



**CHAIRMAN'S ADDRESS
ANNUAL GENERAL MEETING
16 OCTOBER 2003**

Ladies and Gentlemen,

On behalf of the Board I am pleased to report on what has been another excellent year for your company.

The company's net profit after tax of \$162 million was a 26% increase over last year with earnings per share increasing 23% to 24.8 cents per share. Free cash flow increased 37% to \$350 million, demonstrating the underlying strength of Origin's businesses which have performed strongly this year.

Directors have declared a final dividend of five cents per share 20% franked which was paid on 3 October 2003, increasing the total dividends for the year to ten cents, 20% franked, compared to five cents fully franked last year. This is in line with our commitment made last year to pay dividends at a rate of 40% of earnings per share. The Dividend Reinvestment Plan was also maintained for the last dividend at a 2.5% discount.

Origin has continued to improve its financial and operational performance over the last year. In our first four years as a separately listed company, revenues have grown by nearly 30% annually, profit after tax has increased 22% annually and operating cash flow has more than doubled.

This performance has been reflected in a substantial appreciation in share price as the market has increasingly recognised Origin's strategy, improved financial performance and growth. The increase in the share price of 20% over the past year is a substantial out performance of the All Ordinaries Index which has risen by 12% in the same period.

When Origin was formed in February 2000 we said our target was to achieve total shareholder returns in the top third of ASX 100 companies.

We have achieved that objective and are among the top performers in the ASX 100.

While we can be pleased in looking at our past performance, the challenge is to maintain the improvement in our results. In order to continue our good performance the Board will focus on a number of critical areas.

Firstly, it is important that the company maintains its strong financial position.

Origin's current strength resulted from the performance of Origin's existing businesses as well as contribution from new projects and acquisitions. In 2001 we significantly increased our retail customer base to 1.8 million with the acquisition of the Powercor electricity retail business in Victoria. In 2002 we acquired the CitiPower electricity retail business adding a further 260,000 customers to our Victorian retail customer base, taking it to over 2 million in total and positioning Origin as the second largest

energy retailer in Australia. These have been successfully integrated into Origin's retail business which now contributes over 45% of our total earnings.

We have maintained our focus on management of risk, particularly in our retail business, which is key to our continued success in the competitive energy markets. This included a review of contracting and risk management strategies resulting in enhancements to the Commodity and Risk Management System. This has improved our ability to manage exposures that arise from the purchase and sale of electricity, natural gas, oil and renewable energy credits. Over the coming year we will further develop our management of risk into an overarching risk management policy that encompasses all areas of risk including treasury, occupational health and safety and environment.

During the past year our capital expenditure on growth was \$152 million on development projects and \$276 million on acquisitions.

We acquired new strategic interests in coal seam gas establishing Origin as the largest supplier of coal seam gas in Australia which has been further consolidated by the acquisition of the minority interests in Oil Company of Australia, which we expect will be completed by the end of November.

Capital expenditure has been funded largely by our strong operating cash flow with net borrowings increasing by only \$99 million. This has resulted in the company growing strongly while maintaining a conservative gearing level of 29% net debt to capitalisation as at 30 June 2003. Interest cover remains strong at 6.1 times.

This places Origin in a strong financial position to take advantage of opportunities for further growth which we believe will arise.

Secondly, we are committed to continued growth with a significant program of development projects which will involve capital expenditure of approximately \$1.4 billion over the next few years. These projects include the development of natural gas reserves in the offshore Otway and Bass Basins off Victoria, coal seam gas interests in Queensland and the SEA Gas Pipeline. We also expect to participate further in power generation and renewable energy projects. We will continue to manage the execution risk of this growth program through regular review of our projects and strategy. We also continue to monitor opportunities that can add to our program of growth and add shareholder value.

The Managing Director will make further comment on these projects shortly.

Thirdly, we remain committed to maintaining the confidence of our shareholders and the investing public through good corporate governance.

In Australia, public interest in corporate governance has concentrated on restoring confidence in the integrity of Boards and management of public companies. In the past year the ASX Corporate Governance Council released the Best Practice Recommendations, but our commitment to good corporate governance was already well established and has continued through review and progressive implementation of best practice governance measures since the time of our listing in February 2000.

We have reviewed our corporate governance practices and policies and established that we substantially comply with the ASX Corporate Governance Council Best Practice Recommendations. The Corporate Governance Council recommendations will serve to lift standards for Australian public companies but we do not regard corporate governance as being about compliance with a check list.

The CLERP 9 legislation is now available in draft and we are comfortable with our ability to comply with its requirements in relation to audit requirements and governance.

We do believe that corporate governance requires sustainable performance as well as conformance with appropriate structures and processes. We have worked on enhancing our existing processes and introducing new systems and policies where required.

We have added to the skills and experience of the Board with the appointment of Dr Helen Nugent as a Director in March this year. Dr Nugent brings her considerable experience in marketing, strategy and financial services to the Board. This has also enabled us to enhance our committee structure, increasing the size of the Audit, Remuneration and Health, Safety and Environment Committees. We have also established a standing Nomination Committee that consists of all of the non-executive directors.

We have recognised that independent Directors have an important role in ensuring the Board fulfils its responsibilities and holds management accountable for the performance of the company. Accordingly, the Board has adopted a policy that its composition should include a majority of non-executive Directors and a majority of independent Directors led by an independent Chairman. The Board has determined a definition of independence based on its assessment of best practice and having regard to the nature of Origin and its businesses. The Board, excluding the Director in question, assesses the independence of each non-executive Director at least annually in light of the interests disclosed by that Director.

Of course independence of directors is not the only quality that we seek in directors. Other important attributes that Directors bring to the Board include business acumen, experience, an enquiring mind and personal integrity. In addition, the Board as a whole must work together effectively to combine and leverage the skills, knowledge and experience of its members to provide leadership to the company in generating value for shareholders and meet expectations of other stakeholders. The deliberations of the Board should foster open and constructive debate. The Board must also be supported by robust structures and processes that facilitate depth and breadth of understanding of the company's businesses, and clearly define roles and responsibilities.

We have also reviewed our Board fee structures and, following best practice, we have terminated the Non-Executive Directors' Retirement Benefit Plan. In future, amounts equivalent to the benefits under this plan will be paid to the non-executive Directors as fees which must be within shareholder-approved limits. These amounts are to be directed to the purchase of Origin shares under the Non-Executive Directors' Share Plan or to superannuation.

The resolution being put to shareholders today to increase the aggregate level of fees payable to non-executive Directors is to ensure that directors' fees are in line with

market norms, as well as providing a greater degree of transparency and accountability to shareholders for fees and retirement benefits.

Looking at executive remuneration we have articulated our approach to remuneration and we have formulated policies to guide our future remuneration strategy. As stated in the annual report our approach to executive remuneration is to pay our executives at the median for comparable positions with the opportunity to earn at the top quartile through short-term incentives for outstanding achievement.

That remuneration also comprises long-term incentives which has included the issuance of share options. At the last Annual General Meeting, I announced we would suspend further operation of the Senior Executive Option Plan and undertake a review of the company's equity-based remuneration programs. The Board assessed the appropriateness of equity-based remuneration and the impact of proposed changes to the accounting and taxation treatment of employee share and option plans. The Board has concluded that an equity-based remuneration program, with appropriate performance hurdles, is an effective means of providing long-term incentives that motivate, retain and reward employees to act in the best interests of the company and its shareholders. Accordingly, the Senior Executive Option Plan with its challenging performance hurdles has been reinstated as part of Origin's remuneration strategy. I will speak more on our option plan when you will be asked to approve the issuance of options later in the meeting.

To sum up our approach to corporate governance, we will continue to ensure that our processes and practices and our directors and management meet the highest standards expected by shareholders, investors, regulators and the community. At the same time, we recognise we must continue to focus upon improving the financial performance of the Company and returns to all stakeholders, especially our shareholders. We will continue to review our policies and practices and complete our review of all of our corporate governance requirements and we will make a full statement on our compliance with the ASX Corporate Governance principles in our 2004 Annual Report. We have developed a corporate governance section on our website which will be progressively updated.

We have also committed to ensuring that all aspects of our activities as they impact on shareholders, the environment and the community in which we operate are sustainable. During the past year we published our first sustainability report providing a detailed report to stakeholders on our environmental, social and economic impacts and reinforcing our commitment to sustainability.

The Board is also mindful of important public policy issues that impact directly on the energy industry and are of concern to the wider group of stakeholders in Origin, which includes the community and governments. These are currently the subject of significant debate at all levels of Government in Australia. Completing the deregulation of the energy industry, through establishment of effective retail competition, and implementing a co-ordinated national response to climate change are issues that will need to be resolved in the near future. We have been actively involved in ensuring that outcomes on these issues provide more certainty for investment in important energy infrastructure.

Turning to the important matter of dividend, the Board has recognised that improvement in share price is not our only objective and that many shareholders

particularly our large base of retail shareholders, rely on the payment of dividends to meet their income requirements.

Last year I announced that future dividends of 40% of earnings per share would be prudent in light of the company's continuing requirement for cash to fund significant capital projects in the next three years. This payout ratio would apply regardless of the level of franking credits available. This objective has been reflected in dividends paid in the last year.

In the coming year the Company still has a major program of capital expenditure to pursue. Our ability to frank dividends will be determined by the tax deductions resulting from this capital program and other deductions currently being questioned by the Australian Tax Office.

For this reason we intend to maintain a minimum level of dividend of 40% of earnings per share, with the view that future distributions (be they higher dividends, higher franking levels or capital returns) will increase as the Company's requirement for capital and ability to frank dividends allow.

Outlook

In commenting on the outlook for the coming year I note that performance in the first quarter has been encouraging.

On this basis, and given the continued growth in the Company, we expect profits for the current financial year to be well within the Company's targeted earnings per share growth of 10-15%.

Conclusion

In concluding I would like to thank my colleagues on the Board and management for their efforts over the last year. We believe that the Company has continued to perform and grow. I trust that shareholders are also pleased with the continued development of the Company.

I now call on the Managing Director, Grant King to give us an overview of the medium to long term prospects for the company.