Santos

23 August 2018

Santos doubles half-year underlying profit to $217 million and reinstates dividends to shareholders

Half-year (US$million)	2018	2017	Change
Product sales	1,680	1,449	↑ 16%
EBITDAX[1]	883	718	↑ 23%
Underlying profit[1]	217	109	↑ 99%
Net profit / (loss) after tax	104	(506)	↑ nm
Free cash flow[1]	367	302	↑ 22%
Net debt	2,437	2,928	↓ 17%
Interim dividend (UScps)	3.5	-	↑ 3.5cps

nm denotes not meaningful

Santos today announced a doubling of half-year underlying profit to US$217 million and the reinstatement of dividends to shareholders.

Santos Managing Director and Chief Executive Officer Kevin Gallagher said: “Our strategy has been to establish a low-cost operating model that delivers strong cash flows through the oil price cycle.”

“Today’s announcement of half-year results demonstrate delivery of our strategy with EBITDAX[1] up 23% to US$883 million and free cash flow[1] up 22% to US$367 million. Underlying profit[1] after tax doubled to US$217 million.”

“Strong free cash flow has enabled the company to reduce net debt to US$2.4 billion and reinstate dividends to shareholders.”

“The Board has resolved to pay a fully-franked US3.5 cents per share interim dividend. This is the first dividend payment to shareholders since 2016 and reflects the Board’s confidence in Santos’ future prospects.”

“These results are despite the loss of production from our PNG operations due to the earthquake and further emphasise the value of our core asset diversified portfolio.”

Mr Gallagher said the recently announced acquisition of 100% of Quadrant Energy delivers increased ownership and operatorship of a high quality portfolio of low cost, long-life conventional Western Australian natural gas assets which are well known to Santos, and importantly significantly strengthens Santos’ offshore operating capability.

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“The acquisition is materially value accretive for Santos shareholders and advances Santos’ aim to be Australia’s leading domestic natural gas supplier.”

Strong first half results

Mr Gallagher said today’s announcement of half-year results demonstrated strong business performance, with EBITDAX[1] up 23% to US$883 million and free cash flow[1] up 22% to US$367 million. Underlying profit[1] after tax doubled to US$217 million.

“Consistent application of our disciplined operating model continued to deliver cost reductions and efficiencies in the first half, with underlying production costs[2] down 4% to US$7.79/boe and further efficiency gains in onshore drilling confirming Santos as Australia’s lowest cost onshore operator.”

“Continued cost reductions and efficiencies has enabled a reduction in full-year unit production guidance to US$8.0-8.6/boe. This reduction in guidance is despite the impact of the PNG LNG earthquake shutdown in the first half.”

“We will shortly achieve our net debt reduction target, more than a year ahead of schedule, and therefore have a significantly stronger balance sheet to support our growth strategy.”

“We continue to advance our key major growth projects, with the Barossa development moving into FEED in the second quarter and good progress being made toward building partner alignment in PNG for three additional trains on the PNG LNG site.”

“We are also in discussions regarding a proposal received for Santos to farm-in to the P’nyang field in PNG and are well placed to benefit from third-party access to our foundation PNG LNG infrastructure.”

“Our Western Australia gas business continues to deliver strong results, with higher customer demand driving production up 12% in the first half.”

“In Queensland, the Scotia CF1 project was completed ahead of schedule and under budget, the Roma East development is progressing on schedule with the first wells already online, and we sanctioned the initial phase of the development of the Arcadia field.”

“Production is growing again in the Cooper Basin due to our focus on efficiencies and strong performance from recently connected wells. Oil production has reached the highest in four years and unit production costs per barrel were down 13%, highlighting excellent performance from our onshore development and operations teams.”

“Drilling more wells and lowering production costs – extracting more gas for less money – is the best way to keep downward pressure on gas prices.”

“Santos is on track to supply about 70 PJ of gas into the east coast domestic market in 2018, which is almost 13 per cent of expected demand,” Mr Gallagher said.

The first half result includes a net impairment of US$76 million (before and after tax) primarily related to the company’s Asian assets which are held for sale. Completion of the sale is expected in the second half of 2018 when Santos expects to book a profit on sale which is expected to more than offset the first half net impairment of those assets.

Interim dividend

The Board has resolved to pay a 2018 interim dividend of US3.5 cents per share fully-franked, in line with the company's sustainable divided policy announced in June 2018 which targets a range of 10% to 30% payout of free cash flow.

The interim dividend will be paid on 27 September 2018 to registered shareholders as at the record date of 29 August 2018.

Santos dividends are determined and declared in US dollars and paid to shareholders in Australian dollars. Currency conversion for the interim dividend will be based on the exchange rate on the record date of 29 August 2018. The Dividend Reinvestment Plan will not be offered for the 2018 interim dividend.

Conference call and live webcast

Santos will host a conference call and live webcast for analysts and investors today at 11:00am AEST.

Dial-in numbers for the conference call are listed below. Please quote passcode ID: **5545916**.

For locations within Australia dial toll-free 1800 123 296 or toll 02 8038 5221.

For other countries, please use one of the following toll-free numbers: Canada (1855 5616 766); China (4001 203 085); Hong Kong SAR (800 908 865); India (1800 3010 6141); Japan (0120 477 087); New Zealand (0800 452 782); Singapore (800 616 2288); United Kingdom (0808 234 0757); United States (1855 293 1544). For all other countries or operator assistance, please call +61 2 8038 5221.

The webcast will be available on Santos' website from 11:00am AEST at www.santos.com.

Ends.

[1] EBITDAX (earnings before interest, tax, depreciation, depletion, exploration, evaluation and impairment), underlying profit and free cash flow (operating cash flows less investing cash flows net of acquisitions and disposals) 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. 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. A reconciliation between net profit after tax and underlying profit is provided in the Appendix of the 2018 Half-year results presentation released to ASX on 23 August 2018.

[2] Excluding the impact of shutdowns.

Santos 2018 Half-year results

23 August 2018

Santos

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 United States currency, unless otherwise stated.

EBITDAX (earnings before interest, tax, depreciation, depletion, exploration, evaluation and impairment), EBIT (earnings before interest and tax), underlying profit and free cash flow (operating cash flows less investing cash flows net of acquisitions and disposals) 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.

This presentation refers to estimates of petroleum reserves. Refer to slides 45-46 in the Appendix for cautionary statement regarding reserve estimates.

2018 Half-year highlights

Santos

Low-cost, diversified portfolio generating strong cash flow. Balance sheet supportive of growth strategy and a return to dividends

Strong free cash flow generation and continued cost efficiencies	✓
Significant growth options across all 5 core assets	✓
Balance sheet supportive of growth strategy	✓
Dividend reinstated	✓
Non-core assets sold[1]	✓
Quadrant Energy acquisition announced	✓

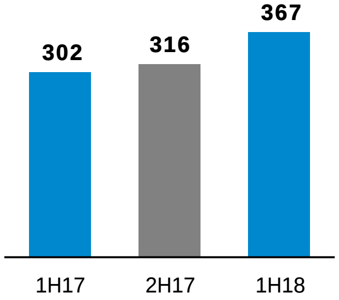
[1] Sale of Asian portfolio expected to complete in the second half of 2018 and is subject to customary consents and approvals for a transaction of this nature

2018 Half-year highlights

Clear strategy and disciplined operating model driving strong cash flow and financial strength

22% increase in free cash flow

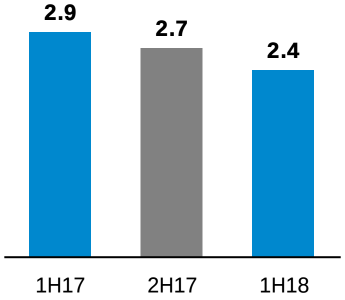
$ million



- Free cash flow $65 million higher
- PNG free cash flow impacted by ~$70 million due to earthquake
- 2018 forecast free cash flow breakeven[1] expected to be ~$35 per barrel

17% reduction in net debt

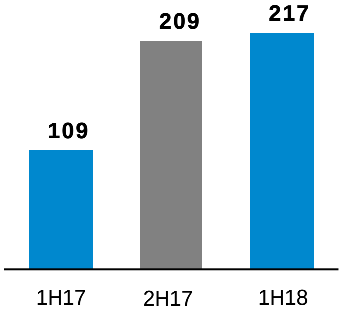
$ million



- US3.5c interim dividend
- Ample liquidity of $3.5 billion in cash and undrawn bilateral facilities
- Expect to receive proceeds from sale of Asian assets in second half of 2018
- Balance sheet supportive of growth opportunities

99% increase in underlying net profit after tax

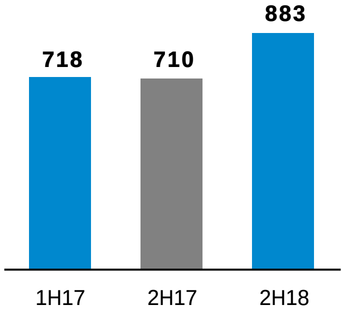
$ million



- Underlying net profit $108 million higher
- Net profit of $104 million incorporates $76 million impairment (before and after tax)

23% increase in EBITDAX

$ million



- EBITDAX $165 million higher
- Higher revenue driven by strong asset performance and higher commodity prices

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

2018 Continuing to deliver unit cost and efficiency gains

Santos

Focus on unit cost and efficiencies is leading to increased activity within the disciplined Operating Model

DISCIPLINED OPERATING MODEL

- Core portfolio free cash flow breakeven at ≤$40/bbl oil price through the oil price cycle
- Each core asset free cash flow positive at ≤$40/bbl, pre-major growth spend

COOPER BASIN

Upstream unit production costs

$8.42/boe

down 13% on 1H17

Well costs[1]

$2.4 million 2018F

down 50% on 2015

No of wells drilled

~87 2018F

4th rig added Q3 2018

GLNG

Well costs[2]

$850k 2018F

Down 84% on Roma phase 1 (pre-2015)

No of wells drilled

~300 2018F

Up 266 wells on 2015

PRODUCTION COST GUIDANCE

2018 upstream unit production cost guidance lowered to

$8.00-8.60/boe

down $0.20/boe

[1] Vertical and deviated gas development wells (drill stimulate complete)

[2] Drill complete connect

2018 Growth

Santos

Quadrant Energy acquisition offers significant upside and is consistent with Santos' strategy. Focused development of new upstream projects leveraging existing infrastructure

QUADRANT ENERGY ACQUISITION

Western Australia

- 100% of Quadrant Energy acquired for $2.15 billion
- Low risk, value accretive acquisition consistent with strategy
- Low cost, long life assets with stable cash flows and significant upside

MAJOR GROWTH PROJECTS

Northern Australia

- Barossa project to backfill Darwin LNG entered FEED

PNG

- Proposal received to farm-in to PRL3 (P'nyang)

Western Australia

- Dorado oil development[1]

ONSHORE GROWTH

- Cooper Basin
  - Gas production up 4% and oil production up 7% on 1H17 due to project acceleration and strong performance
  - Fastest ever gas well drilled. 3.1 days
  - Fourth rig commenced drilling in Q3 2018 within the parameters of Santos' disciplined Operating Model
  - On track to drill ~87 wells in 2018
- Queensland and NSW
  - GLNG production up 5% on 1H17 due to Roma and Scotia ramp-up
    - Scotia CF1 project successfully completed
    - Roma East development commenced and first wells now online
    - Initial Arcadia field development sanctioned
    - On track to drill ~300 wells in 2018
  - Narrabri – Wilga Park proposed power plant expansion
- Northern Territory – McArthur Basin exploration and appraisal drilling to recommence 2019 dry season, subject to regulatory approval

[1] Dorado subject to completion of Quadrant Energy acquisition announced 22 August 2018

Acquisition of 100% of Quadrant Energy for $2.15 billion

Santos

Value accretive acquisition consistent with Santos' strategy

Strategically aligned	+ Consistent with Santos' growth strategy of building on existing infrastructure around core assets to deliver sustainable shareholder returns
Materially strengthens portfolio and very strong value accretion	+ Value accretive acquisition of long-life WA conventional gas and oil assets with stable cash flows + Material ~17% expected free cash flow per share accretion in 2019[1] + Increases proforma 2P reserves[2] by 220 mmboe, up ~26% and proforma annual production[3] by 19 mmboe, up ~32%
Significant portfolio upside	+ Upside through material synergies of $30 to $50 million per annum, near-term developments and exploration + Opportunities to leverage Quadrant's offshore operating capability across Santos' Western Australia and Northern Australia portfolio
Fully funded, rapid de-gearing profile	+ Acquisition fully funded from existing cash resources and new committed debt facilities + Rapid de-gearing: gearing expected to be ~34% at year-end 2018 and decline to <30% by the end of 2019[1]

[1] Assumes $65 per barrel oil price in 2019 and full year of ownership
[2] Pro forma reserves based on Santos and Quadrant 2P reserves as at 31 December 2017
[3] Pro forma production based on Santos and Quadrant production for the year ended 31 December 2017

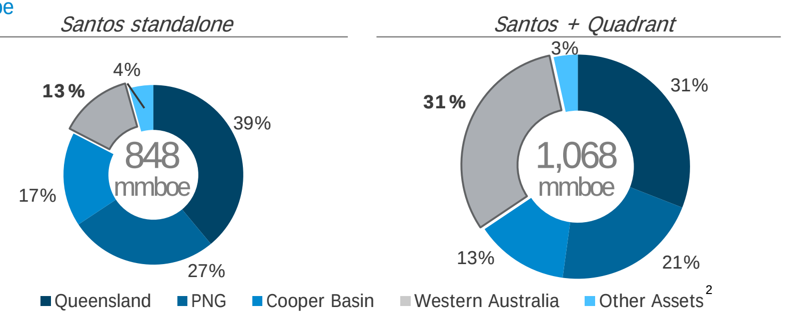
Strengthening and further diversifying Santos' portfolio

Santos

Quadrant acquisition provides revenue diversification and increased exposure to high margin, CPI linked contracts during period of major growth project delivery

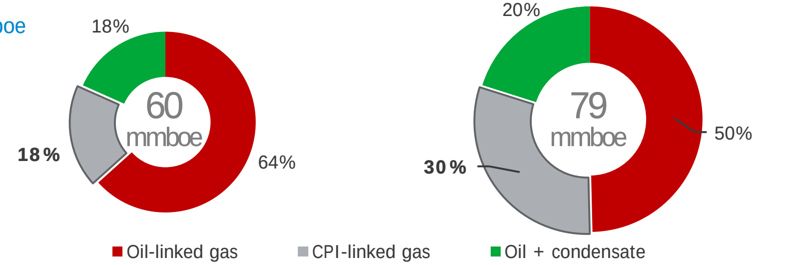
2017 Reserves[1]

mmboe



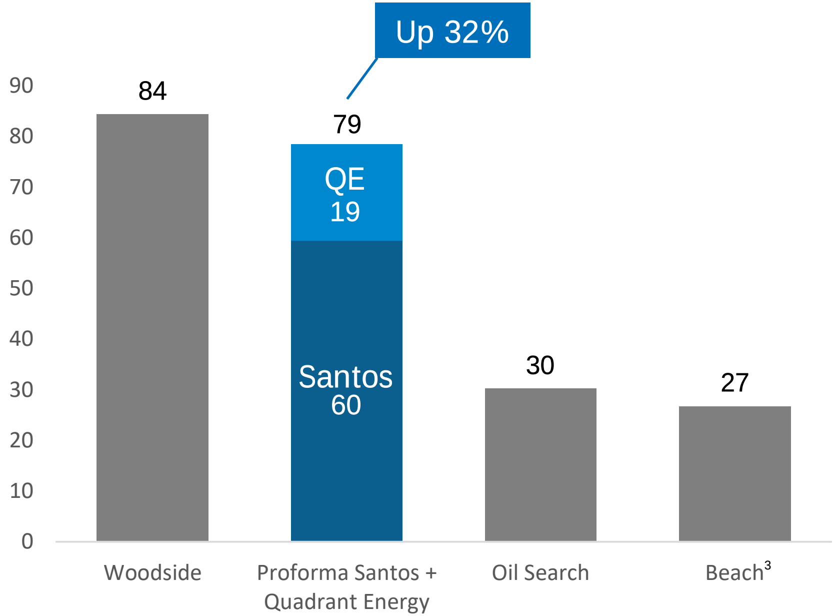
2017 Production[1]

mmboe



2017 Production[1]

mmboe



[1] Year ended 31 December 2017.
[2] Other Assets includes Northern Australia, Western Australia oil and Indonesia and Vietnam. Santos announced the sale of its Asian assets on 3 May 2018.
[3] Based on Beach's FY18 (June year end) proforma production (including 12 months of Lattice).
Source: Company reports, Santos analysis.

Safety

On a journey to being the safest and lowest cost onshore operator

Personal Safety

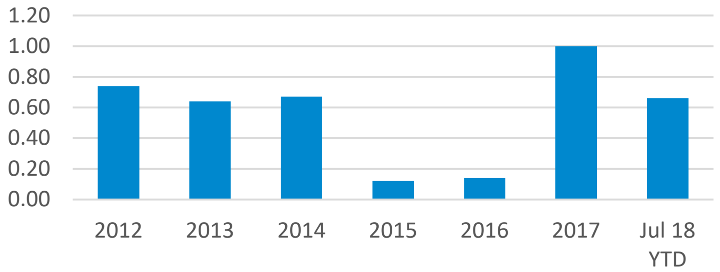
+ 'Mining the Diamond' to focus on eliminating incidents with potential for significant harm to people, assets or environment
+ Reduce the level of harm to our people
+ Demonstrate effective control for high risk exposures
+ Build a learning organisation culture

Process Safety

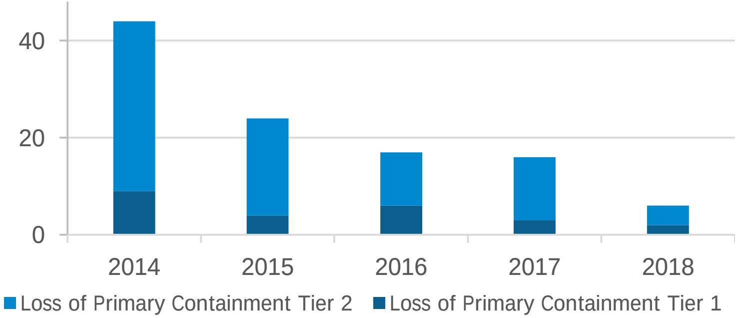
+ Tier 1 and 2 Loss of Containment Incidents plateaued
+ Significant Process Safety Event identification / learning

Lost time injury frequency rate (LTIFR)

Rate per million hours worked



Loss of Containment Incidents



Finance & capital management

Anthony Neilson
CFO

Santos

Financial discipline

Strong financial and operating performance driving shareholder value

COST OUT & EFFICIENCY GAINS	+ Cultural shift to lean operations with rigorous cost control + Excluding the impact of shutdowns, production costs down 4% to $7.79/boe[1] + Cooper Basin production costs down 13% to $8.42/boe[1] + Upstream production cost guidance lowered to $8.0-8.6/boe from $8.2-8.8/boe
FREE CASH FLOW FOCUS	+ Strong free cash generation driven by disciplined Operating Model + Free cash flow $367 million, up 22%[1] despite ~$70 million impact of PNG LNG shutdown + 2018 forecast free cash flow breakeven ~US$35/bbl[2]
BALANCE SHEET SUPPORTIVE OF GROWTH STRATEGY	+ Target medium term gearing ratio of <25% + Post Quadrant Energy acquisition, gearing ratio expected to be ~34% at year-end 2018 and decline to <30% by the end of 2019[3] + US3.5cps interim dividend

[1] 1H 2018 compared to 1H 2017
[2] Free cash flow breakeven is the average annual oil price at which cash flows from operating activities (including hedging) equals cash flows from investing activities. Forecast methodology uses corporate assumptions. Excludes one-off restructuring and redundancy costs, and asset divestitures and acquisitions.
[3] Assumes $65 per barrel oil price in 2019 and full year of ownership

2018 Half-year financial snapshot

Santos

Underlying profit up 99% to $217 million despite impact of PNG LNG shutdown in first half

$ million	1H18	1H17	Change
Product sales revenue	**1,680**	1,449	↑ 16%
EBITDAX	**883**	718	↑ 23%
Underlying profit[1]	**217**	109	↑ 99%
Net profit after tax	**104**	(506)	↑ nm
Operating cash flow	**644**	640	↑ 1%
Free cash flow[2]	**367**	302	↑ 22%
Net debt	**2,437**	2,928	↓ 17%
Interim dividend (UScps)	**3.5**	-	↑ **3.5 cps**

[1] For a reconciliation of 2018 Half-year net profit to underlying profit, refer to Appendix.
[2] Operating cash flow less investing cash flows net of acquisitions and disposals.
nm denotes not meaningful

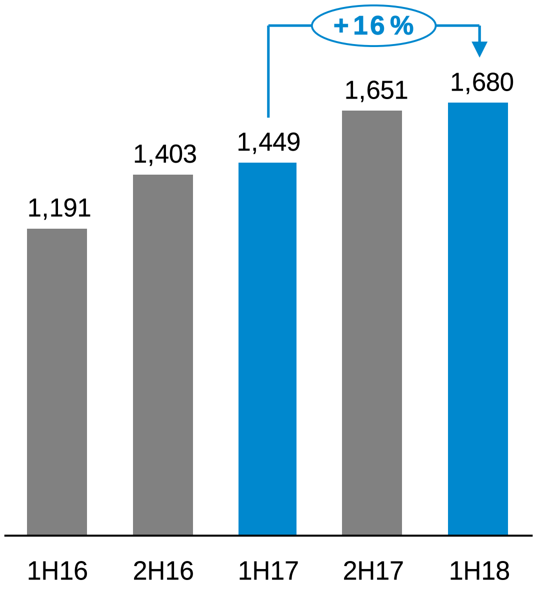
Strong underlying earnings

Santos

Underlying NPAT up 99% to $217 million

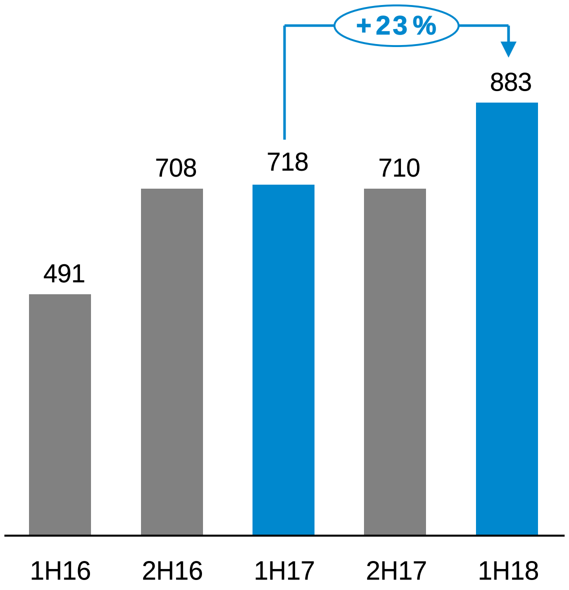
Product sales revenue

$ million



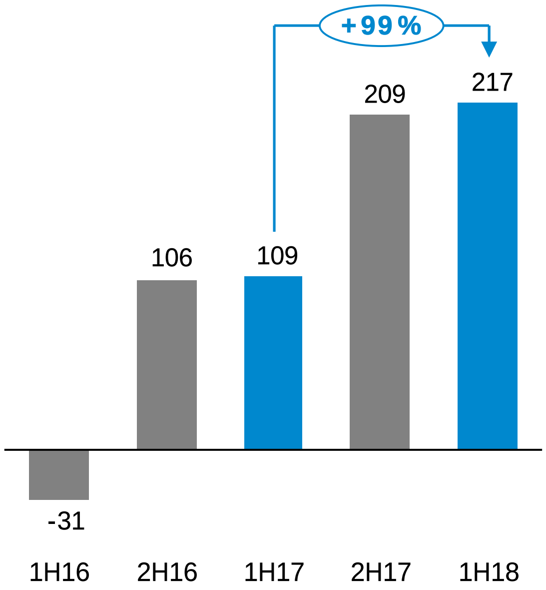
EBITDAX

$ million



Underlying NPAT[1]

$ million



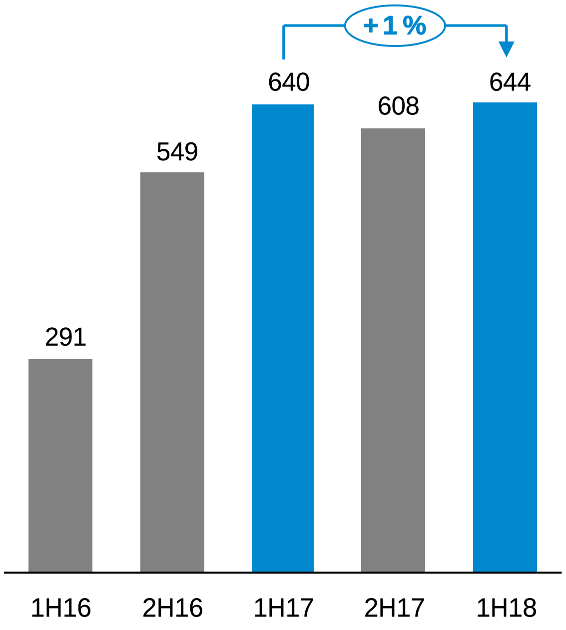
[1] The calculation of underlying profit has changed from prior periods to simplify the definition of underlying profit to enhance comparability to peer companies. Prior period underlying profit has been restated to a like for like basis for comparability.

Strong free cash flow generation

Free cash flow up 22% to $367 million despite ~$70 million impact of PNG LNG shut-down

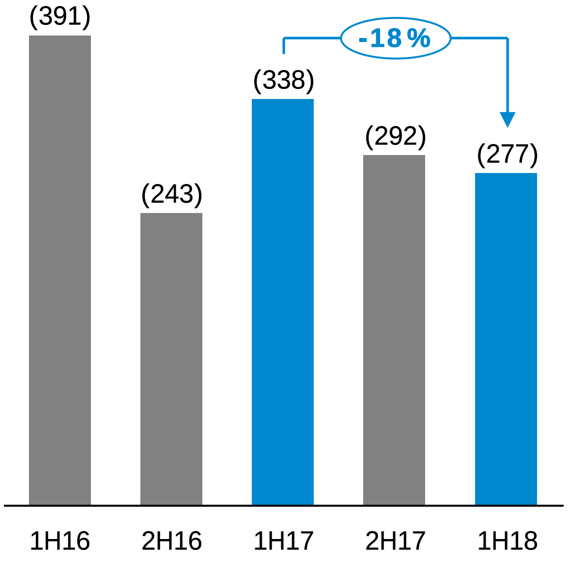
Operating cash flow

$ million



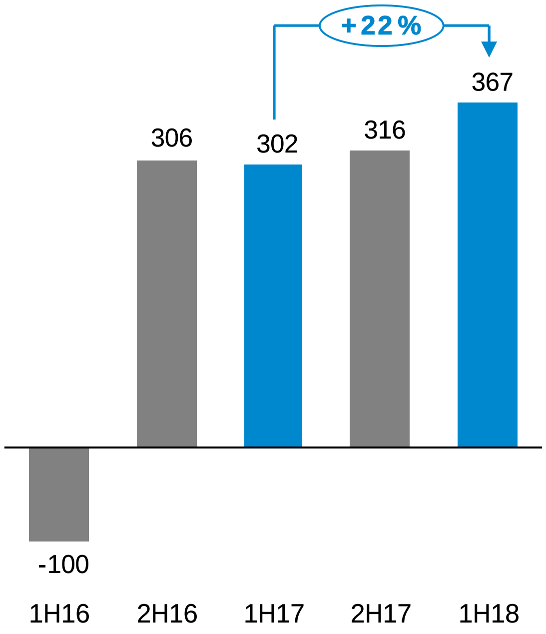
Investing cash flow[1]

$ million



Free cash flow[1]

$ million

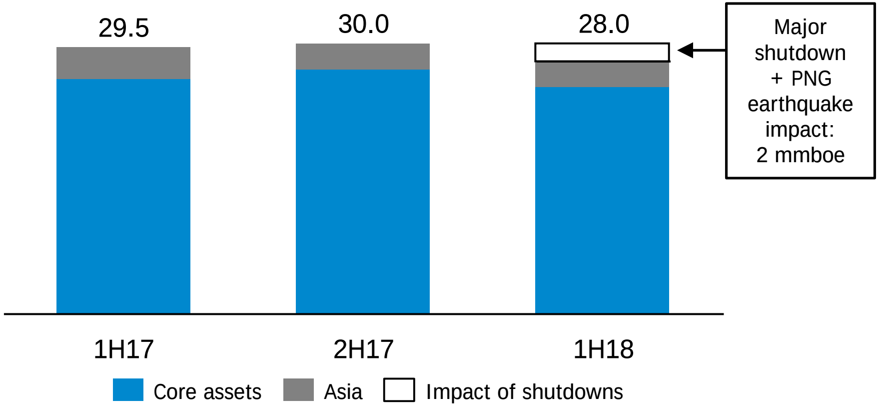


[1] Excludes acquisitions / divestments

Production and sales volumes

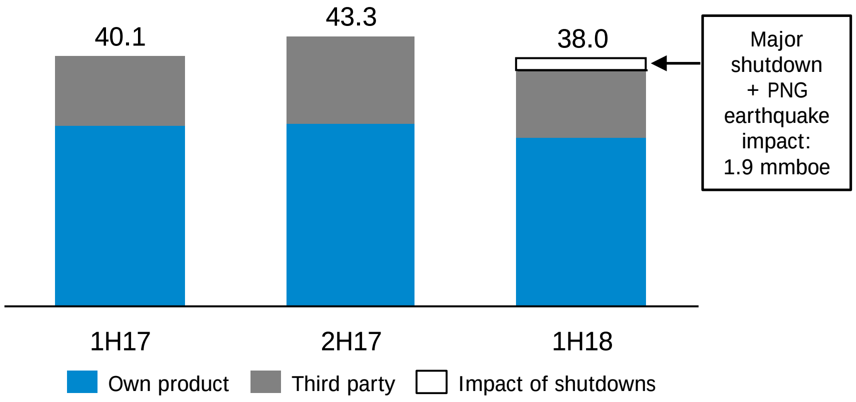
Production and sales volumes impacted by earthquake in PNG and one month planned shutdown of Bayu Undan / Darwin LNG

Production
mmboe



- Production of 28 mmboe impacted by the earthquake in PNG, major planned shutdown at Darwin LNG and natural field decline in Indonesia
- Excluding the impact of shutdowns, first-half production would have been ~30 mmboe
  - PNG LNG shutdown impact 1.5 mmboe
- 2018 full year production guidance maintained at 55-58 mmboe

Sales volume
mmboe



- Sales volumes of 38 mmboe impacted by the earthquake in PNG, major planned shutdown at Darwin LNG, natural field decline in Indonesia and lower third party volumes due to contract expiry
- Crude oil sales volumes 11% higher due to strong performance from recently connected wells and higher third party volumes in the Cooper Basin
- 2018 full year sales volume guidance maintained at 72-76 mmboe

Sales revenue

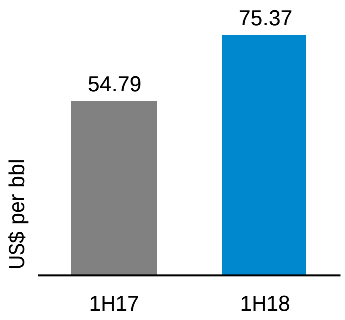
Santos

Low cost, diversified portfolio buoyed by higher commodity prices

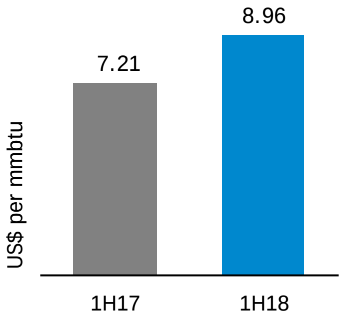
$million	1H18	1H17	Var
Sales Revenue (incl. third party)			
Gas, ethane and liquefied gas	1,114	1,049	6%
Crude oil	400	262	53%
Condensate and naphtha	132	106	25%
Liquefied petroleum gas	34	32	6%
Total[1]	**1,680**	**1,449**	**16%**

[1] Total product sales include third-party product sales of $523 million (1H17: $392 million)

Average realised crude oil price up 38%

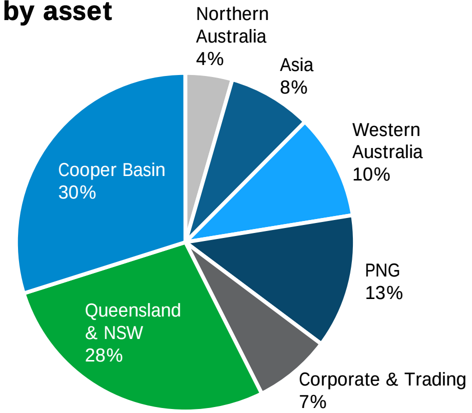


Average realised LNG price up 24%



- Sales revenue up 16% to $1.7 billion
- Average realised LNG price up 24% to $8.96/mmbtu
- Crude oil sales revenue significantly higher due to a 38% average realised oil price increase and strong Cooper Basin production
  - Cooper Basin high quality, light, and low sulphur crude commands a premium well in excess of Brent
- Higher average condensate and LPG prices offset lower sales volumes

1H18 sales revenue by asset

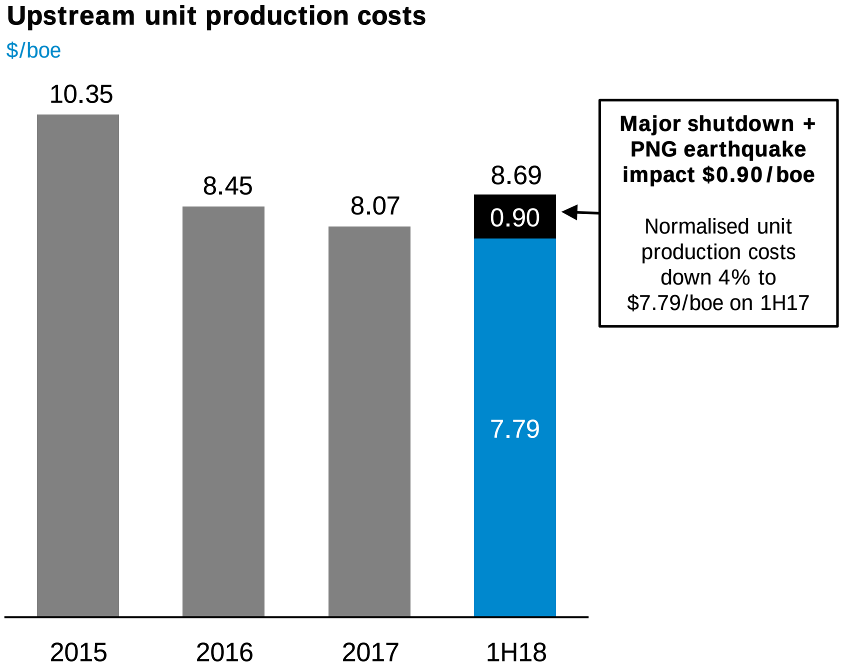


Production costs

Santos

2018 unit production cost guidance lowered to $8.0-8.6/boe; includes impact of shutdown activity

- Unit upstream production costs up 8% to $8.69/boe impacted by shutdowns at PNG LNG and Bayu Undan / Darwin LNG
  - excluding the effect of shutdowns, normalised unit production costs were down 4% to $7.79/boe
  - Cooper Basin unit production costs down 13% to $8.42/boe
- Production costs, excluding shutdown activities of $10m, dropped 2.5% to $233m million
- 2018 upstream unit cost guidance lowered to $8.0-8.6/boe from $8.2-8.8/boe



Financial performance

Santos

EBITDAX up 23% to $883 million. Underlying NPAT up 99% to $217 million

$million	1H18	1H17	Var
Total revenue	1,727	1,506	15%
Production costs	(243)	(239)	2%
Other operating costs	(160)	(189)	(15)%
Third party product purchases	(426)	(287)	48%
Other[1]	4	(10)	nm
Foreign exchange (losses)/gains	90	(93)	nm
Fair value (losses)/gains on commodity hedges	(109)	30	nm
EBITDAX	**883**	**718**	23%
Exploration and evaluation expense	(45)	(53)	(15)%
Depreciation and depletion	(328)	(348)	(6)%
Impairment losses	(76)	(920)	(92)%
Change in future restoration	9	-	nm
EBIT	**443**	**(603)**	nm
Net finance costs	(108)	(139)	(22)%
Profit / (Loss) before tax	**335**	**(742)**	nm
Tax benefit/(expense)	(231)	236	nm
Profit / (Loss) after tax	**104**	**(506)**	nm
Underlying profit	**217**	**109**	99%

+ Total revenue up 15% to $1.7 billion due to higher oil and LNG prices, and higher crude oil volumes
+ Higher third party product purchases reflect higher volumes mainly from higher oil, gas and ethane purchases in the Cooper Basin and higher oil prices
+ Foreign exchange gains in 2018 primarily represent FX movements on revaluations of tax bases and foreign currency cash balances
+ Fair value losses on commodity hedges represent the movement in mark-to-market valuation of oil hedge contracts for the half-year
+ Net impairment charge of $76 million (before and after tax) primarily due to the Asian asset sale and PNG exploration asset PPL 426 (Manta)
+ Tax rate impacted by FX movements and net impairments

[1] Other includes product stock movement, corporate expenses, other expenses, other income and share of profit of joint ventures
nm denotes not meaningful

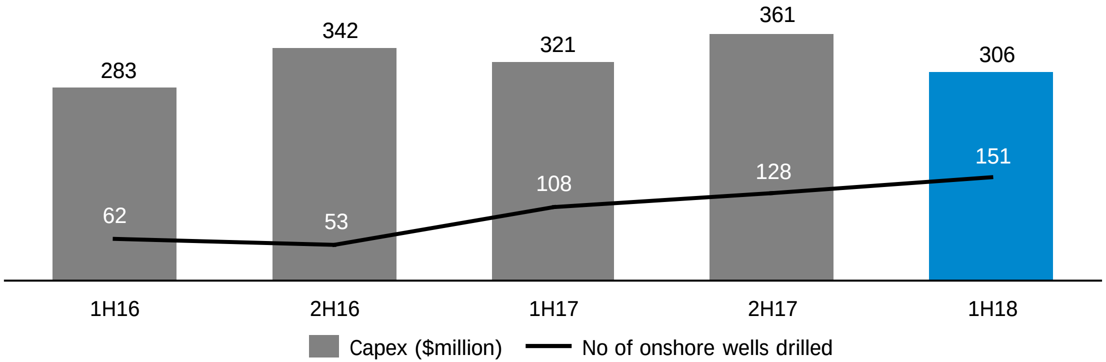
Capital expenditure

Santos

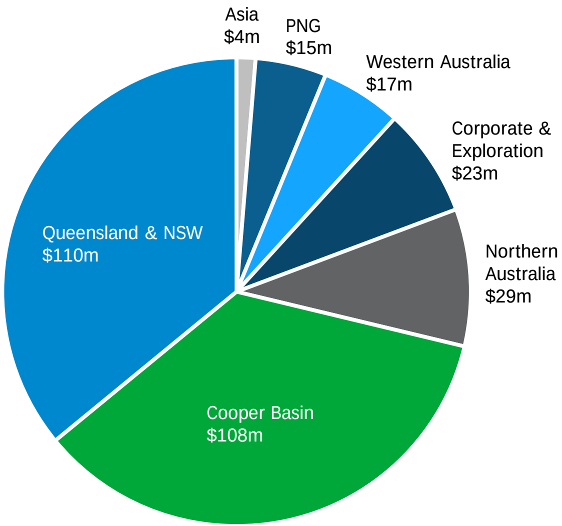
Half-year capex $306 million. 2018 capex guidance maintained at $775-825 million

- Capital expenditure of $306 million
- 2018 capital expenditure guidance maintained at $775-825 million
  - Cooper Basin 4-rig program drilling ~87 wells
  - GLNG drilling ~300 wells
  - PNG LNG Angore pipeline and surface facilities
  - Northern Australia Bayu-Undan 3-well infill program and Barossa FEED

Capital expenditure and number of onshore wells drilled[1]



1H18 capital expenditure[1]



[1] Capital expenditure incurred includes abandonment expenditure but excludes capitalised interest. Wells drilled include Development and Appraisal wells across the Cooper Basin & GLNG

Balance sheet supportive of growth strategy

Targeting medium term gearing ratio <25%

Net debt reduced to $2.4 billion. Net debt reduction target to be achieved 2H18, >1 yr ahead of schedule

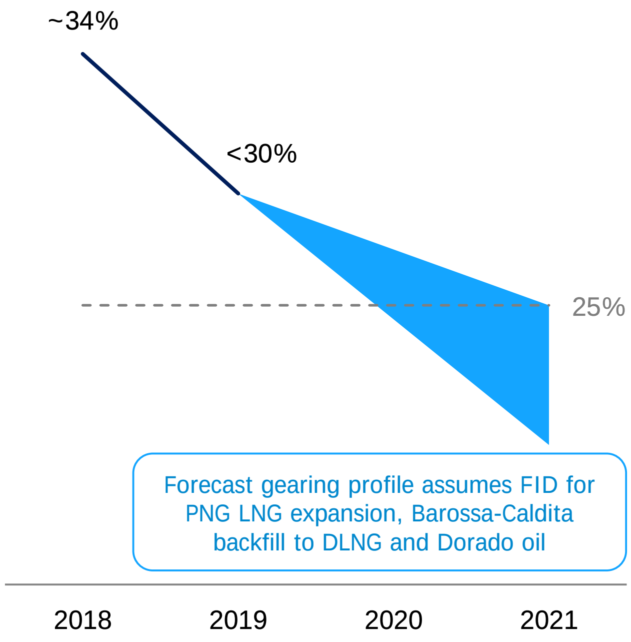
- Gearing 26%
- Liquidity of $3.5 billion
  - $1.5 billion in cash and $2 billion in undrawn bi-lateral bank debt facilities

Quadrant Energy acquisition announced 22 August 2018

- S&P BBB- (stable) credit rating reaffirmed with a Bulletin issued 22 August 2018
- Acquisition delivers stable free cash flows underpinned by CPI-linked contracts allowing for a rapid de-gearing profile
- Priorities for cash allocation remain unchanged
  - Debt repayment
  - Fund exploration
  - Fund growth projects
  - Return to shareholders
- Portfolio provides flexibility to divest a minority stake in certain Quadrant assets for value

Rapid de-gearing profile including Quadrant Energy acquisition, growth funding and dividends[1]

Net debt / (Net debt + Equity)

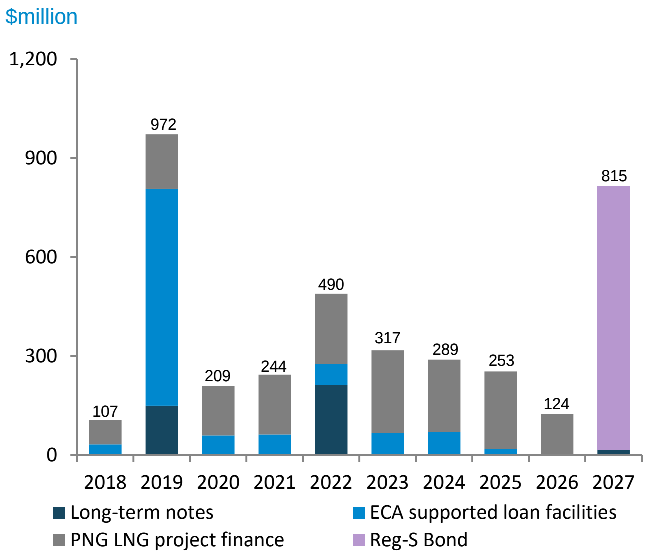


[1] Assumes US$65 per barrel oil price in 2019 and full year of ownership.

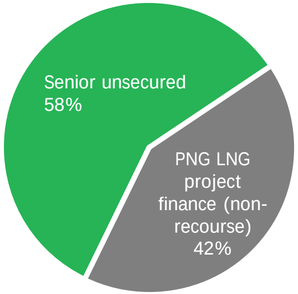
Drawn debt maturity profile

Gross debt $3.9 billion at June 2018 excluding Quadrant Energy acquisition which is fully funded from existing cash and new committed debt facilities

Drawn debt maturity profile as at 30 June 2018[1]

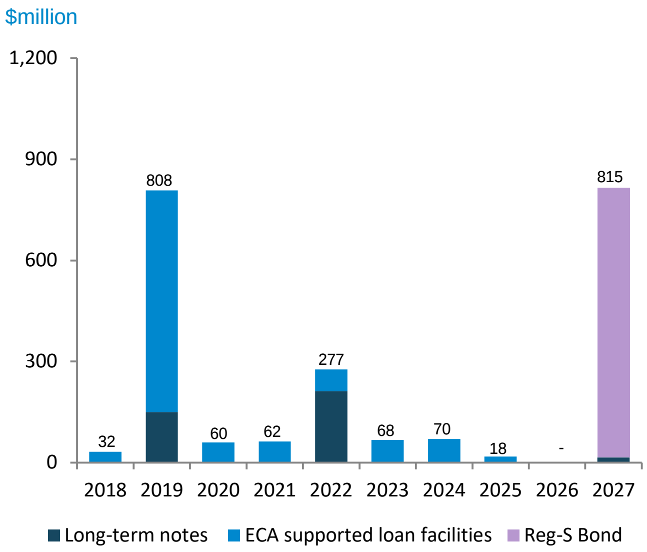


Breakdown of drawn debt facilities as at 30 June 2018[1]



+ Weighted average term to maturity ~5 years

Drawn debt maturity profile excluding PNG LNG as at 30 June 2018[1]



[1] Excludes finance leases and derivatives.

Operations review

Kevin Gallagher

Managing Director & CEO

Santos

Papua New Guinea

First half production impacted by PNG earthquake in February, full production resumed in April

PNG LNG

- Highlands earthquakes in February 2018
  - Major disruptive events for the people of PNG
  - PNG LNG expertise and resources were deployed to assist in humanitarian relief and Santos provided funds for the relief effort
  - PNG LNG production shut-in for two months and resumed in April
- Production has returned at record rates
  - Continued optimisation of the facilities has resulted in instantaneous rates above 9mtpa annualised
  - 400th LNG cargo shipped in May 2018, 4 years after start-up
- Mid-term sales agreements signed with PetroChina and BP for 0.9mtpa in aggregate

Barikewa-3 appraisal well success[1]

- Intersected 25 metres of net gas pay within the Toro and Hedinia reservoir objectives
- Reservoir quality exceeded pre-drill expectations
- A drill-stem test flowed gas to surface at 35 mmscf/d on a 68/64” choke
- Located 10 km from the PNG LNG gas pipeline

Asset KPIs	1H18	1H17
Production (mmboe)	4.6	6.2
Sales volume (mmboe)	4.1	5.8
Revenue (US$m)	215	248
Production cost (US$/boe)	6.91	4.32
EBITDAX (US$m)	165	203
Capex (US$m)	15	16

Shutdown impact in 1H18

- Production volumes -1.5 mmboe
- Sales volumes -1.4 mmboe
- Normalised unit production costs $4.70/boe
- Free cash flow ~$70 million lower

[1] Refer ASX release on 8 August 2018

PNG growth through expansion

Potential expansion involves the construction of three additional trains at the PNG LNG site

Upstream expansion

- Santos farm-in to P’nyang proposal received and under negotiation
  - Potential P’nyang development could utilise existing PNG LNG infrastructure plus proposed Train 3
  - Potential farm-in to P’nyang under discussion
- Opportunity to utilise existing PNG LNG field ullage in early years
  - Pre-FEED underway to determine optimised development phasing
- Muruk appraisal plus future exploration in the Western Foldbelt could add further resources to maintain plateau

Brownfield LNG plant expansion

- Three ~2.7mtpa trains proposed for the PNG LNG plant site
- One train for PNG LNG (T3)
- Two trains for Papua LNG (T4-5)
  - Discussions underway regarding access fee to reflect value of investment in PNG LNG infrastructure

Northern Australia

Bayu Undan infill well project underway and Barossa enters FEED

- Production and sales volumes impacted by scheduled one-month shutdown in May
  - Normalised production excluding the shutdown 2.1 mmboe in-line with 1H17
  - 24 LNG cargoes shipped in the first-half
  - 1.5 million tonnes of LNG produced
- Sales revenue in line with 1H17 due to higher realised LNG, condensate and LPG prices
- First gas from the Bayu Undan Infill Well project delivered and overall project tracking below budget
  - Tie-in and start-up of the first of three wells successfully completed
  - First well, W12-ST1, was delivered ahead of schedule with a better condensate yield and reservoir quality than expected

Asset KPIs	1H18	1H17
Production (mmboe)	1.7	2.1
Sales volume (mmboe)	1.7	2.2
Revenue (US$m)	76	78
Production cost (US$/boe)	23.23	17.36
EBITDAX (US$m)	35	44
Capex (US$m)	29	44

Northern Australia – Barossa Project

Barossa FEED being advanced to support FID in late 2019

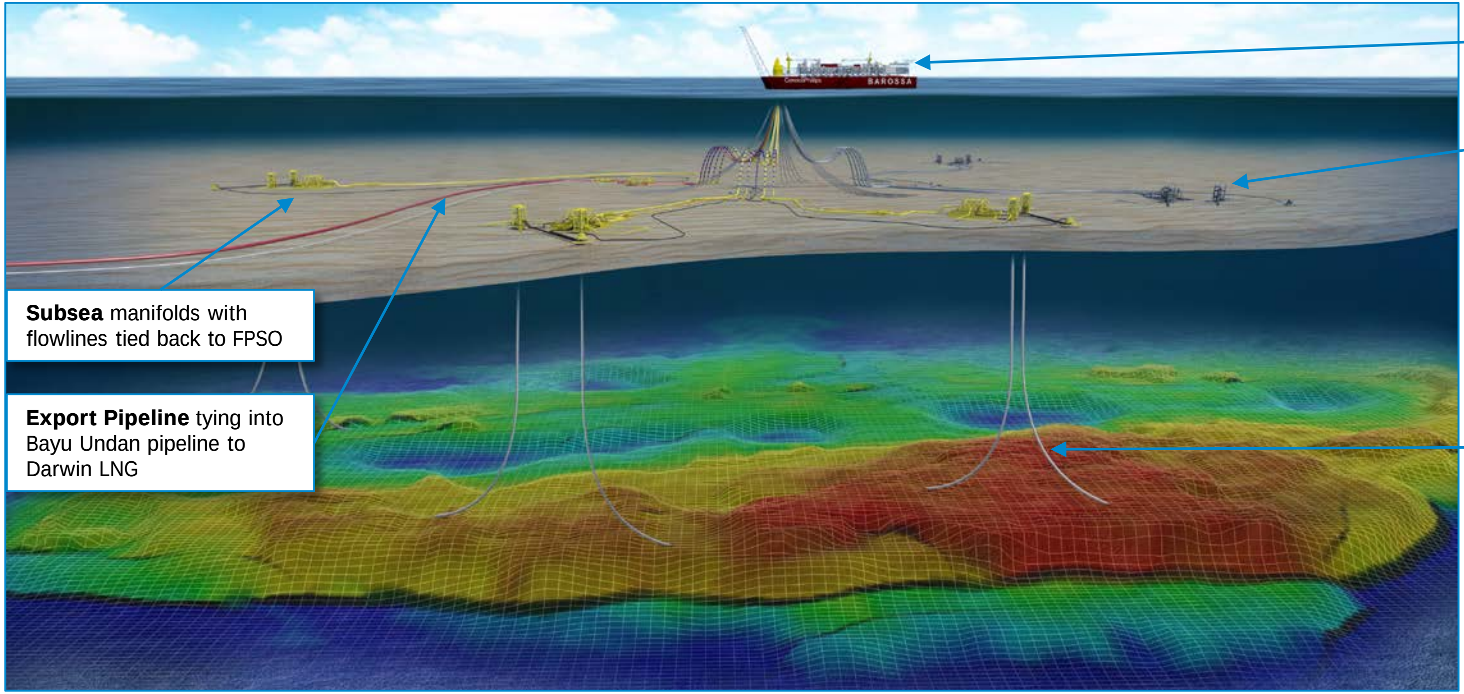
- Major growth opportunity, delivering ~9 mmboe average annual production Santos net
- Develops multi-tcf resource (Santos 25%)
- Utilising existing DLNG infrastructure delivers competitive upstream project and extends DLNG asset life
- Darwin LNG expected to deliver average annualized production of ~3.5 mtpa with potential for future debottlenecking
- Resource upside and late life tiebacks present opportunity to extend development
  - Caldita field located 20km south of the Barossa FPSO location

2016	Acquisition of 3D broadband seismic	✓
4Q 2016	Commencement of pre-FEED	✓
2017	Drilling of Barossa-5 and Barossa-6 appraisal wells	✓
Mar-18	Approval of OPP by NOPSEMA	✓
Apr-18	Signed HOA with DLNG for access	✓
Apr-18	FEED-entry decision	✓
Apr-18	Subsea URF and pipeline engineering contract award (Intecsea)	✓
Jun-18	FPSO design competition contract (TechnipFMC/Samsung and Modec)	✓
Early 2019	Subsea production system (SPS) contract award (Long lead commitment)	
Late 2019	Final Investment Decision	
Late 2023	First Gas	

Northern Australia – Barossa Project

Santos

Barossa to be developed using subsea wells tied back to an FPSO for gas processing and condensate export. 260-km export pipeline to transport gas to existing Bayu Undan pipeline



Cooper Basin

Santos

EBITDAX 46% higher due to lower cost operations, improved productivity and higher oil prices

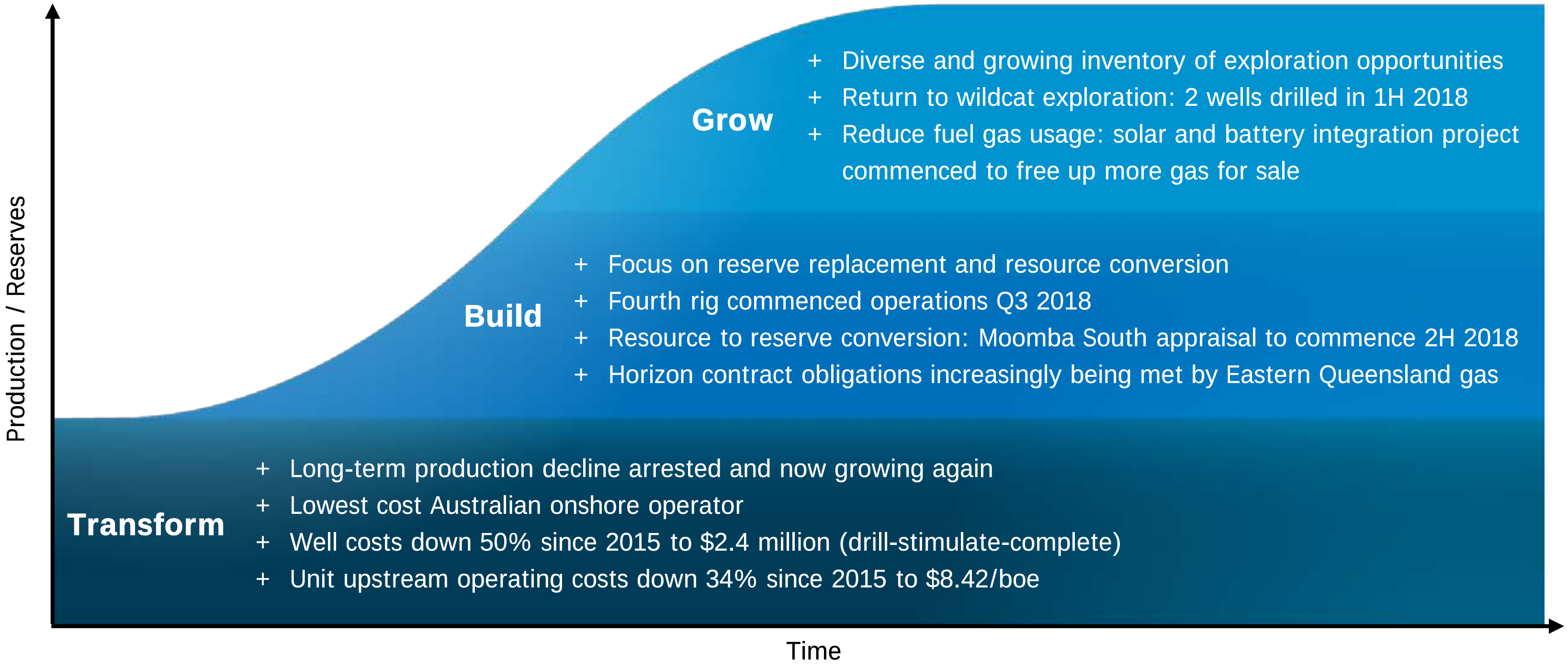
- Production volumes 6% higher to 7.5 mmboe
  - Sales gas and ethane production up 4% to 29.7 PJ
  - Crude oil production up 7% to 1.4 mmbbls
- Production costs down 13% to $8.42/boe due primarily to continuing cost-out and efficiency improvements
  - Fastest ever gas well drilled. 3.1 days from spud to rig release
  - Average drilling days rig release to rig release down ~50% since 2014
- Capex higher due to increased activity within the disciplined operating model
- 35 wells drilled in 1H 2018
- Expect to drill ~87 wells in 2018
  - Fourth rig commenced drilling in Q3 2018

Asset KPIs	1H18	1H17
Production (mmboe)	7.5	7.1
Sales volume (mmboe)	10.3	10.4
Revenue (US$m)	502	375
Production cost (US$/boe)	8.42	9.72
EBITDAX (US$m)	229	157
Capex (US$m)	108	84

Growing the Cooper Basin

Santos

Low-cost operating model and efficiencies underpin a focused program expected to deliver increased production and resource conversion over time



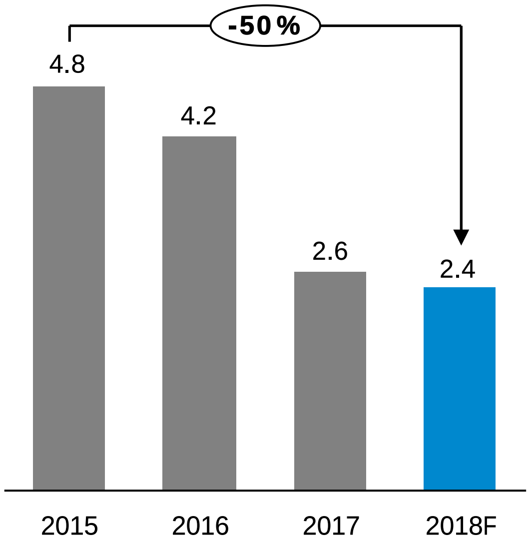
Cooper Basin transformation to growth

Santos

Low-cost, efficient drilling enables……

Well cost[1]

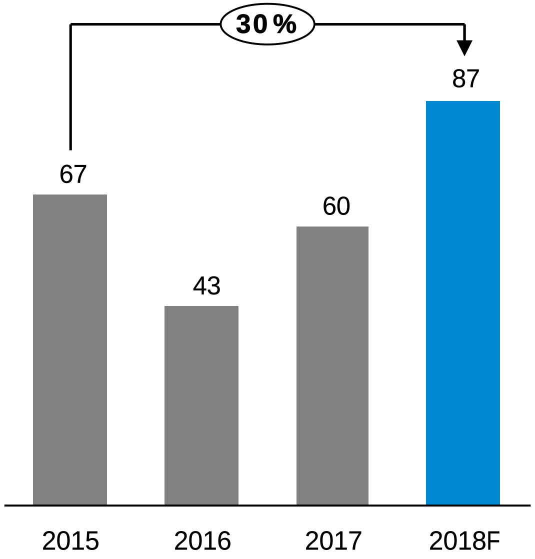
$ million



improved capital efficiency and more wells leading to……

Wells drilled

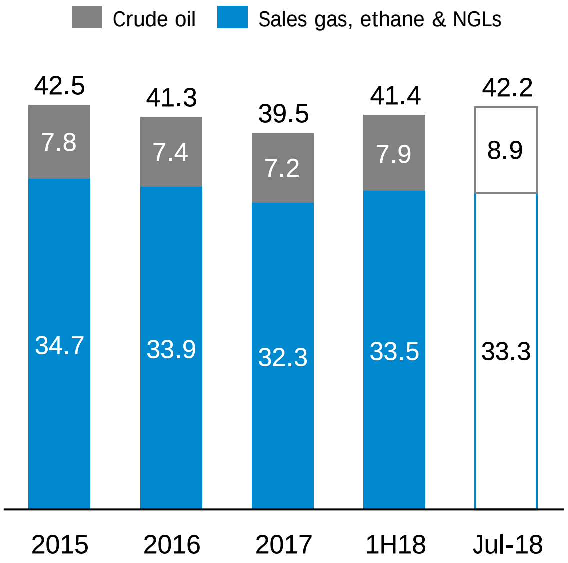
no of wells



higher production and reserves additions over time.

Production

kboe/d



[1] Vertical and deviated gas development wells (drill stimulate complete)

Moomba South growth opportunity

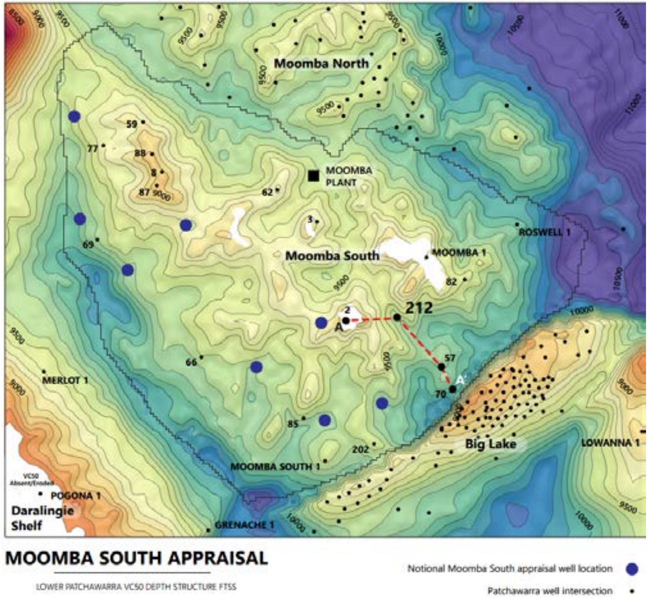
Santos

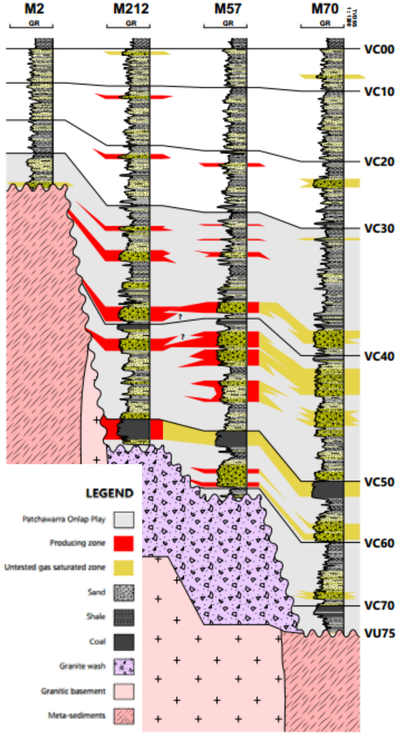
One of a number of significant resource opportunities. Progressing appraisal program with fourth rig

+ Large scale 2C resource in deeper reservoirs beneath Moomba
+ Moomba 212 success provides line of sight to large scale development along flanks of Moomba South within infrastructure footprint

2018/19 Appraisal Activity

+ 8 well appraisal program planned to commence drilling H2 2018
+ Testing key uncertainties of OGIP (Original Gas In Place) and reservoir deliverability
+ Key milestones: Appraisal program approval 2018 & FID on next phase mid 2019 (subject to JV approval)





2018-2020 Focus	2018	2019	2020
Activity	8 Appraisal Wells	8 Well Infill pilot program	
Capital	~$10m	~$30m	

Queensland and New South Wales

Santos

EBITDAX 86% higher due to higher upstream production and higher LNG prices

- Production costs up 7% to $6.39/boe primarily due increased activity levels and installation of electric drive compression capacity at Roma Hub 2 (freeing up more gas for sale)
- Eastern Queensland sales volumes 12% higher reflecting the ramp-up of Combabula and banked gas withdrawals
- 118 wells drilled in 1H 2018
- GLNG produced 2.5 million tonnes of LNG and shipped 40 cargoes

Building equity gas supply

- Fairview production remains strong but limited by well availability during 2018
  - In-field drilling program currently underway and extending into 2019
- Roma production continues to build beyond 70TJ/day, Scotia up to >50TJ/day
- 430-well Roma East development commenced with first wells already online
- Scotia CF1 project delivered ahead of schedule and under budget
- Initial Arcadia field development sanctioned

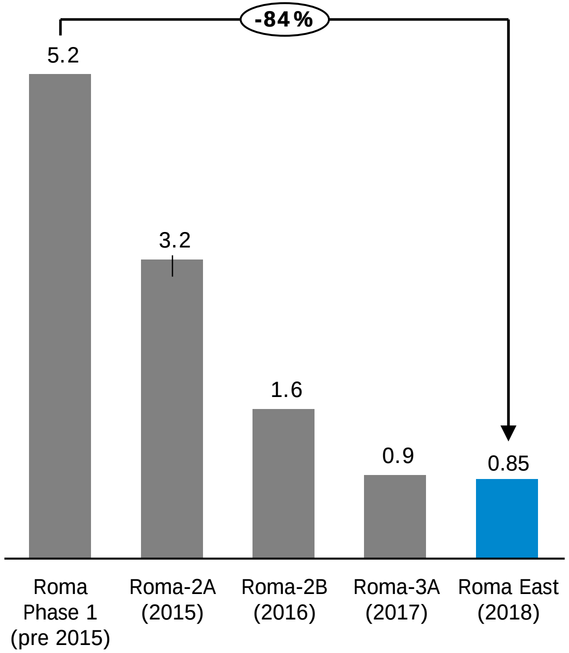
Asset KPIs	1H18	1H17
Production (mmboe)	5.9	5.6
Sales volume (mmboe)	11.0	10.6
Revenue (US$m)	463	354
Production cost (US$/boe)	6.39	5.95
EBITDAX (US$m)	285	153
Capex (US$m)	110	79

GLNG capital efficiencies

Cost out and efficiencies underpin an accelerated development plan to unlock more gas over time

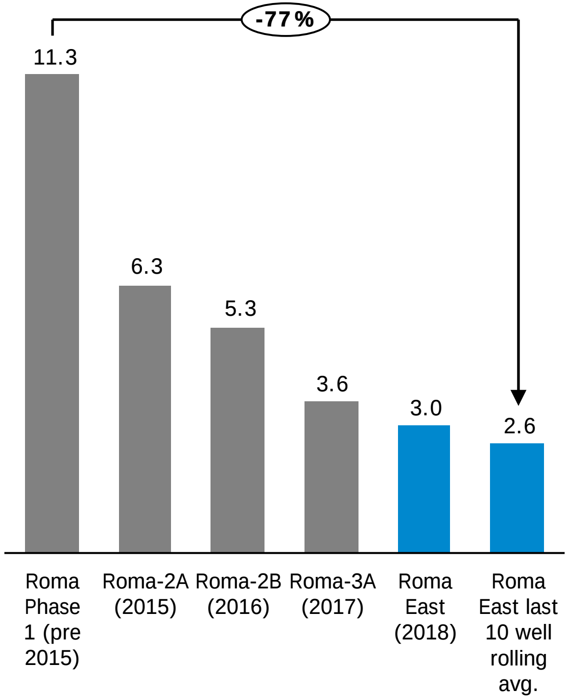
Well cost[1]

$million per well



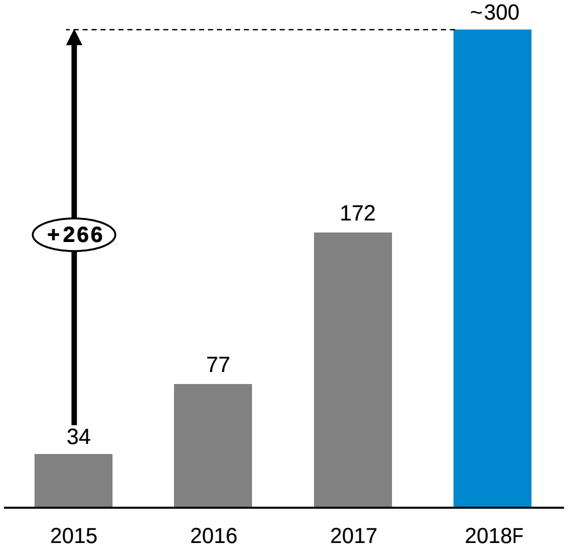
Days - development drilling

Average days rig release to rig release



Wells drilled

No of wells



[1] Drill, complete, connect

Western Australia

Quadrant acquisition to enhance the scale of our core WA business

+ Low-cost, high margin conventional domestic gas assets generating strong free cash flow
+ Production and sales volumes higher due to strong operating performance and the commencement of two new sales contracts
+ Western Australia asset now includes WA oil assets from 1 January 2018
+ Mutineer-Exeter / Fletcher Finucane oil fields ceased production as planned
  + Modec Venture 11 FPSO sailed away in July

Quadrant acquisition

+ Value accretive acquisition consistent with Santos' strategy
+ Significant upside through material synergies, near-term developments and material exploration running room
+ Material EPS, CFPS and value per share accretion
+ Expected to complete by the end of 2018

Asset KPIs[1]	1H18	1H17
Production (mmboe)	5.6	5.0
Sales volume (mmboe)	5.7	5.2
Revenue (US$m)	168	152
Production cost (US$/boe)	8.90	9.41
EBITDAX (US$m)	114	129
Capex (US$m)	17	35

[1] Includes WA oil assets

Asia

Santos

Sale of non-core Asian portfolio announced. Expected to complete in second half of 2018

- Production and sales volumes lower due to natural field decline
- Revenue in-line due to higher commodity prices
- Sale of non-core Asian portfolio to Ophir Energy plc for US$221 million announced
  - Sale consistent with strategy to realise value from late-life non-core assets
  - Transaction to have an effective date of 1 January 2018
  - Expected to complete in the second half of 2018, subject to customary consents and approvals
  - Final cash settlement to be adjusted for 2018 cash flow already received
  - On completion, expect to book a profit on sale

Asset KPIs	1H18	1H17
Production (mmboe)	2.8	3.5
Sales volume (mmboe)	2.7	3.3
Revenue (US$m)	134	128
Production cost (US$/boe)	11.22	10.83
EBITDAX (US$m)	92	99
Capex (US$m)	4	9

2018 Half-year highlights

Santos

Low-cost, diversified portfolio generating strong cash flow. Balance sheet supportive of growth strategy and a return to dividends

Strong free cash flow generation and continued cost efficiencies	✓
Significant growth options across all 5 core assets	✓
Balance sheet supportive of growth strategy	✓
Dividend reinstated	✓
Non-core assets sold[1]	✓
Quadrant Energy acquisition announced	✓

[1] Sale of Asian portfolio expected to complete in the second half of 2018 and is subject to customary consents and approvals for a transaction of this nature

Appendix

Significant items

Reconciliation of half-year net profit to underlying profit

$million	1H18	1H17
Net profit / (loss) after tax	**104**	**(506)**
Add/(deduct) significant items after tax		
Impairment losses	76	689
Net gains on asset sales	(39)	(51)
Fair value adjustments on hedges	76	(23)
Underlying profit[1]	**217**	**109**

[1] The calculation of underlying profit has changed from prior periods to simplify the definition of underlying profit to enhance comparability to peer companies. Prior period underlying profit has been restated to a like for like basis for comparability.

Liquidity and net debt as at 30 June 2018

$3.5 billion in cash and committed undrawn debt facilities

Liquidity ($million)		30 Jun 2018	31 Dec 2017
Cash		1,492	1,231
Undrawn bilateral bank debt facilities		2,020	2,020
Total liquidity		**3,512**	**3,251**
Debt ($million)			
Export credit agency supported loan facilities	Senior, unsecured	1,026	1,057
US Private Placement	Senior, unsecured	410	424
Reg-S bond	Senior, unsecured	785	783
PNG LNG project finance	Non-recourse, secured	1,545	1,616
Other	Finance leases and derivatives	171	82
Total debt		**3,929**	**3,962**
Total net debt		**2,437**	**2,731**

2018 Half-year segment results summary

US$million	Cooper Basin	Queensland & NSW	PNG	Northern Australia	Western Australia	Asia	Corporate explor'n & elimins	Total
Revenue	**529**	**469**	**217**	**75**	**172**	**134**	**131**	**1727**
Production costs	(63)	(38)	(31)	(40)	(50)	(31)	10	(243)
Other operating costs	(31)	(38)	(22)	-	(8)	(8)	(53)	(160)
Third party product purchases	(200)	(120)	-	-	-	-	(106)	(426)
Inter-segment purchases	(3)	(33)	-	-	-	-	36	-
Product stock movement	-	(5)	2	1	2	(2)	(4)	(6)
Other income	3	54	-	-	10	-	1	68
Other expenses	(7)	(6)	(1)	(2)	(14)	(1)	(28)	(59)
FX gains and losses	1	2	-	-	2	-	85	90
Fair value losses on commodity hedges	-	-	-	-	-	-	(109)	(109)
Share of profit of joint ventures	-	-	-	1	-	-	-	1
EBITDAX	**229**	**285**	**165**	**35**	**114**	**92**	**(37)**	**883**

2017 Half-year segment results summary

US$million	Cooper Basin	Queensland & NSW	PNG	Northern Australia	Western Australia	Asia	Corporate explor'n & elimins	Total
Revenue	**401**	**361**	**251**	**78**	**175**	**128**	**112**	**1,506**
Production costs	(69)	(34)	(27)	(37)	(47)	(34)	9	(239)
Other operating costs	(37)	(33)	(22)	-	(8)	(7)	(82)	(189)
Third party product purchases	(82)	(84)	(1)	-	-	-	(120)	(287)
Inter-segment purchases	(1)	(57)	-	-	-	-	58	-
Product stock movement	(46)	9	2	1	(2)	3	(2)	(35)
Other income	4	3	-	-	27	11	28	73
Other expenses	(11)	(7)	-	(3)	(16)	(2)	(14)	(53)
FX gains and losses	(2)	(5)	-	-	-	-	(86)	(93)
Fair value losses on commodity hedges	-	-	-	-	-	-	30	30
Share of profit of joint ventures	-	-	-	5	-	-	-	5
EBITDAX	**157**	**153**	**203**	**44**	**129**	**99**	**(67)**	**718**

2018 Guidance

Upstream unit production cost guidance lowered to $8.0-8.6/boe

	Previous guidance	Updated guidance
Sales volumes	72-76 mmboe	No change
Production	55-58 mmboe	No change
Upstream production costs	$8.2-8.8/boe	$8.0-8.6/boe
DD&A	$650-700 million	No change
Capital expenditure	$775-825 million	No change

Capital expenditure guidance includes abandonment expenditure but excludes capitalised interest.
Guidance excludes any potential impact from the acquisition of Quadrant Energy.

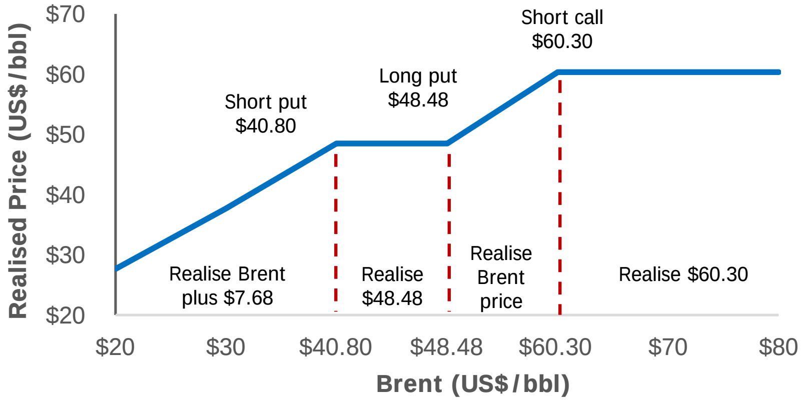
Oil price hedging

Oil price hedging provides protection to oil price downside

Open oil price positions	2018	2019
Zero-cost three-way collars (barrels)	5,240,250	-
Brent short call price ($/bbl)	$60.30	-
Brent long put price ($/bbl)	$48.48	-
Brent short put price ($/bbl)	$40.80	-
Zero-cost collars (barrels)	-	3,431,000
Ceiling ($/bbl)	-	US$79.27
Floor ($/bbl)	-	US$45.00

As at 31 July 2018

2018 Zero-cost three-way collar hedge



Impairment

Non-cash net impairment expense of $76 million before and after tax in first-half 2018

- In determining the carrying value of its assets, Santos considers a range of asset and macro assumptions, including oil price, exchange rates, discount rates, production and costs

Brent US$ oil price assumptions	Jun 2018
2018	65.00
2019	60.00
2020	65.00
2021	70.00
2022	75.77[1]
2023+	77.29[1]

[1] Based on US$70/bbl (2018 real) from 2022 escalated at 2% pa.
The future estimated foreign exchange rate applied is A$1/US$0.75.

Asian assets held for sale: net impairment of $47 million

- On completion, Santos expects to book a profit on sale
- The net impairment in the first-half will be offset in the full-year accounts by the expected gain on sale plus Foreign Currency Translation Reserve recycling to the income statement occurring on completion in the second-half

Exploration and evaluation assets: net impairment of $29 million

- PNG – PPL 426 (Manta): net impairment of $25 million
- Gunnedah Basin: net impairment of $4 million

Disclaimer and important notice

Cautionary statement regarding reserve estimates

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.

Notes on reserve statements

The estimates of petroleum reserves have been prepared in accordance with the Petroleum Resources Management System (PRMS) sponsored by the Society of Petroleum Engineers (SPE). All estimates of petroleum reserves reported by Santos are prepared by, or under the supervision of, a qualified petroleum reserves and resources evaluator (QPRRE).

Unless otherwise stated, references in this presentation to reserves are as at 31 December 2017. The estimates of reserves included in this presentation are an aggregate of both developed and undeveloped reserves. Information on petroleum reserves quoted in this presentation is rounded to the nearest whole number. Some totals may not add due to rounding. Petroleum reserves replacement ratio is the ratio of the change in petroleum reserves (excluding production) divided by production.

Notes on reserves and resources statements – Santos

The estimates of petroleum reserves in the presentation are based on and fairly represent information and supporting documentation prepared by, or under the supervision of Ms. Barbara Pribyl who is a full time employee of Santos and a member of the SPE. Ms. Pribyl meets the requirements of QPRRE as defined in Chapter 19 and rule 5.41 of the ASX Listing Rules and consents to the inclusion of this information in the form and context in which they appear in this presentation.

Unless otherwise stated, all references to petroleum reserve quantities in this presentation are Santos' net share. Reference points for Santos' petroleum reserves and production are defined points within Santos' operations where normal exploration and production business ceases, and quantities of produced product are measured under defined conditions prior to custody transfer. Fuel, flare and vent consumed to the reference points are excluded. Petroleum reserves are aggregated by arithmetic summation by category and as a result, proved reserves may be a very conservative estimate due to the portfolio effects of arithmetic summation. Petroleum reserves are typically prepared by deterministic methods with support from probabilistic methods.

Conversion factors: 1PJ of sales gas and ethane equals 171,937 boe; 1 tonne of LPG equals 8.458 boe; 1 barrel of condensate equals 0.935 boe; 1 barrel of crude oil equals 1 boe.

Disclaimer and important notice

Cautionary statement regarding reserve estimates

Notes on reserves statements – Quadrant Energy

Information on the reserves in this presentation relating to the Quadrant Energy assets are based and fairly represent an independent assessment conducted by RISC Advisory in July 2018. The assessment was carried out in accordance with the SPE Reserves Auditing Standards under the supervision of Mr. Peter Stephenson, an employee of RISC Advisory and a member of the SPE and the Society of Petroleum Evaluation Engineers. Mr. Stephenson meets the requirements of QPRRE as defined in Chapter 19 and rule 5.41 of the ASX Listing Rules and consents to the inclusion of this information in the form and context in which they appear in this presentation. Mr. Stephenson is independent with respect to Quadrant Energy and Santos.

Petroleum reserves estimates of Quadrant Energy have been prepared using a combination of deterministic and probabilistic methods. The reference point for reserves determination is the custody transfer point for the products. Fuel, flare and vent consumed to the reference points are excluded. Petroleum reserves are aggregated by arithmetic summation by category.

Conversion factors used by RISC Advisory to evaluate oil equivalent quantities for the Quadrant Energy reserves are 1PJ of sales gas and ethane equals 162,293 boe; 1 barrel of condensate equals 1 boe; 1 barrel of crude oil equals 1 boe.

In accordance with ASX Listing Rules, Santos expects to announce its assessment of reserves attributable to the Quadrant Energy assets after completion of the acquisition. Differences in assumed heating values, energy equivalents, and fuel, flare and vent assumptions between RISC Advisory and Santos could result in changes in reserves estimates.