

To	Company Announcements Office	Facsimile	1300 135 638
Company	ASX Limited	Date	1 June 2022
From	Helen Hardy	Pages	3
Subject	Update on operating conditions and guidance		

Please find attached a release on the above subject.

Regards



Authorised for lodgement by:
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Company Secretary

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ASX/Media release

1 June 2022

Update on operating conditions and guidance

Origin Energy Limited (Origin) provides the following update on operating conditions and earnings guidance.

There is currently extreme volatility across commodity markets, driven by a combination of global energy supply and security concerns, exacerbated by the impact of the Russian invasion of Ukraine, with subsequent unprecedented increases in international energy prices including coal, gas and oil. Domestically, coal plant outages and high coal and gas prices have contributed to a steep escalation in wholesale electricity prices.

The following guidance is based on current market conditions and the regulatory environment. Ongoing volatility in market conditions is likely and may adversely impact operations.

FY2022

For the 2022 financial year, Origin expects consolidated group Underlying EBITDA to be around the mid-point of the original guidance range of \$1,950 - \$2,250 million. Higher earnings from Integrated Gas as Australia Pacific LNG benefited from strong commodity prices, are expected to offset a decline in Energy Markets earnings.

Integrated Gas and Corporate Underlying EBITDA is expected to be higher at \$1,700 - \$1,800 million¹, compared to the original guidance of \$1,500 - \$1,650 million, driven primarily by higher oil and LNG prices, with production and operating and capital expenditure at Australia Pacific LNG in line with expectations. The cash distribution to Origin net of oil hedging loss is expected to be around \$1.4 billion, compared with the original guidance of >\$1.1 billion.

In Energy Markets, ongoing challenges with coal supply have been impacting Eraring Power Station throughout FY2022. However, the situation has deteriorated significantly in recent weeks, with material under-delivery of contracted coal compared to expectations, and with Centennial Coal notifying Origin of further production constraints at its Mandalong mine. Deliveries from the Mandalong mine are expected to be interrupted during the remainder of FY2022 and into the first half of FY2023. Equipment supply chain delays are also expected to impact coal deliveries in FY2023.

The recent material under-delivery of coal to Eraring results in lower output from the plant, additional replacement coal purchases at significantly higher prices, and is being exacerbated by coal delivery constraints via rail. Despite positioning the year with a relatively low short position across all states, the lower output from Eraring results in a greater exposure to the purchase of electricity at current high spot prices in order to meet customer demand.

¹ Based on an effective lagged APLNG oil price of US\$74/bbl, weighted average JKM price of US\$28/mmbtu and AUD:USD exchange rate of 0.72.



As a result, Origin now expects Energy Markets Underlying EBITDA in FY2022 to be \$310 - \$460 million, lower than the original guidance range of \$450 - \$600 million.

FY2023

Origin had previously provided guidance for Energy Markets Underlying EBITDA for FY2023 of \$600 - \$850 million. Since the time FY2023 guidance was provided, there have been material developments in global and Australian energy markets.

The challenges with coal delivery to Eraring Power Station are expected to persist into FY2023. This is expected to result in a material increase in coal purchasing costs given high coal prices and continued exposure to high spot electricity prices. While Origin has worked closely with coal suppliers to secure additional coal supply by rail, there are limitations to the amount of coal that can be delivered to the plant by this method. Therefore, there is uncertainty regarding the plant's output in FY2023. Origin is part-way through finalising coal contracting arrangements for FY2023.

Higher domestic gas prices are expected to provide a benefit in FY2023. Origin holds a largely fixed price gas portfolio in FY2023 which is expected to benefit from higher market prices.

The current high commodity price environment is a net benefit for Integrated Gas, with higher sale prices more than offsetting higher input prices, including power costs.

Due to the factors outlined above, there is a very high degree of uncertainty around the range of earnings outcomes for the 2023 financial year. As a result, Origin has withdrawn all guidance for FY2023. Origin will continue to assess the outlook, with a view to providing an update at full year results in August.

Separately, Origin has now completed \$185 million of its targeted \$250 million share buy-back as announced in March 2022. The buy-back is expected to be completed over coming months.

Management will hold an investor and analyst call at 11:30am (AEST) this morning. Dial in details are on the company's website.

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