

To	Company Announcements Office	Facsimile	1300 300 021
Company	Australian Stock Exchange Limited	Date	23 February 2007
From	Bill Hundy	Pages	3
Subject	ORIGIN ENERGY REJECTS AGL'S PROPOSAL FOR A NIL PREMIUM MERGER OF EQUALS		

For your information please find attached an announcement entitled "Origin Energy rejects AGL's proposal for a nil premium merger of equals".

Regards

A handwritten signature in black ink, appearing to read "Bill Hundy", with a stylized flourish at the end.

Bill Hundy
Company Secretary

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ASX/Media Release

23 February 2007

Origin Energy rejects AGL's proposal for a nil premium merger of equals

Origin Energy Limited ("Origin") today announced that it has rejected a proposal by AGL Energy Limited ("AGL") for a nil premium merger of equals.

Mr Kevin McCann AM, Chairman of Origin, said, "The Board has focused its assessment of a nil premium merger of equals on its impact on the value of shareholders' investment in Origin".

Important considerations in this regard include:

- An assessment of the relative value of AGL and Origin;
- The benefits arising from the merger after consideration of:
 - The transaction risks, including ACCC considerations;
 - Value leakage;
- The quality of earnings and growth opportunities of each Company; and
- The strategic direction of the two businesses.

Relative Value

Mr McCann said, "The Board believes that the merger ratio based on current market prices is not an appropriate basis to effect a merger. A merger based on current market prices does not properly reflect the relative fundamental value that each company would contribute to the merger.

"For example, AGL has acquired a number of assets in recent years, including Southern Hydro and Powerdirect, at prices significantly higher than we would value them in either our own business or a merger.

Potential benefits and value leakage

"We acknowledge that there are potentially significant operational benefits and synergies from integration, including retail scale that would be available in the merged business. However, for the merger to proceed, a significant divestment of natural gas, electricity and LPG retail customers, gas and electricity supply contracts and possibly some generation assets would be required. Our analysis has identified that this will result in significant value leakage. This is evidenced by the value that we believe underbidders attributed to recent acquisitions, including Powerdirect.

Quality of earnings and growth opportunities

"The Board believes that Origin is entering a period of significant growth as the earnings begin to flow from recent capital investment in upstream projects and the acquisition of Sun Retail.

"A significant contributor to AGL's earnings is from PNG oil, which is entering decline. The expected uplift in contributions from Southern Hydro is, in our opinion, at risk given current dam levels and hydrology outlook.

"Origin also believes it has a greater portfolio of growth projects that are core to the Company's strategy. In our opinion these differences in outlook are not adequately reflected in a nil premium merger ratio.

Strategic Direction

"We agree with AGL's assessment that the proposed merger would be of significant strategic benefit to AGL. Origin has consistently pursued a strategy of deepening integration between upstream, generation and retail assets. We believe that our strategy remains appropriate and that the proposed merger would not enhance it in a compelling way."

Mr McCann concluded, "Based on our comprehensive assessment as outlined above, the Board has come to the decision to reject a nil premium merger of equals with AGL."

Mr Grant King, Managing Director of Origin, said, "We believe that Origin is well placed to deliver many of the financial and strategic benefits of the proposed merger without the value leakage and execution risk associated with the proposed merger. Our focus will remain on effectively managing our current business and developing the many opportunities we have in front of us".

-ends-

Question and Answer Teleconference Session

Origin Energy Managing Director, Mr Grant King, will today conduct a teleconference question and answer session in relation to the announcement. Details are as follows:

Date:	Friday 23 February 2007
Time:	11.00am (Sydney time)
Dial-In Numbers:	Toll Free Australia Wide: 1800 766 788
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