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## THE AUSTRALIAN \*

HD Gladstone helps lift Santos revenue

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LP The first full quarter of production from Santos's 30 per cent-owned Gladstone LNG project and the outperformance of its 13.5 per cent-owned PNG LNG project has enabled the company to maintain revenues despite the crash in energy prices.

March-quarter revenue was \$835 million (before increased third-party gas purchases in support of GLNG). That was near flat on the previous corresponding period and the preceding December 2015 quarter.

TD But there was earnings anguish behind the figures because it took a 40 per cent increase in sales volumes on the corresponding period to 21.3 million barrels of oil equivalent to achieve the steady revenue line, due mainly to the 28 per cent slide in average realised oil prices to \$51 a barrel.

The big uplift came from the \$US18.5 billion (\$23.9bn) GLNG project, operated by Santos. It produced at full capacity during the quarter with production of 958,000 tonnes of LNG (100 per cent).

Commissioning of the second processing train to take annual capacity to 7.8 million tonnes a year is under way, with first LNG expected in the current June

At the ExxonMobil -managed PNG PLNG project production was again ahead of nameplate capacity, with the joint venture achieving an annualised rate of 8

Santos's recently appointed chief executive, Kevin Gallagher , said the company's first-quarter result was "solid" and reflected its commitment to drive costs down and improve efficiencies across the business.

"We are focused on developing a business that is self-sustaining in a low oil price environment and well positioned to take full advantage of rising commodity prices in the future," he said

"We will continue to look for opportunities to lift productivity and reduce costs to drive long-term value for shareholders." Santos has maintained previous guidance that its production in calendar 2016 will be in a range of 57-63 million barrels of oil equivalent. At the release of its annual profit report in February (a loss of \$2.7bn after asset impairments of \$2.8bn), Santos indicated it expected to be cash-flow neutral in 2016 with the help of asset sales.

One of those, the \$520m sale of a 35 per cent interest in the Kipper gasfield in Bass Strait, was settled on March 3. The sale was part of last November's recapitalisation of the group so it could better handle its debt load in the lower oil price environment.

It included a placement to Chinese investor Hony, giving it an initial 7.9 per cent stake, later increased to 11.7 per cent.Last month that stake was flipped to Chinese billionaire Wang Yusuo 's ENN gas group in a \$1bn deal, prompting suggestions that ENN's emergence with the blocking stake — or as a springboard for a takeover — was always intended in a Chinese two-step.

CO sants : Santos Ltd

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