



**CHAIRMAN'S ADDRESS
ANNUAL GENERAL MEETING
25 OCTOBER 2006**

Ladies and Gentlemen,

Welcome to the Annual General Meeting for 2006.

I would like to commence my address with a brief report on our financial outcomes for the 2006 financial year, which has been fully provided to you in the Annual Report.

Our net profit after tax of \$332 million was up 10% while free cash flow increased by 30% to \$583 million. Our recurring A-IFRS profit is 15% higher than the \$288 million last year. While earnings from our Exploration and Production business were down, strong performances from our Retail and Generation businesses and our 51% owned New Zealand subsidiary Contact Energy, contributed to the improved result.

We have increased dividends to shareholders - our final fully franked dividend of nine cents per share paid on 29 September, took total dividends to 18 cents per share which is a 20% increase over last year. Our payout ratio this year was 43%.

Throughout the year, we have continued our investment in growth, adding long term value to the company through acquisitions, development of major projects and other initiatives:

- The Spring Gully Coal Seam Gas project was completed last year on time and under budget and began ramping up production and delivery into our long term gas supply contracts.
- We expended \$68 million to acquire additional coal seam gas interests in the Walloons region of Queensland. Origin has long recognised the value of coal seam gas and its potential to provide a dependable gas supply. Recent corporate activity has demonstrated that the market has finally recognised the value of coal seam gas as well. The acquisition price paid by Origin when compared with recent takeover multiples, indicates that we have purchased these assets at an attractive price.
- We also increased our interests in the BassGas and Otway gas projects. The BassGas project commenced in May and it is now fully commissioned. We expect that the Otway gas project will be completed and will commence contribution in the last quarter of the current financial year.
- We approved the development of the NZ\$980 million (A\$860 million) Kupe Gas project in New Zealand, which will significantly add to our energy production from mid-2009.
- We pursued the regulatory and environmental approvals for the Spring Gully and Mortlake power station developments; and
- We progressed the development and commercialisation of our SLIVER solar cell technology.

Grant King will elaborate on these projects in his address later in the meeting. We expect that each of these projects will add to our earnings in future years.

Our total capital expenditure including acquisitions during the year was \$897 million. Notwithstanding this high level of capital investment our net-debt to debt-plus-equity ratio has reduced to 42% from 44% in the prior year. Our interest cover remains strong at 4.2 times EBIT and we have maintained our investment grade, Standard and Poor's rating of BBB+ stable. Our balance sheet remains strong and we retain the capacity to take advantage of future growth opportunities as they arise.

Origin is also seeking out growth through acquisitions which are earnings accretive. It has been short-listed as a bidder for the first tranche of electricity and gas retail businesses currently being sold by the Queensland government. A decision on this tender is expected in mid November 2006.

There were a number of areas this year where our performance fell short of expectations.

Safety is a high priority for the Board. Our safety performance in 2005/06 deteriorated after several years of continued improvement. Our lost time injury and moderate medical injury frequency rate rose from 5.0 to 5.5 per million hours worked. The Board and management regard this as unacceptable and management has committed to an improvement in the coming year. We are determined to improve our record this year and we have initiated a number of measures to do this. One such measure has been to increase employee focus on safety and make improvement of safety performance as the sole target for the award of shares under the employee share plan.

The BassGas Project commenced production around two years behind schedule and with cost overruns in excess of budget. Production is now ramping up to its design capacity and we have been booking revenue earnings from this project from September this year. Our experience in the BassGas project has been factored into our program to develop the Kupe project.

I wrote to you in March setting out the benefits of a proposed merger between Origin and Contact Energy - which we believed created significant value for the shareholders of both companies. It became clear however that, the terms of the merger ratio were not supported by the institutional shareholders of Contact Energy. The Board took the view that it was not in the interests of Origin shareholders to improve the merger ratio in favour of Contact shareholders. Accordingly it was agreed to terminate the proposal before any further costs were incurred in pursuing the merger. This was a major disappointment as we believed the merger was very much in the interests of both Origin and Contact shareholders. Despite this setback, our investment in Contact Energy continues to be rewarding and we will continue to look for ways to enhance the value of our 51% holding.

Let me turn to some of the key issues facing the Company and the Australian community.

A matter that is very important to Origin Energy, to Australia and the global community is climate change.

As a major investor in the energy sector, climate change is a significant business issue for Origin Energy. As the world recognises the need to limit carbon emissions, we have factored into our major investment decisions an assumption that constraints on the production of carbon will be imposed in the future. However, it is a matter of disappointment to us, that rules to manage greenhouse gas emissions on a national basis have not been agreed by the Australian and State governments. The failure to implement a long term framework for applying a carbon cost, is a major impediment to investment in the Australian energy sector and is a matter which we are actively pursuing with government. Origin is a member of the Australian Business Round Table on Climate Change (a group of major Australian companies representing a cross section of the Australian economy) which has presented the Business Case for Early Action on Climate Change and Greenhouse Emissions to the Australian Federal and State governments.

Origin Energy has also undertaken a number of initiatives to ensure that it limits climate change impacts from its operations. We are reducing the greenhouse gas intensity of our energy production and distribution through investments across the gas supply chain. We are planning the development of two large gas fired power stations - Mortlake in Victoria and Spring Gully in Queensland, which are capable of operating at less than half of the existing electricity pool greenhouse intensity. Our investment in these projects will, however, be dependent upon Federal and State government policies that recognise and the long term value of cleaner forms of power generation.

We are also reducing the greenhouse gas intensity of our customers' energy consumption, through green energy sales to around 100,000 customers. We have made considerable investment in renewable energy sources, including solar power development through the SLIVER solar cell technology and in geothermal technology through our investment in Geodynamics which is developing a hot dry rocks project in the Cooper Basin.

We believe that if governments are prepared to develop a supporting policy framework on carbon cost, Australia can play its part in an effective international response to climate change through reduced greenhouse gas emissions.

I would like to thank my fellow directors for their dedication and support in what has been a demanding year. They have all contributed a significant amount of additional time in unscheduled meetings and extensive committee work.

I would like to thank our Managing Director, Grant King and his executive team for their hard work in a year of operational challenges and on the Contact DLC merger proposal. Thanks also to all the Origin and Contact employees for their contributions. I would also like to thank our many customers who have chosen Origin as their energy provider.

I will now introduce Grant King to speak further to you about the challenges and opportunities that have arisen this year and will shape our outlook in the years ahead, after which I will make some comments on the year ahead.

Concluding remarks

Finally, I would like to make some remarks about the outlook for the coming year.

On announcement of our full year results we advised that there were a number of factors which made the giving of formal guidance as to profits for the current year inappropriate. The current year's results will, in particular, be dependent on the commencement of production from the BassGas Project, the Offshore Otway project and the relative contribution made by Contact compared to the prior year. We advised therefore that it was possible that there would be little growth in earnings per share in the coming year.

We have already announced that BassGas is now approaching full production, albeit later than anticipated; Woodside has announced delays in commencement of commissioning of the Offshore Otway Project and our current expectation is that Contact Energy will make a materially lower contribution than it did in the prior year. Notwithstanding these factors our results for the first quarter are such that our earlier comments on outlook for profit in the coming year remain appropriate.

The year ahead will be marked by continued progress on the development of major projects:

- The Spring Gully Coal Seam Gas Project will continue its ramp up of production;
- By year end we expect that the BassGas and Otway projects will be in full production;
- The development of the Kupe gas project in New Zealand will be ongoing;
- Decisions will be made on the development of the Spring Gully power generation project in Queensland and the Mortlake project in Victoria; and
- We will pursue the development and commercialisation of our SLIVER solar Technology.

We will also continue to review potential acquisitions. These opportunities will contribute to achieving our target of 10-15% annual growth in future years.