



**CHAIRMAN'S ADDRESS
ANNUAL GENERAL MEETING
20 OCTOBER 2004**

Ladies and Gentlemen,

I am pleased to report that Origin Energy has had another excellent year.

The net profit after tax of \$205 million is a 27% increase over last year with earnings per share increasing 25% to 30.9 cents per share. Free cash flow of \$350 million, demonstrates the strong performance of Origin's businesses.

A final dividend of seven cents per share fully franked was paid on 15 September 2004, increasing the total dividends for the year to 13 cents, fully franked, compared to 10 cents 40% franked last year. This is in line with our commitment to pay dividends at a rate of 40% of earnings per share.

In our first five years as a separately listed company, revenues have grown by nearly 24% annually, profit after tax has increased 29% annually, earnings per share 24% and operating cash flow has more than doubled.

At the close of the year there had been a substantial appreciation in share price of 39%, a substantial out performance of the ASX 100 which has risen by around 17% in the same period.

When Origin was formed in February 2000 our target was to achieve total shareholder returns in the top third of ASX 100 companies. I am pleased to report that we are among the top 10% of performers in the ASX 100 over this period.

Origin's financial performance to date is due to the excellent performance of its existing businesses and the contribution of development projects and acquisitions.

During the past year expansionary capital expenditure on growth opportunities amounted to \$237 million on development projects and we spent \$185 million on acquisitions. We have been able to fund this capital expenditure largely by our strong operating cash flow so that net borrowings increased by only \$128 million. Our growth has therefore been achieved while maintaining a gearing level of 31% net debt to capitalisation as at 30 June 2004. Interest cover remains strong at 6.2 times.

Looking forward, the acquisition of a controlling interest in Contact Energy, one of New Zealand's largest energy companies, has provided an opportunity for Origin to add scale and diversity to its existing businesses in the New Zealand market; a market which has competitive and regulatory structures similar to the Australian States. We are very comfortable with doing business in their operating environment.

Contact is an integrated energy supplier with more than 2,700MW of hydro, geothermal, combined and open cycle gas generation, supplying over 25% of New Zealand's electricity and a retail energy business with around 600,000 gas and electricity customers. The acquisition will deliver increased earnings to Origin. Following the acquisition of the 51% interest from Edison Mission, as required under the New Zealand takeover code, Origin has made an offer to the remaining shareholders of Contact on the same terms. However, our strategic objectives in relation to the acquisition are satisfied with the 51.2% interest that has been secured.

The amount of funding required for the Contact acquisition will depend on the acceptance level by the minority shareholders. We have flexible funding arrangements in place that are sufficient to meet the requirements of the acquisition at any level of acceptance. The acquisition price of NZ\$1.645 billion for the 51.2% interest has been met by a combination of hybrid equity and debt.

After funding the acquisition of Contact and, based on the current level of acceptances for our offer, we expect Origin's debt to capitalisation ratio to remain below 45%. We are, however, reviewing our existing businesses to determine whether the sale of non-core assets would be appropriate to reduce the funds raised for the Contact acquisition and further strengthen our balance sheet. Following this process, we intend to finalise a rights issue later this financial year to redeem the hybrid equity.

We also have a number of development projects which will involve capital expenditure of approximately \$1.0 billion over the next four years. These projects range from the development of natural gas reserves in the offshore Otway Basin and Kupe in New Zealand, coal seam gas interests in Queensland, and power generation and renewable energy projects in Eastern Australia. We will continue to manage the execution risk of this growth program through regular review of our projects and strategy. We also continue to monitor opportunities that can add to our program of growth.

In the pursuit of improved performance and growth, we will continue to maintain the confidence of our shareholders and the investing public through good corporate governance. The Board and management have continued to improve our corporate governance practices over the past year. We have worked on enhancing our existing processes and introducing new systems and policies where required. By the end of the financial year, we achieved

compliance both in substance and in form with the ASX Corporate Governance Council Recommendations.

In relation to executive remuneration we have articulated our approach in our annual report and we have formulated policies to guide our future remuneration strategy. As stated in the annual report our approach is to pay our executives at the median for comparable positions with the opportunity to earn at the top quartile through short-term incentives for outstanding achievement. CLERP 9 amendments to the Corporations Act will require greater levels of disclosure of remuneration for directors and executives. In advance of these requirements we have provided enhanced disclosure in our Directors Report and set out our full remuneration policy on the company website.

A review of Board performance was undertaken during the year examining the role of the Board and its procedures and practices, to identify opportunities for continued improvement in our activities. The review established that the Board was operating well and we have developed an action plan to further enhance Board effectiveness. Reviews of Trevor Bourne and Roland Williams, who seek re-election at today's Annual General Meeting, were also undertaken. The Board (with the affected Directors abstaining) recommend their re-election to shareholders.

Mr Bruce Beeren joined the Board as Commercial Director in 2000 specifically for the task of assisting Origin establish itself in its formative years following the demerger from Boral. Origin has been very fortunate to be able to retain Bruce as an Executive Director for five years and he has played a major part in its success over this period. Bruce has announced that he will retire from his executive role in early 2005, but that he will remain on the Board as a non-executive Director.

In recognition of the significance of Contact Energy in the Origin Energy Group, it may be appropriate to increase the size of the Board over the coming year.

We will continue to ensure that our processes and practices and our directors and management meet the highest standards expected by shareholders, investors, regulators and the community. At the same time, we recognise we must continue to focus upon improving the financial performance of the company and returns to all stakeholders, especially our shareholders.

Apart from compliance with the ASX Corporate Governance standards, good corporate governance also requires sustainable performance, that is, we need to undertake our business in a manner which is acceptable to all stakeholders: our shareholders, our customers, the community, governments and regulators. We have recognised this and in our second Sustainability Report, published in the last year, we provided a detailed report to stakeholders on our environmental, social and economic impacts and reinforcing our commitment to sustainability.

We have been able to further improve our employee safety performance. The Lost Time Injury Frequency Rate improved 10% from 3.1 to 2.8 injuries per million hours worked. We will continue our efforts to further improve employee safety for the coming year.

Origin has also continued to seek opportunities to reduce the environmental impact of energy production by investing in new energy technologies which will assist in reducing the overall greenhouse intensity of our power generation portfolio.

Conclusion and Outlook

In concluding, let me comment on the outlook for the coming year. Our performance in the first quarter has been in line with expectations. We expect profits for the current financial year to be consistent with the company's targeted earnings per share growth of 10-15%.

I would also like to thank my colleagues on the Board and management for their efforts over the last year. They have all contributed to what by any measure has been a good year for the company.

I now call on the Managing Director, Grant King to give us an overview of the short to medium term prospects for the company.