ASX/Media Release

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19 August 2016

Santos 2016 half-year results

Net loss of US$1,104 million reflecting previously announced GLNG impairment of US$1,050 million after tax and lower oil prices

Net debt reduced to US$4.5 billion and free cash flow breakeven oil price reduced to US$43.50 per barrel, down from US$47 per barrel

Santos today announced a 2016 first half net loss of US$1,104 million, impacted significantly by the previously announced impairment charge for GLNG of US$1,050 million after tax and lower oil prices.

Excluding impairments and other one-off items, the company recorded an underlying net loss of US$5 million after tax for the first half.

Managing Director and Chief Executive Officer Kevin Gallagher said: "When I joined the company in February, I said the first priority was to assess the company's assets and deliver the appropriate organisational structure to ensure that Santos is sustainable in a low oil price environment."

"Our goal is to be free cash flow breakeven at between US$35 to US$40 per barrel on a portfolio basis.

"We have made good progress in the first half towards this goal and are forecasting a free cash flow breakeven oil price of US$43.50 per barrel for 2016, down from US$47 per barrel.[1]

"The establishment of the new operating model for Santos will lift productivity and drive long-term value for shareholders in a low oil price environment. Our asset-focused model is supported by strong technical capabilities in exploration, development, production and commercial.

"The appointment of the new Executive team (Excom) was a key step in establishing the new operating model.

"Our progress is also evidenced by record production and significant cost reductions achieved in the first half: unit upstream production costs were down by 15% to US$8.80/boe and capital expenditure down by 58% to US$283 million.

"But there is still a lot of work ahead of us.

"Our near-term focus is clear: embed the new operating model, drive down costs and apply available cash flow to reduce debt.

"I am confident we are taking the right steps to ensure Santos becomes a strong and sustainable business," Mr Gallagher said.

As previously announced, the company's dividend framework provides for the setting of dividends as a payout ratio of underlying earnings. Consistent with the dividend framework and the company's focus of applying available cash flow to debt reduction, the Board has resolved not to pay a dividend for the first half.

(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.

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Results summary

Six months ended 30 June		2016	2015	Change
Average realised oil price	US$/bbl	**42.79**	60.36	-29%
Production volume	mmboe	**31.1**	28.3	10%
Sales volume	mmboe	**40.9**	30.9	32%
Product sales revenue	US$m	**1,191**	1,261	-6%
EBITDAX[1]	US$m	**491**	800	-39%
Net impairment loss	US$m	**(1,516)**	-	NA
EBIT[1]	US$m	**(1,471)**	272	-641%
Net profit/(loss) for the period	US$m	**(1,104)**	30	-3,780%
+ Impairment losses	US$m	1,061	-	
+ Redundancy and restructuring costs	US$m	17	7	
+ Onerous contract	US$m	18	-	
+ Other	US$m	3	(12)	
Underlying profit/(loss) for the period[1]	US$m	**(5)**	25	-120%
Operating cash flow	US$m	**291**	416	-30%
Capital expenditure[2]	US$m	**283**	673	-58%
Net debt	US$m	**4,528**	6,743	-33%
Interim dividend per share	A$ per share	**-**	0.15	NA

(1) EBITDAX (earnings before interest, tax, depreciation, depletion, exploration, 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 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.

(2) Excluding capitalised interest.

First half production was up 10% to a record 31.1 mmboe, primarily due to the start-up of GLNG train 1 in September 2015 and train 2 in May 2016. GLNG produced 1,958,000 tonnes of LNG in the first half and shipped 32 cargoes, taking the total to 39 cargoes since start-up in September 2015.

Sales revenue decreased by 6% to US$1.2 billion. The positive impact of a 32% increase in sales volumes was more than offset by lower oil and oil-linked LNG prices. The average realised oil price fell 29% to US$42.79 per barrel while the average LNG price was 42% lower at US$5.70/mmbtu. Notwithstanding the lower LNG prices, LNG sales revenue was up 11% due to the start-up of GLNG and strong performance from PNG LNG and Darwin LNG.

Unit upstream production costs dropped 15% to US$8.80 per boe primarily due to cost savings in operated and non-operated assets. Cooper Basin, PNG LNG and Bayu-Undan unit production costs were 15%, 16% and 12% lower respectively. These cost reductions were partially offset by higher GLNG production costs due to the start-up of the upstream facilities in the second half of 2015 in-line with LNG plant start-up.

Other operating costs, including LNG plant costs, increased due to higher pipeline capacity charges in the Eastern Australia business, recognition of an onerous contract for pipeline capacity (US$26 million) and higher LNG plant costs due to the start-up of GLNG trains 1 and 2.

EBITDAX fell by 39% to US$491 million primarily due to lower oil and oil-linked LNG prices, and higher other operating costs, partially offset by higher LNG sales volumes due to the start-up of GLNG and lower unit production costs.

Net finance costs increased by 34% to US$131 million. Lower interest expense due to lower debt levels was more than offset by lower interest capitalised due to the commissioning and start-up of the GLNG upstream and downstream facilities. The weighted average effective interest rate on debt was 4.8% in the first half.

Operating cash flow was down 30% to US$291 million, reflecting the lower operating result. Proceeds from asset sales were US$411 million, primarily due to the sale of the Kipper asset. Including asset sales, the company generated US$311 million in free cash flow before financing in the first half.

Revenue and EBITDAX[1] by segment

Santos announced in April and is in the process of implementing a revised organisational structure. The new structure moves away from geographic-based segments to an asset focussed business.

Santos' operations for the 2016 half-year are still reported in the four business units based on the different geographic regions of the company's operations: Eastern Australia; Western Australia and Northern Territory (WA & NT); Asia Pacific; and GLNG. From the 2016 full-year results, segment reporting is expected to align with the new asset-based organisational structure.

Six months ended 30 June	**2016 Revenue US$million**	2015 Revenue US$million	Change	**2016 EBITDAX US$million**	2015 EBITDAX US$million	Change
Eastern Australia	**495**	520	-5%	**57**	202	-72%
WA & NT	**209**	283	-26%	**166**	152	9%
Asia Pacific	**341**	463	-26%	**259**	348	26%
GLNG	**197**	15	1,213%	**46**	5	820%
Corporate, exploration and inter-segment eliminations	**(37)**	(4)	NA	**(37)**	93	NA
Total	**1,205**	1,277	-6%	**491**	800	-39%

(1) EBITDAX (earnings before interest, tax, depreciation, depletion, exploration, evaluation and impairment) is a non-IFRS measure that is presented to provide an understanding of the performance of Santos' operations. 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.

Capital management and funding

Santos had US$3.4 billion in cash and committed undrawn debt facilities available as at 30 June 2016.

Net debt was US$4.5 billion at the end of June, inclusive of US$1 billion in cash. Net debt has reduced by US$0.2 billion since December 2015 as the company continues to apply available cash flow to debt reduction.

The company has no material drawn debt maturities until 2019. The Euro-denominated subordinated notes mature in 2070, with Santos having the option to redeem on the first call date on 22 September 2017 and at each quarterly interest payment date thereafter.

Santos maintains an investment grade credit rating from Standard & Poor's. None of the company's existing debt facilities contain any credit rating-related covenant triggers or review events.

Impairment of assets

As previously announced, the 2016 half-year result includes an impairment charge for GLNG of US$1,050 million after tax (US$1,500 million before tax).

The impairment charge is not expected to affect Santos' ability to meet its GLNG offtake commitments or impact the company's debt facilities.

Impairments of US$11 million after tax (US$16 million before tax) were recorded against other assets in the first half.

2016 Guidance

Production guidance for 2016 is maintained at 57-63 mmboe. Upstream production cost guidance has been reduced to US$9-10/boe. All guidance is shown in the table below.

Item	2016 Guidance
Production	57-63 mmboe
Sales	76-83 mmboe
Upstream production costs (excluding LNG plant costs)	US$9-10/boe produced
Depreciation, depletion & amortisation (DD&A) expense	US$800 million
Capital expenditure (excluding capitalised interest)	US$750 million

Ends.