**Delivering the goods.**
This year's annual report demonstrates the power of a focused strategy, performance and growth.

ANNUAL REPORT 2002

Origin energy

## OUR STRATEGIC FOCUS

Origin Energy owns, develops and procures energy and related products and services to provide customers with better choices to meet their energy needs.

We are committed to:

Delivering better returns to shareholders than comparable companies by ensuring existing businesses generate cash returns surplus to operating requirements and through our detailed understanding of the energy industry, identifying, analysing and investing in opportunities that create leverage and value across the energy supply chain.

Delivering better value to customers than competitors by accessing competitive sources of energy and incorporating these into products and services to provide customers with better choices to meet their energy needs.

Attracting and retaining the best team of people by encouraging their development and rewarding success.

Contributing to the sustainable development of our communities by developing and commercialising energy and related products and services that reduce the environmental and social impact of energy production and use.

## OUR VALUES

We care about the impact of our operations and actions on shareholders, customers, fellow employees, the community and the environment.

We listen to the needs of others, knowing that an unfulfilled need creates the best opportunities.

We constantly learn and implement new and better ways of doing business by collecting, analysing and sharing information and ideas effectively.

We deliver as individuals and as a company on the commitments made in all areas of performance.

### CONTENTS



### FINANCIAL CALENDAR 02/03

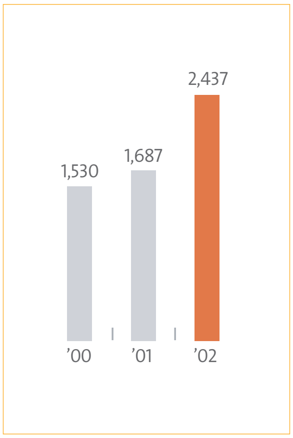
| | |
|---|---|
| 24/9/02 | Ex dividend trading commences |
| 30/9/02 | Record date for final dividend |
| 17/10/02 | Annual General Meeting |
| 21/10/02 | Final dividend paid |
| 31/12/02 | Half-year end |
| 02/03 | Half-year profit announcement |
| 30/6/03 | Financial year end |


**ORIGIN ENERGY LIMITED**
ABN 30 000 051 696

## PERFORMANCE AND GROWTH

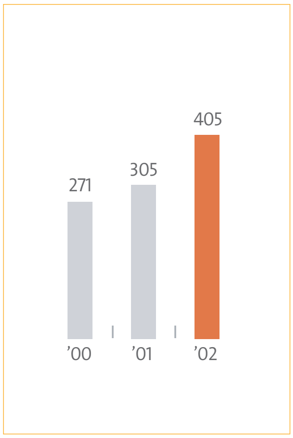
**In just over two years, Origin Energy's revenues have grown nearly 60%, profit after tax has increased 70%, operating cash flow has more than doubled and market capitalisation has increased threefold to over $2 billion.**

### REVENUES



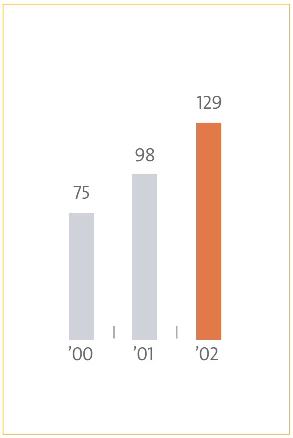

$2,437 million total revenue up 44%

### EBITDA



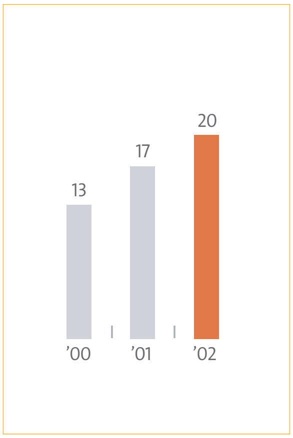

$404.6 million EBITDA up 33%

### NET PROFIT AFTER TAX



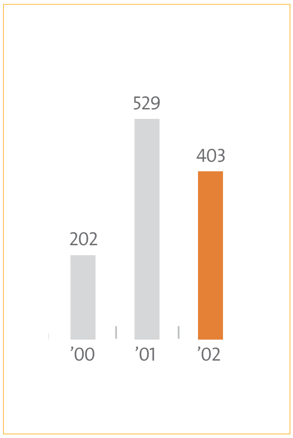

$128.7 million net profit after tax up 31%

### EARNINGS PER SHARE



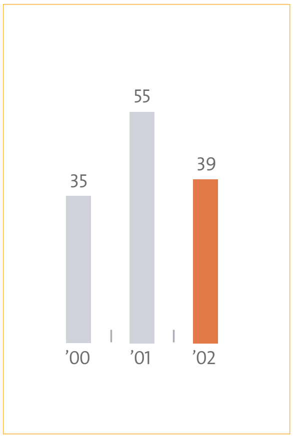

Earnings per share 20.2 cents up 3.1 cents

### CAPITAL EXPENDITURE



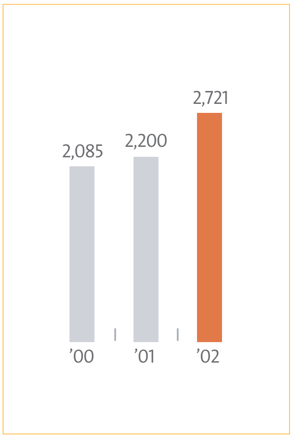

Capital expenditure including acquisitions $403.2 million down 24%

### NET DEBT/EQUITY



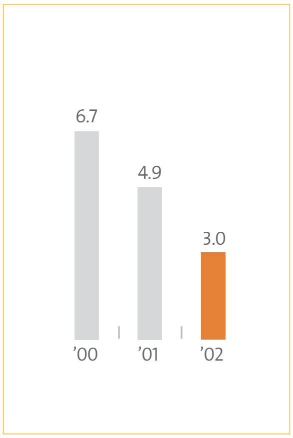

Net debt to equity 39%, down from 55%

### TOTAL EMPLOYEES




Total employees 2,721 up 24%

### LOST TIME INJURIES




Lost Time Injury Frequency Rate improved to 3.0 per million hours worked

# CHAIRMAN'S MESSAGE

In the past year, Origin Energy's business strategy has established it as the leading integrated energy supplier in Australia. In a year of enormous change in the energy industry, the performance of Origin is pleasing.

The company's net profit after tax increased by 31% to $128.7 million with earnings per share increasing 18% to 20.2 cents over an expanded capital base. Operating cash flow after tax increased 49% to $299 million demonstrating the underlying strength of Origin's businesses.

Origin's position has been further strengthened by a number of strategic and synergistic acquisitions during the year and continued expenditure on growth, requiring capital expenditure of $338 million. Of this, $148 million was spent on acquisitions and $190 million funded new projects. We believe that this growth program will deliver value to shareholders as the new projects come on stream.

The performance of our share price facilitated capital raisings of $123 million through a private placement in July 2001 and $74 million through a share purchase plan available to shareholders in September 2001. This was supported by the availability of debt financing with Origin having achieved a BBB+ credit rating by Standard & Poor's. This has enabled the company to refinance its existing borrowings through new facilities that will reduce interest costs and lengthen its debt maturity. As at 30 June 2002, Origin raised $180 million through the medium term note program and utilised $185 million of the commercial paper facility.

The additional capital and strong cash flow from the businesses have enabled the reduction of net debt from $727 million at 30 June 2001 to $633 million at 30 June 2002. Consequently the balance sheet has remained strong and net debt to equity has reduced to 39%. Interest cover remains robust at 5.4 times.

In addition to funding growth, the strong cash flow has enabled the payment of fully franked dividends for the year of five cents per share, 25% higher than the previous year. As the company is unlikely to be in a position to pay franked dividends for some years, the Board is reviewing its policy on distributions and will advise shareholders of the outcome of the review at the Annual General Meeting on 17 October 2002. Directors also decided in respect of the final dividend of 3 cents per share that a 5% discount will be applied to the Dividend Reinvestment Plan.

**Corporate governance**

The past year has seen considerable public debate and scrutiny of companies and their corporate governance, risk management and remuneration practices. We recognise that best practice corporate governance involves the delivery of superior operating performance while conforming to expected standards

**Strong cash flow has funded growth and enabled the payment of fully franked dividends for the year of five cents per share, 25% higher than the previous year.**

**H KEVIN McCANN** Chairman

of behaviour. In these important areas of concern, the Board has implemented policies and practices that ensure this is achieved.

During the year, the Board undertook a review of commodity risk management policies. This included the implementation of short-term and long-term risk limits for managing exposures arising from the purchase and sale of electricity and natural gas, oil and renewable energy credits; an assessment of contracting and risk management strategies; and a review of risk reporting and delegated authorities.

Origin's remuneration policies have always ensured the level of remuneration paid to senior management and employees is market-based to attract and retain valued people, and provide adequate incentives to deliver value for shareholders. This has included the issue of options which has formed part of the long-term incentives of senior executives. All options are issued at an exercise price that is equal to the market price at the time of approval and are subject to significant performance hurdles being achieved. These hurdles require the company's total shareholder returns to outperform a group of peer companies listed on the Australian Stock Exchange. They are very different from option schemes in the United States where there are no performance hurdles and the exercise price of the options are at a significant discount to the market price.

The Origin scheme has limited the number of options to less than 5% of the issued capital of the company and, at year end, options held by senior executives represented less than 2% of the issued capital. If the fair value of all options issued were expensed over the vesting period of the options, the charge against this year's reported profit would have been $1.2 million. More information on Origin's option plan can be found in the Directors' Report and in the Corporate Governance section in this Annual Report.

In view of the current debate on the appropriateness of options as a form of long-term compensation for executives, the Board is reviewing equity-based compensation and will suspend the future operation of the Senior Executive Option Plan pending this review. We will report to shareholders when the review is complete.

**Looking ahead**

Your Board and management remain committed to creating value for shareholders and will actively seek out opportunities across the energy industry that meet our investment criteria. The continued development of our upstream and coal seam gas interests and further growth opportunities in power generation and the retail energy markets will be sought where they add value for shareholders.

Origin has again finished the year in a strong position. Its performance over the past two years has been outstanding, and has been a credit to the efforts of management and all employees. The success, while pleasing, has created a greater challenge for the company to do better. I am certain the management team will rise to this challenge and we can expect an increase in profit next year.

In concluding, I would like to thank my fellow Directors who have contributed a great deal of time and the benefit of their experience and counsel pursuing a strategy that has delivered value to shareholders over a year of significant achievement.

**H KEVIN McCANN**
Chairman

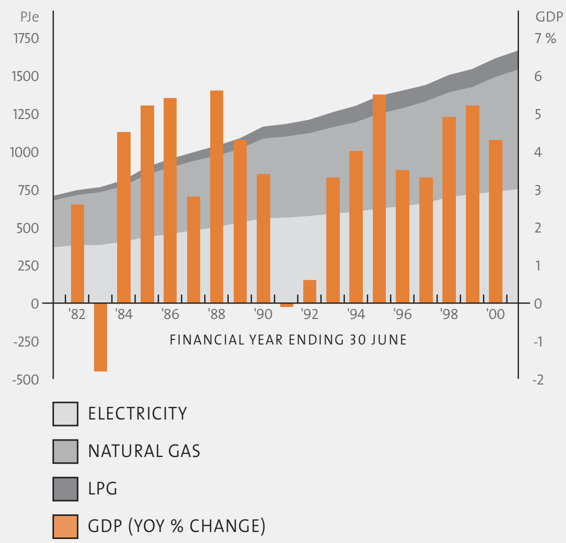
# CHARACTERISTICS OF THE AUSTRALIAN ENERGY SECTOR

The Australian energy market has changed dramatically since deregulation began in the mid 1990s and the demand for energy continues to grow.

## A GROWING MARKET

- Growth in domestic demand for energy has averaged over 4% per annum over the last 20 years and has been maintained even through times of recession.
- End use sales of electricity, natural gas and LPG are approximately $25 billion per annum while sales of related products and services are estimated at a further $6.5 billion per annum.
- Growth in demand is expected to continue with ABARE predicting compound growth of 3.4% in natural gas demand and 2.3% in electricity demand over the next 20 years.

AUSTRALIAN END USE ENERGY SALES (PJe)
ELECTRICITY, NATURAL GAS AND LPG




Source: ABARE, ABS

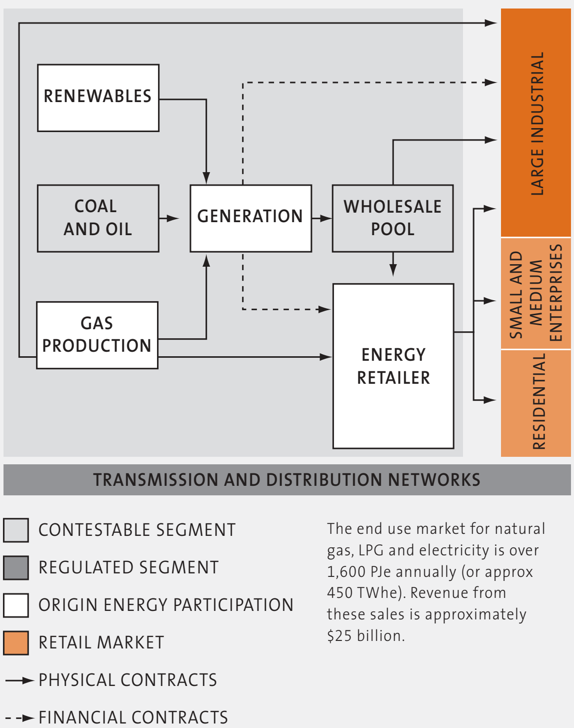
## A GROWING COMPANY

- In the three years to June 2003, Origin's revenue will have approximately doubled to exceed $3 billion.
- While Origin is one of the largest participants in the domestic energy market our share of sales is still less than 10%.
- Origin has been implementing strategies that have resulted in significant growth and expects to be able to continue this growth in the years ahead.

## A CHANGING INDUSTRY

- The industry has separated into contestable and network segments with economic regulation limiting returns on network assets.
- By 2003, the majority of energy consumers will be able to choose their energy supplier.
- Large customers will increasingly contract with producers and generators.
- Commodity (price) and asset stranding risks have increased as market monopolies fade.
- Over $50 billion of energy assets have changed owners at least once since 1995.

STRUCTURE OF THE AUSTRALIAN GAS AND ELECTRICITY INDUSTRY




The end use market for natural gas, LPG and electricity is over 1,600 PJe annually (or approx 450 TWhe). Revenue from these sales is approximately $25 billion.

## OUR RESPONSE

- Focused primarily on contestable segments where there is greater potential for growth and higher returns.
- Developed skills and invested in areas so Origin can offer better choices of energy products and services than competitors.
- Positioned as both producer and retailer to maintain access to the entire market.
- Developed internal hedges and competitiveness of assets to reduce commodity and stranding risk.
- Maintained a strong financial position to allow opportunities to be taken as they arise.

# MANAGING DIRECTOR'S REVIEW

In the two years since Origin Energy was established following the demerger from Boral, profit after tax has increased 70% to $128.7 million. Revenues have grown nearly 60% to $2.4 billion, operating cash flow after tax has more than doubled to $299 million and the market capitalisation of the company increased more than threefold to well in excess of $2 billion.

The scope of the company's operations has also grown significantly in that time as evidenced by:

- an increase in hydrocarbon reserves of approximately 50% to 1530 PJe including recent discoveries in the Otway Basin and recently acquired coal seam gas (CSG) reserves;
- an increase in customer numbers of 75% to 2.1 million customers following the acquisition of CitiPower's electricity retail business; and
- an increase in electricity generation capacity of 70% to 598 MW.

Over the last two years, $784 million of capital expenditure has been invested in acquisitions and development projects that have driven the growth of the company. This has been funded through strong cash flows, $197 million of equity raised during the financial year and an increase in the company's debt facilities. Despite the level of this investment, the strength of the company's cash flow has resulted in a conservative net debt to equity ratio of 39% at 30 June 2002 and this has risen to only 49% following the recent acquisition of CitiPower and additional CSG interests. The company has a strong balance sheet and is well placed to fund further development and growth.

This performance has been achieved by:

- maintaining a strong strategic focus on Origin's business and the energy industry in which it operates;
- improving financial performance; and
- continuing to develop and grow the business.

**The strategy remains appropriate**

Origin is primarily focused on gas and electricity markets in Australia and the near Pacific region. Some key characteristics of this market, particularly in eastern Australia, are described on page 4.

End use sales of natural gas, LPG, electricity, and related products and services in the markets in which Origin operates exceed $30 billion with good prospects for continued growth. In the year to 30 June 2002, Origin's revenue of $2.4 billion represented less than 10% of this market yet Origin is already one of the largest participants. Despite the growth of the company to date, there are still significant opportunities for growth through further consolidation in the market and continuing growth in energy demand.

Origin's strategy has been to focus the business primarily in the competitive segments of the energy market. The particular segments that the company has focused on are gas production, power generation and energy retailing. Our participation in these segments is illustrated in the diagram on page 4.

**GRANT KING** Managing Director

**Since listing, Origin is one of the best performing companies when measured on the basis of Total Shareholder Return.**

Origin's strategy is to pursue opportunities in those segments that are characterised by our ability to:

- develop sustainable competitive advantage;
- identify additional value through operational or strategic synergies;
- establish internal hedges against other exposures that reduce overall risk in the business; and
- access and use skills that will provide new opportunities for growth.

Origin also invests in and develops projects that leverage skills available in the company such as oil exploration and production, and that produce secure long-term cash flows such as investment in and management of energy infrastructure.

The major acquisitions and projects developed over the past two years demonstrate these required characteristics. For example:

- The acquisition and development of CSG interests in Queensland have established sustainable competitive advantage through the size and quality of CSG prospects available, the development of appropriate CSG technology leading to lower operating costs and the ability to more rapidly commercialise CSG through easier access to markets in which Origin already operates.
- Origin's long established position in the Bass, Otway and Perth Basins has resulted in access to the best prospects through a better understanding of the prospectivity of these basins. Commercialisation of resources in these basins is accelerated through Origin's position in retail markets.
- The acquisition of the Powercor and CitiPower electricity retail businesses has added new skills and opportunities for growth and created sustainable competitive advantage through increased scale resulting in a more competitive cost of service. It has also created long-term stable markets that facilitate development of gas resources such as BassGas and Thylacine/Geographe and further opportunities in power generation.
- The development of Quarantine Power Station provides markets for natural gas and an internal hedge against retail electricity exposure to volatility in electricity pool prices.
- The acquisition of a 50% interest in the South West Cogeneration Joint Venture in Western Australia leverages existing skills in gas fired generation, establishes another source of stable cash flow through the security of the project's power purchase agreements and provides a market for natural gas resources in the longer term.
- The SEA Gas pipeline project joint venture facilitates the development of gas resources in the Otway and Bass Basins, secures a competitive supply chain for the retail business and generation assets in South Australia, and will generate a stable return on investment through the cash flow from foundation customers on the pipeline.

**May/June 2001** Thylacine and Geographe gas discoveries in the offshore Otway Basin.

Over 730 PJ of recoverable sales gas discovered off Victoria – Australia's largest gas market.

**June 2001** Acquired the Powercor electricity retail business in Victoria.

Provided platform for dual fuel offerings, and increased customer numbers by 582,000 to 1.8 million.

**August 2001** Beharra Springs North gas discovery and Hovea 1 oil discovery (October) in the Perth Basin, Western Australia.

The first commercial gas discovery since 1990 and first commercial oil discovery since 1966 in the Perth Basin.

By maintaining a strong strategic focus, Origin has been able to develop its business despite all the risks and uncertainties that have arisen through a period of major change in the energy industry.

While Origin's strategy always remains under review, the progress of the company to date shows that a continuation of the current strategy remains appropriate.

**A 161% increase in Retail EBITDA drove improved financial performance**

In last year's review, it was noted that while the company had invested significant capital in acquiring and developing its retail businesses, it was necessary to demonstrate that the retail strategy would deliver an adequate return.

One of the most pleasing aspects of this year's result has been the 161% increase in EBITDA from the Retail business to $173.5 million. The main reason for this increase was the full year contribution arising from the successful integration of Powercor's electricity retail business and a turnaround in the performance of the LPG business.

Exploration and Production EBITDA was down 7% to $186.2 million mainly reflecting reduced oil production following the sale of mature oilfields in the Eromanga Basin and lower oil prices. Generation EBITDA was up 22% to $30.4 million reflecting increased investment through acquisition and development of gas fired power plant.

Networks EBITDA was up 4% to $22.9 million mainly reflecting the increased investment in Envestra.

More detailed commentary on the performance of these businesses is included in the Operations Review.

Overall, our net profit after tax for the year increased 31% to $128.7 million. Operating cash flow after tax (OCAT) increased 49% to $299 million and the OCAT ratio[1] increased to 13.7%, well in excess of the company's cost of capital. Net debt to equity was 39% at year-end.

These measures demonstrate that the company has delivered improved financial performance and is in a strong financial position.

In addition to the business risks that most companies face – such as the level of economic activity and changes in interest rates and foreign exchange rates – Origin is also exposed to a number of industry specific risks. There are short-term risks such as movements in oil and LPG prices, wholesale electricity prices and variations in weather, as well as long-term risks such as changes in the structure of supply and demand.

These risks can affect both the profits and value of the business. Origin's strategy is designed to reduce exposure to these risks and their potential impact on profits and cash flow by developing internal hedges and, where appropriate, buying external hedges (for example, electricity and oil price hedges).


**November 2001 Victorian Gasmart energy appliance stores acquired.**

Increased product offerings and street presence for Origin in Victoria.

**December 2001 95 MW Quarantine Power Station in South Australia commences commercial operation.**

Enhanced Origin's ability to supply growing peak electricity demand in South Australia.

1 Operating cash flow after tax (OCAT) over funds employed is the primary measure of financial performance in the company.

During the year, there were significant movements in electricity, oil and LPG prices at a wholesale level and the weather was mild in both winter and summer (which reduces demand for energy).

While this impacted on various segments of the business in a variety of ways, the company's overall financial performance was largely unaffected by these risks demonstrating that our strategy and approach to risk management is reducing earnings risk and contributing to improved financial performance.

**There are good prospects for continued growth**

The growth of the company over the last two years reflects the focus in prior years on identifying new opportunities for development or acquisition. While a number of these opportunities have been completed in the year just ended, there are a number of major opportunities still to be implemented or under development that will drive growth in the years ahead. These include:

- Integration of the recently acquired CitiPower electricity retail business through the current year will result in an increase to earnings in subsequent years.
- Completion of the BassGas Project with first commercial gas expected in late 2004.
- Completion of the SEA Gas pipeline project with first commercial gas delivered to Adelaide in early 2004.
- Development of the Thylacine and Geographe discoveries in the offshore Otway Basin with first gas from these fields expected in early 2006.
- Contracting and developing Oil Company of Australia's CSG assets in Queensland with increased production expected to begin in late 2004.
- Continuation of the exploration program in the Otway, Bass and Perth Basins, and in New Zealand.
- Development of additional opportunities in gas fired and renewable electricity generation.
- Continuing review of acquisition opportunities in the energy industry as it continues to consolidate.

**People, health, safety and environment**

During the year, employee numbers increased from 2,200 to 2,721 reflecting the growth in the business and, as a consequence, nearly 20% of employees have less than one year's service. In this circumstance, together with the significant challenge that the continued development of the company creates, it has been important to maintain an internal focus on employees, and their skills and familiarity with Origin's internal controls and procedures.

A measure of success in this regard is demonstrated through the continued focus on safety performance that has assisted in reducing the Lost Time Injury Frequency Rate by 39% from 4.9 to 3.0. There were no significant environmental incidents or breaches of environmental regulations that relate to the company's operations.

All employees with 12 months' service are eligible to become shareholders under the Employee Share Plan. In recognition of the financial performance of the company and the achievement of a significantly improved safety record over the past year, a further

**February 2002** Major interests acquired in the Fairview and Durham coal seam gas (CSG) fields in central Queensland. (Further interests acquired in July 2002.)

Consolidated position as a leading CSG provider, and potential to supply eastern Australian gas markets.

**April 2002** BassGas Project receives joint venture approval to proceed with the development of the Yolla gas field.

The project is expected to supply around 10% of the Victorian natural gas market over the next 15 years.

**May 2002** Financial close of Victoria to South Australia SEA Gas pipeline, and construction to commence in October 2002.

Pipeline will link Origin's Bass and Otway gas fields to South Australia.

issue of shares to employees has been made under this Plan. Following this and prior share issues, the majority of employees are now shareholders in the company.

This is one of a number of ways of recognising and thanking employees for their continuing efforts and contribution to the success of the company.

**Outlook**

Despite investment in recent acquisitions, Origin maintains a conservatively geared balance sheet. This, combined with the company's strong cash flows, means that Origin is well placed to take advantage of emerging opportunities at a time when the energy industry is continuing to consolidate.

In the year ahead, Origin will build on its performance to date and continue to generate opportunities for growth.

The Retail business will benefit from the addition of the CitiPower electricity retail business, together with the impact of a full year contribution from increased tariffs for electricity and natural gas in Origin's existing operations. The cessation of profit retention by the Victorian Government should also add significantly to the bottom line for natural gas. Balancing these effects will be costs associated with the integration of CitiPower, higher depreciation charges associated with the new Full Retail Contestability-enabled systems, and higher operating costs associated with managing customer relationships and customer churn in the contestable environment.

Production volumes for gas in the Exploration and Production business are expected to be relatively constant, but oil production will decrease following the sale of oil assets in Queensland. The relative profit performance compared to the past year will therefore most likely depend on variations in the oil price. In the Generation business, any significant change in earnings will largely reflect the wholesale price of electricity.

Taking these factors into account, the consolidated outlook for the company is for an increase in profit in the coming financial year.

**GRANT KING** Managing Director

**May 2002** South West Cogeneration Joint Venture acquisition completed.

Origin's first major generation asset in Western Australia expands our contracted generation portfolio and complements Origin's upstream gas position in the Perth Basin.

**July 2002** Acquired CitiPower retail business.

Increased customer base by 264,000 and added significantly to industrial and commercial customer base.

# PEOPLE AND PERFORMANCE

## EXPLORATION AND PRODUCTION

**John Piper**
Executive General Manager
Oil and Gas Production

**Robbert Willink**
General Manager
Exploration

### KEY INDICATORS

| | 2002 $M | 2001 $M | CHANGE % |
|---|---|---|---|
| REVENUE | 287.0 | 278.8 | 3 |
| EBITDA | 186.2 | 201.3 | -7 |
| EBIT | 104.4 | 122.1 | -15 |
| CAPEX | 129.7 | 128.7 | 1 |
| ASSETS | 877.0 | 774.1 | 13 |

### HIGHLIGHTS 2001/2002

- Completed the Environmental Impact and Effects Statements for the BassGas Project. A construction contractor was appointed, and a site for the onshore processing plant selected.
- Sold interest in the Eromanga Basin oilfields for $16.5 million.
- Acquired major strategic interests in the Fairview and Durham coal seam gas (CSG) projects and other exploration permits in the Bowen and Surat Basins.
- Commenced feasibility studies into the commercial development of the Thylacine/Geographe gas discoveries.
- In the onshore Perth Basin, the first commercial gas discovery since 1990 was made at Beharra Springs North 1 and the first commercial oil discovery since 1966 was made at Hovea 1.
- The first discovery of gas in Permian-aged High Cliff Sandstone was made at Hovea 2.
- New exploration holdings acquired in Taranaki Basin (New Zealand), Otway Basin and the Perth Basin.
- Participated in the drilling of 127 exploration, appraisal and development wells with a success rate of 84%.

### FOCUS FOR 2002/2003

- Secure final environmental and joint venture approvals, and commence construction of the BassGas Project.
- Complete commercial feasibility studies, obtain environmental clearance and secure contracts for the Thylacine/Geographe gas fields.
- Prove up additional 2P reserves, secure new gas markets and commence development of recently acquired CSG areas.
- Secure markets for uncontracted Cooper Basin reserves.
- Develop recent oil and gas discoveries in Perth Basin.
- Continue to evaluate and secure additional exploration acreage necessary to deliver long-term growth.
- Participate in at least one offshore well in the Perth Basin and up to six onshore exploration wells in other greenfield areas.

## RETAIL

**Karen Moses**
Executive General Manager
Wholesale and Trading

**Peter Vines**
Executive General Manager
Retail

| | 2002 $M | 2001 $M | CHANGE % |
|---|---|---|---|
| REVENUE | 1,938.9 | 1,233.6 | 57 |
| EBITDA | 173.5 | 66.5 | 161 |
| EBIT | 99.4 | 23.7 | 320 |
| CAPEX | 78.3 | 16.2 | 383 |
| ASSETS | 1,386.7 | 1,456.1 | -5 |

- Successfully integrated Powercor's electricity retail business.
- Customer numbers increased to 2.1 million representing a 20% market share in eastern Australian energy markets following the acquisition of the Powercor and CitiPower retail businesses.
- Successfully implemented process and system improvements to billing, trading and settlement systems for Full Retail Contestability (FRC).
- Acquired Gasmart appliance stores in Victoria.
- Achieved significant increase in unprompted brand awareness in newly competitive markets in Victoria.
- Restructured the LPG business resulting in a significant improvement in performance.
- Achieved significant reductions in the wholesale cost of electricity from the integration of the Powercor electricity portfolio and strengthened supplier relationships.
- Developed and implemented a Commodity Risk Management System to identify and manage commodity exposures.

- Continue to improve customer service standards and performance.
- Implement initiatives to reduce the company's cost to serve.
- Prepare for, and successfully implement, FRC for natural gas customers in Victoria as well as electricity and natural gas customers in South Australia.
- Develop and implement marketing strategies to further develop the company's position in energy markets in eastern Australia.
- Continue to lift awareness of Origin's brand in markets that are soon to be contestable.
- Continue to deliver reliable and competitive commodity supply.

## GENERATION

**Andrew Stock**
Executive General Manager
Generation

| | 2002 $M | 2001 $M | CHANGE % |
|---|---|---|---|
| REVENUE | 63.2 | 42.4 | 49 |
| EBITDA | 30.4 | 25.0 | 22 |
| EBIT | 15.8 | 17.2 | -8 |
| CAPEX | 46.0 | 46.8 | -2 |
| ASSETS | 279.0 | 173.8 | 61 |

- Construction of the 95 MW Quarantine Power Station completed on time and under budget in December 2001.
- SEA Gas pipeline project approved to link Victorian gas supply to South Australia.
- Purchased a 50% interest in the 120 MW Worsley Cogeneration Plant.
- Contracts concluded for the design, construction, operation and maintenance of the Toowoomba and Baillie Henderson Hospitals' energy centres in Toowoomba.
- Established a new solar PV retail business. Origin is now one of Australia's leading providers of grid connected solar systems.

- Secure competitive locations for further gas-fired generation plant.
- Construct the SEA Gas pipeline.
- Secure additional cogeneration projects utilising GGAP grant.
- Complete the Toowoomba Hospitals project.
- Develop a portfolio of wind generation assets.
- Progress solar PV research to the pilot development stage.

## NETWORKS

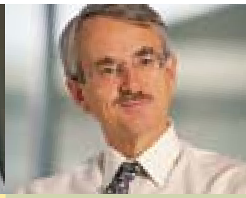
**Robert Tardif**
General Manager
Asset Management

| | 2002 $M | 2001 $M | CHANGE % |
|---|---|---|---|
| REVENUE | 137.4 | 121.8 | 13 |
| EBITDA | 22.9 | 21.9 | 5 |
| EBIT | 20.4 | 19.9 | 3 |
| CAPEX | 0.7 | 0.5 | 40 |
| ASSETS | 175.7 | 176.5 | -0.5 |

- Increased investment in Envestra by $15.2 million after acquiring additional stapled securities in February 2002.
- Over 22,000 new natural gas consumers connected to networks under management.
- 290 km of new mains laid and 140 km of mains replaced.
- Commenced process design and network systems development in preparation for FRC in Victoria.

- Maximise utilisation of networks under management through continued promotion of natural gas.
- Achieve further reductions in operating and capital costs.
- Expand asset management services to new customers.

## CORPORATE



**Bruce Beeren**
Executive Director
Commercial

**Frank Calabria**
Chief Financial Officer

**William Hundy**
Company Secretary

**John Hayward**
General Manager
Human Resources, Health, Safety and Environment

**Anthony Wood**
General Manager
Public and Government Affairs

### KEY INDICATORS

| | 2002 $M | 2001 $M | CHANGE % |
|---|---|---|---|
| EBITDA | -8.4 | -9.5 | 12 |
| EBIT | -9.3 | -9.6 | 3 |
| CAPEX | 0.4 | 6.7 | -94 |
| ASSETS | 50.5 | 70.6 | -28 |

### HIGHLIGHTS 2001/2002

- Reviewed and renewed insurance policies within acceptable cost and risk.
- Institutional Placement raising $123 million in equity.
- Share Purchase Plan completed raising $74 million in September 2001.
- Assigned BBB+ rating from Standard & Poor's.
- Completed inaugural debt issuance program in April 2002, including a five-year medium term note program and the issue of commercial paper.
- Share Sale Facility implemented.
- Lost Time Injury Frequency Rate reduced from 4.9 to 3.0, an improvement of 39%.
- Employee numbers increased from 2,200 to 2,721.
- Completed transfer of superannuation funds from Boral Superannuation to **equip**super.
- Completed implementation of Employee Share Plan to include employees in New Zealand and the Pacific Islands.
- Plans were completed to remediate the former gas manufacturing site in Newstead, Brisbane.
- Sponsored the WWF, South Australian Museum and State Theatre companies.
- Developed two online education projects to assist the community manage energy costs in the home and to improve home safety.
- Significant participation in the development of State and Federal policies on energy, industry structure, competition and environment through more than 100 submissions and responses to government including a major submission to the COAG Energy Market Review.

### FOCUS FOR 2002/2003

- Mitigate exposure to insurable risks.
- Ensure adequate facilities are in place to fund the company's continued development.
- Review and ensure appropriate internal controls are in place across the company.
- Maximise the value realised from non-core assets and investments.
- Identify and develop strategic investment opportunities.
- Further improve LTIFR to 2.5 but change focus of reporting to capture medical treatment injuries as well.
- Effectively integrate former CitiPower employees into the business.
- Commence remediation of the Newstead site with a view to completion by early 2004.
- Produce Origin's first sustainability report on the company's social, environmental and economic impacts.
- Continue to participate in the development of government policy and regulations that are relevant to ensuring a competitive and sustainable energy industry in Australia.

# OPERATIONS REVIEW – Exploration and Production

Origin Energy and its 85% owned subsidiary, Oil Company of Australia (OCA), have exploration and production interests located close to gas markets in Victoria, Queensland, South Australia, Western Australia and New Zealand.

External sales revenue for the business decreased by 6% to $262.9 million due to reduced oil production following the sale of interests in the Eromanga Basin in October and lower oil prices.

EBITDA for the period was $186.2 million, down $15 million or 7.5% on the prior year amount of $201.3 million. EBIT decreased by $17.7 million to $104.4 million reflecting increased amortisation and depreciation.

Gas, condensate and ethane sales volumes increased from the Cooper Basin and the Denison Trough. Natural gas sales from coal seam gas (CSG) increased by 75% and sales from the onshore Otway Basin increased by 8%. These increases were offset by reduced natural gas sales from the Perth, Carnarvon and Surat Basins.

Oil production from the Cooper and Surat Basins was lower. Several oil fields in the Eromanga Basin of central Queensland were sold for $16.5 million resulting in a further decrease in oil production.

Significant progress was made during the year commercialising undeveloped gas reserves near existing markets. These included fields in the Bass and Otway Basins and the CSG fields in Queensland.

### BassGas Project

The BassGas Project involves development of the Yolla gas field located 147 km off the southern coast of Victoria. The proposal includes an offshore platform, offshore and onshore gas pipelines, and an onshore gas plant. Origin's Retail group will purchase nearly all the sales gas produced.

This project will supply 20 PJ per annum, representing around 10% of Victoria's natural gas demand, for the next 15 years. Along with sales gas, the project will also produce 80,000 tonnes per annum of LPG and one million barrels per annum of condensate (a light oil) with first production scheduled for mid-2004. Construction will begin in November 2002 subject to final environmental and project design approvals.

Clough Engineering was appointed as the construction contractor in June. During the year, Origin acquired an additional 7.5% interest in the Yolla gas field bringing our total interest to 37.5%.

### Coal Seam Gas

In the next decade, Australia's gas supplies will come from more diverse sources as traditional reserves in the Cooper and Gippsland Basins decline. A good example of a new and reliable source of supply is coal seam gas (CSG).

CSG is natural gas stored within coal seams and can be used in all natural gas appliances and commercial applications.

OCA has been developing the technology to extract the gas commercially and reliably over the past five years. Now the largest CSG producer in Australia, OCA produces in excess of 28 TJ per day or about 45% of Queensland's current CSG sales. In total, CSG now contributes over 20% of Queensland's gas supply.

This year, OCA acquired major interests in the Fairview and Durham CSG projects and in exploration permits over the Walloon coal measures of the Surat Basin in central Queensland. In July 2002, further equity interests were acquired giving OCA equity of 23.9% of the Fairview Field and 93.1% of the Durham Project.

In July 2002, OCA secured a 10-year agreement to supply up to 5.4 PJ per annum of CSG to Australian Magnesium Corporation (AMC). This is in addition to existing long-term contracts with BP and Energex.

**2001/2002 Drilling Program and Results**

| AREA | EXPLORATION | APPRAISAL | DEVELOPMENT | TOTAL | SUCCESS RATE # OF WELLS | SUCCESS RATE % |
|---|---|---|---|---|---|---|
| Cooper | 10 | 3 | 53 | 66 | 61 | 92 |
| Denison | 2 | 1 | 1 | 4 | 2 | 50 |
| Surat | 3 | 1 | – | 4 | 3 | 75 |
| Eromanga | – | – | – | – | | |
| CSG | 1+2* | 12 | 24+1* | 40** | 36 | 90 |
| Onshore Otway | 1 | – | – | 1 | | |
| Offshore Otway | 1 | 1 | – | 2 | 1 | 50 |
| Bass Basin | – | – | – | – | | |
| Perth Basin | 4+1* | – | – | 5 | 3 | 60 |
| Carnarvon | – | – | – | – | | |
| New Zealand | 2+1* | – | – | 3 | | |
| US | 2 | – | – | 2 | 1 | 50 |
| Total | 30 | 18 | 79 | 127 | 107 | 84 |

* Wells drilling at 30 June 2002.
** Includes one cored non-production well.

To meet these growing opportunities, OCA will now focus on further development of the Fairview and Durham projects as well as continued development of its foundation CSG projects in Peat and Moura.

**Offshore Otway**

The discoveries of the Geographe and Thylacine fields, in mid 2001, are a highly significant addition to south-eastern Australia's gas resources. The fields are about 55 and 70 km south of Port Campbell off the Victorian coast in water depths of 80 to 100 metres.

Scope for Recovery volumes are estimated at 730 PJe of gas and eight million barrels of condensate. Origin estimates its net recoverable share of these resources is 230 PJe. These reserves will be held in the Scope for Recovery category until the development concept for these fields is finalised.

In August 2002, Origin's co-venturer Woodside announced it had signed a conditional gas supply agreement for the sale of its gas, and Origin will ensure that its own equity share of gas is delivered to market. With about 80% of the gas from these discoveries now contracted, and with environmental studies already commenced, we are confident the offshore development required to bring these resources to market will be progressed quickly. The first delivery of gas to market is expected in 2006.

**Perth Basin**

Origin has been exploring in the Perth Basin for several years with the aim of finding more gas close to its existing Beharra Springs gas plant, so that we can continue to supply a competitive source of gas to customers in the south-west of Western Australia.

During the year, Origin drilled four exploration wells, which resulted in three significant discoveries including a new field gas discovery at Beharra Springs North 1, a new field oil discovery at Hovea 1, and a new field gas discovery at Hovea 2.

Beharra Springs North 1 has been connected to the gas plant and is delivering gas to existing markets. Production will be monitored over an extended period to determine the level of reserves being accessed by this well. Appraisal of the Hovea 1 oil pool and Hovea 2 gas pool will continue through late 2002 to determine the reserves attributable to these accumulations. Production from the Hovea oil field commenced in early 2002 but was suspended in the middle of the year to accommodate an appraisal-drilling program. Development of the field will proceed following the appraisal program and is expected to reach full production in 2003.

**Denison Trough**

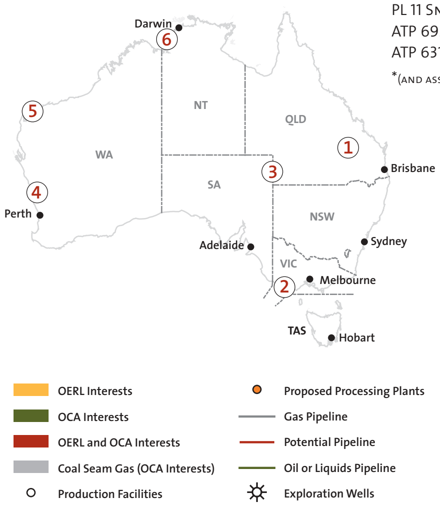
In December, Origin implemented an innovative project to reduce greenhouse gas emissions by installing advanced flaring technology at OCA's gas processing facility at Yellowbank in the Denison Trough in western Queensland. The project will save more than 700,000 tonnes of greenhouse gas emissions and will generate Emission Reduction Units (ERUs) which Origin has contracted to sell to BP for its greenhouse-offset fuel, BP Ultimate.

| PERFORMANCE BY ASSET | SALES VOLUMES (COMPARED TO PREVIOUS YEAR) | COMMENTS |
|---|---|---|
| **Cooper (South Australia/Queensland)** | 48.2 PJe (47.6 PJe) | Drilled 68 exploration, appraisal and development wells. The Cooper Basin parties are negotiating with potential customers for supply of gas beyond 2004. |
| **Surat (Queensland)** | 3.6 PJe (5.7 PJe) | Lower gas sales under contract coupled with increased gas into Newstead storage facility. |
| **Denison Trough (Queensland)** | 8.3 PJe (8.1 PJe) | Queensland Alumina Limited (QAL) demand higher. |
| **Moura (CSG) (Queensland)** | 2.7 PJe (2.4 PJe) | Increased sales into medium-term contract with Energex. |
| **Peat (CSG) (Queensland)** | 5.2 PJe (2.2 PJe) | Full year of sales into long-term BP Clean Fuels Project contract. |
| **Fairview (CSG) (Queensland)** | 0.1 PJe (nil) | Initial interest in Fairview acquired in mid-2001, and increased in February 2002 and July 2002 . |
| **Eromanga Oil (Queensland)** | 1.9 PJe (2.8 PJe) | Sale of Bodalla Block assets. |
| **Port Campbell (Victoria)** | 0.4 PJe (0.7 PJe) | Lower gas sales following shut-in of Dunbar well. |
| **Katnook/Ladbroke Grove (South Australia)** | 6.6 PJe (5.8 PJe) | Increased sales due to base loading of Ladbroke Grove Power Station. |
| **Beharra Springs (Western Australia)** | 2.1 PJe (3.8 PJe) | Lower gas sales following completion of Alcoa contract. New gas contract with Alcoa commenced in May 2002. |
| **Hovea (Western Australia)** | 0.1 PJe (nil) | Commenced production in February 2002. Shut-in in June 2002 during appraisal drilling. Full production expected in 2003. |
| **Tubridgi (Western Australia)** | 7.2 PJe (7.6 PJe) | Lower gas sales following cessation of Atlinta contract. |

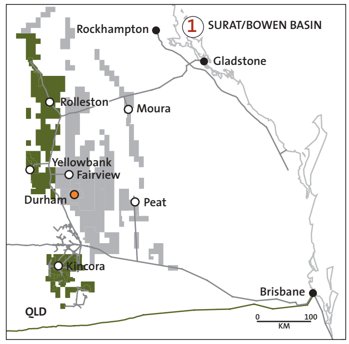
# OPERATIONS REVIEW – EXPLORATION AND PRODUCTION

| Permit Listing | Origin Energy Interest / OCA Group Interest |
|---|---|
| **ONSHORE SURAT BASIN (MAP 1)** | |
| ATP 212P* | 69.00% (Operator) |
| ATP 336P Waldegrave* | 46.25% |
| ATP 470P Redcap* | 90.00% (Operator) |
| ATP 471P Weribone | 50.64% (Operator) |
| PL 21, PL 22, PL 27, PL 64 | 87.50% (Operator) |
| ATP 470P Rolston* | 100.00% (Operator) |
| ATP 375P* | 100.00% (Operator) |
| PL 14 | 100.00% (Operator) |
| PL 30 | 75.00% (Operator) |
| PL 11 Snake Creek | 25.00% |
| ATP 692P | 50.00% (Operator) |
| ATP 631P | 78.64% (Operator) |

*(and associated PLs)

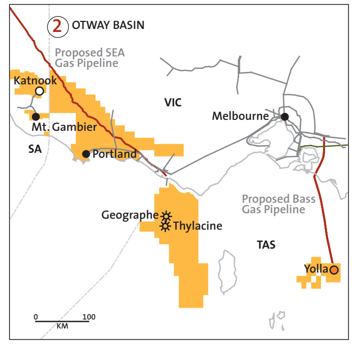







| ONSHORE BOWEN BASIN (MAP 1) | |
|---|---|
| ATP 337P, ATP 553P | 50.00% |
| PL 41,42,43,44, 45,54, 67,173 | 50.00% (Operator) |
| ATP 525P | 100.00% (Operator) |
| PL 101 | 100.00% (Operator) |
| ATP 564P | 50.00% (Operator) |
| PL 94 | 100.00% (Operator) |
| ATP 584P* | 86.78% (Operator) |
| ATP 592P* | 86.78% (Operator) |
| ATP 606P | 75.26% (Operator) |
| ATP 623P | 78.64% (Operator) |
| ATP 680P | 100.00% (Operator) |
| ATP 701P (Application)* | 99.34% (Operator) |
| ATP 602P | 100.00% (Operator) |
| ATP 526P* | 23.93% |
| PL 90,91,92,99,100* | 23.93% |

*(Initial Interest)




| ONSHORE OTWAY BASIN (MAP 2) | |
|---|---|
| PEL 27 | 100.00% (Operator) |
| PEL 32, PPL 62, PPL 168 | 75.71% (Operator) |
| PEL 57 | 50.00% (Operator) |
| PEL 66 | 70.00% (Operator) |
| PEL 72 | 62.5% (Operator) Withdrew during year |
| PEL 83 | 60.00% (Operator) |
| PEP 150 | 50.00% (Operator) |
| PEP 152 | 50.51% (Operator) |
| PEP 159 | 50.00% (Operator) |
| PEP 160 | 40.00% |
| PPL 2 EX, PPL 8 | 100.00% (Operator) |
| **OFFSHORE OTWAY BASIN (MAP 2)** | |
| T/30P | 30.00% |
| Vic/P43 | 30.00% |
| **OFFSHORE BASS BASIN (MAP 2)** | |
| T/RL1 | 37.5% (Operator) |
| T/18P | 41.40% (Operator) |

## Reserves

Origin achieved a gross increase in 2P reserves of 248 PJe for the year. The company produced 83 PJe of gas and liquids, resulting in a reserves replacement ratio (reserves/production additions) of nearly 300%. The net increase in 2P reserves after accounting for sales was 17% from 975 PJe to 1,140 PJe.

When reporting both CSG and conventional petroleum deposits, Origin and OCA use the definitions of the Society of Petroleum Engineers and the Worldwide Petroleum Congress to provide consistency and reliability in the definition of reserves.

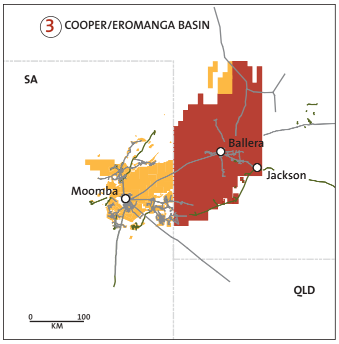
More information is required on the production characteristics of a reservoir for establishing CSG reserves than for conventional petroleum reserves. OCA therefore only includes reserves for CSG once the following critical data is acquired:

- An adequate well production history. Tests generally run from three to 12 months to provide the same level of confidence in predicting ultimate recovery per well that may be gained in conventional petroleum from a drill stem test run over a relatively short period.
- Gas content information obtained from coal cores or production data.
- Methane isotherms for assessing the gas holding capacity of the coal.
- Proximate analysis to identify coal properties such as ash content and moisture content. This is similar to parameters obtained in log analysis of conventional reservoirs.
- Consideration is given to the extent of adjacent undrilled portions of a reservoir that can be judged to be commercially productive. For proved reserves, the lateral extent is only one drilling space, while probable reserves may extend one to three drill spaces from the existing wells.

### Origin Energy's Share of 2P Reserves

| | Sales Gas PJ | LPG KT | Condensate KBBL | Crude Oil KBBL | Total PJe |
|---|---|---|---|---|---|
| **2P at 30 June 2001** | 826 | 1,105 | 11,655 | 5,427 | 975 |
| **Additions and revisions** | 220 | 89 | 528 | 3519 | 248 |
| **Production** | 73 | 74 | 668 | 563 | 83 |
| **2P at 30 June 2002** | 973 | 1,120 | 11,515 | 8,383 | 1,140 |
| **% of reserves** | 85% | 5% | 5% | 5% | 100% |
| BY BASIN/ASSET | | | | | |
| **Cooper/Eromanga Basin** | 435 | 713 | 5,898 | 3,261 | 520 |
| **Western Australian Basins** | 21 | – | 26 | 4,985 | 50 |
| **Central Queensland Basins*** | 88 | 27 | 228 | 137 | 92 |
| **Otway and Bass Basins** | 133 | 380 | 5,363 | – | 181 |
| **Coal seam gas** | 296 | – | – | – | 296 |

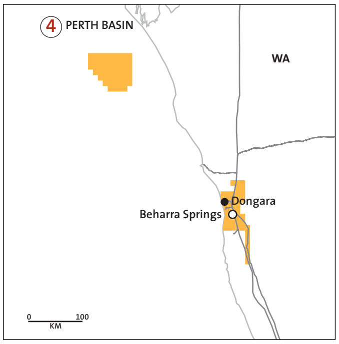
* Excludes coal seam gas areas. Reserves shown are 2P in accordance with the definitions of the Society of Petroleum Engineers and the Worldwide Petroleum Congress. OCA's reserves are included in full. Does not include 230 PJe in the Scope for Recovery category in the Thylacine and Geographe fields in the Otway Basin. Does not include 160 PJe associated with the purchase of additional CSG interests announced on 1 July 2002.




**ONSHORE COOPER/EROMANGA BASIN (MAP 3)**

| | |
|---|---|
| PPLs (ex Patchawarra East Block) | 10.54% |
| Other SA Cooper PPLs | 13.19% |
| Block CO-99E (PELA 104) (Application) | 100% (Operator) |
| SWQ Unit | 16.50% 0.24% |
| Aquitaine A,B | 25.00% |
| Aquitaine C | 27.00% |
| Wareena | 10.00% |
| ATP 633P (Application) | 50.00% (Operator) Divested pending grant |
| ATP 269P | 52.38% (Operator) Divested February 2002 |
| PL 31, PL 32, PL 47 | 72.75% (Operator) Divested February 2002 |
| PL 184 | 69.59% (Operator) Divested February 2002 |
| ATP 259P Naccowlah* | 0.50% Divested February 2002 |

*(and associated PLs)

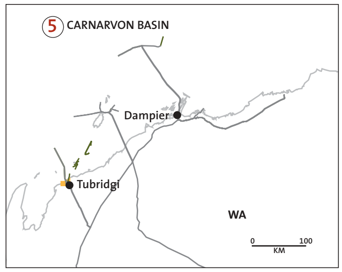



**ONSHORE PERTH BASIN (MAP 4)**

| | |
|---|---|
| L1, L2 | 50.00% |
| EP 320/L11 | 67.00% (Operator) |
| EP 368 | 15.00% |
| EP 413 | 49.189% (Operator) |

**OFFSHORE PERTH BASIN (MAP 4)**

| | |
|---|---|
| WA-226-P | 28.75% (Operator) |

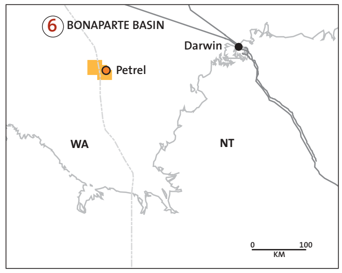



**OFFSHORE CARNARVON BASIN (MAP 5)**

| | |
|---|---|
| EP 342, TP/9 | 25.243% Divested January 2002 |
| WA-8-L | 10.00% Divested May 2002 |

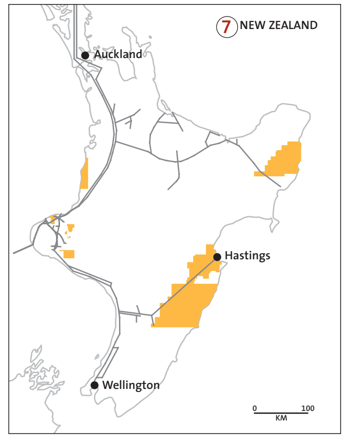
**ONSHORE CARNARVON BASIN (MAP 5)**

| | |
|---|---|
| L9 | 56.65% (Operator) |




**OFFSHORE BONAPARTE BASIN (MAP 6)**

| | |
|---|---|
| NT/RL1, WA-6-R | 5.00% |




**ONSHORE EAST COAST NEW ZEALAND (MAP 7)**

| | |
|---|---|
| PEP 38328, PEP 38332 | 37.50% |
| PEP 38330 | 22.50% |

**ONSHORE TARANAKI BASIN NEW ZEALAND (MAP 7)**

| | |
|---|---|
| PEP 38718 | 20.00% |
| PEP 38728 | 15.00% |
| PEP 38729 | 25.00% |
| PEP 38744 | 50.00% (Operator) |

**2002/2003 Potential Drilling Program**

| | NO. OF WELLS | EXPLORATION AND DEVELOPMENT COST $M * |
|---|---|---|
| **Cooper Basin** | 61 | 31 |
| **Other producing basins** | 28 | 28 |
| **Coal seam gas** | 66 | 23 |
| **Greenfields** | 9 | 31 |
| **Total** | 164 | 113 |

* Origin Energy share.

## Exploration

Origin's exploration strategy focused on gas prone areas close to markets. New discoveries were made in the onshore Perth Basin, and last year's exciting discoveries in the Thylacine and Geographe gas fields in the offshore Otway Basin were confirmed.

Including these areas, Origin drilled 10 exploration wells and one appraisal well – which yielded a 45% success rate. Three exploration wells were drilled in New Zealand – one in the East Coast Basin and two along the Taranaki Fault Zone. Unfortunately, none were commercially successful although encouraging oil shows recorded in the Makino 1 well will be followed up.

Closer to the producing areas of the Cooper Basin, Surat Basin and Denison Trough, a further 20 exploration or appraisal wells were drilled and 15 wells were drilled to explore or appraise CSG resources.

New exploration acreage secured this year included a 28.75% interest in, and operatorship of, offshore Perth Basin WA-226-P with a focus on drilling of the Morangie oil prospect in the fourth quarter 2002. Studies of gazetted acreage in the Otway, Perth, Sorell and Taranaki Basins, were also undertaken.

We continue to monitor the potential rewards from each area versus the risks taken to achieve economic success. This year, we relinquished the following areas to achieve a more-balanced portfolio:

- Otway Basin permit PEL 72.
- The remaining offshore Carnarvon Basin permit interests in EP 342, TP/9 and W-8-L.

# OPERATIONS REVIEW – Retail

Origin Energy is a leading retailer of electricity, natural gas and LPG supplying more than two million customers in all Australian states and the near Pacific.

The financial performance of the Retail business improved significantly this year. Total revenue increased by 57% to $1.9 billion, while EBITDA increased 161% to $173.5 million. The main drivers of this result were a full year's contribution from the Powercor retail business and an improved performance by LPG.

At the beginning of the year, the major challenge was to integrate the Powercor electricity retail business. This was successfully achieved and the year has ended with a similar challenge following the recent acquisition of CitiPower's electricity retail business. These two acquisitions have made Origin the second largest energy retailer with 2.1 million gas and electricity customers and a market share of 20% in eastern Australia. In Victoria, Origin has over 1.38 million customers and a direct billing relationship with more than 60% of the Victorian energy market.

Through these acquisitions, Origin has achieved sustainable competitive advantage in its retail business. This business therefore provides long-term access to markets to allow more rapid commercialisation of Origin's gas resources. The risks that electricity retailers face to volatility in wholesale electricity prices is mitigated by Origin's position in merchant generation.

The other major challenge for the year has been preparation for Full Retail Contestability (FRC) in the electricity sector. The cost to ready retail business processes and systems, and improve gas and electricity billing systems, was $108 million. The work completed for electricity is to be applied to FRC in gas when introduced in Victoria in October 2002.

Our continuing focus will be to reduce costs to consolidate Origin's scale advantage and deliver more attractive choices for customers. There were a number of achievements this year in this regard:

- The launch of a range of green electricity products offering customers the option to choose electricity produced from renewable energy sources.
- The acquisition of Gasmart appliance stores in Victoria. As well as adding over $6 million in gross margin, Origin now has a network of 38 appliance stores nationally which are being rebranded as Origin Energy Shops.
- The launch of a gas appliance service and installation business. Origin Energy 24Direct is operating in key markets and now expanding to include the service of electrical appliances.

**Since early 2001, customer numbers have increased 75% to 2.1 million.**

*The acquisition of the CitiPower retail business on 30 August 2002 added 264,000 customers to our existing customer base, including many in the Melbourne central business district.*

## Natural Gas

Natural gas is supplied to one million customers mainly in Victoria, South Australia, Queensland and New South Wales. We serve residential as well as commercial and industrial markets. Residential and commercial markets are largely weather dependent. Industrial are not.

In September 2001, FRC in Victoria was to be introduced for residential and small business natural gas customers. A 13-month delay meant the Victorian Government retained profits of $29 million for 2001/2002, and is expected to retain a further $11 million for the first quarter of 2002/2003. Profit retention by the Victorian Government will end on 1 October 2002, regardless of any future delays in FRC.

In 2001/2002 average degree days – which are an indication of heating requirements – continued to register below long-term averages. One degree per day colder or warmer than the average can impact earnings by as much as $0.05 million. In the key residential markets of Victoria and South Australia, natural gas sales remained low in the first half of the year but cooler weather during the early months of winter helped increase volumes by 1% over the previous year.

Despite the continuation of the agency fee and the milder than average winter, gross margins in this business were $96 million.

Nationally, contestable industrial customer sales of natural gas increased 10% to 55PJ. The pleasing aspect was that the increase occurred in all States, a good demonstration of Origin's ability to compete effectively in these markets.

An increase in natural gas tariffs was achieved in all non-contestable natural gas markets and was implemented at varying times during the year. In Victoria it was 2.5%; in South Australia 3.1%; and in Queensland 6.7%.

## Electricity

Electricity revenue increased by over $700 million and gross margins by over $100 million to $160 million mostly due to the acquisition and integration of the Powercor electricity retail business.

Average electricity tariffs increased 13.5% from 13 January 2002 in Victoria, resulting in a significant boost to revenues and margins. Special Power Payments made directly to customers by the Victorian Government reduced the impact of this increase on regional and rural customers.

The cool Victorian summer resulted in unseasonably low sales volumes. This effect was more than offset by a favourable mix of peak/off peak revenue and lower electricity purchase costs. The electricity business therefore provided a more favourable contribution for the year than might otherwise have been expected.

| | NATURAL GAS* | ELECTRICITY | LPG |
|---|---|---|---|
| **Revenue (A$m)** | 803 | 825 | 402 |
| **Gross Margin (A$m)** | 96 | 160 | 113 |
| **Sales (PJ)** | 118 | | |
| **Sales (TWh)** | | 8.4 | |
| **Sales (Ktonnes)** | | | 489 |
| **Total Sales (PJe)** | 118 | 30.4 | 24.1 |
| **Customers (000s)** | 986 | 582 | 209 |

* Revenue for natural gas is the gross revenue received from customers (including Retained Profit component). Gross margin is after payment of Retained Profit.


*Acquiring the Gasmart business strengthened our network of appliance stores to 38 company owned shops nationally. These will be rebranded Origin Energy Shops. Pictured is our Richmond shop in Melbourne.*

In January 2002, FRC for electricity was introduced in Victoria. Price caps which are currently maintained by the Victorian Government limit margins and have resulted in little scope for price competition. Electricity market participants were also settling in new systems in the initial period of contestability and these two factors limited customer churn during the first six months.

To maintain high standards of service in the new deregulated environment, we opened an electricity customer contact centre in Melbourne in June complementing the services to natural gas and LPG customers provided by the company's Adelaide facility. The 106 staff in the centre, many of whom joined Origin from Powercor, will handle an estimated 1.4 million enquiries in their first year of operation.

On the wholesale side of the business, Origin achieved significant reductions in the cost of electricity through the careful management of a targeted portfolio of contracts with generators and the integration of hedge contracts acquired from Powercor. The latter will provide full coverage of Origin's peak electricity requirements until June 2003.

**LPG**

LPG is supplied direct as well as through distributors, to more than 209,000 residential and business customers throughout Australia, New Zealand and the near Pacific. Origin is also an LPG wholesaler, owning and operating eight of the 12 Australian LPG import facilities. Owning strategically located infrastructure gives Origin a strong competitive supply advantage in retail LPG sales.

For the year, LPG achieved a good result – gross margins improved to $113 million, a 12% increase on 2000/2001. This result was driven by lower operating costs, improved asset utilisation and a lower contract price (CP) which fell by 23% to $443/tonne. CP is the international benchmark price for propane.

Improved debtor performance and lower stock holdings reduced funds employed in the business by $28.5 million.

The good result was achieved even though sales volumes were lower than the previous year. Lower Autogas sales contributed to half the volume reduction. GST reduced any price advantage previously enjoyed by Autogas over other fuels, significantly affecting demand. Mild winter weather influenced residential demand. Consequently, total LPG sales were down 17% to $402 million.


*Customer Service Advisor, Ben Corfee, is part of a team that will answer an estimated 1.4 million customer enquiries during the first 12 months of operation at our newly opened Melbourne Customer Contact Centre.*


*The LPG business recorded an improved result following the integration of the wholesale, retail and distribution functions under a single management structure. This business serves over 209,000 customers through reticulated networks, on site deliveries and distributors.*

Origin is the major supplier of LPG in the Pacific region. A decline in tourism after September 2001 and continued political unrest reduced sales, however, due to a favourable exchange rate and lower operating costs, the shipping fleet – which delivers gas to Papua New Guinea, the Pacific Islands and New Zealand – increased contributions.

The LPG business will continue to focus on business efficiency improvements and disciplined margin management to effectively manage price fluctuations and competition from alternate fuels and fuel suppliers.

**Clean Energy Products**

We are now operating in an environment increasingly constrained in its ability to absorb greenhouse gases (particularly $CO_2$) without unacceptable environmental impacts. As a major producer and retailer of energy, Origin is committed to decreasing the carbon intensity of our activities and to provide our customers with better choices to reduce the carbon intensity of their energy use.

This year, we achieved good progress with our clean energy product range. Significant developments included:

- The launch of a range of green power products sourced from renewable energy generators. Origin's Green Earth electricity products were ranked as market leaders by an influential consortium called Green Electricity Watch, which is made up of nine key environmental groups.
- The launch of a new solar photovoltaic retail business. Origin is now one of Australia's leading grid connected solar providers. See the Generation section on page 21 for more details.
- Securing a two-year contract to partner the NSW Sustainable Energy Development Authority (SEDA) to assist major industrial companies reduce their energy consumption with its associated cost and environmental savings.
- A new automotive refrigerant, R134a+, which has no effect on the ozone layer. This product was released to meet summer peak demand. Sales increased rapidly to more than 50% of the year's total refrigerant gas sales. Following this success another new environmentally friendly refrigerant, 34m, has been launched for commercial and transport refrigeration.

*Origin's unprompted brand awareness doubled in Victoria this year due to marketing activities promoting our range of product and service choices including the Smooth Choice payment plan, Origin Energy Shops and Green Earth electricity.*

**Origin's Green Earth renewable electricity products were ranked as market leading by an influential consortium of nine environmental groups.**

# OPERATIONS REVIEW – Generation

Origin Energy has a portfolio of gas-fired generation comprising merchant plant where power is sold at current wholesale prices, and contracted plant where power is sold under long-term power purchase agreements. Installed capacity increased by 70% to 598 MW this year. Sales revenue increased by 49% to $63 million. EBITDA rose 22% to $30.4 million.

Contributing strongly to the solid result was our newly acquired 50% interest in the South West Cogeneration Joint Venture, and the commissioning of the Quarantine Power Station in South Australia.

### Merchant Plant

Origin's merchant plants are dispatched when demand for electricity drives wholesale prices above the marginal operating cost of the plant.

Merchant operations were boosted by the 95 MW Quarantine Power Station that was completed as planned and under budget in December 2001 – in time for the peak summer period. However, initial earnings were below projections, due to South Australia's coolest summer on record. Wholesale prices over the peak earning periods were 43% lower in South Australia and down 13% in Queensland.

Demand for peak electricity is forecast to rise by 11,000 MW this decade, a 30% increase over existing capacity.

Gas-fired power is the preferred choice for meeting growth in peak demand. Gas is available close to markets for peaking generation, and gas-fired power plants can be brought on line quickly.

As Australia's leading developer and operator of mid-sized merchant peaking plants, Origin is well positioned in key southern States to meet these demands where we can gain maximum leverage from Origin's portfolio of gas supply and transportation arrangements. On a hot summer day, gas is used to meet increased demand for peak electricity to power air conditioners while, in winter, gas is the preferred fuel for heating households and businesses. Our merchant plants also provide a natural hedge against the volatility in wholesale prices which impact on Origin's retail business.

### Contract Plant

The cogeneration or contract plants operate as base load capacity producing steam and electricity with all the output contracted for sale. Contract plants deliver steady earnings as opposed to the more uncertain, but potentially higher margin output from peaking plants.

This year, our contract portfolio was boosted by the purchase of Fletcher Challenge South West Cogeneration, which holds a 50% interest in the 120 MW natural gas-fired cogeneration project at the Worsley Alumina Refinery near Bunbury. This is Origin's first major generation asset in Western Australia and will provide important insights into this market.

The Worsley Refinery produces 3.1 million tonnes of alumina per annum and is just one of several opportunities for gas-fired power generation in Western Australia. With our recent gas discoveries in the Perth Basin, the opportunities for establishing Origin's integrated energy position in Western Australia are significant.

Origin's cogeneration plant at BP's Bulwer Island Refinery in Queensland experienced disappointing availability during the first half of the year. Plant performance improved in the second half after a remediation plan was implemented in collaboration with the original equipment manufacturer, Alstom, and third party experts.

#### Origin Energy's Merchant Plants

| DESCRIPTION | MEASURE | LADBROKE | QUARANTINE | ROMA |
|---|---|---|---|---|
| **Origin's Share** | % | 100 | 100 | 100 |
| **Capacity** | MW | 80 | 96 | 74 |
| **Capacity Factor 01/02*** | % | 72 | 10** | 3 |
| **Average price received** | $/MWh | 31.23 | 97.19 | 193.51 |

* (Total annual energy sent out (MWh) x 100%) / (Total installed plant capacity (MW) x 8760 hours)
**Adjusted to reflect half year of operation.

Contracts were concluded for the design, construction, operation and maintenance of the Toowoomba and Baillie Henderson Hospitals' energy centres in Toowoomba. These centres will deliver electricity, steam, and hot and chilled water to each hospital.

**Renewable Generation**

A small but growing amount of Australia's electricity is generated from renewable energy sources such as wind, solar and hydro power.

The company is well positioned to join the growing renewable electricity market, establishing monitoring on several attractive wind power sites in South Australia.

Following the launch of a new solar photovoltaic retail business, Origin is now one of Australia's leading grid connected solar providers.

**Origin Energy Solar**

Origin launched Origin Energy Solar in February 2002 in the Victorian and South Australian markets to further enhance our clean energy offerings to customers.

Origin Energy Solar is a simple, reliable and environmentally friendly energy source that allows customers to harness the energy from the sun to power homes or businesses with solar photovoltaic (PV) panel systems.

Once installed, the PV panel systems generate electricity for the premises and feed the excess energy back into the electricity grid.

Early signs of customer interest in solar PV systems are encouraging with Origin capturing more than 50% of the grid connect market in Victoria. We were also awarded a contract, in conjunction with BP Solar, to supply and install solar panels at the Queen Victoria Markets in Melbourne and will partner the South Australian Museum to build the 'North Terrace Solar Power Station' in Adelaide.

Solar technology is well proven and the market is growing worldwide at over 30% per year. While today, the cost of solar power is still high compared with traditional grid supplied electricity in Australia, new production technology and increased global production is reducing unit costs quickly.

Since 1998, Origin has invested $6 million in research and development in new production technologies for solar cells and power inverters to deliver an improved solar module. During the year, we received a grant of $1 million under the Federally-funded Renewable Energy Commercialisation Plan, to support the construction of a pilot plant to manufacture solar cells using this new technology.

*Origin's Quarantine Power Station located at Torrens Island, South Australia opened ahead of schedule and within its construction budget in December 2001.*

*Origin leads the market in Victorian residential solar power installations, demonstrating our commitment to invest in and promote clean energy.*

# OPERATIONS REVIEW – Networks

Infrastructure asset management through Origin Energy Asset Management (OEAM), and a 19.1% stake in listed company Envestra, are the core of Origin's Networks business.

The combination of distributions from Envestra and an increase in South Australian and Queensland management fees from 2.5% to 3%, contributed to a steady increase in performance this year. EBITDA of $22.9 million is up 4% on last year.

Our performance highlights included:

- More than 22,000 new natural gas consumers were connected to the networks under management. Better than expected growth in housing assisted this strong performance. In addition, approximately 290 km of new mains were laid and 140 km of existing mains were replaced.
- Efficiency improvements resulted in the receipt of $1.5 million in incentive fees from Envestra.
- Process design and network systems development was commenced in preparation for implementation of Full Retail Contestability in Victoria.

Increasing the utilisation of networks under management is high on the agenda for the coming year. Extensive promotion to encourage the installation of natural gas for heating, hot water, cooking and manufacturing processes will be continued as well as further efficiency improvements.

New business opportunities were evaluated during the year. Some new clients were gained and OEAM continues to expand its infrastructure management services into markets where there are clear synergies with the existing business.

| NETWORKS UNDER MANAGEMENT | 2000/2001 | 2001/2002 |
|---|---|---|
| Total Gas Delivered (PJ) | 107 | 114 |
| Total Consumers (000s) | 865 | 883 |

**SEA Gas Pipeline**

The 680 km SEA Gas underground pipeline from Port Campbell in Victoria to Adelaide, South Australia is progressing well.

In September 2002, TXU joined International Power and Origin Energy to become an equal equity participant in the SEA Gas pipeline. The project has been expanded to provide up to 125 PJ per annum and will cost approximately $500 million.

SEA Gas expects gas will begin to flow to SA in late 2003, with the pipeline in commercial operation by January 2004. Natural gas will initially be produced from two offshore Victorian gas fields – Minerva and Yolla. The pipeline will also expedite the development of Thylacine and Geographe gas fields through assured access to the South Australian and the Victorian gas markets.

The initial capacity of the pipeline has been fully booked by the project participants, and Origin has entered into long-term agreements to transport up to 35 PJ per annum of gas via the pipeline.

**To maintain our equity in Envestra, Origin acquired an additional 17.4 million shares as part of a private placement at a cost of $15.2 million. Distributions increased from 9.25 to 9.50 cents per share.**

*During the year, more than 22,000 new natural gas consumers were connected to the networks managed by Origin Energy Asset Management. Better than expected growth in housing assisted this strong performance.*

**People**

Origin Energy has a diverse workforce spread across all States and Territories of Australia and countries in the near Pacific region.

As a consequence of Origin's growth, our challenge was to effectively integrate new staff through training and application of core systems for managing performance, remuneration, health, safety and the environment. The integration program will continue in the coming year as 154 new staff join Origin from CitiPower.

We are committed to attracting and retaining the best team of people possible and, in line with this, we reviewed our employment and remuneration system to ensure it remained appropriate in the current market. This led to improvements being introduced including arrangements for salary continuance insurance and harmonisation of provisions for paid maternity/paternity leave and accrual of long service leave.

The Employee Share Plan (ESP), introduced in May 2001, provided an award of up to $1,000 worth of shares to eligible employees provided the company met set financial and safety improvement targets. These performance targets were achieved. The ESP was successfully rolled out to all eligible employees in Australia, New Zealand and near Pacific countries.

For a majority of Origin's employees, superannuation was invested in funds managed through Boral superannuation arrangements. A new provider, **equip**super, was appointed and funds were transferred with effect from 31 March 2002. **equip**super was already managing superannuation for Origin employees who had previously been with Powercor, Energy 21 and Stratus Networks.

**Health, Safety and Environment Management System**

Origin is implementing a Health, Safety and Environment (HSE) Management System that focuses on identifying and controlling risks through risk-based management plans and by ensuring that people held accountable for the management of these plans have the necessary skills to fulfil their responsibilities.

Origin operates through more than 250 sites and activities that require the implementation of management plans to control risks.

A dedicated effort in applying the principles of risk management resulted in approximately 40% completion of the process of reviewing and developing detailed HSE management plans. The remaining plans will be completed in the current year.

*Origin is committed to attracting and retaining the best team of people possible, while providing a safe working environment. Pictured is an Origin Energy Asset Management employee at work maintaining Adelaide's natural gas network.*

**Due to Origin's strong growth this year, our employee numbers increased more than 20%.**

A skills analysis was undertaken for employees accountable for, and involved in, higher risk activities. This led to the development of training and development plans, supporting skills requirements and more relevant position descriptions. The process involved significant skilling of Origin's workforce with over 28,000 hours of training involving 1,400 employees and contractors. This work will continue to include coverage of all employees.

To ensure incentives are appropriately aligned to the company's performance, key HSE performance indicators are linked to the relevant individuals who are directly responsible for doing the work. In addition, 50% of targets for the Employee Share Plan were based on our improvement in safety performance.

**Health, Safety and Environment Performance**

Origin had a significant improvement in the number of lost time injuries (LTI) with a reduction from 21 last year to 14 – a 33% improvement. More notable was the LTI Frequency Rate (lost time injuries per million hours worked), which improved from 4.9 to 3.0 for the year – a 39% improvement. The injury severity as measured by hours lost increased from 927 to 1,207 hours lost per million hours worked, representing 0.02% of the total hours worked.

The company continued to operate all its onshore and offshore operations without any major breach of legislation, and in accordance with licence conditions.

Origin is to appear before the Magistrates Court of Victoria, after being charged with failing to provide a safe working environment, following a 1999 incident in which an employee of a subcontractor working for Origin was injured. Origin will contest the charge.

This past year, some minor events of higher than permitted NO$_X$ levels were experienced in Generation assets in South Australia and there were three minor hydrocarbon spills that required reporting to the regulatory authorities. In all cases, no serious harm to the environment occurred.

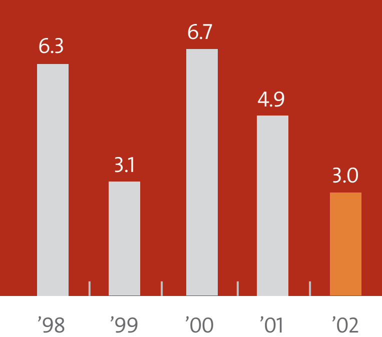
Under Australian law, the company is required to report on upper limits on releases of certain allowable chemicals. Total emissions were within the allowable limits during the year.

**Environmental Legacy**

Prior to the reticulation of natural gas, town gas was manufactured from coal on some Origin sites from as early as the mid 1800s. Origin owns or leases 15 sites in South Australia, Queensland and Tasmania affected by residual contamination from gas manufacturing by-products. In 2001, a detailed external audit was completed and we have developed a comprehensive environmental plan for the containment or remediation of these sites. Audit recommendations have been or are in the process of being implemented, and a provision of $23 million is set aside for planned remediation, monitoring and forward assessment of these sites.

**The safe, efficient and professional operation of our company is regarded as central to the success and reputation of our business.**

LOST TIME INJURIES FREQUENCY RATE IMPROVED BY 39%



A Development Master Plan for a contaminated site at Newstead has been submitted to the Brisbane City Council for approval. A Remediation Action Plan is now being finalised to allow work to proceed on remediation and development of the site.

In-principle approval has been received from the Tasmanian Department of Primary Industry, Water and the Environment (DPIWE) for a Launceston site remediation plan. The plan is to stabilise and build an onsite containment cell for some of the contaminants with the remaining liquid tar-based products used as a fuel source for a local manufacturing process. This is the best overall environmental solution and is being done with strict oversight of the air emissions by the DPIWE.

**Community Engagement**

During the year, Origin continued its major community sponsorships with the World Wide Fund for Nature (WWF), the SA Museum and the Arts. Wherever possible, Origin moved its focus to activities featuring constructive community engagement and staff involvement rather than traditional brand recognition, such as:

### The Arts

Origin has been a strong supporter of the Melbourne Theatre Company and the State Theatre companies of South Australia and Queensland as well as Hobart's Federation Concert Hall. Origin refocused its activities with the Melbourne Theatre Company and State Theatre Company of South Australia by sponsoring their student education programs.

### South Australian Museum

In addition to supporting the Origin Energy Fossil Gallery, we now also sponsor the Museum's student education programs which include a comprehensive website for online student projects and access to the Gallery.

### World Wide Fund for Nature

Origin has developed a program as part of its ongoing sponsorship of the WWF. Over the past 12 months, Origin staff were involved in a variety of activities on the importance of biodiversity, active involvement in conservation projects and fundraising for habitat projects.

### Online Education Projects

Origin worked with a number of Victorian-based statutory authorities to produce two interactive self-audit websites which help consumers reduce their energy usage and costs, as well as improve home safety around gas and electrical appliances.

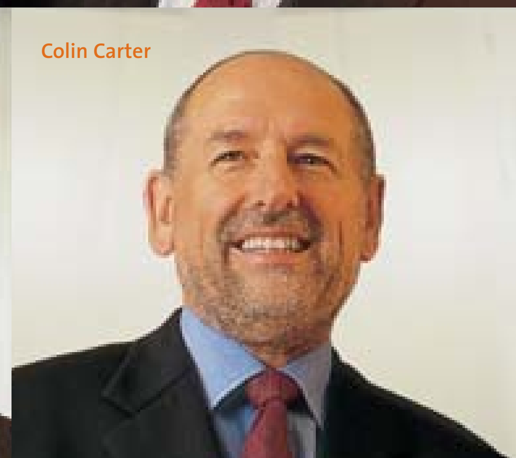
The sites provide constructive hints and tips for our customers nationally, and can be accessed at www.originenergy.com.au

*Marathon swimmer and safety ambassador, Tammy van Wisse, and Melbourne Metropolitan Fire Brigade Director of Community Safety, David Nicholson, use the Origin Energy Home Safety assessment calculator on potential gas and electrical risks around the home.*

*Origin's WWF Staff Ambassadors program allows employees to learn about biodiversity, conservation and habitat. South Australian staff visited Noarlunga Beach to learn about the protection of marine environments.*






# THE BOARD

**Mr Trevor Bourne**

**Non-executive Director**
**Aged 56**

Mr Bourne joined the Board in February 2000. He is Chief Executive Officer of Tenix Industries, Australia's largest defence and high technology contractor. Previously Managing Director of Brambles Australia, Mr Bourne also held a number of Directorships in various Brambles subsidiaries and joint ventures. Mr Bourne has a Mechanical Engineering degree (with Merit) and a Masters of Business Administration.

**Mr H Kevin McCann**

**Chairman**
**Aged 61**

Mr McCann joined the Board and was appointed Chairman in February 2000. Mr McCann is Chairman of Allens Arthur Robinson and practises as a commercial lawyer, specialising in mergers and acquisitions, mineral and resource law, and capital market transactions. He is Chairman of Healthscope, Macquarie Communications Infrastructure Group, Triako Resources and Sydney Harbour Federation Trust, and a Director of Macquarie Bank and BHP Steel and other public and private companies. He is also a member of the Takeovers Panel. Mr McCann has an Arts degree, a Law degree (Honours) and a Masters in Law and is a Fellow of the Institute of Company Directors in Australia.

**Mr Grant A King**

**Managing Director**
**Aged 47**

Mr King was appointed Managing Director of Origin Energy at the time of its demerger from Boral in February 2000 and was Managing Director of Boral Energy from 1994. Prior to joining Boral, Mr King was General Manager AGL Gas Companies. He is Chairman of Oil Company of Australia, a Director of Envestra, a Councillor of the Australian Petroleum Production and Exploration Association and a past Chairman of the Australian Gas Association. He has a Civil Engineering degree and a Masters of Management.

**Mr Bruce G Beeren**

**Executive Director, Commercial**
**Aged 53**

Mr Beeren joined the Board in March 2000. With over 25 years experience in the energy industry, Mr Beeren was establishment Chief Executive Officer of VENCorp and held a number of senior management positions at AGL, including Chief Financial Officer and General Manager, AGL Pipelines. Mr Beeren has a Science Degree, a Bachelor of Commerce and a Masters of Business Administration. He is a Fellow of CPA Australia, and the Institute of Company Directors in Australia, and is a Director of Envestra and **equip**super.

**Dr J Roland Williams CBE**

**Non-executive Director**
**Aged 63**

Dr Williams joined the Board in February 2000. He retired in June 1999 as Chairman and Chief Executive of Shell Australia. He is Chairman of Australian Magnesium Corporation, a Director of Boral, United Group and a Council member of the Australian Strategic Policy Institute. Dr Williams holds a Chemical Engineering degree and a Doctorate of Philosophy.

**Mr Colin B Carter**

**Non-executive Director**
**Aged 59**

Mr Carter joined the Board in February 2000. Previously a management consultant at The Boston Consulting Group, Mr Carter is now a Senior Advisor to the firm and is leading a global research project into corporate governance. Mr Carter is also a Commissioner of the Australian Football League and currently holds directorships of Melbourne 2006 Commonwealth Games, and several not-for-profit organisations. He has a Commerce degree and a Masters of Business Administration.

# SENIOR EXECUTIVES

## John Piper

**Executive General Manager**
**Oil and Gas Production**
Aged 56

Responsible for oil and gas production activities and exploration in areas where Origin Energy has established production. Previously Managing Director of Oil Company of Australia (1990-95), General Manager of Brisbane Gas Company (1981-83) and General Manager and Director of Gas Corporation of Queensland (1983-90). Fellow of the Australian Institute of Company Directors and Australian Institute of Petroleum. Bachelor of Commerce degree, University of Queensland.

## Robbert Willink

**General Manager**
**Exploration**
Aged 49

Responsible for greenfields exploration since 1995. Previously Exploration Manager at SAGASCO Resources (1988-95). Former Petroleum Geologist with Shell in Australia, Oman and Turkey and Senior Lecturer in Petroleum Geology at University of Adelaide (1997). Bachelor of Science degree (Honours), University of Tasmania; Doctorate in Philosophy (Geology), Australian National University.

## Karen Moses

**Executive General Manager**
**Wholesale and Trading**
Aged 44

Responsible for the wholesale supply of natural gas, electricity and LPG for sale by Origin Energy's retail businesses; energy sales to wholesale customers; the management of risks associated with commodities bought and sold by Origin and assessment of the long-term strategic risk. Also responsible for LPG operations in Australia, New Zealand and the Pacific. Previously held development and trading roles in the Exxon Group (1983-94). Economics degree and Diploma of Education, University of Sydney.

## Peter Vines

**Executive General Manager**
**Retail**
Aged 52

Responsible for natural gas and electricity retailing nationally including marketing, sales and customer service. Joined Origin Energy in June 2001. Previously Executive Director, Powercor Australia. Former Vice-President, International Development, with Pacific Corp. Inc., in the United States. Led its original acquisition of Powercor and its interest in Hazelwood Power in Australia. A Civil Engineer, holds Commerce degree and Masters of Business Administration, Deakin University.

## Andrew Stock

**Executive General Manager**
**Generation**
Aged 50

Responsible for developing and operating the generation business including power generation and cogeneration; managing the Clean Energy Advantage product range; and contracting gas and transportation services including development of the SEA Gas pipeline project. Previously held senior commercial and operations management roles in industrial energy marketing, oil and gas developments, and petrochemical industries. President of the Australian Business Council for Sustainable Energy. Fellow of Institution of Engineers, Australia. Chemical Engineering degree (Honours), University of Adelaide.

## Robert Tardif

**General Manager**
**Asset Management**
Aged 50

Responsible for infrastructure management services since 1997. Previously General Manager, Adelaide Region (1995-97), Group Manager Distribution, SAGASCO (1987-95). Held various engineering and operational positions at Mobil Oil from 1975 to 1987. Chemical Engineering degree, University of Adelaide.

## Bruce Beeren

**Executive Director**
**Commercial**
Aged 53

Responsible for the finance, procurement and IT functions, investor relations, planning and development. Formerly Chief Executive Officer of VENCorp and held senior management positions at AGL, including Chief Financial Officer and General Manager, Pipelines. Science degree, Bachelor of Commerce and Masters of Business Administration from University of New South Wales. Fellow of CPA Australia, and the Institute of Company Directors in Australia. Director of Envestra Limited.

## Frank Calabria

**Chief Financial Officer**
Aged 34

Responsible for the finance function. Joined Origin Energy in November 2001. Previously held senior finance positions with Pioneer International Limited, Hanson plc and Hutchison Telecommunications. Bachelor of Economics degree from Macquarie University, Associate of the Institute of Chartered Accountants of Australia and Securities Institute of Australia.

## William Hundy

**Company Secretary**
Aged 44

Responsible for the company secretarial, legal and insurance functions. Joined Origin Energy in July 2001. Previously Company Secretary of Email Limited and Placer Pacific Limited. Law and Economics degree, University of New South Wales. Fellow of the Chartered Institute of Secretaries, Australian Institute of Company Directors and Institute of Corporate Managers.

## John Hayward

**General Manager**
**Human Resources, Health, Safety and Environment**
Aged 47

Responsible for human resources and the company's health, safety and environment management system. Formerly Commercial Analyst (1989-90) and Commercial Manager (1990-94) with SAGASCO. Before that worked in the Reservoir Engineering and Planning Departments of PetroCanada (1984-88). Chemical Engineering degree (Honours), University of Waterloo (Canada).

## Anthony Wood

**General Manager**
**Public and Government Affairs**
Aged 51

Responsible for corporate relationship with governments, the media and the community since June 2001. Previously General Manager, Retail. Held several positions with the ICI group (1976-94) including General Manager of dangerous goods transport company and Incitec subsidiary, Chemtrans. Masters degree in Science (Physical Chemistry), University of Queensland. Post-Graduate diploma in Business Administration, Queensland Institute of Technology.

# Origin's Board and management are committed to acting responsibly, ethically and with the highest standards of integrity as the company strives to create shareholder value.

To achieve this requires sound corporate governance practices and policies that have been adopted by the Board and implemented throughout all levels of management.

**Responsibilities of the Board**

Your Board is accountable to shareholders, customers and the community for the performance of the company.

The specific functions and accountabilities of the Board include:

- Appointing the Managing Director and monitoring the performance of the Managing Director and senior management.
- Approving budgets, policies and the strategic direction of the company and ensuring that these are followed.
- Approving major investments and monitoring the return of those investments against projections.
- Overseeing the remuneration, development and succession planning for the Managing Director and senior management, and ensuring that appropriate human resource management systems are in place.
- Ensuring appropriate risk management systems are established and reports on performance are regularly reviewed.
- Overseeing the company's commitment to sustainable development, the environment and the health and safety of its employees, contractors, customers and the community.
- Reviewing and approving the company's compliance systems and corporate governance principles.
- Ensuring that the company provides continuous disclosure of information to the investment community, and that shareholders have available all information they reasonably require to make informed assessments of the company's prospects.

**The Work of the Board**

The Board delegates responsibility for the actual conduct of the company's businesses to the Managing Director, but remains responsible for the performance of management.

The full Board meets regularly and on at least 10 days each year including a strategic planning session over a two-day period. If required, the Board will meet at other times by telephone conference or other agreed means to deal with urgent matters. For each scheduled Board meeting, Directors receive comprehensive Board papers in advance.

In any month when there is no meeting, they receive the company's monthly divisional operating reports, health, safety and environment reports and reports from the Chief Financial Officer. Senior management will regularly attend Board meetings to report on particular matters and communicate directly with Directors.

In conjunction with or in addition to scheduled Board meetings, the non-executive Directors meet together without the presence of the management or the executive Directors to discuss company matters.

The Board has arranged a program of site visits over the year to further Directors' understanding of the company's activities and enhance communication with management.

**Composition of the Board**

The Board of Directors comprises four non-executive Directors and two executive Directors being the Managing Director and the Executive Director, Commercial.

The Chairman is a non-executive Director appointed by the Board. The Constitution requires the Board to determine the number of Directors, which should be not less than five and no more than 12. The size of the Board has been set in accordance with the Constitution at six Directors.

**Board Member Selection Criteria**

The whole Board decides the selection of members of the Board.

In considering membership of the Board, Directors take into account the appropriate skills and characteristics needed by the Board to maximise its effectiveness and the blend of skills, knowledge and experience necessary for the present and future needs of the company. It is policy to have a majority of non-executive Directors on the Board. The current Board provides a broad range of expertise covering technical, commercial, financial, legal and operational management with all members bringing the benefits of experience from other boards, companies and industries.

Origin's Constitution provides for new Directors appointed by the Board to stand for election by the shareholders at the following Annual General Meeting and for all Directors, other than the Managing Director, to stand for re-election every three years. An election of Directors is held at every Annual General Meeting.

The Board has instituted a program to review the performance and operations of the Board. If appropriate it will seek the assistance of external facilitators to undertake the review and provide recommendations to the Board.

**Remuneration of Non-Executive Directors**

In accordance with the company's Constitution, shareholders have approved the aggregate for Director fees of $650,000 in 1989. The actual amount paid in 2002 was $385,025. The payment of non-executive Directors' fees within the limit set by shareholders is reviewed annually using external data and advice to ensure that such fees are reasonable and consistent with market norms.

Board fees were last reviewed with effect from 1 July 2001. For the past year the Chairman's fees were $150,000 and $60,000 for other Directors.

The Chairman and non-executive Directors receive additional fees for their work on Board committees. The additional fee for Remuneration Committee Chairman is $10,000 and $5,000 for a member. The additional fee for the Audit Committee Chairman is $15,000 and $7,500 for a member.

Non-executive Directors are entitled to a retirement benefit under a retirement benefit scheme that was approved by shareholders in 1989. Under the scheme, non-executive Directors are entitled to a retirement benefit that is equal to one third of average yearly fees paid by the company to the Director during their period of service as a Director or the last three years (whichever is the lesser) for each completed year of service or part thereof up to a maximum of five times if the Director has served 15 years or longer.

Superannuation may be paid by the company in addition to fees at the minimum superannuation guarantee levels. Contributions made by the company to superannuation for Directors are deducted from the retirement benefit.

At year-end, the retirement benefit entitlement of each non-executive Director was:

| | |
|---|---|
| H K McCann | $112,933 |
| T Bourne | $37,390 |
| C B Carter | $35,373 |
| J R Williams | $46,148 |

**Resources Available to the Board**

Directors have the right of access to company employees, advisors and records.

In relation to their duties and responsibilities, Directors have access to the advice and counsel of the Chairman and the Company Secretary, and have the right to seek independent professional advice at the company's expense if required after prior consultation with the Chairman.

As approved by shareholders, the company has entered into deeds of access with each Director giving them a right of access to all documents that were provided to them during their time in office for a period of seven years after ceasing to be a Director.

**Board Committees**

### Audit Committee

This Committee consists of two non-executive Board members:

Chairman: Dr R Williams (appointed February 2000)
Member: Mr H K McCann (appointed February 2000)

The Chairman of the Audit Committee may not be Chairman of the Board of Directors. Both internal and external auditors attend the meetings together with the Managing Director and Executive Director, Commercial. The Committee meets a minimum of four times a year. An agenda for each meeting is prepared with comprehensive papers circulated to the committee members before each meeting.

The Audit Committee operates under a Charter which has been approved by the Board. The Charter addresses functions and processes of the Committee and the key responsibilities, accountabilities and entitlements of the Committee, including the following:

- reviewing the management of financial reporting and all financial information distributed externally;
- reviewing management of financial risk;
- reviewing compliance with corporate policies, controls and delegated authorities and laws and regulations;
- approving an effective and efficient audit program;
- considering the independence of the auditor and the level of non-audit services provided by the audit firm; and
- approving the internal audit program.

The Charter requires that it be reviewed as to its adequacy each year.

Prior to announcement of results the Audit Committee reviews the half yearly and annual reports, and makes recommendations to the Board on the adoption of financial statements and reports. The Committee gives the Board additional assurance regarding the quality and reliability of financial information for use by the Board or inclusion in its financial reports.

The Committee makes recommendations to the Board on external auditor appointments and fees.

The Committee also reviews the performance of the internal audit function, which is currently outsourced to PricewaterhouseCoopers, and makes appropriate recommendations to the Board on appointments and fees.

The internal auditor and the external auditor have direct access to the Chairman of the Audit Committee and, if necessary, the Chairman of the Board. The Audit Committee meets with the external auditor and internal auditors without management present at each scheduled committee meeting.

### Health, Safety and Environment Committee

In recognition of its obligations and commitment to health, safety and the environment, this Committee is comprised of the full Board. A report on health, safety and environment (HSE) is made to each Board meeting and the HSE Committee meets separately on two occasions each year to undertake a comprehensive review. The Committee seeks to establish, maintain and monitor practices that protect employees, contractors and the general public as well as achieving best standards in sustainable environmental management.

### Remuneration Committee

Two independent non-executive Directors make up this Committee:

Chairman: Mr T Bourne (appointed February 2000)
Member: Mr C B Carter (appointed February 2000)

The aims of the Committee are to ensure that the remuneration policy is consistent with market practice and that the company is able to attract, develop and retain its people. As required by the Committee, the Managing Director is invited to attend meetings to discuss senior executives' performance and remuneration.

The remuneration of the Managing Director and senior executives is reviewed annually by this Committee, which considers the performance of both the company and the individual. Recommendations are made to the Board in this regard.

The Committee oversees and monitors the company's policies on remuneration including:

- general remuneration practices;
- performance management;
- share plans and incentive schemes;
- superannuation; and
- recruitment and termination.

**Executive Remuneration**

The Board is responsible for ensuring that executive remuneration is fair and reasonable, having regard to the need to attract, retain and develop talented people and deliver value to shareholders. Origin's remuneration policies seek to achieve these aims.

Remuneration for senior executives comprises both fixed remuneration and incentives. The incentives are based on a combination of the company's results and individual performance levels. Short-term incentives paid are dependent upon the achievement of operating and financial targets set at the beginning of each year. Long-term incentives have included a shareholder approved Senior Executive Option Plan under which options have been awarded to key executives as a reward for performance during a year and as an incentive for future performance.

Under the Senior Executive Option Plan, options have been issued with an exercise price equal to the market value at the date of approval. These options cannot be repriced, cannot be exercised before three years after the grant, expire after five years and cannot be exercised unless specific performance hurdles are met. The total number of shares under options cannot exceed 5% of the issued capital of the company at any time. Non-executive Directors are not entitled to receive any options and any decisions relating to the issuance of options is decided by those Directors that do not receive options under the plan. Details of options issued under the rules of the Senior Executive Option Plan including details of performance hurdles are provided in the Directors' Report on page 33.

During the year, the company issued 3,495,000 options at an exercise price of $3.20 and 495,000 at an exercise price of $2.74. It is estimated that the cost of options based on the US standard of valuation (FAS123) would result in an expense of $1.2 million in the current year which was not recognised. At year end, the number of options held by executives was 1% of the issued capital.

The Board has decided that the future operation of the option plan will be suspended while it considers the form of future long-term incentives that achieve the company's remuneration objectives and best delivers value for shareholders.

Details of key executive remuneration are shown on page 34 of this report and set out the value of options issued to those executives.

### Employee Share Plan

The Board has also approved an employee share plan that can award up to $1,000 worth of shares to every eligible employee of the company. The shares are awarded if certain safety and financial objectives, as determined by the Board each year, are met. The Board believes that this scheme is a key incentive for employees and has served to align the entire workforce of the company with shareholders. Last year under the plan, a total of 629,145 shares were issued. The cost of these shares based on the US standard would have amounted to $1.9 million.

**Auditor**

The Board regards the role of the auditor as a key protection of shareholders' interests and believes that the auditor's independence is vital in ensuring that the company's reports are true and fair and meet the highest standards of financial integrity.

In the past year, the Board has reviewed existing policies for ensuring the quality and independence of the external auditor and has satisfied itself that the auditor has been and remains independent. The independence of the auditor is maintained and enhanced by policies and practices that have been adopted by the company which include the following:

- The audit partner is to be rotated every seven years.
- The auditor reports to the Audit Committee on the audit and non-audit services provided and fees relating to those services.
- The auditor provides written confirmation in its report to the Audit Committee of its independence as a statutory auditor of the company.
- The Audit Committee considers the impact of non-audit services on the quality and independence of the audit and reports to the Board on any independence issues.
- Employment, financial or extraneous business relationships between the company and the audit firm and any associates of the audit firm are prohibited.
- The Audit Committee reviews the terms of the audit engagement each year and recommends the auditor appointment and remuneration to the Board.

Principal taxation and legal advice is not provided by the audit firm. Non-audit services provided by the auditor relate generally to taxation acquisition, audit and accounting advice, all of which assist the auditor in forming its independent audit opinion. Non-audit services provided by the audit firm do not involve partners or staff acting in a managerial capacity for the company.

The fees paid to the auditor for the year ended 30 June 2002 were as follows:

| | |
|---|---|
| • Audit | $683,000 |
| • Taxation advice | $126,000 |
| • Acquisition audit and accounting advice | $470,000 |

Audit and accounting advice was provided by the auditor during the year in relation to the acquisition of the Powercor and CitiPower electricity retail businesses.

To ensure the integrity of the company's financial reporting the Audit Committee has considered the level of non-audit services provided by the auditor and has determined that those services provided by the auditor are not incompatible with the maintenance of the auditor's independence.

The company's current auditor, KPMG, was appointed by shareholders in 1985. The audit engagement partner, Mr David Rogers, has managed the company's audit since February 2000 and is due for rotation in 2007.

**Dealings by Directors and Management**

The Board has adopted a policy that Directors should not engage in short-term dealings in securities of the company.

The policy precludes Directors and executive officers of the company and its subsidiaries from dealing in securities in the company from 1 July each year until announcement of preliminary final results and from 1 January each year until announcement of half yearly results. Share trading is prohibited at any time by a Director, or any officer or employee of the company, if in possession of price sensitive information that is not available to the market and that could reasonably be expected to influence the market.

A Director must give prior notification for any proposed dealing to the Company Secretary who, in the case of doubt, will consult the Chairman of Directors.

Any transaction conducted by Directors in shares of the company is notified to the Australian Stock Exchange (ASX) and all company Directors. Each Director has entered into an agreement with the company to provide information to allow the company to notify ASX of any share transaction within five business days.

Details of remuneration paid to Directors is set out on page 34 of the Directors' Report.

**Executive Management**

Energy Management Team

The Managing Director has appointed the Energy Management Team to assist him in the overall management of the company and to ensure that the company operates in accordance with the corporate policies and strategic direction approved by the Board.

The Energy Management Team is comprised of the Managing Director and the senior executives of the company that report directly to him from all the major business units and corporate functions within the company.

The Energy Management Team meets on a weekly basis to share information and has scheduled monthly meetings to assist the Managing Director in reviewing operational performance including the management of health, safety and environmental matters. The Energy Management Team provides advice and develops proposals for strategic development, business planning, budgets and corporate policies for implementation or consideration by the Board when appropriate.

The Board and the Energy Management Team meet each year to analyse and agree the strategic plan.

**Contracts and Risk Management Committee**

Origin operates in a deregulating environment and is subject to business risks as its major energy markets are opened to competition.

The Contracts and Risk Management Committee includes the Managing Director, the Executive Director Commercial, the Executive General Manager Wholesale and Trading as well as senior executives from the operating businesses. This Committee meets regularly to assess business risks facing the company in the energy markets and to review and monitor the company's Commodity Risk Management Policy.

The committee considers and reviews any major capital investments or contract decisions involving significant business risk. It provides ongoing assistance to the Managing Director and provides advice to the Board on the identification and management of risk.

**Compliance and Internal Controls**

The Board requires the company and executives to conduct all business activities in a manner that complies both with the letter and spirit of the law, and delegated limits of authority. Controls exist at the Board, executive and business unit levels designed to safeguard the company's interests which include compliance with authority limits, occupational health and safety, employment practices, environmental matters and trade practices.

The internal audit function has a mandate for reviewing and recommending improvement to controls, processes and procedures used by the company across its corporate and business activities.

Apart from regular management review, detailed questionnaires on all aspects of operational and financial risks are completed on a half yearly basis and reviewed by senior management, the Audit Committee and the Board if appropriate.

Specific financial risks are covered by insurance and Board approved policies for hedging of interest, foreign exchange and commodities. A separate policy has been established to manage commodity trading risk which is developed and monitored by the Contracts and Risk Management Committee.

**Continuous Disclosure and Keeping Shareholders Informed**

Origin keeps the market informed by quarterly releases detailing its exploration, development and production activities, as well as providing an Annual Report and Half Yearly Report to shareholders.

The company regularly provides updates on its exploration and development activities to the market and discloses material matters to the ASX and the media immediately as required by the ASX Listing Rules. All such releases are posted on the company's internet site immediately after release to the ASX.

Copies of investment presentations are released to ASX and promptly posted to the company's internet site as are other announcements not material enough for an ASX announcement. This material can be accessed at www.originenergy.com.au

Shareholders are able to subscribe to an email notification service to receive immediate notice of any announcements released by the company.

The company has complied with its obligations to provide continuous disclosure of information to the market. The company's management practices and reporting systems provide the means for ensuring that all information that may have a material effect on the price or value of the company's shares is properly disclosed. The Company Secretary is primarily responsible for communications with the ASX on matters concerning continuous disclosure and generally in relation to the company's listing rules obligations.

**Ethical Standards**

Compliance with legislative requirements and acting with a high level of integrity is expected of all Directors and employees. The company has developed a set of values that are shown in detail at the front of the report. Commitment to these values is required of all employees and is part of the company's performance management system.

# DIRECTORS' REPORT

In accordance with the Corporations Act 2001, the Directors of Origin Energy Limited report on the company for the year ended 30 June 2002.

**Directors**

The Directors of the company at any time during or since the end of the financial year are:

H Kevin McCann (Chairman)
Grant A King (Managing Director)
Bruce G Beeren (Executive Director, Commercial)
Trevor Bourne
Colin B Carter
Dr J Roland Williams

**Directors' Qualifications, Experience and Special Responsibilities**

Information relating to current Directors' qualifications, experience and special responsibilities is set out on page 26.

**Directors' Meetings**

The number of Directors' meetings, including Board committee meetings and attendance at those meetings by each Director during the financial year for the period they held office are shown in the table below:

| DIRECTORS | BOARD MEETINGS | | AUDIT COMMITTEE MEETINGS | | REMUNERATION COMMITTEE MEETINGS | |
|---|---|---|---|---|---|---|
| | Held | Attended | Held | Attended | Held | Attended |
| H K McCann | 12 | 12 | 3 | 3 | | |
| G A King | 12 | 12 | | | | |
| B G Beeren | 12 | 12 | | | | |
| T Bourne | 12 | 12 | | | 1 | 1 |
| C B Carter | 12 | 10 | | | 1 | 1 |
| Dr J R Williams | 12 | 12 | 3 | 3 | | |

**Directors' Shareholdings**

Details of each current Director's interests in the shares and other securities of Origin are:

| DIRECTOR | SHARES AND PRESCRIBED INTERESTS | | | OPTIONS |
|---|---|---|---|---|
| | Holding Sept 2001 | Acquired during the year while holding office | Holdings as at Sept 2002 | |
| H K McCann | 173,860 | 26,070 | 199,930 | – |
| G A King | 40,029 | 10,000 | 50,029 | 1,636,750 |
| B G Beeren | 64,000 | 4,000 | 68,000 | 650,000 |
| T Bourne | 15,000 | 1,306 | 16,306 | – |
| C B Carter | 10,000 | 1,000 | 11,000 | – |
| Dr J R Williams | 15,502 | 1,314 | 16,816 | – |

Shares included above not held directly in the name of the Directors are:

H K McCann: H J McCann Investments Pty Ltd 118,572, D M McCann 30,198, Cottesloe Pty Ltd 49,625
G A King: Austrust G A King Private Superannuation Fund 23,500
B G Beeren: Enersist Pty Ltd 31,000, Starlay Pty Ltd 26,000
C B Carter: Colangie Nominees Pty Ltd 11,000

**Principal Activities**

The company operates energy businesses including the exploration and production of oil and gas, electricity generation, wholesale and retail sale of electricity, wholesale and retail sale of gas and service of gas distribution facilities.

**Review of Operations**

The Directors' review of the operations during the year and the results of those operations are as stated in the Managing Director's Review on pages 5-9 and the Operations Review on pages 12-25 for the company for the period from 1 July 2001 to 30 June 2002.

**Dividends**

Dividends paid during the year by Origin were as follows:

| | $'000 |
|---|---|
| Final dividend of 4.0 cents per ordinary share fully franked at 30% (Class C) for the year ended 30 June 2001 paid 9 October 2001 | 24,704 |
| Interim dividend of 2.0 cents per ordinary share fully franked at 30% (Class C) for the half year ended 31 December 2001, paid 22 March 2002 | 12,950 |

In respect of the current financial year the Directors have declared a final dividend as follows:

| | $'000 |
|---|---|
| Final dividend of 3.0 cents per ordinary share fully franked at 30% (Class C) for the year ended 30 June 2002 to be paid 21 October 2002 | 19,435 |

**Significant Changes in the State of Affairs**

There were no significant changes in the state of affairs of the company other than those described in the Managing Director's Review and the Operations Review.

**Environmental Regulation and Performance**

Details of the company's business performance in relation to environmental regulation are set out on page 24-25.

**Events Subsequent to Balance Date**

No matters or circumstances have arisen since the end of the financial year, which have significantly affected, or may significantly affect:
i) operations in future financial years; or
ii) the results of those operations in future financial years; or
iii) the state of affairs in future financial years;

other than as follows:

- CitiPower Electricity Retail Business Acquisition
  On 19 July 2002, the company announced the acquisition of the electricity retail business of CitiPower for a total of $137 million and completion took place on 30 August 2002. The transaction was concurrent with the purchase by Cheung Kong Infrastructure (CKI) and Hong Kong Electric (HKE) of the CitiPower electricity distribution and retail businesses from American Electric Power for a total sum of $1,555 million. Following these transactions CKI and HKE retained ownership of the corporate entity, CitiPower Pty Ltd, and its electricity distribution business.
- Purchase of coal seam gas (CSG) interests from Clovelly and Davis.
  On 1 July 2002, Oil Company of Australia Ltd (OCA), a controlled entity, entered into an agreement to acquire further interests in Fairview and Durham CSG fields from Clovelly Oil Co. Inc., Drew Petroleum Inc. and two private investment trusts for USD 24.5 million. The acquisition provides further initial interests of 17% in the Fairview Project, 18.25% in the Durham Project and 0.91% in the Durham Transfield Project.

The financial effects of the above transactions have not been brought to account in the financial statements for the year ended 30 June 2002.

**Future Developments and Expected Results of Operations**

Likely developments of the company's operations in future financial years and the expected results of those operations are referred to under the Managing Director's Review and the Operations Review.

Further information about likely developments in the operations of the company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the company.

**Directors' and Senior Executives' Emoluments**

| | FIXED REMUNERATION $ | VARIABLE REMUNERATION $ | NON-CASH BENEFITS $ | SUPER & RETIREMENT CONTRIBUTIONS $ | TOTAL $ | OPTIONS ISSUED | VALUE OF OPTIONS ISSUED (1) $ |
|---|---|---|---|---|---|---|---|
| **Director** | | | | | | | |
| Non-executive | | | | | | | |
| Mr H K McCann | 157,500 | – | – | 50,808 | 208,308 | – | |
| Mr T Bourne | 70,000 | – | – | 22,528 | 92,528 | – | |
| Mr C B Carter | 65,000 | – | – | 20,958 | 85,958 | – | |
| Dr J R Williams | 75,000 | – | – | 24,550 | 99,550 | – | |
| Executive | | | | | | | |
| Mr G A King | 779,132 | 368,000 | 25,870 | 25,000 | 1,198,002 | 750,000 | 516,000 |
| Mr B G Beeren | 420,675 | 144,000 | 10,512 | – | 575,187 | 250,000 | 172,000 |
| **Executive Officers (excluding Directors)** | | | | | | | |
| Current | | | | | | | |
| Ms K A Moses | 384,814 | 165,000 | 21,985 | 34,239 | 606,038 | 240,000 | 165,120 |
| Mr J M Piper | 291,329 | 110,000 | 28,113 | 53,940 | 483,382 | 180,000 | 123,840 |
| Mr A M Stock | 318,166 | 108,000 | – | 54,500 | 480,666 | 190,000 | 130,720 |
| Mr A R Wood | 313,347 | 90,000 | 38,993 | 34,167 | 476,507 | 100,000 | 68,800 |
| Mr P J Vines | 332,083 | 103,000 | 25,000 | – | 460,083 | 210,000 | 163,290 |

1 Options are valued using Black-Scholes methodology and were issued under the terms of the Senior Executive Option Plan described under Options below.

**Directors' and Senior Executives' Emoluments**

The Board Remuneration Committee is responsible for decisions on remuneration policies and packages applicable to the Board and senior executives of the company.

The company's remuneration policy is described in the Corporate Governance section on page 29.

Details of the nature and amount of each element of emoluments of each Director and the five named officers receiving the highest emolument during the year are set out in the table above.

**Indemnities and Insurance for Officers and Directors**

Origin has agreed to indemnify the current Directors and certain former Directors against all liabilities to other persons (other than the company or a related body corporate) that may arise from their positions as Directors of Origin and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreements stipulate Origin will meet the full amount of any such liabilities, including costs and expenses.

Since the end of the previous financial year, Origin has paid insurance premiums in respect of Directors' and Officers' liability and legal expense insurance contracts for current and former Directors and officers including executive officers of Origin and Directors, executive officers and secretaries of its controlled entities. A condition of the insurance contracts is that the nature of the liability indemnified and the related premium not be disclosed.

**Options**

During the year or since the end of the financial year the company granted options to an Executive Director and a number of officers of the company under the Senior Executive Option Plan. The table above shows those options that were issued to Directors and to the five most highly remunerated officers of the company as part of their remuneration.

Options granted under the Senior Executive Option Plan entitle the holder to subscribe for one fully paid ordinary share at an exercise price determined by the prevailing market price at the time of issuance. The options are exercisable at any time after the third anniversary of the grant and prior to the fifth anniversary of the grant, provided that relevant exercise hurdle rates are met within this period.

The ability to exercise options is conditional upon the company achieving certain performance hurdles described in the table on page 35.

Full details of persons who hold options are entered in the register of option holders at ASX Perpetual Registrars Limited, Securities Registration Service, 580 George Street, Sydney South, New South Wales. The register may be inspected free of charge by shareholders.

As at the date of this report, unissued shares of the company under option are set out in the Options table on page 35.

During the year or since the end of the financial year the company issued ordinary shares as a result of the exercise of options which are set out in the table on page 35. These options were exercised by Origin and Boral employees, and former employees who had received options, prior to the Boral demerger.

There were no amounts unpaid on the shares issued.

**Rounding Off**

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that class order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars unless otherwise stated.

Signed in accordance with a resolution of Directors:

**H KEVIN McCANN**
Chairman
9 September 2002

**OPTIONS**

| | SENIOR EXECUTIVE OPTION PLAN | OTHER (1) | FIRST EXERCISE DATE | EXPIRY DATE | EXERCISE PRICE PER SHARE $ | HURDLE PRICE PER SHARE $ |
|---|---|---|---|---|---|---|
| Pre Demerger | | | | | | |
| | 195,000 | 965,000 | 11 Dec 2000 | 11 Dec 2002 | 2.92 | 3.51 (2) |
| | | 70,000 | 11 Dec 2000 | 11 Dec 2002 | 5.02 | 6.02 (2) |
| | | 30,000 | 2 Mar 2001 | 2 Mar 2003 | 2.92 | 3.51 (2) |
| | 195,000 | 355,000 | 4 Dec 2001 | 4 Dec 2003 | 1.66 | 2.00 (2) |
| | | 50,000 | 4 Dec 2001 | 4 Dec 2003 | 1.50 | 1.80 (2) |
| | | 60,000 | 19 Jan 2002 | 19 Jan 2004 | 1.66 | 2.00 (2) |
| | | 1,250,000 | 1 Feb 2002 | 1 Feb 2004 | 2.24 | (3) |
| | 259,850 | 1,406,050 | 6 Dec 2002 | 6 Dec 2004 | 1.76 | (3) |
| | | 139,400 | 6 Dec 2002 | 6 Dec 2004 | 1.78 | (3) |
| Post Demerger | | | | | | |
| | 1,830,000 | | 1 Mar 2003 | 1 Mar 2005 | 1.27 | (3) |
| | 400,000 | | 1 Mar 2003 | 1 Mar 2005 | 1.27 | (3) |
| | 495,000 | | 31 Aug 2004 | 31 Aug 2006 | 2.74 | (4) |
| | 3,495,000 | | 16 Dec 2004 | 16 Dec 2006 | 3.20 | (4) |
| | 30,000 | | 14 Jan 2005 | 14 Jan 2007 | 3.20 | (4) |

**SHARES ISSUED BY EXERCISE OF OPTIONS**

| NO. OF SHARES | AMOUNT PAID ON EACH SHARE | MARKET VALUE ON DATE OF EXERCISE |
|---|---|---|
| 125,000 | $2.57 | $2.99 |
| 41,500 | $2.57 | $3.00 |
| 15,000 | $1.66 | $3.14 |
| 18,650 | $1.76 | $3.14 |
| 171,500 | $2.57 | $3.16 |
| 15,000 | $1.66 | $3.21 |
| 20,000 | $1.50 | $2.75 |
| 15,000 | $1.66 | $3.09 |
| 40,000 | $1.66 | $3.07 |
| 15,000 | $1.66 | $3.04 |
| 20,000 | $1.66 | $3.06 |
| 20,000 | $1.66 | $3.08 |
| 15,000 | $1.66 | $3.17 |
| 140,000 | $1.66 | $3.13 |
| 15,000 | $1.66 | $3.10 |
| 15,000 | $1.66 | $3.09 |
| 40,000 | $1.66 | $3.07 |
| 20,000 | $1.66 | $3.13 |
| 15,000 | $1.66 | $3.23 |
| 15,000 | $1.66 | $3.37 |
| 15,000 | $1.66 | $3.27 |
| 15,000 | $1.66 | $3.41 |
| 15,000 | $1.66 | $3.72 |
| 20,000 | $1.66 | $3.69 |

**Footnotes to Options table**

(1) Options issued prior to the Boral Limited demerger held by non-employees pursuant to the terms of the demerger.

(2) The exercise hurdle requires that the company share price achieve the hurdle price for at least 20 consecutive trading days during the period the options are exercisable. These options were issued prior to the Boral Limited demerger in February 2000.

(3) The performance hurdle for these options is based on improvement in the Total Shareholder Return (TSR) index, i.e. the index measuring total shareholder returns maintained by the Australian Stock Exchange that calculates the share price movement of ordinary shares after notional reinvestment of dividends. Whether the exercise hurdle is satisfied within the exercise period is determined by comparing the TSR index of the company with the TSR index of a predetermined reference group of companies. The percentage of options that may be exercised is calculated on a sliding scale dependent upon the company's performance against a reference group of companies. The percentage of options that may be exercised is 25% if the TSR reaches the 25th percentile of the reference group of companies, 50% if it reaches the 50th percentile and 100% if it reaches the 75th percentile.

(4) The percentage of options that may be exercised is calculated on a sliding scale dependent on the company's performance against the reference group of companies. If during the exercise period the TSR of Origin reaches the 50th percentile of the reference group, 50% of the options become exercisable. If the Origin TSR reaches the 75th percentile of the reference group, 100% of the options may be exercised. The reference group of companies is available to shareholders and may be accessed via the company's website.

Origin recorded a net profit after tax of $128.7 million for the year ended 30 June 2002, an increase of 31% on the prior year. The improved performance for the year was driven predominantly by the strong performance in Retail.

Basic earnings per share increased by 3.1 cents, or 18%, to 20.2 cents per share in comparison to the prior year. The weighted average number of ordinary shares used in the calculation of basic earnings per share for the year increased by 65.3 million shares, or 11%, to 637.3 million, as a result of the issue of shares in accordance with the Share Placement, Share Purchase Plan, Senior Executive Option Plan, Dividend Reinvestment Plan and Employee Share Plan. The diluted earnings per share increased by 3.0 cents to 20.1 cents per share. A fully franked final dividend of 3 cents per share has been declared.

Total revenue for the year was up 44% to $2.4 billion. Sales revenue increased by $734 million, which largely represents additional revenue in Retail attributable to the electricity retail business acquired from Powercor Australia Limited on 1 June 2001.

The strong performance by Retail contributed to a 33% increase in earnings before interest, tax, depreciation and amortisation (EBITDA) to $404.6 million compared with $305.2 million in the prior year. Earnings before interest and tax (EBIT) of $230.7 million was also 33% above the prior year.

Borrowing costs for the year were $44.5 million, an increase of $10.5 million on the prior year. The increase in borrowing costs was primarily as a result of higher average debt during the current year that arose from investing activities, and in particular the electricity retail business acquisition from Powercor Australia Limited on 1 June 2001 for $315 million.

Tax expense for the year totalled $54.3 million, an increase of $16.3 million in comparison to the prior year. Prima facie tax expense (calculated at the 30% tax rate) on net profit increased by $8.3 million to $56.4 million (2001: $48.1 million at 34% tax rate). Also included in tax expense is a benefit of $11.3 million (2001: $11.3 million) from tax deductions arising from the Stratus business, and non-deductible depreciation and amortisation of licences, goodwill and certain exploration assets of $16.5 million (2001: $8.4 million).

# STATEMENT OF FINANCIAL PERFORMANCE

for year ended 30 June

| | Note | Consolidated 2002 $'000 | Consolidated 2001 $'000 |
|---|---|---|---|
| Revenue from ordinary activities | 3 | 2,428,808 | 1,679,312 |
| Expenses from ordinary activities excluding borrowing costs | 3 | (2,204,790) | (1,511,801) |
| Borrowing costs | | (44,476) | (33,976) |
| Share of net profits of associates and joint venture entities accounted for using the equity method | | 8,338 | 8,055 |
| **Profit from ordinary activities before related income tax expense** | | 187,880 | 141,590 |
| Income tax expense relating to ordinary activities | | 54,280 | 37,961 |
| **Net profit** | | 133,600 | 103,629 |
| Net profit attributable to outside equity interests | | 4,940 | 5,593 |
| **Net profit attributable to members of Origin Energy Limited** | 6 | **128,660** | **98,036** |
| **Non-owner transaction changes in equity:** | | | |
| Net increase in asset revaluation reserve: | | | |
| – Adjustments arising from the Demerger | | – | 630 |
| Net exchange differences on translation of financial statements of self-sustaining foreign operations: | | | |
| – Net gain/(loss) on translation of assets and liabilities of overseas controlled entities | | (1,444) | 1,089 |
| Total revenues, expenses and valuation adjustments attributable to members of Origin Energy Limited recognised directly in equity | | (1,444) | 1,719 |
| **Total changes in equity from non-owner related transactions attributable to members of Origin Energy Limited** | 6 | **127,216** | **99,755** |
| Basic earnings per share | | 20.2¢ | 17.1¢ |
| The weighted average number of ordinary shares used in the calculation of basic earnings per share was 637,291,869 (2001: 571,989,823). | | | |
| Diluted earnings per share | | 20.1¢ | 17.1¢ |
| The weighted average number of ordinary shares used in the calculation of diluted earnings per share was 640,288,037 (2001: 573,425,499). | | | |

The Statement of Financial Performance should be read in conjunction with the discussion and analysis on page 36 and accompanying notes to the financial statements set out on pages 42 to 46.

# DISCUSSION AND ANALYSIS – STATEMENT OF FINANCIAL POSITION

Contributed equity (share capital) increased by $206.6 million during the year, primarily as a result of the issue of 44.2 million shares for $123.3 million in accordance with the Share Placement, and 26.5 million shares for $73.6 million in accordance with the Share Purchase Plan.

The company declared a fully franked final dividend of 3 cents per share (franked at 30%) for the year ended 30 June 2002 of $19.4 million. A fully franked interim dividend of 2 cents per share (franked at 30%), totalling $13.0 million, was paid on 22 March 2002.

Total assets of the consolidated entity increased by $129 million over the year to $2,958 million and total liabilities decreased by $169 million to $1,332 million at 30 June 2002.

Total assets of the consolidated entity increased by $129 million, principally as a result of:

- increases in property, plant and equipment primarily due to completion of capital expenditure on the Quarantine Power Station in South Australia of $41 million, additional expenditure in relation to the Retail systems development of $51 million, acquisition of a 50% interest in the Worsley Cogeneration Plant in Western Australia for $70 million, and a net increase in mine properties of $12 million, after adjusting for a transfer of expenditure from development expenditure (non-producing) to mine properties (producing);
- further exploration, evaluation and development expenditure of approximately $67 million during the year, primarily relating to coal seam gas interests, Yolla and Geographe/Thylacine expenditure;
- a reduction in other financial assets of $12 million resulting from the further acquisition of Envestra Limited shares for $15 million offset by commodity hedging contract amortisation of $26 million;
- a reduction in the value of the electricity retail business licences reported in intangible assets primarily due to a reversal of acquisition related provisions and other restatements of acquired assets and liabilities of $50 million, and annual goodwill and licences amortisation of $20 million;
- a reduction of other current assets of $12 million, primarily being the restatement of prepayments acquired as part of the acquisition of the electricity retail business ($16 million); and
- a $10 million increase in deferred tax assets arising from the recognition of additional future income tax benefits acquired of $24 million offset by utilisation of future tax benefits of $14 million.

Total liabilities of the consolidated entity, excluding borrowings, decreased by $76 million, principally as a result of:

- an increase in current payables of $33 million, including a transfer of $10 million from non-current payables;
- payments of $18 million to acquire tax benefits arising from the Stratus business;
- a reduction in the provision for final dividend of $4 million from $23 million at 30 June 2001 to $19 million at 30 June 2002;
- an increase in employee provisions of $4 million;
- a reduction in other current and non-current provisions of $79 million, mainly due to reversal of provisions created on acquisition of the electricity retail business ($50 million) and payment of acquisition related transaction and integration costs of $19 million; and
- a reduction in current tax liabilities of $10 million offset by an increase in deferred tax liabilities of $14 million.

Net borrowings, including cash and overdrafts, decreased by $94 million during the year. The high level of debt at 30 June 2001 primarily arose from the acquisition of the electricity retail business on 1 June 2001 for $315 million. Borrowings have since been paid down via equity raisings and cash generation from operations during the year.

Net assets of the consolidated entity increased by $298 million, from $1.3 billion to $1.6 billion. Net tangible assets per share increased from $1.03 per share at 30 June 2001 to $1.48 per share at 30 June 2002.

# STATEMENT OF FINANCIAL POSITION

as at 30 June

| | Note | Consolidated 2002 $'000 | Consolidated 2001 $'000 |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash assets | | 17,255 | 15,910 |
| Receivables | | 485,538 | 480,242 |
| Inventories | | 46,392 | 39,680 |
| Other | | 37,064 | 49,016 |
| **TOTAL CURRENT ASSETS** | | 586,249 | 584,848 |
| **NON-CURRENT ASSETS** | | | |
| Receivables | | 21,499 | 36,137 |
| Investments accounted for using the equity method | | 53,347 | 49,985 |
| Other financial assets | | 196,135 | 208,245 |
| Property, plant and equipment | | 1,155,372 | 1,009,452 |
| Exploration, evaluation and development expenditure | | 130,655 | 63,881 |
| Intangible assets | | 634,436 | 705,002 |
| Deferred tax assets | | 171,654 | 161,872 |
| Other | | 8,587 | 9,404 |
| **TOTAL NON-CURRENT ASSETS** | | 2,371,685 | 2,243,978 |
| **TOTAL ASSETS** | | 2,957,934 | 2,828,826 |
| **CURRENT LIABILITIES** | | | |
| Payables | | 371,534 | 338,321 |
| Interest-bearing liabilities | | 85,238 | 223,049 |
| Current tax liabilities | | 3,290 | 13,513 |
| Provisions | | 67,451 | 93,594 |
| **TOTAL CURRENT LIABILITIES** | | 527,513 | 668,477 |
| **NON-CURRENT LIABILITIES** | | | |
| Payables | | 6,100 | 40,221 |
| Interest-bearing liabilities | | 565,139 | 520,034 |
| Deferred tax liabilities | | 197,055 | 183,010 |
| Provisions | | 36,088 | 88,712 |
| **TOTAL NON-CURRENT LIABILITIES** | | 804,382 | 831,977 |
| **TOTAL LIABILITIES** | | 1,331,895 | 1,500,454 |
| **NET ASSETS** | | **1,626,039** | **1,328,372** |
| **EQUITY** | | | |
| Contributed equity | 5 | 385,039 | 178,457 |
| Reserves | | 112,347 | 115,269 |
| Retained profits | 6 | 1,095,158 | 999,223 |
| Total parent entity interest | | 1,592,544 | 1,292,949 |
| Outside equity interests | | 33,495 | 35,423 |
| **TOTAL EQUITY** | 6 | **1,626,039** | **1,328,372** |

The Statement of Financial Position should be read in conjunction with the discussion and analysis on page 38 and the accompanying notes to the financial statements set out on pages 42 to 46.

# DISCUSSION AND ANALYSIS – STATEMENT OF CASH FLOWS

EBITDA increased 33% to $404.6 million compared to $305.2 million last year (refer to the commentary in the Discussion and Analysis of the Statement of Financial Performance).

A $6 million distribution was received from the Bulwer Island Energy Partnership during the year, compared to $3 million in dividends received from associated entities in the prior year.

Net interest paid increased from $31 million to $43 million, primarily due to the higher level of average debt during the year compared to the prior year.

Income tax paid during the year increased by $17 million to $22 million.

Payments made during the year in respect of the acquisition of tax benefits arising from the Stratus business totalled $18 million, a reduction of $1 million from the prior year.

Net cash provided by operating activities thus increased by $68 million, from $253 million to $321 million for the year ended 30 June 2002.

Capital expenditure on plant and equipment for the year totalled $169 million excluding acquisitions, up $54 million from the prior year. Of this, stay-in-business capital expenditure was $65 million, down from $83 million in the prior year, and growth capital expenditure was $104 million, up from $32 million in the prior year. The major components of growth capital expenditure in the current year include:

- payments in respect of expenditure on the Quarantine Power Station in South Australia of $53 million; and
- expenditure on Retail systems development of $50 million.

Exploration and development expenditure for the year totalled $135 million, an increase of $51 million from the prior year. The increase was mainly due to the acquisition of coal seam gas interests for $50 million.

Also included in Investing Activities is the additional investment in Envestra Limited of $15 million compared to the prior year's additional investment in the Bulwer Island cogeneration facility of $21 million. The prior year amount also includes the payment for the purchase of the electricity retail business from Powercor Australia Limited for $315 million.

During the year, Origin acquired the following controlled entities:

- Gasmart (Vic) Pty Ltd for $8 million;
- Fletcher Challenge South West Cogeneration Ltd (the Worsley Cogeneration Plant) for $70 million; and
- Transfield CSM Pty Ltd for $10 million.

Proceeds from the issue of shares during the year totalled $198 million, primarily arising from the Share Placement and the Share Purchase Plan. Dividends paid in the current year totalled $35 million compared to $24 million in the prior year. Included in Financing Activities in the prior year was the on-market share buy-back totalling $4 million completed on 18 May 2001.

Net repayments of borrowings were $99 million in the current year, as compared to net proceeds from borrowings of $312 million in the prior year. The net debt to equity ratio at 30 June 2002 was 39% (2001: 55%), the reduction primarily due to the additional equity raised during the year and net cash generated from operations during the year used to repay borrowings.

# STATEMENT OF CASH FLOWS

for year ended 30 June

| | Consolidated 2002 $'000 | Consolidated 2001 $'000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash received from customers | 2,553,539 | 1,987,019 |
| Cash paid to suppliers and employees | (2,155,062) | (1,681,354) |
| Dividends/distributions received from associates/joint venture entities | 6,000 | 2,585 |
| Other dividends received | 409 | 406 |
| Interest and other items of similar nature received | 1,785 | 2,394 |
| Interest and other costs of finance paid | (44,919) | (33,523) |
| Income taxes paid | (22,455) | (5,290) |
| Subvention payments | (18,000) | (19,000) |
| **Net cash provided by operating activities** | 321,297 | 253,237 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Payments for purchases of property, plant and equipment | (169,464) | (115,237) |
| Payments for exploration and development | (135,379) | (84,146) |
| Proceeds from sale of property, plant and equipment | 18,613 | 14,647 |
| Payments for purchases of investments | (15,904) | (21,467) |
| Payments for purchases of controlled entities | (87,452) | – |
| Payment for purchase of electricity retail business | – | (315,000) |
| **Net cash used in investing activities** | (389,586) | (521,203) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from issues of securities | 198,465 | – |
| Proceeds from borrowings | 385,591 | 328,767 |
| Repayment of borrowings | (485,000) | (16,739) |
| Dividends paid | (35,282) | (24,410) |
| On-market share buy-back | – | (3,920) |
| **Net cash provided by financing activities** | 63,774 | 283,698 |
| **NET INCREASE/(DECREASE) IN CASH HELD** | (4,515) | 15,732 |
| **Cash and cash equivalents at the beginning of the year** | 15,910 | 99 |
| Effect of exchange rate changes on cash | (844) | 79 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | 10,551 | 15,910 |

The Statement of Cash Flows should be read in conjunction with the discussion and analysis on page 40 and the accompanying notes to the financial statements set out on pages 42 to 46.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION OF THE CONCISE FINANCIAL REPORT

The Concise Financial Report has been prepared in accordance with the Corporations Act 2001, Accounting Standard AASB 1039 'Concise Financial Reports' and applicable Urgent Issues Group Consensus Views. The financial statements and specific disclosures required by AASB 1039 have been derived from the consolidated entity's Full Financial Statements for the financial year. Other information included in the Concise Financial Report is consistent with the consolidated entity's Full Financial Statements. The Concise Financial Report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the Full Financial Statements. It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or current valuations of non-current assets.

The accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in an accounting policy, are consistent with those of the previous year.

A full description of the accounting policies adopted by the consolidated entity may be found in the consolidated entity's Full Financial Statements.

### Reclassification of financial information

The consolidated entity has applied the revised AASB 1005 'Segment Reporting' for the first time from 1 July 2001. This has resulted in revised definitions of segment revenues and results. Comparative information has been restated for the changes in definition of segment revenues and results.

### Change in accounting policy

**Earnings per Share – Change in basis of determination**

Basic earnings per share is determined by dividing net profit after tax attributable to members of the company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year. In previous years, basic earnings per share was determined using the profit from ordinary activities after income tax attributable to members of the company, thereby excluding extraordinary items from earnings.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Diluted earnings per share in previous years adjusted the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and earnings that would have arisen had the dilutive options been exercised during the financial year, rather than adjusting the weighted average number of shares to include potential shares assumed to have been issued for no consideration.

The change in the basis for calculating earnings per share figures was made to comply with the revised AASB 1027 'Earnings Per Share' issued in June 2001.

The earnings per share information for the year ended 30 June 2001 has been recalculated to present the comparative amounts on a consistent basis with the current financial year. The change did not significantly impact the recalculation of the prior year earnings per share information.

## 2. SEGMENTS

### (a) Primary Reporting – Business Segments

| | EXPLORATION AND PRODUCTION | | RETAIL | | GENERATION | | NETWORKS | | CORPORATE | | CONSOLIDATED | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2002 $'000 | 2001 $'000 | 2002 $'000 | 2001 $'000 | 2002 $'000 | 2001 $'000 | 2002 $'000 | 2001 $'000 | 2002 $'000 | 2001 $'000 | 2002 $'000 | 2001 $'000 |
| **REVENUE** | | | | | | | | | | | | |
| Total Sales | 304,736 | 321,824 | 1,937,770 | 1,230,970 | 63,174 | 35,488 | 125,382 | 110,674 | – | – | 2,431,062 | 1,698,956 |
| Intersegment Sales Elimination* | (41,884) | (43,581) | – | – | – | – | – | – | – | – | (41,884) | (43,581) |
| **External Sales Revenue** | 262,852 | 278,243 | 1,937,770 | 1,230,970 | 63,174 | 35,488 | 125,382 | 110,674 | – | – | 2,389,178 | 1,655,375 |
| Other Revenue | 24,116 | 526 | 1,172 | 2,591 | 2 | 6,900 | 12,037 | 11,098 | 23 | 155 | 37,350 | 21,270 |
| **Total Segment Revenue** | 286,968 | 278,769 | 1,938,942 | 1,233,561 | 63,176 | 42,388 | 137,419 | 121,772 | 23 | 155 | 2,426,528 | 1,676,645 |
| Unallocated Revenue | | | | | | | | | | | 2,280 | 2,667 |
| **Revenue from Ordinary Activities** | | | | | | | | | | | 2,428,808 | 1,679,312 |
| **RESULT** | | | | | | | | | | | | |
| **Segment Result** | 104,372 | 122,085 | 98,739 | 22,766 | 8,145 | 10,034 | 20,371 | 19,864 | (9,281) | (9,552) | 222,346 | 165,197 |
| Share of Net Profits of Associates and Joint Venture Entities | – | – | 686 | 888 | 7,652 | 7,167 | – | – | – | – | 8,338 | 8,055 |
| **Earnings Before Interest and Tax (EBIT)** | 104,372 | 122,085 | 99,425 | 23,654 | 15,797 | 17,201 | 20,371 | 19,864 | (9,281) | (9,552) | 230,684 | 173,252 |
| Net Interest Expense | | | | | | | | | | | (42,804) | (31,662) |
| **Profit from Ordinary Activities Before Income Tax** | | | | | | | | | | | 187,880 | 141,590 |
| Income Tax Expense | | | | | | | | | | | (54,280) | (37,961) |
| **Net Profit** | | | | | | | | | | | 133,600 | 103,629 |
| **EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)** | 186,235 | 201,251 | 173,470 | 66,459 | 30,421 | 24,985 | 22,908 | 21,946 | (8,424) | (9,464) | 404,610 | 305,177 |
| **DEPRECIATION AND AMORTISATION** | 81,863 | 79,166 | 74,045 | 42,805 | 14,624 | 7,784 | 2,537 | 2,082 | 857 | 88 | 173,926 | 131,925 |
| **OTHER NON-CASH EXPENSES** | 15,096 | 10,243 | 15,917 | 4,845 | 1,038 | 2,601 | 2,892 | 340 | 3,233 | 711 | 38,176 | 18,740 |
| **ACQUISITION OF NON-CURRENT ASSETS (includes capital expenditure)** | 184,579 | 128,704 | 85,969 | 346,291 | 116,301 | 46,848 | 15,910 | 477 | 425 | 6,734 | 403,184 | 529,054 |
| **ASSETS** | | | | | | | | | | | | |
| Segment Assets | 877,003 | 774,090 | 1,382,481 | 1,452,829 | 229,921 | 127,056 | 175,728 | 176,502 | 50,545 | 70,582 | 2,715,678 | 2,601,059 |
| Investments in Associates and Joint Venture Entities | – | – | 4,265 | 3,277 | 49,082 | 46,708 | – | – | – | – | 53,347 | 49,985 |
| **Total Segment Assets** | 877,003 | 774,090 | 1,386,746 | 1,456,106 | 279,003 | 173,764 | 175,728 | 176,502 | 50,545 | 70,582 | 2,769,025 | 2,651,044 |
| Unallocated Assets** | | | | | | | | | | | 188,909 | 177,782 |
| **Total Assets** | | | | | | | | | | | 2,957,934 | 2,828,826 |
| **LIABILITIES** | | | | | | | | | | | | |
| Segment Liabilities | 71,357 | 78,855 | 306,986 | 349,905 | 8,705 | 17,509 | 25,074 | 23,908 | 69,051 | 90,671 | 481,173 | 560,848 |
| Unallocated Liabilities*** | | | | | | | | | | | 850,722 | 939,606 |
| **Total Liabilities** | | | | | | | | | | | 1,331,895 | 1,500,454 |

* Intersegment pricing is determined on an arm's length basis

** Unallocated assets consists of cash assets and deferred tax assets

*** Unallocated liabilities consists of current and non-current interest-bearing liabilities, and current and deferred tax liabilities

## 2. SEGMENTS (CONTINUED)

| **Industry Segments:** | **Products and Services:** |
|---|---|
| Exploration and Production | Natural gas and oil |
| Retail | Natural gas, electricity, LPG, energy related products and services |
| Generation | Natural gas-fired cogeneration and power generation, clean energy services and project development |
| Networks | Infrastructure investment and management services |
| Corporate | Corporate head office functions |

**(b) Secondary Reporting – Geographical Segments**

The consolidated entity operates predominantly in Australia. More than 90% of revenue, profit, assets and acquisitions of non-current assets relate to operations in Australia.

## 3. REVENUE AND EXPENSES

| | Consolidated 2002 $'000 | Consolidated 2001 $'000 |
|---|---|---|
| **Details of revenue and expenses by nature:** | | |
| Revenue from sale of goods | 2,263,727 | 1,544,157 |
| Revenue from rendering of services | 125,451 | 111,218 |
| Total sales revenue | 2,389,178 | 1,655,375 |
| Interest revenue | 1,672 | 2,314 |
| Other revenue from outside operating activities | 37,958 | 21,623 |
| **Revenue from ordinary activities** | 2,428,808 | 1,679,312 |
| **Share of net profits of associates and joint venture entities** | 8,338 | 8,055 |
| **Total revenue** | 2,437,146 | 1,687,367 |
| Raw materials and consumables used, and changes in finished goods and work in progress | 1,535,775 | 968,682 |
| Advertising | 13,190 | 6,920 |
| Bad and doubtful debts | 8,850 | 3,468 |
| Consultancy costs | 8,177 | 8,198 |
| Contracting costs | 88,657 | 75,231 |
| Depreciation and amortisation | 173,926 | 131,925 |
| Employee expenses | 157,495 | 130,255 |
| Exploration and production costs | 48,999 | 42,007 |
| Motor vehicle expenses | 16,259 | 16,412 |
| Net book value of assets sold | 18,714 | 2,563 |
| Occupancy expenses | 20,422 | 17,116 |
| Repairs and maintenance | 17,140 | 16,766 |
| Royalties | 26,978 | 29,187 |
| Administration and other expenses from ordinary activities | 70,208 | 63,071 |
| **Expenses from ordinary activities** | 2,204,790 | 1,511,801 |
| **Borrowing costs** | 44,476 | 33,976 |
| **Total expenses** | 2,249,266 | 1,545,777 |

## 4. DIVIDENDS

| | Consolidated 2002 $'000 | Consolidated 2001 $'000 |
|---|---|---|
| Final prior year dividend under provided | 1,818 | 43 |
| Interim dividend of 2 cents per share, fully franked at 30% (2001: Nil cents per share) | 12,950 | – |
| | 14,768 | 43 |
| Final dividend of 3 cents per share, fully franked at 30% payable 21 October 2002 (2001: 4 cents per share, fully franked at 30% paid 9 October 2001) | 19,435 | 22,922 |
| | 34,203 | 22,965 |

### DIVIDEND FRANKING ACCOUNT

Class C 30% (2001: 30%) franking credits available to shareholders of Origin Energy Limited for subsequent financial years is Nil (2001: Nil). These accounts are based on the balance of the dividend franking account at year end adjusted for:
(a) franking credits that will arise from the payment of the amount of the provision for income tax;
(b) franking debits that will arise from the payment of dividends recognised as a liability at year end;
(c) franking credits that will arise from the receipt of dividends recognised as receivable at year end; and
(d) franking credits that the entity may be prevented from distributing in subsequent years.

The payment of franked dividends over the next 12 months is dependent on receiving franked dividends from non-wholly owned entities.

From 1 July 2002, the New Business Tax System (Imputation) Act 2002 requires measurement of franking credits based on the amount of income tax paid, rather than on after-tax profits. This change in the basis of measurement does not change the value of franking credits to shareholders who may be entitled to franking credit benefits.

## 5. CONTRIBUTED EQUITY

| | Consolidated 2002 $'000 | Consolidated 2001 $'000 |
|---|---|---|
| **ISSUED AND PAID-UP CAPITAL** | | |
| 647,829,152 (2001: 573,048,379) ordinary shares, fully paid | 385,039 | 178,457 |
| **MOVEMENTS IN ORDINARY SHARE CAPITAL** | | |
| Balance at the beginning of the financial year | 178,457 | 167,156 |
| Shares issued: | | |
| – 44,196,526 (2001: Nil) shares in accordance with the Share Placement | 123,332 | – |
| – 26,500,287 (2001: Nil) shares in accordance with the Share Purchase Plan | 73,563 | – |
| – 761,650 (2001: Nil) shares in accordance with the Senior Executive Option Plan | 1,570 | – |
| – 2,693,165 (2001: 6,304,775) shares in accordance with the Dividend Reinvestment Plan | 8,117 | 11,301 |
| – 629,145 (2001: 453,933) shares in accordance with the Employee Share Plan | – | – |
| Shares bought back:* | | |
| – Purchase of Nil (2001: 1,760,507) shares in accordance with the Share Buy-Back Plan | – | – |
| | 385,039 | 178,457 |

* On 18 May 2001, the company completed the buy-back of 1,760,507 ordinary shares, representing 0.31% of ordinary shares on issue on that date. The buy-back was implemented in accordance with Article 17A of the company's Constitution which was approved by shareholders at the Extraordinary General Meeting held on 11 April 2001. The total consideration for shares bought back on the market was $3,992,000, being an average, including incidental costs, of $2.27 per share. The consideration was deducted from retained profits (refer note 6).

# NOTES TO THE FINANCIAL STATEMENTS

## 6.RETAINED PROFITS AND TOTAL EQUITY

| | Note | Consolidated 2002 $'000 | Consolidated 2001 $'000 |
|---|---|---|---|
| **Retained profits reconciliation** | | | |
| Retained profits at the beginning of the financial year | | 999,223 | 926,561 |
| Net profit attributable to members of Origin Energy Limited | | 128,660 | 98,036 |
| Reduction on share buy-back | 5 | – | (3,992) |
| Dividends provided for or paid | 4 | (34,203) | (22,965) |
| Aggregate of amounts transferred from reserves | | 1,478 | 1,583 |
| **Retained profits at the end of the financial year** | | 1,095,158 | 999,223 |
| **Total equity reconciliation** | | | |
| Total equity at the beginning of the financial year | | 1,328,372 | 1,240,437 |
| Total changes in parent entity interest in equity recognised in the Statement of Financial Performance | | 127,216 | 99,755 |
| Transactions with owners as owners: | | | |
| Contributions of equity | 5 | 206,582 | 11,301 |
| Share buy-back | 5 | – | (3,992) |
| Dividends provided for or paid | 4 | (34,203) | (22,965) |
| Total changes in outside equity interests | | (1,928) | 3,836 |
| **Total equity at the end of the financial year** | | 1,626,039 | 1,328,372 |

## 7. CONTINGENT LIABILITIES

| | | | |
|---|---|---|---|
| Unsecured: | | | |
| Bank guarantees | | 99,566 | 211,220 |

Origin Energy Limited has given to its bankers letters of responsibility in respect of accommodation provided from time to time by the banks to Origin Energy Limited's wholly or partly owned controlled entities.

Warranties and indemnities have been given by entities in the consolidated entity in relation to environmental liabilities for certain properties as part of the terms and conditions of divestments.

A number of sites within the consolidated entity have been identified as contaminated, generally as a result of prior activities conducted at the sites, and review and appropriate implementation of clean-up requirements for these are ongoing. For sites where the requirements can be assessed and costs estimated, the estimated cost of remediation has been expensed or provided for. Ongoing environmental management programs ensure that appropriate controls are in place at all sites.

Certain entities within the consolidated entity are subject to various lawsuits and claims including native title claims. Any liabilities arising from such lawsuits and claims are not expected to have a material adverse effect on the consolidated financial statements.

A Demerger Deed was entered into in the 2000 year containing certain indemnities and other agreements between Origin Energy Limited and Boral Limited and their respective controlled entities covering the transfer of the businesses, investments, debt and assets of Boral Limited and some temporary shared arrangements.

## 8. EVENTS SUBSEQUENT TO BALANCE DATE

### CitiPower Electricity Retail Business Acquisition

On 19 July 2002, the company announced the acquisition of the electricity retail business of CitiPower for a total of $137 million. Completion subsequently took place on 30 August 2002. The transaction was concurrent with the purchase by Cheung Kong Infrastructure (CKI) and Hong Kong Electric (HKE) of the CitiPower electricity distribution and retail businesses from American Electric Power for a total sum of $1,555 million. Following these transactions, CKI and HKE retained ownership of the corporate entity, CitiPower Pty Ltd, and its electricity distribution business.

### OCA CSG Purchase from Clovelly and Davis

On 1 July 2002, Oil Company of Australia Ltd (OCA), a controlled entity, entered into an agreement to acquire further interests in Fairview and Durham coal seam gas (CSG) fields from Clovelly Oil Co. Inc., Drew Petroleum Inc. and two private investment trusts for USD 24.5 million. The acquisition provides further initial interests of 17% in the Fairview Project, 18.25% in the Durham Project and 0.91% in the Durham Transfield Project.

The financial effects of the above transactions have not been brought to account in the financial statements for the year ended 30 June 2002.

## Directors' Declaration

In the opinion of the Directors of Origin Energy Limited the accompanying Concise Financial Report of the consolidated entity, comprising Origin Energy Limited and its controlled entities, for the year ended 30 June 2002 set out on pages 36 to 46:

i) has been derived from or is consistent with the full financial report for the financial year; and

ii) complies with Accounting Standard AASB 1039 'Concise Financial Reports'.

Signed in accordance with a resolution of the Directors:

**H KEVIN McCANN, CHAIRMAN**

9 SEPTEMBER 2002

## Independent Audit Report

**on the concise financial report to the members of Origin Energy Limited**

### Scope

We have audited the concise financial report of Origin Energy Limited for the financial year ended 30 June 2002, consisting of the statement of financial performance, statement of financial position, statement of cash flow, accompanying notes, and the accompanying discussion and analysis on the statement of financial performance, statement of financial position and statement of cash flows in order to express an opinion on it to the members of the company. The company's Directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of Origin Energy Limited for the year ended 30 June 2002. Our audit report on the full financial report was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 'Concise Financial Reports' issued in Australia.

The audit opinion expressed in this report has been formed on the above basis.

### Audit opinion

In our opinion the concise financial report of Origin Energy Limited for the year ended 30 June 2002 complies with AASB 1039 'Concise Financial Reports' issued in Australia.

**KPMG**

9 SEPTEMBER 2002, SYDNEY

**DAVID ROGERS, PARTNER**

# SHARE AND SHAREHOLDER INFORMATION

Information set out below was applicable as at 19 August 2002.

**Ordinary Shares**

| SIZE OF HOLDING | NUMBER OF SHAREHOLDERS | % OF ISSUED SHARES |
|---|---|---|
| 1-1,000 | 41,375 | 3.61 |
| 1,001-5,000 | 52,378 | 18.96 |
| 5,001-10,000 | 8,981 | 9.72 |
| 10,001-100,000 | 4,615 | 14.07 |
| 100,001 and above | 168 | 53.65 |

2,268 shareholders hold less than a marketable parcel.

### Substantial Shareholders

By notice dated 24 August 2001, Maple Brown Abbott Limited advised it had an interest in 36,794,299 ordinary shares. This is the only notification current as at 19 August 2002.

| TWENTY LARGEST SHAREHOLDERS | NUMBER OF SHARES | % OF ISSUED SHARES |
|---|---|---|
| J P Morgan Nominees Australia Limited | 69,495,838 | 10.73 |
| National Nominees Limited | 47,534,911 | 7.34 |
| Westpac Custodian Nominees Limited | 34,663,552 | 5.35 |
| RBC Global Services Australia Nominees Pty Limited | 27,176,155 | 4.19 |
| Commonwealth Custodial Services Limited | 22,086,522 | 3.41 |
| MLC Limited | 18,023,998 | 2.78 |
| AMP Life Limited | 16,759,906 | 2.59 |
| Cogent Nominees Pty Limited | 13,772,576 | 2.13 |
| Queensland Investment Corporation | 13,510,408 | 2.09 |
| Citicorp Nominees Pty Limited | 12,003,469 | 1.85 |
| ANZ Nominees Limited | 7,904,355 | 1.22 |
| The National Mutual Life Association of Australasia Limited | 5,038,970 | 0.78 |
| HSBC Custody Noms (Aust) Limited | 4,870,157 | 0.75 |
| Australian Foundation Investment Company Limited | 3,633,688 | 0.56 |
| Invia Custodian Pty Limited | 3,300,687 | 0.51 |
| Bond Street Custodians Limited | 2,384,469 | 0.37 |
| ARGO Investments Limited | 2,183,665 | 0.34 |
| Merrill Lynch (Australia) Nominees Pty Ltd | 2,038,189 | 0.31 |
| Government Superannuation Office | 1,983,632 | 0.31 |
| Victorian Workcover Authority | 1,940,308 | 0.30 |
| | 310,305,455 | 47.91 |

### Shareholder Enquiries

Shareholder queries or notifications regarding shareholdings or dividends should be directed to Origin's share registry on 1300 664 446.

When contacting the share registry, shareholders should quote their security holder reference number, which can be found on your holding or dividend statements.

### Dividends

Origin will pay a fully franked final dividend for the 2001/2002 year of 3 cents per share on 21 October 2002.

Origin offers its shareholders the convenience of having their dividends paid directly into a bank, building society or credit union account in Australia. The payment of dividends will be electronically credited on the dividend payment date and confirmed by payment advices sent through the mail. Should shareholders wish to take advantage of this service, they will need to contact the share registry for an application form.

### Dividend Alternatives

As an alternative to receiving cash dividends, shareholders may elect to participate in the Dividend Reinvestment Plan (DRP). The DRP enables shareholders to use cash dividends to purchase additional fully paid Origin shares.

If a shareholder wishes to participate in the DRP, they must notify the share registry in writing.

### Tax File Number

For resident shareholders who have not provided the share registry with their Tax File Number (TFN) or exemption category details, tax at the top marginal tax rate (plus Medicare levy) will be deducted from dividends to the extent they are not fully franked. For those shareholders who have not as yet provided their TFN or exemption category details, forms are available from the share registry. Shareholders are not obliged to provide this information if they do not wish to do so.

### Annual Report Mailing Lists

Shareholders not wishing to receive the Annual Report should advise the share registry in writing so that their names can be removed from the mailing list. Unless shareholders have advised the share registry that they require no Annual Report or the full set of financial statements, they will be sent the Annual Report containing a concise set of financial statements.

### Change of Address

Shareholders who are Issuer Sponsored should notify any changes of address to the share registry promptly in writing. For your protection you should quote your securityholder reference number. Broker Sponsored holders should advise their sponsoring broker of any change.

### Information on Origin Energy

The main source of information for shareholders is the Annual Report and the Full Financial Statements. Both the Annual Report and Full Financial Statements will be provided to shareholders on request and free of charge.

### Stock Exchange Listing

Origin shares are traded on the Australian Stock Exchange Limited (ASX). The symbol under which Origin shares are traded is 'ORG'.

### Voting Rights of Members

At a meeting of members, each member who is entitled to attend and vote may attend and vote in person or by proxy, attorney or representative. On a show of hands, every person present who is a member, proxy, attorney or representative, shall have one vote and on a poll every member who is present in person or by proxy, attorney or representative shall have one vote for each fully paid share held.

# GLOSSARY OF TERMS

**Appraisal well** A well drilled for the purpose of determining the size of an oil or gas discovery.

**Cased and suspended** A successful well that has had a steel casing installed to enable future production.

**Coal seam gas (CSG)** Natural gas contained within coal seams.

**Cogeneration** The production of two or more forms of energy from one fuel source. In general, cogeneration plants operated by Origin produce steam and electricity from natural gas.

**Demerger** The separation of Boral's energy business and building and construction materials business into two separately listed companies now trading as Origin Energy Ltd and Boral Ltd respectively.

**Development well** A well drilled to enable production from a known oil or gas reservoir.

**EBITDA** Earnings before interest, tax, depreciation and amortisation.

**Exploration well** A well drilled to identify a new reservoir of oil or gas.

**Electricity Measures**

- **Watt (w)** A measure of power present when a current of one ampere flows under the pressure of one volt.
- **Kilowatt (kW)** One kW = 1,000 watts.
- **Kilowatt Hour (KWh)** A standard unit of electrical energy that represents the consumption of one kilowatt over the period of one hour.
- **Megawatt (MW)** One MW = 1,000 kW or one million watts.
- **Gigawatt hour (GWh)** One GWh = 1,000 megawatt hours or one million kilowatt hours.
- **Terawatt hour (TWh)** One TWh is equal to one million megawatt hours.

**Farmin** An agreement whereby a party acquires an interest in an oil and gas exploration or production permit by either fully or partially funding an agreed work program for the permit.

**Full Retail Contestability (FRC)** Where homes and businesses are able to choose their own energy supplier.

**Gas Measures**

- **Joule** A joule is the primary measure of energy in the metric system.
- **Gigajoule (GJ)** A gigajoule is equal to one billion joules. An average household in Victoria consumes approximately 55 GJ per annum.
- **Terajoule (TJ)** A Terajoule is equal to 1,000 gigajoules.
- **Petajoule (PJ)** A petajoule is equal to one million gigajoules.
- **Petajoules equivalent (PJe)** The measurement used by Origin Energy in its Annual Report to represent the equivalent energy in different products so the amount of energy contained in these products can be compared on an equal basis.
  The factors used by Origin to convert to PJe are:
  One million barrels crude oil = 5.83 PJe
  One million barrels condensate = 5.41 PJe
  One million tonnes LPG = 49.3 PJe
  One TWh of electricity = 3.6 PJe.

**Greenfields exploration** An area in which Origin holds exploration rights, but does not have a substantial producing interest.

**Heating Degree Days (HDD)** Cumulative days or part thereof, for which the temperature is under 18°C.

**LTI** Lost time injury.

**LTIFR** Lost time injury frequency rate. Calculated as LTIs per million hours worked.

**LPG** Liquefied Petroleum Gas.

**NEM** National Electricity Market.

**$NO_x$** Oxides of nitrogen.

**OCA** Oil Company of Australia Limited.

**Origin** Origin Energy Limited and its controlled entities.

**Plugged and abandoned** A well, generally unsuccessful, which has been abandoned with cement plugs and from which hydrocarbons cannot be produced in the future.

**Proved Reserves (1P)** Proved reserves are those quantities of petroleum where a high confidence exists (90% probability) that the estimated volumes can be commercially recovered based on production or production tests, or where formation tests demonstrate deliverability consistent with production test results from other wells in the reservoir.

**Probable Reserves (2P)** Probable reserves are those reserves which analysis of geologic and/or engineering data suggest are more likely than not to be recoverable. There is at least a 50% probability that reserves recovered will exceed probable reserves.

**Possible Reserves (3P)** Possible reserves are those reserves which analysis of geological and engineering data suggests are less likely to be recoverable than probable reserves. There is a low degree of certainty (10% probability) the reserves are recoverable.

**Reserves** Reserves are those quantities of petroleum, which are anticipated to be commercially recovered from known accumulations from a given date forward. Origin uses reserves definitions consistent with the Society of Petroleum Engineers and required by the Australian Stock Exchange. Reserves reported are based on information compiled by full time employees of the company who are qualified in accordance with Australian Stock Exchange listing rule 5.11.

**Seismic survey** A geophysical survey used to gain an understanding of rock formations beneath the earth's surface.

**The company** Origin Energy Limited and its controlled entities.

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## DIRECTORY

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William Hundy

**Auditors**
KPMG

**Bankers**
National Australia Bank
Westpac Banking Corporation

Origin energy