To	Company Announcements Office	Facsimile	1300 135 638
Company	ASX Limited	Date	6 April 2020
From	Helen Hardy	Pages	4
Subject	Operational and financial update		

Please find attached a release on the above subject.

Regards

Authorised by:
Helen Hardy
Company Secretary

02 8345 5000

ASX/Media Release

6 April 2020

Operational and financial update

Origin Energy Limited (Origin) has provided the following update on its operations and financial position in response to the COVID-19 pandemic and a material reduction in oil prices.

Operational update

In response to the COVID-19 pandemic, Origin has focused on safely maintaining energy supply and reassuring customers it will support those who have been financially affected.

Origin will not disconnect any residential or small business customers in financial stress. This will apply until at least 31 July 2020. There will also be no default listing for any customer who is having trouble paying and all late payment fees have been paused over the same period.

To date there has been no material impact on Origin's energy supply operations, with customers continuing to receive reliable electricity, natural gas and LPG supply. There are no issues with fuel availability.

Most of Origin's workforce is working from home and only roles critical to maintaining energy supply remain at site. Measures have been implemented to protect people and operations and support efforts to slow the spread of the virus in the community, including managing rosters to reduce contact between staff, social distancing, restricting visitors to sites and additional health screening.

Protocols continue to be reviewed and updated in line with the latest government advice.

Origin CEO Frank Calabria said, "At the heart of our approach is the health and safety of our people, customers and the communities in which we operate, along with maintaining safe and reliable operations.

"I am incredibly proud of how our people have responded. Australians can continue to rely on their energy supply, while any of our customers who are in financial stress will receive the support they need.

"While Origin is clearly being affected by both COVID-19 and the significant reduction in oil prices, action taken in the last three years to simplify the business, significantly reduce upstream costs at Australia Pacific LNG and materially reduce debt, has put us in a financially resilient position.

"In our Energy Markets division, the uncertainty that exists around how long this situation will last and how deeply it will affect the economy and our customers, is making it challenging to accurately assess the impacts on provisioning for bad and doubtful debts.

"The impacts have not been material to date and can be absorbed within our existing FY2020 guidance range, however we are closely monitoring this situation and if things materially change, we will provide an update to shareholders," Mr Calabria said.

Financial update

Due to COVID-19 and a material reduction in oil prices, Origin provides the following financial updates. This is provided on the basis that market conditions do not materially change further and that the regulatory and political environment does not further adversely affect operations.

Summary

- Energy Markets FY2020 Underlying EBITDA guidance of $1.4 - $1.5 billion is maintained, subject to any material increase in bad and doubtful debt provisioning.
- Expected FY2020 cash distributions from APLNG unchanged at $1.1 - $1.3 billion.
- Expected FY2020 Origin capital expenditure is 5-10 per cent lower than guidance.
- Pursuing a range of FY2021 cost reduction initiatives:
  - Previously announced target of $100 million reduction in cost to serve;
  - 25-30 per cent reduction in Origin capital expenditure; and
  - $300 - 400 million reduction in APLNG upstream capital expenditure.
- Significant headroom in Origin debt covenants at current oil prices for multiple years.
- More than 24 months committed and undrawn liquidity.

Update on FY2020 guidance

Origin is closely monitoring the potential impacts of COVID-19 on customers' ability to pay their energy bills, along with energy demand in the small to medium enterprise and business sectors. The impacts experienced to date can be absorbed within the current guidance range, however considerable uncertainty remains regarding the final quarter impacts. Energy Markets' FY2020 Underlying EBITDA guidance of $1.4 - $1.5 billion is maintained, but is subject to any material increase in bad and doubtful debt provisioning associated with the changing economic conditions, which will continue to be monitored.

There is no change to Australia Pacific LNG production or distribution breakeven guidance for FY2020. Cash distributions from Australia Pacific LNG are subject to debt serviceability tests under the project finance arrangements, which are satisfied at current forward oil prices. With no further material decline in forward oil prices, Origin continues to expect total cash distributions in FY2020 from Australia Pacific LNG of $1.1 - 1.3 billion.

Continued focus on cost efficiencies has driven Australia Pacific LNG's FY2020 forecast distribution breakeven down to US$29 - $32[1] per barrel, inclusive of approximately US$8 per barrel of project finance principal repayment, based on an average AUD/USD exchange rate of 70 cents.

FY2020 capital expenditure (excluding Australia Pacific LNG) is estimated to be 5-10 per cent lower than previous guidance of $530 - $580 million.

All other aspects of FY2020 guidance are reaffirmed.

FY2021 update

A range of options is being considered across Origin to reduce expenditure and help offset the impacts of COVID-19 and lower oil prices.

Origin is targeting a 25 - 30 per cent reduction in capital expenditure in FY2021 compared to previous FY2020 guidance of $530 million - $580 million.

In Energy Markets, we are continuing to pursue a targeted $100 million reduction in retail cost to serve by FY2021 compared to the FY2018 baseline. Other opportunities are being

[1] Excludes Ironbark acquisition and reflects royalties under existing regime at the breakeven oil price.

pursued that will help Origin deliver on its strategy of improving customer experience, reducing cost to serve and growing new revenue streams.

In Integrated Gas, Origin is targeting a $300 million - $400 million reduction in Australia Pacific LNG upstream capital expenditure in FY2021 compared to FY2020 guidance. This reduction is expected to be driven by reduced development activity as well as lower exploration and appraisal and is not expected to materially impact production in FY2021.

As Australia Pacific LNG's operating costs are predominantly in Australian dollars and long-term LNG offtake contracts are in US dollars, the impact of lower oil prices is partially mitigated by a lower AUD/USD exchange rate.

Based on a combination of targeted reductions in expenditure, the nature of the long-term LNG contracts and a 60 cent AUD/USD exchange rate, Origin estimates that Australia Pacific LNG can fund its FY2021 operating, development and project finance costs at oil prices at or above US$25 per barrel.

Origin's FY2021 Australia Pacific LNG-related oil hedging program consists of 3.1mmbbl fixed at A$90 per barrel and 0.4mmbbl fixed at US$57mmbbl.

The current exploration program in the Beetaloo Basin has been temporarily paused due to COVID-19. The joint venture is targeting a recommencement of Stage 2 activity in the second half of the 2020 calendar year, with exploration and appraisal activities beyond this program able to be deferred, while ensuring permit obligations are met.

Balance sheet and liquidity

As at 31 December 2019, Origin held liquidity of $3.8 billion, consisting of $0.8 billion in cash and $3.0 billion in committed undrawn debt facilities expiring over FY2023 and FY2026. This position is expected to further improve in the second half of FY2020.

Origin's liquidity position is sufficient to meet upcoming debt maturities including $1.2 billion maturing by December 2020 and approximately $2 billion maturing in October 2021.

As at 31 December 2019, net debt was $5.6 billion, including $0.5 billion in AASB16 lease liabilities, and gearing was 29 per cent.

Origin has stress tested its financial profile over a multi-year period at current oil prices and continues to have significant headroom to debt covenants over this period. Under this stress test 24 months of liquidity is maintained.

Mr Calabria concluded, "While there is some uncertainty about the extent of the short-term impact on Energy Markets, Origin is in a resilient financial position, with a sound balance sheet and a competitive cost position.

"We will also continue to play our part, supporting our customers and the broader Australian community through this challenging time. The impacts of COVID-19 are likely to be wide-reaching, and we believe in business getting behind the community and providing whatever support we can."

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