Origin has continued to pursue an active exploration program in Australia and New Zealand.

Seismic data has been acquired in the Bonaparte Basin in Western Australia, the offshore Northland Basin in New Zealand, the Bass Basin and Gippsland Basin in offshore Victoria. Interpretation of seismic surveys completed last year in the Bass, Otway and Canterbury basins is continuing.

During the half year Origin participated in the drilling of 119 exploration, appraisal, and development wells across its areas of interests, of which 92 were cased for future production. In addition, three development wells are currently being drilled as part of the Kupe Gas Project in New Zealand.

An active drilling program is planned in the 2007/08 financial year, including 81 CSG wells, 28 wells in the Cooper Basin, three wells in the Surat Basin, two exploration wells in the Perth Basin, and three Kupe development wells.

10.1.7 Acquisitions/Divestments

Swift Assets (New Zealand)

In December 2007 Origin entered into an agreement with Swift Energy New Zealand to acquire certain of Swift's New Zealand assets for a consideration of approximately NZ$115 million. This included its two main producing areas in the onshore Taranaki Basin, some additional permits and inventory.

Under a separate arrangement between Contact Energy and Origin Energy, Contact Energy will contribute approximately NZ$54 million of the total purchase price for the right to own and develop the Ahuroa field as an underground gas storage facility and purchase the remaining gas and LPG reserves in the Ahuroa reservoir.

Halladale and Blackwatch fields

In February 2008 Origin announced the acquisition of Woodside Petroleum Limited's 62.5% interest in the exploration permits containing the Halladale and Blackwatch fields off the south west Victorian coast for $13.6 million. These fields are estimated to contain a contingent resource of 55 PJe of recoverable gas and condensate and the acquisition takes Origin's interest in the fields to 100%. The fields have the potential to be developed through extended reach drilling from shore, and also have the potential in the future to be used for gas storage. The acquisition will add to Origin's integrated portfolio strategy and will provide added flexibility in managing the gas requirements of the company in southern Australian markets.

10.2 Generation

Half year ended 31 December	2007 ($m)	2006 ($m) *	Change (%)
Total revenue	43	56	(23)
EBITDAF	28	46	(38)
EBIT	20	54	(63)

* Adjusted for sale of the cogeneration sites with the Networks business

Sales Volumes

Half year ended 31 December	2007	2006	Change (%)
Total Sales (GWh)	667	801	(17)

Earnings in the Generation segment for the half year were considerably lower than the prior corresponding period. Operating performance of the business was steady with the reduction in EBITDAF reflecting the transition of the Mt Stuart power station from being an externally contracted plant to being contracted internally to Origin's Retail segment following the termination of the Enertrade PPA in the prior half year. Under the Enertrade PPA a CSER payment of $17.5 million was received in the prior half year to offset lower electricity sales and was in addition to capacity payments. However, as an internally contracted plant in the current half year Mt Stuart receives only a standard capacity payment from the Retail segment to cover its cost of capital consistent with the treatment of Origin's other internally contracted plant. Revenues and costs resulting from its operation accrue to the Retail segment. Generation earnings have therefore reduced by approximately the value of the CSER payment of $17.5 million.

Origin currently has an equity interest of approximately 700 MW of generation capacity in Australia, of which a majority is operated and maintained by the Company. Since May 2007, Origin has committed to construct over 900 MW of generation and has tendered for construction of an additional 500 MW. These developments will grow the Generation business significantly over the next few years, which will add value throughout the integrated business.

10.2.1 Production Sales and Revenue

Revenue for the Generation business decreased by 23% from $56 million to $43 million. The key driver for this decrease was the absence of the CSER payment described above, offset by higher tolling revenue following additional capital expenditure at the Ladbroke Grove and Roma power plants[5], and higher energy prices reflecting higher gas supply costs passed through at the Worsley Cogeneration Plant.

Total sales volumes were down by 17%. The Ladbroke Grove power station converted to run on gas from the SESA pipeline in late 2006 consequently switching to peak operations rather than intermediate operations and reducing running time by 73%. Active management of Origin's gas and electricity portfolio also resulted in Quarantine running less than in the prior half year. This was partially offset by the Queensland merchant generators, Roma and Mt Stuart, operating more frequently to cover load at times of high electricity prices.

10.2.2 Earnings

EBITDAF decreased by 38% from $46 million to $28 million, mainly due to the absence of the CSER payment described above.

[5] During the previous year the Ladbroke Grove power station had a gas conversion and major overhaul while the Roma power station began its upgrade of electrical switchboard and exhaust systems. Tolling for these plants is based on capacity payments and reflects the funds employed at each site.

Depreciation expenses of $8 million were 24% lower than in the prior half year primarily due to an extension of plant-life for the Mt Stuart and Ladbroke Grove plants. Mt Stuart plant-life was extended on termination of the Enertrade PPA and the plant-life of Ladbroke Grove was extended following a major overhaul in October 2006.

In the half year ended 31 December 2006 a pre-tax payment received for termination of the Mt Stuart PPA with Enertrade is recorded as a significant item between EBITDAF and EBIT. The non-recurrence of this payment, combined with the factors above, leads to a significant decrease in EBIT compared with the prior period. EBIT therefore decreased by 63% from $54 million to $20 million.

10.2.3 Power Generation Developments

Origin is currently committed to the development of over 900 MW of generation capacity in Australia, including the Company's first commitment to construct its own wind farm. The Company has also sought tenders for an additional 500 MW of gas fired generation capacity.

The Darling Downs Power Station (DDPS) project began construction in November 2007. At 630 MW, the DDPS will be Australia's largest combined cycle gas-fired power plant. The project remains on budget with expected commissioning in early 2010.

Origin also commenced construction of the 120 MW expansion of its Quarantine Power Station in December 2007. The open cycle gas-fired turbine will supplement peaking capacity in the South Australian market. The project is on budget and is scheduled to commence commissioning in December 2008.

In October 2007 Origin announced it had sought tenders for the first 500 MW of its proposed 1,000 MW Mortlake Power Station. Tender responses were received in December 2007 with the intention of making an investment decision in mid 2008.

An expansion of Mt Stuart Power Plant peaking facility was announced on 1 February 2008. Origin has committed to purchasing a 126MW 9E gas turbine from GE Energy for the development. The construction phase is expected to take 18 months with completion in mid calendar year 2009.

10.2.4 Growth in Renewable Energy

Over the first half of the financial year, Origin substantially increased its investment and commitment to Renewable Energy generation. This has included Origin taking interests in wind and geothermal projects and continuing its investments in solar technology.

In January 2008 Origin announced the acquisition of an option to source up to 590 MW of wind farms from Epuron, a subsidiary of the German company Conergy. The 30 MW Cullerin Range wind farm will be the first to be constructed and is expected to be completed during 2009. This site is well located close to infrastructure and has a capacity factor of 44% which is among the highest in Australia.

In October 2007, Origin entered into a farm-in agreement providing a 30% interest in a joint venture covering various geothermal permits in northern South Australia held by Geodynamics Limited. Origin expects to invest approximately $150 million in the Geodynamic joint venture over the next three years.

Origin remains focussed on commercialising its SLIVER® solar photovoltaic technology. Origin has recently achieved migration of the cell design into a cheaper silicon wafer and certification by European authorities of commercial panels manufactured using SLIVER® technology. Origin is working on plans for the large scale production of SLIVER® which will enable commercial development of the product.

10.3 Retail

Half year ended 31 December	2007 ($m)	2006 ($m) *	Change (%)
Total revenue	2,641	1,709	55
EBITDAF	201	166	21
EBIT	158	160	(1)
Underlying EBIT	177	142	25

* Adjusted for sale of minor businesses as part of the sale of the Networks business

During the six months to December 2007 the Retail segment has successfully progressed integration of the Sun Retail acquisition into existing operations, increased its customer numbers by over 21,000 accounts across natural gas, electricity and LPG and maintained its clearly established leadership position in green energy accounts with over 33% market share of accredited GreenPower accounts. Sales volumes and revenues were records for the first half, while margins were lower as a result of higher electricity, gas and LPG purchasing costs. The Sun Retail business is performing to expectation in the high energy price environment and will further increase contribution in the second half once the transitional services agreement with Energex concludes and all services are migrated onto Origin systems in April 2008.

An adjusted measure, Retail Underlying EBIT, is used to help describe operational results and excludes changes in fair value of financial instruments and certain costs associated with the integration of Sun Retail which are one-off in nature. This provides a transparent understanding of operational performance as the difference between EBITDAF and Underlying EBIT is only depreciation and amortisation expenses.

10.3.1 Sales and Revenue

During the period, the Retail segment recorded revenues of $2.6 billion, an increase of 55%. This was driven mostly by the integration of the Sun Retail business in Queensland, which was acquired in February 2007 and added over 890,000 customers across electricity and LPG. The business will be fully integrated into existing operations at the end of April 2008.

Performance is discussed and referenced to the commodity product splits in the table below.

Performance metrics by product and variance from prior half year

Half year ended 31 December 2007	Natural Gas	Electricity	LPG
Revenue ($m)	481 *(+2%)*	1,768 *(+101%)*	289 *(-4%)*
Gross Profit ($m)	61 *(-18%)*	258 *(+48%)*	62 *(-20%)*
EBITDAF ($m)	177 *(+29%)*		24 *(-18%)*
Underlying EBIT ($m)	164 *(+31%)*		13 *(-24%)*
Sales – (PJ)	67 *(+2%)*		
Sales – (TWh)		15.5 *(+86%)*	
Sales – (ktonnes)			234 *(-10%)*
Total Sales (PJe)	67 *(+2%)*	56 *(+86%)*	12 *(-10%)*
Customer accounts (‘000) – *(Change from 30 June 2007)*	883 *(-0.6%)*	1,824 *(+0.5%)*	354 *(+5%)*

Electricity

Compared to December 2006 electricity customer numbers increased by 86% to 1.8 million, sales volumes increased by 86% to 15.5 TWh and revenues increased 101% to $1,768 million, all predominantly as the result of the acquisition of Sun Retail. Gross Profit increased by 48% as the additional contribution from Sun Retail was partially offset by high and flat wholesale electricity purchase prices and a lack of volatility across Origin's entire electricity business during the period. Average gross margin across the electricity business therefore declined from 20% to 15%.

Origin uses a number of financial instruments to manage risks associated with its electricity retail business. This predominantly consists of swaps (which provide a fixed price for volumes) and caps (which provide a price ceiling or strike price) on variable volumes and are designed to protect against extreme price variations. When the pool price exceeds the strike price of the cap Origin receives payments to compensate for high prices, however will not receive any payout if prices are below the strike price of the cap.

By structuring its electricity hedge book in this fashion Origin retains exposure to low prices while protecting the business from extreme losses. However, a period of high average prices with low volatility will result in higher purchase prices without payouts from its cap products, resulting in an increase in Origin's average purchase price for electricity.

The combination of high average prices and low volatility was particularly evident in the first three months of the financial year. Higher volatility towards the end of the six month period to 31 December 2007 partially reversed this effect.

The trend towards lower average wholesale prices following the easing of drought conditions in Queensland and an observed increase in price volatility throughout January and February point towards more favourable purchasing costs in the second half of the financial year. Lower purchasing costs, combined with gas and electricity tariff increases that took effect from 1 January 2008 in Victoria, are expected to result in higher gas and electricity margins in the second half. This should result in margins for the full year to 30 June 2008 being similar to margins experienced in the year ended 30 June 2007.

Natural Gas

Natural gas sales volumes increased marginally from 66 PJ[6] to 67 PJ. This was mainly the result of increased sales to large commercial customers and power generators, and was partially offset by reduced usage from residential customers as a result of warmer weather during winter in Victoria and South Australia. Revenues of $481 million were 2% higher than last half year ($470 million[6]) reflecting the increase in gas sales volumes. Gross Profit declined 18% from $74 million to $61 million reflecting sales mix (a higher percentage of low margin sales to large customers) and higher wholesale gas costs, the impact of which was accentuated by the need to seek additional sources of gas following the delay of the Otway Gas Project.

Market Churn – Electricity and Natural Gas

Origin has consistently adopted the approach of maintaining customer account numbers in the face of market churn without unnecessarily escalating churn activity. Origin again demonstrated discipline in this area, winning 236,000 new accounts across its gas and electricity businesses to record a net increase of 4,000 accounts. This compares to the prior half year in which Origin won 197,000 accounts and increased account numbers by 5,000.

Origin has been able to effectively manage a significant increase in the total number of churning customers, following the introduction of full retail contestability into the Queensland electricity market where Origin recently acquired Sun Retail. Notwithstanding

[6] Gas volumes and revenues in the half year to 31 December 2006 have been revised to include some trading sales which were previously excluded due to the low margin attached. Certain trading sales which represent a direct pass through of production at a zero effective margin remain excluded from the statistics reported here.

this increase, cost to serve per customer has benefited because of a reduction in the average rate of churn across Origin's entire customer base.

The six months to December 2007 was characterised by a decline in churn in New South Wales, Victoria and South Australia as higher wholesale prices reduced the margins available to competing retailers. Churn rates in Queensland have been within expectations with an initial peak in churn levels reflecting pre-contracting activity by new entrants occurring before July, followed by door knocking activity over the last six months.

In Queensland Origin recorded a net loss of 24,000 accounts. While gross losses amounted to 77,000 customers during the half year, investment in acquisition, retention and brand building activities in that state resulted in 53,000 new accounts. These losses have been offset by gains in electricity customers in South Australia and New South Wales, where Origin now has over 260,000 electricity accounts.

During the period Origin increased its dual fuel accounts by approximately 48,000 from 790,000 in June 2007 to 838,000 in December 2007. Origin also increased its GreenPower accounts by 34% to 361,000 signed green customers (as discussed in Section 10.3.2).

At the end of the period Origin had around 2,707,000 customer accounts across electricity and natural gas. This compares with 2,703,000 accounts in June 2007 and with 1,840,000 in December 2006.

Origin continues to pursue a number of initiatives to optimise its acquisition and retention costs, and to manage the impact of high levels of churn on margins.

Cost to serve - Electricity and Natural Gas

The total cost to serve for Origin's gas and electricity retail business increased by around 27% from $112 million to $142 million on a customer base which expanded by 47% as discussed above. The increase in account numbers largely reflects the acquisition of the Sun Retail business in Queensland, together with an active campaign to maintain customer account numbers on a national basis.

Origin's cost to serve per customer for its retail gas and electricity business declined 13% across the two half year periods, from $61 per customer to $53 per customer. This reflected both scale advantages following the acquisition of Sun Retail and lower average churn rate across Origin's customer base. 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.

Electricity and Natural Gas Margins

Financial performance in the gas and electricity retail businesses is compared on the basis of EBITDAF and Underlying EBIT. Underlying EBIT excludes the impact of fair value adjustments to financial instruments, and excludes one-off payments associated with the acquisition of the Sun Retail business, thereby best reflecting the half year on half year operational performance of the business.

EBITDAF across the gas and electricity business increased by 29% from $137 million to $177 million while the EBITDAF margins decreased from 10.2% to 7.9%. This predominantly reflected high and flat wholesale electricity prices and higher gas purchasing costs as discussed above.

Retail Underlying EBIT across electricity and natural gas increased 31% from $126 million to $164 million reflecting the same factors as above and an increase in Depreciation and Amortisation charges from Sun Retail in line with increased earnings. Margins at this level decreased from 9.3% to 7.3%.

Higher energy purchasing costs, has been recognised by regulators and is reflected in decisions to increase tariffs in Victoria from 1 January 2008 by an average of 13% and a draft decision to increase retail tariffs in Queensland, from 1 July 2008, by an average 7%.

LPG

The LPG business recorded sales volumes of 234 ktonnes, 26 ktonnes or 10% lower than the previous half year. After adjusting for the sale of Rockgas and the purchase of Sun Retail, underlying sales volumes were up 4%.

Despite the 10% decrease in sales volumes, sales revenue decreased by only 4% to $289 million as the business managed to partially pass on to customers higher wholesale purchasing costs. A rising wholesale price environment places pressure on margins due to the lag in recovery of purchasing costs. As a result EBITDAF for the LPG business of $24 million was 19% lower than the previous half year, reflecting both the smaller scale of the business and the challenging wholesale purchasing environment.

Total costs for the LPG business decreased by 20% from $48 million to $38 million. This reflected rationalisation of operations, the sale of Rockgas and the acquisition of Sun Retail LPG, and active cost management of the business. LPG accounts increased by approximately 18,000 from June 2007, primarily due to an increase in indirect customers and customers using residential exchange programs in New South Wales.

10.3.2 Green Energy

Origin continues to maintain market leadership of accredited GreenPower products with around 361,000 signed green energy customers (272,000 electricity and 89,000 gas). As at September 2007 the Company had 33%[7] market share of accredited GreenPower products, more than double Origin's nearest competitor.

Last year Origin led a successful consortium in bidding for the Adelaide Solar City Project. Adelaide Solar City combines solar power, smart metering, energy efficiency and new approaches to electricity pricing for more energy sustainable communities. In October 2007 the project commenced offering discounted products that are supported by the Federal Government funding of the Solar Cities program.

The Company continues to invest in, and grow its solar installation business. Sales of grid-connected solar photovoltaic installations grew strongly during the period with over 200% increase in unit sales and 470% in PV watts. Origin introduced to the market an innovative solar hot water product, which allows customers to add solar panels to its existing gas or electricity system.

Origin's Carbon Reduction Scheme™ (CRS) was successfully launched in March 2007 and allows companies to either reduce their emissions by purchasing offsets or to generate offset products to on-sell. Since then Origin has been securing channel partners and developing marketing, processes and reporting capabilities. The CRS is cost effective, transparent and externally verified and enables the development of a wide range of carbon offset products for various applications. Recently Origin has entered into an agreement with GE for the supply of carbon offsets for the Eco Mastercard and Customfleet Green Lease program in Australia.

In November 2007, Origin's 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 Origin's products have been recognised as market leading by the Green Electricity Watch.

[7] Source: GreenPower Website Quarterly Report (September 2007).

10.4 Contact Energy

Half year ended 31 December	2007 ($m)	2006 ($m)	Change (%)
Total revenue	965	849	14
EBITDAF	246	238	4
EBIT	171	178	(4)

Performance of operations

Half year ended 31 December	2007	2006	Change (%)
Electricity Generated (GWh)	5,874	5,597	5
Customer Electricity Sales (GWh)	4,064	3,950	3
Gas Sales (PJ)	8.8	6.1	44
LPG Sales (Tonnes)	45,913	-	-
Electricity Customers	514,000	511,000	1
Gas Customers	74,000	76,000	(3)
LPG Customers	33,000	-	-
Total Customers	621,000	587,000	6

Origin owns a 51.4% interest in Contact Energy of New Zealand and consolidates 100% of Contact Energy in accordance with Australian accounting standards. The interests attributable to minority shareholders are recognised as Minority Interests in the Financial Statements.

A financial report entitled "Management discussion of unaudited consolidated financial results for the six months ended 31 December 2007" was issued by Contact Energy to the New Zealand Stock Exchange on Friday 22 February 2008 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 Energy in the prior half year.

In consolidating Contact Energy's results, Origin has used an average exchange rate for the period of NZ$1.15 to the A$, compared with NZ$1.17 to the A$ for the prior half year.

On consolidation Contact Energy contributed $246 million to Origin's EBITDAF, 4% higher than the prior half year of $238 million. Significant operating factors that contributed to the financial performance for the six months ended 31 December 2007 were:

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

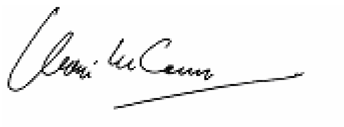
At the EBIT level Origin has consolidated $171 million from Contact Energy for the six months ended 31 December 2007, compared with $178 million in the prior corresponding period. The 2007 result includes two significant items. These are a benefit of $18 million pre-tax from the sale of geothermal rights in the Mokai geothermal field and one-off costs of $27 million pre-tax associated with the closure of the New Plymouth power station. Together these items amount to a net $9 million charge against EBIT, more than accounting for the observed $7 million reduction in EBIT compared with the prior period.

10.5 Networks (Discontinued Business)

Half year ended 31 December	2007 ($m)	2006 ($m)
Total revenue	-	99
EBITDAF	-	16
EBIT	225	15

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.

The current half year contribution noted against EBIT in the table above represents the before-tax profit on sale and has been treated as a significant item. It is included in the calculation of Statutory Profit, but has been excluded from the calculation of Underlying Profit.



H Kevin McCann
Chairman

Sydney, 27 February 2008

11. Origin Energy Key Financials

Half year ended 31 December	2007 ($m)	2006 ($m)	Change (%)
Total external revenue	3,817	2,865	33
EBITDAF[8]	608	590	3
EBIT	634	482	31
Profit after tax	384	286	34
Minority Interests	49	53	6
Statutory Profit	335	233	44
Underlying Profit	200	207	(3)
Free cash flow[9]	259	267	(3)
OCAT ratio[10] including CAPWIP (12 months to 31 December)	10.1%	10.5%	n/a
OCAT ratio[10] excluding CAPWIP (12 months to 31 December)	11.8%	12.2%	n/a
Average Funds Employed including CAPWIP (12 months to 31 December)	7,612	6,251	22
Average Funds Employed excluding CAPWIP (12 months to 31 December)	6,473	5,395	20
Capital expenditure (including acquisitions)	714	320	123
Total assets	12,310	9,232	33
Adjusted total assets[11]	10,836	8,885	22
Net debt	2,855	2,090	37
Adjusted net debt[11]	3,171	2,422	31
Shareholders equity	5,660	4,504	26
Adjusted shareholders equity[11]	5,076	4,357	17
Key Ratios			
Earnings per share - Statutory	38.3¢	29.0¢	32
Earnings per share – Underlying	22.9¢	25.7¢	(11)
Free cash flow per share[8]	29.6¢	33.1¢	(11)
Total dividend per share	12¢	10¢	20
Net asset backing per share	$6.47	$5.26	23
Adjusted net asset backing per share[11]	$5.80	$5.09	14
Net debt to debt plus equity	33.5%	31.7%	n/a
Adjusted net debt to debt plus equity[11]	38.4%	35.7%	n/a
Interest cover [12]	5.3x	4.7x	n/a
Segment Analysis (EBITDAF)[8]			
Exploration & Production	133	140	(5)
Generation	28	46	(38)
Retail	201	166	21
Contact Energy	246	238	4
EBITDAF[8]	**608**	**590**	**3**
Networks (discontinued)	-	16	-

8 Earnings before interest, tax, depreciation, amortisation, significant items and change in fair value of financial instruments from continuing operations.
9 Free cash flow is defined here as cash available to fund distributions to shareholders and growth capital. It includes deductions for stay-in-business capital, interest and tax.
10 OCAT Ratio = (OCAT – interest tax shield) / funds employed.
11 Adjusted to exclude impact of derivative financial instruments.
12 EBIT/Interest – Includes capitalised interest, excludes unwinding discounts on provision.

12. Appendix 1 – Reconciliation of Statutory to Underlying Profit

Reconciliation half year ended 31 December 2007	Before Tax Impact ($m)	Tax ($m)	Minority Interests ($m)	After Tax Impact ($m)	NPAT ($m)
Statutory Profit					**334.7**
Significant Items					
Asset Sales					
- Networks	225.1	(77.8)	-	147.3	
- Mokai geothermal assets	18.2	-	(8.8)	9.3	
Changes in FV of financial instruments					
- Commodity instruments	(14.0)	4.2	-	(9.8)	
- Financing instruments	1.0	(0.2)	(0.2)	0.6	
Retirement of New Plymouth Power Station	(26.7)	8.8	8.7	(9.2)	
Sun Retail one-off costs	(5.3)	1.6	-	(3.7)	
Total significant items	**198.1**	**(63.5)**	**(0.3)**	**134.4**	**(134.4)**
Underlying Profit					**200.3**
Underlying Basic EPS (cps)					**22.93**

Reconciliation half year ended 31 December 2006	Before Tax Impact ($m)	Tax ($m)	Minority Interests ($m)	After Tax Impact ($m)	NPAT ($m)
Statutory Profit					**233.2**
Significant Items					
Changes in FV of financial instruments					
- Commodity instruments	14.0	(4.2)	(0.1)	9.7	
- Financing instruments	7.6	(2.4)	(2.5)	2.7	
Termination of Mt Stuart PPA	19.6	(5.9)	-	13.7	
Total significant items	**41.2**	**(12.6)**	**(2.5)**	**26.1**	**(26.1)**
Underlying Profit					**207.1**
Underlying Basic EPS (cps)					**25.72**