Tel: 02 9921 2205
Fax: 02 9921 2694

St Leonards
72 Christie Street
St Leonards NSW 2065

AGL Energy Limited
ABN 74 115 061 375

Locked Bag 1837
ST LEONARDS NSW 2065
www.agl.com.au

asx statement

February 28, 2007

Further information re Origin Merger of Equals Proposal

On Friday February 23, 2007 Origin Energy Limited ("Origin") announced that it had rejected the merger of equals proposed by AGL Energy Limited ("AGL"). AGL remains disappointed at Origin's decision and considers it important to provide the market with additional information in relation to merger discussions and the potential benefits in light of some of the matters raised by Origin in its announcement and subsequent briefing.

AGL first approached Origin in relation to a merger of equals proposal on November 30, 2006. Over the past three months, AGL remained open to discuss all merger issues with Origin. On January 16, 2007, in an effort to advance and focus merger discussions, AGL submitted a formal proposal to Origin for a merger of the two companies. The key features of AGL's proposal were:

- an exchange ratio of 1.860 Origin shares for each AGL share assuming Origin was to be the continuing entity (or ~0.538 AGL shares for each Origin share if AGL were the continuing entity), which represented a premium to Origin shareholders based on a range of relevant benchmarks. For example, the proposed exchange ratio represented an 8.9 per cent premium to Origin shareholders based on AGL and Origin's three month VWAPs prior to the proposal;
- majority ownership of the combined company by Origin's shareholders;
- AGL was open to the transaction being implemented through an acquisition of AGL by Origin;
- the chairman of the merged entity was to be appointed by Origin and the CEO by AGL, with senior management selected on a most qualified applicant approach;
- the board of the combined company was to comprise equal numbers from each of Origin and AGL's existing boards; and
- if implemented, based on its estimate of the potential merger benefits, AGL believed that Origin shareholders could benefit from an earnings uplift of greater than 25 per cent[1].

Origin subsequently advised AGL that the terms of the proposal did not form an acceptable basis for merging the two companies. AGL believed that the specific terms outlined in its January 16, 2007 proposal provided the basis for a balanced and fair merger of equals that was extremely attractive to shareholders of both

[1] EPS accretion based on AGL's estimate of after-tax merger benefits.

companies. AGL advised Origin that it remained open to discuss all merger issues on a consensual basis.

Origin indicated it would only progress discussions on the basis that the selection of the CEO was resolved prior to engaging on relative value. As a result, AGL and Origin agreed a process to resolve the appointment of the CEO. However, when Origin announced its rejection of the merger of equals, this process had not materially progressed. Accordingly, there had been no discussions between AGL and Origin on the relative value of the two companies since AGL made its initial approach.

AGL remained of the view that a merger of equals provided a unique opportunity to create substantial long-term value for shareholders of both companies. Origin also acknowledged on a number of occasions that there were material benefits associated with merging the two companies. AGL has previously indicated that it had identified pre-tax annual benefits of approximately $150 million through the removal of duplicated effort and resources. In addition to these benefits, AGL believed there were other pre-tax annual benefits of approximately $180 million, with additional one-off and scale benefits which AGL had hoped to work jointly with Origin to quantify. The merger was also expected to enhance the range of growth opportunities available to the combined business due to its increased scale.

AGL's assessment of potential merger benefits was based solely on publicly available information in relation to Origin. Further, these estimates were before allowance for any asset divestments that may have been required by the ACCC. Origin has stated that it believes these divestments may result in value leakage of between $750 million and $1 billion. While AGL acknowledges there may have been potential value leakage associated with the impact of divesting assets into a new business with a higher cost to serve than that of the merged entity and the replication of certain corporate functions, it does not believe that these factors would have significantly impacted the overall benefits of the merger to shareholders of both companies.

Further information on AGL's views of the benefits of the merger is set out in the attachment, which is a subset of a presentation provided to Origin on February 22, 2007 the day prior to Origin's rejection of AGL's proposal.

In AGL's view, a merger of equals represented the most logical transaction between AGL and Origin given the relative size of the two companies, their complementary business profiles and the fact that the merger benefits outlined above were uniquely available through the combination of the two companies.

Paul McWilliams
Company Secretary

ATTACHMENT

Exchange Ratios

	Share Price		Exchange Ratio		Premium
Price Basis	**AGL**	**Origin**	**AGL/Origin**	**Origin/AGL**	**Implied by 16 Jan Proposal**
Day prior to Origin's public rejection (22-Feb-07)	$ 16.86	$ 8.86	1.90x	0.53x	2.3%
Day prior to press speculation (15-Dec-06)	$ 16.00	$ 8.00	2.00x	0.50x	7.5%
Day of approach (30-Nov-06)	$ 15.30	$ 7.53	2.03x	0.49x	9.2%
1 month VWAP[1]	$ 17.25	$ 9.14	1.89x	0.53x	1.5%
2 month VWAP[1]	$ 17.14	$ 9.14	1.88x	0.53x	0.9%
3 month VWAP[1]	$ 16.64	$ 8.54	1.95x	0.51x	4.8%
Broker consensus valuation	$ 16.85	$ 7.82	2.15x	0.46x	15.9%

Analyst Valuations

Broker	**Date**	**AGL Valuation (Per Share)**
ABN Amro[2]	23-Feb-07	$15.98
Citigroup	23-Feb-07	$16.90
Commsec	19-Feb-07	$16.60
Deutsche Bank	19-Feb-07	$18.50
GSJBWere	21-Feb-07	$16.70
JP Morgan	21-Feb-07	$16.80
Merrill Lynch	23-Feb-07	$16.50
Mean		**$16.85**

Broker	**Date**	**Origin Valuation (Per Share)**
ABN Amro[2]	23-Feb-07	$7.83
Citigroup	23-Feb-07	$7.80
Commsec	23-Jan-07	$8.05
GSJBWere	09-Jan-07	$7.40
Merrill Lynch	04-Jan-07	$7.31
UBS	23-Feb-07	$8.55
Mean		**$7.82**

Note: Includes analysts with published valuations since PowerDirect and Sun Retail acquisitions for AGL and Origin respectively.

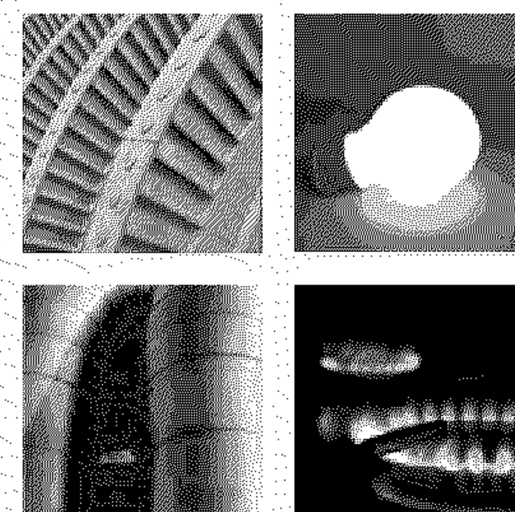
(1) As at 22 February 2007, the day prior to Origin's rejection of the merger of equals.

(2) Valuation assuming no synergies from proposed merger.

project roy

AGL's view of potential merger benefits

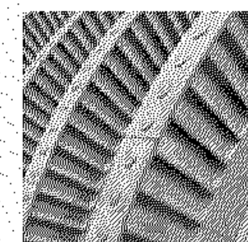
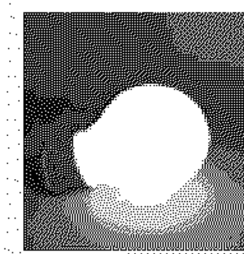
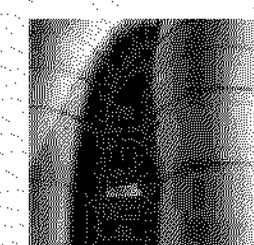
february 2007



AGL Origin energy

CREDIT SUISSE Goldman Sachs JBWere

overview of the merged entity


merger overview

- A merger of equals between Origin and AGL would create the leading Australian integrated energy company, with substantial financial strength and robustness in earnings, ranking within the top 20 on the ASX
  - #1 integrated energy market participant in Australia
  - #1 energy retailer in Australia
  - #1 producer of coal seam methane in Australia
  - #1 LPG supplier in Australia, New Zealand and the Pacific Islands
  - #1 provider of renewable energy in Australia
  - #2 natural gas producer in South East Australia
- The merger will deliver material and sustainable benefits to shareholders of both companies. These benefits could not be unlocked by Origin or AGL either alone or through the combination with a third party
- The benefits of the merger proposal have been recognised by the market
- The combined company will be exposed to a greater suite of growth opportunities. In addition to the opportunities available to both companies on a standalone basis, the merger provides an improved platform from which to pursue other domestic and international development and acquisition opportunities in both traditional and renewable energy markets
- AGL does not believe that mitigating any potential ACCC concerns will fundamentally impact the value creation and strategic rationale of the merger

the opportunity exists right now to create a clear leader in the Australian energy sector, with exposure to an array of global opportunities otherwise unavailable to either company on a standalone basis

complementary profile

Origin and AGL are uniquely positioned to pursue an MoE due to the highly complementary nature of the two businesses

	Origin[1]	Origin %	AGL %	AGL[2]
Market Capitalisation ($m)	7,555	51%	49%	7,391
2007E NPAT[3] ($m)	347	50%	50%	342
2008E NPAT[3] ($m)	438	51%	49%	427
2009E NPAT[3] ($m)	462	47%	53%	513
Aust Electricity Customers ('000s)	1,787	48%	52%	1,934
Aust Generation (MW)	704	18%	82%	3,212
Aust Generation Development Opps. (MW)	2,450	54%	46%	2,097
Aust Renewable / Green Generation (MW)[4]	0		100%	1,311
Aust Gas Customers ('000s)	879	35%	65%	1,633
Aust LPG Customers ('000s)	357	70%	30%	150
Aust Dual Fuel Customers ('000s)	703	35%	65%	1,300
Gas Demand (PJ per annum)	127	37%	63%	220
Gas Reserves (PJ)	2,199	73%	27%	801
Liquid Reserves (mmboe)	41	69%	31%	18

Similar financial growth profiles:

- Long term earnings growth target — Origin: 10-15% — AGL: 10-15%

Similar credit positions:

- Credit Rating (S&P) — Origin: BBB+ — AGL: BBB

Source: IRESS, Bloomberg, Company filings, broker reports, ESC, ESCOSA, AGL estimates

Note: Equity accounted.

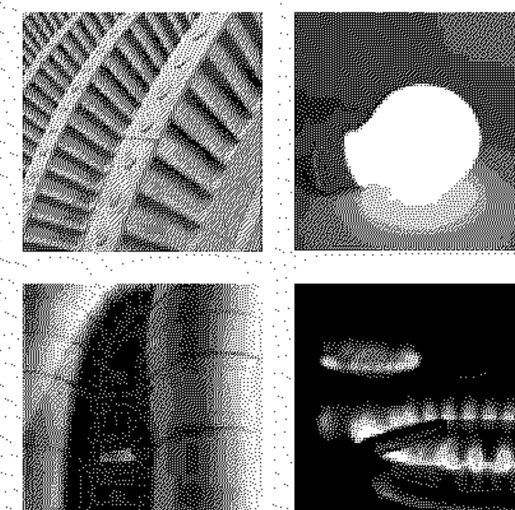
1 Information relating to Origin to be verified by Origin.

2 Including Powerdirect customers and 27.5% interest in QGC's 2P reserves (222PJ). Shares outstanding adjusted for placement and SPP.

3 Broker consensus. Note: AGL research post-announcement of Powerdirect acquisition (19-Feb-07).

4 Including renewable development opportunities.

benefits of the proposed merger



benefits of the MoE

- The merger is expected to create value for shareholders of both companies
  - Duplication benefits: ~$150m p.a., based on the removal of duplication (as disclosed)
  - Other annual benefits: ~$180m p.a., primarily as a result of scale benefits across the combined retail business and portfolio benefits[1]
  - One-off benefits: up to $1bn through the deferral of capex, early commercialisation of gas reserves
  - Scale and diversity benefits: unquantified benefits resulting from increased market rating, index weighting and liquidity; lower cost of capital; increased global significance
- The benefits achieved via the merger are sustainable and represent an immediate and permanent step change to both businesses. These benefits cannot be replicated without the investment of significant capital and execution risk over a substantial period of time
- The merger does not inhibit the growth opportunities available to either company on a standalone basis (i.e. operational improvements, organic growth, acquisitions)
  - The merged entity can pursue many of the same acquisition opportunities available to both Origin and AGL on a standalone basis (e.g. NSW privatisation, subject to the ultimate structure of the privatisation process)
- In addition, the merged entity can also pursue additional growth opportunities otherwise unavailable to either Origin and AGL on a standalone basis given their scale
  - E&P - large scale projects, lead roles, exploration licensing commitments
  - Large scale traditional and renewable generation projects (carbon trading, carbon sequestration, etc)
  - International retail and generation assets
  - Other (e.g. LNG, Contact, etc)

significantly more growth opportunities will be created through the merger than lost

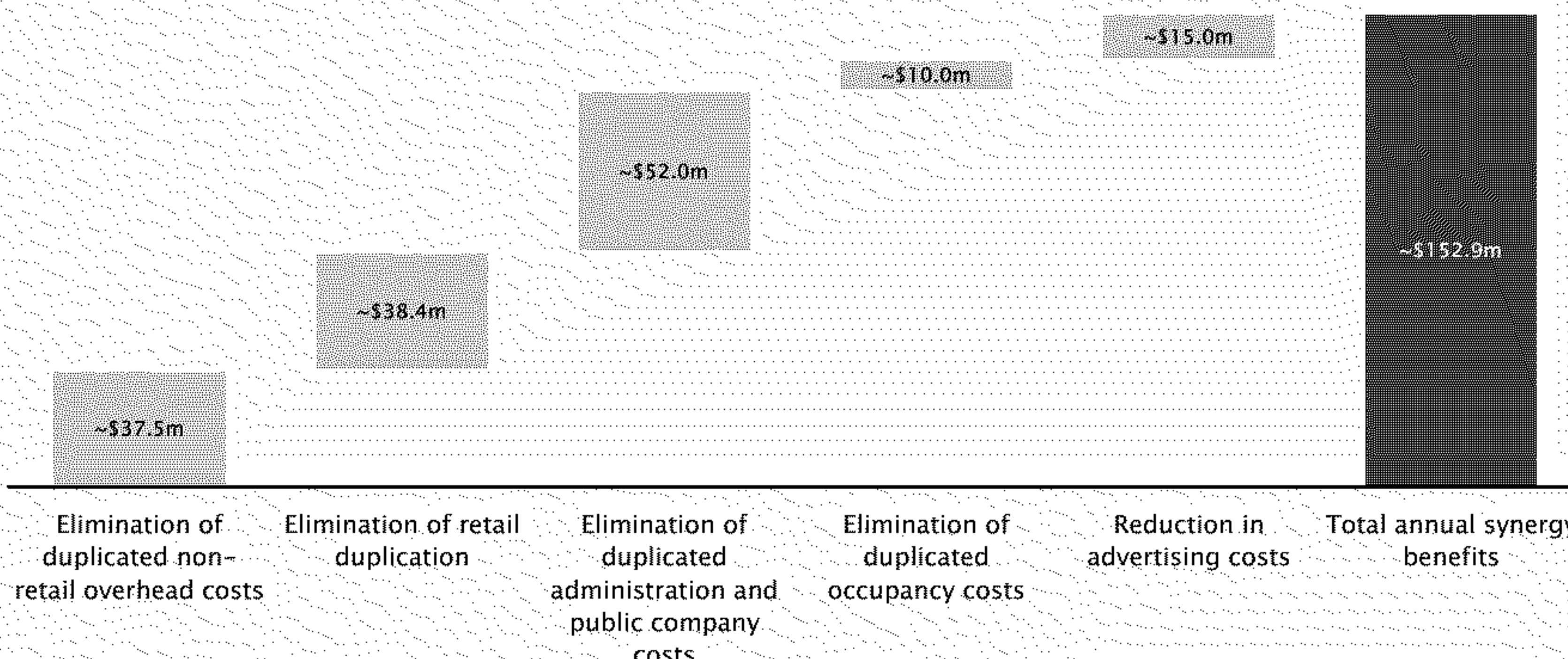
1 Excludes impact of ACCC divestments.

sustainability of merger benefits

- The merger benefits reflect a permanent change in the businesses and do not degrade over time
- There are no comparable opportunities for Origin or AGL to deliver similar scale and achieve the expected merger benefits
  - Organic growth: While Origin or AGL on a standalone basis will continue pursue customer growth, organic growth is unlikely to deliver the same level of scale as the merger. While Origin or AGL on a standalone basis could focus time and resources on organic growth to achieve scale benefits, the merged entity (having already achieved those benefits) can focus on other transformational opportunities
  - Outsourcing/bureau/back office joint venture: While potential cost savings would need to be balanced against reduced strategic flexibility, the combined business would also be able to implement an outsourcing-type arrangement. On the basis of its greater scale and volume, the merged entity would be better positioned to extract more favourable terms (and would therefore retain a lower cost structure) than either Origin or AGL alone
  - Investment in IT systems to deliver cost reductions: AGL has already committed to and incurred significant IT costs. Any similar investment by Origin represents a duplicated cost that the combined business could avoid
  - Acquisition: The acquisition of customers is subject to significant execution risk and is likely to involve either Origin or AGL paying away a significant part of the benefits in the form of a premium

duplication benefits

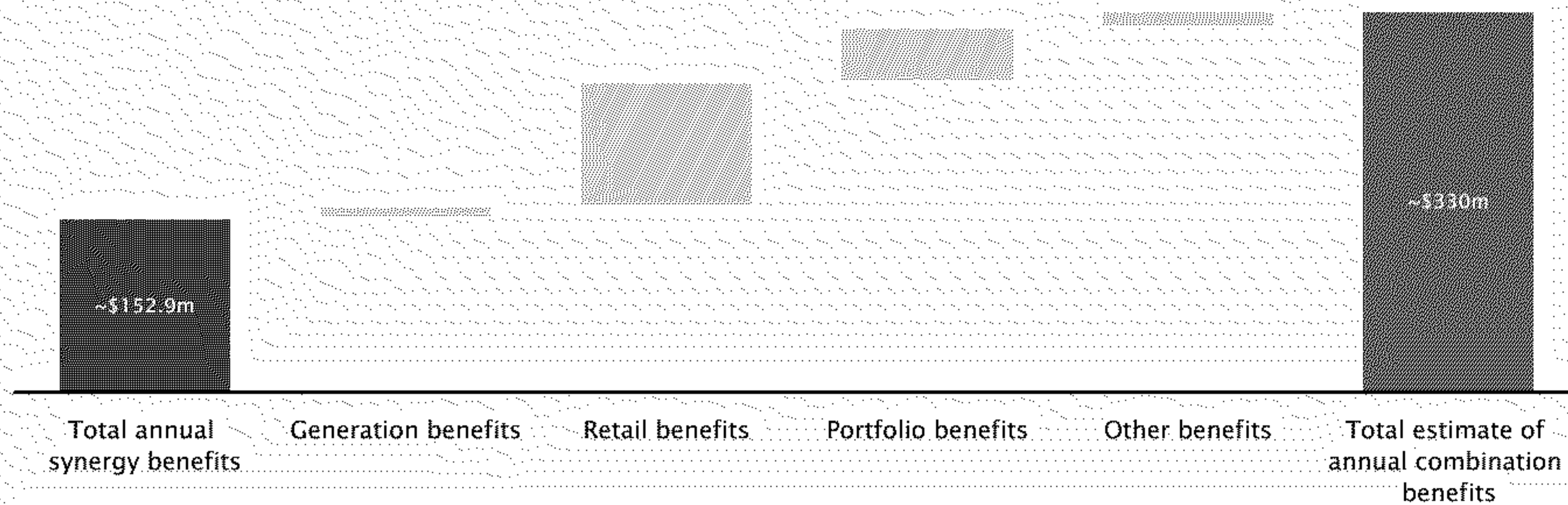
~$150m of gross annual synergies through the removal of duplicated effort and resources



Note: Additional information on duplication benefits is available in Appendix A.

other annual benefits

An additional ~$180m of gross annual benefits, resulting in total gross benefits of greater than $330m per annum

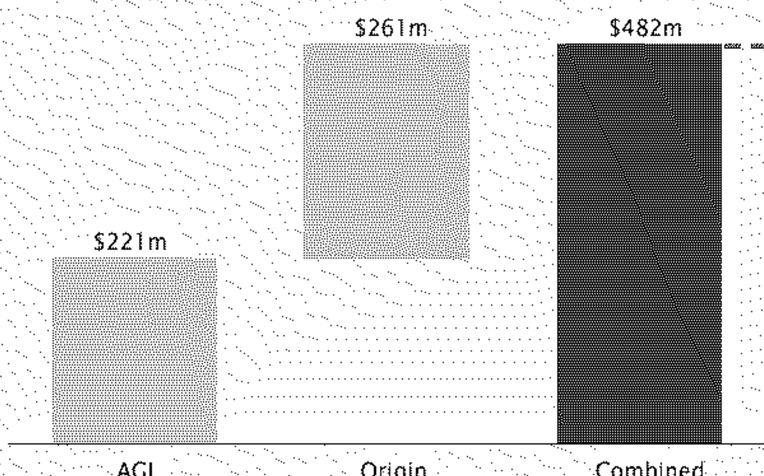


Total annual synergy benefits	Generation benefits	Retail benefits	Portfolio benefits	Other benefits	Total estimate of annual combination benefits
• Removal of duplicated effort and resources – Non-Retail overhead costs – Retail duplication – Admin and public company costs – Occupancy – Advertising	• Potential for minor reductions in maintenance expenditure	• Economies of scale and improved efficiencies by taking advantage of AGL's Project Phoenix initiatives • Gross retail benefits will be reduced by difference in marginal cost to serve on ACCC divested customers & duplicated corporate costs	• Hedging diversification • Wholesale market economies of scale	• Additional corporate cost savings	

reduction in total cost to serve

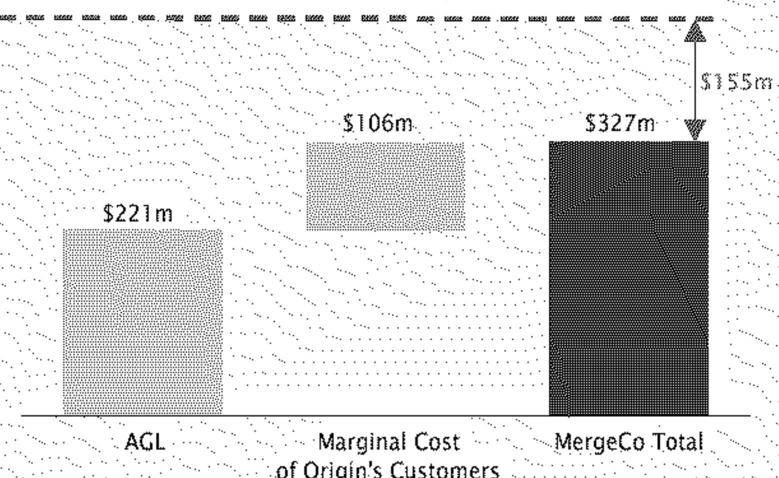
Pre-asset divestments, gross cost to serve benefits of ~$155m per annum (including $38.4m per annum of duplication benefits)

Pre Synergies



Customers ('000)[1]	3,250	2,666	5,916
Cost to Serve ($m)	221	261	482
Est. Cost to serve ($/customer)	68[2]	98[3]	81

Post Synergies



Customers ('000)[1]	3,250	2,666	5,916
Cost to Serve ($m)	221	106	327
Est. Cost to serve ($/customer)	68[2]	40[4]	55

- Gross cost to serve benefit excludes impact of ACCC divestments

1 Excluding JV customers (i.e. ActewAGL, AlintaAGL).
2 Post Phoenix, pre-scale benefits resulting from Powerdirect acquisition.
3 Pre Sun Retail, Origin Energy customers of 1.8m on a cost base of $215m (implied from electricity and gas gross margin of $439m less EBITDA of $224m) implying a marginal cost of ~$118 per customer; adjusted for a reduction in cost to serve of $20 per customer following the acquisition of Sun Retail.
4 AGL estimates.

one-off benefits

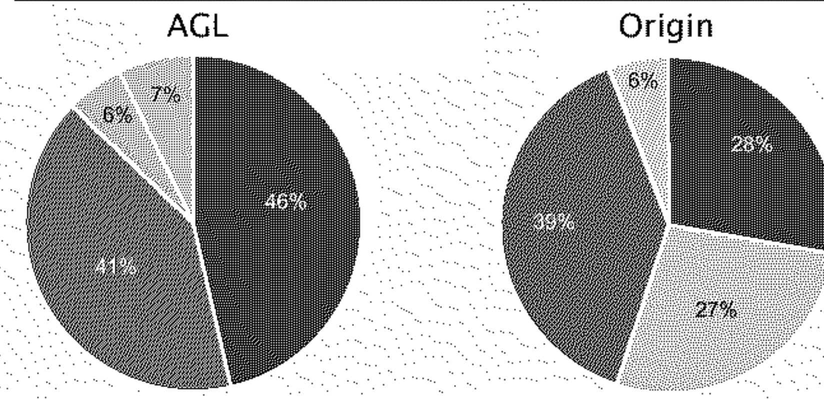
- Potential for one-off benefits
  - Capital expenditure deferral (power stations) as gas can be monetised via existing customer base instead of via development of a power station
  - Opportunity to accelerate monetisation of gas
- AGL's initial estimate of these one-off benefits is in the range of $500m-1,000m
- AGL would like to work jointly with Origin in order to further develop this analysis

scale benefits

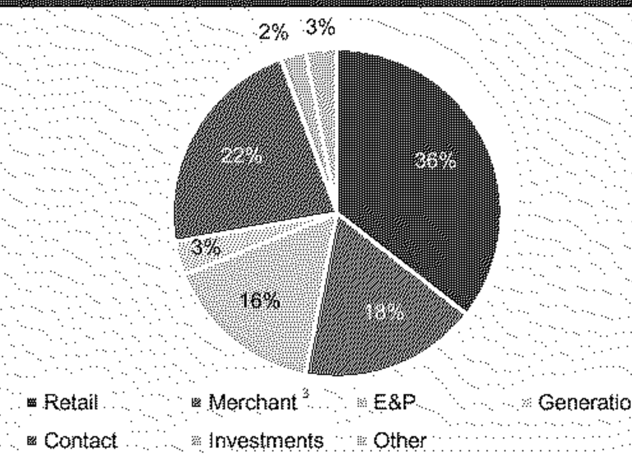
Increased financial scale and earnings diversity is likely to result in a re-rating of the combined entity

- A combined Origin/AGL would move to approximately #18 on the ASX by market capitalisation
  - Improved market rating
  - Increased liquidity and index weighting
  - Greater institutional participation on the combined register
  - Increased relevance to international institutions
  - Improved broker focus
- Increased scale is also likely to result in a number of financials benefits (e.g. lower cost of capital, higher debt capacity than the individual companies at a given credit rating, greater access to capital)
  - Every 0.10% reduction in the merged company's WACC results in a ~$200m increase in value of the combined entity

EBITDA Breakdown (pre-Merger)[1]



Pro Forma EBITDA Breakdown (post-Merger)[1,2]



Source: Broker reports

1 Based on FY08 consensus forecasts.

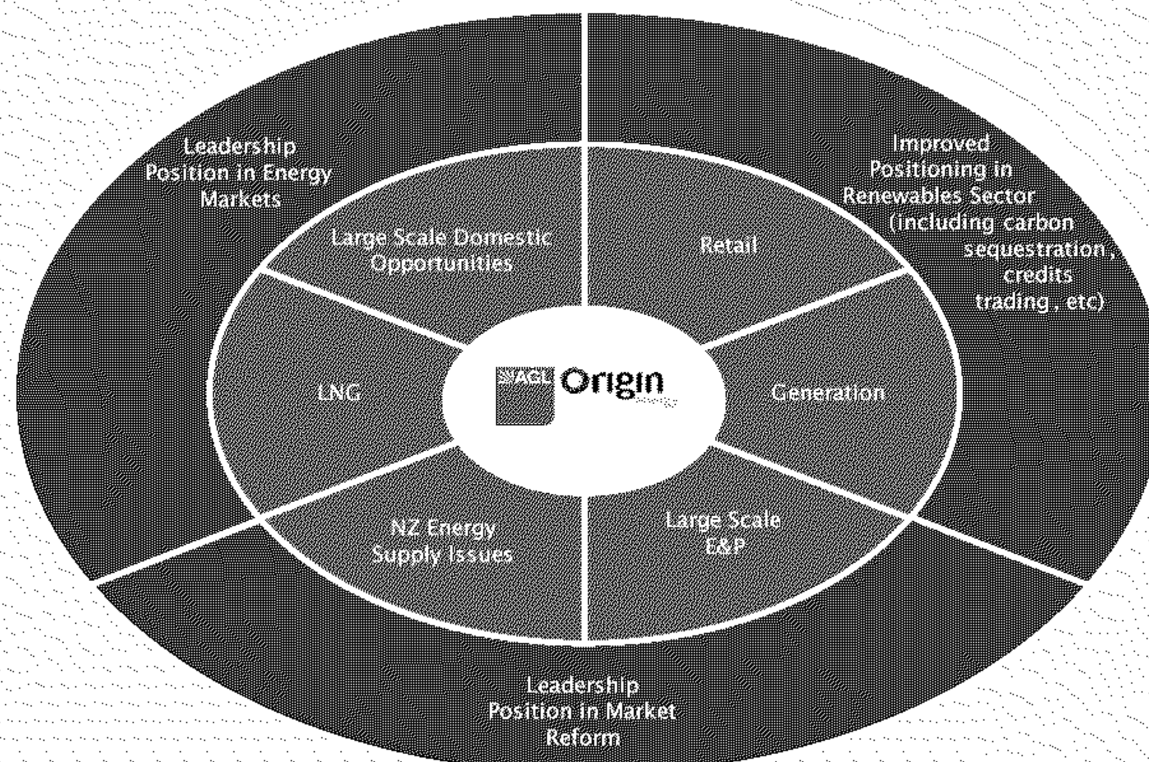
2 Excluding any ACCC divestments.

3 AGL's Merchant Energy business includes electricity generation and wholesale sale of gas and upstream oil and gas investments.

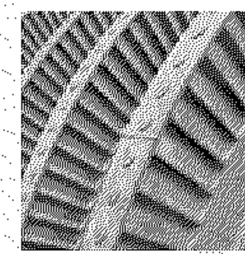
enhanced opportunities

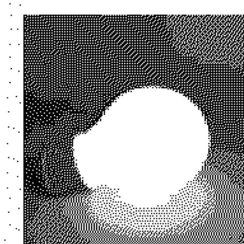
The merged entity would be a world scale integrated energy company, with future expansion likely to be focused on a broader range of larger opportunities

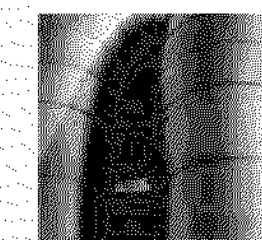
- Step change in growth opportunities
  - Comparison with what Origin or AGL could achieve on a standalone basis is of little relevance given expanded opportunity set
- Industry leadership across the energy sector
  - Address new market opportunities and play a major role in leading market reform
- Able to access and take leadership of large scale projects
  - Able to fund capital expenditure above what either could justify alone and mitigate risks through scale and diversity, enabling a portfolio of projects to be developed at the same time
- Consider international expansion
- Attract and retain high calibre employees for growth initiatives (e.g. offshore E&P)

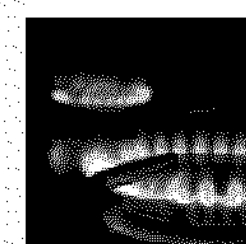


conclusion









conclusion

The merger provides Origin with a number of unique benefits versus a standalone strategy

1. Access to AGL's low cost to serve retail base (i.e. AGL has already invested the capital required to upgrade systems)
2. Availability of AGL's gas customers provides commanding channel to market – limited opportunity to acquire other gas customers in Australia
3. Ability to monetise reserves without spending significant capital (i.e. acquiring retail customers and/or building power stations)
4. Immediate step change. Alternative bolt-on strategy requires significant capital and time. There is significant execution risk with the alternative bolt-on strategy, including risks to eps growth and risks from competitors, regulators, governments and other vendors
5. Origin need not pay a premium to reach market leading scale, relative to competitive privatisations and other acquisition opportunities. Premium for Origin shareholders still available in a subsequent change of control transaction
6. Corporate synergies in this combination are unique in their size and, when coupled with vertical integration benefits, are not available from any other transaction or series of transactions

the merger reduces execution risk and dramatically expands Origin's scale and capabilities to exploit larger development and acquisition opportunities