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SE Business

HD Santos' fresh burst of energy

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LP **BOARDROOM** THE new head of oil and gas heavyweight Santos has been told to rein in costs and build a stronger business.

Kevin Gallagher, named yesterday as managing director of the energy producer, will join Santos early next year from resources services company Clough.

TD Santos chairman Peter Coates announced the appointment while unveiling plans to raise \$3.5 billion by tapping investors and selling a major asset.

The group is asking existing shareholders to stump up \$2.5 billion and selling \$500 million worth of new shares to a Chinese investment house, Hony Capital.

Santos also announced it would sell its 35 per cent stake in the Kipper gas field, in Bass Strait, to Mitsui E&P Australia for \$520 million.

"We've gone through an incredible growth phase and the focus of the business now will be to consolidate, to focus on our costs and productivity," Mr Coates said.

"That fits in very well with the appointment of the new chief executive who has a proven track record of performance in this area. He has a clear brief from the board to look at further opportunities to streamline the business." Mr Gallagher, 50, who will succeed David Knox, said he was confident about taking the group to its next phase.

"The Santos portfolio offers some truly exciting, world-class opportunities, irrespective of the current global oil price environment," he said.

Perth-based Clough has grown under his leadership despite difficult conditions. In an interview last year, Mr Gallagher said his leadership philosophy was to be in a state of chronic unease, "and never quite believe your own BS".

Santos has shed almost 800 jobs in the past year and pegged back capital expenditure as it shoulders \$8.8 billion in debt and battles sustained low oil prices.

Share price pressure forced Mr Coates in August to launch a review of the company, a process he said was now complete.

The \$2.5 billion rights issue will be priced at \$3.85 a share. That is 35 per cent cheaper than the closing price for Santos shares on Friday and below the \$6.88 offered by the Scepter consortium last month.

Mr Coates defended the price. "You can't compare the two because the Scepter proposal — it wasn't a bid — was coming from outside and it was incomplete, non-binding and indicative," he said.

"It significantly undervalued the company. Now, you might say if that undervalued the company, then the \$3.85 must. But that's not the case because the \$3.85 is only offered to our shareholders." Mr Coates, who was

appointed executive chairman in August, will take full responsibility for the company's operations until Mr Gallagher joins.

Santos shares are in a trading halt until Thursday.christopher.russell@news.com.au

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