

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 EBITDAX¹ up 23% to US\$883 million and free cash flow¹ up 22% to US\$367 million. Underlying profit¹ 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 EBITDAX¹ up 23% to US\$883 million and free cash flow¹ up 22% to US\$367 million. Underlying profit¹ 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 costs² 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 dividend 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.