

2016 Half-year results

19 August 2016

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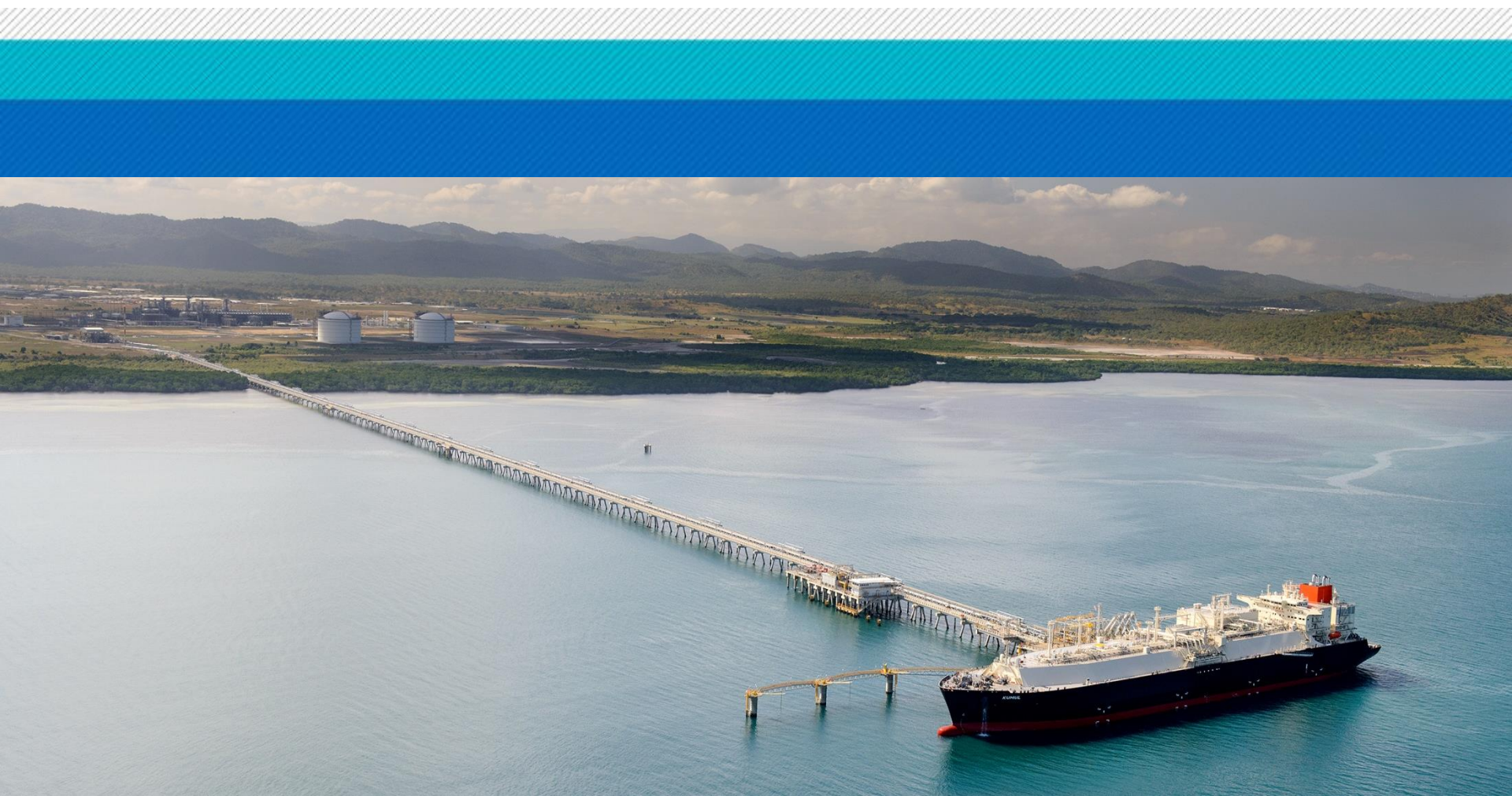
All references to dollars, cents or \$ in this document are to United States currency, unless otherwise stated.

EBITDAX (earnings before interest, tax, depreciation, depletion, exploration, evaluation and impairment), EBIT (earnings before interest and tax) and underlying profit/loss are non-IFRS measures that are presented to provide an understanding of the performance of Santos' operations. Underlying profit/loss 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 audited financial statements.

2016 Half-year performance overview

Kevin Gallagher

Managing Director and Chief Executive Officer



Strategic priorities

Create sustainable shareholder value by becoming a low-cost, reliable and high performance business

- › Short-term priority is to stabilise the business and increase operating cash flow
- › Aim to be free cash flow breakeven at US\$35-40/bbl on a portfolio basis
- › Good progress on operating framework and cost reduction but more work to be done
- › Enhanced technical capabilities and process to overhaul operating culture
- › Centralised asset portfolio management
- › Disciplined approach to capital allocation
- › Optimise portfolio and prioritise opportunities to provide stable returns throughout the cycle



2016 first-half financial performance

Net loss of US\$1,104 million including GLNG impairment

Net loss

US\$1,104 million

reflects previously announced GLNG impairment of US\$1,050 million after tax and lower realised oil prices

Underlying net loss

US\$5 million

↓ US\$30 million on 1H15

EBITDAX

US\$491 million

↓ US\$309 million on 1H15

Operating cash flow

US\$291 million

↓ US\$125 million on 1H15

Net debt reduced

US\$4.5 billion

↓ US\$220 million on YE15

Capital management

Nil interim dividend

↓ A\$0.15 on 1H15

2016 first-half operational performance

2016 forecast free cash flow breakeven¹

US\$47.00/bbl



US\$43.50/bbl

Targeting free cash flow breakeven of US\$35 to US\$40 per barrel on a portfolio basis

Record first-half production.

Costs lower and new centralised operating model established

- › Record first-half production of 31.1 mmboe, up 10% on 1H15
- › Capital expenditure²
 - US\$283 million, down 58% on 1H15
- › Upstream unit production costs
 - US\$8.80 per boe, down 15% on 1H15
- › Gross labour cost savings
 - US\$35 million per annum from 253 positions removed in 1H16
- › Gross supply chain savings
 - US\$110 million identified in CY16 to date
- › Significant reduction in drilling costs
 - Cooper Basin vertical gas well cost A\$5.3 million
 - GLNG full Roma vertical well cost A\$2.2 million

¹ Free cash flow breakeven is the average annual oil price at which cash flows from operating activities equals cash flows from investing activities. Forecast methodology uses corporate assumptions. Excludes one-off restructuring and redundancy costs and asset divestitures.

² Includes restoration expenditure but excludes capitalised interest

Safety performance

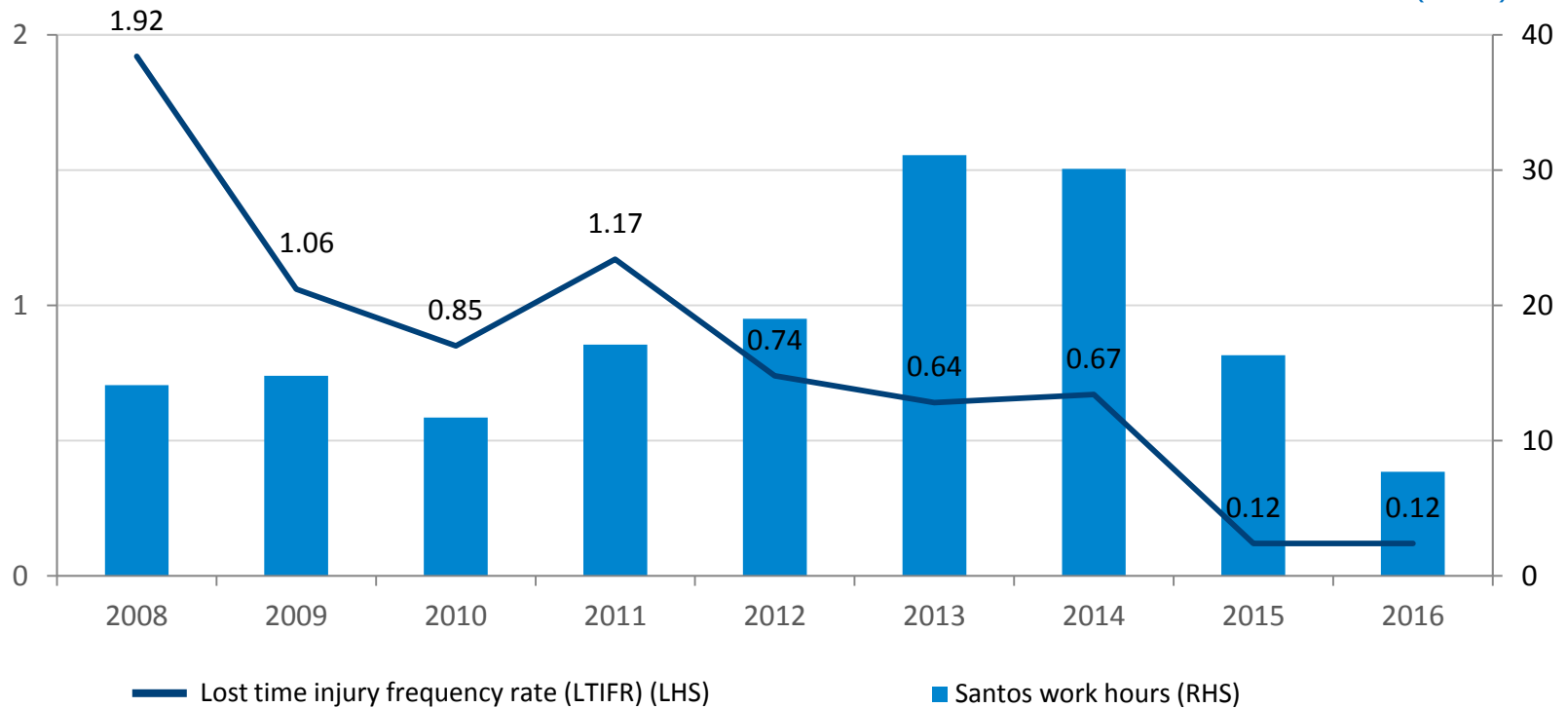
Lost time injury frequency rate of 0.12 per million hours worked to 30 June 2016.

Strong safety performance maintained

Safety performance (employees and contractors)

Rate per million
hours worked

Work hours
(million)



2016 Half-year financial results

Andrew Seaton

Chief Financial Officer



Financial summary

Focus remains on improving cash flow and debt reduction



GLNG plant, Curtis Island

Stabilised the business to reflect the low oil price environment

Operations performing well, record first half production and lower cost base

GLNG train 2 commissioning marks end of six year major LNG investment phase

Free cash flow breakeven lowered to US\$43.50/bbl

Operating cash flow leverage US\$30 million per annum for each US\$1/bbl oil price movement

Net debt reduced to US\$4.5 billion

Financial performance

EBITDAX down 39% to US\$491 million.

Net loss of US\$1,104 million, reflecting asset impairments of US\$1,061 million after tax

US\$ million	First-half 2016	First-half 2015	Var
Revenue (inc. third party)	1,205	1,277	(6)%
Production costs	(273)	(293)	(7)%
Other operating costs	(170)	(90)	89%
Third party product purchases	(250)	(187)	34%
Other ¹	(21)	93	nm
EBITDAX	491	800	(39)%
Exploration and evaluation expense	(47)	(152)	(69)%
Depreciation and depletion	(399)	(376)	6%
Impairment losses	(1,516)	-	nm
EBIT	(1,471)	272	nm
Net finance costs	(131)	(98)	34%
Profit/(loss) before tax	(1,602)	174	nm
Tax benefit/(expense)	498	(144)	nm
Net profit/(loss) after tax	(1,104)	30	nm
Underlying profit/(loss)	(5)	25	(120)%

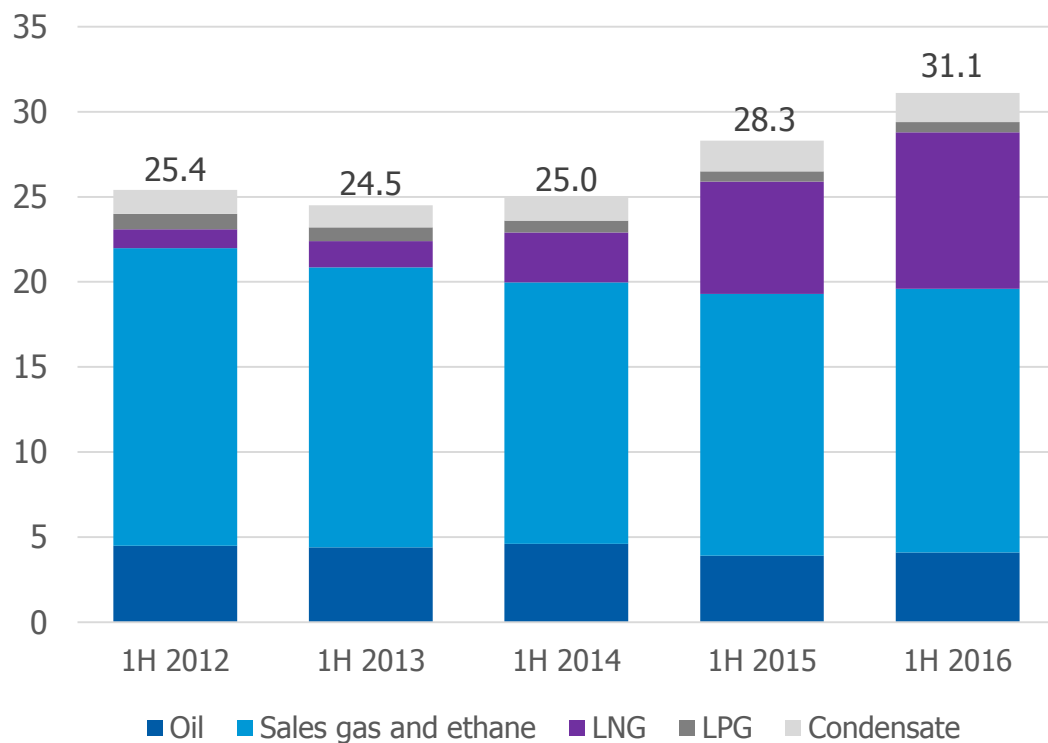
- › Higher sales volumes more than offset by lower oil and LNG prices
- › Pre-tax impairment charge of US\$1,516 million
- › Higher net finance costs reflect lower average debt levels more than offset by lower capitalised interest

Production

Strong operational performance resulting in record first-half production

Production

mmboe



- First-half production up 10%
- 37% increase in LNG production reflecting start-up of GLNG train 1 in September 2015 and GLNG train 2 in May 2016
- 2016 guidance maintained at 57 – 63 mmboe

Sales revenue

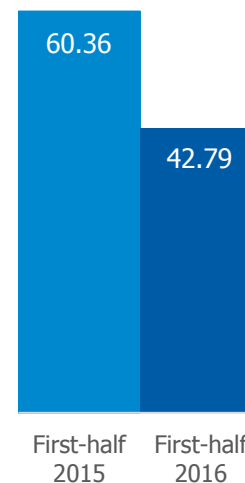
Sales revenue lower due to lower realised oil and LNG prices

- Lower sales revenue as a result of lower oil prices and LNG prices, partially offset by increased LNG sales volumes predominantly from the start-up of GLNG

US\$ million	First-half 2016	First-half 2015	Var
Sales Revenue (incl. third party)			
Sales gas and ethane	416	377	10%
LNG	390	351	11%
Crude oil	285	389	(27)%
Condensate	76	103	(26)%
LPG	24	41	(41)%
Total	1,191	1,261	(6)%

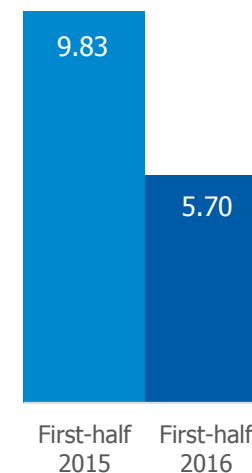
Average realised crude oil price down 29%

US\$/bbl



Average realised LNG price down 42%

US\$/mmbtu



Production costs

Upstream unit production costs down 15%

US\$ million	First-half 2016	First-half 2015	Var
Total production costs	273	293	(7)%
Upstream unit production cost (US\$/boe)	8.8	10.4	(15)%
Other operating costs			
LNG plant costs	26	10	160%
Pipeline tariffs, processing tolls & other	85	44	93%
Onerous contract	26	-	nm
Royalty and excise	19	24	(21)%
Shipping costs	14	12	17%
Total other operating costs	170	90	89%
Total cash cost of production	443	383	16%

- Upstream unit production costs down 15% to US\$8.80 per boe
 - Cooper Basin down 15%
 - PNG LNG down 16%
 - Bayu-Undan down 12%
 - 2016 guidance reduced to US\$9-10/boe
- Pipeline tariffs, processing tolls and other expenses are US\$67 million higher due to
 - higher pipeline capacity charges following an increase in supply of Santos portfolio gas to GLNG
 - increased Wallumbilla compression costs following increased third party gas throughput
 - recognition of an onerous contract for gas pipeline capacity (US\$26 million)

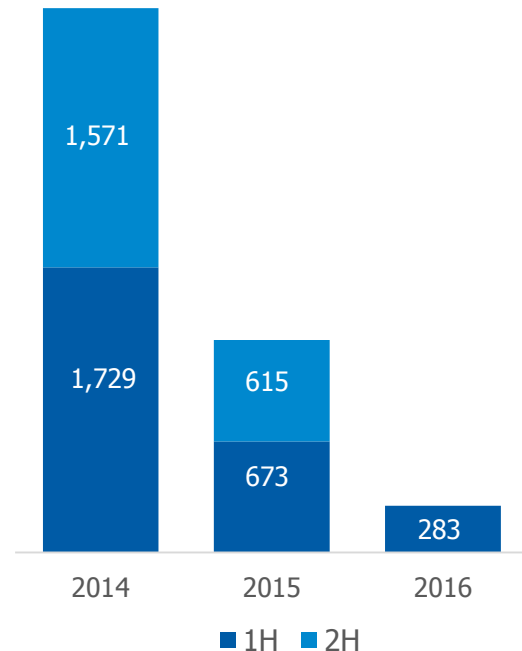
Capital expenditure

Capital expenditure US\$283 million, down 58%.

2016 capex guidance US\$750 million

Full-year capital expenditure

US\$ million



US\$ million	First-half 2016	First-half 2015
Cooper Basin	88	212
GLNG	90	172
PNG LNG	1	35
WA&NT	15	46
Asia	37	12
Exploration	40	156
Other	12	40
Total	283	673

Capital expenditure excludes capitalised interest which is forecast at approximately US\$16 million in 2016

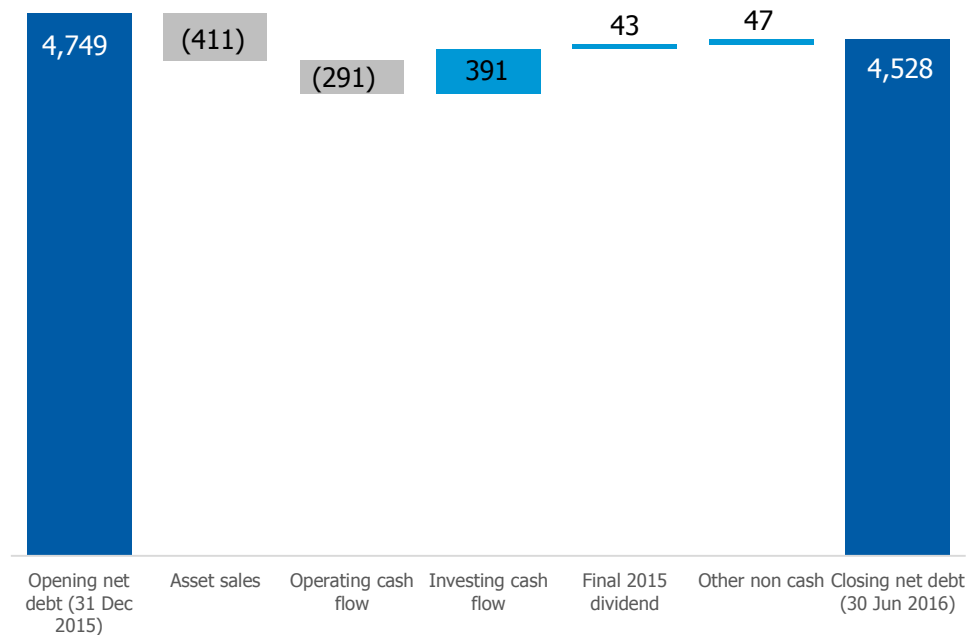
Net debt

Net debt reduced to US\$4.5 billion

- › Net debt US\$4.5 billion at 30 June 2016
- › US\$3.3 billion in liquidity
 - US\$1.0 billion in cash
 - US\$2.3 billion in undrawn bilateral facilities
- › No material drawn debt maturities until 2019

Reconciliation of net debt

US\$ million



2016 Half-year operational results

Kevin Gallagher

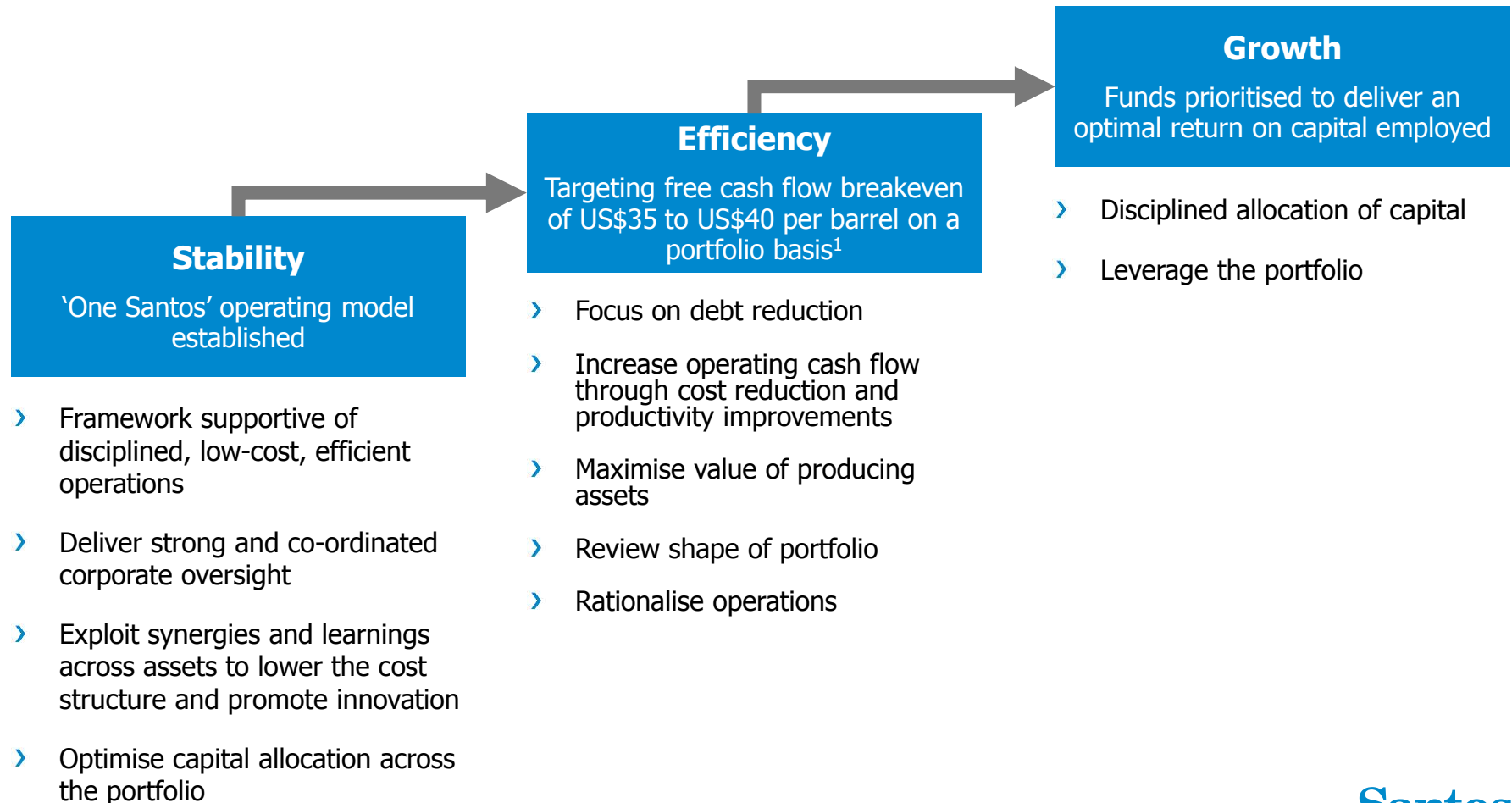
Managing Director and Chief Executive Officer

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Building shareholder value

Framework established to become a low-cost, reliable and high performance business



¹ Free cash flow breakeven is the average annual oil price at which cash flows from operating activities equals cash flows from investing activities. Forecast methodology uses corporate assumptions. Excludes one-off restructuring and redundancy costs and asset divestitures.

New leadership team

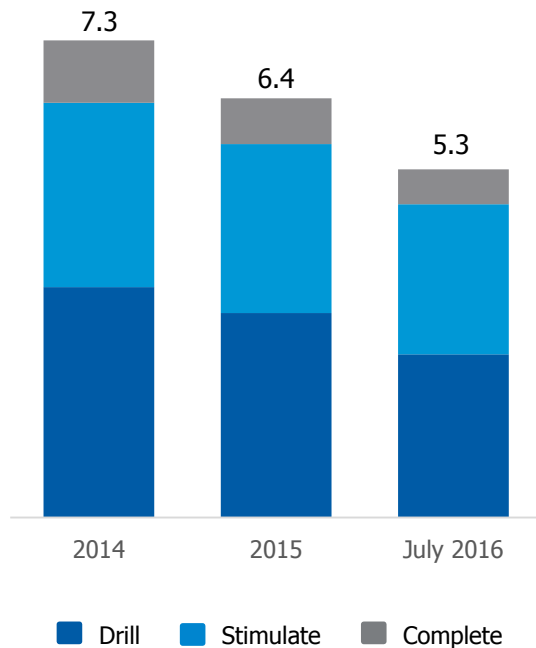
Asset based management structure.

Decision making and planning processes centralised



Cooper Basin

Cooper Basin gas well costs
A\$ million



Maximise value, improve margins and de-risk exposure

- › Significant cost reductions achieved but more to be done
- › Cooper Basin unit production costs US\$11.10/boe, down 15% on 1H15
- › Cooper Basin gas well D&C costs down to A\$5.3 million per well
 - utilisation of fit for purpose technology
 - supplier / contractor pricing reviews
 - stabilised well inventory driving execution efficiencies
 - work-flow prioritised and high-graded based on a rigorous and consistent economic framework
- › Frequency and scope of maintenance and support functions optimised

GLNG

Successful start-up and commissioning.

50 LNG cargoes shipped to date



GLNG plant, Curtis Island



Scotia hub, Queensland

- › Successful start-up and commissioning of trains 1 and 2
 - train 2 first LNG May 2016; practical completion July 2016
 - 50 cargoes shipped since start-up in September 2015
 - 3 million tonnes of LNG produced
- › Aim is to be an industry leader in low cost onshore operations
 - full cost Roma vertical well A\$2.2 million (full cost includes drill, stimulate, complete and connect)
 - project partners strongly aligned to optimise operations and maximise efficiencies
- › Scotia central flank 1 (CF1) development sanctioned
 - first gas expected 2018
- › Learnings applied to Arcadia pilot wells resulting in increased gas rates
 - first phase of field development expected on line by year end

Papua New Guinea

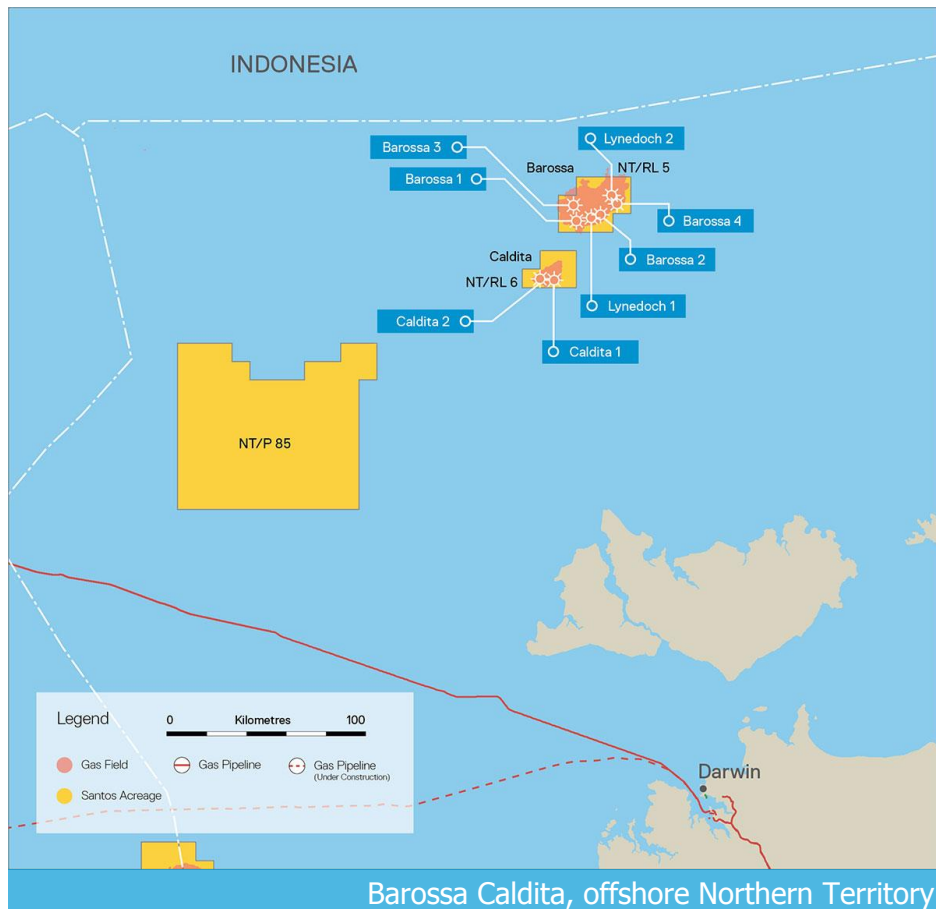
PNG continues to deliver with expansion opportunities opening up



- › Strengthen and consolidate position
 - footprint supportive of long-term commitment to the region
- › PNG LNG production continues to exceed expectations
 - 7.7 mtpa annualised production rate in 2016
 - 214 cargoes delivered through to 31 July 2016 from start-up in May 2014
 - progress toward the tie-in of the two completed Angore production wells is underway
- › Exploration continues with Strickland-1 well in PPL269 testing a large Toro structure in the foot-hill area

Northern Australia

Significant resource base across Northern Australia is well positioned for brownfield backfill opportunities



- › Strong performance from Bayu Undan and Darwin LNG
- › Successful three well appraisal campaign in Barossa completed in 2015
 - project partners have committed to an extensive engineering and subsurface programme to progress development of the resource back to Darwin
- › Extensive discovered resource base that includes Crown-Lasseter and Petrel-Tern, and spans the Browse and Bonaparte Basins

2016 First-half summary

Create sustainable shareholder value by becoming a low-cost, reliable and high performance business



Moomba plant, Cooper Basin

- › Full review of asset portfolio completed
- › Business restructured and new operating model implemented
- › Leadership team established
- › Disciplined approach to the allocation of capital instilled
- › Cost out program starting to deliver real results
- › Focus on increasing operating cash flow and further debt reduction
- › Identifying opportunities to optimise and shape the asset portfolio

Reference Slides

19 August 2016

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Liquidity and net debt position as at 30 June 2016

US\$3.4 billion in cash and committed undrawn debt facilities.

Net debt US\$4.5 billion

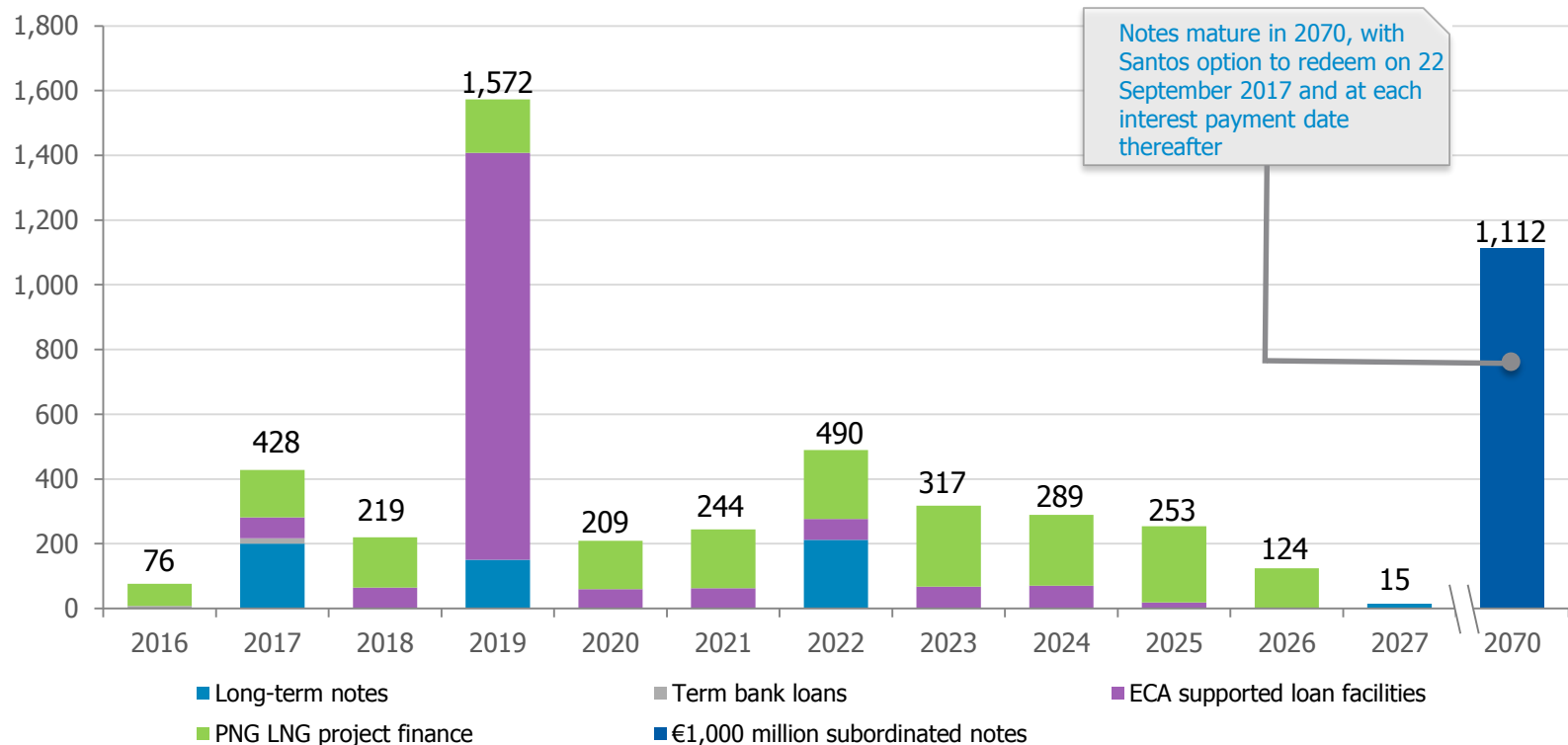
Liquidity (US\$ million)		30 June 2016
Cash		1,034
Undrawn bilateral bank debt facilities		2,339
Total liquidity		3,373
Debt (US\$ million)		
Export credit agency supported loan facilities	Senior, unsecured	1,739
US Private Placement	Senior, unsecured	620
PNG LNG project finance	Non-recourse	1,809
Euro-denominated hybrid notes	Subordinated	1,153
Other	Finance leases and derivatives	241
Total debt		5,562
Total net debt		4,528

Debt maturity profile

Santos has limited drawn debt maturities until 2019

Drawn debt maturity profile as at 30 June 2016

US\$million



Significant items after tax

Reconciliation of full-year net loss to underlying profit

\$million	1H 2016	1H 2015
Net profit/(loss) after tax	(1,104)	30
Add/(deduct) significant items		
Impairment losses	1,061	-
Redundancy and restructuring costs	17	7
Onerous contract	18	-
Other	3	(12)
Underlying profit/(loss)	(5)	25

Underlying profit/(loss) is a non-IFRS measure that is presented to provide an understanding of the performance of Santos' operations. Underlying profit/(loss) 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 audited financial statements.

2016 Guidance

Item	2016 guidance
Production	57-63 mmboe
Sales volumes (including third party product sales)	76-83 mmboe
Upstream production costs (excl. LNG plant costs)	US\$9-10/boe produced
Depreciation, depletion & amortisation (DD&A) expense	US\$800 million
Capital expenditure (incl. exploration, evaluation and abandonment, excluding capitalised interest)	US\$750 million

2016 Half-year results



Moomba Plant, Cooper Basin

Contact information

Head Office Adelaide

Ground Floor, Santos Centre
60 Flinders Street
Adelaide, South Australia 5000
GPO Box 2455
Adelaide, South Australia 5001
Telephone: +61 8 8116 5000

Useful email contacts

Share register enquiries:
web.queries@computershare.com.au

Investor enquiries:
investor.relations@santos.com

Website:
www.santos.com

Andrew Nairn

Head of Investor Relations
Direct: + 61 8 8116 5314
Email: andrew.nairn@santos.com

Andrew Hay

Manager Investor Relations
Direct: + 61 8 8116 7722
Email: andrew.hay3@santos.com