



**CHAIRMAN'S ADDRESS  
ANNUAL GENERAL MEETING  
19 OCTOBER 2001**

Ladies and Gentlemen,

It gives me great pleasure to report to you at this second annual general meeting of Origin Energy since its demerger from Boral in 2000.

This year has seen a strong improvement in financial performance as well as continuing success in our growth strategy.

Since listing in February 2000, Origin has been pursuing an expansive growth program while developing and implementing its strategy to become the leading integrated energy supplier in Australia.

Through acquisition we have significantly added to our retail customer base, notably by acquiring over half a million electricity retail customers in Victoria. At the same time we have pursued an aggressive exploration and production program and continued to expand our power generation capability.

These efforts have been successful in putting Origin into a unique position as Australia's leading fully integrated energy supplier, setting it apart from its competitors in the energy industry. This strategy is being increasingly recognised by the market as a successful strategy enabling Origin to pursue the opportunities and manage the risks that are emerging in the deregulating energy market here in Australia.

When Origin demerged from Boral in February 2000 its share price averaged \$1.26 over the first week of trading. Since then Origin's share price has increased as the market recognised the value of the company and better understood our strategy and our prospects for future growth. This appreciation of our strategy and the recent discovery of a major gas field in the offshore Otway Basin has added considerable value to the company with our share price reaching as high as \$3.27 and closing yesterday at \$3.14.

Over the same period our market capitalisation has increased from \$715 million to around \$2 billion making us one of the fastest growing of our peer companies in the energy industry.

This growth in market capitalisation has been such that Origin is to be included in the Morgan Stanley Capital Index (MSCI) which is a major benchmark index for investment by international institutional investors. The inclusion of Origin in this index will bring the company increasingly to the attention of major international investors.

This year has also seen a significant improvement in financial results. The company has achieved a 30% increase in profit after tax to \$98 million with a corresponding increase in earnings per share to 17.1 cents. Operating cashflow after tax increased 69% to \$237 million.

We have continued to grow the company with major achievements being:

- The acquisition of Powercor's electricity retail business in Victoria, adding 582,000 customers and 8.2TWh of energy sales;
- The discovery of significant new natural gas resources in the offshore Otway Basin near Victoria;
- The development of Coal Seam Gas capabilities including commencement of production from the Peat Coal Seam Gas field in Queensland;
- Continued growth of the power generation business through the development and acquisition of interests in generation and cogeneration projects in Queensland, South Australia and Western Australia.

The Board has given much consideration to the funding of these achievements and possible projects anticipated over the next few years. While the company's cash flows remain strong the Board decided to raise additional equity to ensure the continuing strength of our balance sheet.

This was firstly achieved by a placement to institutional investors in July 2001 raising \$125 million.

We undertook at the annual general meeting last year to ensure that small shareholders be given the opportunity to participate in any capital raisings. To this end we announced in August a Share Purchase Plan which was open to all shareholders at effectively the same price offered to the institutional investors. The response to this offer exceeded our expectations and we raised \$74 million from applications from over 30,000 shareholders. It was pleasing to see the positive response to this offer which coincided with a deterioration in many other sectors on the world's sharemarkets.

With the completion of this purchase plan our gearing is 37% and our level of debt is \$578 million, leaving the company well placed to pursue additional expansion opportunities should they arise.

The strength of Origin's balance sheet has been acknowledged by the financial community and Origin has been rated as BBB+ by the ratings agency Standard and Poors. This rating will significantly improve Origin's ability to borrow funds and has already reduced the costs of financing.

Last year, I advised that the company did not expect to pay Australian tax for the next three to five years with the result that the company's ability to pay franked dividends would be limited. We committed to you to look at providing effective ways for making distributions to shareholders. This consideration resulted in the implementation of an equal access on-market share buy-back, as approved by shareholders in April 2001. .

Approximately 3,000 shareholders took advantage of the buy-back, with Origin acquiring 1.76 million shares at \$2.27 per share.

We also undertook to pay franked dividends to the extent that franking credits were available. In August, the company's partially owned subsidiary, Oil Company of Australia announced a fully franked dividend which provided the Directors with the opportunity to pay a four cent fully franked dividend for the full year. As our ability to pay franked dividends over the next 2-4 years remains limited, your Board will continue to consider the most effective means of making distributions to shareholders as an alternative to the payment of unfranked dividends.

Last year shareholders expressed some concerns about the options that were to be issued to senior executives and the exercise hurdles attached to those options. We have reviewed the option plan and in line with our commitment the hurdles have been changed to ensure that options are not exercisable unless Origin performs better than 50% of the other companies in the reference group.

I will talk more about the option plans when we deal with the shareholder approvals for the new options to be issued in items 3 and 4 on the agenda.

Looking to the future, your Board and management team remain focused on creating value for shareholders. We continually evaluate the performance of our existing assets to ensure that they meet our investment hurdles. Our objective is to earn cash returns across the business in excess of our target rate of return of 9.6%. Results for this year significantly exceeded this target - your Board and management remain committed to maintaining returns above this level.

As I mentioned previously the deregulation of Australian gas and electricity markets has presented both opportunities and risks for your company. We believe the strategy that we have adopted of becoming an integrated energy supplier has allowed us to grow whilst effectively managing the risks that deregulation brings. One such risk is the price volatility in the wholesale electricity market. The Board regularly receives reports and reviews and has established policies and approved procedures to ensure that this risk is properly managed.

Over the next two years we expect the major challenge that we will face will be the introduction of full retail contestability in our key markets in Victoria and South Australia as well as New South Wales. Through this period we expect to significantly lift the contribution from energy retailing reflecting the significant investment we have made in this business.

Since the formation of Origin in February 2000 our people have all worked hard to ensure the success of the company. On behalf of the Board and shareholders I would like to thank them for their efforts over the past year.

I would also like to thank my fellow directors who have given much of their time and considerable effort in seeing Origin through what has been a challenging year.

On behalf of the Board, I would especially like to thank Grant King and his management team for their efforts in making this year the great success that it has been.

I would like now to hand over to Managing Director, Mr Grant King to provide you with an overview of strategy and prospects for the company. Following this I will then make some concluding comments on the outlook for the current year.

[MANAGING DIRECTOR'S ADDRESS]

I would like now to make some comments regarding the outlook for the company in the current year.

In doing so, we cannot ignore the changes in the global economy and the significant events that occurred in New York on 11 September. The human tragedy of this event cannot be measured and we can only express our grief and sympathy to the families of those lost in that terrible incident.

The economic consequences of this event are also difficult to assess but we have reviewed the impact on our businesses to determine whether we have a significant exposure that could affect our operating performance.

Our assessment has been that the Origin business will not be affected in any direct or significant way. Our businesses are mostly based in Australia and New Zealand and to a small extent in the South Pacific region. Sales of our products are not greatly dependent upon the tourism or aviation industries nor is retail demand for gas or electricity significantly affected by the economic cycle or consumer sentiment. The expected recession in the United States and the global slow down is expected to result in a fall in oil price which will have an effect on the profitability of our upstream businesses.

There will be some indirect costs which will affect the company. Among these will be a likely rise in insurance premiums over the next twelve months. Overall we will experience some effects of the decline in growth and a global slowdown but we expect that these will be minor.

At the end of the first quarter, operating results are ahead of expectations with the recently acquired electricity retail business making a good contribution to results.

Finally, despite the current slow down in economic activity we expect that, with the full year contribution from the electricity retail business and recently completed projects and new investments, the company will build on last year's results and report an increase in profit in the coming year.