Origin Energy Results for the six months ended 31 December 2009 Management Discussion and Analysis

All figures in this report relate to businesses of the Origin Energy Group ("Origin") for the six months ended 31 December 2009 ("the half year") compared with the six months ended 31 December 2008 (the "prior half year"), except where otherwise stated. A reference to Contact is a reference to Origin's subsidiary Contact Energy in New Zealand. In accordance with Australian accounting standards Origin consolidates 100% of Contact within its result. 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.

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Origin's Statutory Profit contains a number of significant items in both periods. Underlying Profit excludes the impact of these items to better illustrate the business performance of the Company. This Management Discussion and Analysis therefore focuses on underlying financial measures.

Each underlying measure discussed has been adjusted to remove significant items from both this half year and the prior half year. A detailed reconciliation and description of the significant items that contribute to the difference between Statutory Profit and Underlying Profit is provided in Appendix 1.

The term EBITDAF used in past reports has been replaced with the term Underlying EBITDA, both of which have the same definition. The term Underlying EBIT has been introduced and excludes the significant items that were previously included within the EBIT line. Interest, Tax, Depreciation, Amortisation and Minority Interests incorporating the term "Underlying" also exclude the benefit or cost associated with significant items.

1. Profit and Dividend Declaration

1.1 Statutory Profit – $371 million, down from $6,663 million

Origin reported a net profit after tax and Minority Interests ("Statutory Profit") of $371 million for the six months ended 31 December 2009, a decrease of 94% compared with $6,663 million reported in the prior half year. The prior half year contained a number of significant items relating to the gain on dilution of Origin's interest in Australia Pacific LNG which provided a benefit of $6,705 million in the Statutory Profit for that period, compared with a benefit of $27 million in this half year.

1.2 Earnings per share – 42.3 cents per share (cps), down from 761.0 cps

Basic earnings per share (EPS) calculated from Statutory Profit decreased by 94% to 42.3 cps from 761.0 cps in the prior half year. This was achieved on a weighted average capital base of 876 million shares which was in line with the prior half year.

1.3 Interim Dividend – 25 cps fully franked

An interim fully franked dividend of 25 cps will be paid on 1 April 2010 to shareholders of record on 9 March 2010. This is in line with the prior half year. Origin shares will trade ex-dividend from 2 March 2010.

1.4 Underlying Profit - $355 million, up 28%

Profit after tax and minority interests and before significant items ("Underlying Profit") for the half year ended 31 December 2009 increased 28% or $78 million to $355 million.

Key factors included a strong first half Underlying EBITDA, the benefit of lower financing costs associated with Origin's strong balance sheet position and a lower effective tax rate. Underlying EBITDA increased driven by growth in the Generation segment and solid Retail performance which more than offset a decline in Underlying EBITDA from the Exploration and Production segment due to dilution of Origin's interest in Australia Pacific LNG, lower production and liquid prices, and higher exploration expense.

Further details are provided in Section 3 – Financial Review of Performance.

1.5 Underlying EPS – 40.5 cps, up from 31.6 cps

Underlying EPS calculated on the Underlying Profit increased by 28% to 40.5 cps from 31.6 cps on a weighted average capital base of 876 million shares. Origin's dividend of 25 cps represents a payout ratio of 62% based on Underlying EPS.

1.6 Reconciliation of Underlying Profit and Statutory Profit

The Statutory Profit for the half year and prior half year contain the impact of a number of significant items as outlined in the table below.

In the half year to 31 December 2009 significant items provided an overall benefit of $16 million. This compared with the half year to 31 December 2008 in which significant items had a benefit of $6,386 million.

Reconciliation of Statutory and Underlying Profit

($millions)	Dec 2009 Impact After Tax & Minority Interests	Dec 2009 NPAT	Dec 2008 Impact After Tax & Minority Interests	Dec 2008 NPAT	Change (%)
Statutory Profit		**371**		**6,663**	**(94)**
Significant items					
Impairment of assets	(8)		(217)		(96)
Decrease in fair value of financial instruments	(19)		(102)		(81)
Gain on dilution of Origin's interest in subsidiaries	27		6,690		-
Unwinding of discounted liability payable to APLNG	(66)		(25)		164
Share of unwinding of discounted receivables within APLNG	93		40		133
Transition and transaction costs	(11)		-		-
Less total significant items		**16**		**6,386**	**(100)**
Underlying Profit		**355**		**277**	**28**
Underlying EPS (cps)		40.5		31.6	28

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

2. Outlook

In October guidance was given that the full year Underlying Profit would be around 15% higher than the prior year. Excluded from that guidance was any expense that would arise from capital expenditure on this year's greenfield exploration program estimated at $100 million.

In respect of the $100 million exploration program, the first well drilled in the program (Somerset) was unsuccessful and the cost of that well ($9 million) has been expensed in the results for the first half of the year. The subsequent wells, Trefoil 2, Rockhopper and Rockhopper sidetrack, have found gas and oil and the costs incurred in drilling those wells have been, or will be, capitalised. The next well to be drilled as part of this program is in the Northland Basin in New Zealand and is expected to commence late in the financial year. Results are not likely to be known by year end so it is unlikely to have any impact on the full year.

While Underlying Profit for the first half were up 28% compared with the prior half year, it remains the Company's expectation (based on current market conditions prevailing) that the full year Underlying Profit will be around 15% higher than the prior year.

In prior years it has been usual for Underlying EBITDA in the second half to be lower than the first half for seasonal reasons. In the current year we expect retail margins to be consistent with the prior year while contributions from new projects such as Kupe, an increase in the Company's interests in the Otway Basin and the initial contribution of the Darling Downs Power Station will offset this usual trend. Net financing costs in the second half will be substantially higher as a result of Origin holding a lower cash balance after paying for acquired assets and lower capitalised interest as projects come on line. Origin also expects a higher effective tax rate in the second half resulting in the Underlying effective tax rate for the full year being around 26%.

During the half year Origin also entered into a farm in agreement to earn interests in five exploration blocks in South East Asia. Under the farm in agreement the drilling program commenced in February 2010 and it is likely that up to $40 million may be spent on exploration in these blocks in the second half of the financial year. It is possible that some elements of this program may be unsuccessful and could result in a write-off of exploration expense occurring in this year. No assumption has been made for any expense in the guidance.

In the 2011 financial year, the following projects are expected to contribute to increased earnings:

- Full year contribution from new projects including the Kupe Gas Project, Darling Downs Power Station and expanded Mt Stuart Power Station
- Full year contribution from the increased interest in the Otway Basin
- Continued development of Australia Pacific LNG's domestic CSG production
- Completion of the 550 MW Mortlake Power Station in late 2010.

Looking further ahead Origin has a number of opportunities to continue to grow and develop its business including:

- Increased share of growing energy markets in Australia and New Zealand
- Continued development by Australia Pacific LNG of its CSG to LNG project which is a primary focus for activity in the coming years
- A substantially expanded portfolio of wind projects and geothermal interests which will provide a basis for meeting mandatory renewable energy targets in Australia and base load energy requirements in New Zealand
- The joint venture with Micron which provides the potential to expand globally in the manufacturing of solar photovoltaic cells
- Additional gas and oil discoveries from an expanded exploration program.

3. Financial Review of Performance

Half year ended 31 December	2009 ($m)	2008 ($m)	Change (%)
Total external revenue	4,300	4,216	2
Underlying EBITDA	706	686	3
Underlying depreciation and amortisation	(194)	(189)	3
Underlying share of interest, tax, depreciation and amortisation of equity accounted investees	(23)	(12)	92
Underlying EBIT	489	485	1
Underlying net financing income/(costs)	12	(60)	
Underlying Profit before income tax	501	425	18
Income tax expense on Underlying Profit	(110)	(110)	-
Underlying net profit after tax before elimination of Minority Interests	391	315	24
Minority Interests share of Underlying Profit	(36)	(38)	5
Underlying Profit	355	277	28
Significant items	16	6,386	(100)
Statutory Profit	371	6,663	(94)
Earnings per share - Statutory	42.3¢	761.0¢	(94)
Earnings per share – Underlying	40.5¢	31.6¢	28
Free cash flow	360	218	65
Capital expenditure (including acquisitions)	1,550	1,275	22
Group OCAT Ratio (year to 31 December)[1]	11.2%	11.3%	
Productive capital (year to 31 December)[2]	7,526	6,776	11
Origin Cash (excluding Contact)	2,766	4,073	(32)
Origin Debt (excluding Contact)	(3,354)	(2,264)	48
Contact Net Debt	(882)	(915)	(4)
Adjusted net debt to debt plus equity[3]	13.1%	n/a	

3.1 Revenue - $4,300 million, up 2%

Total external revenue increased by 2% or $84 million to $4,300 million from $4,216 million.

This primarily reflected higher revenues from the Retail and Generation segments, partially offset by lower revenues from Contact in New Zealand and the Exploration and Production segment.

Further details are available in Section 9.

3.2 Underlying EBITDA - $706 million, up 3%

For the half year to 31 December 2009 Underlying EBITDA increased 3% or $20 million to $706 million.

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

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

[2] Productive Capital is 12 months average funds employed excluding capital work in progress and including 50% of APLNG

[3] Adjusted to exclude impact of financial instruments

Underlying earnings before interest, tax, depreciation and amortisation (EBITDA)

Half year ended 31 December	2009 ($m)	2008 ($m)	Change (%)
Exploration & Production	104	174	(40)
Generation	98	22	345
Retail	320	300	7
Contact Energy	184	190	(3)
Underlying EBITDA	706	686	3

Exploration & Production Underlying EBITDA decreased 40% or $70 million to $104 million reflecting the dilution of Origin's interest in Australia Pacific LNG, lower production volumes, lower average liquids prices and higher exploration expenses.

Further details are available in Section 9.1.

Generation Underlying EBITDA increased 345% or $76 million to $98 million reflecting increased capacity payments from the Retail segment as Origin increased the operating capacity of its generation fleet from 704 MW in December 2008 to 1,620 MW in December 2009.

Further details are available in Section 9.2.

Retail Underlying EBITDA increased 7% or $20 million to $320 million primarily due to improved gross profit for natural gas and LPG together with benefits from a lower cost to serve. In electricity, gross profit was reduced as tariff increases were more than offset by lower sales volumes and higher wholesale energy and network costs.

Further details are available in Section 9.3.

Contact Energy Underlying EBITDA decreased 3% or $6 million to $184 million due to a strengthening in the Australian/New Zealand dollar exchange rate.

Further details are available in Section 9.4.

3.3 Underlying depreciation and amortisation - $194 million, up 3%

Underlying depreciation and amortisation expense increased by 3% or $5 million to $194 million. These reflected increases due to the deployment of the expanded fleet of power stations in Australia, accelerated asset write downs in the Retail segment to align with the Transformation project and Contact's higher generation depreciation. This was largely offset by lower depreciation recorded as a result of prior year impairments, lower production from assets in the Exploration and Production segment, and the equity accounting of Australia Pacific LNG.

3.4 Underlying share of interest, tax, depreciation and amortisation of equity accounted investees - $23 million, up 92%

The share of interest, tax, depreciation and amortisation expenses attributable to equity accounted investees increased 92% or $11 million to $23 million. This increase was primarily due to a full six months contribution of Australia Pacific LNG. This half year's expense comprised of $18 million in relation to Australia Pacific LNG within the Exploration and Production segment, $3 million attributable to the Bulwer and Osborne power stations within the Generation segment and $2 million in relation to Contact's equity accounted investment in the Oakey Power Station.

3.5 Underlying EBIT - $489 million, up 1%

For the half year to 31 December 2009 Underlying EBIT increased 1% or $4 million to $489 million.

3.6 Underlying net financing income/costs - $12 million income, from $60 million expense

Net financing income for the half year of $12 million is comprised of interest revenue of $74 million and an interest expense of $62 million. This compares with a net financing cost of $60 million in the prior half year. The difference is attributable to the significant gross cash balance that Origin continues to hold following the Australia Pacific LNG transaction in October 2008.

The financing expense includes non cash items from the unwinding of the discount on restoration provisions. This amounted to $9 million this half year compared with $13 million in the prior half year.

Capitalised interest for the half year was $78 million compared with $60 million in the prior half year.

3.7 Income Tax Expense on Underlying Profit - $110 million, steady

Underlying income tax expense for the half year of $110 million was in line with the prior half year. The underlying effective tax rate was 22% compared with 26% in the prior half year. The lower effective tax rate is predominantly attributable to the recognition of tax losses and research and development concessions. In addition, the effective tax rate is reduced by tax attributable to equity accounted investees being accounted for at the EBIT level.

3.8 Minority Interests share of Underlying Profit - $36 million, down 5%

Underlying Profit attributable to minority interests decreased 5% or $2 million to $36 million reflecting the lower contribution of Origin's 51.6% subsidiary, Contact Energy.

3.9 Underlying Profit - $355 million, up 28%

Underlying Profit increased 28% or $78 million to $355 million.

3.10 Significant items - $16 million

As outlined in Section 1.6 the Statutory Profit contains a number of significant items which together provide a benefit of $16 million compared with $6,386 million in the prior half year.

Further details are available in Appendix 1.

4. Operating Cash Flow

Half year ended 31 December	2009 ($m)	2008 ($m)	Change ($m)	Change (%)
EBITDA	706	686	20	3
Change in working capital	(162)	(73)	(89)	122
Stay-in-business capex	(85)	(115)	30	(26)
Share of APLNG OCAT less EBITDA	7	(4)[7]	11	(275)
Other	10	(12) [7]	22	(183)
Tax paid	(51)	(117)	66	(56)
Group OCAT[4]	425	365[7]	60	16
Net interest paid	(65)	(147)	82	(56)
Free cash flow	360	218[7]	142	65
Productive Capital[5]	7,526	6,776[7]	750	11
Group OCAT Ratio[6]	11.2%	11.3%[7]		(1)

Group operating cash flow after tax (OCAT) increased by $60 million to $425 million.

The key drivers of the increase included benefits from a $20 million increase in EBITDA, a decrease in stay-in-business capital of $30 million primarily in the Contact segment and lower tax payments due to non-recurrence of a tax payment made in relation to the disposal of the Networks business in the prior half year. These benefits were partially offset by higher working capital primarily due to increased volatility in electricity pool prices in the latter part of the half year to December 2009.

Net interest paid was $82 million lower than the prior half year as a result of the interest received on investing cash arising from the Australia Pacific LNG Joint Venture dilution transaction.

Free cash flow available for funding growth and distributions to shareholders increased 65% or $142 million to $360 million.

Productive Capital in the business increased by 11% due to the commissioning of further Generation assets during the calendar year ended December 2009, primarily Uranquinty Power Station.

The combined impact of the increased Group OCAT and Productive Capital resulted in a Group OCAT ratio for the calendar year 2009 of 11.2% compared with 11.3% for the prior year.

[4] *Group OCAT means Operating Cash flow After Tax of the Consolidated Group inclusive of 50% of APLNG*
[5] *Productive Capital is 12 months average funds employed excluding capital work in progress and including 50% of APLNG*
[6] *Group OCAT Ratio = (OCAT – interest tax shield)/Productive Capital*
[7] *December 2008 figures have been restated to include 50% of APLNG*

5. Capital expenditure and divestments

Capital expenditure on stay-in-business and growth projects was $881 million for the half year to 31 December 2009.

Stay-in-business capital expenditure was $85 million compared with $115 million in the prior year, mainly in Contact and the Retail segment.

Growth capital expenditure (including capitalised interest) was $796 million, 23% lower than in the prior half year. This included expenditure on significant projects of $20 million or more in the following areas:

- Exploration and Production ($119 million in total) – including:
  - The Kupe Gas Project ($53 million); and
  - The Bass Basin ($41 million).
- Generation Projects ($477 million in total) – including:
  - Darling Downs Power Station ($182 million); and
  - Mortlake Power Station ($181 million).
- Contact ($155 million in total) – including:
  - Stratford Power Station ($49 million); and
  - Tauhara stage one geothermal plant ($24 million).

Capital expenditure on acquisitions totalled $669 million, including $661 million in relation to the Pangaea exploration permit acquisition. The balance relates to the acquisition of the Cogent Tri-generation business in the Retail segment.

Total capital expenditure including acquisitions was $1,550 million, compared with $1,275 million in the prior half year.

Following completion of the Australia Pacific LNG transaction, ConocoPhillips is funding the capital expenditure within the Australia Pacific LNG Joint Venture up to a cumulative total of $2.3 billion[8] leading up to a final investment decision in the proposed LNG development. Origin has therefore not contributed to the ongoing CSG capital expenditure program since completion of the transaction in October 2008. During the six months to 31 December 2009 Australia Pacific LNG's gross capital expenditure was $370 million. The cumulative capital spent by Australia Pacific LNG since inception of the joint venture is $696 million. Origin has a 50% equity interest in Australia Pacific LNG.

[8] This represented the uncalled share capital at the time of completion in Australia Pacific LNG

6. Funding and capital management

6.1 Net Debt and Equity

6.1.1 Net Debt

The net debt for the consolidated entity increased to $1,472 million at 31 December 2009 from a net cash balance of $269 million at 30 June 2009, a net movement of $1,741 million.

The calculation of these positions includes a favourable mark-to-market adjustment of $259 million as at 31 December 2009 compared with a favourable adjustment of $162 million as at 30 June 2009. Favourable adjustments act to decrease the net debt quoted.

Excluding these mark-to-market adjustments, the "adjusted net debt" for the consolidated entity was $1,731 million at 31 December 2009 compared with a $107 million cash balance at 30 June 2009, a net movement of $1,838 million.

The movement in the net debt of $1,838 million is primarily attributable to cash payments for acquisitions ($669 million) including the Pangaea exploration permit, growth and stay-in-business capex ($881 million), payment of tax liability relating to the dilution of Australia Pacific LNG ($566 million) and dividends ($185 million) partially offset by cash flow from operations.

6.1.2 Equity

Shareholder's equity increased 2% from $11,144 million at 30 June 2009 to $11,385 million at 31 December 2009. The increase of $241 million is predominantly due to total comprehensive income of $436 million for the half year combined with $43 million from share issuance and $5 million from share-based payments which more than offset $243 million of dividends paid.

Total comprehensive income of $436 million includes $410 million from retained earnings, a $33 million increase in the Hedge Reserve and a $3 million increase in the Available-For-Sale Reserve due to changes in the fair value of financial instruments.

Removing the effects of this change in fair value in equity reserves of $36 million, the "adjusted equity" of shareholders has increased by $205 million from $11,257 million to $11,462 million.

6.1.3 Gearing Ratios

The following two tables provide different calculations of the Net Debt to Net Debt plus Equity ratio based on unadjusted and adjusted positions discussed in 6.1.1 and 6.1.2 above.

Using adjusted values to calculate the Net Debt to Net Debt plus Equity ratio removes any short term volatility caused by changes in fair value and is the best long term measure of the strength of Origin's capital structure.

Calculation of Net Debt to Net Debt plus Equity:

	Dec 2009 ($m)	June 2009 ($m)
Net debt/(cash) as reported	1,472	(269)
Equity as reported	11,385	11,144
Net debt to (net debt + equity)	11.4%	n/a

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

	Dec 2009 ($m)	June 2009 ($m)
Adjusted net debt/(cash)	1,731	(107)
Adjusted equity	11,462	11,257
Adjusted [net debt to (net debt + equity)]	13.1%	n/a

6.2 Net Debt excluding Contact

Origin owns 51.6% of the quoted ordinary shares of Contact and is therefore required under the accounting standards to consolidate all of Contact's assets and liabilities on Origin's balance sheet. This includes consolidating 100% of Contact's outstanding debt obligations. However, under the terms of those debt obligations Origin has no liability associated with Contact's debt.

Excluding Contact's debt obligations, Origin has an adjusted net debt position as at 31 December 2009 of $742 million compared with an adjusted net cash position of $1,004 million as at 30 June 2009, a change of $1,746 million.

Origin excluding Contact has a range of financing facilities in place with varying maturities from six months to 10 years with an average maturity of three years. Origin intends to refinance the majority of its 2010 and 2011 debt obligations by the end of the financial year which, once completed will increase the average maturity of the debt portfolio.

6.3 Share Capital

During the period an additional 3.8 million shares were issued. This included 2.3 million shares issued under the Dividend Reinvestment Plan (DRP) representing $34 million and 1.5 million shares issued as the result of the exercise of employee options which raised $9 million.

As a consequence the total number of shares on issue at 31 December 2009 increased by 3,786,293 shares to 878,168,374 from 874,382,081 at 30 June 2009. The weighted average number of shares used to calculate basic earnings per share increased by 884,555 to 876,487,966 from 875,603,411 as at 31 December 2008.

7. Risk management

7.1 General

Origin manages its risk exposure in energy markets through a combination of natural hedges in the business, contracts and financial hedges. Policy limits have been approved by the Board for products or financial variables for which there is a material risk exposure. Regular reporting is provided to the Board to review exposures and compliance with these limits.

Consistent with this policy framework Origin undertakes hedging of its exposure to electricity prices, oil prices, interest rates and foreign currency exchange rates.

7.2 Electricity and Gas

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

7.3 Oil

On an ongoing basis Origin assesses its anticipated medium term production volumes, the current forward oil prices and Origin's risk exposure to movement in oil prices. As a result of these assessments, and having regard to the Board approved risk limits, Origin from time to time enters into hedges for a portion of its oil and condensate production. Approximately 240,000 barrels of Origin's oil and condensate production for the half year had been hedged at an average price of A$88 per barrel.

Looking forward for the remainder of the financial year Origin has approximately 330,000 barrels of its oil and condensate hedged at an average price of approximately A$86 per barrel.

Origin carries a residual exposure to the spread (premium or discount) in prices it receives for the hydrocarbon products it sells relative to the oil benchmarks against which hedges can be written. Such spreads generally relate to the relative quality of the hydrocarbons sold, issues associated with location, transportation and contract flexibility, and supply demand balances for particular hydrocarbon blends. While such spreads are usually modest and relatively stable, the volatility in oil markets and shifts in supply and demand patterns can lead to significant movements in such spreads.

7.4 Foreign Exchange

With regard to foreign exchange, Origin is prudently hedged over the next year through external hedging arrangements. Origin expects that variability in the US dollar and Euro exchange rates will not have a material impact on group cash flows.

Origin's foreign exchange hedge position associated with US dollar receipts from the sale of oil is reflected in the oil commentary above.

Origin is exposed to the translation of Contact's NZ dollar earnings to Australian dollars. One cent depreciation in the NZ dollar versus the Australian dollar could result in approximately $0.3 million reduction in Origin's Australian dollar profit after tax and minority interests for the six months to June 2010.

Origin is exposed to the translation of its 50% share in the Kupe Joint Venture's US dollar earnings to Australian dollars. One cent depreciation in the US dollar versus the Australian dollar could result in approximately $0.2 million reduction in Origin's Australian dollar profit after tax for the six months to June 2010.

7.5 Interest Rates

Origin's consolidated average interest rate paid on debt for the six months to 31 December 2009 was 5.9%. This includes Contact's NZ dollar denominated debt and Origin's Australian dollar, US dollar and NZ dollar debt obligations. Origin's average interest rate paid excluding Contact was 5.1% for the six months to 31 December 2009.

Looking forward, approximately 51% of Origin's consolidated debt obligations are hedged to June 2010 at an average rate of 7.0% including margin. Excluding Contact, Origin has 42% of its debt obligations hedged at an average rate of 6.5% including margin to June 2010. This hedge percentage gradually reduces over the following five plus years.

As at 31 December 2009, Origin held cash on deposit of approximately $2,766 million compared with $3,751 million at 30 June 2009. This cash was invested at an average rate of 4.3% for the six month period to 31 December 2009. Looking forward, $2,250 million of this amount is invested in fixed rate deposits with maturities ranging from January 2010 to June 2010 at an average rate of 4.6%.

8. People, Health, Safety & Environment

8.1 People

Origin's employee numbers (excluding Contact) decreased by 111 to 4,087 from 30 June 2009. Increases associated with the Exploration and Production segment as Origin further builds its capabilities in delivering major developments in these areas were more than offset by reductions in the Retail segment following employee transfers to Wipro resulting from the Retail Transformation and Transition project.

8.2 Health and Safety

Origin uses as its primary safety performance measurement the industry standard measure of Total Recordable Incident Frequency Rate (TRIFR) which measures the total number of recordable injuries that occur per million hours worked on a rolling 12 month basis. Recordable injuries include lost time cases, restricted work cases and medical treatment cases. This measure improved by 24% from 9.1 at 30 June 2009 to 6.9 at 31 December 2009.

Origin seeks to continually improve the safety of its work sites and operations. The Company focuses on the safety of its employees and contractors through ongoing measures such as review of its site induction processes, targeted safety interventions, contractor management and conducting health and safety awareness programs with an aspiration of zero harm.

Origin has robust systems for identification, recording and reporting risks and for investigating health and safety incidents to ensure action is taken to avoid future incidents. Regrettably, during the half year an accident occurred resulting in the death of a contractor at the entrance to an Australia Pacific LNG site. An investigation into this incident is ongoing. Steps have been taken to eliminate or minimise the chance of a similar event occurring in the future and will be strengthened if required on receipt of the final incident investigation report.

8.3 Environment

For the six month period ended 31 December 2009, there were 13 environmental incidents reported involving regulatory matters or significant[9] spills of hydrocarbons, chemicals or contaminated water. Of these incidents, one involved a licence condition breach which resulted in a minor fine (NZ$750). Another incident involved an internal systems lapse which led to a missed licence renewal payment. The remaining incidents were all spills but none of these caused significant environmental harm. All incidents have been investigated and preventative actions implemented to ensure non-recurrence taken where possible.

[9] Involving spills of 100 litres or greater

9. Operational Review

9.1 Exploration & Production[10]

Half year ended 31 December	2009 ($m)	2008 ($m)	Change (%)
Total revenue	234	298	(21)
Underlying EBITDA	104	174	(40)
Underlying EBIT	15	81	(81)

Production Volumes - inclusive of 50% interest in APLNG

Half year ended 31 December	2009	2008	Change (%)
Total Production (PJe)	50	58	(14)

Sales Volumes - inclusive of 50% interest in APLNG

Half year ended 31 December	2009	2008	Change (%)
Natural gas (PJ)	45	50	(10)
Crude oil (kbbls)	695	683	2
Condensate/naphtha (kbbls)	427	428	-
LPG (ktonnes)	42	45	(8)
Ethane (ktonnes)	18	18	4
Total (PJe)	**54**	**59**	**(8)**

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

Details of production from Origin's Exploration and Production assets may be found in the Quarterly Production Report for the Quarter ended 31 December 2009, released to the Australian Securities Exchange on 29 January 2010.

Underlying EBITDA for the Exploration and Production segment was $104 million compared with $174 million in the prior half year. This reduction primarily reflected the dilution of Origin's interest in Australia Pacific LNG, lower production volumes, lower liquids prices and higher exploration expenses.

Operationally, substantial progress has been made in domestic CSG developments and planning for the Australia Pacific LNG export project. In addition the Kupe Gas Project in New Zealand has commenced commissioning; the Pangaea exploration permit acquisition was completed; agreement was reached to acquire additional interests in the Otway Basin; an offshore drilling program commenced in the Otway and Bass basins; and an arrangement to farm in to new opportunities in South East Asia was agreed.

[10] In late October 2008 Origin completed a transaction with ConocoPhillips that resulted in a 50% dilution in Origin's interest in its CSG and Denison Trough assets that are held through Australia Pacific LNG. From that point in time Origin's interest in Australia Pacific LNG has been equity accounted. As a result, revenue quoted here excludes Origin's share of revenue from the Australia Pacific LNG joint venture. The Underlying EBITDA contribution of Australia Pacific LNG is equity accounted within the Underlying EBITDA of the Exploration and Production segment, while the Underlying NPAT of Australia Pacific LNG is equity accounted within Underlying EBIT of the Exploration and Production segment.

9.1.1 Production, Sales and Revenues

Origin's share of total production inclusive of its 50% share of Australia Pacific LNG decreased by 14% or 8 PJe to 50 PJe. While gross production in areas now held by Australia Pacific LNG increased 24% or 7 PJe to 34 PJe, dilution of Origin's interest in these areas saw Origin's share of production fall by 26% or 6 PJe to 17 PJe. In addition, a planned maintenance outage at the BassGas facilities, natural field decline, and lower demand contributed to lower production.

Sales Volumes inclusive of Origin's 50% share of Australia Pacific LNG declined by 8% to 54 PJe and Sales Revenue inclusive of Origin's 50% share of Australia Pacific LNG declined by 9% to $286 million. This reflected lower production somewhat offset by increased third party purchases (+3.2 PJe) and a decline in average liquids prices which was partially offset by improved natural gas pricing. The average price received for sales of oil, condensate and naphtha over the period, including the impact of hedging, was $82.20 per barrel, 9% lower than the prior half year.

Total Revenue therefore declined by 21% or $64 million from $298 million to $234 million. Total Revenue for the Exploration and Production segment of $234 million excludes $61 million of revenue contribution from Origin's 50% equity accounted interest in Australia Pacific LNG. This compares with total revenue of $298 million in the prior half year which excluded $13 million of revenue contribution from Origin's 50% equity accounted interest in Australia Pacific LNG.

9.1.2 Expenses

The difference between segment Revenue and segment Underlying EBITDA has increased by $6 million to $130 million in the half year from $124 million in the prior half year. Underlying EBITDA for the half year includes a $24 million equity accounting contribution from Australia Pacific LNG, an increase of $18 million compared with $6 million in the prior half year. Excluding the equity accounting contribution from both periods the increase in expenses is $24 million.

This $24 million increase represents higher expenses associated with the cost of goods sold ($18 million) due to an increase in third party sales, higher exploration expenses ($17 million) and higher general operating costs ($6 million), partially offset by the exclusion of costs associated with the CSG business reported in the prior year before the Australia Pacific LNG transaction ($17 million).

9.1.3 Earnings

Underlying EBITDA

Underlying EBITDA decreased 40% or $70 million to $104 million. The main contributing factors included the dilution of Origin's interest in Australia Pacific LNG ($17 million), higher exploration expenses ($17 million), and lower contribution from Origin's conventional business reflecting lower production ($16 million) and lower average liquids prices ($19 million).

Underlying EBITDA of $104 million for the Exploration and Production segment includes an equity accounted contribution of $24 million from Origin's 50% interest in the Underlying EBITDA of Australia Pacific LNG. In the prior half year the equity accounted contribution was $6 million for a two month period.

Underlying Depreciation and Amortisation

Underlying depreciation and amortisation charges decreased 20% or $18 million to $71 million. Equity accounting of Australia Pacific LNG results in the depreciation and amortisation of these assets being reported within "Underlying share of interest, tax, depreciation and amortisation of equity accounted investees" below. Lower production for the half year further reduced the depreciation and amortisation expense. In addition there was a lower depreciable asset base as a result of asset impairments recognised in relation to the Cooper Basin, the BassGas Development and Perth Basin in the prior half year.

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

Origin's share of interest, tax, depreciation and amortisation of Australia Pacific LNG is equity accounted and included in a single line item between Underlying EBITDA and Underlying EBIT. This includes six months expense in the half year compared with two months expense in the prior half year. The total expense related to these items amounted to $18 million in the half year compared with $4 million in the prior half year. Of this, $11 million is related to depreciation and amortisation compared with $3 million in the prior half year.

Underlying EBIT

Underlying EBIT for the half year decreased 81% or $66 million to $15 million.

9.1.4 Australia Pacific LNG

The Australia Pacific LNG Joint Venture has made significant progress in the development of the domestic gas business and has met significant milestones in preparation for the CSG to LNG export project. Australia Pacific LNG's equity interest in production capacity now exceeds 240 TJ/d; 2P reserves have increased by 578 PJ to 7,843 PJ; key contracts have been awarded in relation to drilling, upstream processing facilities and major pipelines; in January 2010 Australia Pacific LNG's Environmental Impact Statement (EIS) was lodged; and an active LNG marketing program is continuing.

Domestic gas developments have focussed on the Spring Gully and Talinga fields operated by Australia Pacific LNG.

Spring Gully production achieved a peak in excess of 145 TJ/d as Phase 5 of the development neared completion. Phase 6 of the Spring Gully project which is designed to increase capacity to 180 TJ/d is well advanced.

The Talinga development is being developed in two stages and includes the drilling of 98 wells, the installation of 220 km of gas and water gathering lines, construction of the Talinga gas plant and construction of a 20 ML/d reverse osmosis plant. Stage 1 of the Talinga Project was commissioned in November 2009 and by 31 December 2009 was producing at around 16 TJ/d. The potential capacity through the Talinga plant is currently around 40 TJ/d and will increase to 90 TJ/d when Stage 2 is complete.

In addition construction of a 204 km gas pipeline connecting the gas hub at Wallumbilla, the Talinga field and the Darling Downs Power Station was completed and commissioned. This will assist Australia Pacific LNG to effectively manage gas supply arrangements across its portfolio of contracts.

At the Fairview field, operated by Santos, the first phase of the CSG field expansion project has been completed and is delivering 30 TJ/d net to Australia Pacific LNG. On completion the project is expected to deliver approximately 50 TJ/d to Australia Pacific LNG.

The Queensland Gas Company operated project which will bring the Kenya, Argyle and Lauren CSG fields online is progressing. The project which includes additional wells, the installation of gas and water gathering lines, the construction of a gas plant and a field compressor station and the construction of water treatment facilities, is expected to deliver over 50 TJ/d to Australia Pacific LNG. At the end of the period, the Kenya gas plant was delivering 22 TJ/d to Australia Pacific LNG.

Progress on these projects, both operated and non-operated, has allowed Australia Pacific LNG to produce at rates in excess of 200 TJ/d in aggregate.

Three significant contracts have been awarded relating to the CSG to LNG project. In late December 2009, Australia Pacific LNG awarded a $220 million drilling and work-over rig contract to Savanna Energy Services Pty Ltd for the provision of two proprietary hybrid drilling rigs and two work-over rigs for a five year term from September 2010. In January 2010 major contracts have been signed with McConnell Dowell Constructors (Aust) Pty Ltd and Baulderstone Bilfinger Berger Services (Australia) Pty Limited Joint Venture for the design, engineering, procurement and early works activity during the planning stages for the 450 km main pipeline and upstream facilities.

The EIS for Australia Pacific LNG's CSG to LNG project was submitted to the Queensland Regulator at the end of January 2010. It is expected to be available for public exhibition and comment in March 2010.

Australia Pacific LNG participated in 177 wells during the period. The key focus of activity was to increase production capacity to supply new contracts during 2010, together with continuing delineation of reserves and resources.

Of the 177 wells drilled, 88 were development wells, 65 were appraisal wells and 24 were exploration wells. The exploration wells included 22 core holes that were largely focussed in areas where Australia Pacific LNG holds contingent resources to better delineate these areas and determine where to focus future reserves maturation activities.

As a result of the drilling and development program during the half year Australia Pacific LNG added 578 PJ of Proved and Probable (2P) reserves net of production. With over 7,800 PJ of 2P reserves and nearly 13,000 PJ of 3P reserves Australia Pacific LNG remains ahead of schedule in maturing its reserves base in support of FID by the end of 2010.

Consistent with reserves reporting guidelines Origin performs an economic test to calculate reserves on the basis of domestic market prices and conditions. The quantum of reserves estimated may therefore be influenced by the price assumptions used.

APLNG Reserves (PJ)[11]	Reserves June 2009	Gross Increase	Production	Net Increase	Reserves Dec 2009	Change %
Proved and Probable (2P)	7,265	612	34	578	7,843	8
Proved, Probable and Possible (3P)	12,627	364	34	330	12,957	3

Origin holds an effective interest of 50% in Australia Pacific LNG.

Progress has also been made in understanding Contingent Resources within the areas held by Australia Pacific LNG. Assessment of the results of the exploration program in areas where Contingent Resources are held has resulted in a decrease in the level of 2C or most likely Contingent Resources from 7,919 PJ to 5,672 PJ. This included the transfer of 330 PJ from Contingent Resources into Reserves. The 3C or high side Contingent Resource declined by a lesser amount from 13,073 PJ to 11,870 PJ as some of the exploration drilling better delineated the resource potential. Australia Pacific LNG will continue to undertake exploration activities and trial new technologies to better delineate the resource potential in these areas.

APLNG Resources[11] (PJ)	Resources June 2009	Net Increase/ (Decrease)	Resources Dec 2009	Change %
2C Contingent Resources	7,919	(2,247)	5,672	(28)
3C Contingent Resources	13,073	(1,203)	11,870	(9)

Origin holds an effective interest of 50% in Australia Pacific LNG.

The combined Reserves and Contingent Resources held by Australia Pacific LNG are therefore 24,827 PJ compared with 25,700 PJ at 30 June 2009. Origin holds an effective interest of 50% in these Reserves and Resources.

The acreage held by Australia Pacific LNG in the Galilee Basin remains lightly explored and Australia Pacific LNG does not believe there is sufficient information available to provide an assessment of Reserves and Contingent Resources in this area.

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[11] The 2009 assessment of Origin's CSG reserves and resources has been prepared by internationally recognised petroleum consultant Netherland, Sewell & Associates, Inc. (NSAI) as per their report dated 18 February 2010, compiled by Mr John G. Hattner, a full-time employee of NSAI. Mr John G. Hattner has consented to the statements based on this information, and to the form and context in which these statements appear.

The Reserves Statement has been prepared to be consistent with the Petroleum Resources Management System 2007 published by Society of Petroleum Engineers (SPE). This document may be found at the SPE website http://www.spe.org/spe-app/spe/industry/reserves/prms.htm

The information in this Reserves Statement has been compiled by Andrew Mayers, a full-time employee of Origin. Andrew Mayers is qualified in accordance with ASX listing rule 5.11 and has consented to the form and context in which this statement appears.

A factor of 1.045 petajoules per billion cubic feet of gas was used in the conversion of volumetric petroleum product measures to the energy measure of petajoules in the June 2009 assessment. Following technical review this factor was revised and in the December 2009 assessment a factor of 1.038 petajoules per billion cubic feet of gas was used.

Origin's interests in exploration and production tenements (held directly or indirectly) may change from time to time and some of Australia Pacific LNG's CSG tenements are subject to commercial arrangements under which, after the recovery of acquisition, royalty, development and operating costs, plus an uplift on development and operating costs, a portion of some of the interests may revert to previous holders of the tenements. Origin has assessed the potential impact of reversionary rights associated with such interests based on the economic tests for reserves outlined in this report and based on that assessment does not consider that reversion will impact the reserves quoted within this report.

9.1.5 Major Development Activities

Kupe Gas Project (New Zealand)

During the period construction of both the Kupe Production Station at Hawera and the Kupe Tank Farm at Omata were completed with commissioning activities concurrently progressed. Process commissioning commenced with the opening of the offshore wells on 4 December 2009 and initial sales of commissioning gas and LPG commenced shortly after. The commissioning has progressed very well and the plant has achieved design throughput of sales gas during test runs.

The first marine cargo of light crude oil was shipped in January.

Bass Basin (Victoria/Tasmania)

The BassGas facility is currently undergoing a maintenance shut-down that includes process modifications and well workovers.

The BassGas Joint Venture has also approved the $345 million Yolla Mid-Life Enhancement (MLE) project to upgrade facilities and extend the production plateau of the project. The MLE project will upgrade the offshore production facilities converting the platform to a manned facility with living quarters and safety related systems and equipment. On-platform pumping and compression equipment will also be installed to extend the production life of the Yolla gas field and two additional development wells, Yolla 5 and 6, will be drilled. The on-platform construction and drilling activity will be facilitated by a semi-submersible tender assisted drilling unit.

Fabrication of the accommodation and utility module has commenced. The additional wells and accommodation facilities are expected to be operational by the June Quarter 2011 and the pumping and compression facilities by mid 2012.

9.1.6 Exploration

During 2009/2010 Origin is undertaking an active exploration program that includes the drilling of a number of offshore wells across the Bass and Otway basins in Australia and the Northland Basin in New Zealand. In addition, a range of exploration activities in Australia, New Zealand, Kenya and South East Asia are being undertaken. In managing its exploration portfolio the Company has farmed into a prospective suite of exploration and appraisal opportunities across Thailand, Lao PDR and Vietnam and has secured a farminee to undertake drilling in the Canterbury Basin in New Zealand.

Australia

In the Bass Basin, Origin drilled two wells in the T/18P permit using the Kan Tan IV semi-submersible rig. The Trefoil 2 gas appraisal well intersected gas bearing sands in the targeted Eastern View Coal Measures at a location 2.6 km south of the discovery well, Trefoil 1. The gas exploration well Rockhopper 1, 10 km from Trefoil 1, encountered oil and gas in a sequence of interbedded sandstones and shales in the Lower Eastern View Coal Measures. On the basis of this result, Rockhopper 1 ST1 is being drilled as an appraisal sidetrack to a location 1.3 km south and down dip of the hydrocarbon bearing sandstones in Rockhopper 1. The results of these wells are being evaluated.

In the Otway Basin the Somerset 1 well was drilled in T/34P using the Ocean Patriot semi-submersible rig. The well was not successful and was plugged and abandoned.

New Zealand

In the Northland Basin, a two well drilling program is expected to commence late in the June Quarter 2010 targeting gas for the New Zealand market.

In the Canterbury Basin offshore from Dunedin, Origin has reached agreement to farm out a 50% interest in exploration permits PEP 38262 to Anadarko Petroleum Corporation (Anadarko). Prior to agreement to farm in, Anadarko completed specialist processing of a 3D seismic survey recorded by Origin in 2009 over the large Carrack/Caravel prospect in this permit. The Carrack/Caravel prospect, if established hydrocarbon bearing, has the potential to hold recoverable resources in excess of 500 million barrels of oil equivalent. A well commitment will become due in the 12 months from August 2010 and Anadarko has agreed to fund the first US$30 million of joint venture exploration costs. Drilling is expected to commence in 2011. Anadarko also holds an option to purchase an interest in the adjacent permit PEP 38264 under agreed terms.

Kenya

Origin has recorded an 800 square kilometre 3D marine seismic survey over the Mbawa prospect prior to the possible selection of a drilling location. The survey was the first 3D seismic survey to be recorded in Kenya. Following interpretation of this data, a decision will be made whether to drill the Mbawa prospect in the third year of the permit or to withdraw from the joint venture.

South East Asia

In Vietnam Origin awarded an acquisition contract for a 1,960 km 2D marine seismic program in Block 121, Song Hong Basin in Vietnam. Reprocessing of the existing 2D seismic data (approximately 3,900 km) was completed.

On 16 December 2009, Origin and Salamander Energy plc (Salamander) signed a farm in agreement under which Origin will earn an interest in a portfolio of five exploration blocks operated by Salamander across north-east Thailand, Lao PDR and Vietnam. As part of the joint venture arrangement, Origin will fund the next US$50 million of joint venture exploration and appraisal expenditure across the five blocks. Origin may also fund up to an additional US$40 million of joint appraisal expenditure.

An active drilling programme is planned in the farm in areas with wells to be drilled in four of the five blocks. Drilling commenced in February 2010 with the Bang Nouan-1 exploration well in Lao PDR and is expected to be followed in the June Quarter 2010 with two offshore exploration wells in Vietnam. Two onshore appraisal wells on the Dao Ruang gas discovery in Block L15/50, Northeast Thailand, will be drilled towards the end of calendar year 2010.

Interests that will be earned are in Block L26/50 (Thailand) 40%; Block L15/50 (Thailand) 40%; Savannahket PSC (Laos) 30%; Block 31 PSC (Vietnam) 25%; and Block DBSCL-01 (Vietnam) 25%. Salamander will also have the option to acquire an interest in one exploration block currently operated by Origin in south-east Asia.

9.2 Generation

Half year ended 31 December	2009 ($m)	2008 ($m)	Change (%)
Internally Contracted Plant Revenue	*97*	*25*	*289*
Externally Contracted Plant Revenue	*22*	*5*	*340*
Total Revenue	**119**	**30**	**298**
Underlying EBITDA	98	22	345
Underlying EBIT	75	11	582

Generation Volumes

Half year ended 31 December	2009 ($m)	2008 ($m)	Change (%)
Internally Contracted Sales Volume (TWh)	0.6	0.4	38
Externally Contracted Sales Volume (TWh)	0.6	0.2	138
Total Sales Volume (TWh)	**1.2**	**0.7**	**73**

Underlying EBITDA increased 345% or $76 million to $98 million reflecting increased capacity payments from the Retail segment as Origin increased the operating capacity of its generation fleet from 704 MW in December 2008 to 1,620 MW in December 2009.

During the 2009 calendar year commissioning of four new generation facilities was completed including the 640 MW Uranquinty Power Station, the 120 MW Quarantine and 126 MW Mt Stuart Power Station expansions and the 30 MW Cullerin Range Wind Farm.

Generation capacity will continue to increase through 2010. Construction and commissioning of the 630 MW Darling Downs Power Station is progressing well with the turbines progressively being synchronised with the grid in preparation for commercial operation in the second half of the year. The 550 MW Mortlake Power Station development also continues to progress well with commissioning expected by the end of calendar year 2010. The completion of these two developments will see Origin's generation capacity increase to 2,800 MW.

9.2.1 Production, Sales and Revenue

Revenue for the Generation segment is derived through capacity payments from the Retail segment for internally contracted plants and the sale of electricity and steam from externally contracted cogeneration plants.

Capacity payments represent a fee paid for dispatch rights and also cover operating and maintenance costs associated with running the power stations. The plants are then available at call to generate electricity to contribute to risk management for the Retail segment.

Of Origin's three externally contracted plants, the Worsley cogeneration plant is the only one that contributes to reported revenue. The Osborne and Bulwer Island power stations are held within incorporated joint ventures in which Origin has a 50% equity stake and are therefore equity accounted.

Revenue in the Generation segment was $119 million, an increase of $89 million when compared with $30 million in the prior half year.

The key driver of the increase in revenue is the additional capacity payments received from the Retail segment reflecting the growth in internally contracted generation capacity. In addition, approximately $16 million of revenue reflects the return to service of the Worsley cogeneration plant which was subject to an extended outage in the prior half year.

No major unplanned outages occurred in the generation fleet during the period.

Details of the half year operational performance of Origin's power generation plants are tabulated below.

Generation Plant	Plant Capacity MW	Type	Equivalent Reliability Factor**	Capacity Factor
Cullerin Range	30	Internal	N/A	47%
Ladbroke Grove	80	Internal	99%	32%
Mt Stuart	288	Internal	100%	1%
Mt Stuart Expansion	126	Internal	100%	1%
Quarantine	96	Internal	99%	19%
Quarantine Expansion	120	Internal	98%	10%
Roma	74	Internal	99%	32%
Uranquinty	640	Internal	97%	4%
Bulwer Island*	32	External	99%	84%
Osborne*	180	External	99%	77%
Worsley*	120	External	99%	95%

*Origin holds a 50% equity share

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

9.2.2 Earnings

Underlying EBITDA increased to $98 million from $22 million. This reflected the growth in generation capacity from developments completed in the 2009 calendar year including the new Uranquinty Power Station and Cullerin Range Wind Farm and expansions at Mt Stuart and Quarantine power stations. Worsley achieved an equivalent reliability factor of 99% compared to 25% in the prior half year where an outage arising from a turbine failure negatively impacted the result.

Depreciation expense was $20 million compared with $5 million reported in the prior half year, reflecting the increased asset base.

Underlying EBIT was $75 million compared with $11 million for the prior half year.

9.2.3 Power Generation Developments

The expansion of Mt Stuart peaking facility reached Practical Completion on 7 November 2009 and was officially opened on 11 December 2009. The original 288 MW plant was expanded to 414 MW with the addition of a GE Energy 126 MW 9E gas turbine at a capital cost of $110 million.

The first gas turbine at the Darling Downs Power Station synchronised to the grid on 9 December 2009. The three gas turbines had all achieved synchronisation by 19 December 2009. The steam turbine and duct firing systems were brought on line and run close to full load in mid-February. Handling and reliability trials will progress through to the June quarter and practical completion is expected in mid 2010.

Commissioning of the 550 MW open cycle power station at Mortlake in Victoria is expected by the end of calendar year 2010. Turbines have been delivered to the site and major construction work is underway. The Mortlake site is permitted for a significant expansion of capacity. This may include conversion of the existing plant to a highly efficient combined cycle power station and the addition of extra peaking capacity.

Origin's generation pipeline now includes 2,670 MW of gas fired power plant development options including sites at Mortlake, Spring Gully, Quarantine and Darling Downs.

These options provide flexibility to continue to enhance Origin's electricity supply portfolio.

9.2.4 Growth in Renewable Energy

Wind

The Cullerin Range Wind Farm near Goulburn in New South Wales commenced commercial operations on 1 July 2009. During the half year the wind farm operated at a 47% capacity factor, marginally above the expected long term average.

During the half year Origin exercised an option to acquire the Yass Valley Wind Farm project from Epuron. The project has a capacity of between 222 MW and 420 MW depending upon turbine numbers and the turbine technology selected. The project is located within New South Wales approximately 60 km from the Cullerin Range Wind Farm.

In addition, Origin worked actively on permitting and community engagement on the Lexton, Stockyard Hill and Dundas sites in Western Victoria which it acquired as a result of the WindPower acquisition in 2009.

By the end of the half year Origin's wind portfolio included 96 MW that are now Development Application approved, 846 MW that are in the advanced planning and permitting stage, 1,200 MW in the planning and permitting stage and 1,314 MW undergoing feasibility studies.

Geothermal

Origin is investing in the research and development of geothermal energy associated with a world class heat resource based on deep fractured granites in northern South Australia. Origin's major investment to date is through a 30% interest in the Innamincka Joint Venture with Geodynamics Ltd (Geodynamics) which covers a number of geothermal exploration permits in the area. During the half year a high level forward work plan was developed and agreed by this joint venture covering fraccing, drilling and other activities necessary to achieve FID for a Commercial Demonstration Plant. The first major scheduled activity is the stimulation of the Jolokia 1 well during the middle of 2010.

On 6 November the Federal Government informed Geodynamics that the Company's application for $90 million funding under the Renewable Energy Demonstration Program on behalf of the joint venture was successful. The funding will be staged over the life of the project with the final grant payment to be received following the commissioning of the 25 MW geothermal power plant in the Cooper Basin, expected to occur in late 2013.

Origin and Geodynamics have also entered into an agreement to evaluate the geothermal potential of the shallower Cooper and Eromanga basin section within the existing permit areas. Origin will be the exploration operator of a new Innamincka Shallows Joint Venture and over the next twelve months will drill and test two slim wells to depths of approximately 2,200 metres. The initial program is expected to cost approximately $10 million and will be shared equally between Origin and Geodynamics. Origin will contribute $4.5 million of project expenditure, in addition to its 50% share of project expenditure for the Innamincka Shallows Joint Venture, in exchange for a 20% increase in its interest in the Shallows area.

In addition to its joint venture interests, Origin holds an equity interest of approximately 7% in Geodynamics.

On 28 September 2009 Origin entered into an agreement with Eden Energy Ltd to farm in to a geothermal licence adjoining the geothermal licences held by Geodynamics in the Cooper

Basin. Origin will earn a 70% interest under the agreement and become operator of the project.

Solar

Origin and Micron Technology, Inc of the United States have formed a 50:50 joint venture with a focus on the development of photovoltaic energy. Micron is a US listed company and one of the world's leading providers of advanced semiconductor solutions. The near term objective of the joint venture is to combine the work Origin has undertaken to date in solar development with Micron's capabilities and to examine opportunities for development and commercialisation of solar photovoltaic technology.

9.3 Retail

Half year ended 31 December	2009 ($m)	2008 ($m)	Change (%)
Total revenue	3,266	2,989	9
Underlying EBITDA	320	300	7
Underlying EBIT	286	271	6

Performance metrics by commodity and variance from prior half year

Half year ended 31 December 2009	Natural Gas	Electricity	LPG
Commodity Revenue ($m)	590 [12] *(+9%)*	2,102 [13] *(+7%)*	321 *(-9%)*
Gross Profit ($m)	116 *(+30%)*	329 *(-13%)*	83 *(+14%)*
Underlying EBITDA ($m)	280 *(-4%)*		36 *(+328%)*
Underlying EBIT ($m)	261 *(-5%)*		24 *(+$27m)*
Sales - (PJ)	75 *(+11%)*		
Sales - (TWh)		15 *(-4%)*	
Sales - (ktonnes)			262 *(+7%)*
Total Sales (PJe)	75 *(+11%)*	55 *(-4%)*	13 *(+7%)*
Customer accounts ('000) - *(Change from 31 December 2008)*	868 (-1%)	1,738 (-)	346 (+2%)

Retail Performance

During the period, the Retail segment recorded revenues of approximately $3.3 billion, an increase of 9% on the prior half year. This was driven by higher sales volumes across natural gas and LPG together with tariff increases for natural gas and electricity.

Gross profit for the half year was marginally lower. Improved gross profit for natural gas and LPG was more than offset by lower electricity gross profit due to higher wholesale energy and network costs.

The Retail segment's Underlying EBITDA increased 7% or $20 million to $320 million. The marginally lower gross profit was more than offset by lower cost to serve for electricity and natural gas and lower US denominated costs due to foreign exchange movements in the LPG business.

Natural Gas

Natural gas revenues increased 9% or $50 million to $590 million reflecting increased volumes and higher residential tariffs. Natural gas sales volumes increased 11% or 7 PJ to 75 PJ, primarily as a result of increased sales to wholesale and power generation customers. This more than offset reduced consumption by residential customers due to warmer weather. As a result of this change in customer mix, the average unit price received for natural gas was marginally lower.

Sustained periods of low pool prices and effective management of the gas portfolio resulted in a 5% reduction in the unit cost of gas. As a result, gross profit increased 30% from $89 million to $116 million.

[12] Gas revenue excludes revenues associated with zero margin volumes such as swaps
[13] Excludes electricity pool revenue derived from running merchant plants

Electricity

Electricity revenues increased 7% or $130 million to $2,102 million primarily due to tariff increases, including the revised Queensland Competition Authority (QCA) decision. This has more than offset a 4% reduction in sales volume to 15.2 TWh, primarily due to lower demand from commercial and industrial customers.

Electricity procurement costs increased 11% or $0.2 billion to $1.8 billion. This was due to increases in network costs across most states, in particular Queensland, and higher average wholesale energy costs. The combination of higher average historic contract prices and high average pool prices during November and December (where average pool prices increased by 60% or approximately $18/MWh) more than offset the benefit of lower average pool prices in the July to October period.

The Retail segment pays the Generation segment a capacity payment for the dispatch rights to five open cycle power stations and one wind farm. The Retail segment earns pool revenue when the generation plant is dispatched and is responsible for the cost of providing fuel to run the plant. The net result is included in the cost of goods sold above.

The combination of factors above resulted in a 13% or $49 million decrease in electricity gross profit to $329 million.

Gas and Electricity Market Churn

During the six months to December 2009, there was significant competitor activity particularly in Queensland after the revised QCA tariff decision.

Origin won 232,000 new accounts across its gas and electricity business compared to 238,000 in the prior half year. However, overall greater competition led to a net decrease in gas and electricity account numbers of 4,000 to 2,606,000 over the half year. Origin's customer account numbers at 31 December 2009 include 516,000 signed green energy accounts. This is comprised of 398,000 GreenPower electricity and 118,000 green gas customer accounts, and reflects Origin's strong market leadership position in this area.

Origin's year end account numbers include approximately 17,000 accounts transferred to Origin under the Retailer of Last Resort provision following energy retailer Jackgreen going into receivership.

Cost to serve - Electricity and Natural Gas

Origin includes within its retail cost to serve all costs associated with servicing and maintaining customers, all churn and customer acquisition and retention costs, and an allocation of corporate costs.

The total cost to serve for Origin's gas and electricity retail business decreased by around 6% or $10 million to $164 million. A continuing focus on improved productivity was a significant driver of this decrease. A reduction in contractor numbers associated with systems upgrade projects and the migration of Sun Retail accounts in the prior half year provided further benefits. Consequently, Origin's cost to serve per customer for its retail gas and electricity business decreased 6% across the two half year periods, from $67 per customer to $63 per customer.

Electricity and Natural Gas Margins

Half year ended 31 December	2009	2008	Change
Customer numbers ('000)	2,606	2,613	-
Underlying EBITDA/Sales	10.4%	11.6%	(1.2)
Underlying EBIT/Sales	9.7%	10.9%	(1.2)
$/Customer			
Gross Margin/Customer	171	179	(8)
Opex/Customer	63	67	(4)
Underlying EBITDA/Customer	108	111	(3)

Underlying EBITDA across the gas and electricity business decreased by 4% from $293 million to $280 million. The lower gross profit across natural gas and electricity more than offset the benefits from a lower cost to serve. This resulted in Underlying EBITDA margins decreasing from 11.6% to 10.4%.

Underlying Retail EBIT across electricity and natural gas decreased 5% from $276 million to $261 million. Margins at this level declined from 10.9% to 9.7%.

LPG

Sales revenue decreased 9% or $32 million to $321 million. Lower average prices charged to customers reflected lower international benchmark LPG prices. This reduction in average sales price was partially offset by a 7% increase in volumes from 245 ktonnes to 262 ktonnes.

The lower international benchmark LPG prices resulted in Origin's average unit product cost being 21% lower than the prior half year.

As a result gross profit for the LPG business increased 14% or $10 million to $83 million.

Underlying EBITDA for the LPG business increased 328% or $27 million to $36 million predominantly due the factors described above together with lower US denominated costs due to foreign exchange movements.

LPG customer accounts increased by 8k compared to the prior half year with approximately 346k customer accounts by the end of the half year.

9.3.1 Operational Capability - Retail Transformation and Transition Project

Origin is transforming its Retail business to improve business process efficiency, optimise cost to serve and further enhance customer service. This will provide improved customer insights and processes together with better use of technology to engage with customers. Origin will therefore be better placed to deliver innovative energy solutions to the market while optimising its cost to serve.

The project includes the implementation of new technology together with outsourcing or transition of activities to our transformation partner, Wipro.

The transition to Wipro of the management of the majority of Origin's Retail IT applications support and development, together with back office business processes in customer set up and transfers, billing, collections and receipting, was completed in December 2009 as planned. This was a significant achievement with 396 roles outsourced and 240 Origin people transferred to Wipro.

The transformation component of the project has commenced including documenting future processes and detailed planning that will support Retail's future way of working. This initial work was completed successfully in December as planned. The next phase which is currently in progress involves building a new SAP technology platform and process capability and developing the training programs that will help our people adopt the new way of working.

9.3.2 Customer Solutions businesses

Origin is continuing to invest in developing and emerging businesses to provide a greater range of customer offerings and growth opportunities in the future. This includes products such as solar hot water, solar photovoltaic rooftop systems, heat pumps and tri-generation systems.

The solar hot water and solar photovoltaic business has experienced strong growth in sales, up 247% on the prior half year. Origin's Serviced Hot Water business continues to grow, adding 1,300 new customers during the period. Origin also introduced new sustainable products including heat pumps, gas boosted solar hot water systems and fully installed 6 star energy efficiency rated air conditioning solutions. This portfolio of products will develop to enable provision of broader customer energy solutions.

As part of the Adelaide Solar Cities program, and to enhance its understanding of consumer behaviours as energy delivery mechanisms change, Origin signed up more than 2,000 customers on innovative "time of use" and "critical peak pricing" products. A subset of these customers will be able to monitor their electricity consumption and receive messages such as peak pricing notifications through an in-home display unit.

During the period Origin acquired and fully integrated the Cogent tri-generation business which brings innovative distributed energy solutions to the development portfolio. During the period the commissioning of two tri-generation units were completed with both generators achieving their expected output. In New South Wales, Kinesis and Origin successfully tendered for the development of a 2030 'master plan for distributed energy' within the City of Sydney. The vision is for a network of medium-sized tri-generation plants, totalling approximately 330MW, within the fabric of the city.

After a portfolio review of products that considered the most competitive channels to market, a decision was made to reduce our investment in the Origin Shops network by closing 14 Origin Shops in December 2009.

9.4 Contact Energy

Half year ended 31 December	2009 ($m)	2008 ($m)	Change (%)
Total revenue	855	1,015	(16)
Underlying EBITDA	184	190	(3)
Underlying EBIT	113	122	(7)

Performance of operations

Half year ended 31 December	2009	2008	Change (%)
Electricity Generated (GWh)	5,001	5,054	(1)
Customer Electricity Sales (GWh)	3,876	4,047	(4)
Gas Sales (retail and wholesale) (PJ)	8.2	8.6	(5)
LPG Sales (Tonnes)	38,132	41,656	(8)
Electricity Customers	478,000	499,000	(4)
Gas Customers	65,000	70,000	(7)
LPG Customers (including franchisees)	55,900	53,800	4
Total Customers	598,900	622,800	(4)

Origin owns a 51.6% 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 Interest in the Financial Statements.

A financial report entitled "Management discussion of financial results for the six months ended 31 December 2009" was issued by Contact Energy to the New Zealand Stock Exchange (NZX) on Tuesday 23 February 2010 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$1.25 to the A$, compared with NZ$1.21 to the A$ for the prior half year.

In New Zealand dollar terms Contact's operating result at an Underlying EBITDA level was in line with the prior half year. Due to electricity wholesale market conditions, wholesale energy prices were significantly lower than the prior half year. This enabled Contact to avoid the significant costs of purchasing electricity which negatively impacted the prior half year. This benefit was offset by an increase in costs in the generation segment due to the ongoing increase in fuel costs and an increase in transmission and distribution costs which were not fully passed through to retail customers. Retail competition and market conditions have limited the ability to pass through increased retail costs.

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

Underlying EBITDA reported in Origin's accounts decreased 3% or $6 million to $184 million. While in New Zealand dollar terms Contact's business was in line with the prior half, a strengthening in the Australian dollar exchange rate resulted in a 3% decrease in Underlying EBITDA on consolidation in Australian dollar terms.

Underlying EBIT decreased 7% or $9 million to $113 million primarily as a result of a strengthening in the Australian dollar exchange rate.

H Kevin McCann
Chairman

Sydney, 24 February 2010

10. Origin Energy Key Financials

Half year ended 31 December	2009 ($m)	2008 ($m)	Change (%)
Total external revenue	4,300	4,216	2
Underlying EBITDA	706	686	3
Underlying depreciation and amortisation	(194)	(189)	3
Underlying share of interest, tax, depreciation and amortisation of equity accounted investees	(23)	(12)	92
Underlying EBIT	489	485	1
Underlying net financing income/(costs)	12	(60)	
Underlying Profit before income tax	501	425	18
Income tax expense on Underlying Profit	(110)	(110)	-
Underlying net profit after tax before elimination of Minority Interests	391	315	24
Minority Interests share of Underlying Profit	(36)	(38)	5
Underlying Profit	355	277	28
Significant items	16	6,386	(100)
Statutory Profit	371	6,663	(94)
Free cash flow	360	218	65
Group OCAT Ratio (year to 31 December)[14]	11.2%	11.3%	
Productive capital (year to 31 December)	7,526	6,776	11
Capital expenditure (including acquisitions)	1,550	1,275	22
Total assets	22,616	21,960	3
Adjusted total assets[15]	22,065	21,038	5
Net debt/(cash)	1,472	(894)	(265)
Adjusted net debt/(cash)[15]	1,731	(903)	(292)
Shareholders' equity	11,385	11,269	1
Adjusted shareholders equity[15]	11,462	11,235	2
Earnings per share - Statutory	42.3¢	761.0¢	(94)
Earnings per share – Underlying	40.5¢	31.6¢	28
Free cash flow per share	41.0¢	25.0¢	64
Interim dividend per share	25¢	25¢	-
Net asset backing per share	$11.63	$11.57	1
Adjusted net asset backing per share[15]	$13.05	$12.86	1
Net debt to debt plus equity	11.4%	n/a	
Adjusted net debt to debt plus equity[15]	13.1%	n/a	
Origin Cash (excluding Contact)	2,766	4,073	(32)
Origin Debt (excluding Contact)	(3,354)	(2,264)	48
Contact Net Debt	(882)	(915)	(4)

[14] Group OCAT Ratio = (OCAT – interest tax shield)/Productive Capital
[15] Adjusted to exclude impact of financial instrument

11. Appendix 1 – Reconciliation of Statutory to Underlying Profit

Reconciliation half year ended 31 December 2009	Before Tax Impact ($m)	Tax ($m)	Minority Interests ($m)	After Tax & Minority Interests Impact ($m)	NPAT ($m)
Statutory Profit					**371**
Impairment of assets	(12)	4	-	(8)	
Decrease in fair value of financial instruments	(22)	6	(3)	(19)	
Gain on dilution of Origin's interest in subsidiaries	42	(15)	-	27	
Share of unwinding of discounted liability payable to APLNG	(94)	28	-	(66)	
Share of unwinding of discounted receivables within APLNG	93	-	-	93	
Transition and transaction costs	(16)	5	-	(11)	
Less total significant items	**(9)**	**28**	**(3)**	**16**	**16**
Underlying Profit					**355**
Underlying Basic EPS (cps)					**40.5**

A number of items are recorded as significant items in the accounts for the half year to 31 December 2009. Together these items provided an after-tax benefit of $16 million in the half year to 31 December 2009. They are excluded from Underlying Profit to better illustrate the business performance of the Company and are described in more detail below.

Impairment of assets (expense of $12 million)

Following an assessment of the carrying values of Origin's assets, an impairment charge totalling $12 million before tax has been raised associated with oil producing assets in the Perth basin and land remediation in South Australia.

Decrease in fair value of financial instruments (expense of $22 million)

During the period a decrease in the fair value of financial instruments resulted in an expense of $22 million.

Gain on dilution of Origin's interests in subsidiaries (benefit of $42 million)

In December 2009 Origin completed a transaction with Micron Technology, Inc. to form a 50:50 joint venture with a focus on the development of photovoltaic technology. As a consequence of this transaction Origin has diluted its interest in Transform Solar Pty Ltd (formerly Origin Energy Solar Pty Ltd) and has recognised a significant pre-tax gain on dilution of $42 million.

Share of unwinding of discounted liability payable to APLNG (expense $94 million)

A non cash expense of $94 million being the unwinding of the discounted liability payable to APLNG was recorded for the half year.

Share of unwinding of discounted receivables within APLNG (benefit of $93 million)

A non cash benefit of $93 million being Origin's share of the unwinding of the discounted receivables within APLNG was recorded for the half year.

Transition and transaction costs (expense of $16 million)

Origin is undergoing a Retail Transformation and Transition Project which is incurring a number of project costs. As a result of this Origin has recognised an expense of $13 million in relation to the transition component. In addition, a $3 million expense is in relation to the costs incurred by the consolidated entity relating to successful and unsuccessful acquisition activity.

As a result of these factors significant items for the half year provided an expense of $9 million before tax and a benefit of $16 million after tax. This compares with a $6,930 benefit before tax and a $6,386 benefit after tax in the prior half year as detailed in the table below. Please refer to the "Management Discussion and Analysis" report for the half year ended 31 December 2008 for more details.

Reconciliation half year ended 31 December 2008	Before Tax Impact ($m)	Tax ($m)	Minority Interests ($m)	After Tax & Minority Interests Impact ($m)	NPAT ($m)
Statutory Profit					**6,663**
Impairment of assets	(310)	93	-	(217)	
Decrease in fair value of financial instruments	(178)	54	22	(102)	
Gain on dilution of Origin's interest in subsidiaries	7,413	(723)	-	6,690	
Unwinding of discounted liability payable to APLNG	(35)	10	-	(25)	
Share of unwinding of discounted receivables within APLNG	40	-	-	40	
Less total significant items	**6,930**	**(566)**	**22**	**6,386**	**6,386**
Underlying Profit					**277**
Underlying Basic EPS (cps)					**31.6**

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

Origin utilises a range of financial instruments and derivatives in order to hedge the various commodity, interest rate and foreign exchange risks to which it is exposed. The intention of hedging is to reduce these risks and deliver a higher level of certainty to the cash flows of Origin's business. While Origin utilises valid economic risk management instruments to hedge these risks, these instruments must also meet the stringent criteria prescribed under accounting standards in order to qualify for hedge accounting. Instruments that qualify for hedge accounting are recognised in the Balance Sheet through the Equity Hedge Reserve. If the instruments do not qualify for hedge accounting then the change in fair value of these instruments is recognised in the Income Statement.

The most notable instruments that do not qualify for hedge accounting are electricity cap products. These products are used by Origin (and other electricity retailers) to protect the Retail business from extreme price events. However, such instruments do not qualify for hedge accounting, as the timing of potential risk events they protect against cannot be predicted with sufficient certainty.

The following tables summarise the key balances at 31 December 2009 and compares them with the balances at 30 June 2009:

Summary of movements in financial instruments

Balance Sheet	Net Assets ($m)		Change in Net Assets ($m)
	Dec 2009	June 2009	
Commodity Risk Management	(197)	(200)	3
Contact	(226)	(240)	14
Treasury and Other	(137)	(140)	3
Total	**(560)**	**(580)**	**20**

Reconciliation of Balance Sheet and Income Statement items associated with movements in financial instruments		($m)
Recognition of "effective" instruments in Balance Sheet		**42**
Recognised in Equity (Hedge Reserve post tax)	*30*	
Recognised in Deferred Tax Liability	*12*	
Recognition of "ineffective" instruments in the Income Statement		**(22)**
Change in net assets (as above)		**20**

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.

The total increase in the value of financial instruments for the six months ended 31 December 2009 was $20 million of which $42 million qualified for hedge accounting and is recognised in the Equity Hedge Reserve. The balance of $22 million is recognised as an expense in the Income Statement and is attributable to:

- Commodity risk management instruments (-$32 million) – predominantly electricity caps and the decrease in forward market prices of carbon instruments during the period. Of the total of $32 million, $1 million is attributable to Contact and $31 million is attributable to Origin (excluding Contact);
- Interest rate risk management instruments (+$10 million) predominantly interest rate swaps due to increases in forward interest rates and the appreciation of the Australian and New Zealand Dollars against the US Dollar during the period. The total benefit of $10 million is predominantly attributable to Contact.

The expense in the Income Statement of $22 million in this half year compares with an expense of $178 million in the prior half year, which was predominantly attributable to commodity risk management instruments.

13. Appendix 3 - Reconciliation of Underlying EBIT to EBIT

Segments	**Exploration & Production**		**Generation**		**Retail**		**Contact Energy**	
for the half year ended 31 December	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
	$million	**$million**	**$million**	**$million**	**$million**	**$million**	**$million**	**$million**
Underlying earnings before interest and tax	**15**	**81**	**75**	**11**	**286**	**271**	**113**	**122**
Impairment of assets	(12)	(172)	-	(60)	-	(78)	-	-
Change in fair value of non-financing cost related financial instruments (decrease)/increase	-	7	(1)	(2)	(31)	(37)	(1)	(7)
Gain on dilution of Origin's interest in subsidiaries	-	7,413	42	-	-	-	-	-
Transition and transaction costs	(1)	-	(1)	-	(14)	-	-	-
Share of equity accounted investees significant item	93	40	-	-	-	-	-	-
Earnings before interest and tax (EBIT)	**95**	**7,369**	**115**	**(51)**	**241**	**156**	**112**	**115**