ASX/Media Release

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Santos announces 2015 full-year results

Net loss of $2.7 billion, reflecting after tax impairments of $2.8 billion and lower oil prices

Key points

- Production up 7% to 57.7 mmboe
- Average realised oil price down 48% to US$54 per barrel
- Sales revenue down 20% to $3.2 billion
- Unit production cost per barrel down 10% to $14.40/boe
- EBITDAX down 17% to $1.9 billion
- Underlying net profit after tax of $50 million, down 91%
- Asset impairments of $3.9 billion before tax, $2.8 billion after tax
- Capital expenditure down 54% to $1.7 billion
- GLNG start-up on schedule, with train 1 production regularly exceeding 110% of nameplate capacity and 16 cargoes shipped to date
- Final dividend of 5 cents per share, fully franked, bringing the full-year dividend to 20 cents per share

Santos today announced a 2015 net loss of $2.7 billion, impacted significantly by impairments of $2.8 billion after tax. The impairment charges are primarily a reflection of the current oil price environment and relate predominantly to the company's Cooper Basin gas producing assets, GLNG assets and Gunnedah Basin assets.

Underlying net profit after tax was $50 million, 91% lower than the previous year.

Chairman Peter Coates said Santos' 2015 financial performance reflected the impact of lower global oil prices that had been experienced across the oil and gas industry.

"Despite the continued pressure on the oil price, operationally the business performed well in 2015 with Santos delivering its highest production in seven years, best safety performance on record and the successful start-up of the GLNG project which has shipped 16 cargoes to date."

"It is a credit to management and staff to have maintained focus on safe and effective operations and project delivery in the face of the destabilising market conditions during the year."

"The actions the company took in 2015 to strengthen its balance sheet and lower its cost base have put Santos in a stronger position to manage through a period of low oil prices."

"The company raised $3.5 billion, reduced capital expenditure by 54% below 2014 levels and lowered production costs per barrel by 10%. With $4.8 billion in cash and committed undrawn debt facilities and no material drawn debt maturities until 2019, Santos is well placed to deal with the short term challenges," Mr Coates said.

2016 production guidance is maintained at 57 to 63 mmboe, while capital expenditure guidance has been cut to $1.1 billion.

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Santos
We have the energy.

Commencement of New Managing Director and Chief Executive Officer Kevin Gallagher

Managing Director and Chief Executive Officer Kevin Gallagher commenced work at the company on 1 February this year.

Commenting on the release of the 2015 results, Mr Gallagher said he is confident that Santos' broad asset portfolio and strengthened balance sheet provides a platform for the company to deliver stable returns to shareholders.

"My priority now is to assess our operations and put in place the right strategy to ensure that Santos is sustainable in a low oil price environment, while positioning the company to take full advantage of rising commodity prices in the future," Mr Gallagher said.

Impairment of assets

The 2015 full-year result includes an impairment charge of $3,924 million before tax ($2,761 million after tax). The impairment charge reflects the lower oil price environment, subsequent reduction in capital expenditure and associated deferral of development plans. The impairment charge is an accounting adjustment that relates to the historical book value of the company's assets.

In undertaking the impairment analysis, Santos has used short-term nominal oil prices of US$40/bbl in 2016, US$60/bbl in 2017 and US$70/bbl in 2018, reverting to a long-term price of US$75/bbl (2016 real) from 2019. The A$/US$ exchange rate applied is 0.70 in 2016 and 2017, reverting to 0.75 in all subsequent years.

The impairment charge is not expected to impact Santos' investment grade credit rating or debt facilities.

The impairment charge primarily relates to the company's Cooper Basin gas producing assets, GLNG assets and Gunnedah Basin assets.

Asset	Before tax A$million	After tax A$million
Cooper Basin	2,095	1,467
Gunnedah Basin	588	412
GLNG	565	396
Other producing assets[1]	541	379
Other Exploration and Evaluation assets[2]	97	90
Other[3]	38	17
	3,924	2,761

[1] Includes WA oil assets, Chim Sào, Denison, SE Gobe, Patricia Baleen and Mereenie.

[2] Includes PNG exploration, Malaysia Block S and Cooper unconventional.

[3] Includes assets held for sale.

Results at a glance

Year ended 31 December	2015	2014	Change
Production volume (mmboe)	57.7	54.1	7%
Sales volume (mmboe)	64.3	63.7	1%
	$million	$million	
Product sales revenue – own product	2,657	3,105	(14)%
Product sales revenue – third party	589	932	(37)%
Product sales revenue – total	3,246	4,037	(20)%
Other revenue/income	61	74	(18)%
Production costs	(833)	(863)	(3)%
Other operating costs	(229)	(283)	(19)%
Third party product purchase costs	(476)	(786)	(39)%
Product stock movement	81	21	286%
Other	55	102	(46)%
Share of profit of joint ventures	14	17	(18)%
EBITDAX(1)	1,919	2,319	(17)%
Exploration and evaluation expensed	(244)	(256)	(5)%
Depreciation and depletion	(1,059)	(988)	7%
Impairment losses	(3,924)	(2,356)	67%
EBIT(1)	(3,308)	(1,281)	(158)%
Net finance costs	(290)	(97)	199%
Loss before tax	(3,598)	(1,378)	(161)%
Income tax benefit	900	443	103%
Net loss for the period	(2,698)	(935)	(189)%
Underlying profit for the period(1)	50	533	(91)%
Basic loss per share (cents)	(234)	(96)	(144)%
Final dividend per share (cents)	5	15	(67)%

Reconciliation of full-year net loss to underlying profit(1)

Year ended 31 December	2015 $million	2014 $million	Change
Net loss for the period	(2,698)	(935)	(189)%
Add/(deduct) the following:			
Impairment losses	2,761	1,563	77%
Redundancy and restructuring costs	48	-	
Other	(61)	(95)	(36)%
Underlying profit(1)	50	533	(91)%

(1) EBITDAX (earnings before interest, tax, depreciation, depletion, exploration, evaluation and impairment), EBIT (earnings before interest and tax) and underlying profit are non-IFRS measures that are presented to provide an understanding of the performance of Santos' operations. Underlying profit excludes the impacts of asset acquisitions, disposals and impairments, as well as items that are subject to significant variability from one period to the next, including the effects of fair value adjustments and fluctuations in exchange rates. The non-IFRS financial information is unaudited however the numbers have been extracted from the audited financial statements.

Revenue and EBITDAX[1] by business unit

Year ended 31 December	**2015 Revenue $million**	2014 Revenue $million	Change	**2015 EBITDAX $million**	2014 EBITDAX $million	Change
Eastern Australia	**1,350**	2,001	(33)%	**421**	693	(39)%
Western Australia & Northern Territory	**722**	1,057	(32)%	**424**	635	(33)%
Asia Pacific	**1,136**	985	15%	**827**	743	11%
GLNG	**116**	59	97%	**8**	(10)	180%
Corporate, exploration and inter-segment eliminations	**(30)**	(3)	(900)%	**239**	258	(7)%
Total	**3,294**	4,099	(20)%	**1,919**	2,319	(17)%

(1) EBITDAX (earnings before interest, tax, depreciation, depletion, exploration, evaluation and impairment) is a non-IFRS measure that is presented to provide an understanding of the performance of Santos' operations. The non-IFRS financial information is unaudited however the numbers have been extracted from the audited financial statements.

Sales revenue decreased by 20% on the previous year to $3.2 billion, primarily due to the 48% drop in the average US$ realised oil price in 2015, partially offset by increased average gas prices. While the average LNG selling price of US$8.94 per mmbtu was 40% lower than the prior year, LNG sales revenue was up over 40% following the start-up of GLNG and strong performance from PNG LNG and Darwin LNG.

Sales revenue for the year includes $589 million from third party product sales, down from $932 million in 2014. The cost of third party product purchases in 2015 was $476 million.

Unit production costs of $14.40 per barrel were 10% lower than the prior year due to the focus on cost savings and operating efficiencies across the business, partially offset by a full-year of PNG LNG online, GLNG ramp up and weaker AUD/USD exchange rates.

Group EBITDAX fell 17% to $1.9 billion. Both the Asia Pacific and GLNG business units achieved growth in EBITDAX in 2015, primarily due to higher LNG production and sales volumes, partially offset by lower realised commodity prices. Asia Pacific in particular benefited from a full year of production from the PNG LNG project, and GLNG with the ramp-up of the first train on Curtis Island. Western Australia & Northern Territory EBITDAX was lower than the prior year primarily due to lower domestic gas customer nominations combined with lower crude oil sales volumes and prices. Eastern Australia EBITDAX was down 39% primarily due to lower oil prices and volumes.

2015 Final dividend and new dividend framework

The Board has resolved to pay a 2015 final dividend of 5 cents per share, fully franked, which is in-line with the forecast set at the time of the 2015 rights issue. This brings the full-year 2015 dividend to 20 cents per share. The final dividend will be paid on 30 March 2016 to registered shareholders as at the record date of 26 February 2016.

For future periods, a new dividend framework has been adopted to better reflect Santos' exposure to oil-linked LNG pricing and the cyclical characteristics of global oil markets. From the 2016 interim payment, dividends will be set as a payout ratio of earnings. Subject to business conditions, this is expected to be a minimum of 40% of underlying net profit after tax.

The Dividend Reinvestment Plan (DRP) will be operational for the 2015 final dividend. The DRP enables all existing Santos investors to increase their shareholdings at a 1.5% discount to market price and without brokerage. The last date to elect to participate in the DRP is 29 February 2016.

DRP shares will be issued at the arithmetic average of the daily volume weighted average market price over a period of 7 business days commencing on the second business day after the dividend record date, less a 1.5% discount. The DRP will not be underwritten.

Capital Management

Santos had $4.8 billion in cash and committed undrawn debt facilities available as at 31 December 2015. Liquidity will increase to more than $5 billion with the receipt of $520 million in proceeds upon the completion of the sale of the Kipper gas asset, which is expected in the first quarter of 2016.

Net debt at the end of 2015 was $6.5 billion, comprised of $7.7 billion in gross debt and derivatives less cash of $1.2 billion. The weighted average interest rate on debt was 4.07% (2014: 4.32%).

All gross debt as at 31 December 2015 was US dollar-denominated (excluding the Euro-denominated subordinated notes that have been swapped to US dollars through to the first call date) and has been translated to A$ at the year-end A$/US$ exchange rate of 0.7274.

The company has no material drawn debt maturities until 2019. The Euro-denominated subordinated notes mature in 2070, with Santos having the option to redeem on the first call date on 22 September 2017 and at each semi-annual interest payment date thereafter.

Santos maintains an investment grade credit rating from Standard & Poor's. None of the company's existing debt facilities contain any credit rating-related covenant triggers or review events.

The company's liquidity and net debt position at the end of 2015 is set out in the table below.

		As at 31 December 2015
Liquidity		A$million
Cash		1,154
Undrawn bilateral bank debt facilities		3,625
Total liquidity		**4,779**
Debt		A$million
Export credit agency supported loan facilities	Senior, unsecured	2,398
US Private Placement	Senior, unsecured	829
PNG LNG project finance	Non-recourse	2,569
Euro-denominated hybrid notes	Subordinated	1,575
Other	Finance leases and derivatives	313
Total debt		**7,684**
Total net debt		**6,530**

2016 Guidance

2016 production guidance is maintained at 57 to 63 mmboe. Capital expenditure guidance has been reduced to $1.1 billion. From 2016, unit production costs will be reported net of LNG plant costs, to better reflect costs per barrel produced in the company's upstream assets. LNG plant costs will be reported separately.

All guidance for 2016 is shown in the table below.

Item	2016 Guidance
Production	57-63 mmboe
Sales	76-83 mmboe
Upstream production costs (excluding LNG plant costs)	$13.5-14/boe produced
Depreciation, depletion & amortisation (DD&A) expense	$1.1 billion
Capital expenditure (incl. exploration, evaluation and abandonment, excluding capitalised interest)	$1.1 billion

Ends.