2015 Half-year results

21 August 2015

Disclaimer and important notice

This presentation contains forward looking statements that are subject to risk factors associated with the oil and gas industry. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a range of variables which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, geotechnical factors, drilling and production results, gas commercialisation, development progress, operating results, engineering estimates, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries, approvals and cost estimates.

All references to dollars, cents or $ in this document are to Australian currency, unless otherwise stated.

EBITDAX (earnings before interest, tax, depreciation, depletion, exploration and 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 underlying 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 financial statements which have been subject to review by the Company's auditor.

Cover image: GLNG Plant, Curtis Island, 15 July 2015

2015 First-half summary

GLNG on schedule and budget

Operating efficiencies and cost savings


GLNG plant, Curtis Island, July 2015

Safety performance	Top quartile industry performance No lost time injuries in 2015 to date
Operational performance	Production up 13% to 28.3 mmboe Sales volume up 7% to 30.9 mmboe
GLNG project delivery	Feed gas introduced into Train 1 On track for first LNG around the end of Q3, within US$18.5 billion[1] budget
Cost reductions	Unit production costs of $13.7/boe, below guidance Capex down 55%
Financial performance	EBITDAX down 5% to $900 million EBIT down 36% to $226 million Operating cash flow down 28% to $532 million Net profit of $37 million, reflecting lower global oil prices and higher exploration expensed
Dividend	Interim dividend of 15 cents per share fully-franked DRP discount 2.5%, fully underwritten

[1] Based on foreign exchange rates which are consistent with the assumptions used at FID (AUD/USD 0.87 average over 2011-15).

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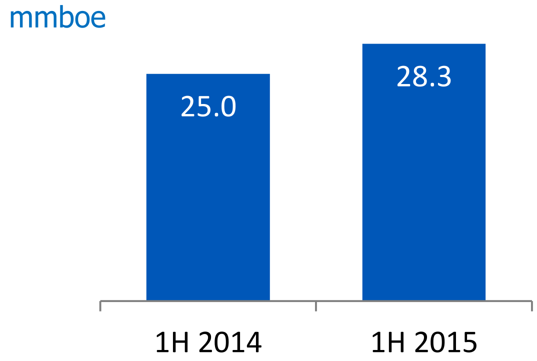
Operating efficiencies and cost savings

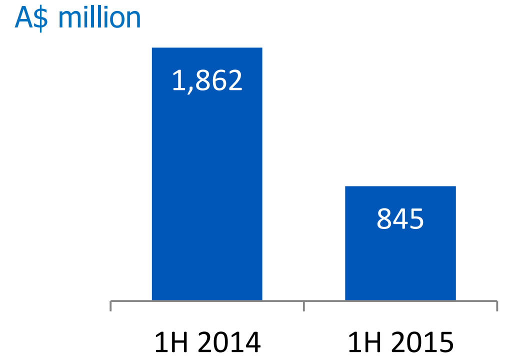
Repositioning the company in a low oil price environment

Production up 13%



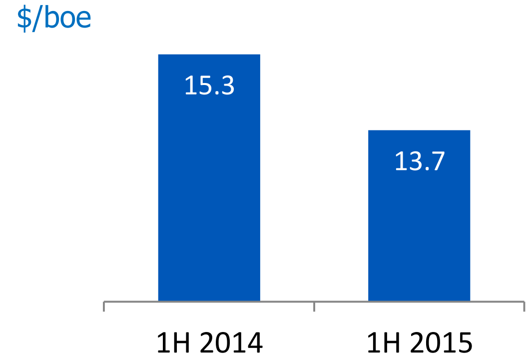
- Strong first-half operating performance
- LNG production volumes up 131%

Capital expenditure down 55%



- Capital discipline: value over volume
- Reduce and re-phase spend across business

Unit production costs down 11%



- First-half unit production costs below guidance
- Process and organisational efficiencies

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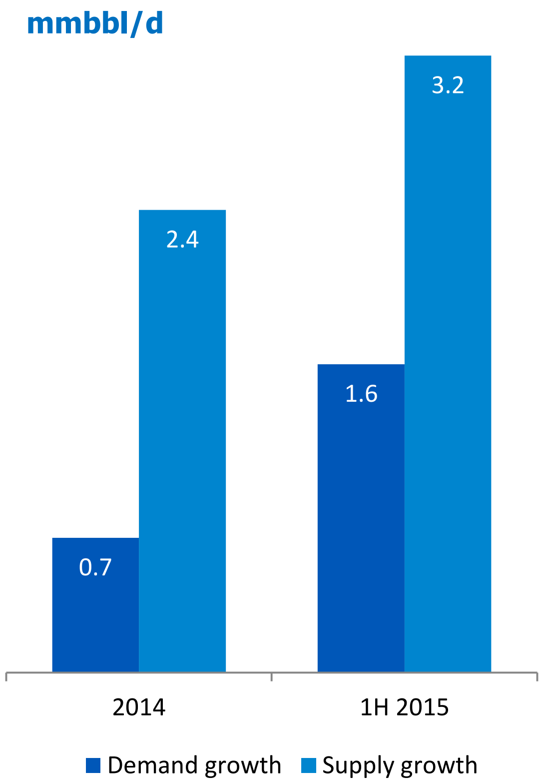
Oil market

Current market over supplied, however in the medium term new oil supply will be required to meet ongoing demand growth and offset natural decline

World oil demand and supply growth



Source: IEA oil market report July 2015, Wood Mackenzie

- Current market remains oversupplied
- 2015 oil demand growth of 1.6 mmbbl/d the strongest in 5 years
- Demand growth is forecast to remain strong through 2H 2015 and 2016
- 20 billion barrels of production removed with ~20% capital cuts across industry
  - Supply gap is expected in medium term
- The recent oil price decline reflects concerns about lower economic growth in emerging markets, expectations of higher oil exports from Iran and continuing actual and expected growth in global inventories

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Safety performance

Top quartile industry performance

No lost time injuries in 2015 to date

Safety performance (employees and contractors)

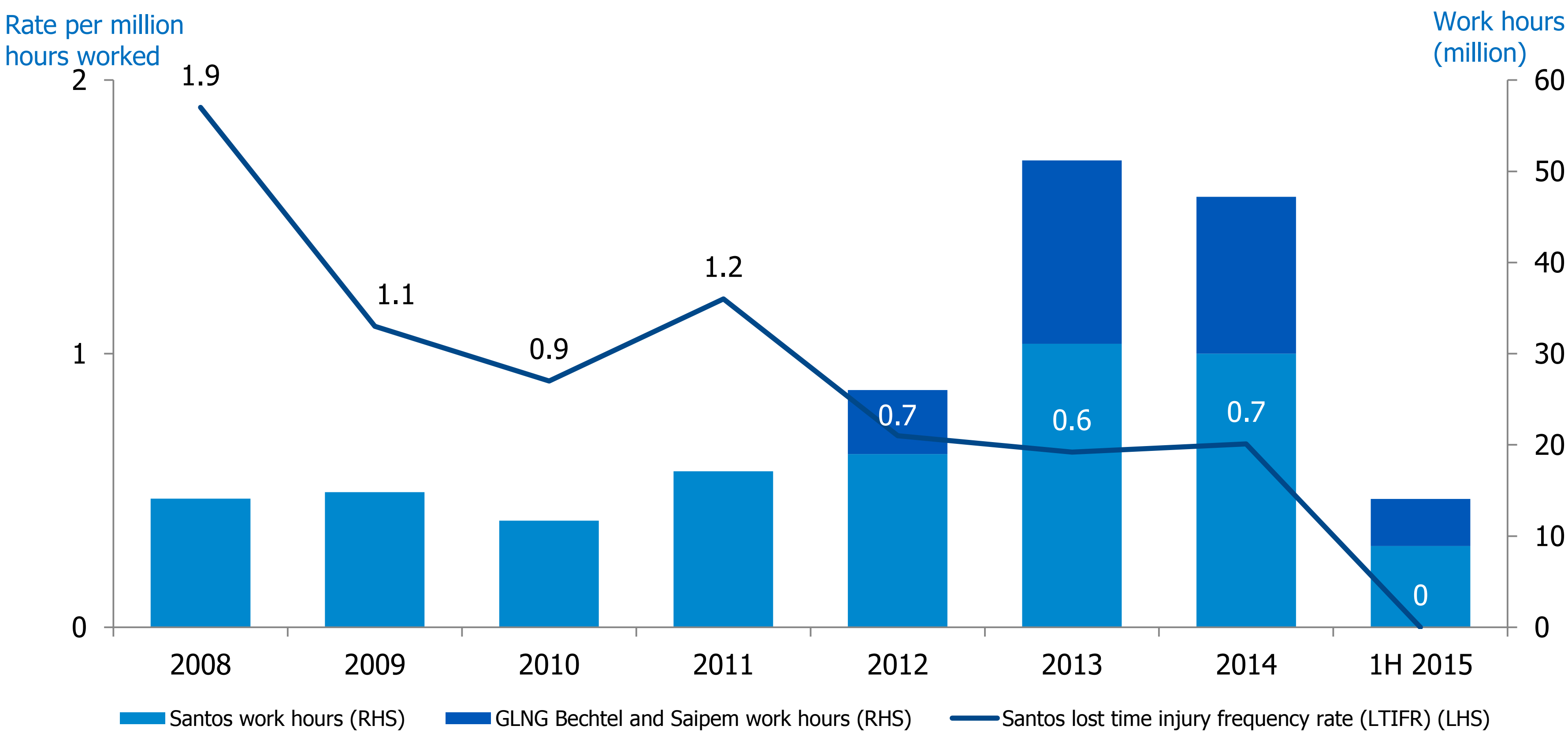

Chart as at 30 June 2015

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2015 Half-year results
Financial summary

Andrew Seaton
Chief Financial Officer

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Methane Spirit, 100th LNG cargo departed PNG LNG on 12 June 2015

Financial performance

EBITDAX down 5% to $900 million

Net profit of $37 million, reflecting significantly lower global oil prices, higher exploration expense and higher effective tax rate

$million	First-half 2015	First-half 2014	%Δ
Revenue (inc. third party)	1,635	1,924	(15)%
Production costs	(387)	(383)	1%
Other operating costs	(102)	(136)	(25)%
Third party product purchases	(240)	(387)	(38)%
Other[1]	(6)	(68)	(91)%
EBITDAX	**900**	**950**	**(5)%**
Exploration and evaluation expense	(194)	(102)	90%
Depreciation and depletion	(480)	(429)	12%
Impairment losses	-	(67)	
EBIT	**226**	**352**	**(36)%**
Net finance costs	(125)	(46)	172%
Profit before tax	**101**	**306**	**(67)%**
Tax	(64)	(100)	(36)%
Net profit after tax	**37**	**206**	**(82)%**

[1] Includes product stock movement, corporate expenses and share of profit of joint ventures

- Higher sales volumes more than offset by significantly lower realised oil prices
- Production cost savings across base business offset by full half of PNG LNG
- Exploration program weighted to the first-half resulting in higher exploration expense
  - Expect ~$100 million expense in 2H 2015
- Depreciation expense increased due to PNG LNG and commissioning of major upstream GLNG assets
- Higher finance costs due to
  - Ongoing drawdown of debt facilities
  - Effects of the AUD/USD exchange rate
  - Lower capitalised interest for PNG LNG and GLNG
- Effective tax rate of 63% primarily due to non-deductible foreign exploration expense

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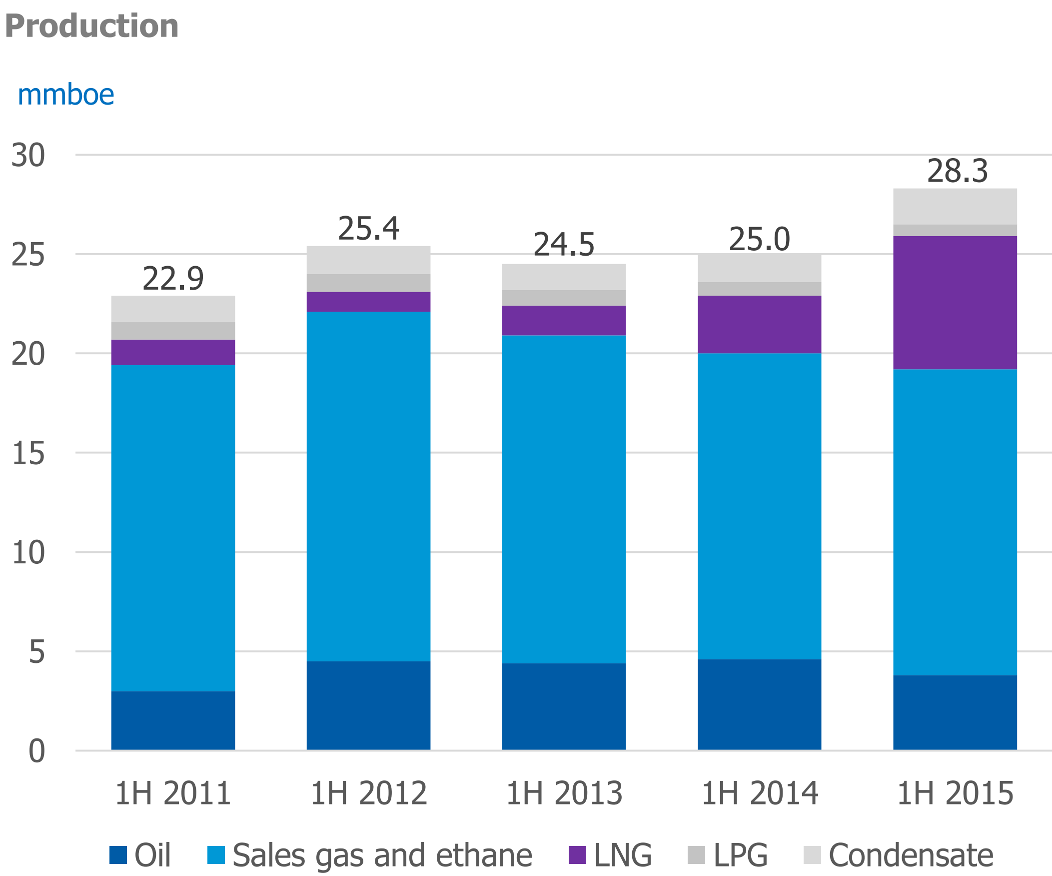
Production

Highest first-half production since 2007



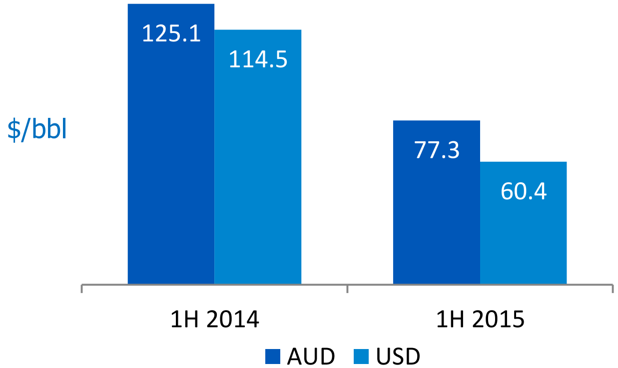
- First half production up 13%
  - PNG LNG and Darwin LNG producing above expectations
  - Higher Cooper gas production
- LNG growth
  - 1H15 LNG production up 131%
  - GLNG first LNG expected around end Q3 2015
- 2015 guidance maintained at 57-64 mmboe

Sales revenue

Sales revenue impacted by significantly lower oil prices

$million	First-half 2015	First-half 2014	%Δ
Sales Revenue (incl. third party)			
Sales gas and ethane	481	473	2%
LNG	448	174	157%
Condensate	131	136	(4)%
LPG	53	81	(35)%
Crude oil	498	1,023	(51)%
Total	**1,611**	**1,887**	**(15)%**

- Robust sales gas and ethane revenue reflects sound domestic gas business and infrastructure position
- LNG sales revenue up 157%. Strong operating performance from PNG LNG and Darwin LNG
- Lower crude oil sales revenue reflects lower global oil prices and lower production due to the Mutineer Exeter/Fletcher Finucane FPSO offline for the majority of 1H 2015
- Average realised US$ oil price down 47%



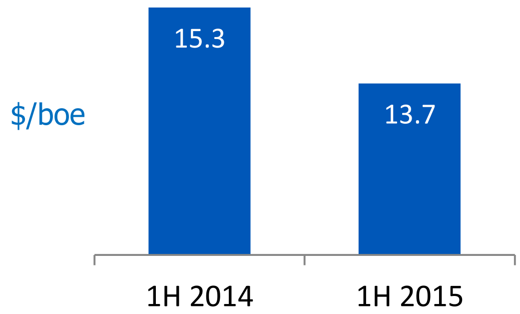
Production costs

Cost savings in the base business drive production costs down 10%

Unit production cost per boe down 11% to $13.70

$million	First-half 2015	First-half 2014	%Δ
Production costs			
Production costs			
– Base business	336	372	(10)%
– New assets	51	11	364%
Total production costs	**387**	**383**	**1%**
Production cost ($/boe)	13.7	15.3	(11)%
Other operating costs			
Pipeline tariffs, processing tolls & other	56	58	(3)%
Royalty and excise	31	45	(31)%
Carbon costs	–	31	(100)%
Shipping costs	15	2	650%
Total other operating costs	**102**	**136**	**(25)%**
Total cash cost of production	**489**	**519**	**(6)%**
Total cash cost ($/boe)	17.3	20.8	(17)%

- Base business production costs down 10%
  - Cooper Basin unit production costs down 15%
  - Offset by full half of PNG LNG online and weaker AUD/USD exchange rate
- Unit production cost down 11%



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Operating efficiencies and cost savings

Repositioning the company in a low oil price environment

Three clear priorities

Delivery

- **Production growth and project delivery**
- Guidance of 5-18% production growth in 2015
- GLNG project delivery on track

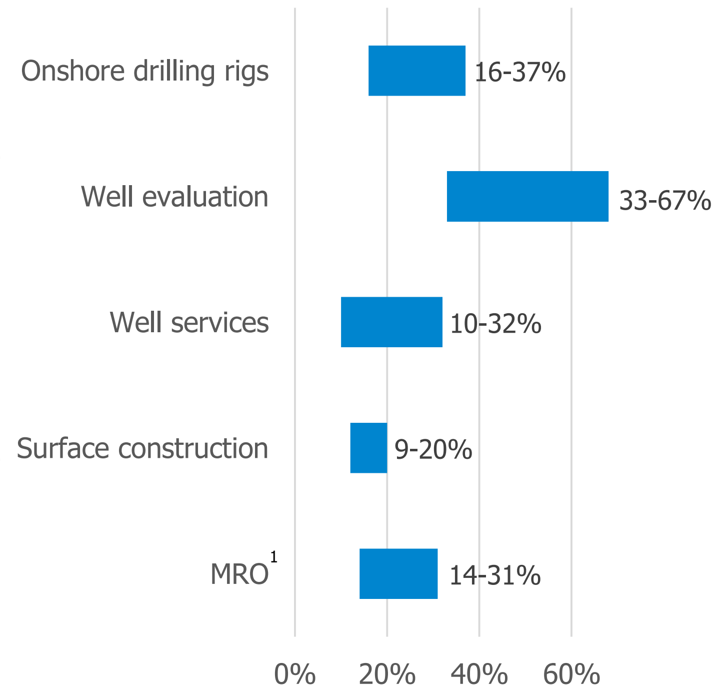
Discipline

- **Reduce and re-phase spending**
- Capex down 55%, unit production costs down 11%
- On track to deliver supply chain savings of $180m gross by YE 2015

Efficiency

- **Right-size and innovate to drive productivity**
- 565 positions removed, $100m pa gross labour cost savings
- Cooper Basin delivered 35 of 45 initiatives in first-half, unit production costs down 15%

Contract rate reductions in 1H 2015



[1] Maintenance, Reliability and Operations

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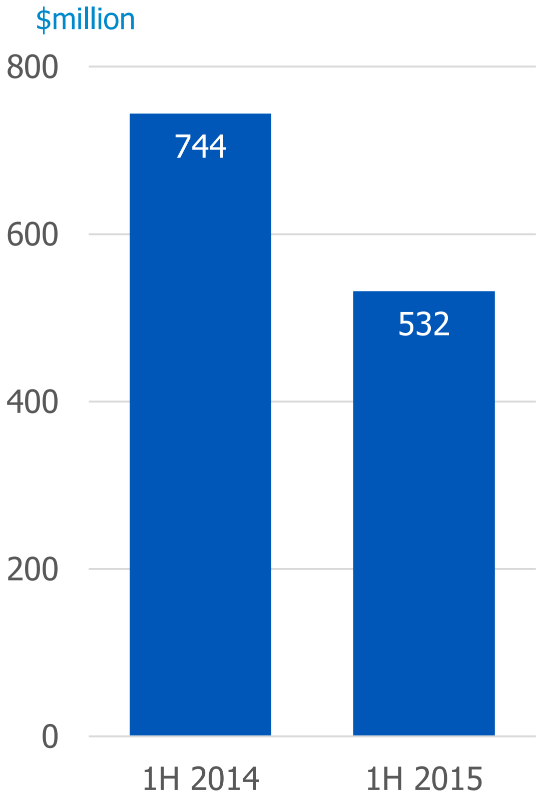
Operating cash flow

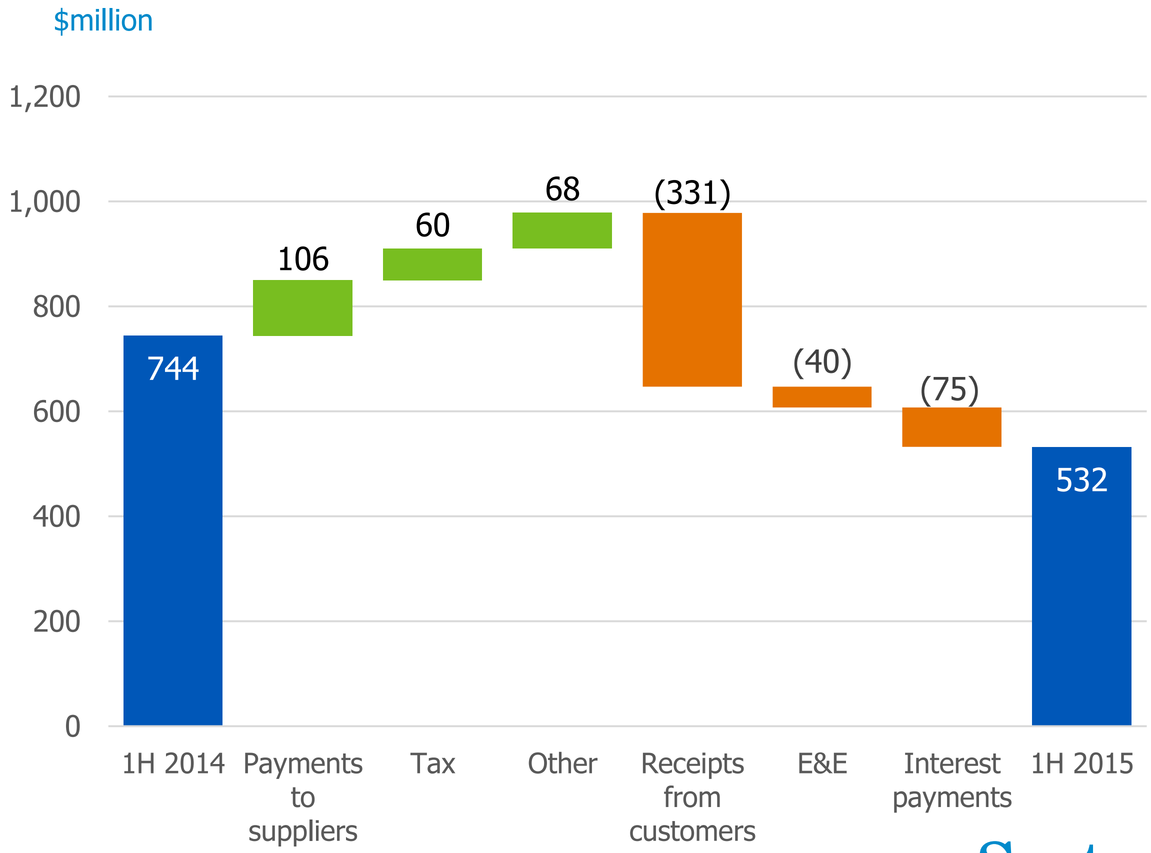
Operating cash flow of $532 million, down 28%

Forecast free cash flow positive in 2016 at US$45-50/bbl oil at AUD/USD of 70-75 cents

Operating cash flow



Reconciliation of operating cash flow



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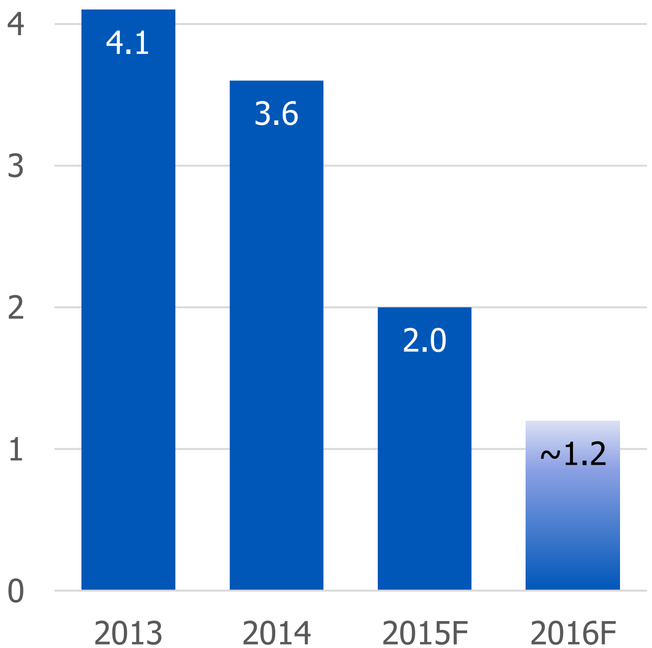
Capital expenditure

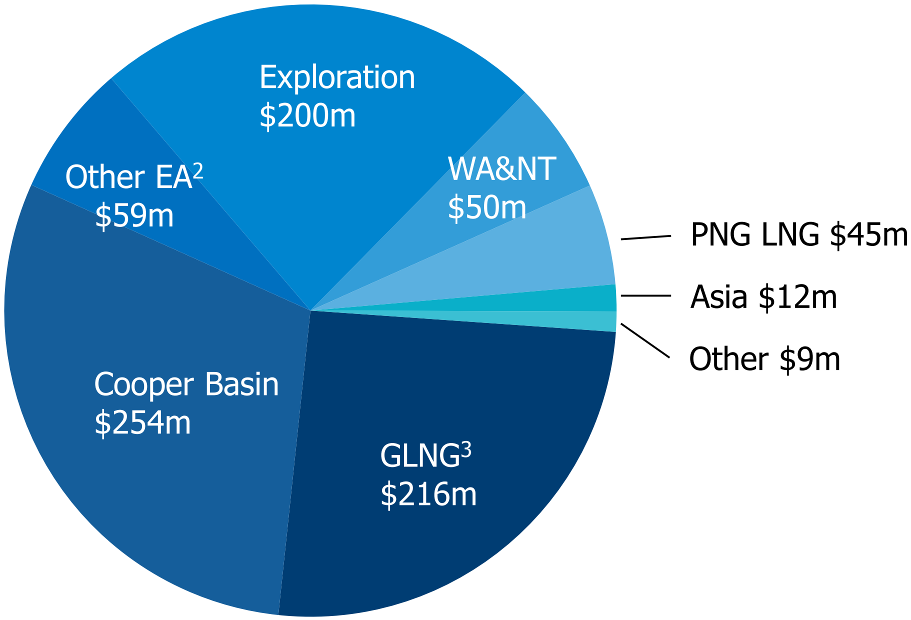
Capex of $845 million[1] in 1H 2015

Full year guidance of $2 billion is maintained

Full-year capital expenditure[1]
A$billion



Breakdown of 1H 2015 capital expenditure[1]



[1] Excludes capitalised interest.
[2] Other EA includes Combabula/Spring Gully, Narrabri, Mereenie and Victoria.
[3] Includes non-LNG project capex of $49 million for domestic stay-in-business, appraisal and pre-development, capitalised stripping costs and Santos corporate costs.

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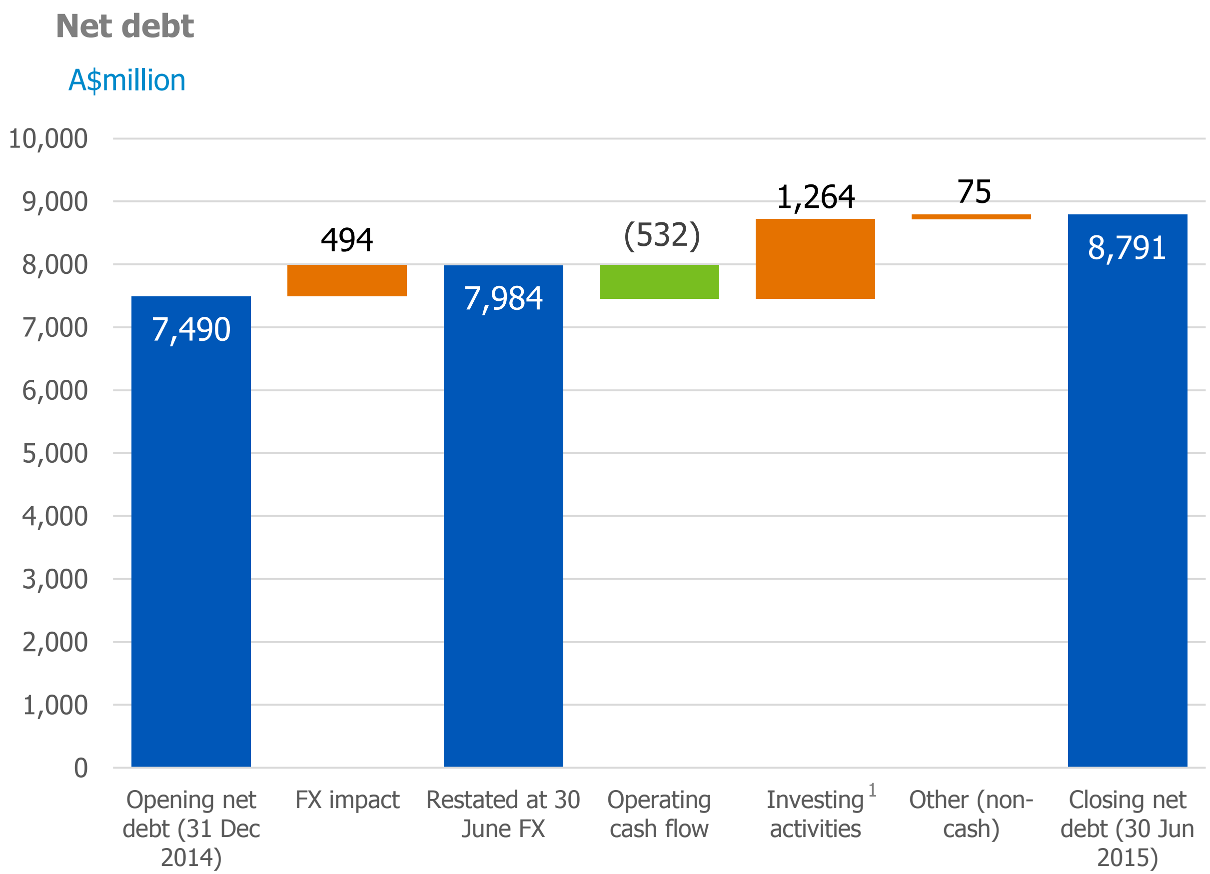
Balance sheet and funding

Net debt A$8.8 billion impacted by weaker AUD/USD exchange rate

- Majority of debt denominated in USD
- Depreciation in AUD/USD exchange rate in 1H 2015 increased net debt by A$494 million
- Sensitivity: 1 cent fall in AUD/USD increases net debt by ~A$100 million
- Weaker AUD also increases A$ value of US$ assets and operating cash flow



[1]Including capitalised interest paid of $72 million

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Balance sheet and funding

$2.2 billion in liquidity

Minimal debt maturities until 2017

- A$2.2 billion in cash and undrawn debt facilities as at 30 June 2015
- A$800 million refinanced in 1H 2015, minimal debt maturities until 2017
- Strong support from existing and new banks
- Weighted average interest rate 4.05% pre-tax (1H 2014: 4.7%)

Debt maturity profile

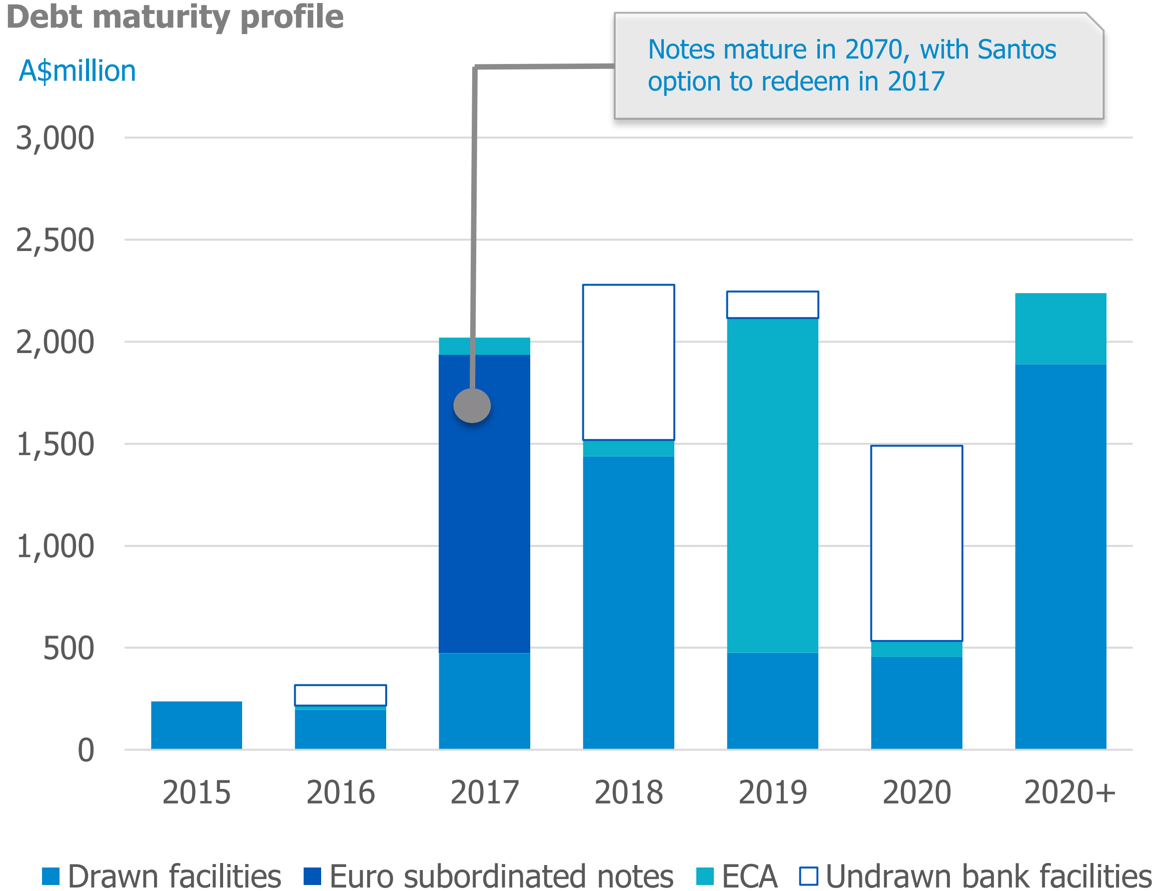

Chart as at 30 June 2015

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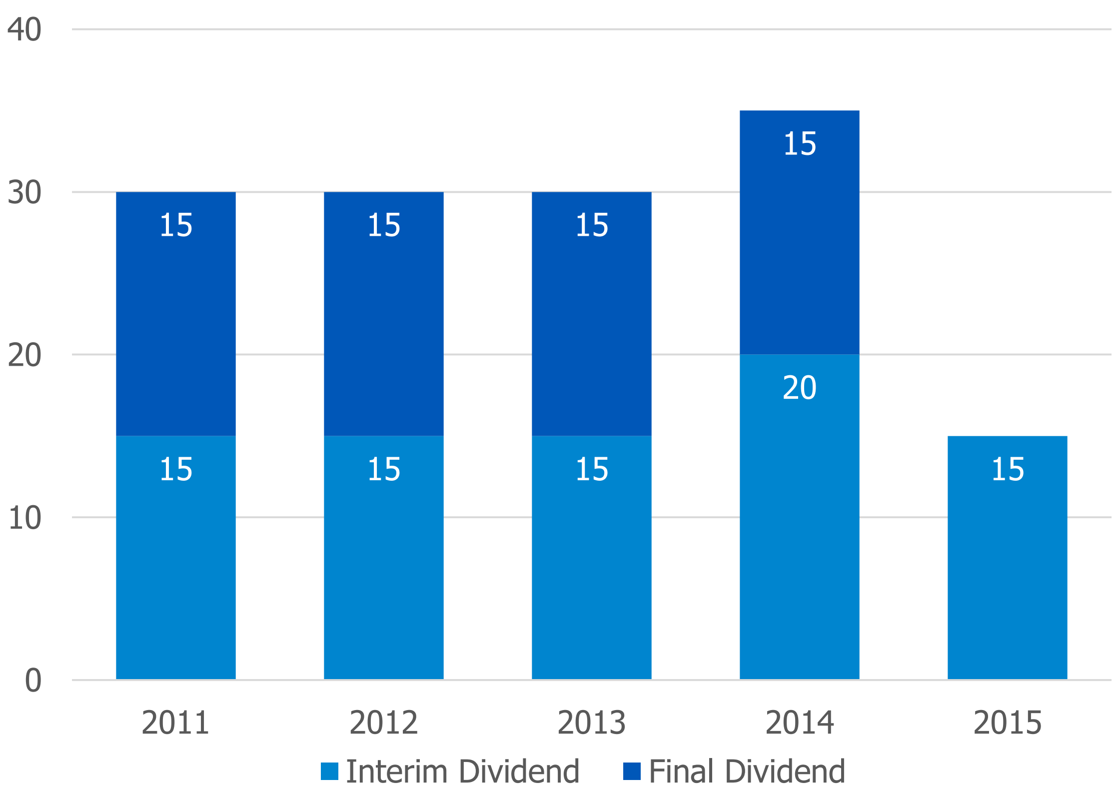
Dividends

Interim dividend of 15 cents per share, fully-franked

DRP discount 2.5%, fully underwritten

Fully-franked dividends declared per share

Cents per share



- Interim dividend 15 cents per share fully-franked
- DRP discount 2.5% for interim dividend and fully underwritten
- Aim for balance between:
  - Shareholder returns
  - Debt repayment
  - Ongoing investment for growth

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2015 Half-year results

David Knox
Managing Director and Chief Executive Officer

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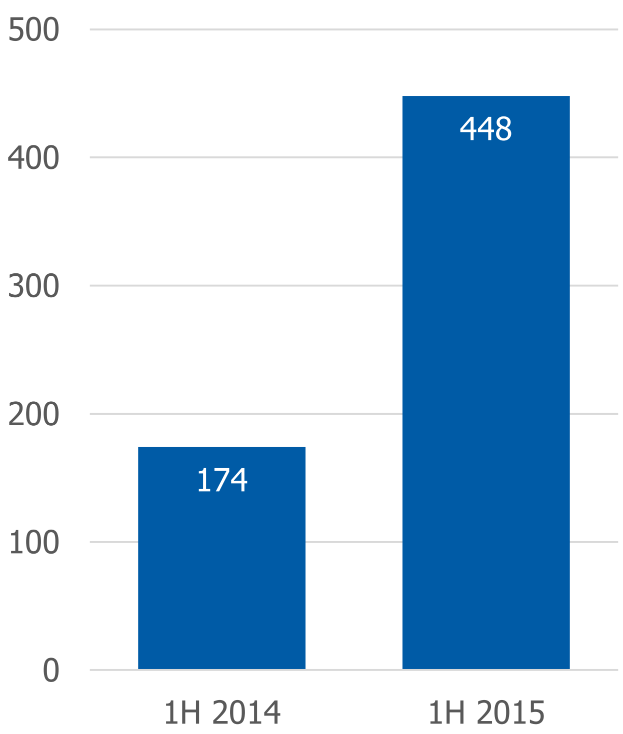
LNG Plant, Curtis Island, 15 July 2015

Santos' LNG growth

Leveraging existing and new LNG infrastructure and capabilities

LNG sales revenue up 157%

A$million



- Producing ahead of expectations
- Bayu Undan Phase 3 delivered 1H15
- Expansion and backfill opportunities

- Producing above nameplate capacity
- 118 cargoes shipped to date
- Debottlenecking and expansion opportunities

- Operator with 30% equity
- Commissioning on track, feed gas introduced into Train 1
- First LNG expected around end Q3 2015, within budget

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GLNG project update

On track for first LNG around the end of the third quarter of 2015, within US$18.5 billion budget

GLNG provides positive free cash flow at US$40/bbl oil

- Over 9,000 PJ of dedicated reserves and resources
- Fairview wells performing strongly, expected field capacity 600 TJ/day by end 2015
- 120 Roma wells online and dewatering in line with expectations
- Santos portfolio & third party gas provides 410-570 TJ/day in 2016
- Maximum underground storage injection and delivery rate >100 TJ/day

- All hubs are commissioned and operational
- Upstream facilities are supplying commissioning gas to the LNG plant via the 420-km gas transmission pipeline
- Incremental 140 TJ/day Roma West 2B project sanctioned

- Feed gas introduced into Train 1
- Ran all six refrigerant compressors on Train 1
- Train 1 utilities complete and operational
- Both LNG tanks ready for LNG
- Plant commissioning on track
- First LNG around the end Q3 2015
- Train 2 RFSU by end-2015

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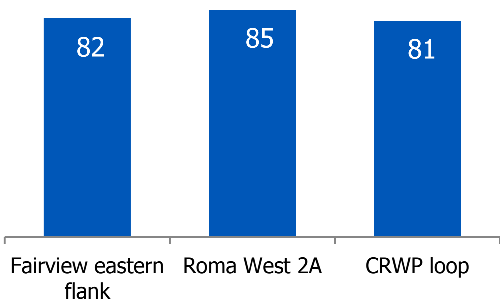
GLNG upstream efficiencies and cost savings

Significant cost improvements across GLNG upstream

Project delivery

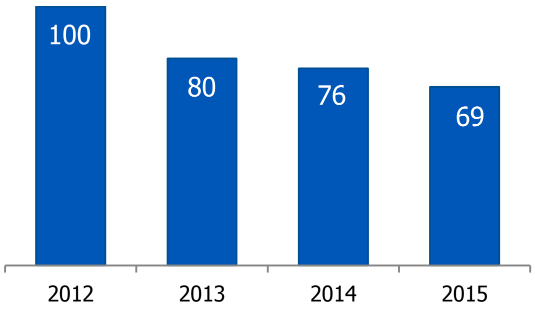
Forecast cost vs budget (%)



- Transition to self-managed projects from EPC[1]
- Implementing lessons learned
- Significant focus on decreasing indirect and owner's costs

Roma drilling costs

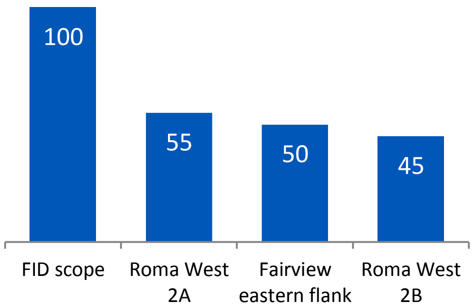
Cost comparison per year (%)



- Fit for purpose contracting using QLD equipment when available
- Standardising well designs
- Regional focused programs to maximise learnings and cost reductions

Flowline and connection costs

Cost comparison (%)



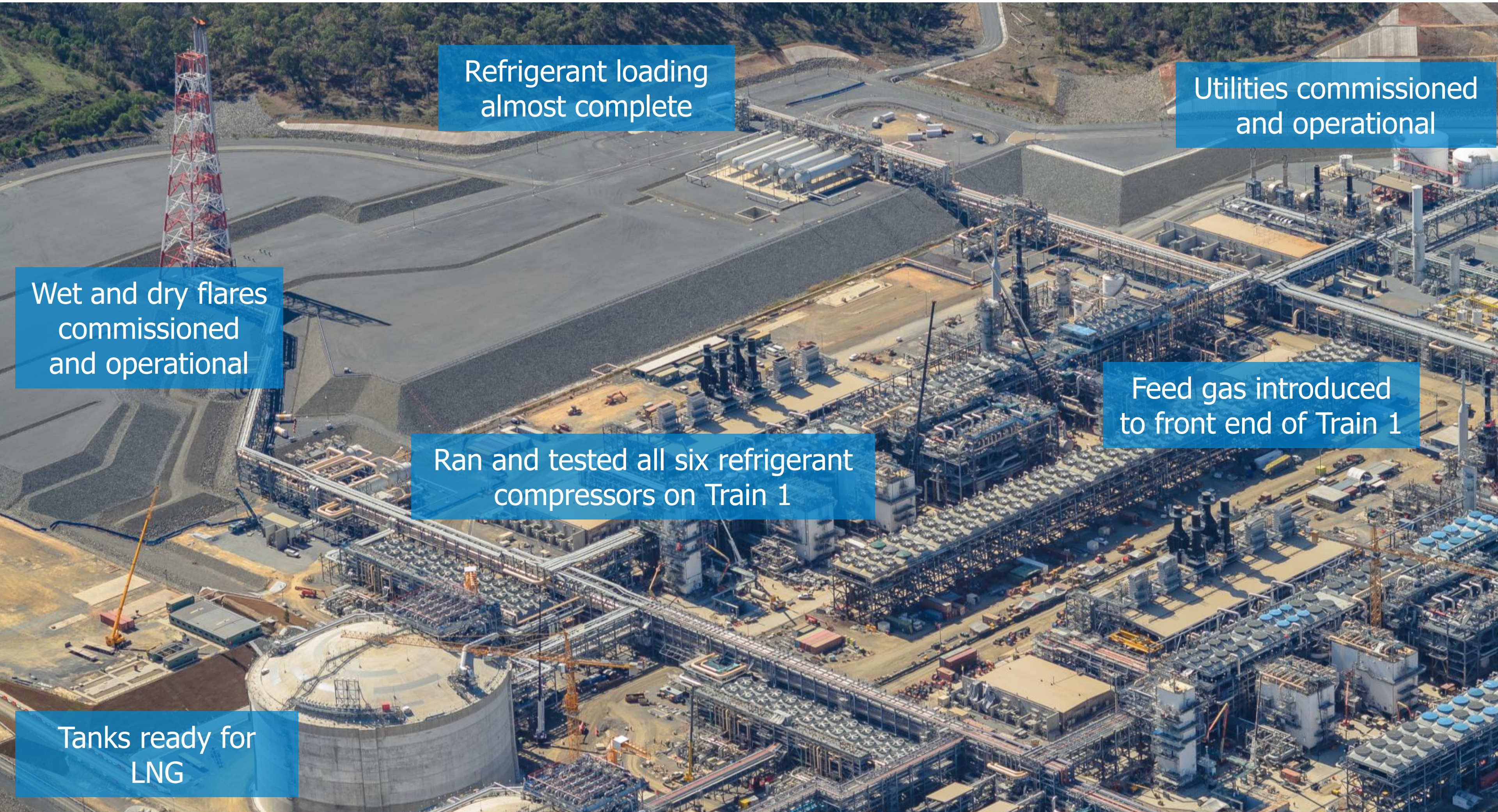
- Standardising surface facility designs
- Manufacturing approach to field development
- Supplier/contractor pricing reviews
- Improved cycle time for wells online

[1] Engineering, procurement and construction

GLNG downstream

Feed gas introduced into Train 1

On track for first LNG around the end of the third quarter of 2015



Exploration

Focus on infrastructure-led exploration


Ocean Rover rig, Deepwater Block R Malaysia

- Bestari 1 oil discovery
  - Deepwater Block R Production Sharing Contract
  - 67 metres of net oil pay with good porosity and permeability
  - Planning underway for appraisal in late-2015
- Cooper Basin Patchawarra Play wet gas campaign in SWJV
  - Seven discoveries out of eight near field exploration well program
  - Initial production online by YE15
- Cooper Basin Permian Source Play
  - Encouraging long term flow results (production monitoring of multiple wells)
  - 3D seismic and cored appraisal drilling planned
- Active portfolio management and inventory build
  - Substantial prospect inventory being generated: interrogation of large 2D and 3D seismic datasets acquired over the last few years
  - Investment being directed to short cycle time opportunities

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2015 First-half summary

Repositioning the company in a low oil price environment

- Sound operating performance
- No lost time injuries in 2015 to date, top quartile industry performance
- Production up 13%, highest level in 8 years

- Unit production costs down 11%, below guidance at $13.7/boe
- Capex down 55%
- Targeting supply chain savings of $180m gross by YE 2015

- GLNG on track for first LNG around the end of Q3, within US$18.5 billion budget
- PNG LNG and Darwin LNG producing ahead of expectations
- Debottlenecking and expansion opportunities

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Reference slides

21 August 2015

Production and processing platform, Bayu Undan

Significant items after tax

$million	Half-year 2015	Half-year 2014
Net profit after tax	**37**	**206**
Add/(deduct) significant items		
Redundancy / restructuring costs	10	-
Net impairments	-	67
Other	(15)	(15)
Underlying profit	**32**	**258**

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Prices and exchange rates

Santos average realised	Half-year 2015	Half-year 2014	Change %
Oil price (USD/bbl)	60.38	114.52	(47)%
Oil price (AUD/bbl)	77.26	125.09	(38)%
LNG price (AUD/tonne)	658.33	777.47	(15)%
Gas price (AUD/GJ)	5.31	4.91	8%
AUD/USD exchange rate	0.7815	0.9155	(15)%

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2015 guidance

All guidance for 2015 is maintained

Item	2015 guidance
Production	57-64 mmboe
Production costs	$14.2-14.6/boe
DD&A expense	$17.5-18.0/boe
Capital expenditure (including exploration & evaluation)[1]	$2 billion

[1] Capital expenditure guidance excludes capitalised interest, which is forecast at approximately $135 million in 2015

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2015 Exploration schedule

Exploration schedule complete for 2015 with success rate of 33%

Well Name	Basin / Area	Target	Santos Interest %	Timing
Hides-F1 (Hides Deep)#	Papuan – PNG	Gas	24	P&A
Gaschnitz-2	Cooper – SA	Gas	66.6	Gas discovery
Ehsan-1# (Block S)	Deep Water Malaysia	Gas	25	P&A
Bestari-1# (Block R)	Deep Water Malaysia	Oil	20	Oil discovery
Lawa-1# (Block R)	Deep Water Malaysia	Oil	20	P&A
Menawan-1# (Block R)	Deep Water Malaysia	Oil	20	P&A

The exploration portfolio is continuously being optimised, therefore the above program may vary as a result of farmout, rig availability, drilling outcomes and maturation of new prospects

Not operated by Santos

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