Origin Energy Results for the half year ended 31 December 2011
Management Discussion and Analysis

All figures in this report relate to businesses of the Origin Energy Group (Origin, or the Company), being Origin Energy Limited and its controlled entities, for the half year ended 31 December 2011 (the half year) compared with the half year ended 31 December 2010 (the prior half year), except where otherwise stated.

Origin's Interim Financial Statements are presented in accordance with the Australian Accounting Standard Board requirements including underlying segment results which are used to measure segment performance. Underlying segment results, underlying consolidated profit and the components of this measure are disclosed in note 2 to the Interim Financial Statements. This Management Discussion & Analysis also includes certain non-IFRS measures including Operating Cash Flow After Tax (OCAT) and Productive Capital. These measures are used internally by management to assess the performance of Origin's business, make decisions on allocation of resources, and assess operational management. Non-IFRS measures have not been subject to audit or review.

Origin's Statutory Profit contains a number of items in this half year and the prior half year that do not portray the operational performance of the business. Income Statement amounts presented on an underlying basis exclude the impact of these items to better illustrate the business performance of the Company and the underlying measures are used internally by Origin management to assess the performance of the business. Each underlying measure discussed has been adjusted to remove these items from both this half year and the prior half year, on a consistent basis between the periods. A detailed reconciliation and description of the items that contribute to the difference between Statutory Profit and Underlying Profit is provided in Appendix 1.

A reference to Contact Energy is a reference to Origin's subsidiary (52.8% ownership) Contact Energy Limited in New Zealand. In accordance with Australian accounting standards, Origin consolidates Contact Energy within its result. A reference to Australia Pacific LNG or APLNG is a reference to Australia Pacific LNG Pty Ltd in which Origin had a 42.5% equity interest as at 31 December 2011, which is equity accounted in line with Origin's equity interest.

A reference to the NSW acquisition or NSW energy assets is a reference to the Integral Energy and Country Energy retail businesses acquired by Origin in March 2011 and the Eraring GenTrader arrangements.

A reference to $ is a reference to Australian Dollars unless specifically marked otherwise. All references to debt are a reference to interest bearing debt only. Individual items and totals are rounded to the nearest appropriate number or decimal. Some totals may not add down the page due to rounding of individual components. When calculating a percentage change, a positive percentage change denotes a beneficial movement in the underlying metric, whereas a negative percentage change is used to denote a detrimental impact. Measures for which the underlying numbers change from negative to positive are labelled as not meaningful.

Refer to the Glossary in Section 12 for a definition of key terms used in this document.

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Changes to reporting of Operating segments

Following the Final Investment Decision (FID) on the first phase of the Australia Pacific LNG export project, the deepening integration within Origin's Energy Markets business between the retail and generation activities, and increased business development opportunities outside of existing operations, Origin has revised its operating segments.

A description of the new operating segments is provided below. Comparative segment balances for the six months to 31 December 2010 have been restated, with key reconciliations provided in Appendix 3.

Energy Markets – This segment includes Australian energy retail operations (including energy related products and services) power generation activities in Australia, and the LPG operations in Australia, the Pacific, Papua New Guinea and Vietnam.

Previously, retail and generation operations were disclosed as separate segments. The previous Retail segment has been incorporated into the Energy Markets segment almost in its entirety, with the exclusion of some costs previously allocated to Retail which are now in the Corporate segment. The Generation segment previously included Origin's major generation activities and power station developments in Australia (now in the Energy Markets segment) together with development activities in geothermal, hydro and solar and some corporate costs (now in the Corporate segment).

Exploration & Production – This segment records Origin's gas and oil exploration and production activities in Australia, New Zealand and international areas of interest. The results of Australia Pacific LNG were previously included in this segment.

Australia Pacific LNG - This segment includes Origin's equity accounted investment in Australia Pacific LNG.

Contact Energy – This segment reports the results of Origin's investment in its 52.8% owned subsidiary, Contact Energy, involved in energy retailing, associated products and services and power generation in New Zealand.

Corporate – This segment reports corporate activities that are not allocated to other operating segments and business development activities outside of Origin's existing operations. Historically, all corporate costs were allocated to other segments. Business development activities principally include Origin's Australian geothermal activities and overseas generation development opportunities such as geothermal opportunities in Chile and Indonesia, hydro opportunities in PNG and the Transform Solar joint venture.

Net financing costs and tax specifically associated with the Australia Pacific LNG and Contact Energy segments are recorded in those segments. All other net financing costs and tax are recorded in the Corporate segment.

Report for the half year ended 31 December 2011
Management Discussion and Analysis

1. Profit and Dividend Declaration

1.1 Statutory Profit – $794 million profit, up from ($136) million loss

Origin reported a Net Profit After Tax and Non-controlling interests (Statutory Profit) of $794 million for the half year ended 31 December 2011, an increase of $930 million, compared with a ($136) million loss reported in the prior half year.

The key factors contributing to the change in the Statutory Profit from a ($136) million loss in the prior half year to a $794 million profit in the half year include a higher Underlying Profit[1] (+$185 million) and a positive contribution from items related to Origin's interest in Australia Pacific LNG (+$443 million), an increase in the fair value of financial instruments (+$190 million), a lower impairment of assets (+$15 million) and a lower net expense from other items including transition and transaction costs as costs relating to the NSW acquisition (+$97 million) were included in the prior period.

Further details are provided in Section 1.4 - Reconciliation of the Statutory Profit to Underlying Profit and in Appendix 1.

1.2 Statutory earnings per share – 73.8 cps, up from (15.0) cps[2]

Basic earnings per share (EPS) based on Statutory Profit increased by 88.8 cents per share (cps) to 73.8 cps from a loss of (15.0) cps[2] in the prior half year. The weighted average capital base of 1,076 million shares increased 18% on the prior half year[3], mainly due to the $2.3 billion issuance related to the 1 for 5 pro rata equity offering completed in April 2011 and the $266 million share issuance related to the underwritten Dividend Reinvestment Plan (DRP) completed in September 2011.

1.3 Interim Dividend – 25 cps fully franked

An interim fully franked dividend of 25 cps will be paid on 30 March 2012 to shareholders of record on 5 March 2012. Origin shares will trade ex-dividend from 28 February 2012. This is in line with the prior half year.

The Dividend Reinvestment Plan (DRP) will apply to this dividend. No discount will be applied in the calculation of the DRP price. Given the success of the company's funding activities in 2011, which adequately provide funding for the first phase of the Australia Pacific LNG project and other committed projects, the interim dividend for the period ending 31 December 2011 will not be underwritten.

1.4 Reconciliation of Statutory Profit to Underlying Profit

Statutory Profit for this half year and the prior half year contain the impact of a number of items, as shown in the following table, which do not portray the operational performance of the business. Underlying Profit measures exclude these items and are used internally by management to assess the performance of Origin's business, make decisions on allocation of resources and assess operational management.

[1] Refer to Glossary in Section 12.

[2] Dec 2010 Statutory EPS of (15.4) cps restated to (15.0) cps for the bonus element of the rights issue completed in April 2011.

[3] 882,865,291 shares as at Dec 2010 restated to 908,388,335 for the bonus element of the rights issue completed in April 2011.

In the half year to 31 December 2011, these items amounted to a benefit of $305 million. This compared with the half year to 31 December 2010 in which these items had an overall cost of $440 million.

Reconciliation of Statutory Profit to Underlying Profit

Half year ended 31 December ($millions)	2011 Excluded items	2011 NPAT	2010 Excluded items	2010 NPAT	Change ($m)
Statutory Profit		**794**		**(136)**	**930**
APLNG related items	454		11		443
Increase/(decrease) in fair value of financial instruments	34		(156)		190
Impairment of assets	(139)		(154)		15
Other	(44)		(141)		97
Less total excluded items		**305**		**(440)**	**745**
Underlying Profit		**489**		**304**	**185**

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

1.5 Underlying Profit - $489 million, up 61%

Underlying Profit for the half year increased 61% or $185 million to $489 million from $304 million. The result primarily reflects a 41% or $339 million increase in Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (Underlying EBITDA[4]) resulting from contributions from the NSW energy assets and lower exploration expense and higher commodity prices. Increased Underlying EBITDA was partially offset by higher depreciation and amortisation charges primarily relating to the NSW energy assets in the Energy Markets segment and from the Contact Energy segment (-$46 million); an increase in Underlying net financing costs[4] after funding acquisitions and capital expenditure (-$40 million); and higher Underlying tax expense[4] in line with a higher Underlying Profit Before Tax[4] (-$73 million).

Further details are provided in Section 3.

1.6 Underlying EPS[4] – 45.5 cps, up 36%

Underlying EPS calculated on the Underlying Profit was 45.5 cps on a weighted average capital base of 1,076 million shares. This represents a 36% increase from 33.5 cps[5] on a weighted average capital base of 908 million shares[6]. The lower increase in Underlying EPS of 36% compared with the increase in Underlying Profit of 61% reflects the increase in the weighted average capital base, due predominantly to the $2.3 billion 1 for 5 pro rata equity offering completed in April 2011 and the $266 million share issuance from the underwritten DRP.

The Origin Board's current dividend policy is for annual dividends of 50 cps or an amount that is equal to 60% of full year Underlying EPS, whichever is the greater amount. Origin's interim dividend of 25 cps represents a payout ratio of 55% based on Underlying EPS.

[4] Refer to Glossary in Section 12.

[5] Dec 2010 Underlying EPS of 34.4 cps restated to 33.5 cps for the bonus element of the rights issue completed in April 2011.

[6] 882,865,291 shares as at 31 December 2010 restated to 908,388,335 for the bonus element of the rights issue completed in April 2011.

1.7 Capital and Australia Pacific LNG expenditure[7] - $1,036 million, up 13%

Capital expenditure (including capitalised interest) was $863 million compared with $915 million in the prior half year. This includes $99 million stay-in-business and $764 million of growth capital expenditure. In addition, Origin contributed $173 million to Australia Pacific LNG to fund its share of capital expenditure not otherwise met by cash available to Australia Pacific LNG. Further details are provided in Section 4.3.

2. Outlook

In August 2011, Origin provided guidance for the 2012 financial year based on prevailing business conditions and the following assumptions:

- A full year contribution from the acquisition of the Integral Energy and Country Energy retail businesses;
- A full year contribution from the GenTrader arrangements relating to the dispatch of energy from the Eraring and Shoalhaven power stations and contributions from the Mortlake Power Station, which was expected to commence operations during the first half of the 2012 financial year;
- An increased contribution from the Exploration and Production segment due to lower levels of planned exploration expense relative to the prior year; and
- Improved profitability in Contact Energy in New Zealand as the Stratford peaker plant and the Ahuroa gas storage facility deliver flexibility to Contact's energy supply portfolio.

Performance during the half year has largely been in line with these expectations. While mild weather has led to lower volumes in Australian energy markets, this has been compensated for by benefits from the integration of the Eraring Power Station into the energy portfolio. In New Zealand, the increased portfolio flexibility provided by the Stratford peaker plant and Ahuroa gas storage facility and improved wholesale prices have been largely offset by low hydro generation volumes and high levels of retail competition.

Origin expects the trend in operational performance observed in the first half to continue into the second half year, with the following factors also influencing the performance of the underlying business:

- In **Energy Markets**, volumes are expected to be broadly in line with the first half. It is assumed that Origin receives liquidated damages for the impact of the Eraring fire, while higher hedging costs associated with the January quarter, together with higher costs relating to the small-scale renewable energy scheme, will reduce underlying margins in the second half. Underlying EBIT to sales margin for the financial year 2012 is expected to be between 13 and 14 per cent;
- In **Exploration and Production**, Kupe and Otway, which both had scheduled shutdowns during the half year, are back online, however BassGas will be offline for most of the second half as Phase 1 of the Mid Life Enhancement (MLE) project is completed;
- In **Australia Pacific LNG**, the binding agreements with Sinopec are expected to complete, diluting Origin's interest to 37.5%, which will reduce Origin's share of earnings; and
- **Contact Energy** is expected to continue to benefit from the additional portfolio flexibility, higher wholesale prices driven by current low hydro storage levels and price increases to C&I and mass market customers, contributing to a stronger second half.

Depreciation costs will increase in line with the increased asset base, including completion of the Mortlake Power Station, upgrades to the Eraring Power Station and the implementation of the new SAP billing and customer relationship management system.

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[7] Capital expenditure is based on cash flow amounts rather than accrual accounting amounts; Includes growth and stay-in-business capital expenditure, capitalised interest and Origin's cash contributions to APLNG; Dec 10 capital expenditure is restated to conform to this half year's classification.

Underlying net financing costs during the second half are expected to increase substantially compared with the first half with higher debt balances and interest no longer capitalised on completed projects.

Origin's Underlying effective tax rate[8] is expected to remain around 30 per cent for the remainder of the 2012 financial year.

In **Australia Pacific LNG**, a FID was taken on the first LNG train in July 2011 and a FID on the second LNG train is on track to occur during the second half of the 2012 financial year. The binding agreements with Sinopec are expected to complete, diluting Origin's interest to 37.5%. The injection of funds by Sinopec into Australia Pacific LNG on completion of the subscription agreement will result in a deferral of cash calls to Origin for some months following FID for the second LNG train.

Taking all of these factors into account, and based on prevailing market conditions, Origin restates its guidance given in August 2011, that Origin anticipates Underlying EBITDA to increase by around 35 per cent and Underlying Profit to increase by around 30 per cent for the 2012 financial year when compared with the prior year.

Future growth opportunities

Origin is strongly positioned to meet future demand for energy, from its existing portfolio of fuel and energy contracts and its existing generation assets. The company also possesses the flexibility to build low-carbon emission and renewable generation or contract renewable energy from other producers.

The delivery of the Australia Pacific LNG project remains a key near-term priority for Origin. Australia Pacific LNG provides access to export markets and stands to deliver significant value to Origin shareholders.

Consistent with our business strategy, Origin is also seeking to build on its domestic success and explore for resources in markets that offer high prospectivity and access to growing demand, which will contribute to earnings growth in the medium and long-term.

Domestically, Origin is pursuing exploration opportunities in and around current petroleum permits, as well as in wind and geothermal. Internationally opportunities include the potential development of geothermal resources in Chile and Indonesia, development of the Purari Hydro Project in Papua New Guinea, and exploration for gas in New Zealand, South East Asia, Kenya and Botswana.

Future funding choices for Origin, including additional equity, will be dependent on the timing of FID for the second LNG train, final hold level in Australia Pacific LNG, quantum and cost of project finance for Australia Pacific LNG, consideration of credit metrics and other requirements of the business.

Origin's performance has been categorised by both sustained growth and step changes in shareholder return as the potential to monetise resources has been realised. Origin continues to target long-term growth in Underlying EPS of 10 to 15 per cent per annum on average.

[8] Refer to Glossary in Section 12.

3. Review of Financial Performance

Statutory Performance

Half year ended 31 December	2011 ($m)	2010 ($m)	Change (%)	Section reference
External revenue	6,499	4,590	42	3.1
EBITDA	**1,424**	**220**	**547**	**3.2**
Depreciation and amortisation	(305)	(260)	(17)	3.3
Share of interest, tax, depreciation and amortisation of equity accounted investees	(11)	(2)	(450)	3.4
EBIT	**1,108**	**(42)**	**N/A**	**3.5**
Net financing costs	(102)	(56)	(82)	3.6
Profit/ (loss) before income tax	**1,006**	**(98)**	**N/A**	
Income tax expense	(183)	(2)	(9,050)	3.7
Net profit/ (loss) after tax before Non-controlling Interests	**823**	**(100)**	**N/A**	
Non-controlling Interests share of Profit	(29)	(36)	19	3.8
Statutory Profit / (Loss)	**794**	**(136)**	**N/A**	**3.9**
Earnings per share – Statutory	**73.8¢**	**(15.0)¢**[9]	**N/A**	

The above table is derived from the Interim Income Statement in the Interim Financial Statements as a comparison to the Underlying Performance table below. To the extent that there is no comparable Statutory measure, a derived Statutory measure has been provided e.g. EBITDA, EBIT.

Underlying Performance

Half year ended 31 December	2011 ($m)	2010 ($m)	Change (%)	Section reference
External revenue	6,499	4,590	42	3.1
Underlying EBITDA	**1,157**	**818**	**41**	**3.2**
Underlying Depreciation and amortisation	(305)	(260)	(17)	3.3
Underlying share of interest, tax, depreciation and amortisation of equity accounted investees	(20)	(22)	9	3.4
Underlying EBIT	**832**	**536**	**55**	**3.5**
Underlying net financing costs	(84)	(44)	(91)	3.6
Underlying Profit before income tax	**748**	**492**	**52**	
Income tax expense on Underlying Profit	(227)	(154)	(47)	3.7
Underlying net profit after tax before Non-controlling Interests	**521**	**338**	**54**	
Non-controlling Interests share of Underlying Profit	(32)	(34)	6	3.8
Underlying Profit	**489**	**304**	**61**	**3.9**
Items excluded from Underlying Profit	305	(440)	N/A	App.1
Statutory Profit / (Loss)	**794**	**(136)**	**N/A**	**3.9**
Earnings per share – Underlying	**45.5¢**	**33.5¢**[10]	**36**	

[9] Dec 2010 Statutory EPS of (15.4) cps restated to (15.0) cps for the bonus element of the rights issue completed in April 2011.

[10] Dec 2010 Underlying EPS of 34.4 cps restated to 33.5 cps for the bonus element of the rights issue completed in April 2011.

3.1 External revenue

External revenue increased by 42% or $1,909 million to $6,499 million.

This increase primarily reflects revenues from the NSW energy assets acquired in March 2011 in the Energy Markets segment, higher prices in the Exploration & Production segment, together with higher wholesale electricity prices in the Contact Energy segment. Further details are available in Section 6.

3.2 Earnings before interest, tax, depreciation and amortisation (EBITDA)

Statutory EBITDA increased 547% or $1,204 million to $1,424 million from $220 million. Underlying EBITDA increased 41% or $339 million to $1,157 million.

The Underlying EBITDA contributions by business segment are presented in the following table:

Half year ended 31 December	2011 ($m)	2010 ($m)	Change (%)
Energy Markets	820	538	52
Exploration & Production	179	98	83
Australia Pacific LNG	16	32	(50)
Contact Energy	182	180	1
Corporate	(40)	(30)	(33)
Underlying EBITDA	**1,157**	**818**	**41**
Items excluded from Underlying EBITDA (Appendix 1)	267	(598)	N/A
EBITDA	**1,424**	**220**	**547**

Energy Markets Underlying EBITDA increased by 52% or $282 million to $820 million. This growth is largely attributable to the contribution from the NSW energy assets. While mild weather and a change in customer mix, particularly in the small-to-medium enterprise (SME) segment, have resulted in lower volumes, overall performance is broadly in line with expectations set at the time of the acquisition. The result includes $139 million from the unwinding of provisions made at the time of acquisition of the NSW energy assets to offset onerous contracts. Further details are available in Section 6.1.

Exploration & Production Underlying EBITDA increased by 83% or $81 million to $179 million driven by a significantly reduced exploration expense which was $86 million lower than the prior half year. Higher revenues associated with higher commodity prices were offset by an increase in non-routine operating costs. Further details are available in Section 6.2.

Australia Pacific LNG Underlying EBITDA for this segment decreased by 50% from $32 million to $16 million. This was primarily due to lower commodity sales and higher operating costs as support the expanded operations for the CSG to LNG export project. Further details are available in Section 6.3.

Contact Energy Underlying EBITDA increased $2 million to $182 million from $180 million. This was primarily due to improved earnings from lower take-or-pay gas costs and improved spot prices, offset by lower hydro volumes. Further details are available in Section 6.4.

Corporate An Underlying EBITDA expense of $40 million was recorded for the half year, 33% or $10 million more than the prior half year. This is primarily due to expanded overseas development expenditure in Chile, Indonesia and Papua New Guinea. Further details are available in Section 6.5.

The following items have been excluded when calculating Underlying EBITDA, described in detail in Appendix 1: a total benefit of $267 million in the half year and an expense of $598 million in the prior half year; $436 million gain on dilution of Origin's interest in Australia Pacific LNG (Dec 2010: nil); an impairment expense of $198 million on Origin's Ironbark CSG permit area (Dec 2010: $205 million impairment in relation to Origin's interest in the Innamincka Deeps joint venture); $45 million gain on the fair value changes in financial instruments (Dec 2010: $221 million loss); transition and transaction expenses of $46 million (Dec 2010: $172 million expense); and other items amounting to a net gain of $30 million (Dec 2010: nil). Inclusive of these items, Statutory EBITDA of $1,424 million increased $1,204 million from $220 million.

3.3 Depreciation and amortisation

Depreciation and amortisation (Statutory and Underlying) increased by 17% or $45 million to $305 million. This was primarily due to the higher asset base in Energy Markets associated with the Eraring and Shoalhaven power stations and the Contact Energy asset base increasing with the Stratford peaker plant and Ahuroa gas storage facility developments, and the completion of SAP for finance and generation.

Half year ended 31 December	2011 ($m)	2010 ($m)	Change (%)
Energy Markets	(119)	(80)	(49)
Exploration & Production	(112)	(113)	1
Australia Pacific LNG	-	-	-
Contact Energy	(74)	(67)	(10)
Corporate	-	-	-
Depreciation and amortisation	**(305)**	**(260)**	**(17)**

3.4 Share of interest, tax, depreciation and amortisation of equity accounted investees

The Statutory share of interest, tax, depreciation and amortisation of equity accounted investees (ITDA)[11] expense of $11 million for the half year was $9 million higher than an expense of $2 million in the prior half year.

Origin's share of expenses associated with Underlying ITDA attributable to equity accounted investees decreased 9% or $2 million to $20 million.

The following items have been excluded when calculating Underlying share of ITDA: a gain of $13 million (2010: $17 million gain) for Origin's share of the unwinding of discounted receivables in Australia Pacific LNG; and tax expense of $5 million (2010: $3 million benefit) on the translation of foreign denominated tax balances within Australia Pacific LNG. Inclusive of these items a Statutory ITDA expense of $11 million for the half year was $9 million higher than an expense of $2 million in the prior half year.

[11] Refer to Glossary in Section 12.

Half year ended 31 December	2011 ($m)	2010 ($m)	Change (%)
Energy Markets	(4)	(2)	(100)
Exploration & Production	-	-	-
Australia Pacific LNG	(13)	(18)	28
Contact Energy	(1)	(2)	50
Corporate	(2)	-	-
Underlying share of ITDA	**(20)**	**(22)**	**9**
Items excluded from Underlying share of ITDA	9	20	(55)
Share of ITDA	**(11)**	**(2)**	**(450)**

3.5 Earnings before interest and tax (EBIT)

Statutory EBIT increased by $1,150 million to $1,108 million. Items excluded from Underlying EBIT total $276 million and include the items in Sections 3.2 and 3.4 and outlined further in Appendix 1 and have been explained above.

For the half year ended 31 December 2011, Underlying EBIT increased 55% or $296 million to $832 million. The Underlying EBIT contributions by business segment are presented in the following table:

Half year ended 31 December	2011 ($m)	2010 ($m)	Change (%)
Energy Markets	697	456	53
Exploration & Production	67	(15)	N/A
Australia Pacific LNG	3	14	(79)
Contact Energy	107	111	(4)
Corporate	(42)	(30)	(40)
Underlying EBIT	**832**	**536**	**55**
Items excluded from EBIT (Appendix 1)	(276)	578	N/A
EBIT	**1,108**	**(42)**	**N/A**

3.6 Net financing costs

Statutory net financing costs increased by 82% or $46 million to $102 million from $56 million in December 2010.

The Underlying net financing costs increased from $44 million in December 2010 to $84 million in December 2011. The increase in net financing costs was predominantly due to a higher average net debt balance for the period to 31 December 2011 as a result of debt financing for the NSW acquisition and capital expenditure incurred during the period.

Statutory net financing costs for the half year include an amount of $18 million incurred by the Company in funding the Australia Pacific LNG development that cannot be capitalised under accounting standards as the investment is held through an incorporated joint venture and is equity accounted. The prior period financing costs included an expense of $12 million for the unwinding of the discounted liability payable to Australia Pacific LNG, with no corresponding amount in the half year.

Capitalised interest for the half year was $89 million compared with $74 million in the prior half year and is not included in the calculation of net financing costs.

Half year ended 31 December	2011 ($m)	2010 ($m)	Change (%)
Australia Pacific LNG	-	-	-
Contact Energy	(32)	(31)	(3)
Corporate	(52)	(13)	(300)
Underlying net financing costs	**(84)**	**(44)**	**(91)**
Items excluded from Underlying net financing costs (Appendix 1)	(18)	(12)	(50)
Net financing costs	**(102)**	**(56)**	**(82)**

3.7 Income tax expense

The Statutory effective tax rate was 18% while the Underlying effective tax rate was 30% for the half year. The current half year statutory tax expense of $183 million results in an effective tax rate of 18% mainly due to the non assessable gain arising on dilution of Origin's interest in the Australia Pacific LNG joint venture; offset by tax expense arising on the translation of foreign denominated tax balances. The prior half year tax expense of $2 million results in an effective tax rate of 2% due to the unrecognised tax benefit arising on stamp duty for the acquired NSW Government energy assets and the non deductible expenditure associated with the impairment of Origin's 30% interest in the Innamincka geothermal technology joint venture; offset by a tax benefit arising on the translation of foreign denominated tax balances.

Underlying income tax expense for the half year increased 47% or $73 million to $227 million in line with an increase in Underlying profit before tax. The Underlying effective tax rate was 30% and was 31% in the prior half year.

Half year ended 31 December	2011 ($m)	2010 ($m)	Change (%)
Australia Pacific LNG	-	-	-
Contact Energy	(19)	(24)	21
Corporate	(208)	(130)	(60)
Income tax expense on Underlying Profit	**(227)**	**(154)**	**(47)**
Items excluded from tax expense on Underlying Profit (Appendix 1)	(44)	(152)	71
Income tax expense on Statutory Profit	**(183)**	**(2)**	**(9,050)**

3.8 Non-controlling interests share of Profit

Statutory profit attributable to non-controlling interests decreased $7 million to $29 million primarily relating to changes in fair value of financial instruments recorded in the Interim Income Statement.

Underlying Profit attributable to Non-controlling Interests decreased 6% to $32 million.

Half year ended 31 December	2011 ($m)	2010 ($m)	Change (%)
Contact Energy	(31)	(32)	3
Corporate	(1)	(2)	50
Non-controlling interests share of Underlying Profit	**(32)**	**(34)**	**6**
Items excluded from Non-controlling interests (Appendix 1)	3	(2)	N/A
Non-controlling interests share of Statutory Profit	**(29)**	**(36)**	**19**

3.9 Total Segment Result and Underlying Profit

Underlying Profit, representing Total Segment Result, for the half year increased 61% or $185 million to $489 million from $304 million. A detailed reconciliation between Statutory Profit and Underlying Profit is provided in Appendix 1, including a description of the items excluded from Underlying Profit.

4. Review of cash flows

4.1 Interim Statement of Cash Flows

Half year ended 31 December	2011 ($m)	2010 ($m)	Change ($m)	Change (%)
Cash flows from operating activities	758	794	(36)	(5)
Cash flows used in investing activities	(844)	(819)	(25)	(3)
Cash flows from/(used in) financing activities	197	(98)	295	N/A
Net increase/(decrease) in cash and equivalents	111	(123)		
Cash and cash equivalents at end of the period	**837**	**693**	**144**	**21**

The above table is an extract from the Interim Statement of Cash Flows in the Interim Financial Statements.

Cash flows from operating activities reflect the cash generated from Origin's operations and excludes investing and financing activities. Cash flows from operating activities decreased 5% from $794 million in the prior half year to $758 million in the half year. For more detail, see Section 4.2.

Cash flows used in investing activities were ($844) million, up 3% on the prior half year. Cash flows used in investing activities primarily relate to capital and investment expenditure, which is discussed in more detail in Section 4.3.

Cash flows from financing activities include net cash flows relating to Origin's funding activities, including the payment of interest and dividends. This amounted to a benefit of $197 million for the half year. For the period ended 31 December 2011 the final FY2011 dividend was fully underwritten and therefore resulted in a zero net cash flow. Section 4.4 provides more details on Origin's funding initiatives during the period.

4.2 Operating Cash Flow After Tax

Half year ended 31 December	2011 ($m)	2010 ($m)	Change ($m)	Change (%)
Underlying EBITDA	**1,157**	**818**	**339**	**41**
Change in working capital	(192)	(62)	(130)	(210)
Stay-in-business capex	(99)	(69)	(30)	(43)
Share of APLNG OCAT less EBITDA	14	10	4	40
Exploration expense	11	97	86	89
NSW acquisition related liabilities	(139)	-	(139)	N/A
Other[12]	(3)	8	(11)	N/A
Tax paid	(13)	(8)	(5)	(63)
Group OCAT (including share of APLNG)	**736**	**794**	**(58)**	**(7)**
Net interest paid	(174)	(102)	(72)	(71)
Free cash flow[13]	**562**	**692**	**(130)**	**(19)**
Productive Capital (calendar year)[13]	**13,638**	**9,631**	**4,007**	**42**
Group OCAT Ratio (calendar year)[14]	**10.5%**	**13.2%**	**(2.7)%**	**(20)**

One of Origin's internal measures of performance is its Group OCAT Ratio which is an indicator of the cash returns the Company is generating from productive capital employed within its operations. OCAT, Productive Capital, and the OCAT Ratio are discussed below.

The key difference between OCAT and statutory cash flows from operating activities is that OCAT includes: stay-in-business capital expenditure; Origin's share of Australia Pacific LNG's OCAT; adjustments for the sale of assets; and excludes transition and transaction costs.

Group OCAT decreased by 7% or $58 million to $736 million.

The $339 million increase in Underlying EBITDA was more than offset by:

- A total of $139 million for the unwinding of non-cash provisions relating to the NSW acquisition in FY2011. This includes the utilisation of the provisions for both the onerous Transitional Services Agreements (TSAs) of $49 million and the acquired power purchase agreements, hedge contracts and green rights contracts of $90 million;
- An increase in working capital requirements of $192 million compared with a $62 million increase in the prior half year. This was primarily due to the acquisition of additional environmental certificates under the new small-scale renewable energy scheme; reduced creditor liabilities associated with lower sales of solar photovoltaics; an increase in inventory in the Cooper Basin; an increase in the Eraring coal inventory; and an increase in Contact Energy's Ahuroa gas storage inventory;
- A decrease in exploration expense of $86 million which is included in investing activities; and
- An increase of $30 million in stay-in-business capex, primarily in the Exploration and Production and Energy Markets segments.

Net interest paid was $72 million higher than the prior half year reflecting higher average net debt balances and higher average interest rates.

Free cash flow available for funding growth and distributions to shareholders decreased by 19% from $692 million to $562 million.

[12] The add-back of non-cash equity accounted profits excluding Australia Pacific LNG and movements in other provision balances are included within the "Other" line item.

[13] Refer to Glossary in Section 12.

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

Productive Capital in the business, calculated on a 12 month weighted average basis, increased by 42% to $13,638 million. Major assets contributing to this increase were the inclusion of the Integral Energy and Country Energy retail businesses, and the GenTrader Arrangements for the dispatch of power from the Eraring and Shoalhaven power stations and a full twelve months of Darling Downs Power Station which commenced operations on 1 July 2010.

The combined impact of the lower Group OCAT and higher Productive Capital resulted in a Group OCAT ratio for the twelve months ended 31 December 2011 of 10.5% compared with 13.2% in the twelve months ended 31 December 2010.

4.3 Capital and Australia Pacific LNG expenditure[15]

4.3.1 Capital expenditure

Total capital expenditure (including capitalised interest of $89 million) was $863 million for the half year to 31 December 2011, 6% lower compared with $915 million[16] in the prior half year.

Stay-in-business capital expenditure was $99 million compared with $69 million in the prior half year.

Growth capital expenditure (including capitalised interest) was $764 million, 10% lower than $846 million in the prior half year. This included expenditure of $35 million or more in the following areas:

- Energy Markets - $316 million in total, including:
  - Mortlake Power Station - $96 million;
  - Eraring Power Station - $92 million;
  - Retail Transformation Program - $46 million;
- Exploration and Production - $194 million in total, including:
  - Ironbark – $52 million;
  - BassGas - $37 million;
  - Otway - $35 million;
- Contact Energy - $207 million in total, including:
  - Te Mihi geothermal development - $93 million; and
- Corporate - $47 million comprising mainly business development expenditure.

Capitalised interest of $89 million is disclosed as part of interest paid in cash flows used in financing activities in the Interim Financial Statements.

Origin did not complete the acquisition of any significant assets during the half year and received $75 million from the settlement of working capital for the NSW acquisition which completed in March 2011 (not included in the $863 million total capital expenditure referred to above).

4.3.2 Australia Pacific LNG expenditure

Origin is required to contribute cash to Australia Pacific LNG (in proportion to its equity holding) where Australia Pacific LNG has insufficient cash from other sources to fund its activities. In previous periods, Australia Pacific LNG has had sufficient cash from the issue of equity to other shareholders (including the carry from ConocoPhillips) and from operating cash flows. Origin has made no cash contributions in previous periods as all expenditure was

[15] The capital expenditure above is based on cash flow amounts rather than accrual accounting amounts. Includes growth and stay-in-business capital expenditure, capitalised interest and Origin's cash contributions to APLNG; Dec 10 capital expenditure is restated to conform to this half year's classification.
[16] Dec 2010 capital expenditure is restated to conform to this half year's classification.

met through these sources. Origin contributed $173 million to Australia Pacific LNG during the half year.

4.4 Funding and capital management

4.4.1 Capital management initiatives

During the six months ended 31 December 2011, Origin undertook a number of capital management initiatives to strengthen its balance sheet and ensure that it has sufficient liquidity to fund future capital expenditure requirements, including its expected contributions to Australia Pacific LNG.

In September 2011, Origin fully underwrote its dividend for the June 2011 period raising $266 million of equity finance.

In October 2011, Origin undertook a US$500 million ($492 million) Senior Unsecured Notes issuance in the 144A market in the United States. In December 2011, Origin issued $900 million of Origin Energy Subordinated Notes in the Australian retail bond market. Origin also raised an additional $800 million of debt facilities during the six months period, and repaid $500 million of debt facilities which matured during the period. These initiatives assisted in diversifying Origin's funding portfolio in terms of currency, market and tenor and strengthening Origin's liquidity position. As at 31 December 2011, Origin had committed undrawn debt facilities and cash totalling $5.5 billion (excluding Contact Energy).

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

4.4.2 Share Capital

During the first half of the financial year, Origin issued an additional 21.7 million shares raising a total of $273 million. This included 20.6 million shares issued under the DRP which raised $266 million; and 1.1 million shares issued as the result of the exercise of employee long-term incentives which raised $7 million.

As a consequence, the total number of shares on issue increased from 1,065 million at 30 June 2011 to 1,086 million at 31 December 2011.

The weighted average number of shares used to calculate basic earnings per share at 31 December 2011 increased by 128 million to 1,076 million from 948 million as at 30 June 2011.

4.4.3 Net debt and equity

Net debt

The net debt[17] for the consolidated entity increased to $4,189 million at 31 December 2011 from $4,060 million at 30 June 2011, a net movement of $129 million.

The calculation of this debt amount includes a favourable mark-to-market adjustment of $220 million as at 31 December 2011 compared with a favourable adjustment of $223 million as at 30 June 2011. Favourable adjustments act to decrease the net debt quoted. Excluding these mark-to-market adjustments, the "adjusted net debt" for the consolidated entity was $4,409 million at 31 December 2011 compared with a $4,283 million adjusted net debt balance at 30 June 2011, a net increase of $126 million.

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

Equity

Shareholder's equity increased 6% or $851 million from $13,516 million at 30 June 2011 to $14,367 million at 31 December 2011.

The increase of $851 million is predominantly due to the Statutory Profit after tax and before Non-controlling interests of $794 million, $273 million of share issuance partially offset by $266 million of dividends paid.

Excluding the mark-to-market adjustment for the consolidated entity's financial instruments, adjusted shareholder's equity[18] increased 6% from $13,639 million at 30 June 2011 to $14,459 million at 31 December 2011.

Gearing Ratios[19]

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

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

Calculation of Net debt to Net debt plus equity:

	31 Dec 2011 ($m)	30 June 2011 ($m)
Net debt as reported	4,189	4,060
Equity as reported	14,367	13,516
Net debt to (net debt + equity)	**23%**	**23%**

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

	31 Dec 2011 ($m)	30 June 2011 ($m)
Adjusted net debt	4,409	4,283
Adjusted equity	14,459	13,639
Adjusted net debt to Adjusted [(net debt + equity)]	**23%**	**24%**

Net debt and gearing ratio excluding Contact Energy

Origin owns 52.8% of the ordinary shares of Contact Energy and is therefore required under the accounting standards to consolidate all of Contact Energy's assets and liabilities in Origin's Statement of Financial Position. This includes consolidating 100% of Contact Energy's outstanding debt obligations. However, under the terms of those debt obligations Origin has no liability associated with Contact Energy's debt.

Excluding Contact Energy's adjusted net debt obligations, Origin has an adjusted net debt position as at 31 December 2011 of $3,359 million compared with an adjusted net debt position of $3,365 million as at 30 June 2011, a change of $6 million.

[18] Refer to Glossary in Section 12.

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

5. Risk management

Origin has an Enterprise Risk Management framework that governs Origin's approach to risk oversight, management and internal control systems.

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

Origin undertakes hedging of its exposure to electricity and natural gas prices, environmental products, oil prices, foreign currency exchange rates and interest rates.

5.1 Electricity and Gas

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

5.2 Environmental products

As part of Origin's operations in the energy sector, it is exposed to liabilities from various State and Federal based government environmental schemes. At present, these liabilities accrue during a set of annual and quarterly compliance periods and are typically related to electricity supply and demand. In order to reduce Origin's exposure to environmental product prices, the liabilities are first forecast and then an inventory of certificates is accrued during the period in order to meet the expected liability at the end of each compliance period.

5.3 Oil and Condensate

On an ongoing basis, Origin assesses its anticipated medium term production volumes, current forward oil prices and risk exposure to movement in oil prices. 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.

5.4 Foreign currency exchange rates

Origin prudently manages its foreign exchange exposure through external hedging arrangements where appropriate.

Origin is primarily exposed to US Dollar exchange rate risk through the sale of commodities, the translation of Origin's US Dollar denominated Exploration and Production activities in New Zealand, the translation of US Dollar denominated debt obligations and US Dollar-denominated capital expenditure, both of which are primarily associated with Origin's interest in Australia Pacific LNG. New Zealand Dollar exchange rate risk arises through the translation of Contact Energy's earnings to Australia Dollars.

5.5 Interest rates

Origin's consolidated average interest rate paid on debt for the half year was 7.9%. This includes Contact Energy's New Zealand Dollar denominated debt, Origin's Australian Dollar, US Dollar and New Zealand Dollar debt obligations and includes commitment fees paid on undrawn committed debt facilities. Origin's average annual interest rate paid excluding Contact Energy was 8.0%.

As at 31 December 2011, Origin held cash on deposit and cash equivalents of $837 million compared with $728 million at 30 June 2011, including Contact Energy. This cash was invested at an average rate of 5.2% for the half year ended 31 December 2011. Excluding

Contact Energy, Origin held cash on deposit and cash equivalents of $799 million compared with $691 million at 30 June 2011.

Approximately 59% of Origin’s consolidated debt obligations are hedged to 30 June 2012 at an average rate of 6.2% including margin. Excluding Contact Energy, Origin has 54% of its debt obligations hedged at an average rate of 5.8% including margin. This hedge percentage gradually reduces over the following five plus years.

6. Review of Segment Operations

The Review of Segment Operations is a discussion on the underlying performance of each of Origin's business segments. The financial performance metrics and segmental discussion reflect the results of Origin's underlying business and therefore excludes items that do not portray the operational performance. A detailed reconciliation between Statutory Profit and Underlying Profit is provided in Appendix 1. Further non-IFRS measures, such as gross profit, are utilised to explain segment performance. These measures are a component of the Underlying Segment Result.

6.1 Energy Markets

Origin's Energy Markets business is an integrated provider of energy solutions to consumer and business markets in Australia and the Pacific. As well as being Australia's leading Natural Gas, Electricity and LPG retailer with 4.4 million customer accounts, Energy Markets also operates a large and diverse generation portfolio and continues to invest to increase its product and service offerings to customers.

Half year ended 31 December	2011 ($m)	2010 ($m)	Change (%)
Total revenue	5,207	3,400	53
Underlying EBITDA	820	538	52
Underlying EBIT	697	456	53
Segment result[20]	697	456	53
Items excluded from Segment result	12	(397)	N/A
Growth capital expenditure	316	492	(36)

- Strong growth on the back of the NSW acquisition, which continues to perform in line with expectations
- Since June 2011, Energy Markets has successfully migrated 2.6 million pre-NSW acquisition customers to a new billing and customer relationship management system
- Continued integration activities for the NSW acquisition

Energy Markets recorded Underlying EBITDA for the half year of $820 million, up $282 million or 52% from the prior half year. This growth is attributable to the six months contribution from the customers acquired from Integral Energy and Country Energy as well as the GenTrader arrangements for the dispatch of power from the Eraring and Shoalhaven power stations.

Energy Markets delivered a lower average cost of energy, maintained cost-to-serve and managed higher levels of NSW market churn in line with expectations. This was achieved at a time when the business was faced with two major change programs – the ongoing transformation of the retail customer-facing business and the integration of the acquired NSW businesses.

Since June 2011, Energy Markets has successfully completed four large-scale customer migrations to a new billing and customer relationship management system (SAP). Origin's 2.6 million pre-NSW acquisition Natural Gas and Electricity customer accounts are now being managed through SAP.

Integration activities relating to the acquired NSW businesses continued as planned. Services provided under the Transition Services Agreements (TSAs) are in line with contracted service levels and integration milestones are being met. As anticipated, customer accounts in NSW

[20] Segment result for Energy Markets does not include the impact of taxation and financing costs, which are included in the Corporate segment.

decreased over the six month period, reflecting increased competitive activity and reduced win activity as the business focussed on the four large-scale customer migrations to SAP.

Energy Markets is well-placed for the future with core billing and customer management technology that is industry-leading, new online functionality in the final stages of being launched, and continued investment in developing innovative energy solutions.

With a market leading retail position, a low intensity generation portfolio and access to equity and contracted gas, Origin's integrated business is well positioned to benefit from changing market conditions today and into the future.

Half year ended 31 December 2011[21]	**Natural Gas**	**Electricity**	**Non-commodity**	**LPG**
Revenue ($m)[22,23]	624 (+2%)	3,827 (+78%)	136 (-36%)	350 (+5%)
Total COGS ($m)	(498) (-1%)	(2,897) (+83%)	(120) (-34%)	(256) (+5%)
Gross Profit ($m)	126 (+20%)	930 (+68%)	18 (-42%)	94 (+5%)
Total operating costs ($m)	(348) (+44%)			
Underlying EBITDA ($m)	820 (+52%)			
Underlying EBIT ($m)	697 (+53%)			
EBIT/Sales (%)	14.1% (13.8% in Dec 2010)			
Volumes (sold)	68 PJ (-7%)	22 TWh (+57%)	N/A	245 kt (-1%)
Customer accounts ('000)[24]	950 (+3%)	3,075 (-4%)	N/A	355 (-3%)
Gross Profit per customer ($)	267 (+1%)			265 (+5%)
EBITDA per customer ($)	197 (+2%)			80 (-15%)
EBIT per customer ($)	169 (+1%)			43 (-28%)

Energy Markets Underlying EBIT return on sales was 14.1% for the half. Margins are usually higher in the first half of the financial year due to the seasonality of the business. Including higher hedging costs associated with the January quarter, Underlying EBIT margins are anticipated to be between 13% and 14% for the full 2012 financial year.

As an integrated business, Energy Markets manages its portfolio of customers, energy purchases and generation assets to produce an acceptable return on capital invested.

Calendar Year ended	**2011**	**2010**
Productive Capital ($m)	8,009	4,639
Operating Cash Flow ($m)	900	804
OCFR %	11.2%	17.3%

Energy Markets segment operating cash flow return (OCFR) for the calendar year to December 2011 was 11.2%, with the significant increase in productive capital reflective of the NSW acquisition and a full twelve months of Darling Downs Power Station. Operating cash flow for the calendar year was negatively impacted by the cash settlement of power purchase agreements, hedge contracts, green rights contracts and the TSAs associated with

[21] Refer to Section 11 for the equivalent 31 December 2010 table.
[22] Energy Markets revenue includes pool revenue from the sale of electricity when Origin's internal generation portfolio, including Eraring and Shoalhaven power stations, is dispatched. These pool revenues, along with the associated fuel costs, are netted off in wholesale energy costs within Electricity cost of goods sold.
[23] Energy Markets revenue includes revenue from the sale of gas swaps to major customers at no margin. These revenues are netted off with the associated cost in Natural Gas cost of goods sold.
[24] Customer account movement since 30 June 2011.

the NSW acquisition ($267 million since 1 March 2011). Excluding these cash settlements, cash flow returns would be 14.6%.

6.1.1 Gross Profit

Origin generates approximately 70% of its external revenue through the sale of Natural Gas and Electricity to over 4.1 million residential and business customers across the National Electricity Market.

While Origin is able to benefit from scale and incumbency in delivering a competitive cost-to-serve, the strong returns in the business are delivered primarily through the flexibility in energy purchase decisions provided by the integrated strategy.

Origin's integrated business aims to provide a competitive cost of energy across its entire portfolio. Origin's extensive equity gas reserves, access to key pipeline infrastructure and a diverse (both by geography and fuel type) generation portfolio are central to this integrated strategy, providing the business with flexibility in procuring energy based on current market conditions.

The Natural Gas and Electricity portfolios operate together to determine the best use of gas, either through electricity generation or through sales into the external market. Pipeline infrastructure enables gas to be transported between regions providing Origin the flexibility to respond to changing conditions in either the gas or electricity market.

6.1.1.1 Natural Gas

Half year ended 31 December	2011	*$/GJ*	2010	*$/GJ*	Change (%)	*Change ($/GJ)*
Volumes sold (PJ)	**83**		**90**		**(8)**	
C&I	46		49		(4)	
Mass Market	22		24		(12)	
Total external volumes	**68**		**73**		**(7)**	
Internal sales [25]	15		17		(12)	
Revenue ($m)	**624**	*9.2*	**610**	*8.4*	**2**	*0.8*
C&I	249	*5.4*	234	*4.8*	6	*0.6*
Mass Market	375	*17.4*	376	*15.4*	0	*2.0*
Cost of goods sold ($m):						
Network costs	(188)	*(2.8)*	(107)	*(1.5)*	76	*(1.3)*
Energy purchase costs	(310)	*(4.6)*	(398)	*(5.5)*	(22)	*0.9*
Totals COGS	**(498)**	*(7.3)*	**(505)**	*(6.9)*	**(1)**	*(0.4)*
Gross Profit	**126**	*1.9*	**105**	*1.4*	**20**	*0.4*
Gross Margin (%)	*20.2%*		*17.2%*		*3.0*	
Customer accounts ('000)	**950**		**886**		**7**	
$ Gross Profit per customer	**133**		**119**		**13**	

[25] Internal sales represent volume used in Origin's gas-fired generation portfolio. The cost of the gas is included at cost in the electricity cost of goods sold.

Natural Gas volumes and revenue

Origin sold 68 PJs of Natural Gas to customers in the six months to December 2011, while an additional 15 PJ was used as fuel in the generation portfolio, primarily at the Darling Downs Power Station.

Sales of Natural Gas to customers reduced by 7% overall compared to the prior half year. Reduced consumption was most evident in Victoria and South Australia, where a mild winter led to 19% and 16% decrease in volume respectively. This was partially offset by NSW Mass Market consumption which benefited from increased customer accounts.

Natural Gas volumes by state and by segment are detailed in the table below:

Natural Gas volumes by state

Half year ended 31 December	2011	2010	Variance	%
NSW	1.9	0.7	1.2	171
Victoria	14.8	18.3	(3.5)	(19)
Queensland	1.2	1.2	-	-
South Australia	3.6	4.3	(0.7)	(16)
Mass Market	**21.5**	**24.5**	**(3.0)**	**(12)**
C&I	46.5	48.5	(2.0)	(4)
Internal generation	14.9	17.3	(2.4)	(14)
Total Natural Gas Volume (PJ)	**82.9**	**90.3**	**(7.4)**	**(8)**

Despite the reduced volumes, Natural Gas revenue increased by $14 million or 2%. Higher tariffs due to the pass through of increased network costs in both Mass Market and C&I resulted in revenue per gigajoule (GJ) increasing by $0.80 or 9.5%.

Natural Gas Cost of Goods Sold

Natural Gas cost of goods sold increased by $0.40/GJ reflecting the higher network costs. Excluding network costs, energy purchase costs reduced by $0.90/GJ. While long term contract prices continue to rise, low seasonal demand led to a reduction in average gas spot prices. The flexibility of Origin's portfolio allowed Energy Markets to adjust its purchasing decisions and benefit from these lower spot prices.

Natural Gas Gross Profit

Despite a modest increase in revenue, effective management of the Natural Gas portfolio led to an overall increase in Natural Gas Gross Profit of $21 million, or $0.40/GJ.

6.1.1.2 Electricity performance

Half year ended 31 December	2011	*$/MWH*	2010	*$/MWH*	Change %	*Change $/MWH*
Volumes sold (TWh)	**21.8**		**13.9**		**57**	
C&I	10.2		7.2			
Mass Market	11.6		6.7			
Revenue ($m)	**3,827**	*175*	**2,147**	*154*	**78**	**21**
C&I	1,160	*114*	779	*108*	49	6
Mass Market	2,645	*228*	1,345	*201*	97	27
Externally contracted Generation	22		23		(4)	
Cost of goods sold ($m):						
Network costs	(1,774)	(81)	(785)	(56)	126	(25)
Wholesale energy costs	(1,017)	(47)	(774)	(56)	31	9
Generation operating costs	(106)	(5)	(33)	(2)	221	(3)
Total COGS ($m)	(2,897)	(133)	(1,592)	(114)	82	(19)
Gross Profit ($m)	**930**	**43**	**555**	**40**	**68**	**3**
Gross Margin (%)	*24.3%*		*25.9%*		*(1.6)*	
Customer Accounts ('000)	**3,075**		**1,722**		**79**	
$ Gross Profit per customer	**302**		**322**		**(6)**	

Electricity volumes and revenue

Origin electricity volumes increased primarily due to the acquired customer accounts from Integral Energy and Country Energy. Energy consumption in the National Electricity Market was down 1.8% on prior half year versus the market operator's forecast growth of 3.5%. While the current period was impacted by mild weather, the level of reduction in system demand is also attributable to a reduction in economic activity in the business market and lower household usage partially attributable to solar PV penetration.

In addition to the factors affecting market demand, Energy Markets' electricity volumes were also impacted by a change in customer mix, particularly in Victoria and Queensland. Queensland's reduced consumption was offset by volumes relating to the acquired customers from Integral Energy.

Electricity volumes by state and by segment are detailed in the table below:

Half year ended 31 December	2011	2010	Variance	Change (%)
NSW	5.8	0.7	5.1	729
Victoria	2.1	2.3	(0.2)	(9)
Queensland	3.2	3.2	-	-
South Australia	0.5	0.5	-	-
Mass Market	**11.6**	**6.7**	**4.9**	**73**
C&I	10.1	7.1	3.0	42
Total Electricity Volumes (TWh)	**21.8**	**13.9**	**7.9**	**57**

The increased volumes, together with the pass through of higher network charges resulting in higher tariffs, resulted in a 78% or $1.7 billion increase in Electricity revenue.

Electricity Cost of Goods Sold

Electricity cost of goods sold comprises three main elements: network costs; wholesale energy costs and generation operating costs. Network costs reflect the pass through of charges for the transportation and distribution of electricity to the end customer. Wholesale energy costs relate to the mix of physical and financial instruments in procuring electricity, including fuel (gas and coal) used in Origin's 5,310 MW generation portfolio. Generation operating costs relate to the operating and maintenance costs of Origin's generation portfolio, including the costs associated with the GenTrader arrangements.

Overall, Electricity cost of goods sold increased by $19/MWh, with an increase in network charges of $25/MWh partially offset by a net $6/MWh reduction in wholesale energy procurement costs. Electricity cost of goods sold excludes any capital charge for the $3.3 billion investment in the generation portfolio.

The reduction in wholesale energy procurement costs of $6/MWh or 10% comprises a $9/MWh reduction in wholesale energy costs offset by a $3/MWh increase in generation operating costs. This was achieved despite a 29% increase in average energy prices across the National Electricity Market and increased liabilities for mandatory green schemes. The successful integration of the Eraring and Shoalhaven power stations under the GenTrader arrangements and effective management of the fuel and energy purchasing portfolio facilitated by the operation of Energy Markets' internal generation assets, enabled this lower cost of energy.

Refer to Section 6.1.2 for information on the performance of Origin's generation portfolio.

Included within wholesale energy costs is the benefit of $90 million, or $4/MWh, from the unwind of the fair value liabilities associated with the mark-to-market of power purchase agreements, hedge contracts and green rights contracts relating to the NSW acquisition.

Electricity Gross Profit

Six months earnings from the NSW acquisition, including the hedge contract unwind, as well as effective management of the wholesale electricity portfolio enabled Energy Markets to increase Electricity Gross Profit by $375 million or 68% to $930 million. Gross Profit per megawatt hour increased $3/MWh from $40/MWh to $43/MWh. Non-commodity sales

6.1.1.3 Non-commodity sales

Revenue for the non-commodity businesses reduced by $77 million or 36% reflecting lower installations of rooftop Solar Photovoltaic (PV) systems. Policy changes, including changes to the Renewable Energy Certificate multiplier and feed-in tariff scheme in NSW, had a significant impact on demand over the period. Consequently, Origin completed 10,606 installations compared with 18,028 in the prior half year.

Energy Markets' other product offerings such as solar hot water, serviced bulk hot water systems and heat pumps are performing well and continue to complement the core Natural Gas and Electricity business.

The substantial reduction in Solar PV installations led to a 42% reduction in Non-commodity Gross Profit from $31 million to $18 million.

The opportunity to develop an electric vehicles business continues to grow with the recent announcement of Origin as the exclusive charging partner for Nissan Australia, while the tri-generation business continues to pursue a number of key contracts.

6.1.1.4 LPG

Sales volumes in LPG were marginally down on the prior half year due to reduced demand for New Zealand wholesale supply, partially offset by increased sales volume in the Australian region. However, due to lower commodity purchase costs, the LPG business increased Gross Profit by 5% to $94 million.

6.1.2 Internal generation portfolio

Energy Markets' generation portfolio demonstrated high levels of availability and reliability during the period, enabling optimal portfolio decisions in delivering a competitive cost of energy in Electricity and Natural Gas. The internally contracted (excluding Eraring and Shoalhaven power stations) plant achieved an equivalent reliability factor[26] (ERF) of over 98%.

The ERF for the Eraring Power Station was only 86% primarily due to a fire in the transformer of Unit 2 on 28 October 2011. The structure of the GenTrader arrangements is intended to incentivise Eraring Energy to maintain availability through Availability Liquidated Damages (ALDs) which are payable (subject to certain conditions) by Eraring Energy to Origin where availability is below specified annual targets. As a result of the fire and associated remediation of Unit 2, liquidated damages are being pursued, and discussions between Origin and Eraring Energy are continuing. Origin has not booked any liquidated damages from Eraring Energy in the Interim Financial Statements to date.

Performance of the internal generation portfolio and externally contracted plant is summarised in the following table:

Half year ended 31 December 2011	Nameplate Plant Capacity (MW)	Equivalent Reliability Factor	Capacity Factor	Electricity Output (GWh)	Pool Revenue ($m)
Base Load					
Eraring (Contracted)	2,730	85.5%	61%	5,799	177
Darling Downs	630	98.7%	51%	1,449	40
Peaking					
Mt Stuart	414	100%	1%	1	-
Uranquinty	640	100%	4%	92	6
Roma	74	99.6%	6%	3	-
Ladbroke Grove	80	99.5%	19%	58	3
Quarantine	216	97.6%	15%	48	2
Renewable					
Cullerin Range	30	99.8%	41%	53	2
Shoalhaven (Contracted)	240	98.5%	3%	28	2
Internal Generation	**5,054**			**7,530**	**231**
Externally Contracted (50% share)					
Bulwer Island [27]	32	99.2%	63%		
Osborne [27,28]	180	99.6%	76%		
Worsley [27]	120	93.5%	79%		
TOTAL	**5,310**				

[26] Equivalent reliability factor is the availability of the plant after scheduled outages.

[27] Origin holds a 50% share.

[28] For Osborne, Origin holds a 50% share and contracts 100% of the output.

On 3 January 2012, the first of two units at the 550 MW gas-fired Mortlake Power Station was available for dispatch into the Victorian electricity market. The second unit is expected to be completed in the second half of this financial year following a full turbine inspection during the March Quarter. However neither unit made a financial contribution to the Energy Markets result for the half year.

Origin's pipeline of gas fired power plant developments includes a new site at Kerrawarry in NSW, and expansion sites at Mortlake in Victoria, Darling Downs in Queensland and Quarantine in South Australia. These options provide flexibility to continue to enhance Origin's electricity supply portfolio.

Origin has 30 MW of operating wind capacity at Cullerin Range and a portfolio of potential wind development opportunities at various stages of approval, which may be developed to support Origin's renewable energy obligations. Origin's most advanced wind project is Stockyard Hill in western Victoria. The 154 wind turbine project has a capacity of 300 to 500 MW and an expected average capacity factor of 36%. In the last six months, Origin has progressed toward fulfilling the permit conditions of State and Federal Development Approvals required for Stockyard Hill in advance of the project execution.

6.1.3 Operating costs, customer accounts and churn

Half year ended 31 December ($ millions)	2011	2010	Change
Natural Gas, Electricity & non-commodity operating costs	283	186	97
LPG operating costs	65	56	9
Total Operating Costs	**348**	**242**	**106**

Natural Gas and Electricity operating costs

Energy Markets includes within its Natural Gas, Electricity and non-commodity operating costs all costs associated with servicing and maintaining customers, all churn and customer retention costs and all costs associated with delivering new product lines within the non-commodity business.

Natural Gas, Electricity and non-commodity operating costs increased $146 million compared to the prior half year, largely reflecting costs associated with the increased scale of the business post the NSW acquisition, including the costs of the TSAs.

At the time of the NSW acquisition, Origin entered into TSAs with the NSW distribution network businesses to continue to provide services such as customer billing, collections, debtor management, call centre and other customer services. As these services are at a cost which is higher than the incremental cost Origin would have incurred internally, a provision was raised on acquisition. The unwind of this provision for the six months to December 2011 was $49 million, which is shown as a reduction in Natural Gas, Electricity and non-commodity cost-to-serve.

Half Year ended 31 December	2011	2010	Change
Natural Gas, Electricity & non-commodity cost-to-serve (excl. TSA unwind)	332	186	146
TSA provision unwind	(49)	-	(49)
Total Electricity & Natural Gas Operating Costs ($m)	**283**	**186**	**97**
Maintenance Costs ($m)	239	152	87
Acquisition & Retention Costs ($m)	44	34	10
Customer Accounts ('000)	**4,025**	**2,607**	**1,418**
Cost-to-Serve ($ per customer)	**70**	**71**	**(1)**
Cost-to-Serve excluding TSA provision unwind ($ per customer)	*82*	*71*	*11*
Cost-to-maintain ($ per customer)	*59*	*58*	*1*
Costs-to-acquire / retain ($ per customer)	*11*	*13*	*(2)*
Cost per win / retention[29] ($ per win/retain)	*65*	*66*	*(1)*

With the additional customer accounts from Integral Energy and Country Energy and after the benefit from the TSA provision unwind, cost-to-serve reduced marginally from $71 per customer to $70 per customer.

Natural Gas and Electricity customer accounts and churn

The clear focus of the retail function during the period was on the transformation of billing and customer relationship management systems and consequently acquisition activities across a number of channels were restricted. With the SAP migration largely complete, it is anticipated win activities will increase in the second half of the 2012 financial year.

As expected, competition in NSW increased, with market churn up from 14% at the end of the 2011 financial year to 18% over the last six months. This increase is typical for a recently privatised market, with Queensland experiencing a similar trend following the privatisation of Sun Retail in 2007.

Consequently, while Origin won 263,000 customer accounts across Natural Gas & Electricity in the half year, the net impact of reduced acquisition activity and increased churn resulted in a 112,000 decrease in Origin's total electricity and natural gas customer accounts from 4,137,000 at June 2011 to 4,025,000 at 31 December 2011.

Customer account movement from 30 June 2011 to 31 December 2011 ('000)

Electricity & Natural Gas	Electricity Dec 2011	Natural Gas Dec 2011	Total Dec 2011	Total Jun 2011	Change
NSW	1,463	136	1,599	1,652	(53)
Victoria	661	475	1,136	1,156	(20)
Queensland	797	131	928	963	(35)
South Australia	154	208	362	366	(4)
Customer numbers	**3,075**	**950**	**4,025**	**4,137**	**(112)**

As at 31 December 2011, Origin held 931,000 dual fuel (electricity and gas) customer accounts compared with 886,000 as at 31 December 2010.

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[29] Cost per win /retention = Acquisition & Retention Costs divided by the sum of customer wins (263 thousand; 273 thousand prior half year) and retains (384 thousand, 239 thousand prior half year)

LPG operating costs

LPG operating costs increased $9 million due to higher labour costs and increased repairs and maintenance expense, primarily in the Australian business due to increased sales volume.

6.1.4 Retail Transformation Program

The transformation of retail operations continued, including the migration of customers to a new, integrated SAP billing and customer management platform. Four large-scale migrations since June 2011 has seen Origin's 2.6 million pre-NSW acquisition customer base become operational in the new integrated SAP platform.

Stabilisation activities continue and are in line with expectations. The legacy systems comprising five billing/CRM transaction management systems and 11 associated support systems will be data-archived and retired by the end of the financial year.

6.1.5 Segment financial performance

As a consequence of the above items, Segment result increased 53% from $456 million in the prior half year to $697 million in the half year.

Items excluded from the Segment Result total a benefit of $12 million in the half year. Items excluded from the Segment Result in the prior half year totalled an expense of $397 million due to transition and transaction costs relating to the NSW acquisition and a decrease in the fair value of financial instruments.

Growth capital expenditure including capitalised interest was $316 million in the half year. This primarily reflected expenditure and capitalised interest on the Mortlake Power Station, upgrades to the Eraring Power Station and the Retail Transformation Project.

6.2 Exploration & Production

Origin has exploration and production interests in eastern and southern Australia, the Perth Basin in Western Australia and in the Taranaki Basin in New Zealand. Origin also has international exploration interests in New Zealand, South East Asia, Kenya and Botswana. These activities are reported within the Exploration & Production segment.

Half year ended 31 December	2011 ($m)	2010 ($m)	Change (%)
Total revenue	376	338 [30]	11
Underlying EBITDA before exploration expense	190	195	(3)
Underlying EBITDA	179	98	83
Underlying EBIT	67	(15)	N/A
Segment result [31]	67	(15)	N/A
Items excluded from Segment result	(198)	(1)	N/A
Growth capital expenditure	194	162	20

- Steady operational performance during the half year with lower exploration activity and lower exploration expense
- Major planned maintenance shutdowns on the Otway gas plant and Kupe plant were executed as planned during the half year
- BassGas production was shutdown in early December at the start of the MLE project, which will be ongoing during the six months to 30 June 2012.

Underlying EBITDA for the Exploration and Production segment increased 83% from $98 million to $179 million due to a significantly lower exploration expense of $11 million in the half year compared with $97 million in the prior half year and higher commodity prices. Production performance was essentially steady, and was achieved despite major planned maintenance shutdowns of the Otway and Kupe assets, and preparations for Phase 1 of the BassGas MLE which commenced in December.

6.2.1 Financial Performance

Production, Sales and Revenue

Half year ended 31 December	2011	2010	Change (%)
Total Production (PJe)	43	44	(2)
Total Sales (PJe)	47	49	(4)
Commodity Sales Revenue ($m)	356	323[30]	10

Origin's share of total production in the Exploration & Production segment was down 1 PJe or 2% to 43 PJe for the half year. This was due to maintenance activities in the BassGas and Otway assets and lower customer nominations. Sales volumes were also lower, reflecting lower production together with lower sales from inventory and third parties. Of the Total Sales of 47 PJe in the half year, 15 PJe of gas was sold internally to Origin as a customer.

[30] 31 December 2010 revenue restated for reclassification of the nature of some transactions involving the purchase and on-sale of gas in the Otway Basin. Refer to the June 2011 Quarterly Production Report for more information, which is available at www.originenergy.com.au.

[31] Segment result for Exploration and Production does not include the impact of taxation and financing costs, which are included in the Corporate segment.

Further information regarding production, sales volumes and revenues is provided in Origin's December 2011 Quarterly Production Report, available at www.originenergy.com.au.

Total revenue increased by 11% from $338 million to $376 million. Production and sales volumes were marginally lower than the prior half year, however commodity prices more than offset this. Commodity revenues increased 10% compared with the prior half year despite 2% lower production volumes and 4% lower sales volumes.

Operating costs

Expenses increased by 41% to $185 million from $131 million in the prior half year, as detailed in the table below. Total expenses, including exploration expense decreased by 19%.

Half year ended 31 December	2011 ($m)	2010 ($m)[32]	Change %
Cost of Goods Sold	43	30	43
Stock movement	1	5	(80)
Royalties, tariffs and freight	33	24	38
General operating costs	108	85	27
Expenses	185	144	28
Exploration	11	97	(89)
Total operating costs	**196**	**241**	**(19)**

For the half year, Cost of Goods Sold was $43 million compared with $30 million in the prior half year reflecting an increase in the volume of third party purchases in the Cooper Basin and higher prices for inter-basin crude oil and gas purchases. Stock movement expense was $1 million compared with $5 million in the prior half year.

Royalties, tariffs and freight increased by $9 million. This increase is primarily due to an increase in royalties paid by Kupe due to increased sales volumes and the exhaustion of the benefit from royalty deductions for construction deductibles in the prior half year.

General operating costs increased by 27% or $23 million to $108 million. Routine general operating costs increased $5 million, largely in line with CPI. Non-routine operating costs were $18 million higher on the prior half year due to higher shutdown related costs and major maintenance items at Kupe and Otway, and flood recovery costs in the Cooper Basin. Consequently, Origin's general costs per unit of production increased by $0.58 per GJe or 30% compared with the prior half year to $2.51 per GJe. The impact of non-routine operating costs represents $0.41 per GJe of this increase.

For the half year, exploration expenses were $11 million compared with $97 million in the prior half year. The significant decrease relates to lower exploration activity and a reduced expense for unsuccessful wells compared with the prior half year. The focus of exploration in the half year was on planning for future drilling and evaluation activities.

[32] 31 December 2010 revenue restated for reclassification of the nature of some transactions involving the purchase and on-sale of gas in the Otway Basin.

Segment result

For the reasons set out above, Underlying EBITDA increased 83% from $98 million to $179 million.

Underlying depreciation and amortisation charges remained essentially constant on the prior half year at $112 million or $2.60 per GJe.

Underlying EBIT increased by $82 million to $67 million from a loss of $15 million in the prior half year. This represents the Segment Result for the Exploration and Production segment.

Items excluded from the Segment Result total an expense of $198 million in the half year due to an impairment loss in relation to the Ironbark CSG permit area in respect of the realisation of an upfront tax deduction for the permit acquisition.

Capital Expenditure

Growth capital expenditure including capitalised interest was $194 million in the half year, 20% higher than the prior half year. This primarily reflected expenditure and capitalised interest (where appropriate) on the Ironbark CSG project, the Otway and Bass basins and ongoing exploration and evaluation activities.

6.2.2 Operations

Australia

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

Collectively, these assets produced 33 PJe net to Origin during the half year, a decrease of 2 PJe or 6% on the prior half year due to field outages caused by planned maintenance and floods. Production for the half year included 27 PJ of sales gas, 620,000 barrels of crude oil and condensate and 40 ktonnes of LPG.

Offshore Australia

Production from Origin's offshore Australian assets in the Otway and Bass basins was 21 PJ or 10% lower than in the prior half year as a result of gas plant shutdowns for maintenance and lower customer nominations.

A planned maintenance shutdown of the Otway gas plant for the month of November 2011 completed all scheduled maintenance and inspection activities. Stability issues with part of the process plant limited initial volumes on start-up. The Otway inlet compression project is in the final stages of commissioning and is expected to be fully on-line within the March quarter. Detailed design and execution planning of Phase 3 of the Otway Gas Project and the Geographe Field Development continued through the December quarter. Drilling of the offshore Thistle-1 exploration prospect is expected to commence in April 2012, and will be followed by drilling of the Geographe Field development wells.

BassGas production was shutdown in December at the start of Phase 1 of the BassGas Mid Life Enhancement project. The Phase 1 work is expected to result in the platform being offline until late in the June Quarter with limited additional production expected for the remainder of the financial year.

One well was drilled in the offshore Bonaparte Basin in Western Australia/Northern Territory (Origin's effective interest is 5%) during the half year as part of the ongoing Petrel appraisal program, the results of which are being analysed.

Onshore Australia

Production from Origin's onshore assets increased 4% to 13 PJe on the prior half year due to marginally higher production in each of the Cooper, Surat and Perth basins.

There was marginally higher production in the Cooper Basin despite lower gas volumes and wet weather during the December Quarter causing delays in operational and drilling activities. Sixteen wells were drilled in the Cooper Basin during the half year.

Evaluation activities continued across all areas including seismic acquisition, reprocessing and interpretation. In the Ironbark permit community consultation progressed, construction work on pilot ponds commenced, surface facilities were procured and the installation of the gathering networks commenced.

New Zealand

In New Zealand, Origin participates in production from both offshore and onshore assets in the Taranaki Basin, as well as exploration permits in the Canterbury and Northland basins.

Origin's share of production from the offshore Kupe field for the year increased by 5% to 8 PJe, reflecting a reduced number of planned annual maintenance days in the half year compared with the prior period.

Production from Origin's onshore Taranaki Basin assets in New Zealand was 0.7 PJe for the half year compared with 0.6 PJe in the prior half year, primarily due to higher oil production following development drilling in the Manutahi oil field.

International oil and gas exploration

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

During the half year, Origin completed the drilling of one exploration well in the Khorat Plateau area in onshore Thailand. The Dao Ruang-3 well was drilled to a total depth of around 1,800 metres. Evaluation of the gas shows and wire-line logs indicated limited potential as a producer and the well was plugged and abandoned.

6.3 Australia Pacific LNG

The Australia Pacific LNG segment includes Origin's equity accounted share of the results of Australia Pacific LNG Pty Ltd and the financing costs, foreign exchange gains and losses and tax relating to Origin's borrowings associated with the CSG to LNG export project in Queensland.

Origin's interest in the Australia Pacific LNG joint venture has changed over time, as reflected in the segment results. Origin's interest in Australia Pacific LNG at 30 June 2010 was 50% and remained constant until 9 August 2011 when completion of an equity subscription agreement between Australia Pacific LNG and Sinopec resulted in a dilution of Origin's interest to 42.5%. Origin recorded a $437 million gain on diluting its investment in Australia Pacific LNG as a result of the issue of shares to Sinopec. Origin's equity interest at 31 December 2011 was at 42.5%.

A second subscription agreement between Australia Pacific LNG and Sinopec was signed on 20 January 2012. Completion of this agreement remains dependent on certain conditions precedent. Once completed Origin's equity interest will be diluted from 42.5% to 37.5%.

In Origin's Interim Financial Statements, the financial performance of Australia Pacific LNG is equity accounted. Consequently, revenue and expenses from Australia Pacific LNG do not appear explicitly in the Australia Pacific LNG segment results. Origin's share of Australia Pacific LNG's Underlying EBITDA is included in the Underlying EBITDA of the Australia Pacific LNG segment. Australia Pacific LNG's Underlying depreciation, amortisation, interest and tax expense are accounted for between Underlying EBITDA and Underlying EBIT in the line item "Share of interest, tax, depreciation and amortisation of equity accounted investees". As a result, Origin's share of Underlying net profit after tax is included in the Underlying EBIT line and segment result line below.

Half year ended 31 December	2011 ($m)	2010 ($m)	Change (%)
Total revenue	-	-	-
Underlying EBITDA	16	32	(50)
Underlying EBIT	3	14	(79)
Segment result	3	14	(79)
Items excluded from Segment result	454	11	N/A
Origin cash contribution to Australia Pacific LNG	173	-	N/A

- FID on the first LNG train and infrastructure to support the second was taken in July 2011
- On 9 August 2011 Origin's equity share in Australia Pacific LNG changed from 50% to 42.5%
- Marketing agreements are in place with Kansai and Sinopec for the second LNG train
- Australia Pacific LNG reserves increased to 12,810 PJe 2P Reserves and 16,022 PJe 3P Reserves (100% basis)
- The Australia Pacific LNG project is progressing on schedule with no change in cost in the underlying activities
- FID on the second LNG train is on track

6.3.1 Financial performance of Australia Pacific LNG

Production, Sales and Revenue

Operating Performance	Total APLNG (PJe)	Origin's interest (PJe)	Total APLNG (PJe)	Origin's Interest (PJe)
	December 2011		December 2010	
Production Volumes	52	23	50	25
Sales Volumes	53	23	57	29

APLNG's Domestic production increased 2 PJe or 4% from 50 PJe to 52 PJe for the half year. This was despite flood recovery work in the Spring Gully area during the September Quarter and a temporary shutdown of the Northern Denison field to carry out upgrades during the December Quarter.

Lower customer demand and the subsequent lower purchase and on-sale of gas from third-parties reduced sales volumes by 7% to 53 PJe for the half year (prior half year 57 PJe). Average gas prices remained comparable with the prior half year and consequently revenue fell in line with sales volumes to $165 million compared with prior half year $178 million.

The following information is derived from Note 6(b) to Origin's Interim Financial Statements.

Financial Performance	Total APLNG ($m)	Origin's interest ($m)[33]	Total APLNG ($m)	Origin's interest ($m)[34]
	December 2011		December 2010	
Operating revenue	165		178	
Operating expenses	(129)		(114)	
Underlying EBITDA	**36**	**16**	**64**	**32**
Depreciation and amortisation expense	(47)		(35)	
Net financing income/ (costs)	8		(3)	
Income tax benefit	9		1	
Underlying ITDA	**(30)**	**(13)**	**(37)**	**(18)**
Segment result	**6**	**3**	**27**	**14**
Items excluded from Segment result	10	4	40	20
Statutory Profit	**16**	**7**	**67**	**34**

Australia Pacific LNG's operating expenses increased 13% or $15 million to $129 million compared with $114 million in the prior half year. This reflected an increased activity level attributable to expanding the production capacity for the LNG project and increasing the capability to meet the LNG-related regulatory and operating requirements in both operated and non-operated fields. Increased expenditures were also incurred relating to the LNG project office, LNG marketing expenditures, specific costs related to repairs and maintenance following the 2011 floods and additional preventative maintenance on key production and compression equipment.

As a result, Underlying EBITDA decreased 44% or $28 million, from $64 million to $36 million.

Depreciation and amortisation expenses increased by 34% or $12 million from $35 million to $47 million due to the increased production capacity compared to the prior half year.

[33] Reflects Origin's 50% share in Australia Pacific LNG until 9 August 2011 at which time this was diluted to a 42.5% share.
[34] Reflects Origin's 50% share in Australia Pacific LNG during the prior half year.

Underlying Net financing income increased $11 million from an expense of $3 million to income of $8 million during the half year, due to interest earned on the proceeds received under the subscription agreement with Sinopec.

Underlying Income tax benefit increased $8 million from $1 million to $9 million compared to the prior half year mainly due to the reduction in Underlying Profit Before Tax compared to the prior half year.

Items excluded from Underlying Profit decreased 75% or $30 million from $40 million to $10 million in the half year. This was due to a lower unwinding of discounts recognised on shareholder receivables (decrease of $5 million), a net foreign exchange loss ($8 million) and the foreign exchange impact on the deferred tax liabilities of subsidiaries in the Australia Pacific LNG consolidated group with US dollar functional currencies (a loss of $12 million in the half year compared to a gain of $5 million in the prior half year).

Consequently, Statutory Profit for APLNG decreased 76% or $51 million from $67 million to $16 million.

Segment result

The Australia Pacific LNG segment recorded an Underlying EBITDA of $16 million compared with $32 million in the prior half year, a decrease of 50%. This reflected lower revenues within Australia Pacific LNG, and higher operating costs as described above, together with the dilution of Origin's interest in Australia Pacific LNG from 50% to 42.5%.

Origin's share of interest, tax, depreciation and amortisation for APLNG decreased from $18 million in the prior half year to $13 million in the half year.

Origin's share of the Underlying Net Profit for Australia Pacific LNG decreased from $14 million in the prior half year to $3 million in the half year. This is recorded as the Segment Result for the Australia Pacific LNG segment in Origin's accounts.

Items excluded from the Australia Pacific LNG segment result amount to $454 million and include: a gain on dilution of Origin's interest in Australia Pacific LNG of $437 million; a benefit on unwinding of the discount on Australia Pacific LNG shareholder loans receivable $13 million; a benefit associated with foreign currency impacts of $22 million; interest expense related to Australia Pacific LNG funding of $13 million; and Origin's share of tax expense on translation of foreign denominated tax balances within Australia Pacific LNG of $5 million. In the prior half year, items excluded from the segment result amounted to a benefit of $11 million.

6.3.2 Capital expenditure and funding

The first phase of a two train CSG to LNG development was announced with an estimated capital cost of US$14 billion[35]. Approximately two thirds of this estimated capital cost is denominated in AUD with the balance predominantly in USD. There has been no change in the cost of the underlying activities for the project based on the currency splits at the time of FID for the first phase of the project. However, the change in forecast foreign exchange rate between AUD and USD has affected the total cost of the project when expressed on a combined basis in either currency. This results in a higher total project cost when expressed in USD and a lower cost when expressed in AUD.

In addition to the capital costs associated with the LNG export project, the capital expenditure information provided in the table below includes the costs associated with ongoing domestic operations, exploration and appraisal costs, capitalised pre-LNG operating and maintenance costs and costs associated with the development of gas to supply third party LNG projects that will not contribute to earnings of the export project. It does not include any benefit from capitalising revenue from the project prior to first commercial operations (e.g. commissioning revenues).

Half year ended 31 December 2011 ($ millions)	**Upstream**	**Downstream**	**Total**
Capital expenditure	852	1,550	2,402
Exploration and appraisal	91	-	91
Total capital expenditure	**943**	**1,550**	**2,493**
Origin cash contribution			**173**

Total capital expenditure for Australia Pacific LNG in the half year was $2,493 million. Origin contributed $173 million, by way of part repayment of its interest free loan to Australia Pacific LNG to meet its share of cash calls not otherwise met by cash available to Australia Pacific LNG, which includes cash flows from operations and cash contributions from other shareholders.

[35] Based on foreign exchange rates assumed at the time of FID.

Reserves

Australia Pacific LNG increased 2P reserves from 11,775 PJe at 30 June 2011 to 12,810 PJe at 31 December 2011, with 3P reserves increasing from 14,742 PJe to 16,022 PJe[36]. The overall increase in 2P Reserves of 1,035 PJe included additions, revisions and corrections totalling 1,087 PJe together with production of 52 PJe.

Origin's interest in Australia Pacific LNG was 50% at 30 June 2011 and was diluted to 42.5% in August 2011, and has remained at that level at 31 December 2011. The table below shows Origin's net share of reserves reflects these changes. At a 2P Reserves level Origin's share of reserves has therefore decreased by 443 PJe to 5,444 PJe.

APLNG Reserves (PJ)	Reserves June 2011	Additions/ Revisions	Product-ion	Reserves Dec 2011	Origin net Jun 2011 (50%)	Origin net Dec 2011 (42.5%)
Proved and Probable (2P)	11,775	1,087	(52)	**12,810**	5,887	5,444
Proved, Probable and Possible (3P)	14,742	1,332	(52)	**16,022**	7,371	6,809

APLNG Resources (PJ)	Resources June 2011	Net Increase/ (Decrease)	Resources Dec 2011	Origin net Jun 2011 (50%)	Origin net Dec 2011 (42.5%)
2C Contingent Resources	4,041	199	**4,240**	2,020	1,802
3C Contingent Resources	10,050	564	**10,614**	5,025	4,511

Australia Pacific LNG's reserves have been assessed against existing contractual arrangements, additional domestic sales and a forward price scenario based on the monetisation of the reserves through Australia Pacific LNG's CSG to LNG export project. Gas prices for the CSG to LNG export project are calculated using the Residual Pricing Method (RPM) and is described in Origin's Annual Reserves Report.

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

[36] The December 2011 assessment of Australia Pacific LNG's CSG reserves and resources has been prepared by internationally recognised petroleum consultant Netherland, Sewell & Associates, Inc. (NSAI) as per their report dated 20 February 2012, compiled by Mr John G. Hattner, a full-time employee of NSAI. Mr John G. Hattner is qualified in accordance with ASX listing rule 5.11 and has consented to the statements made 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.
A factor of 1.038 petajoules per billion cubic feet of gas was used in the conversion of volumetric petroleum product measures to the energy measure of petajoules.
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, exploration, development and operating costs, plus an uplift on exploration, 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 economic tests consistent with these reserves and based on that assessment does not consider that reversion will impact the reserves quoted within this report.

6.3.3 Australia Pacific LNG export project

The Australia Pacific LNG export project was sanctioned in July 2011 for an initial 4.5 million tonnes per annum LNG production train and infrastructure to support a second LNG train of the same size.

On 17 November 2011, Australia Pacific LNG and The Kansai Electric Power Company signed a binding agreement for the sale and purchase of approximately 1 million tonnes of LNG per year for 20 years. On 20 January 2012, Australia Pacific LNG and Sinopec signed a binding agreement for the supply of an additional 3.3 million tonnes per annum of LNG through to 2035. The above Kansai and Sinopec agreements complete the marketing of Australia Pacific LNG's second LNG train.

Sinopec and Australia Pacific LNG have also signed a binding subscription agreement for Sinopec to subscribe for additional shares in Australia Pacific LNG, which on completion will raise Sinopec's ownership interest from 15 per cent to 25 per cent.

The Sinopec and Kansai agreements are conditional on Australia Pacific LNG making a FID on the second LNG train. The Sinopec subscription agreement is also subject to approvals by the Chinese Government and the Australian Government under its foreign investment rules. When complete, ConocoPhillips' and Origin Energy's respective ownership interests will be reduced to 37.5%. Completion will occur following receipt of these approvals and a FID made on the second LNG train.

6.3.4 Project performance and key milestones

The CSG to LNG project is currently on track against the following key project milestones:

Milestones	Date
FID (LNG train 1)	July 2011
Curtis Island construction camp operational	Mid-2012
Pipeline completion	Early-2014
LNG train 1 ready for start-up	Mid-2015

Upstream Facilities

Land access
Maintaining progress on land access and regulatory approvals is of key importance to the Australia Pacific LNG project. Australia Pacific LNG's land planning system establishes a "bank" of consented properties ahead of when they are required in order to maximise well drilling, and gathering and pipeline construction efficiency.

The Environmental Authorities (EA) for the Condabri development were granted in June 2011, and the EA for the main pipeline in September 2011.

With regard to progressing Condabri well drilling and gathering construction; 428 well locations were scouted and 176 of these have been designed in detail, both slightly ahead of plan. 76 drilling and gathering locations have been fully consented (landholder and secondary environmental permits). With regard to the pipeline, land access is progressing to plan under the State-designated Infrastructure Facilities of Significance Legislation (IFS).

Drilling
Two dedicated hybrid coil tubing drilling rigs operated by Savanna, an experienced operator with approximately 170 rigs operating in North America, are now in operation. Savanna has drilled 21,500 wells using the hybrid coil tubing rigs over 5 years. The hybrid coil tubing rigs are designed for ease of transport, minimal disturbance of the well lease site and swift

drilling operations, resulting in minimal environmental impacts and lower costs. Both rigs have now been mobilised in the fields at Condabri and have demonstrated their capability to drill wells at less than 4 days per well (including set up, drilling, demobilisation and move), consistent with Australia Pacific LNG's project plan.

Australia Pacific LNG will be adding rigs progressively through the year in support of both production and exploration & appraisal well drilling. Production well drilling is on track to accomplish a drilling rate of approximately 30 wells per month by mid-2012. Australia Pacific LNG expects to drill up to 1,100 new production wells by the end of 2015 to support initial ramp requirements for LNG production from two trains.

In the half year, Australia Pacific LNG participated in over 200 wells, including 159 development wells (25 operated and 134 non-operated), predominantly in the QGC operated tenures in the Walloons fairway in the Surat Basin.

Gathering and Processing Facilities
Contracts for the construction of gas gathering systems have been awarded.

Construction of Australia Pacific LNG's gas and water processing facilities is on track to commence in mid-2012. Site preparation for the gas processing facility construction works at Condabri and erection of the gathering construction camp is underway and on schedule.

Electric drive gas compressors (85 TJ/day) were ordered in early 2011, the first of which has completed final testing by Siemens in Germany. The construction of the gas facility modules and the well head separators has been awarded to BJC, an Australian managed fabrication facility in Thailand. The first gas plant modules are approximately 75% complete, and the fabrication of the first well head separator modules is 80% complete, on track for delivery to Condabri by mid-2012.

Pipeline
Preparations for the initial major construction activities are on track to be executed in coming months during the dry season in Queensland. The EPC contract for the main pipeline has been awarded to McConnell Dowell, Consolidated Contractors Co. joint venture (MCJV), and NACAP has been awarded the contract for the engineering, procurement and construction of the in-field high pressure gas network, which links the gas facilities to the main pipeline. At the end of December, engineering for the main pipeline was approximately 40% complete, slightly ahead of schedule.

Line pipe delivery, awarded to MetalOne in Japan in early 2011, is ahead of schedule with the first delivery to Gladstone made in January 2012.

The construction of the Narrows Crossing by QCLNG (via a deed of cooperation) is behind schedule. However, the Narrows Crossing project is not on Australia Pacific LNG's critical path for the first cargo date and, as such, is not expected to impact the overall project schedule.

Electrification
Contracts for the main power transmission in the Central regions, connecting the three gas processing facilities at Condabri and the facilities at Orana, have been awarded to Powerlink. Powerlink was approximately 80% complete on EIS approvals, approximately 60% complete on land acquisition, and 25% complete for design and procurement which is on schedule. The contracts for the electrification of the Western Region (Train 2) are to be executed shortly. Powerlink has a reputation for completing transmission projects on budget and on schedule.

Water
Water reinjection trials are being carried out at Spring Gully, Condabri and Reedy Creek. As at December 2011, progress on the reinjection trials was on schedule at 52% complete. At the end of 2011, the Talinga irrigation project was approximately 40% complete, slightly behind schedule.

Downstream Facilities

Curtis Island
In May 2011, site access on Curtis Island was granted enabling Bechtel to commence its scope of work. At the end of December 2011, engineering, procurement and construction of the Curtis Island and Mainland facilities was approximately 12% complete, on budget and on schedule for first gas to be exported in mid-2015.

In December 2011, the Roll On Roll Off facility at Curtis Island was completed, establishing a second access to the Curtis Island site for equipment and materials. Dredging works in the channel adjacent to the Australia Pacific LNG site have also been sufficiently completed by Gladstone Port Authority to allow use of the Roll On Roll Off facility. Dredging will continue on to support the construction of the Material Off-loading Facility and the LNG terminal facilities over the next 18 months. Site preparations for the LNG tank area are on track to be delivered to the LNG tank sub-contractor, Chicago Bridge and Iron, by late March 2012, on schedule. The construction of the Curtis Island site camp is also on schedule to enable the camp to be operational by June 2012.

The engineering and procurement scope of work being undertaken by Bechtel is progressing to schedule. Long lead items such as the LNG refrigeration compressors have been awarded. Bechtel has contracted PT Sembawang Marine Offshore Engineering in Batam, Indonesia, to fabricate the LNG cryogenic modules. The last cryogenic module is expected to be delivered to Curtis Island in early 2014.

On a regular basis, Australia Pacific LNG takes decisions regarding long-lead items with appropriate cancellation costs. This seeks to ensure cost synergies with the first LNG train are maintained and that delivery of first gas for the second LNG train occurs in early 2016. In January 2012, Australia Pacific LNG confirmed the costs for the Bechtel EPC contract for the second LNG train consistent with the terms announced at the time of the first FID in July 2011. Australia Pacific LNG is on track to make a FID on the second LNG train by mid 2012.

Mainland facilities
The project office in Gladstone has been established and is fully operational. Civil works at Fishermans Landing North East and the adjacent areas is on schedule, including the mainland Roll On Roll Off terminal and the development of laydown and storage areas, and the Australia Pacific LNG ferry terminal. The two Mainland terminals are expected to be operational by the end of March 2012, on schedule.

6.4 Contact Energy

This segment reports the results of Origin's 52.8% owned subsidiary, Contact Energy, which is a natural gas, electricity, LPG and energy related products and services provider and power generator in New Zealand. Origin held a 51.9% interest in Contact Energy at 31 December 2010. The segment also includes Origin's interest and tax relating to borrowings for the investment in Contact Energy.

Financial Performance

Half year ended 31 December	2011 ($m)	2010 ($m)	Change (%)
Total revenue	999	935	7
Underlying EBITDA	182	180	1
Underlying EBIT	107	111	(4)
Segment result [37]	25	24	4
Items excluded from Segment result [38]	(4)	1	N/A
Growth capital expenditure	207	145	43

Operational Performance

Half year ended 31 December	2011	2010	Change (%)
Total generation volume including swaption (GWh)	5,289	5,482	(4)
Customer Electricity Sales (GWh)	4,286	4,250	1
Gas Sales (retail and wholesale) (PJ)	2.8	7.9	(65)
LPG Sales (Tonnes)	35,037	36,127	(3)
Electricity Customers ('000s)	443	464	(5)
Gas Customers ('000s)	60	62	(2)
LPG Customers (including franchisees) ('000s)	60	59	2
Total Customers ('000s)	564	585	(4)

- Improved earnings from operations, offset by higher depreciation and interest costs
- Higher wholesale electricity prices due to lower hydro storage levels offset by lower hydro generation volumes
- Improved portfolio flexibility, including the impact of the Ahuroa gas storage facility and Stratford peaker plant, have delivered gas take-or-pay savings

Origin owns a 52.8% interest in Contact Energy of New Zealand and consolidates 100% of Contact in accordance with Australian accounting standards. The interests attributable to minority shareholders are recognised as Non-controlling Interests in the Interim Financial Statements.

A financial report entitled "Management discussion of financial results for the half year ended 31 December 2011" was issued by Contact Energy to the New Zealand Stock Exchange (NZX) on 21 February 2012 and is available on Origin's website www.originenergy.com.au. That document contains details regarding Contact's financial and operating performance

[37] Segment result represents Underlying EBIT less interest, tax and non-controlling interests.
[38] Items excluded from Segment result are net of tax and non-controlling interests.

during the period, including comparisons to the performance of Contact in the prior half year.

In consolidating Contact Energy's results, Origin has used an average exchange rate for the half year of NZ$1.28 to the Australia Dollar which is the same as that used in the prior half year.

Contact Energy's Underlying EBITDA reported in Origin's accounts in Australian Dollars increased $2 million to $182 million from $180 million, while Underlying EBIT decreased $4 million to $107 million in the half year due to higher depreciation costs.

The Contact Energy segment result increased by $1 million from $24 million to $25 million due to improved earnings from operations, offset by higher depreciation and interest costs in the half year.

Growth capital expenditure of $207 million increased 43% from $145 million in the prior half year primarily due to $93 million of expenditure for the Te Mihi geothermal development.

The commentary below relates to Contact's performance in New Zealand Dollar terms.

Contact's Underlying EBITDA increased NZ$5 million (2%). Contact's Electricity business segment continued to grow, up NZ$8 million (4%) despite pressures from weak demand and continued high customer churn levels. This was partially offset by a lower contribution from Contact's Other (retail gas, wholesale gas, LPG and meters) business segment.

Improvement in Contact's Electricity business segment was driven by higher wholesale electricity prices due to lower hydro storage levels, the delivery of gas take-or-pay savings (NZ$23 million) and the flexibility provided by the Stratford peaker power station was offset by an unfavourable generation fuel mix. Hydro generation volumes were down 307 GWh (16%) compared to the prior half year. The majority of this volume was replaced by more expensive thermal generation. Total retail sales grew 1% due to continuing growth in the Commercial and Industrial market. Retail tariff increases were offset by increased costs and the introduction of a higher prompt payment discount for residential customers who receive their bills online (from 12% to 22%). This discount has seen the recent trend of customer losses reversed with over 4,600 customers gained between September and December.

The Underlying EBITDA contribution from Contact's Other business segment partially offset the Electricity business segment, down NZ$3 million (11%) primarily due to decreased sales in the LPG, retail and wholesale gas businesses.

Recent capital initiatives have strengthened Contact's financial position including NZ$200 million of Capital Bonds in December 2011 and long-term NEXI/ANZ NZ$105 million project financing for the 166 MW Te Mihi geothermal project.

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

6.5 Corporate

This segment reports corporate activities that have not been allocated to other operating segments and business development activities outside Origin's existing operations.

Corporate costs include Origin's corporate office costs including executive management, finance, strategy, legal and company secretarial costs.

Business development activities are those that do not relate directly to Origin's existing business operations, principally including Origin's overseas generation development opportunities such as geothermal opportunities in Chile and Indonesia, hydro opportunities in Papua New Guinea (PNG) and the Transform Solar joint venture. The Australian geothermal activities with Geodynamics have also been included in this segment.

Net financing costs and tax specifically associated with the Australia Pacific LNG and Contact segments are recorded in those segments. All other net financing costs and tax are recorded in the Corporate segment.

Financial Performance

Half year ended 31 December	2011 ($m)	2010 ($m)	Change (%)
Total revenue	-	-	-
Underlying EBITDA	(40)	(30)	(33)
Underlying EBIT	(42)	(30)	(40)
Segment result	(303)	(175)	(73)
Items excluded from segment result	41	(54)	N/A
Growth capital expenditure	47	47	-

- Lower EBITDA primarily resulting from expenditure on new international developments in PNG, Chile and Indonesia
- Capital expenditure in the half year includes Geothermal, Hydro and Solar Energy development
- Net financing costs are higher reflecting a higher cost of borrowing from additional debt facilities reflecting the higher capital deployed in the business primarily due to the NSW acquisition.
- Tax expense is higher reflecting higher profit before tax

Currently, no revenues are generated within the Corporate segment.

Underlying EBITDA was 33% or $10 million lower at a loss of $40 million. This was primarily due to expenditure on new international developments in PNG, Chile and Indonesia. Underlying EBIT was 40% or $12 million lower at a loss of $42 million, driven by the lower EBITDA.

The segment result was 73% or $128 million lower at a loss of $303 million. This incorporates the impact of $52 million in net financing costs and $208 million of taxation expense reflecting higher earnings in other segments.

Items excluded from the segment result totalled a benefit of $41 million in the half year compared with an expense of $54 million in the prior half year. The benefit in the half year primarily relates to the tax benefit on the impairment of the Ironbark permit partially offset by the tax expense on the increase in fair value of financial instruments. In the prior half year, the expense related to the net impairment on Geodynamics Deeps Joint Venture partially offset by the tax benefit on the decrease in fair value of financial instruments and tax on transition and transaction costs.

Growth capital expenditure was $47 million for the half year consistent with the prior half year.

6.5.1 Business development activities

Geothermal

Origin is investigating geothermal development options both within Australia and internationally.

In May 2011, Origin acquired a 40 per cent interest in Energia Andina S.A. (EASA), Chile's leading geothermal exploration company. EASA has a portfolio of eight geothermal exploration projects in the northern and central regions of Chile. The drilling of four shallow gradient wells at Pampa Lirima is currently underway. This will be followed by the drilling of deeper slim hole wells at various project areas, prior to full size exploration well drilling during 2013.

Results of the 2010 geothermal bids in Chile were announced in October 2011. EASA was successful in winning the Santa Lela concession, while Origin won three concessions in its own right (Aucan 2, San Bernardo and Chodwen). All four concessions will be managed by EASA.

In September 2010, Origin and The Tata Power Company Limited of India, in consortium with PT Supraco Indonesia, were awarded the Sorik Marapi geothermal concession in Northern Sumatra, Indonesia. Origin has a 47.5% effective interest in the concession. The first exploration well at Sorik Marapi is currently planned to commence in the second half of 2012.

Within Australia, Origin's primary investment in geothermal exploration and development opportunities is through the "Deeps" and "Shallows" joint ventures with Geodynamics and an equity interest of approximately 6% in the Geodynamics listed company.

Origin has a 30% interest in the Innamincka Deeps Joint Venture with Geodynamics. During the half year, well design for the Habanero 4 well continued, with drilling expected to commence in the first quarter of 2012. An insurance payment of $11 million ($3 million to Origin) was settled relating to the Habanero 3 well failure. In addition, Geodynamics agreed to accelerate the drawdown of the $90 million Renewable Energy Development Program grant with the Department of Resources, Energy and Tourism, increasing the funding available in the 2012 financial year.

Origin operates and has a 50% interest in the Innamincka Shallows Joint Venture targeting sedimentary rocks overlying the granite targeted by the Innamincka Deeps Joint Venture. Studies examining a possible location of the next well are ongoing and expected to be finalised during the first quarter of 2012.

Solar

In December 2009, Origin and Micron Technology, Inc (Micron) formed a 50:50 joint venture, Transform Solar, with a focus on the development of photovoltaic energy based on Origin's SLIVER technology. In the December 2011 Quarter, Transform Solar completed commissioning a 20 MW production line and is currently exploring a range of alternative pathways to scale SLIVER technology.

Hydro

Origin is evaluating the potential for a hydro electric development in Papua New Guinea through PNG Energy Developments Limited (PNG EDL), a 50:50 joint venture between Origin Energy and PNG Sustainable Development Program (PNGSDP).

PNG EDL has engaged a consortium led by AECOM to undertake the project feasibility studies and social and environmental impact assessments. Field investigations and community consultations have begun in PNG and will continue through 2012 in PNG and northern Queensland. Feasibility studies and front-end engineering are expected to continue through to 2013/14 in advance of an investment decision by 2015.

Investigations to date have confirmed that a hydropower scheme on the Purari River with an installed capacity in excess of 2,000 MW is technically feasible. The feasibility studies include investigating a number of potential dam locations within the Purari River catchment and the associated electrical transmission infrastructure to import the majority of the hydro-electric power from the Purari into the Queensland grid. International social and environmental standards are being followed during the feasibility and impact assessments, and extensive consultation with communities, governments and other stakeholders will continue to support these assessments.

PNG EDL also has a number of smaller-scale renewable energy projects under investigation in PNG.

Grant King
Managing Director

Sydney, 23 February 2012

7 Origin Energy Key Financials

Half year ended 31 December	2011 ($m)	2010 ($m)	Change (%)
External revenue	6,499	4,590	42
Underlying EBITDA	1,157	818	41
Underlying depreciation and amortisation	(305)	(260)	(17)
Underlying share of interest, tax, depreciation and amortisation of equity accounted investees	(20)	(22)	9
Underlying EBIT	832	536	55
Underlying net financing income/(costs)	(84)	(44)	(91)
Underlying Profit before income tax	748	492	52
Income tax expense on Underlying Profit	(227)	(154)	(47)
Underlying net profit after tax before elimination of Non-controlling Interests	521	338	54
Non-controlling Interests share of Underlying Profit	(32)	(34)	6
Underlying Profit	489	304	61
Items excluded from Underlying Profit	305	(440)	N/A
Statutory Profit	794	(136)	N/A
Free cash flow	562	692	(19)
Group OCAT Ratio (12 months to 31 December)[39]	10.5%	13.2%	
Productive capital (12 months to 31 December)[40]	13,638	9,631	42
Capital expenditure (including acquisitions)	863	915	6
Total assets	27,637	21,504	29
Adjusted total assets[41]	26,360	20,852	26
Net debt/(cash)[42]	4,189	2,803	49
Adjusted net debt/(cash)[41]	4,409	3,031	45
Shareholders' equity	14,367	10,968	31
Adjusted shareholders' equity[41]	14,459	11,090	30
Earnings per share – Statutory	73.8¢	(15.0)¢[43]	N/A
Earnings per share – Underlying	45.5¢	33.5¢[44]	36
Free cash flow per share	51.7¢	78.2¢	(34)
Interim dividend per share	25¢	25¢	-
Net asset backing per share	12.04	11.11	8
Net debt to net debt plus equity	22.6%	20.4%	
Adjusted net debt to adjusted [net debt plus equity][41]	23.4%	21.5%	
Origin Cash (excluding Contact)	799	691	16
Origin Debt (excluding Contact)	(4,024)	(2,509)	(60)
Contact Net Debt	(964)	(985)	2
Total employees (numbers)	5,599	4,763	18
Total Recordable Injury Frequency Rate (TRIFR)	6.3	6.1	3

39 Group OCAT Ratio = (OCAT – interest tax shield)/Productive Capital.

40 Productive Capital is 12 months average funds employed excluding capital work in progress and including Origin's share of Australia Pacific LNG.

41 Adjusted to exclude the impact of financial instruments.

42 The reported numbers for net debt include interest bearing debt obligations only.

43 Dec 2010 Statutory EPS of (15.4) cps restated to (15.0) cps for the bonus element of the rights issue completed in April 2011.

44 Dec 2010 Underlying EPS of 34.4 cps restated to 33.5 cps for the bonus element of the rights issue completed in April 2011.

8 Appendix 1 – Reconciliation of Statutory Profit to Underlying Profit

Reconciliation half year ended 31 December 2011 ($ millions)	EBITDA	EBIT	Net financing costs	Tax	Non-controlling Interests	NPAT
Statutory Profit						**794**
Gain on dilution of Origin's interest in APLNG	436	437	-	-	-	437
Interest expense related to APLNG funding	-	-	(18)	5	-	(13)
Unwinding of discount on APLNG receivable balances	-	13	-	-	-	13
APLNG foreign currency impacts	30	30	-	(8)	-	22
Share of tax expense on translation of foreign denominated tax balances within APLNG (equity accounted)	-	(5)	-	-	-	(5)
APLNG related items	**466**	**475**	**(18)**	**(3)**	**-**	**454**
Increase/(decrease) in fair value of financial instruments	45	45	-	(14)	3	34
Impairment of assets	(198)	(198)	-	59	-	(139)
Other	(46)	(46)	-	2	-	(44)
Less total excluded items	**267**	**276**	**(18)**	**44**	**3**	**305**
Underlying Profit						**489**
Underlying Basic EPS (cps)						**45.5**

A number of items are excluded from the Underlying Profit for the half year to 31 December 2011, to assist in understanding the operational performance of the Company. The after tax and Non-controlling Interest impacts of these items are described in more detail below.

Australia Pacific LNG related items (benefit of $454 million)
Gain on dilution of Origin's interest in Australia Pacific LNG (benefit of $437 million)
During the half year Origin has recorded a $437 million gain on further diluting its investment in Australia Pacific LNG, as a result of Australia Pacific LNG issuing shares to Sinopec in August 2011 (15 per cent equity interest) causing Origin's ownership percentage to decrease 7.5 per cent from 50 per cent to 42.5 per cent.

Interest expense related to Australia Pacific LNG (expense of $13 million)
For the half year Origin recorded an after-tax interest expense relating to Australia Pacific LNG funding of $13 million. This interest would otherwise be capitalised except for Origin's investment in Australia Pacific LNG being an equity accounted investment.

Unwinding of discount on Australia Pacific LNG receivable balances (benefit of $13 million)
A non cash benefit of $13 million was recorded for the half year attributable to the unwinding of the discounted loans receivable by Australia Pacific LNG.

Australia Pacific LNG foreign currency (benefit of $22 million)
During the half year Origin recognised the impact of foreign exchange differences on its Australia Pacific LNG related funding instruments. The gain was attributable to the appreciation of the Australian dollar against the Euro and the depreciation of the Australian dollar against the US dollar.

Share of tax expense on foreign currency translation (expense of $5 million)
During the period, an expense of $5 million was recognised for Origin's share of the foreign currency translation to US Dollars of the long-term tax assets within Australia Pacific LNG associated with its downstream activities.

Increase in fair value of financial instruments (benefit of $34 million)
Although the fair value movements in Origin's financial instruments are included every financial period, the quantum of the movements is subject to significant volatility. During the period an increase in the fair value of financial instruments, primarily relating to the change in fair value of financial instruments not qualifying for hedge accounting resulted in a benefit of $34 million.

Impairment of assets (expense of $139 million)
A review of the carrying amount of the Company's assets led to the recognition of an impairment loss of $139 million after tax in relation to the Ironbark CSG permit area in respect of the realisation of an upfront tax deduction for the permit acquisition.

Other (expense of $44 million)
Origin recorded a $44 million expense for the half year, relating to transition costs associated with corporate acquisitions and integration activities ($32 million) and a tax expense of $12 million relating to the translation of foreign deonominated long term tax balances in exploration and production activities in New Zealand. The expense was driven by costs associated with the transition and integration of the Integral Energy and Country Energy retail businesses from the NSW government.

As a result of these factors, items excluded from Underlying Profit for the year provided a benefit of $305 million after tax and Non-controlling Interests. This compares with an expense of $440 million after tax and Non-controlling Interests in the prior half year as detailed below. Please refer to the "Management Discussion and Analysis" report for the prior half year for more details.

Reconciliation half year ended 31 December 2010 ($ millions)	**EBITDA**	**EBIT**	**Net financing costs**	**Tax**	**Non-controlling Interests**	**NPAT**
Statutory Loss						**(136)**
Gain on dilution of Origin's interest in APLNG	-	-	-	-	-	-
Interest expense related to APLNG funding	-	-	-	-	-	-
Unwinding of discount on APLNG loan balances	-	17	(12)	3	-	8
APLNG foreign currency impacts	-	-	-	-	-	-
Share of tax benefit on translation of foreign denominated tax balances within APLNG (equity accounted)	-	3	-	-	-	3
APLNG related items	**-**	**20**	**(12)**	**3**	**-**	**11**
Increase/(decrease) in fair value of financial instruments	(221)	(221)	-	66	(1)	(156)
Impairment of assets	(205)	(205)	-	51	-	(154)
Other	(172)	(172)	-	32	(1)	(141)
Less total excluded items	**(598)**	**(578)**	**(12)**	**152**	**(2)**	**(440)**
Underlying Profit						**304**
Underlying Basic EPS (cps)						**33.5[45]**

[45] Dec 2010 Underlying EPS of (34.4) cps restated to (33.5) cps for the bonus element of the rights issue completed in April 011.

9 Appendix 2 - Movements in fair value of financial instruments

Summary of movements in financial instruments

Statement of Financial Position	Net Assets ($m) Dec 2011	Net Assets ($m) June 2011	Change in Net Assets ($m)
Commodity Risk Management	8	(74)	82
Contact	(56)	(60)	4
Treasury and Other	(159)	(161)	2
Total	**(207)**	**(295)**	**88**

Reconciliation of Statement of Financial Position and Income Statement items associated with movements in financial instruments		($m)
Recognition of "effective" instruments in the Statement of Financial Position		**43**
Recognised in Equity (Hedge Reserve post tax)	*32*	
Recognised in Deferred Tax Liability	*11*	
Recognition of "ineffective" instruments in the Income Statement		**45**
Change in net assets (as above)		**88**

The fair value of financial instruments as measured against market prices is recorded in the Interim Statement of Financial Position in the financial asset and liability balances.

The total increase in the fair value of financial instruments for the half year ended 31 December 2011 was $88 million of which an amount of $43 million qualified for hedge accounting and is recognised in Equity (Hedging Reserve). The balance of $45 million is recognised as a gain in the Interim Income Statement and is attributable to:

- Commodity risk management instruments (benefit of $56 million) – predominantly electricity caps and the increase in market prices of certain carbon instruments during the period. The total $56 million benefit is attributable to Origin (excluding Contact);

- Foreign exchange and interest rate risk management instruments (expense of $11 million) – predominantly due to the appreciation of the Australian and New Zealand Dollars against the US Dollar and Euro during the period partially offset by lower forward interest rates in Australia and New Zealand. Of the total expense of $11 million, an $8 million expense is attributable to Contact and a $3 million expense is attributable to Origin (excluding Contact).

The benefit in the Interim Income Statement of $45 million this half year compares with an expense of $221 million in the prior half year, which was predominantly attributable to commodity risk management instruments.

10 Appendix 3 – Reconciliation of segment reporting as at 31 December 2010

A reconciliation between the new segments and those previously reported is shown below.

EBITDA	**OLD SEGMENTS**					**NEW SEGMENTS**					
Underlying segment earnings before interest, tax, depreciation and amortisation	**Exploration & Production**	**Generation**	**Retail**	**Contact Energy**	**Total**	**Energy Markets**	**Exploration & Production**	**Australia Pacific LNG**	**Corporate**	**Contact Energy**	**Total**
Underlying segment EBITDA as previously reported	**125**	**144**	**369**	**180**	**818**						
Reallocations between Old and New Segments to restate Dec 10 results:											
Generation and Retail combined into Energy Markets		152	386		538	538					538
APLNG split from Exploration & Production	130				130		98	32			130
Reallocation of Corporate Costs	(5)	(8)	(17)		(30)				(30)		(30)
Total Adjustments:	125	144	369	-	638	538	98	32	(30)	-	638
Underlying segment EBITDA restated						**538**	**98**	**32**	**(30)**	**180**	**818**

EBIT	**OLD SEGMENTS**					**NEW SEGMENTS**					
Underlying segment earnings before interest and tax	**Exploration & Production**	**Generation**	**Retail**	**Contact Energy**	**Total**	**Energy Markets**	**Exploration & Production**	**Australia Pacific LNG**	**Corporate**	**Contact Energy**	**Total**
Underlying segment EBIT as previously reported	**(6)**	**94**	**337**	**111**	**536**						
Reallocations between Old and New Segments to restate Dec 10 results:											
Generation and Retail combined into Energy Markets		102	354		456	456					456
APLNG split from Exploration & Production	(1)				(1)		(15)	14			(1)
Reallocation of Corporate Costs	(5)	(8)	(17)		(30)				(30)		(30)
Total Adjustments:	(6)	94	337	-	425	456	(15)	14	(30)	-	425
Underlying segment EBIT restated						**456**	**(15)**	**14**	**(30)**	**111**	**536**

11 Energy Markets table - 31 December 2010

Half year ended 31 December 2010	Natural Gas	Electricity	Non-commodity	LPG
Revenue[46,47] ($m)	610	2,147	213	334
Total COGS ($m)	(505)	(1,583)	(182)	(245)
Gross Profit ($m)	105	555	31	89
Total operating costs ($m)	(242)			
Underlying EBITDA ($m)	538			
Underlying EBIT ($m)	456			
EBIT/Sales (%)	13.8%			
Volumes (sold)	73 PJ	14 TWh	N/A	246 kt
Customer accounts ('000)	886	1,722	N/A	352
Gross Profit per customer ($)	265			253
EBITDA per customer ($)	194			94
EBIT per customer($)	167			60

12 Glossary

Term	Meaning
2P Reserves	The sum of Proved plus Probable Reserves. Probable Reserves are those reserves which analysis of geological and engineering data indicate are less likely to be recovered than Proved Reserves but more certain than Possible Reserves. It is equally likely that the actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P).
3P Reserves	Proved plus Probable plus Possible Reserves. Possible Reserves are those additional Reserves which analysis of geological and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high estimate scenario.
Adjusted Shareholders' Equity	Equity adjusted to remove the fair value balances in the hedging reserve and available-for-sale reserve.
Adjusted Net Debt	Net Debt adjusted to remove fair value adjustments on borrowings in hedge relationships.
Australia Pacific LNG	Australia Pacific LNG Pty Limited, a joint venture between Origin, ConocoPhillips and Sinopec.
Contact Energy	Contact Energy Limited.
CSG	Coal seam gas (also known as coal bed methane).
EBIT	Earnings before interest and tax.
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share.

[46] Energy Markets revenue includes pool revenue from the sale of electricity when Origin's internal generation portfolio, including Eraring and Shoalhaven power stations, is dispatched. These pool revenues, along with the associated fuel costs, are netted off in wholesale energy costs within Electricity cost of goods sold.

[47] Energy Markets revenue includes revenue from the sale of gas swaps to major customers at no margin. These revenues are netted off with the associated cost in Natural Gas cost of goods sold.

Term	Meaning
FID	Final investment decision.
Free cash flow	Cash available to fund distributions to shareholders and growth capital expenditure.
IFRS	International Financial Reporting Standards
LNG	Liquefied natural gas.
LPG	Liquefied petroleum gas.
mtpa	Million tonnes per annum.
MW	Megawatt (10˚6 Watts).
NEM	National Electricity Market which includes the states of New South Wales, Victoria, Queensland, South Australia, Tasmania and the Australian Capital Territory.
Net Debt	Total current and non-current interest bearing liabilities only less cash and cash equivalents.
PJe	Petajoules equivalent.
Productive Capital	Funds employed including 42.5% of Australia Pacific LNG (as at 31 December 2011) and excludes capital works in progress for projects under development which are not yet contributing to earnings.
Segment result	Underlying EBIT for the Energy Markets and Exploration & Production segments. Net financing costs and tax expense/(benefit) are allocated to Australia Pacific LNG, Contact Energy and the Corporate segments in measuring segment result.
Statutory EBIT	Earnings before interest and tax as calculated from the Originconsolidated Interim Financial Statements.
Statutory EBITDA	Earnings before interest, tax, depreciation and amortisation as calculated from the Origin consolidated Interim Financial Statements.
Statutory Profit	Net profit after tax as disclosed in the Interim Income Statement of the Origin consolidated Interim Financial Statements.
Statutory share of interest, tax, depreciation and amortisation (ITDA)	The Company's share of interest, tax, depreciation and amortisation of equity accounted investees.
Underlying EBIT	Statutory EBIT excluding items that do not portray the operational performance of the business.
Underlying EBITDA	Statutory EBITDA excluding items that do not portray the operational performance of the business.
Underlying EBIT Margin	Underlying EBIT divided by Revenue .
Underlying effective tax rate	Underlying Tax expense divided by Underlying profit before tax.
Underlying EPS	Underlying Profit divided by weighted average shares on issue.
Underlying net financing costs	Net financing costs excluding items that do not portray the operational performance of the business.
Underlying Profit	Statutory Profit excluding items that do not portray the operational performance of the business. Underlying Profit better illustrates the business performance of the Consolidated Entity.
Underlying Profit Before Tax	Statutory Profit Before Tax excluding items that do not portray the operational performance of the business.
Underlying share of interest, tax, depreciation and amortisation (ITDA)	Statutory share of ITDA excluding items that do not portray the operational performance of the business.
Underlying tax expense	Tax expense calculated based on Underlying profit.