

20 February 2015

## Santos full-year underlying profit up 6% to \$533 million

Net loss of \$935 million, reflecting previously advised non-cash after tax impairments of \$1,563 million

### Full-year highlights

- Production up 6% to 54.1 mmbob
- Sales revenue up 12% to \$4 billion
- EBITDAX up 8% to \$2,153 million
- Operating cash flow up 13% to \$1,843 million
- PNG LNG start-up ahead of schedule with the project shipping 55 LNG cargoes in the year
- GLNG more than 90% complete and on track for first LNG in the second half of 2015, within budget
- Final dividend maintained at 15 cents per share, bringing the full-year dividend to 35 cents per share, up 5 cents

Santos today announced a 2014 underlying net profit of \$533 million, up 6 per cent on the previous year.

After the previously advised non-cash after tax impairments of \$1,563 million, the financial result for the year was a net loss of \$935 million.

Commenting on the results, Managing Director and Chief Executive Officer David Knox said that despite the reported loss, Santos made significant progress in 2014.

"Our results today reflect the many achievements of the company in 2014, highlighted by the start-up of PNG LNG ahead of schedule and the commencement of commissioning the GLNG project," Mr Knox said.

"Santos also delivered its highest production in five years, record sales revenue and strong operating cash flow.

"The underlying performance of our business remains strong and we look forward to further production growth in 2015 with the start-up of GLNG in the second half of this year, within the US\$18.5 billion budget.

"The bottom line result nevertheless reflects the impact of the unexpectedly sharp down-turn in oil prices towards the end of the second half in particular which saw us recognise significant non-cash asset impairments announced earlier this month.

"We will continue to proactively manage our costs, both capital and operating, in line with the current market environment. Capital expenditure in 2015 is forecast at \$2 billion, 44% lower than 2014, and we expect to reduce production costs per barrel by 10%. Costs will be tightly managed as we work through the current oil price environment," Mr Knox said.

Santos retains a robust funding position with approximately \$2.9 billion in cash and undrawn debt facilities available at the end of 2014.

The final dividend has been maintained at 15 cents per share fully franked. This brings the full-year 2014 dividend to 35 cents per share, up 5 cents on the prior year. The dividend reinvestment plan (DRP) will be in effect for the final dividend and will be fully underwritten. DRP shares will be issued at a 1.5% discount.

All guidance for 2015 is maintained.

#### Media enquiries

Rob Malinauskas  
+61 8 8116 5918 / +61 (0) 438 862 132  
robert.malinauskas@santos.com

#### Investor enquiries

Andrew Nairn  
+61 8 8116 5314 / +61 (0) 437 166 497  
andrew.nairn@santos.com

#### Santos Limited ABN 80 007 550 923

GPO Box 2455, Adelaide SA 5001  
T: +61 8 8116 5000 / F: +61 8 8116 5131  
www.santos.com

## Results at a glance

Year ended 31 December	2014	2013	Change
Production volume (mmbobe)	54.1	51.0	6%
Sales volume (mmbobe)	63.7	58.5	9%
	\$million	\$million	
Product sales revenue – own product	3,105	2,772	12%
Product sales revenue – third party	932	830	12%
Product sales revenue – total	4,037	3,602	12%
Other revenue/income	74	73	1%
Production costs	(863)	(690)	25%
Other operating costs	(283)	(264)	7%
Third party product purchase costs	(786)	(745)	6%
Product stock movement	21	79	
Other expenses	(64)	(77)	
Share of profit of joint ventures	17	14	
EBITDAX <sup>(1)</sup>	2,153	1,992	8%
Exploration and evaluation expensed	(256)	(192)	33%
Depreciation and depletion	(988)	(888)	11%
Impairment losses	(2,356)	(26)	
EBIT <sup>(1)</sup>	(1,447)	886	(263)%
Net finance costs	(97)	(17)	
(Loss)/profit before tax	(1,544)	869	(278)%
Income benefit/(expense)	609	(353)	273%
Net (loss)/profit for the period	(935)	516	(281)%
Underlying profit for the period <sup>(1)</sup>	533	504	6%
Basic (loss)/earnings per share (cents)	(95.6)	53.3	(279)%
Final dividend per share (cents)	15	15	-

## Reconciliation of full-year net (loss)/profit to underlying profit<sup>(1)</sup>

Year ended 31 December	2014 \$million	2013 \$million	Change
Net (loss)/profit for the period	(935)	516	(281)%
Add/(deduct) the following:			
Impairment losses	1,563	28	
Other	(95)	(40)	
Underlying profit <sup>(1)</sup>	533	504	6%

(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<sup>(1)</sup> by business unit

Year ended 31 December	2014 Revenue \$million	2013 Revenue \$million	Change	2014 EBITDAX \$million	2013 EBITDAX \$million	Change
Eastern Australia	2,001	1,845	8%	693	646	7%
Western Australia & Northern Territory	1,057	1,280	(17)%	635	979	(35)%
Asia Pacific	985	478	106%	743	318	134%
GLNG	59	58	2%	(10)	12	(183)%
Corporate, exploration and inter-segment eliminations	(3)	(10)	(70)%	92	37	149%
Total	4,099	3,651	12%	2,153	1,992	8%

(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 grew by 12% to a record \$4 billion, primarily due to the successful ramp-up of production from the PNG LNG project as well as higher Cooper Basin production, partially offset by the impact of lower oil prices. The average realised oil price for the year of US\$103 per barrel was 11% lower than the prior year. While the average LNG selling price of A\$859 per tonne was in line with the prior year, LNG sales revenue was up over 150% following the start-up of PNG LNG and strong performance from Darwin LNG.

Sales revenue for the year includes \$932 million from third party product sales. The cost of third party product purchases was \$786 million.

Production costs were higher than the prior year primarily due to the commencement of production from the PNG LNG project, a full-year of production from Fletcher Finucane, higher planned maintenance in the Cooper Basin and the planned shutdown of Bayu-Undan/Darwin LNG. Production costs averaged \$16 per barrel of oil equivalent in 2014.

Group EBITDAX rose 8% to \$2.2 billion, reflecting a sound operating performance across the base business combined with first production from new assets brought on-line during the year.

Both the Eastern Australia and Asia Pacific business units achieved growth in EBITDAX in 2014, primarily due to higher production and sales volumes, partially offset by lower crude oil prices. Asia Pacific in particular benefited from the start-up of the PNG LNG project. Western Australia & Northern Territory EBITDAX was lower than the prior year primarily due to lower gas customer nominations combined with lower crude oil sales volumes and prices. GLNG EBITDAX was a loss of \$10 million, mainly due to higher pipeline tolls and lower domestic customer nominations.

Depreciation and depletion expense was higher than the prior year, primarily due to first production from PNG LNG.

Operating cash flow was up 13% to a record \$1,843 million.

## Funding

Santos had approximately \$2.9 billion of funding capacity, including \$0.8 billion cash and \$2.1 billion undrawn committed corporate and project debt facilities at year end. This strong liquidity position combined with minimal debt maturities until 2017 provides the capacity to fund the execution of the company's strategy while minimising refinancing risk.

Net debt at the end of 2014 was \$7.5 billion and the weighted average interest rate on debt was 4.32% (2013: 5.21%).

## Development projects

### Projects completed during 2014

Project	Santos interest	Product	Gross production capacity	First production
Peluang Indonesia	67.5%	Gas	25 million cubic feet of gas per day	24 March 2014 Ahead of schedule
PNG LNG Papua New Guinea	13.5%	LNG	6.9 million tonnes per annum of LNG	29 April 2014 Ahead of schedule
Dua Vietnam	31.875%	Oil	8,000 barrels of oil per day	11 July 2014 On schedule

### Sanctioned projects currently under development

Project	Santos interest	Product	Gross production capacity	First production
GLNG Australia	30%	LNG	7.8 million tonnes per annum of LNG	2H 2015

The PNG LNG, Peluang and Dua projects were successfully completed during 2014 and brought into production.

PNG LNG production commenced ahead of schedule from the first LNG train in April and the second train in May. The project was producing at full capacity by late July. The first LNG cargo left PNG in May and by year-end the project had shipped 55 cargoes. Financial completion under the project financing was achieved in early February 2015.

The GLNG project is more than 90% complete and remains on track for first LNG in the second half of 2015, within budget. Construction continues to progress well, with key milestones achieved in 2014 including the completion of all major gas field processing facilities, completion of the 420-kilometre gas transmission pipeline, installation of the last of the 111 LNG train modules, hydrotesting of both LNG tanks and completion of the LNG loading jetty.

Commissioning of the LNG plant is well underway, with an increasing number of subsystems fully commissioned, including main flare, instrument air, nitrogen production, power distribution and switchboards, and emergency electric power generation. Firing of the first gas turbine generator is expected in the next few weeks.

## Non-cash impairment of assets

As previously announced, the 2014 full-year result includes a non-cash impairment charge of \$1,563 million after tax. The impairment charge reflects the lower oil price environment and is a non-cash accounting adjustment that relates to the historical book value of the company's assets.

The impairment charge primarily relates to the company's oil producing assets, Gunnedah Basin assets, and exploration and evaluation assets.

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

## Final dividend and fully underwritten dividend reinvestment plan

The Board has resolved to maintain the final dividend at 15 cents per share fully franked. This brings the full-year 2014 dividend to 35 cents per share, up 5 cents or 17% on the prior year.

The final dividend will be paid on 25 March 2015 to registered shareholders as at the record date of 27 February 2015.

The Dividend Reinvestment Plan (DRP) will be operational for the 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 2 March 2015.

DRP shares will be issued at the arithmetic average of the daily volume weighted average market price over a period of 10 business days commencing on the second business day after the dividend record date, less a 1.5% discount. The DRP will be fully underwritten.

## 2015 Guidance

2015 production guidance is maintained at 57 to 64 mmboe and capital expenditure (excluding capitalised interest) guidance is maintained at approximately \$2 billion. All guidance for 2015 is shown in the table below.

<b>Item</b>	<b>2015 Guidance</b>
Production	57-64 mmboe
Production costs	\$14.2-14.6/boe
DD&A expense	\$17.5-18.0/boe
Capital expenditure (excluding capitalised interest)	\$2 billion

Ends.