ASX/Media Release

Santos

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Santos reports strong results
Full year profit $519 million and underlying profit $606 million
GLNG and PNG LNG on schedule and budget

Santos today announced a net profit of $519 million after tax for the year ended 31 December 2012. The previous year comparable profit of $753 million included gains on asset sales of $408 million after tax. The 2012 result includes $77 million of after tax impairments.

Underlying net profit was up 34% to $606 million. Growth in underlying profit was driven by higher liquids volumes and gas prices, partially offset by higher costs primarily due to new assets on line.

Chief Executive Officer David Knox said that Santos had delivered a strong set of financial results across its base business with record sales revenue up 18% to $3.2 billion and underlying profit up 34% to $606 million.

“Santos achieved its highest oil production in four years, strong operating cashflow, a material gas discovery at Crown and Australia’s first commercial production of gas from a shale well.”

“Production increased by 10% in 2012 driven by new assets in Western Australia and Vietnam, and strong Cooper oil production. We expect a further lift in production in 2013.”

“Our LNG projects are poised to deliver significant shareholder value and remain on schedule with PNG LNG on track for first LNG in 2014 and GLNG in 2015. Capital cost estimates for both projects are unchanged”

“We continue to make good progress on our offshore oil projects with construction of Fletcher Finucane ahead of schedule and expected to commence production by midyear, and first oil from Dua expected as planned in the first half of 2014.” Mr Knox said.

Full-year highlights

- **Production up 10% to 52.1 mmboe**
- **Sales revenue up 18% to a record $3,220 million**
- **EBITDAX (excluding gains on asset sales) up 17% to $1,869 million**
- **Net profit after tax down 31% to $519 million**
- **Underlying profit after tax up 34% to $606 million**
- **Operating cashflow up 32% to $1,658 million**
- **Strong balance sheet: $5.8 billion of funding capacity**
- **Final dividend of 15 cents per share fully franked**

Full-year results at a glance	**2012 mmboe**	2011 mmboe	Variance
Production volume (mmboe)	**52.1**	47.2	10%
Sales volume (mmboe)	**61.0**	58.7	4%
	$million	$million	
Product sales revenue – own product	**2,693**	2,235	20%
Product sales revenue – third party	**527**	486	8%
Product sales revenue – total	**3,220**	2,721	18%
Other revenue/income	**84**	98	(14)%
Net gains on asset sales	**11**	529	
Production costs	**(660)**	(556)	19%
Pipeline tariffs, tolls, royalties, excise and carbon costs	**(231)**	(169)	37%
Third party product purchase costs	**(465)**	(388)	20%
Product stock movement	**35**	12	
Other expenses including share of net losses of an associate	**(114)**	(121)	(6)%
EBITDAX(1)	**1,880**	2,126	(12)%
Exploration and evaluation expensed	**(165)**	(167)	(1)%
Depreciation and depletion	**(773)**	(641)	21%
Net impairments	**(106)**	(127)	
EBIT(1)	**836**	1,191	(30)%
Net finance income	**79**	91	
Profit before tax	**915**	1,282	(29)%
Taxation expense	**(397)**	(531)	(25)%
Net profit for the period	**518**	751	(31)%
Net loss attributable to non-controlling interest	**(1)**	(2)	
Net profit attributable to equity holders of Santos Limited	**519**	753	(31)%
Underlying profit for the period(1)	**606**	453	34%
Basic earnings per share (cents)	**54.4**	84.8	(36)%
Final dividend per share (cents)	**15**	15	-%

Reconciliation of full-year net profit to underlying profit(1)	**2012 $million**	2011 $million	Variance
Net profit attributable to equity holders of Santos Limited	**519**	753	(31)%
Add/(deduct) the following:			
Net gains on asset sales	**(8)**	(408)	
Net impairments	**77**	102	
Other	**18**	6	
Underlying profit(1)	**606**	453	34%

(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.

Production of 52.1 million barrels of oil equivalent (mmboe) was 10% higher than 2011 due to production from new assets and record Western Australian gas production. Crude oil production was up 33% to 9.5 million barrels following the successful commissioning of the Chim Sáo asset in Vietnam in late 2011 and higher Cooper Basin production. Natural gas production was up 8% to 223 PJ driven by record Western Australian production partially offset by a lower net entitlement to Maleo gas production in Indonesia following a favourable gas price review.

Sales revenue of $3.2 billion was up 18% driven by higher crude oil sales volumes and higher gas prices.

Production costs of $660 million were higher than the previous year primarily due to the commencement of production from new assets (Chim Sáo, Reindeer and Wortel) and costs of the planned shutdown of Bayu-Undan/Darwin LNG during the year.

Total income tax expense, including royalty related taxes such as the Petroleum Resource Rent Tax, was 43% of pre-tax profit for the year.

Operating cashflow of $1,658 million was 32% higher than the previous year due to the favourable impact of higher sales volumes and lower taxes paid, offset by higher operating costs.

At the end of December 2012, Santos had $5.8 billion of funding capacity, including $2.2 billion cash and $3.6 billion undrawn committed corporate and project debt facilities. This strong liquidity position provides the capacity to fund the execution of the company's strategy while minimising refinancing risk.

Development projects

The Wortel gas project offshore Indonesia and Kipper gas project offshore Victoria were completed during 2012. Wortel commenced production in January 2012 while Kipper gas is not expected to come on line until the first half of 2016 once dedicated gas processing facilities are installed at the Gippsland Basin Joint Venture facilities at Longford.

Projects completed during 2012

Project	Santos interest	Product	Gross production capacity	First production
Wortel Indonesia	45%	Gas	90 TJ/day (Oyong and Wortel fields combined)	31 Jan 2012
Kipper Australia	35%	Gas	75 TJ/day	1H 2016

The Fletcher Finucane and Dua oil projects were sanctioned during 2012 and construction is progressing well. First oil from Fletcher Finucane is now expected ahead of schedule by mid-2013. First oil from Dua is expected as planned in the first half of 2014.

Sanctioned projects currently under development

Project	Santos interest	Product	Gross production capacity	First production
Fletcher Finucane Australia	44%	Oil	15,000 barrels/day average in first 12 months of production	Mid-2013
Dua Vietnam	31.875%	Oil	8,000 to 10,000 barrels/day average in first 12 months of production	1H 2014
PNG LNG PNG	13.5%	LNG	6.9 mtpa	2014
GLNG Australia	30%	LNG	7.8 mtpa	2015

LNG Projects

PNG LNG (Santos 13.5%)

The PNG LNG project was more than 75% complete at the end of December and remains on track for first LNG in 2014. Operated by ExxonMobil, the project involves gas production and processing facilities in the Southern Highlands of Papua New Guinea and pipeline infrastructure to an LNG plant located near Port Moresby with capacity of 6.9 million tonnes of LNG per year. The project has an estimated gross capital cost of US$19 billion.

Construction is progressing at the upstream Hides gas conditioning plant, with earthworks and the major foundations complete and pipework and equipment installation progressing. Drilling of the first two Hides wells is underway and the Komo airfield is nearing completion ahead of first cargo flights. The offshore section of pipeline has been completed and pressure testing has commenced, while over 70% of the main onshore pipeline has been welded. The major items of processing equipment are in place at the LNG plant with the LNG tanks, flare system and load-out jetty nearing completion.

GLNG (Santos 30%)

The GLNG project was 47% complete at the end of December and remains on track for first LNG in 2015. GLNG includes the development of CSG resources in the Bowen and Surat Basins in south-east Queensland, construction of a 420-kilometre underground gas transmission pipeline to Gladstone, and two LNG trains with a combined nameplate capacity of 7.8 mtpa on Curtis Island. The project has an estimated gross capital cost of US$18.5 billion from final investment decision to the end of 2015, based on foreign exchange rates consistent with the assumptions used at FID (A$/US$ 0.87 average over 2011-15).

Construction continues to progress across the integrated project. In the upstream gas fields, site preparations and foundations are well progressed at the three gas hub sites at Fairview and Roma. All 420 kilometres of the gas transmission pipeline has been manufactured and delivered to site and construction of the pipeline is underway. On the Curtis Island LNG plant site, construction of LNG trains, tanks and supporting infrastructure is progressing well.

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Reserves growth

Santos today also announced that proved and probable (2P) hydrocarbon reserves increased to 1,406 million barrels of oil equivalent (mmboe) as at the end of 2012. This represents a 2P reserves replacement ratio of 180% and provides a reserves life of 27 years based on 2012 production of 52 mmboe.

2012 continued Santos' consistent track record of reserves growth – the company has increased reserves in eight of the past nine years whilst producing over 480 mmboe in the same period.

Further information is available in the company's annual reserves statement released to the ASX today.

Final dividend

A final dividend of 15 cents per share fully franked has been declared. The final dividend will be paid on 28 March 2013 to registered shareholders as at 7 March 2013.

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 2.5% discount to market price and without brokerage.

DRP shares will be issued at the arithmetic average of the daily weighted average market price (ASX-traded volumes only) over a period of seven business days commencing on the second business day after the dividend record date, less a 2.5% discount. The DRP will not be underwritten.

Impairment of oil and gas assets

As a result of the company's regular review of asset carrying values, some assets were assessed to be impaired and net impairment losses of $106 million pre-tax ($77 million after tax) have been recognised in the 2012 full-year accounts. The impairments primarily relate to the Sangu assets in Bangladesh and revisions to abandonment cost estimates for the Thevenard Island asset.

2013 Guidance

2013 production guidance is maintained at 53 to 57 mmboe and capital expenditure (excluding capitalised interest) guidance is maintained at approximately $4 billion.

Ends.

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