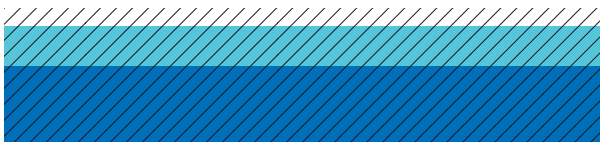




# 2015 first-half shareholder update



**Santos**  
We have the energy.

# Santos' strong foundations

- > Asia's appetite for LNG as a cleaner burning fuel remains strong. Santos' portfolio of assets is increasingly set to benefit from the region's growing demand for energy on the back of Asia's economic growth and rapid urbanisation.
- > First production from GLNG, announced on 24 September 2015, marks the end of our LNG investment cycle and will deliver a step-change in production. The GLNG project is underpinned by firm 20-year offtake agreements and is set to be delivered on time and within budget.
- > Santos has developed strong technical capabilities and will continue to focus on supplying the energy needs of homes, businesses and major industries. At all times we prioritise the safety of our employees and contractors.
- > With a focus on capital discipline, we have an enviable pipeline of assets across Australia and Asia that in time, will be brought to market to drive long-term shareholder value.

## 2015 first-half production

Producing more for less

### Production +13%

mmbœ



### Unit Production costs -11%

\$/boe



# 2015 first-half financial performance

## Interim Dividend

15c

First-half 2014  
20c

## Sales Revenue

\$1.6 billion

First-half 2014  
\$1.9 billion  
-15%

## EBITDAX

\$900 million

First-half 2014  
\$950 million  
-5%

## Net Profit After Tax

\$37 million

First-half 2014  
\$206 million  
-82%

## Underlying Profit

\$32 million

First-half 2014  
\$258 million  
-88%

## Operating Cash Flow

\$532 million

First-half 2014  
\$744 million  
-28%

For a reconciliation between the underlying profit (non-IFRS financial information) and net profit after tax, please see the 2015 half-year financial report at [www.santos.com](http://www.santos.com)

## Investor calendar

Payment date for 2014 full-year dividend	25 Mar 2015
Ex-dividend date for 2015 interim dividend	26 Aug 2015
Record date for 2015 interim dividend	28 Aug 2015
Payment date for 2015 interim dividend	30 Sep 2015
2015 Full year results announcement	19 Feb 2016
Ex-dividend date for 2015 full year dividend	24 Feb 2016
Record date for 2015 full year dividend	26 Feb 2016
Payment date for 2015 full year dividend	31 Mar 2016

All dates are indicative and subject to change.

This document has been updated from the version mailed to shareholders to reflect first LNG from GLNG which occurred on 24 September 2015.

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# Message from the Executive Chairman

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Dear Shareholder,

Santos recorded a half-year net profit after tax of \$37 million, reflecting significantly lower global oil prices and a higher exploration expense. Santos' average realised oil price in the first-half was down 47% compared to the same period last year, from US\$115 per barrel to US\$60 per barrel.

The challenging external oil price environment has arisen due to high sustained production from the Organisation of Petroleum Exporting Countries (OPEC) seeking to defend market share against the rise of shale oil and gas in the United States. This increased production has resulted in an over-supply of oil, which in turn has exerted downward pressure on prices. We remain confident, however, in the long-term underlying demand for energy on the back of Asian economic growth and rapid urbanisation in developing economies. Large cuts in capital expenditure by oil and gas companies globally is expected to lead to falling production and a recalibration of oil prices to higher levels.

Sentiment, however, remains weak in the short term reflecting concerns about lower economic growth in emerging markets, expectations of higher oil exports from Iran and continuing growth in global inventories.

In light of the continuing pressure on the Santos share price and approaches from third parties regarding various assets and strategic opportunities, the Board has decided to conduct a full strategic review to examine all options to restore and maximise shareholder value. As such, I have assumed the role of Executive Chairman and taken responsibility for conducting the strategic review of the business. The review will proceed with pace and vigour to determine the best course of action, but we will not be taking any short cuts.



Further to the strategic review, the Santos Board has agreed with Managing Director & CEO, David Knox, that after seven years in the role, Mr Knox will step down once a successor has been appointed.

I would like to thank David for his leadership during a period of significant project delivery that has positioned Santos as a leading energy company in Australia and Asia.

As evidenced in the first half results, tightly managing costs and driving productivity gains remain clear priorities in the current depressed oil price environment. We have removed significant costs to date, including reducing our capital expenditure by 55% in the first half compared to the same period last year and lifted production to an eight-year high. Our funding profile remains robust with approximately \$2.2 billion in cash and undrawn debt facilities available as at the end of June 2015.

Given the volatile oil price environment, the Board took the prudent step of announcing an interim dividend of 15c per share fully franked as balance is sought between debt repayment, shareholder returns and ongoing investment for growth.

We are determined to see the value of your company reflect Santos' strong portfolio of acreage and assets as well as the long-term demand for energy in our region. We remain committed to driving productivity gains and managing costs across the business to grow long-term shareholder value.

A handwritten signature in black ink that reads "Peter Coates". The signature is fluid and cursive.

**PETER COATES**

Executive Chairman

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# Message from the Managing Director & CEO

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Dear Shareholder,

Operationally, Santos' first half results reflect not only strong project delivery and further exploration success, but also the company's determination to structure the business to reflect the current lower oil price environment.

Significant progress was made at GLNG which culminated with first LNG production from Train 1, announced on 24 September, on schedule and within budget. With PNG LNG and Darwin LNG performing ahead of expectations, Santos is on course to be producing more than 3 million tonnes per annum of LNG once GLNG is fully ramped up. This is 10 times the quantity we sold in 2013.

Our three LNG projects are underpinned by firm 20-year offtake agreements and will generate significant cash flow for decades to come.

In March, we reported a significant oil discovery offshore Malaysia on the back of a 5-well drilling campaign. Located close to existing infrastructure, the success of the Bestari-1 well has led the joint-venture partners to accelerate an appraisal well in late-2015.

At the heart of our business we continue to maintain the integrity of our operations and prioritise the safety of our



On track for first LNG around the end of September 2015.  
GLNG plant, Curtis Island, Queensland



employees and contractors. A lost-time injury frequency rate of zero for the first-half was an excellent achievement and is a testament to the strong operating environment and vigilance displayed by all employees and contractors.

We will continue to drive efficiencies to adapt to the lower oil price world. We are resetting our cost base and enforcing strict capital discipline, while ensuring we maintain the integrity of our operations and keep everyone safe.

I have had the privilege of leading this Company for seven years and I would like to take this opportunity to thank and acknowledge the support from the fantastic people who make up the team here at Santos. I would also like to thank you, our shareholders, who have been loyal through a period of significant project delivery and more recently, oil price volatility.

The demand for energy remains strong and Santos has built and secured high-quality assets and resource positions that will benefit the company for many years to come.

David Knox

**DAVID KNOX**

Managing Director & CEO



The safety of our employees and contractors underpin our operations each and every day



Significant oil discovery.  
Ocean Rover Rig, Deepwater Block R, Malaysia

## SHAREHOLDER ENQUIRIES

Enquiries about shareholdings should be directed to  
Computershare Investor Services Pty Ltd.

Toll free: 1300 017 716 (Australia)

International: +61 3 9938 4343

Online: [www.investorcentre.com](http://www.investorcentre.com)

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For more information and updates, please refer to  
[www.santos.com](http://www.santos.com)

Cover image:

GLNG plant, Curtis Island, Queensland

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