



CHAIRMAN'S ADDRESS
ANNUAL GENERAL MEETING

23 October 2013

Introduction

Origin shareholders and fellow Board members, earlier this month Origin announced that I would be retiring from the Origin Board, to be succeeded by Chairman-elect Gordon Cairns, subject to his re-election as a Director at today's meeting.

In addressing the formal business today, I will first provide a summary of the financial year in review, before outlining the importance of a comprehensive energy policy for Australia. I will then conclude by taking a few moments to share my thoughts on the Company and how it has developed during the period in which I have served as Chairman.

1. Financial overview F13

First, to the financial review. As foreshadowed in February, the 2013 financial year was a challenging one for Origin, and this is evident in our financial results. Origin's performance was impacted by a very competitive environment in our Energy Markets business and regulatory decisions related to pricing, particularly in Queensland.

While the contribution from the Energy Markets segment was substantially reduced, we saw an improved performance from all other parts of Origin, reflecting the strong fundamentals of our business overall.

Statutory Profit for the year was \$378 million, down from \$980 million reported in the prior year. The primary factors contributing to this decrease in Statutory Profit include a loss on the movement in the fair value of financial instruments, increased expenditure on Retail Transformation and transition costs relating to the acquired NSW energy assets, along with a lower contribution from the Energy Markets business.

Origin's Statutory Profit contains a number of items that when excluded provide a different perspective on the financial and operational performance of the business consistent with the manner in which the Managing Director reviews the business. Underlying Profit excludes the impact of these items.

Underlying Profit of \$760 million decreased from \$893 million in the prior year, a reduction of 15 per cent year on year which was at the lower end of the guidance provided in February.

Earnings Per Share based on Statutory Profit declined 62 per cent to 34.6 cents per share. Underlying EPS decreased 16 per cent to 69.5 cents per share.

Dividend

A final unfranked dividend of 25 cents per share was paid on 27 September, taking the full year dividend to 50 cents per share which is in line with the Board's dividend policy.

As the interim dividend of 25 cents per share was franked, this brings the franking level for the year to 50 per cent, compared with 100 per cent in the prior year.

As a result of utilisation of available tax losses and the impact of development projects, including Australia Pacific LNG, dividends could not be fully franked. Going forward it is the Company's intention to distribute franking credits to shareholders as sufficient credits become available.

Funding

To support the funding of Origin's commitments to Australia Pacific LNG, the Company undertook a number of funding initiatives during the year.

In August, Origin entered into a new \$7.4 billion bank loan facility, and has subsequently accepted oversubscriptions of \$1.2 billion reflecting strong investor demand.

The new bank facility better reflects the current scope and size of the business, providing financing flexibility for the long-term and further extending the Company's debt maturity profile.

Committed funding available to Origin provides sufficient liquidity to fund Origin's commitments to Australia Pacific LNG.

Environmental Social Governance

Beyond the financial results, we are witnessing changes in community attitudes and environmental challenges in our sector, which require improved disclosure to help investors assess both short term and long term risks and prospects. This has been one of my focal points throughout the year, and one that I believe to be a key issue for boards to address over the coming decade.

Balanced reporting and transparency is becoming more and more important to investors and other stakeholders.

The Australian Council of Superannuation Investors notes that "institutional investors are increasingly aware of the profound impact that environmental, social and governance factors have on the long-term viability of companies

in which they invest. These factors are closely linked to achieving sustainable growth into the future, and therefore disclosure of sustainability risk reporting has become of vital importance”.

In providing an essential service to the community, we face many complex decisions and trade-offs every day. A reliable and competitively priced supply of energy is rightly an expectation of our society, however this objective is often at odds with the desire to lower carbon emissions or reduce environmental impacts from the development of energy.

Each year, we use our Sustainability Report to explain how we make these choices. This year, Origin introduced Material Aspects - a list of activities that are of most importance to our business and our stakeholders at this point in time. Reporting against Material Aspects will help build greater focus and transparency, in line with the G4 standards set by the Global Reporting Initiative.

I encourage shareholders to read the sustainability report, copies of which will be available in the foyer today.

CSG

With regard to sustainability, it would be remiss of me not to mention natural gas. There has been widespread discussion about gas, in particular coal seam gas and it seems the debate has been clouded by misinformation, creating confusion and uncertainty.

When used to generate electricity, natural gas or CSG, produces up to 70 per cent less emissions than coal. By developing and exporting natural gas, Australia has a key role to play in helping to address the global climate change challenge.

We know that part of the concern around CSG has been centred on its potential impact on water supply and quality, associated with a process we apply to extract CSG, commonly referred to as fracking.

In the areas where we extract CSG for our project, the water we withdraw is from the coal seams and typically contains high levels of salt. Water that is extracted is treated to a potable level before being supplied for beneficial use such as irrigation or returned to the environment through existing creeks and rivers. We continue to strive in taking a leadership position in the management of CSG water across the industry.

In addition, Australia Pacific LNG exclusively uses water-based fracking fluids. The fluid primarily comprises water and sand (approximately 99 per cent). A small percentage of the fluid contains other additives which are found in common household items and are considered entirely safe in the small quantities in which they are used.

Fracking is strictly controlled by regulation and will not contaminate aquifers.

Diversity

Now I would like to briefly address gender diversity. At Origin, we strive to build a more diverse workplace and we place gender at the heart of our diversity agenda. We focus on ensuring fair representation and equitable treatment of women through all levels of our workforce.

At a strategic level, our Diversity Council which is chaired by the Managing Director, has committed publicly to three voluntary targets:

- Equality of average pay for men and women at each job grade;
- Improving our retention of women; and
- Increasing the number of women in senior management, with an increase in women appointed to senior professional and management roles by 15 per cent in 2014.

We understand the importance of flexible working hours and continue to offer a full range of flexible working options to all employees which includes part-time, job share and parental leave.

We have a proactive program to manage the transition to parental leave, maintaining contact with our employees while they are on leave and subsequently managing their return to work. And we are pleased that the rate of women still with Origin one year after returning from maternity leave is almost 90 per cent.

Currently, women make up approximately 40 per cent of our workforce, 11 per cent of our Executive team, and 22 per cent of our Board of Directors. In addition, 27 per cent of our management and professional roles are held by women. The pursuit of the targets I previously described will see improved outcomes at all levels across Origin.

2. Policy environment

While in the past year, we have contributed to many policy discussions, I would now like to focus on four primary areas which I will address in more detail:

- Promoting a comprehensive energy policy for Australia;
- Accessing our world class energy resources;
- Responding to climate change; and
- Deregulating energy prices.

Promoting a comprehensive energy policy for Australia

First to energy policy more broadly. Australia is the world's ninth largest energy producer. Gas is a product in which Australia enjoys a world competitive advantage. Meanwhile, global energy demand continues to increase rapidly in emerging economies, especially in parts of Asia where living standards are improving and populations are growing.

Australia's proximity to Asia, combined with our substantial resource endowment, particularly in natural gas, means we have an opportunity to provide cleaner energy to the region. This will create substantial economic and social benefits for the Australian community as well as our customers.

At the same time, here at home, energy continues to underpin our economy and modern standard of living. We rightly expect an energy supply that is produced on a more sustainable basis.

The increasingly inter-connected nature of the energy supply, both domestically and internationally, means Australia must develop a comprehensive policy framework. This framework should focus on freeing and encouraging resource development, maintaining the appropriate environmental protections and reducing the cost burden on consumers. As a result, Australia will be well positioned not only to capitalise on its legacy resource position but also to capture growing market opportunities.

Accessing world class energy resources

To that end, Australia has the potential to create significant economic, environmental and social benefits through greater development of its substantial natural gas resources. However, we face strong global competition for the capital to develop those resources. We need a supportive market-focused policy environment which fosters productivity and reduces red and green tape in order for these benefits to be realised.

Origin has long-advocated that the greatest economic benefits for Australia are realised by allowing all resources, including natural gas, to flow to their highest value use. Policies that force producers to supply gas at a specified volume and price are likely to decrease Australia's economic wealth and not leverage the country's natural advantages. The role of policy settings is to promote investment in exploration, which in turn stimulates new supply to meet demand growth.

Government policy and regulation plays a crucial role in providing environmental protections, as well as stimulating or restricting energy investment. This can, in turn, affect energy prices to consumers, reliability of supply, and investment in low carbon energy solutions.

Responding to Climate Change

Now to climate change. As part of the broader policy imperative, Australia must balance the need to produce and deliver reliable and affordable energy with the need to progressively reduce carbon emissions. In Australia, there is bipartisan agreement from the two major political parties for a 5 per cent emissions reduction on 2000 levels by 2020.

Currently, the two main climate change-driven policy instruments are the Carbon Pricing Mechanism and the Renewable Energy Target (RET).

We look forward to working with the new Federal government which will replace pricing of carbon with a Direct Action policy. If well designed, this policy can make an effective contribution to reducing Australia's carbon emissions.

The RET is the other major climate change policy instrument and while Origin has been a long-time supporter of this policy to have 20 per cent of our energy supply coming from renewable energy by 2020, we believe this 20 per cent target is already nearly met.

Additional mandatory investments in renewables will further increase the delivered cost of electricity to consumers. We believe Government should use the next scheduled review of the scheme in 2014 to review its effectiveness.

Deregulating energy prices

At last year's AGM, we talked at length about the impacts both to customers and our business from State government intervention on energy pricing. I am pleased to report that the policy environment has improved significantly in the past year.

In February 2013, South Australia joined Victoria and fully deregulated electricity and gas prices.

Prices in Queensland are still regulated but the Government has committed to move to deregulate retail electricity prices in south-east Queensland from 1 July 2015, subject to certain conditions being met.

In NSW, the future of regulation is less clear, however we are encouraged by a recent report by the AEMC which noted there is sufficient energy competition in the state and it recommended price controls be removed. We understand that later this year NSW will be considering the removal of price controls.

Origin has long advocated for price deregulation because it promotes competition, investment and innovation, which are in the long-term interests of both consumers and the broader energy market. This is evidenced by the experience in Victoria, which is recognised as one of the most competitive energy markets in the world and has successfully attracted investment in generation assets and new products and services.

3. Reflections

As this will be my last AGM on the Board, I would now like to reflect on Origin's journey to date since our demerger from Boral.

We have seen Origin become one of the top 20 ASX listed companies with a market capitalisation in March 2000 of \$600 million which today has grown to more than \$16 billion.

Today we are:

- The leading integrated energy business in Australia and New Zealand;
- An investor in, and operator of, one of the largest LNG projects in Australia; and
- Growing resource opportunities domestically and overseas including gas exploration and investments in renewables.

I wanted to take this opportunity to reflect on this period of growth and look at Origin through the lens of four key themes. They are the:

- Opportunities presented in the sector;
- Productive relationship between the Board and management;
- Benefits of a stable management team; and
- Finally, the CSG revolution.

The first theme addresses the opportunities inherent in our sector and how Origin has benefited. Indeed, the timing of our establishment through demerger in 2000, and our subsequent growth, has had an element of serendipity. In short, we have operated in a highly attractive sector of the Australian economy.

At the time of our demerger from Boral, the analysts and the media were sceptical about Origin's prospects and we were widely regarded as a potential takeover target.

Despite this, we had a clear strategy and vision to become an integrated energy company.

At the beginning of the 2000s, the energy sector was going through fundamental change, in terms of structure and innovation, and we adapted and took advantage of the opportunities presented by that change.

As governments deregulated and disaggregated formerly State Owned Enterprises, we started to acquire and invest.

Over the years, we have a strong track record of making carefully targeted, strategic acquisitions, investing in major development projects and forging lasting partnership agreements.

As a result, we have become the leading integrated energy business in Australia and New Zealand. Today, customer numbers have risen to more than 4.3 million, from approximately 600,000 customers in the late nineties.

We also have one of Australia's largest power generation portfolios, bolstered more recently with the addition of the Eraring Energy power station. With power generation of more than 6,000 MW of capacity, we represent around 13 per cent of Australia's total capacity. In addition, we have a substantial portfolio in New Zealand across gas, geothermal and hydro technologies.

We also developed a substantial Upstream gas position, with major producing assets such as BassGas and Otway in Australia and Kupe in New Zealand.

Most importantly, and this was a game changer for Origin, we acquired and developed substantial interests in Coal Seam Gas which became the basis for the development of one of Australia's largest LNG projects through our establishment of and investment in Australia Pacific LNG.

Second, I would like to highlight the strength of the relationship between our Board and the management team. Grant and I first met in 1999 and quickly established a strong working relationship. The longevity of the Board/CEO, Management relationship, is considered one of the hallmarks of our success. As we have sought to take advantage of the changes in the energy industry and pursue a strategy to become an integrated energy company, we have chosen to take measured risks, pioneering new areas of energy supply and innovating sources of energy. Throughout, we have been united in our vision as a Board and management.

This was most evident as we faced two of our greatest challenges. In 2006 we rejected an attempted merger and in 2008 defended a hostile takeover bid, as others saw value in Origin sooner than had been recognised by the market. The rejection of both these approaches was based on a belief that these proposals did not appropriately reflect the true value of the Company's assets at the time.

The Origin Board understands the Company's unique position in being involved across both resource development and energy supply, through the value chain, and with a range of stakeholders.

With recent Board renewal, I'm sure that this will continue to be the case.

I will now address the strength and cohesion in the Origin management team over the years. I have been fortunate to work with Grant King who is an outstanding Managing Director. Under his leadership, his management team has fostered the development of the company through the industry's evolution and from what could be deemed as Origin's humble beginnings to a member of the ASX top 20.

Growth on this scale brings with it significant challenges, and with each acquisition we have made, the task of integration. Given the diversity within the Origin business, the skills among the management are also diverse. It is a testament to the leadership that Origin has been so successful. Grant is rightly considered a visionary leader in the Australian energy sector, and his team has been instrumental in ensuring that his vision has been realised, without losing sight of our focus for shareholders, financial prudence, sustainability and corporate responsibility.

In an industry which invests substantial capital for long-term returns, the tenure and stability of Origin's leadership team has been important. It has allowed us to take a long-term and strategic view of the development of Origin.

Finally, I want to focus on the revolution in CSG to LNG. We drilled our first coal seam gas exploration well in 1993 and began acquiring major coal seam gas assets in Queensland in 1996 /97. At the time we made those CSG acquisitions, sceptics were as thick on the ground as climate change sceptics are today.

I remember one of my former colleagues saying to me, 'Kevin, everyone's tried to develop CSG and it doesn't work'. We persevered, continued to build on our CSG assets and now we hold a leadership position in developing these unconventional gas resources.

Through our interest in Australia Pacific LNG, we developed a partnership with ConocoPhillips to provide investment and are on track to deliver LNG by mid 2015. We have signed major long-term supply agreements with Kansai and Sinopec, the latter of which has taken a 25 per cent stake in the project. Australia Pacific LNG holds the largest CSG reserves and is one of the largest CSG to LNG projects in this country. As an industry, it is predicted that by 2017 Australia's LNG sector could rival that of Qatar's as the world's leading LNG producer.

This is the beginning of a new phase in Australia's contribution to world energy supply and the country's ongoing prosperity. We are proud to have been one of the pioneers of this development.

Today, as a result of our performance, our leading position in our respective markets and through our LNG interests, Origin has emerged as a more prominent member of the Australian community. We have activities that are geographically diverse, across all states and territories in Australia and in New Zealand.

Not only has Origin grown substantially, it has also provided significant shareholder value with Total Shareholder Returns on a compound basis of 22 per cent during the past 13 and a half years and more than 30 per cent during the past 12 months.

Board and Management

Now to Board and management.

The Board and I are very pleased to announce that the Managing Director, Grant King has agreed to extend his service agreement which was due to expire on 30 June 2014.

We are delighted that Grant will continue to lead the Company through the next phase of its development where its core priorities are on improving the performance of the existing business, delivering the Australia Pacific LNG project, managing the funding of Origin's investment in Australia Pacific LNG and creating growth opportunities for the future.

The extension of his contract, together with the continued development of the management team's experience and capabilities, is important to the Company's ongoing success.

The Board considers that the terms of the renewed contract appropriately reward the contribution Grant makes to Origin and weights remuneration to Company performance, good risk management and outcomes, as well as the delivery of sustainable growth in long-term shareholder value. All of these directly align with shareholder interests.

Consistent with modern practice and ASX corporate governance guidelines, Grant's contract is ongoing rather than for a fixed term.

Today I would also like to advise that we are well advanced with the appointment a new female non executive director to the Board. I expect Gordon Cairns will be in a position to announce the appointment shortly.

When the appointment occurs, it will mean women comprise 33 per cent of our Board, which puts us among the leading top 20 ASX companies, in terms of the proportion of women on its Board.

Conclusion

Now to conclude. While we have had a challenging year, your Board and management team have worked hard to ensure that the relevant operational, strategic and funding issues are being addressed and that Origin is well-placed to continue to deliver increasing value for our shareholders.

We continue to be aware of the importance we play in society in providing the most basic service, that is energy, to people - every day. Our people have worked very hard in a difficult year. And we acknowledge the commitment they bring to Origin.

I would like to reiterate how proud I am to have been part of the development of this great Australian company, along with our Board and management team.

Continuity of leadership has been one of the hallmarks of Origin's success. I would like to thank the management team, led by our Managing Director Grant King, and all my colleagues at Origin. The Board recognises their dedication and commitment to delivering outcomes, for you, our shareholders and other stakeholders.

I would also like to acknowledge the efforts of my Board colleagues, past and present, who have made an important contribution to key strategic and operating decisions. I thank them for their support and counsel.

Under the Chairmanship of Gordon Cairns, I know Origin will continue to grow its business, build on the opportunities presented by the energy sector and create sustainable value to share with all of its stakeholders. I wish you all every success in the future.

Now I would like to ask Grant King, our Managing Director, to address shareholders on our operations and activities during the 2013 financial year and to provide a trading update on the financial year 2014.