

**MANAGING DIRECTOR'S ADDRESS  
ANNUAL GENERAL MEETING  
19 OCTOBER 2001**

At last year's Annual General Meeting, we outlined our strategy to enhance shareholder value. We said we would:

- Maintain a sound strategic understanding of the business
- Continue to improve financial performance
- Further develop and grow the business

I would like to report briefly to you today on progress on each of these areas with particular emphasis on development and growth of the business.

Firstly, in relation to strategy - we have always believed that deregulation of Australian energy markets which commenced in 1995 would bring both opportunities and risks.

Opportunities have and will arise through the sale and purchase of businesses many of which were formally owned by government and through the opportunity to enter new markets as they deregulate.

Risks would materialise through the potential for stranding of assets (and their subsequent reduction in value) and through more volatility in the prices of the commodities that we buy or produce for sale to customers.

We believe that the best strategy to benefit from these opportunities whilst managing the associated risks was to integrate our business across upstream gas production, power generation, and energy wholesaling and retailing activities.

This strategy allows us to better identify opportunities for growth whilst providing natural hedges against both the short and long term volatility in prices that could affect the stability of our cash flow or the long term value of our assets.

Whilst our choice of strategy was different from those adopted by other companies in our industry, we believe that our achievements over the past year, together with the risks that have become evident, for example in electricity markets such as California and New Zealand, have resulted in increasing recognition by the market that our strategy is appropriate for the current circumstances.

Secondly in relation to improving financial performance - we have delivered a 30% improvement in PAT, a commensurate increase in earnings per share and a 22% increase in return on equity.

Our cash flow remains strong with an increase in Operating Cash flow after tax of 69% to \$237m. Our free cash flow per share is 32c which, at our current share price,

reflects a cash multiple of approximately 10 times earnings. Our cash return of 13% is well in excess of our cost of capital of around 8%.

The energy industry has historically been an industry of stable growth even in times of economic hardship. This characteristic together with a strategy designed to reduce the impact of pricing volatility on our business, results in our confidence that we can continue to produce consistent cash flows to fund growth of the business and returns to shareholders.

Thirdly, in relation to development and growth of the business - the past year has seen significant achievements in this regard and I would therefore like to review briefly progress in several areas of our business.

Our primary focus in our upstream activities has been on natural gas exploration and production near established markets. In pursuing this focus, one of the most exciting developments for the company in the past year has been the discovery of the new Thylacine and Geographe gasfields in the Otway Basin just offshore the Victorian coast.

The rig that drilled the exploration well (the Ocean Bounty) is pictured here, together with a flare from the production test of the Thylacine 2 well. This test flowed at 28 million cubic feet of gas a day, and has established that gas can be delivered from the field in commercial quantities.

We are particularly pleased with the overall result of exploration to date because of both the reserves identified in the discovery wells and the significant follow-up potential in the area.

Our exploration and appraisal program in the Otway basin for 2001 has been completed and we now enter a phase of technical evaluation that will precede development studies. The development is currently expected to deliver first gas in 2005/06. Origin Energy holds a 30% share in this project.

Deregulation of the energy market together with our large retail markets for gas in Victoria and South Australia have also allowed us to make significant progress on commercialising the Yolla gas field in the Bass Basin between Victoria and Tasmania - a project we call BassGas.

This development involves the extraction of sales gas, LPG and condensate from the Yolla Field approximately 150km from the southern Victorian Coast in Bass Strait to service markets in South Australia and Victoria. Gas Sales Contracts have been signed between Joint Venture parties and our Retail business for delivery of around 20 PJ pa of sales gas from the second half of 2004.

Project planning is at an advanced stage with Invitations to Tender having been issued to selected Contractors for the delivery and installation of the offshore platform, pipelines and onshore gas plant. The Project has been recently granted Major Project

Facilitation status by the Commonwealth Government and an Environmental Impact Statement is being prepared.

Following the receipt of Tenders in late December preferred Contractors for project delivery will be selected and a decision to proceed with the development will be considered by the Board in the first quarter of 2002 subject to all environmental and regulatory approvals being obtained.

Our current interest in the project is 30.5% but we will be exercising a pre-emptive right to acquire a further 7% of the project following AWE's recent acquisition of Cue's 14% interest in the project.

We have also been focussing on the development of Coal Seam Gas with the company, through its' 85% owned subsidiary, Oil Company of Australia, having significant exposure to this opportunity in Queensland. In January, we commissioned the Peat Coal Seam Gas plant near Wandoan in Queensland which ultimately supplies the BP Bulwer Island Cogeneration plant in Brisbane. Origin has been the first company in Australia to write large long term contracts for supply of Coal Seam Gas in Australia.

We have also had recent success with our exploration in the onshore Perth Basin in Western Australia. Recent discoveries include the Beharra Springs North extension to the existing gas field and a new oil discovery at Hovea which was announced yesterday. Discoveries in this region are small compared to the offshore regions but they are near to market and can be quickly commercialised.

In our energy retailing business, the most significant step for us last year was the acquisition of 580,000 electricity customers in western Victoria from Powercor. This complements our existing natural gas customer base in eastern Victoria and South Australia and gives the company an extensive customer base throughout south east Australia - which by virtue of climate, are the best energy markets in Australia.

This takes our total customer base including LPG customers to approximately 1.8 million making the company one of the leading energy retailers in Australia. It also ensures we have the skills to sell both gas and electricity to customers.

Returns from our retail business are currently low but are nonetheless in line with expectations. The recently acquired electricity business has only made a one month contribution to last year's profit. The natural gas business acquired from the Victorian Government in 1999, is still operating under arrangements whereby the Victorian Government retains the majority of profits from this business until gas markets become fully contestable. Our LPG business has seen margins significantly reduced because high oil prices have increased the cost of LPG sold in this business.

Over the next two years, we will see full year contributions from the electricity business, the introduction of full contestability in natural gas thereby resulting in removal of the profit retained by the Victorian Government and increasing margins in the LPG business as oil prices have fallen from recent historically high levels.

We are also acutely aware of the financial risks that exist in deregulating energy markets as has recently been illustrated in electricity markets in California and NZ. We believe that our business strategy which is designed to create natural hedges against these risks and a prudent hedging program together with continual review and improvement of our risk management policies will adequately protect the company from the risks associated with participating in these markets.

For these reasons we expect significant growth in revenue in our retail business and an increased profit contribution.

We have also been able to continue the development and growth of our cogeneration and power generation business this year. We now have an equity interest in nearly 600MW of cogeneration and power generation projects. These projects provide markets for natural gas which help accelerate the management and development of the Company's physical and contractual gas resources whilst the merchant power projects provide a natural hedge against the price risks associated with electricity retailing.

During the year, the BP Bulwer Island Cogeneration project was completed. We also increased our one-third interest in this project to a 50% interest by acquiring Lend Lease's share of the project. We are in the process of completing the acquisition of a 50% interest in a cogeneration plant at the Worsley Alumina refinery in Western Australia with the expectation that final details surrounding this acquisition will be completed before year end.

Earlier in the year, it became clear that Victoria and South Australia needed additional peaking generation by this coming summer. The company was able to quickly respond to this opportunity by acquiring a site, gas turbines and gas supply out of our current portfolio to allow construction of a 95MW peaking plant at the Quarantine site in Adelaide by January 2002. Construction of this project is now well advanced and this plant will make a major contribution to reliability of electricity supply in coming years.

In order to ensure security of energy supply to South Australia the company has formed a joint venture with Australian National Power to construct a pipeline to connect Victorian gas resources in the Gippsland, Bass and Otway Basins with gas markets in South Australia.

The 14" pipeline will be 680km long and capable of transporting at least 70PJ/a of gas from the Pt Campbell area in western Victoria to Adelaide. Development work is on schedule, and final approval of the project is expected by February 2002. The pipeline will be commissioned in late 2003.

To date, survey crews have completed detailed surveying of the 25m pipeline corridor along its entire length, and 40% of the 570 affected landowners have now executed Easement Agreements (on schedule for 100% by January). Pipeline Licence Applications have been lodged in both Victoria and South Australia, and the construction tender has been issued to four Australian and international pipeline construction consortia. SEA

Gas expects to award the construction contract in December. An environmental impact assessment has also been completed and is due for public release next week.

As well as being an attractive stand alone investment in pipeline infrastructure, SEA Gas epitomises Origin's integrated advantage. It allows Origin's established retail market and growing generation assets in South Australia to "pull through" and fast track the commercialisation of Origin's gas reserves in Victoria, particularly the new discoveries in the offshore Otway Basin. This is similar to the successes with the Peat CSM - Bulwer Island Cogeneration project and the Ladbroke Grove gas field - Ladbroke Grove power station projects.

The company also operates gas distribution assets owned by Envestra. Through this activity 23,000 new customers have been connected to Envestra's gas distribution networks. Many of these customers choose to use gas supplied by Origin Energy thereby creating additional markets for the company's gas resources.

The company continues to hold a 19.9% investment in Envestra which has consistently performed in line with expectations since the company was established in 1997. It operates regulated gas distribution assets primarily in three jurisdictions in Victoria, South Australia and Queensland. Access arrangements have been determined by regulators in Victoria and recently in Queensland. In South Australia, the process to determine access arrangements commenced in February 1999. A draft determination was delivered in early 2000, but the final decision has still not been announced. The company believes that the uncertainty that this leaves over a major part of Envestra's assets continues to depress its share price relative to our view of the company's value.

In the energy industry we cannot help but to be aware of the need to use energy in an environmentally sustainable manner. A succession of warmest winters on record in Victoria not only reduce company profits but also evidence the research surrounding global warming. The company has focussed on a number of initiatives to contribute to the sustainable development of our communities whilst contributing to the development and growth of our business.

We continue to fund the ANU's photovoltaic research with a major progress milestone in this research due in December. We are hopeful that this research will lead to the development of lower cost photovoltaic technology.

Cogeneration is widely recognised as one of the most effective technologies for improving energy efficiency and reducing greenhouse gas emissions. The company's leadership in this area was recognised by the \$16 million grant from the Federal Government under the Greenhouse Gas Abatement Program (GGAP) to facilitate further investment in cogeneration projects.

The company has entered into contracts to acquire all the power from the Codrington Wind Farm thereby facilitating the development of this project. The company began acquiring power from this project when it was commissioned in July this year. This power is sold to electricity customers in our "Ecosaver" product where customers can

choose to pay a premium on their electricity bill to ensure they are using renewable energy. Nearly 15,000 customers have made this choice making this the most successful offering of its kind in the market.

As we look to the future, we see a number of key challenges. The first set of challenges are largely within our control and that is to ensure that we continue to manage our business well and implement effectively the projects and prospects that we have reviewed in this presentation.

The second set of challenges relate to the continued deregulation of energy markets and in particular the implementation of Full Retail Contestability in electricity and gas over the next two years. This requires high levels of co-operation between governments and industry participants to establish appropriate policy, regulatory and operational requirements.

This task is not easy. We have seen, in industries such as telecommunications and airlines, that where deregulation is combined with past or current participation of government owned enterprises, the task of creating industries that operate effectively and profitably whilst creating competitive outcomes for consumers is challenging.

We, as I'm sure are all our industry colleagues, are working hard to create a good outcome in this regard.

In summary, we believe that combining a continued focus on strategy, improved financial performance and real prospects for growth is the key to increasing shareholder value.

I trust you will concur that we have made good progress in all these areas over the past year. We remain focussed on maintaining this momentum in the year ahead.