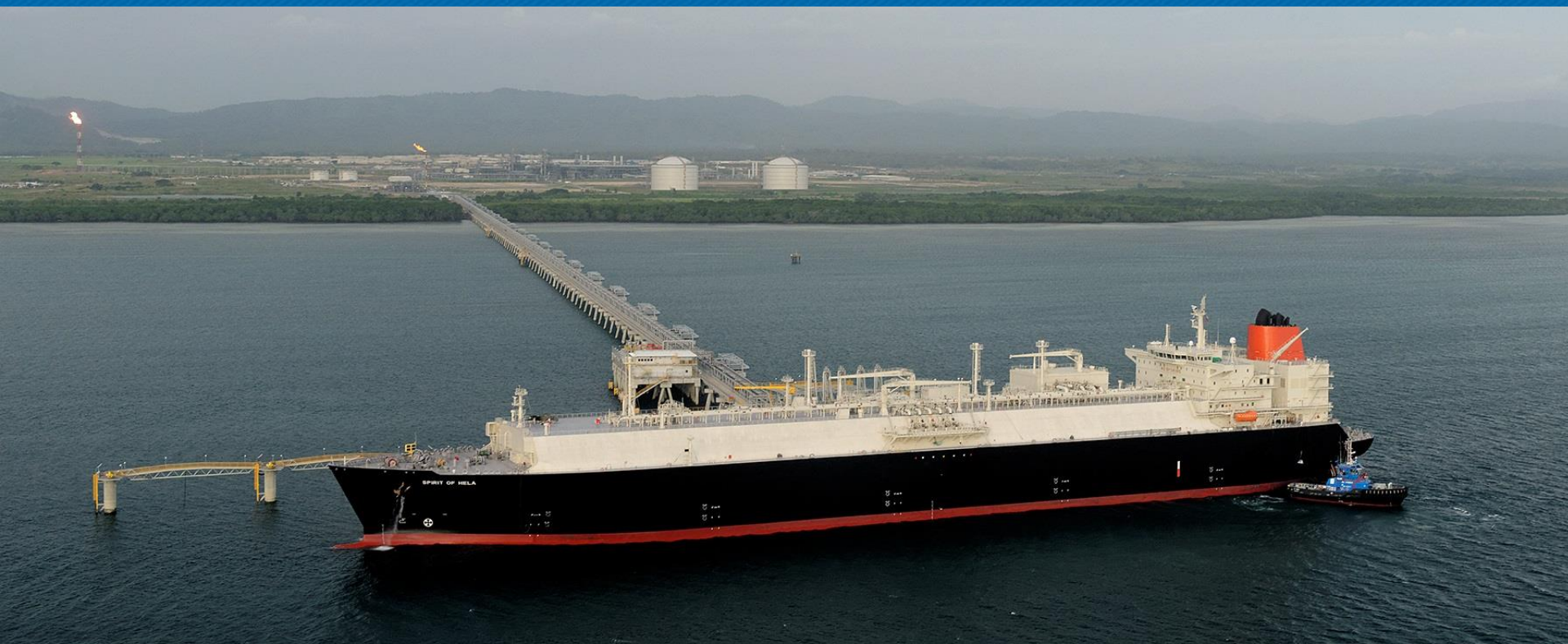


# 2014 Half-year results

22 August 2014

**Santos**  
We have the energy.



---

## 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 markets conditions in various countries, approvals and cost estimates.

All references to dollars, cents or \$ in this document are to Australian currency, unless otherwise stated.  
All references to project completion percentages are on a value of work done basis, unless otherwise stated.

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.

Cover image: Loading the first PNG LNG cargo onboard the *Spirit of Hela*, May 2014

## First-half summary

PNG LNG start-up ahead of schedule and strong progress on GLNG enables significant lift in interim dividend

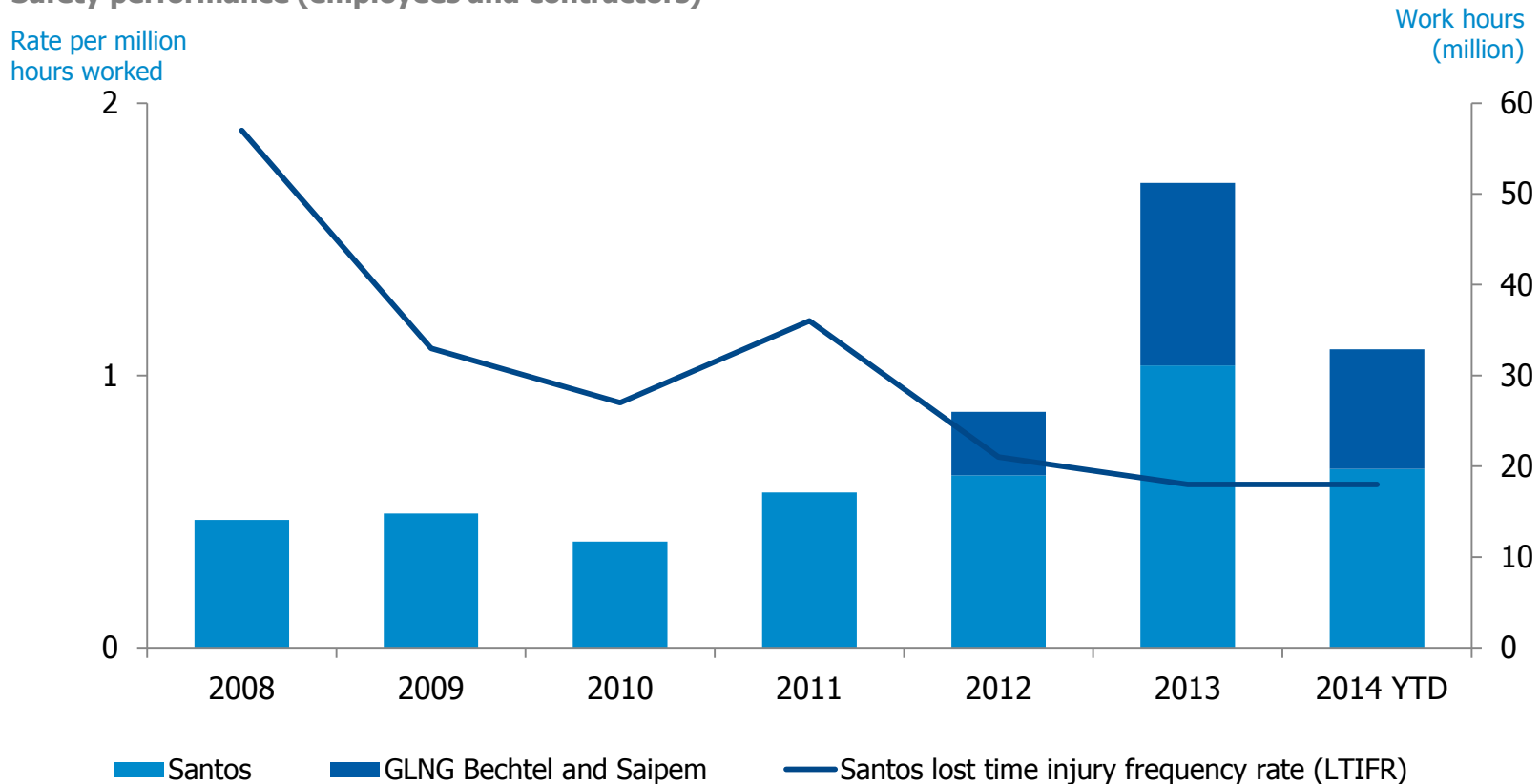


|                             |  |
|-----------------------------|--|
| Safety                      | LTIFR of 0.6 per million hours worked  |
| Strong project delivery     | <ul style="list-style-type: none"> <li>• PNG LNG start-up ahead of schedule with first cash received in July</li> <li>• GLNG more than 85% complete and on track for first LNG in 2015, within budget</li> <li>• Peluang and Dua projects on line</li> </ul> |
| Sound financial performance | <p>Underlying profit up 3% to \$258 million</p> <p>Operating cash flow up 18% to \$744 million</p>   |
| Higher dividend             | 33% increase in interim dividend to 20 cents per share fully-franked   |
| Exploration success         | Significant gas-condensate discovery in the Browse with Lasseter-1 well  |

## Safety performance

Lost time injury frequency rate of 0.6 per million hours worked

### Safety performance (employees and contractors)



# 2014 Half-year financial results

Andrew Seaton  
Chief Financial Officer








**Santos**  
We have the energy.

Unloading the first PNG LNG cargo at TEPCO Futtsu-2 Terminal



## 2014 First-half financial result

Growth in sales revenue, EBITDAX and operating cash flow. Underlying profit of \$258 million, higher than 2013.

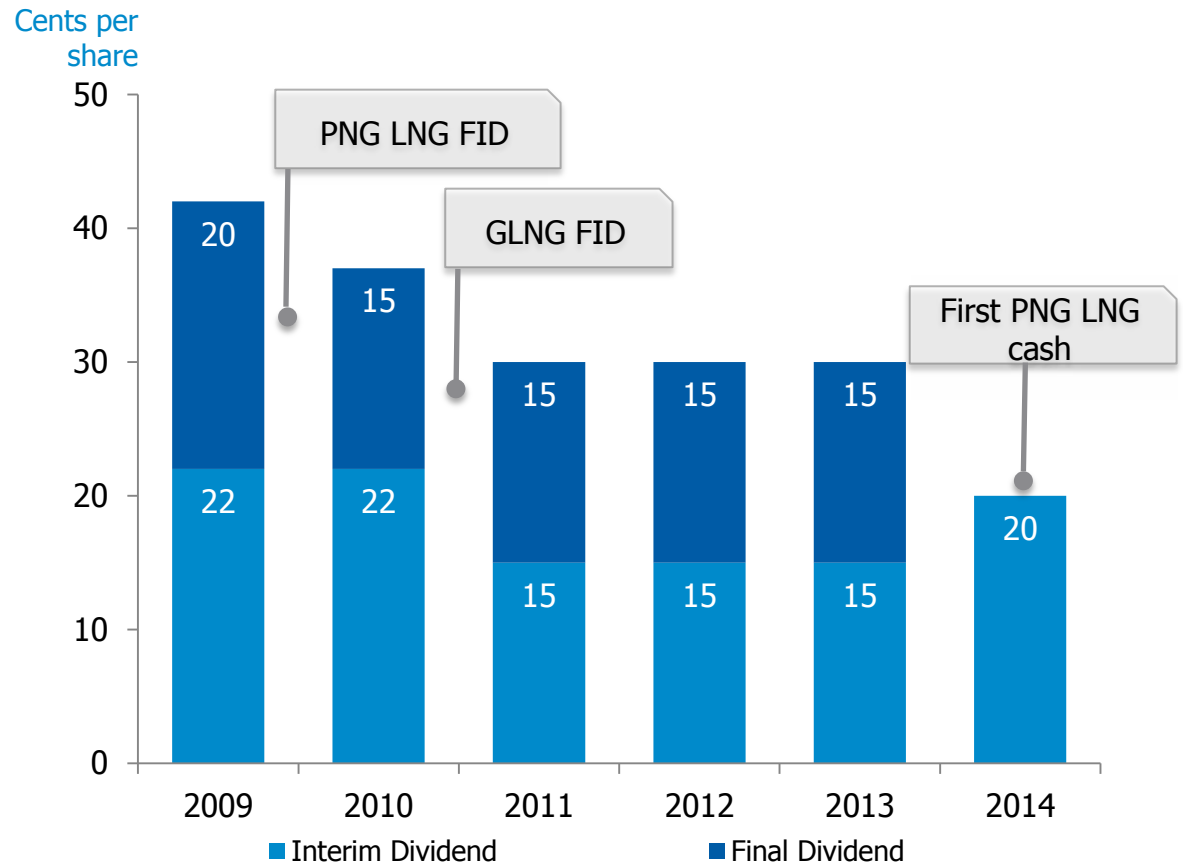
|                      | 2014 First-half    |   | Change on 2013 |
|----------------------|--------------------|---|----------------|
| Production           | 25 mmboe           |    | +2%            |
| Sales revenue        | \$1,887 million    |    | +25%           |
| EBITDAX              | \$950 million      |    | +13%           |
| Net profit after tax | \$206 million      |    | -24%           |
| Underlying profit    | \$258 million      |   | +3%            |
| Operating cash flow  | \$744 million      |  | +18%           |
| Interim dividend     | 20 cents per share |  | +33%           |

## Dividends

- › Increased dividend consistent with prudent capital management
- › Plan to maintain or increase each dividend as earnings and cash flow increase
- › It is expected that the level of dividend will next be reviewed around the time of GLNG start-up
- › Will strike a balance between higher dividends, debt repayment and ongoing investment for growth

Start-up and first cash from PNG LNG has enabled the 33% increase in interim dividend to 20 cents per share fully-franked

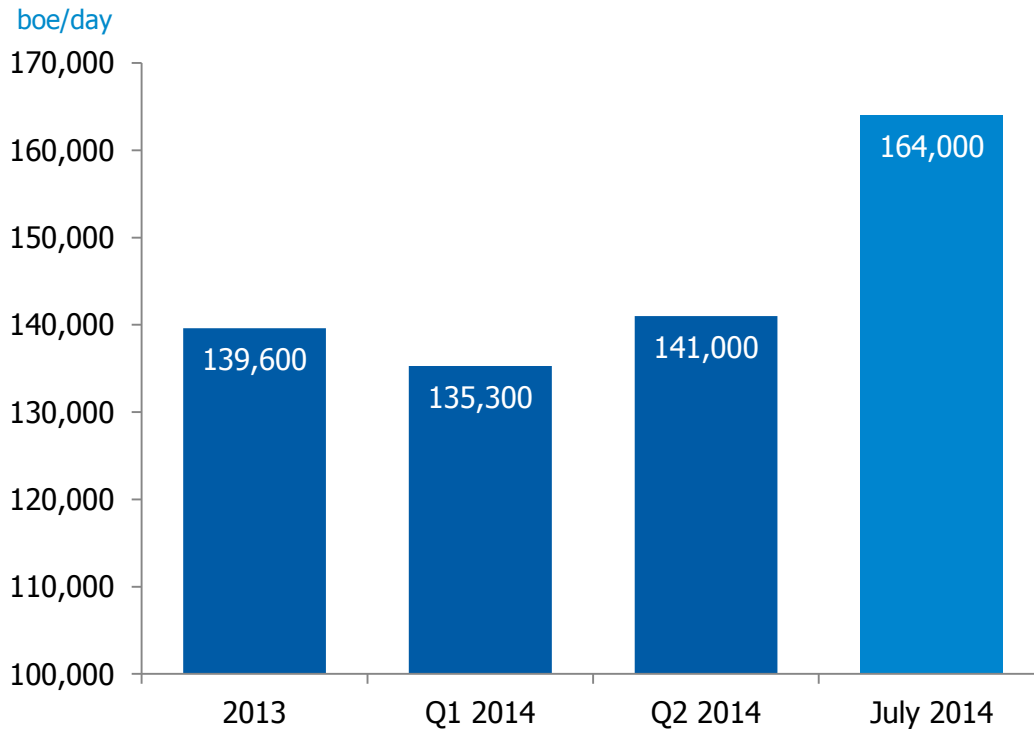
Fully-franked dividends declared per share



## Production

PNG LNG start-up drives sound first half and builds momentum for a stronger second half

### Average daily production



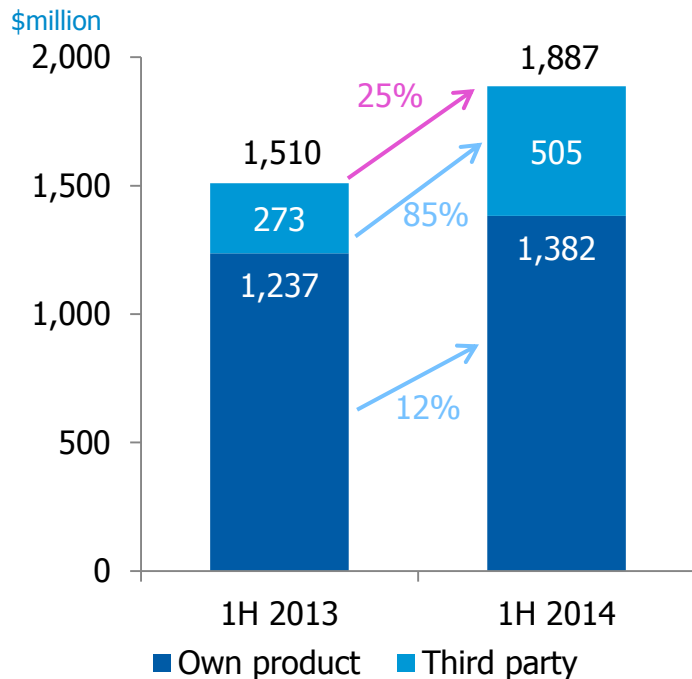
- › First half production up 2%
  - PNG LNG first LNG in April 2014
  - Peluang first gas in March 2014
- › Full-year guidance maintained at 52-57 mboe
  - PNG LNG at full production
  - 35-40 day Bayu-Undan/Darwin LNG planned shutdown starts in late-August 2014
  - 45 day shutdown of Fletcher-Finucane/Mutineer Exeter planned for 2H 2014



## 2014 First-half financials

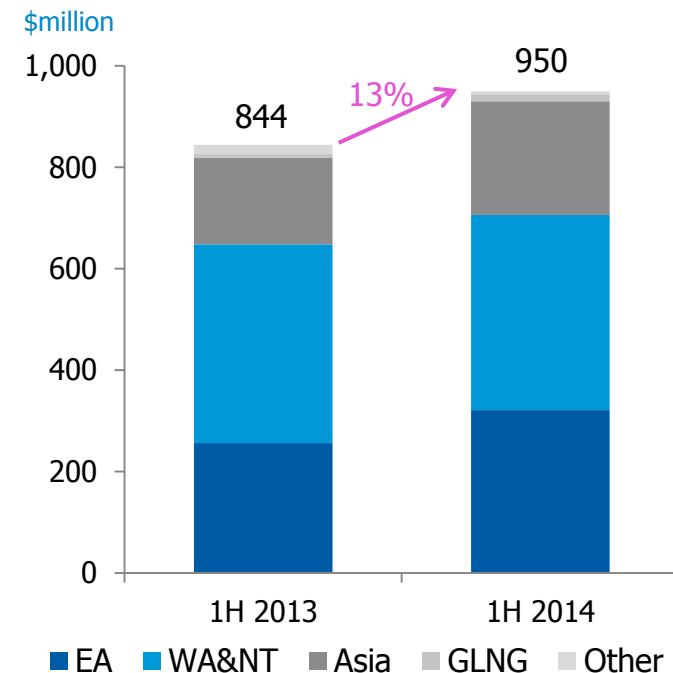
## Higher sales revenue and EBITDAX

### Sales revenue



- 25% increase driven by higher third party sales, start-up of PNG LNG, higher oil sales volumes and higher prices

### EBITDAX

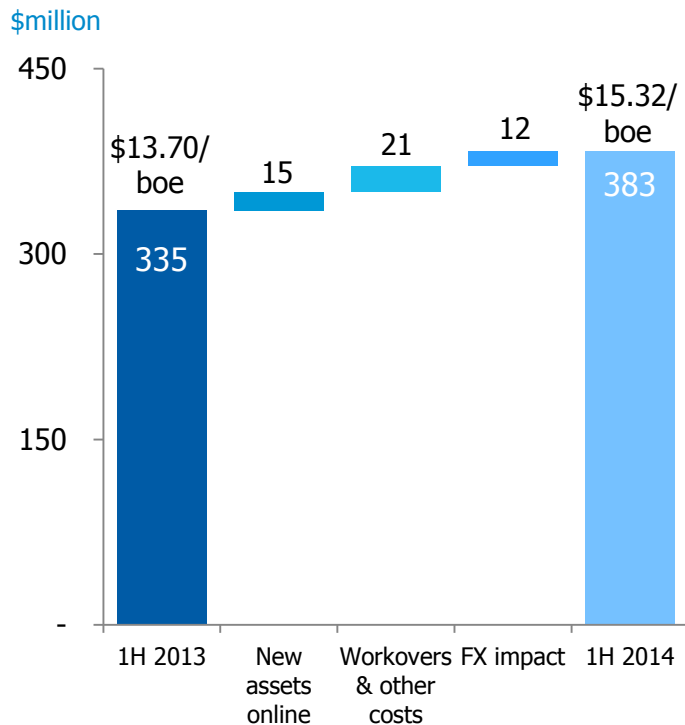


- 13% increase reflecting a sound operating performance across the base business combined with first production from assets brought on line in 1H 2014

## 2014 First-half financials

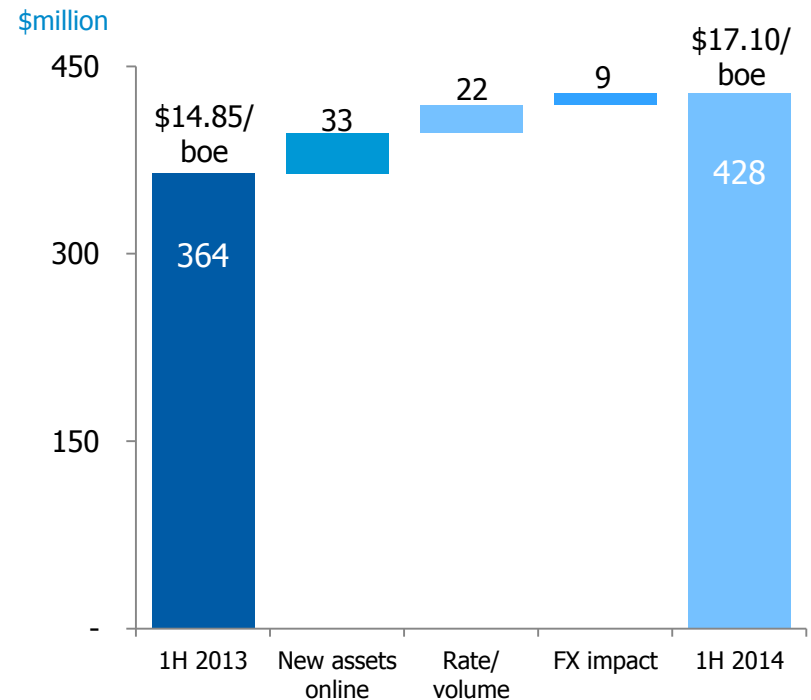
Production costs and DD&A were both higher, impacted by the cost of new assets on line in 1H 2014

### Production costs



- 2014 guidance of \$820–880 million maintained

### DD&A

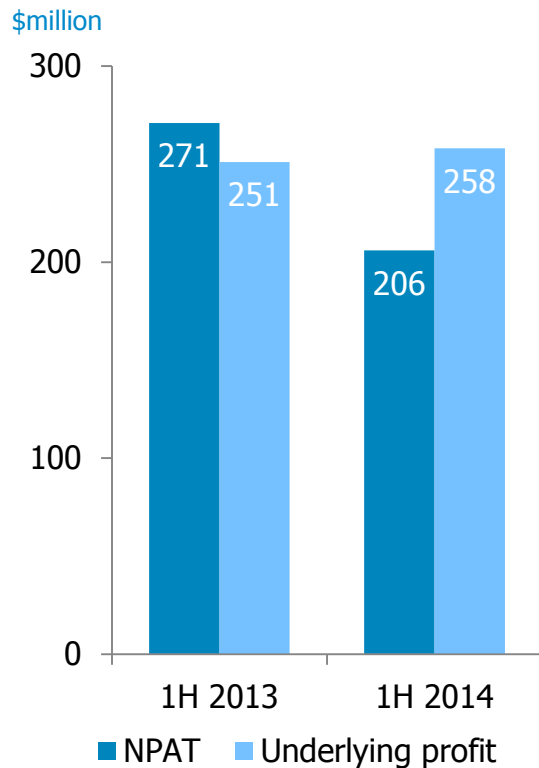


- 2014 guidance of \$18.50/boe maintained

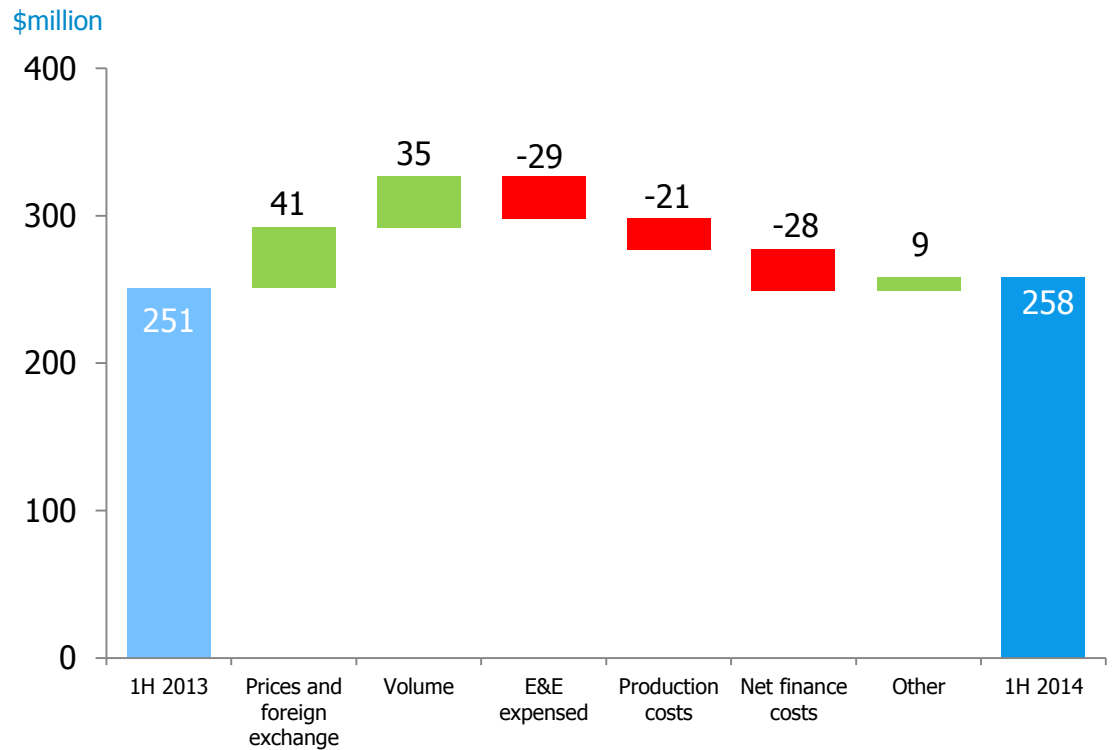
## 2014 First-half financials

Underlying profit up 3% to \$258 million

Half-year NPAT and underlying profit



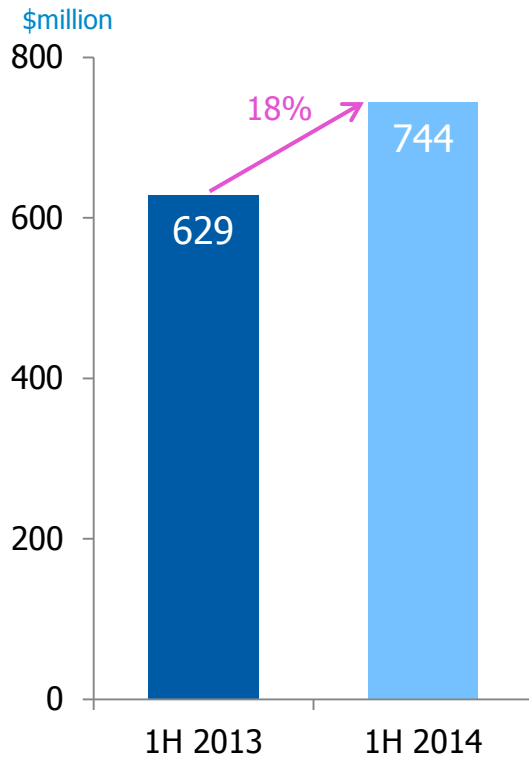
Reconciliation of half-year underlying profit



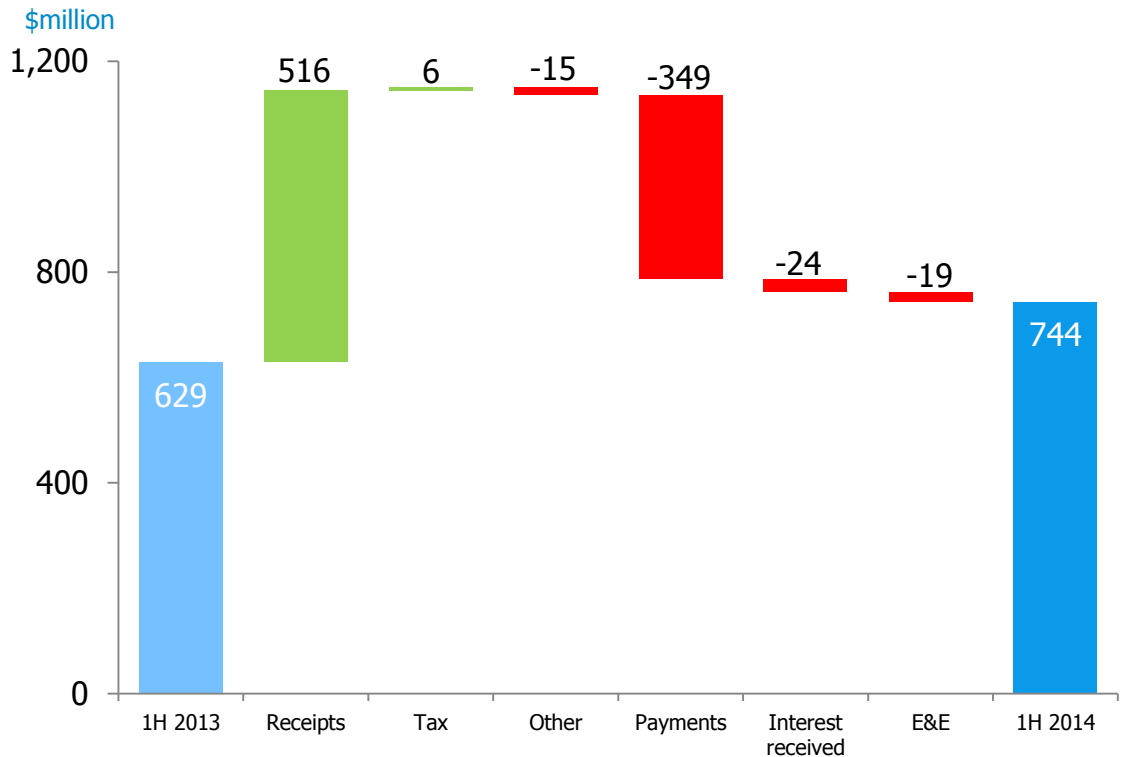
## 2014 First-half financials

Highest ever first-half operating cash flow of \$744 million

### Operating cash flow



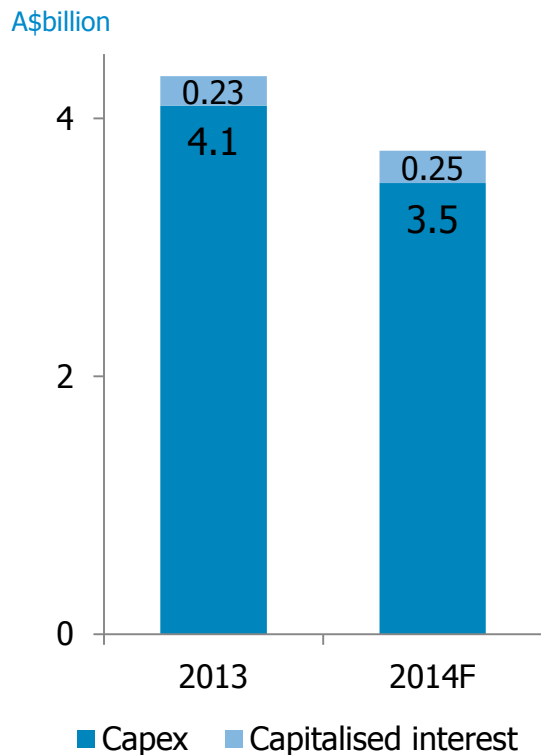
### Reconciliation of operating cash flow



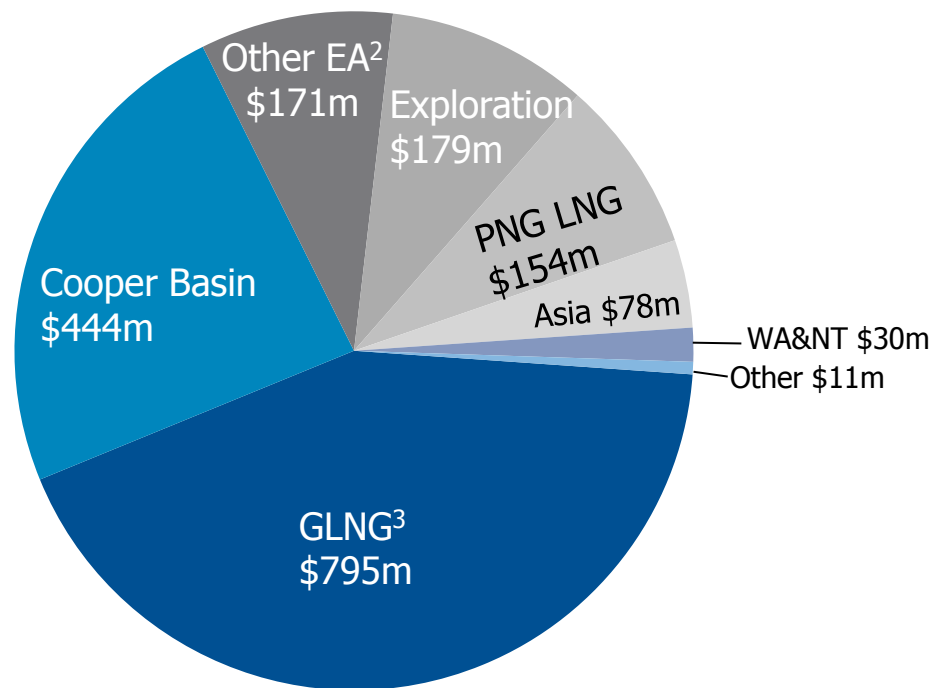
## Capital expenditure

Capex of \$1,862 million<sup>1</sup> in 1H 2014, full year guidance of \$3.5 billion is maintained

### Full year capital expenditure



### Breakdown of 1H 2014 capital expenditure (excludes capitalised interest)



<sup>1</sup> Excludes first-half capitalised interest of \$124 million.

<sup>2</sup> Other EA includes expenditure on Combabula/Spring Gully, Narrabri, Mereenie and Victoria.

<sup>3</sup> Includes non-LNG project capex of \$65 million for domestic stay-in-business, appraisal and pre-development, capitalised stripping costs and Santos corporate costs.

---

## Strong business outlook

---

- › Clear production growth outlook
- › Growing margins
- › Robust funding position provides the capacity to fund execution of strategy

---

LNG projects are providing the foundation for further growth and increased shareholder returns

---



Hides Gas Conditioning Plant, PNG LNG

# Delivering major projects

David Knox  
Managing Director and Chief Executive Officer

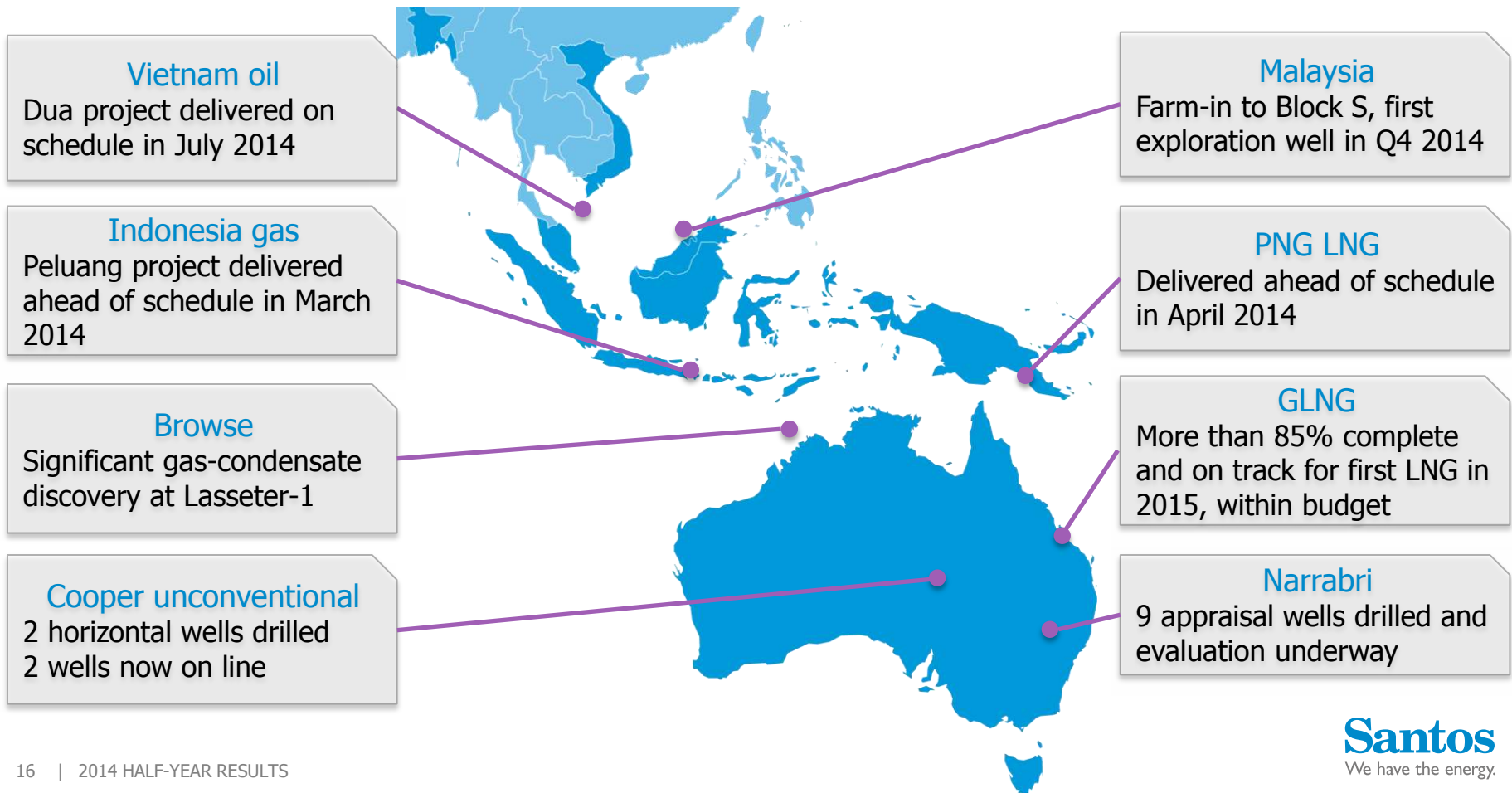
LNG jetty, Curtis Island

**Santos**  
We have the energy.



## 2014 Highlights

Three projects delivered, GLNG progressing well and exploration success in the Browse





---

## PNG LNG project

---

Successful delivery of the project in April 2014.  
20 cargoes have been shipped since start-up

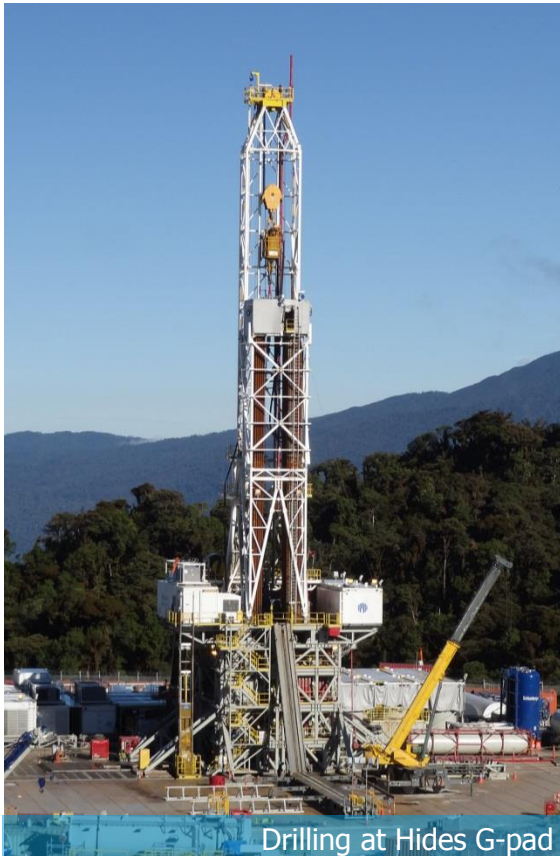
---

PNG LNG plant



## PNG Drilling

Drilling complete on the Hides G-pad wells and PWD well. Hides Deep expected to be spudded in Q4 2014



### > PNG LNG Drilling

- All eight Hides development wells successfully drilled to TD
- Six of these are on production with the two G-pad wells currently being completed
- Hides PWD well has been drilled to TD and is being evaluated to determine the gas water contact for Hides
- First of two Angore development wells expected to spud in Q4 2014

### > PNG Exploration

- Hides F1 (Hides Deep, Santos 24%) expected to spud in Q4 2014
- Gas discoveries at Manta-1 (tested at 42 mmscf/d) in PPL 436 and NW Koko-1 (tested at 48 mmscf/d) in PPL 261

## GLNG project summary

The GLNG project is more than 85% complete and on track for first LNG in 2015



LNG tanks, July 2014

|                                    |  |
|------------------------------------|--|
| <b>Project partners</b>            | Santos (30% and operator), PETRONAS, Total and KOGAS   |
| <b>LNG plant capacity</b>          | 7.8 mtpa of LNG; 7.2 mtpa has been sold to PETRONAS and KOGAS  |
| <b>Gross capital cost estimate</b> | US\$18.5 billion <sup>1</sup> from FID to the end of 2015 when the second train is expected to be ready for start-up   |
| <b>LNG train ramp-up</b>           | Train 1 first LNG expected in 2015; LNG production expected to ramp-up over 3-6 months<br><br>Train 2 first LNG expected 6-9 months after train 1; LNG production expected to ramp-up over 2-3 years |

<sup>1</sup> Based on foreign exchange rates which are consistent with the assumptions used at FID (A\$/US\$ 0.87 average over 2011-15).

## GLNG upstream

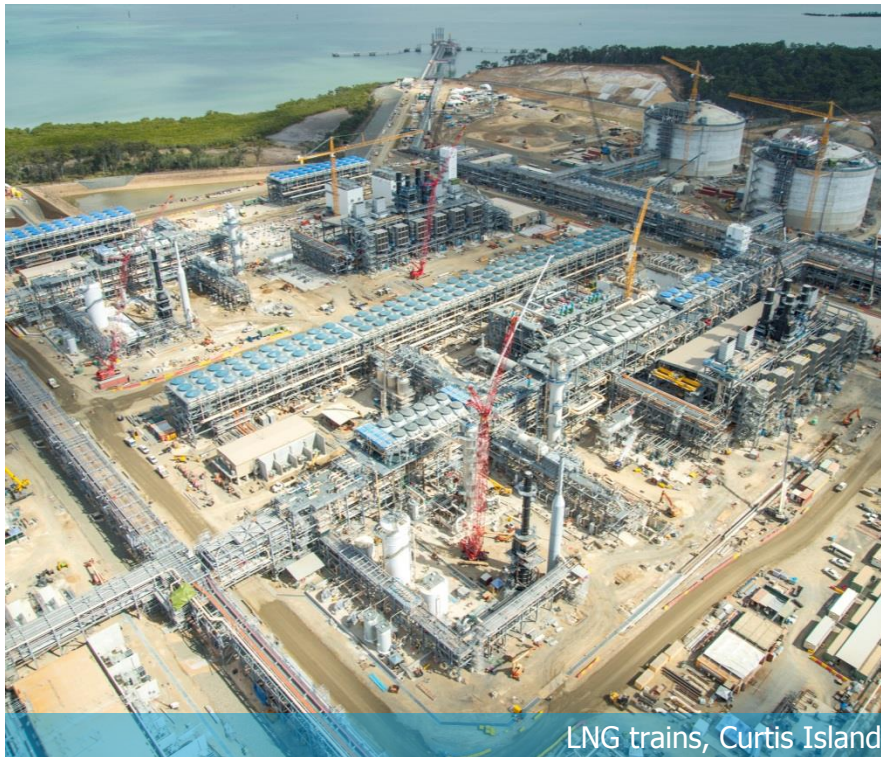
Construction of two upstream gas hubs is complete and commissioning is underway



- › 77 wells were spudded in 1H 2014
- › Performance of Fairview wells continues to exceed expectations – average optimum gas capacity of 2.2 TJ/day per well
- › Roma wells on line and dewatering, supporting individual well capacity of 0.5 TJ/day; Roma 02-04-01 well producing over 1 TJ/day
- › Fairview Hub 5 construction complete, and commissioning is underway
- › Fairview Hub 4 construction complete, and commissioning is underway
- › Construction of Roma Hub 2 is substantially complete

## GLNG downstream

Pipeline commissioning commenced, with LNG plant commissioning on track for Q4 2014



| Milestone                                     |   | Date           |
|---|---|----------------|
| Marine crossing tunnelling completed          | ✓ | February 2014  |
| Last Train 1 module set                       | ✓ | June 2014      |
| First LNG tank hydrotest                      | ✓ | July 2014      |
| Pipeline commissioning commenced              | ✓ | August 2014    |
| Last Train 2 module expected on Curtis Island |   | September 2014 |
| First commissioning gas to LNG plant          |   | Q4 2014        |
| First LNG Train 1                             |   | 2015           |

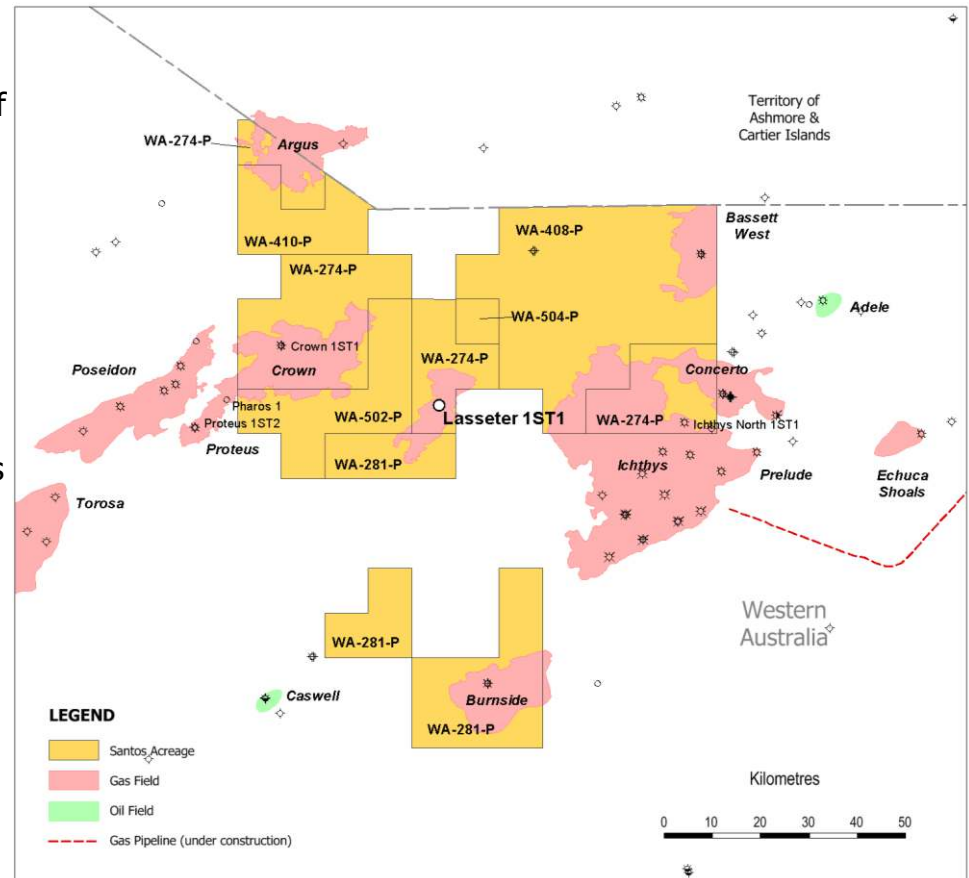
## Browse Basin

Significant gas-condensate discovery with the Lasserter-1 well, adding to Santos' material resource position in the Browse

### › Lasserter gas-condensate discovery

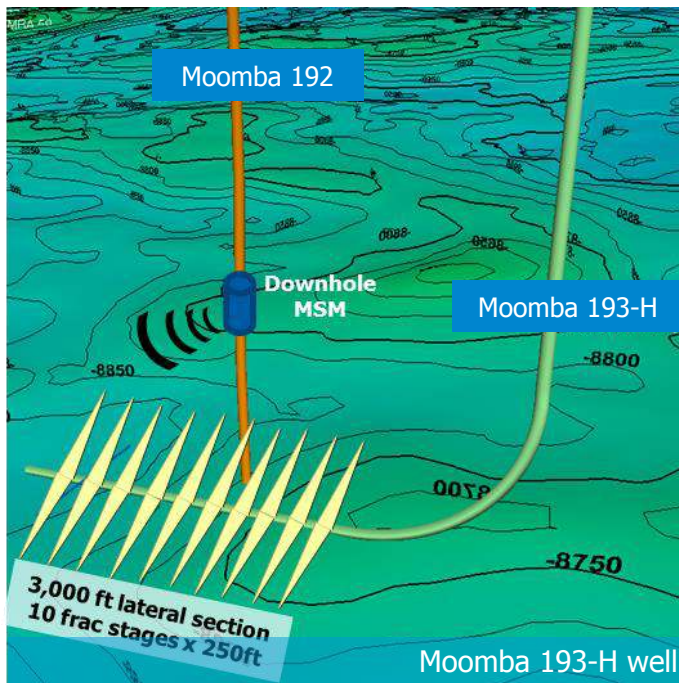
- Well intersected a gross gas-condensate section of 405 metres
- Wireline logging has confirmed 78 metres of net gas pay in the Jurassic-aged Lower Vulcan and Plover sandstone reservoirs
- Samples confirm excellent mobility in the higher porosity sands in the Lower Vulcan
- Hydrocarbon sampling confirms condensate to gas ratios between 10-25 bbls/mmscf
- Well has reached a total depth of 5,329 mMDRT and will now be plugged and abandoned as planned

### › Builds on the existing 2012 Crown discovery



## Cooper Basin unconventional exploration program

Building knowledge and technological capacity to 'crack the code'; second horizontal successfully fraced



- › Two shale wells are on line and producing
  - Moomba-191 on line since October 2012 and currently producing 1.7 mmscf/day, total production to date of ~1.3 Bcf
  - Moomba-194 producing 0.9 mmscf/day, significant contribution from deep coal zone
- › Two horizontal shale wells have been successfully drilled, fraced and flow tested
  - Roswell-2H: 550 metre horizontal section drilled, five frac stages placed and production tested at 0.75 mmscf/day
  - Moomba-193H: 1,000 metres horizontal section drilled, 10 frac stages placed and production tested at 1.5 mmscf/day
  - Successful implementation of multiple frac diagnostic techniques
  - Progressing frac capability in unconventional rocks
- › Current drilling campaign utilising high spec 3D seismic, targeting potential "sweet-spot" in the Gaschnitz area

## First-half summary

PNG LNG start-up ahead of schedule and strong progress on GLNG enables significant lift in interim dividend



|                             |   |
|-----------------------------|---|
| Safety                      | LTIFR of 0.6 per million hours worked   |
| Strong project delivery     | <ul style="list-style-type: none"> <li>• PNG LNG start-up ahead of schedule with first cash flow received in July</li> <li>• GLNG more than 85% complete and on track for first LNG in 2015, within budget</li> <li>• Peluang and Dua projects on line</li> </ul> |
| Sound financial performance | <p>Underlying profit up 3% to \$258 million</p> <p>Operating cash flow up 18% to \$744 million</p>  |
| Higher dividend             | 33% increase in interim dividend to 20 cents per share fully-franked  |
| Exploration success         | Significant gas-condensate discovery in the Browse with Lasseter-1 well   |



# Reference slides

22 August 2014

**Santos**  
We have the energy.



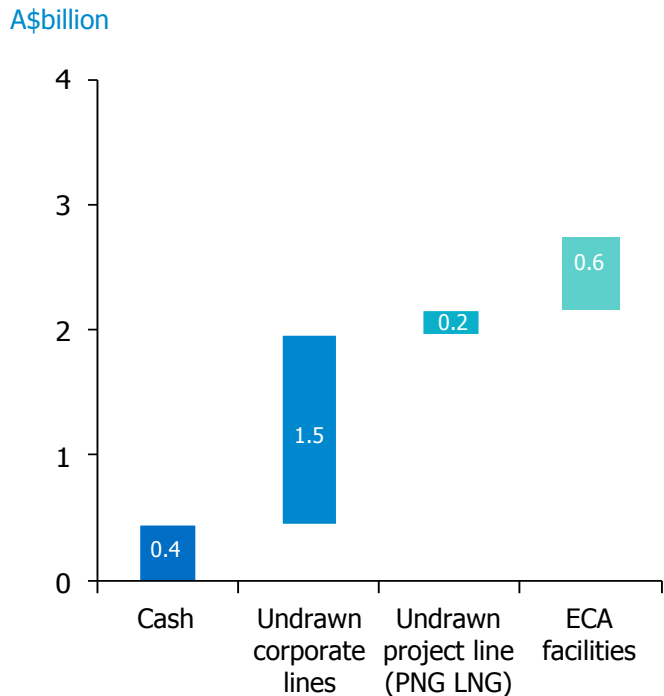
## Significant items after tax

| \$million                      | Half-year 2014 | Half-year 2013 |
|--------------------------------|----------------|----------------|
| <b>Net profit after tax</b>    | <b>206</b>     | <b>271</b>     |
| Add/(deduct) significant items |                |                |
| Net impairments                | 67             | (8)            |
| Other                          | (15)           | (12)           |
| <b>Underlying profit</b>       | <b>258</b>     | <b>251</b>     |

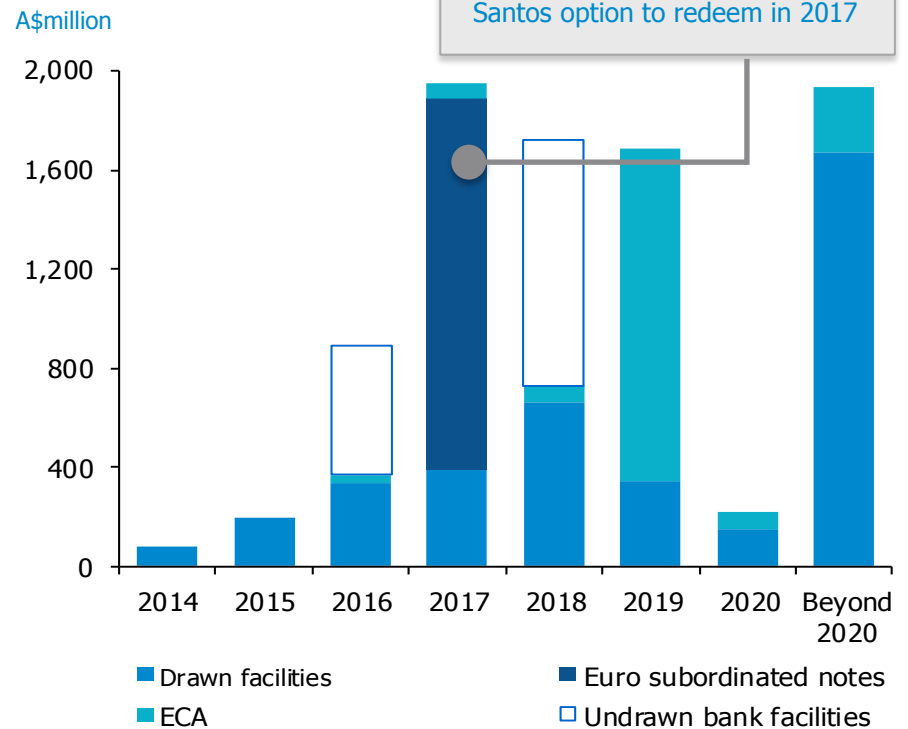
## Strong funding position

\$2.7 billion in balance sheet capacity to fund execution of business strategy and minimise financing risk.  
Minimal debt maturities to 2016

### Available liquidity



### Debt maturity profile



Charts as at 30 June 2014

## 2014 guidance

All 2014 guidance is unchanged

| Item  | 2014 guidance     |
|---|-------------------|
| Production  | 52-57 mmboe       |
| Production costs  | \$820-880 million |
| DD&A expense  | \$18.50/boe       |
| Royalty related taxation expense <sup>1</sup> (after tax)             | \$60 million      |
| Capital expenditure (including exploration & evaluation) <sup>2</sup> | \$3.5 billion     |

<sup>1</sup> Royalty related taxation expense guidance based on an average realised oil price of A\$110 per barrel

<sup>2</sup> Capital expenditure guidance excludes capitalised interest, which is forecast at approximately \$250 million in 2014

## 2014 exploration schedule

Delivers on our play-based exploration strategy across Australia and south-east Asia

| Well Name             | Basin / Area      | Target          | Santos Interest % | Result/Timing                                  |
|-----------------------|-------------------|-----------------|-------------------|--|
| Manta-1               | PNG               | Gas             | 30 <sup>1</sup>   | Gas discovery                                  |
| Mt Kitty-1            | Amadeus           | Gas             | 70                | Gas discovery, evaluation operations suspended |
| NW Koko-1             | PNG               | Oil / gas       | 30 <sup>1</sup>   | Gas discovery with oil shows                   |
| Vanuatu-1             | Carnarvon         | Oil             | 37.5              | P&A  |
| Hon Khoai-1           | Nam Con Son       | Oil             | 45                | P&A  |
| Lasseter-1            | Browse            | Gas             | 30                | Gas-condensate discovery                       |
| Tanumbirini-1         | McArthur          | Shale oil / gas | 50                | Drilling                                       |
| Telus-1               | Block S, Malaysia | Oil             | 25                | Q4   |
| Hides F1 (Hides Deep) | PNG               | Gas             | 24                | Q4   |

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

<sup>1</sup> Subject to Government approval

## Contact information



GLNG, Curtis Island, Queensland

### 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](mailto:web.queries@computershare.com.au)

Investor enquiries:  
[investor.relations@santos.com](mailto:investor.relations@santos.com)

Website:  
[www.santos.com](http://www.santos.com)

### Andrew Nairn

Group Executive Investor Relations  
Direct: + 61 8 8116 5314  
Email: [andrew.nairn@santos.com](mailto:andrew.nairn@santos.com)

### Andrew Hay

Manager Investor Relations  
Direct: + 61 8 8116 7722  
Email: [andrew.hay3@santos.com](mailto:andrew.hay3@santos.com)

### Nicole Walker

Investor Relations Manager  
Direct: + 61 8 8116 5302  
Email: [nicole.walker@santos.com](mailto:nicole.walker@santos.com)