

OIL SEARCH LIMITED (OSH)

21 AUGUST 2018

RESULTS	Half Year 2018	Half Year 2017	CHANGE
Total Production (mmboe)	10.24	14.81	-31%
Total Sales (mmboe)	9.77	14.18	-31%
Total Revenue (US\$m)	557.8	676.2	-18%
Avg. Realised LNG & Gas Price (US\$m)	9.02	7.67	+18%
Net Profit after Tax (US\$m)	79.2	129.1	-39%
Bloomberg Consensus (US\$m)	67.5		
Interim Dividend (US\$)	0.02	0.04	-50%

Oil Search (OSH) profits slump on temporary shutdown following earthquake

- Papua New Guinea focused energy group, **Oil Search (OSH)** posted a significant 39% slide in half year net profit to US\$79.2m. While it was slightly ahead of Bloomberg consensus (only based on two analyst forecasts), the result was held back by a 7.5 magnitude earthquake which hit PNG in February and temporarily resulted in the shutdown of its operations. Firmer energy prices helped partially offset the impact of lower production.
- The devastating **PNG Highlands earthquake in February** has been a weight on OSH's results over the six months to 30 June. Due to the forced closure of both the company operated facilities and its PNG LNG Project, production and sales slumped by 31%. It also resulted in a 14% lift in production expenses which it attributed partly to remediation, maintenance and other costs following the quake. The average unit production cost rose from US\$8.52/boe a year earlier to US\$14.04/boe over the half.
- A strong lift in energy prices helped to partially make up for the pullback in production. The **average oil price** surged by 34% over the half, however oil & condensate sales only account for less than a quarter of the group's total revenue. OSH generates more than 70% of its revenue dollars from LNG, prices of which have jumped more modestly by 18% over the half. Exploration expenses dropped by 51%.
- OSH will pay eligible investors a significantly smaller **US\$0.02 per share unfranked dividend** on 25 September 2018 and will trade ex-dividend on 4 September 2018. This represents a 38.5% payout ratio which is towards the bottom end of the company's 35-50% pay out policy.
- **Looking forward**, its FY18 production guidance has been raised slightly to between 24-26 mmboe while production costs have narrowed to US\$11-US\$13/boe. The strong performance of its PNG LNG Project since the return to production and firmer energy prices have helped boost the company's outlook for the second half.

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