



CHAIRMAN'S ADDRESS ANNUAL GENERAL MEETING

29 October 2010

Ladies and Gentlemen,

Earlier this year, on February 21, Origin celebrated 10 successful years since our demerger from Boral and subsequent listing on the ASX.

Over that period we were one of the top performing companies on the ASX with Total Shareholder Returns of 28 per cent¹ per annum. Underlying profit and dividends per share grew in every year, and that included two years of the Global Financial Crisis.

This might be one reason for the net increase of more than 20,000 new retail shareholders on Origin's share register in the last two years.

Strong performance

In financial year 2010 we continued to grow underlying earnings - while at the same time delivering large-scale projects that hold the promise of long term value creation.

In financial year 2010 Underlying Profit was \$585 million, a 10 per cent increase on the prior year.

Underlying earnings per share also increased 10 per cent to 66.6 cents - on a weighted average capital base of 878 million shares.

Operating Cash flow After Tax approached \$1 billion per annum.

While Statutory Net Profit After Tax was down 91 per cent per cent on the prior year, that year included a benefit from the gain on the dilution of Origin's interest in Australia Pacific LNG of \$6.7 billion.

As a result of the ConocoPhillips transaction, we were able to double the fully franked dividend paid to shareholders. Consistent with our commitment to shareholders at that time, we have maintained the dividend at that higher level.

Consequently, the final fully franked dividend of 25 cents per share took the full year dividend for the 2010 financial year to 50 cents per share.

With a gearing ratio at September 2010 of 20.5 per cent, we have significant capacity for additional borrowing in order to fund further long-term growth. We have a range of long-term options in development, which Grant will outline in his address.

¹ 1) Compound Annual Growth Rate since listing to 30 June 2010.

Many of the investments Origin makes take up to a decade to develop and have a long lifetime of 25 years or more. Identifying long term trends in the external environment, is therefore very important to Origin.

I want to address three areas today that impact Origin in the long-term - in the areas of public policy, local communities and the people we employ.

Public policy

First, public policy.

Good public policy requires consultation by Government with the parties affected by proposed change - especially on complex areas such as taxation and climate change which affect long term investment decisions.

Tax

Toward the end of the financial year, the Federal Government proposed to introduce a Resources Super Profits Tax without any consultation with the energy and resources industries. If implemented in the form proposed, the tax would have had a material adverse impact on a number of Origin's projects, especially the Australia Pacific LNG project.

Following an intense period of public debate and industry consultation, the Government agreed to apply the existing Petroleum Resource Rent Tax to onshore oil and gas projects. While this represents an additional impost on an emerging industry, if passed, it provides a better balance than the RSPT did between the risks and rewards of investing in resource projects.

I note that a number of important details remain to be decided as to how the proposed new tax will apply to coal seam gas LNG projects and its interface with Queensland royalties. We welcome the new consultative committee headed by Don Argus and Minister Ferguson and look forward to working with it in the months ahead to resolve details of the tax.

Climate Change

While there is clearly no bipartisan agreement on resource taxation, it is easy to forget that both major Australian political parties support a reduction of 5 per cent in carbon emissions from 2000 levels by 2020.

In the area of carbon policy, Origin welcomed the expansion of the Renewable Energy Target (or RET) in March, which provided increased certainty in respect of investment in wind, solar and geothermal.

Executive Director Karen Moses was a member of the government's Energy Efficiency Taskforce during the year, which released its report in October. We look forward to government's response.

However, the RET and energy efficiency will not deliver the 5 per cent reduction targeted by both political parties. The 5% goal is a challenging target. Moreover, the changes required to address climate change will take us well beyond 2020.

For Australia to reduce its emissions in the long term, we need to start shifting away from coal-fired baseload power stations toward cleaner-burning fuels such as gas.

And to do that, we need a price on carbon.

Origin considers the best way to set a carbon price is an emissions trading scheme, however many of the same benefits can be delivered by a carbon tax.

Whichever instrument is used, it will need to take account of any impact on Australian competitiveness abroad. It must also be designed in a way that investors believe it will last over time, as the investments we make operate for 30 years or more.

Without a long term carbon price, the economics of coal for baseload are better than gas. But investors are not building new coal fired baseload because they expect a carbon price in the future.

Instead, investment is going mainly into windfarms because of the RET and into peaking gas plant for when the wind doesn't blow.

These are good investments for shareholders. But without a carbon price, Australia risks locking in a higher cost, higher emissions electricity system for the future than we need to.

Communities and the environment

I said earlier I would talk about the impact of our activities on local communities.

As the company grows, so does our impact on people and the environment in regional Australia - in particular large projects such as our coal seam gas to LNG project in Darling Downs in Queensland and proposed windfarms in the western district of Victoria and south western New South Wales.

The broader community, represented by the government, requires us to find new renewable forms of generation such as wind - under the Renewable Energy Target. Similarly, growing demand for gas in Australia and globally is driven by customers and governments who prefer lower-emission fuels.

While these projects bring significant economic benefits to local communities, we recognise that they also have impacts that some local people may regard as disruptive to their activities and lifestyle.

Large projects therefore involve trade-offs between the interests of different members of our community.

I can affirm that Origin is committed to consultation with local communities and that we will take account of their feedback when planning and executing our projects. We are also committed to making those decisions transparently.

Over the last year, community consultation has been a priority. Comprehensive consultation was undertaken in particular around our CSG operations and the proposed Stockyard Hill windfarm in Victoria.

As a result of community feedback at Stockyard Hill, for example, a number of proposed turbines were relocated and 30 were removed entirely in our final proposal to the Development Panel.

During the year we invested in making ourselves more available to local communities. We put in place dedicated community representatives at Uranquinty, Mt Stuart and Mortlake power stations, the Cullerin Range Wind Farm, and to serve 3 potential new windfarms. In New Zealand we have people at Kupe and in the CSG fields in Queensland.

In addition, we established local shopfronts at Mortlake in Victoria and for the APLNG project at Gladstone, Roma, Chinchilla and Miles, making it easier for residents to make contact with us.

The impact of major energy projects on local communities will continue to be an important issue for us in the years ahead.

I announced at last year's Annual General Meeting that we would establish the Origin Foundation in order to make a philanthropic contribution to the communities in which we interact.

I am pleased to report the Foundation was established during the year and has now made its first three investments. It will invest mainly in the area of education and training. We chose this focus in recognition of the role education plays in making a sustainable difference to individuals and communities.

Our people

I said earlier that I also wanted to talk about our people.

Total employee numbers grew this year to around 4,400. Growth in upstream was partially offset by a reduction in Retail due to productivity improvements and the outsourcing of selected support functions.

The health and safety of those people continues to be our first priority.

I am very pleased to say that safety performance improved significantly this year. Our key measure is the Total Recordable Incident Frequency Rate. Performance improved 38 per cent per cent on the prior year on this measure. We are very encouraged by this progress.

A second issue of high priority for us is diversity.

In the near term the Origin Board and management have decided to place a particular focus on gender diversity.

Like many companies, our participation rates for women varies by profession. Across the company as a whole, however, numbers in senior management are consistently lower than at middle management and entry level. We do have two women on our Executive Management Team and two women on the Board, which is 22 per cent in both cases.

We intend to increase participation rates in senior management and to this end we will set measurable, numerical targets in key areas that drive outcomes for advancement of women in our workforce. Those targets will be made public, and the Board will monitor them directly on a regular basis.

We are also committed to being an early adopter of the ASX Governance Recommendations on Diversity on Boards and the workplace.

Board

The Board had another busy year in 2010.

In particular, I would like to make some remarks about my colleague Dr Roland Williams, who has advised the Board he will not be standing for re-election and so today is fulfilling his final duties as a director of Origin.

Roland was a founding director of Origin, who brought to our Board a wealth of experience in the upstream oil and gas industry and an international perspective gained from his years in senior roles at Shell. He gave us wise counsel which contributed to success in our upstream activities in the early days of the life of Origin. He has chaired the Health, Safety and Environment Committee and the Audit Committee. Roland's commercial expertise has contributed greatly to the growth and success of the Origin group over the past 10 years.

Finally I would like to thank him for the support he has given me in the last ten years as Chairman, especially during the BG takeover bid and the establishment of the Australia Pacific LNG joint venture in 2008.

I will now ask our Managing Director, Grant King to provide additional detail about our operations and activities during the 2010 financial year.

Outlook

A theme of my comments today has been the investment we are making for the future.

In financial year 2010 the company invested approximately \$2.8 billion in capital projects and acquisitions.

In 2011 we expect to see the fruit of some of our past investment, in the form of increased earnings. We are expecting:

- full year contributions from the Kupe Gas project in New Zealand and the Otway Gas project off Victoria;
- a full year contribution from the Darling Downs Power Station;
- a contribution for part of the year from the Mortlake Power Station;
- continued expansion of Australia Pacific LNG's domestic CSG production; and
- an increased contribution by Contact Energy from new investments in the Stratford peaking plant and the Ahuroa gas storage facility.

Total expenditure on gas and oil exploration activities in financial year 2011 is expected to be similar to FY 2010 at around \$170 million, with most expenditure in the first half. Embedded in the profit guidance is an assumption that some of our exploration program may be unsuccessful, and will be expensed as part of the underlying performance of the business in the 2011 financial year.

Based on performance over the first three months of the year, I am pleased to report there is no change to the guidance we gave in our full year results.

We expect Underlying EBITDA to increase by approximately 35 per cent in the 2011 financial year when compared with the prior year. As a consequence, Underlying Profit for the 2011 financial year is expected to be around 15 per cent higher than the prior year.

Conclusion

In conclusion, I would like to thank all my colleagues at Origin. I applaud their dedication to the job and commitment to delivering outcomes for the business and all our stakeholders.

Continuity in leadership has been one of the hallmarks of Origin success over the past 10 years.

On your behalf I thank the management team, led by our Managing Director Grant King.

I am grateful to my fellow Board members, who have worked diligently over the year and made an important contribution to key strategic and operating decisions.

Finally, I would like to thank you, our shareholders, for your continuing support of Origin.