Annual General Meeting report to shareholders

16 October 2003

Origin energy

Kevin McCann
Chairman

Contents

Annual General Meeting

Wesley Conference Centre
220 Pitt Street, Sydney
New South Wales

10.30am, Thursday, 16 October 2003

Meeting Results

Dear Shareholder

The Annual General Meeting (AGM) of Origin Energy was held in Sydney on Thursday 16 October 2003. Some 313 shareholders and visitors attended the meeting.

For those of you that were unable to attend the meeting, my address and the address of the Managing Director, Grant King have been set out in this report.

The results of the business conducted at the meeting are set out in the following pages. All matters were decided in favour on a show of hands.

Item 1 – Financial statements and reports

The Financial Statements, Directors' Report and Auditor's Report for the year ended 30 June 2003 were laid before the meeting and were received and considered.

Shareholders were given the opportunity to ask questions and make comments on the management of the company. Shareholders welcomed Origin's increase in profit and dividends. Several comments were made in relation to Origin's level of dividend. I commented that Origin's dividend payout rate reflected a balance between providing adequate distributions to shareholders and the need for development capital over the coming years.

Items 2(a) – 2(d) – Election of Directors

Helen Nugent had been appointed as an additional Director during the year and was seeking re-election by shareholders. Continuing Directors, Kevin McCann, Bruce Beeren and Colin Carter were also retiring and sought re-election by shareholders. Each Director seeking re-election addressed the meeting outlining the qualities they brought to the Origin Board and the reasons they believed that they should be re-elected.

Several questions were raised about Directors' workloads. Each of the non-executive Directors confirmed that their other commitments were not such as to prevent them from having sufficient time to attend to Origin as and when required.

Mr Beeren confirmed that as a full-time executive of the company his time was 100% dedicated to Origin business.

All Directors were re-elected on a show of hands.

Item 3 – Grant of options to Grant King

This resolution was for the approval of the grant of 1,000,000 options for Origin shares to Grant King, Managing Director. Half of these would be issued following approval by shareholders. The exercise price of these options was to be the volume weighted average market price during the five days prior to the AGM which was $4.31. Up to the remainder of 500,000 options would be issued over the next 18 months.

In presenting the proposal I referred to the success of the company under the leadership of Grant King in justifying the Board's support of his proposed grant of options. Several shareholders questioned the difficulty of achieving the performance hurdles, the dilutionary effect and the accounting treatment of the options. I explained that the performance hurdles ensured that the company would need to outperform to enable the options to be exercised. The existing Australian accounting standards were not clear as to the expensing of options but that Origin had stated what the effect of options would be on the profit of the company.

The proposal was approved by a show of hands.

Item 4 – Grant of options to Bruce Beeren

This resolution was for the approval of the grant of 550,000 options for Origin shares to Bruce Beeren, Executive Director. Half of these would be issued following approval by shareholders. The exercise price of these options was also to be the volume weighted average market price during the five days prior to the AGM which was $4.31. Up to the remainder of 275,000 options would be issued over the next 18 months.

In presenting the proposal I referred to the success of the company's strategy and strong financial performance which had been overseen by Bruce Beeren in his role as Executive Director, Commercial.

The proposal was approved by a show of hands.

Item 5 – Approval of increase in non-executive Directors' fees

As I was interested in this item, the consideration of the increase in Directors' fees was chaired by Grant King.

The meeting considered the explanation that Origin's non-executive Directors' fees had been brought into line with the median of comparable companies and also that the Non-Executive Directors' Retirement Scheme had been terminated. Additional fees had been paid to compensate Directors for this – the additional fees were required to be within the shareholder-approved limit.

Several questions were raised about the workloads of the Directors which necessitated the increase in fees. It was explained that although workloads of directors had increased directors had continued to meet their obligations to the Origin Board.

The matter was approved by a show of hands.

Item 6 – Constitutional change – Proportional takeover bids

This resolution was that the takeover approval provisions in Article 64 of the Constitution be renewed for a further three years. The effect of the article is that any partial takeover may only proceed with the approval of a shareholders' meeting.

The resolution was passed as a special resolution by shareholders on a show of hands.

I trust that this report is of interest to shareholders who were unable to attend the meeting. A full audio webcast of the proceedings is available on the company's website www.originenergy.com.au.

Kevin McCann
Chairman

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 Energy'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 10 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 two 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.

Dividends

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.

Kevin McCann
Chairman

Managing Director’s Address

Annual General Meeting

16 October 2003

Ladies and Gentlemen,

Shareholders have by now had the opportunity to review results for the 2002/03 financial year. Our Chairman has already commented on these results which we believe demonstrate good progress in the continued development and growth of the company.

Our Chairman has also noted that based on current levels of performance our short-term outlook is for growth in profits for the current financial year to be well within our targeted growth of 10-15%.

In this brief address I will report on a number of projects and opportunities that we believe will result in Origin Energy maintaining its targeted growth of 10-15% in the medium to longer term.

We are currently working on a number of projects that are already in progress, commenced or very likely to proceed. These projects will therefore require funding and will then contribute to profits in the next few years.

These projects include the:

- BassGas Project
- Offshore Otway Gas Project
- SEA Gas Pipeline Project
- Coal seam gas projects
- Perth Basin Oil Project
- Power generation projects

BassGas Project

The BassGas Project is a gas and liquids project in the Bass Strait 150 km offshore Victoria. The project will produce at least 20 PJ of gas a year, along with one million barrels of condensate and 80,000 tonnes of LPG. The project cost is

$450 million and is now 60% complete. It is on schedule for completion in the September quarter 2004.

Origin's interest in this project is 37.5% and we are the project operator. This is the first major offshore project managed by Origin and represents a significant additional capability for the company.

Origin will be buying all of the gas produced by this project for use in our Retail businesses primarily in Victoria.

Offshore Otway Gas Project

Following the major discoveries of gas at Thylacine and Geographe in the offshore Otway Basin 70 km offshore Victoria in 2001, the joint venture has moved quickly to commercialise these resources. Development concepts have been agreed and the Environmental approvals process has advanced to review by an independent panel following the public exhibition phase of the EES/EIS approval process.

This project will have an initial cost of $750 million with a further $250 million to be spent in early years of production. Origin has a 30% interest in this project which is scheduled for completion in early 2006.

Origin will take its share of gas produced for use in its Retail business in Victoria and South Australia.

SEA Gas Pipeline Project

The 680km SEA Gas Pipeline Project was originally conceived by its initial proponents Origin and International Power to move gas from increasing resources being discovered in the offshore Otway region to South Australian markets. This will significantly improve the availability and reliability of gas supplies in Adelaide.

During the year TXU's requirements were also incorporated in the project which was expanded accordingly.

The project will cost $500 million and is scheduled for completion in early 2004. Construction of the pipeline is now largely complete with commissioning operations planned to start in late October and commercial supply of gas to commence in early 2004.

Origin has a one third interest in this project and will be a foundation shipper of gas supplied from Victoria to our South Australian markets.

Coal Seam Gas Project

Over the past 18 months Origin, through Oil Company of Australia (99.69% owned by Origin), has spent approximately $133 million acquiring and developing further interests in coal seam gas in south east Queensland. Origin is currently acquiring the minority interests in OCA – a transaction that should be finalised by the end of the month.

Origin has two significant producing projects at Moura and Peat however much of the near term focus will be on the development of the Fairview/Durham field. This field is currently estimated to contain 1,588 PJe of proved and probable gas reserves with significant reserves upside still to be assessed.

Major development milestones during the year include native title agreements, permit approvals, completion of FEED and major contracts being written with AGL to secure markets for this resource.

Origin's current interest in Fairview and Durham is 23.9% and 94.3% respectively. It is expected that Origin will invest approximately $200 million in the next few years, further developing these resources in order to supply the AGL contracts commencing in 2005.

Origin can also further expand this project to supply its own retail requirements in Queensland and South Australia.

Perth Basin Oil Project

While the company's exploration focus in the Perth Basin is primarily on gas, recent oil discoveries have significantly redefined the prospectivity of the Perth Basin.

Successive oil discoveries at Hovea, Eremia and Jingemia have added significant new, low cost oil reserves. Origin, together with its joint venture partners has moved quickly to establish production facilities with oil from these fields being sold to the BP refinery in Perth. $43 million has been spent by the joint ventures on oil developments to date and it is anticipated a further $25 million will be spent to achieve production rates of up to 10,000 bopd expected by early 2004.

Origin has a 50% interest in these projects.

Power generation projects

Origin is currently involved in a number of power generation opportunities in gas-fired and renewable power generation.

The company's 100MW peaking power plant at the Quarantine site in Adelaide is already permitted to be expanded to combined cycle base load generation.

The company has an option to acquire a half interest in the 52MW Challicum Hills Wind Farm in Victoria and is currently developing wind farms at Kemmiss Hill and Troubridge Point in South Australia.

Decisions on these projects will most likely be finalised in the coming year. These projects would result in further capital expenditure of approximately $100 million if they both proceed.

All of these projects demonstrate the value in Origin's strategy. Each project is valuable on a stand alone basis, yet every project also contributes to some other part of Origin's business by either reducing risk or creating further opportunities for growth.

These projects have all required a large amount of internal evaluation and review followed by community consultation, native title negotiations and extensive environmental review including the necessary environmental impact statements. It is a challenging task to ensure these projects remain on time and on budget. The Board and management are focussed on delivering these projects effectively. They provide a sound basis for the continued growth of the company in the medium term.

In addition to the projects I have just reviewed we are also pursuing a number of opportunities that may add further to the development of your company in the longer term. These include opportunities in:

- Exploration
- Power generation (including renewable energy)
- Acquisitions

Exploration

Compared to the company's position just a few years ago, we have been fortunate in developing a significant set of new exploration opportunities. They have arisen in a number of ways.

Firstly, the development of production facilities in undeveloped but now proven petroleum provinces in the Bass and Otway Basins will open up exploration opportunities not previously considered commercial. The company has good acreage positions in these basins.

Secondly, we have been successful in winning new acreage in the Otway Basin with the award of two new highly prospective exploration permits VIC/P37(v) and T/34P. These permits both straddle the prospective fairway that includes the Thylacine and Geographe discoveries.

Thirdly, long held positions in known but mature producing provinces in the Perth and Surat Basins are providing exciting new exploration plays. The oil discoveries in the Perth Basin are the first discoveries since 1960 and recent gas discoveries in a potential stratigraphic play in the Surat Basin are the biggest discoveries in that basin in 10 years.

We are excited by the potential of the exploration opportunities that we have ahead of us, which are enhanced by significant upside potential in our coal seam gas reserves.

Power generation

Over the past two years the company has, through acquisition, grown its position to be one of the largest electricity retailers in Australia. At times of extreme demand our customers could require up to 3000 MW of electricity and use over 15 TWh of electricity per annum.

We currently supply only approximately 10% of our extreme demand and 5% of annual electricity demand from our own gas-fired generation facilities. We therefore have a significant opportunity to invest further in peak and base load power generation. We clearly have a preference to develop further gas-fired power generation as it also adds value to our increasing gas reserves, however we are evaluating a number of opportunities to ensure we make the best possible investment decision.

As power generation is a major source of greenhouse gases we believe it is important to look for ways to reduce the carbon intensity of power generation. In addition to the wind projects mentioned previously we are investing in renewable generation through the development of solar photovoltaic cells and our recent investment in the Geodynamics hot dry rock project in the Cooper Basin. Progress on our solar SLIVER® Cell Project in particular remains encouraging.

While these two projects are still in the development and demonstration phase we are hopeful they will make significant contributions in the longer term.

Acquisitions

While our strategies are not focused primarily on acquisitions, a number of opportunities have and will most likely eventuate in coming years. A number of power generation and gas transmission assets are for sale. We will continue to evaluate acquisition opportunities as they arise.

We will also seek opportunities to expand our asset management activities most likely in conjunction with further rationalisation of ownership of utility assets.

A key to taking these opportunities should they arise is to maintain the company's strong financial position and balance sheet flexibility. Our financial policies are designed to ensure this remains the case.

In concluding, I trust that through the review of performance of the last financial year and a quick review of projects and opportunities that we have before us, shareholders are confident that we can continue to deliver an increase in value for shareholders.

Grant King
Managing Director

Abbreviations

ASX – Australian Stock Exchange
bopd – barrels of oil per day
CLERP 9 – Corporate Law Economic Reform Program 9
EES – Environmental Effects Statement
EIS – Environmental Impact Statement
FEED – Front End Engineering and Design
OCA – Oil Company of Australia Limited

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