

9 November 2015

Appointment of CEO

Santos Limited announced today that highly respected energy and resources executive, Mr Kevin Gallagher, currently CEO of engineering services group, Clough Limited (Clough), has been appointed as the new Managing Director and CEO of Santos.

Mr Gallagher will aim to commence duties with Santos in early 2016, subject to agreement on a release date with Clough.

Santos Executive Chairman, Peter Coates, said he was delighted at the appointment of Mr Gallagher to the Santos CEO role.

"Kevin has nearly 25 years' experience in managing oil and gas operations in Australia, the USA and North and West Africa," Mr Coates said.

"He is ideally suited to lead Santos as we move from a focus on major strategic developments to delivering strong operational results in a continuing low oil price environment.

"Kevin will bring fresh insight and a proven track record of achievement for shareholders from a career that spans international oil experience with Mobil, the Woodside operated North West Shelf LNG venture and most recently, as CEO of Clough since 2011."

"At Clough, Mr Gallagher is widely recognised for his achievements in driving strong financial performance in the face of increasingly tough conditions for resources industry service providers," Mr Coates said.

"I have said through the course of this year that with the major LNG project investment phase ending and the oil price outlook remaining low, Santos had to take action to become a more agile, low cost producer delivering attractive shareholder value.

"The company has made good progress towards that goal through the year with a \$900 million reduction in capex and circa \$370 million per annum in cost savings through headcount reductions of some 770 positions, together with meaningful supply chain savings."

"However, the strategic review which we have just completed has shown that we can further simplify the business and enhance financial discipline," Mr Coates said.

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“Kevin’s record on costs, efficiency, leadership and profitability as CEO of Clough, combined with his experience as a senior Woodside executive on the North West Shelf venture make him ideally suited to lead the Santos senior executive team and to develop the company’s strategy from here.”

Kevin Gallagher said: “My career foundations are in oil and gas and I believe the Santos portfolio offers some truly exciting, world class opportunities, irrespective of the current global oil price environment.”

“I am very proud to have led Clough for the last 4 years during which I have gained an in-depth insight and understanding of the oil and gas contracting sector to complement over 20-years of oil and gas operating experience. I believe I leave Clough strongly positioned, with an excellent management team in place.”

Mr Coates will continue in his Executive Chair role taking full responsibility to the Board for the company’s operations until Mr. Gallagher commences his duties.

Current Managing Director and CEO, David Knox, has agreed with the Board that he will step down as Managing Director and CEO and will work with Mr Coates to set up a smooth transition to Mr Gallagher.

Ken Dean will continue his role as Senior Independent Director, while Mr Coates remains in his current role as Executive Chairman.

ENDS.

Attached:
Curriculum Vitae of new CEO
Material employment contract terms new CEO

Attachment 1: Curriculum Vitae of new CEO

Kevin GALLAGHER

Age: 50

Current Location: Perth

Education

- Bachelor of Engineering (Mechanical) (Hons), University of Glasgow
- Advanced Management Program, Harvard Business School
- Engineers Australia, Fellow

Key Senior Executive Roles

Clough Ltd

2011-Present Chief Executive Officer & Managing Director

Woodside Energy Ltd

2010-2011 Executive Vice President, North West Business Unit & CEO of North West Shelf Venture, Member of Executive Committee

2008-2011 Chairman, Business Operating Committee

2008-2010 Senior Vice President, Australia Business Unit

2006-2008 Vice President, Drilling & Completions

1998-2006 Various roles

Earlier Career

Mobil North Sea - Drilling Engineer

Career Achievements

Clough engineering and project services is a privately owned contractor servicing the energy, minerals, water, infrastructure and power markets across Australia, Asia, Africa, Europe, Middle East and North America.

As CEO since 2011, Mr Gallagher has implemented a program to improve financial and operational performance, and established the systems and people capabilities to deliver on the extensive project portfolio and drive growth.

He was earlier with Woodside for 13 years. He served as a Member of the Executive Committee. In his last role from 2010 to 2011, Mr Gallagher oversaw production on Australia's largest resource project, the North West Shelf (which produces approximately 50% of Australia's oil and gas).

At Woodside, he delivered several Australian and international development projects and exploration campaigns, and set drilling performance records whilst improving safety.

Mr Gallagher was named CEO of the Year and Resources Executive of the Year 2013 by Australian CEO Magazine.

Attachment 2: Material Terms of Employment

SUMMARY OF MATERIAL TERMS OF EXECUTIVE SERVICE AGREEMENT BETWEEN SANTOS LIMITED AND KEVIN GALLAGHER

The material terms of the Executive Services Agreement between Kevin Gallagher and Santos Limited (the **Company**) for the role of Managing Director and Chief Executive Officer (the **Agreement**) are as follows

Commencement Date as CEO	On a date to be agreed between the Company and Mr Gallagher but no later than 31 May 2016
Term	No fixed term. Ongoing until terminated by either party in accordance with the Agreement (see below)
Total Fixed Remuneration (TFR)	\$1,800,000 per annum including superannuation, reviewed annually
Short Term Incentive (STI) for 2016	<p>Maximum opportunity of 100% of TFR subject to performance, pro rata for the period from the Commencement Date to 31 December 2016.</p> <p>Santos' current STI program requires that 30% of any STI earned is delivered in Santos equity which is deferred for 2 years.</p> <p>STI participation and terms in future years are at the discretion of the Board.</p>
Long Term Incentive (LTI) for 2016	<p>Maximum opportunity of 150% of TFR based on face value and subject to performance.</p> <p>Share Acquisition Rights awarded under Santos' current LTI program are subject to relative total shareholder return (TSR) hurdles over a 4 year performance period. It is expected that the 2016 LTI will be awarded on similar terms.</p> <p>LTI participation and terms in future years are at the discretion of the Board.</p>
Compensation for foregone incentives	<p>In recognition of previous incentives foregone, Mr Gallagher will receive a grant of rights with a face value of \$1,000,000 as at the Commencement Date.</p> <p>The rights will vest as follows:</p> <p>(a) 50% on the first anniversary of the Commencement Date;</p> <p>(b) 50% on the second anniversary of the Commencement Date,</p> <p>provided Mr Gallagher has not resigned or been terminated by the Company for cause or terminated his employment by mutual agreement with the Company.</p> <p>Following vesting Mr Gallagher will have five years to exercise the rights into Santos shares.</p> <p>Any unvested rights will vest immediately (or at his election stay on foot and vest at the end of the 2 year period) if the Company terminates his employment without cause</p>

	or Mr Gallagher terminates his employment due to a fundamental change in his role or his employment is terminated due to death or incapacity.
Notice Period	12 months by either party. Employment may be ended immediately in certain circumstances including misconduct, incapacity, mutual agreement or in the event of a fundamental change in the CEO's role or responsibilities.
Termination entitlements	The Company may elect to pay Mr Gallagher in lieu of any unserved notice period. If termination is by mutual agreement, Mr Gallagher will receive a payment of \$1,500,000. In the case of death, incapacity or fundamental change, Mr Gallagher is entitled to a payment equivalent to 12 months base salary. Entitlements to STI and LTI will be determined in accordance with the terms of the relevant plan.
Post Employment Restraint	A 12 month restraint provision applies.
Other material terms	If there is a change of control prior to the Commencement Date and the intent of the Agreement is frustrated, he will be entitled to a \$4,600,000 payment in compensation for one year's TFR, STI and his foregone incentives. If there is a change of control in the first two years following the Commencement Date, Mr Gallagher will receive full vesting of the rights he received in compensation for his foregone incentives, STI in cash at maximum for the year in which the change of control occurs and pro rata vesting of any unvested LTI awards. Mr Gallagher is entitled to relocation benefits relating to his and his family's relocation from Perth to Adelaide, including rental support.