

15 August 2016

Asset Review Outcome

Following a review of key production assets, Santos advises that it expects to recognise an impairment charge against the carrying value for GLNG of approximately US\$1,050 million after tax (approximately US\$1,500 million before tax) in its 2016 half-year accounts.

The impairment outcome is subject to finalisation of the half-year accounts, which will be released on 19 August 2016. It will be a non-cash charge and will not affect the company's debt facilities.

Sustained low oil prices continue to constrain capital expenditure and impact GLNG.

During the course of 2016 there has been a slower ramp up of GLNG equity gas production and an increase in the price of third party gas. This has caused Santos to adjust its upstream gas supply and third party gas pricing assumptions for GLNG.

Santos Chairman Peter Coates AO said: "The expected impairment charge for GLNG is clearly disappointing but it is a consequence of the challenging environment which we now face. We have decided to adjust our long-term operating assumptions for GLNG to reflect the reality of the current oil price environment."

"However, we firmly believe in the strong long-term growth of LNG consumption and demand globally. GLNG will continue to be an important part of our LNG portfolio and a key supplier of LNG to the Asian market," Mr Coates said.

Santos Managing Director and Chief Executive Officer Kevin Gallagher said: "Low oil and gas prices continue to challenge our upstream business and the entire oil and gas industry."

"At GLNG we are seeing the effects of ongoing constraints on capital expenditure and a softer LNG market. We are experiencing a slower ramp up in production of GLNG equity gas and the price of third party gas has increased," Mr Gallagher said.

"We have therefore adjusted our assumptions regarding upstream gas supply and third party gas pricing. This will not affect GLNG's ability to meet its LNG off-take commitments.

"We will continue to maintain a disciplined approach to capital allocation, reducing costs and seek opportunities to optimise our asset portfolio in a manner that delivers value to shareholders."

Ends.

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