# ASX / Media Release

Santos

20 February 2020

## Santos reports record annual free cash flow of $1.1 billion, 7% increase in net profit and 13% increase in full-year dividends

| Full-year (US$m) | 2019 | 2018 | Change |
|---|---|---|---|
| **Product sales** | **4,033** | 3,660 | 10% |
| **EBITDAX[1]** | **2,457** | 2,160 | 14% |
| **Underlying profit[1]** | **719** | 727 | -1% |
| **Net profit after tax** | **674** | 630 | 7% |
| **Free cash flow[1]** | **1,138** | 1,006 | 13% |
| **Full-year dividends (UScps)** | **11.0** | 9.7 | 13% |

Santos today announced its full-year results for 2019, reporting both record EBITDAX and free cash flow.

The Board has resolved to pay a final dividend of US5.0 cents per share fully-franked, bringing full-year dividends to US11.0 cents per share fully-franked, up 13% on the previous year. The final dividend is in-line with Santos' sustainable dividend policy which targets a range of 10% to 30% payout of free cash flow.

Santos Managing Director and Chief Executive Officer Kevin Gallagher said: "Today's announcement of full-year results demonstrates the strength of our cash-generative operating model."

"Santos has delivered strong financial results with EBITDAX[1] up 14% to a record US$2.5 billion and free cash flow[1] up 13% to over US$1.1 billion. Reported net profit after tax increased by 7% to US$674 million.

"Consistent application of our disciplined operating model continues to deliver cost reductions and efficiencies, with normalised production costs[2] down 8% to US$6.97/boe.

"The year was highlighted by record onshore drilling performance, lower unit costs, successful integration of the Quadrant acquisition and significant progress on our diversified portfolio of growth projects.

"The acquisition of ConocoPhillips assets in northern Australia and Timor-Leste announced in October is fully-aligned with our growth strategy to build on existing infrastructure positions and delivers operatorship and control of strategic LNG infrastructure at Darwin.

"The acquisition is expected to complete around the end of the first quarter of 2020, subject to third-party consents and regulatory approvals.

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"Following completion of the ConocoPhillips' acquisition, we expect to take a final investment decision on the Barossa project to backfill Darwin LNG in the second quarter.

"Barossa is making good progress towards FID, with technical assurance processes well advanced and key contracts for the FPSO, subsea production system and export pipeline all awarded. The Barossa and DLNG partners are in advanced discussions to finalise the processing agreement for Barossa gas to support a final investment decision.

"We are also targeting a FEED-entry decision on the exciting Dorado liquids project in the second quarter.

"In the Cooper Basin, our focus on low-cost, efficient operations contributed to stronger annual production and 183% reserves replacement. We have also taken a FEED-entry decision for the Moomba carbon capture and storage project.

"At GLNG, our disciplined operating model continues to support a development plan to unlock more gas over time and we recently lifted guidance to ~6.2 mtpa LNG sales from this year.

"All of this growth activity is consistent with reaching our goal of more than 120 million barrels of oil equivalent production by 2025.

"This growth is enabled by our strong balance sheet and balanced asset portfolio, which provides sustainable free cash flow through the oil price cycle," Mr Gallagher said.

**Final dividend**

The Board has resolved to pay a 2019 final dividend of US5.0 cents per share fully-franked, in line with the company's sustainable dividend policy which targets a range of 10% to 30% payout of free cash flow.

The final dividend will be paid on 26 March 2020 to registered shareholders as at the record date of 26 February 2020.

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 26 February 2020. The Dividend Reinvestment Plan will not be offered for the 2019 final dividend.

*This ASX announcement was approved and authorised for release by Kevin Gallagher, Managing Director and Chief Executive Officer.*

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**Conference call and live webcast**

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

Dial-in numbers for the conference call are listed below. Please quote passcode ID: **10003979**.

For locations within Australia dial toll-free 1800 870 643 or toll 02 9007 3187.

For other countries, please use one of the following toll-free numbers: Canada (1 855 881 1339); China (4001 200 659); Hong Kong (800 966 806); India (0008 0010 08443); Japan (005 3116 1281); New Zealand (0800 453 055); Singapore (800 1012 785); United Kingdom (0800 051 8245); United States (1 855 881 1339). For all other countries or operator assistance, please call +61 2 9007 3187.

The webcast will be available on Santos' website from 11:00am AEDT 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, commodity hedging as well as items that are subject to significant variability from one period to the next. The non-IFRS financial information is unaudited however the numbers have been extracted from the audited financial statements. A reconciliation between net profit after tax and underlying profit is provided in the Appendix of the 2019 full-year results presentation released to ASX on 20 February 2020.

[2] Excluding the impact of shutdowns and PNG LNG earthquake recovery costs.

# Santos 2019 Full-year results

20 February 2020

Santos



# Disclaimer and important notice

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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 and major growth capex less lease liability payments) 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, commodity hedging as well as items that are subject to significant variability from one period to the next. The non-IFRS financial information is unaudited however the numbers have been extracted from the audited financial statements.

The estimates of petroleum reserves and contingent resources 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 is appears in this presentation.

The estimates of petroleum reserves and contingent resources contained in this presentation are as at 31 December 2019. Santos prepares its petroleum reserves and contingent resources estimates in accordance with the Petroleum Resources Management System (PRMS) sponsored by the Society of Petroleum Engineers (SPE). Unless otherwise stated, all references to petroleum reserves and contingent resources 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. Petroleum reserves replacement ratio is the ratio of the change in petroleum reserves (excluding production) divided by production. Organic reserves replacement ratio excludes net acquisitions and divestments. 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.

Cover image: Darwin LNG, Wickham Point, Northern Territory

# 2019 Full-year highlights

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## Record free cash flow. Unit production costs lower

**FREE CASH FLOW[1]**

**$1,138** 13%

million

**REPORTED NPAT[2]**

**$674** 7%

million

**UNDERLYING NPAT[2]**

**$719** -1%

million

**SALES REVENUE**

**$4,033** 10%

million

**UNIT PRODUCTION COSTS**

**$7.24** -10%

per boe

**TOTAL DIVIDENDS**

**11c** 13%

US5 cps final dividend

[1] Operating cash flows less investing cash flows (net of acquisitions and disposals and major growth capex) less lease liability payments.
[2] A reconciliation between net profit after tax and underlying profit is provided in the Appendix. Underlying profit excludes the impacts of asset acquisitions, disposals and impairments, commodity hedging and items that are subject to significant variability from one period to the next.

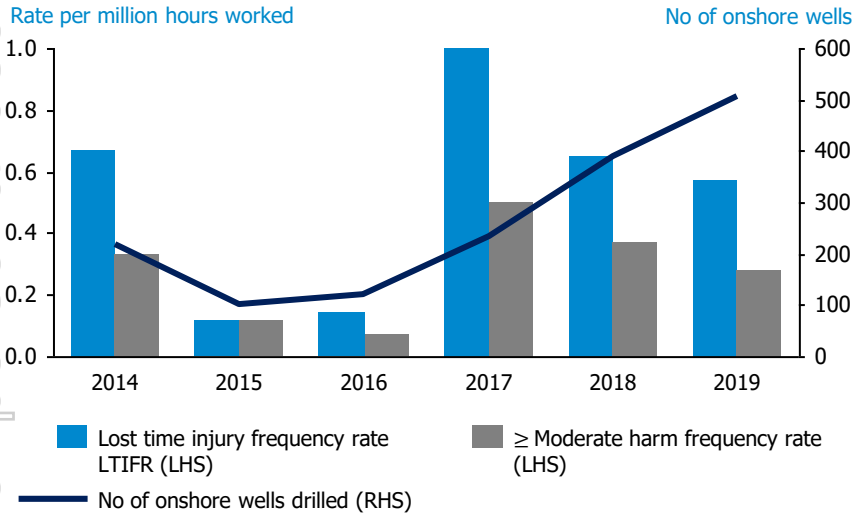
# Safety and environment

Santos

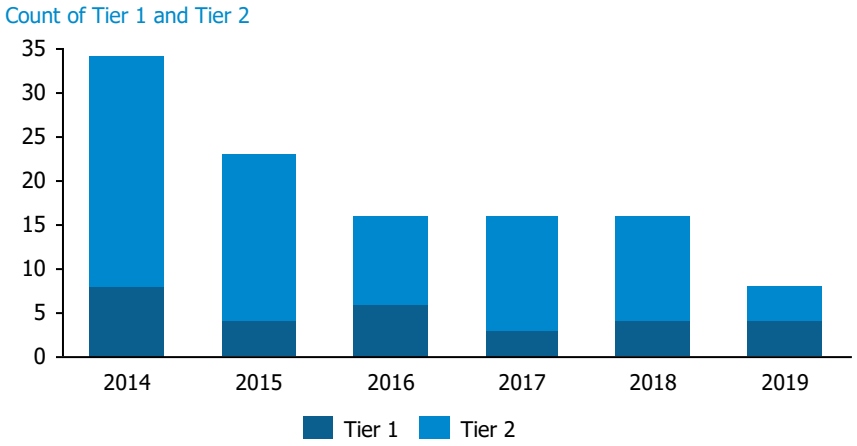
## Santos is committed to being the safest oil and gas operator in Australia and preventing harm to people and the environment



**Injury frequency rates vs activity levels**




**Loss of containment incidents**




+ As activity levels continue to rise, implementation of Santos' Safety strategy is focused on improving capability and learning

+ Process Safety focus has delivered a decrease in loss of containment incidents

# Disciplined Operating Model drives strong free cash flow

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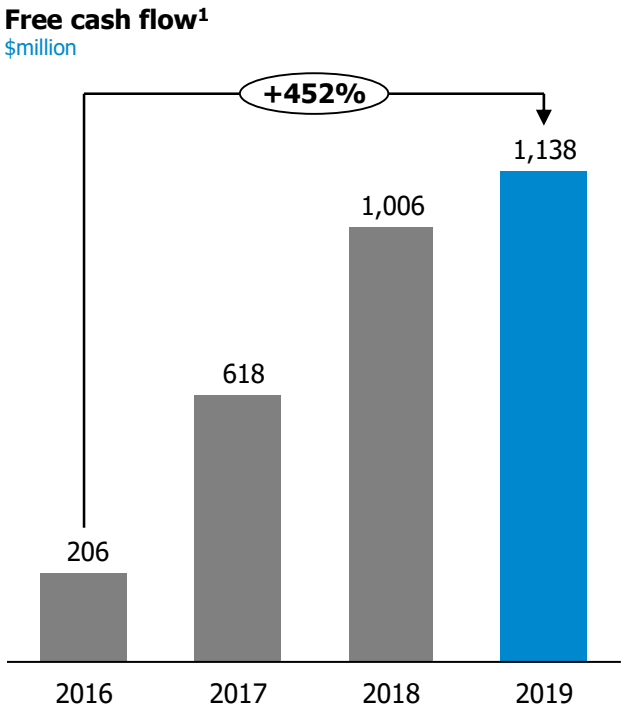
## Record free cash flow of $1,138 million

| | |
|---|---|
| **2016 – 19 FREE CASH FLOW** | **$3 billion** |
| **2019 FREE CASH FLOW BREAKEVEN[2]** | **$29/bbl** |
| **2019 FREE CASH FLOW YIELD[3]** | **~10%** |

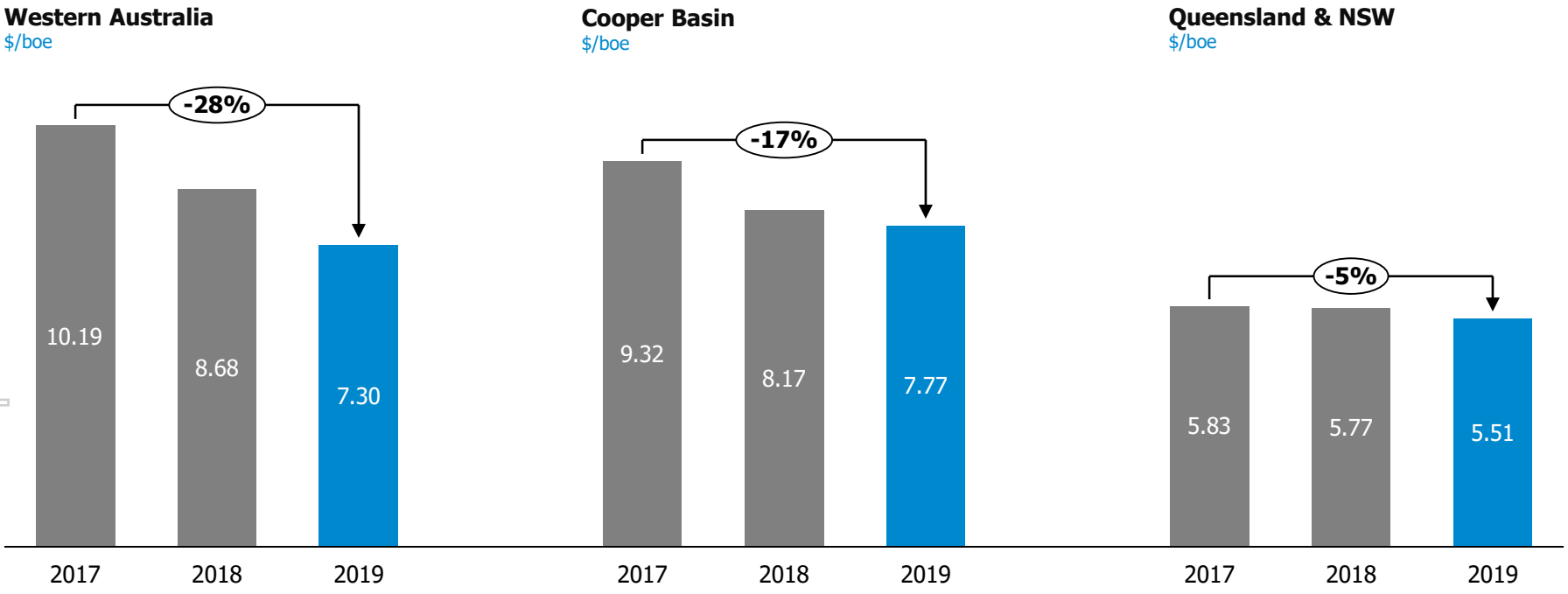



[1] Operating cash flows less investing cash flows (net of acquisitions and disposals and major growth capex) less lease liability payments.
[2] Free cash flow breakeven is the average annual oil price at which cash flows from operating activities (before hedging) equals cash flows from investing activities. Forecast methodology uses corporate assumptions. Excludes one-off restructuring and redundancy costs, asset divestitures and acquisitions, major growth capex and lease liability payments. 2019 free cash flow breakeven after hedging ~$24 per barrel.
[3] Using share price of $8.18 as at 31 December 2019

# Continuing to drive lower-cost operations

Santos

## Disciplined Operating Model delivering lower cash production costs across the operated assets



# Diversified growth leveraging existing infrastructure

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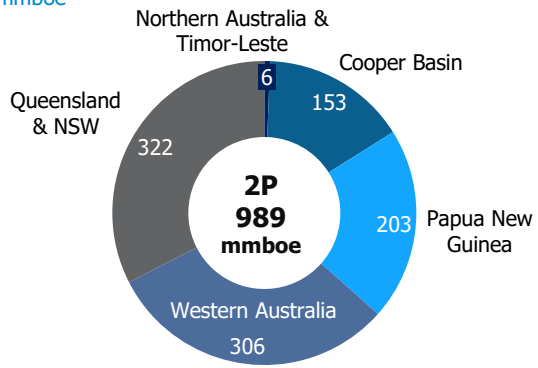
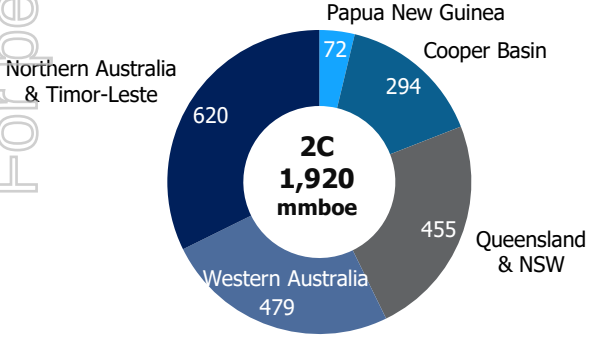
## Targeting 2C conversion of >300 mmboe over 2020-21 from Barossa and Dorado

**2P reserves & 2C contingent resources[1]**
**(excluding ConocoPhillips acquisition)**

mmboe




| Asset hub | Growth projects |
|---|---|
| Northern Australia & Timor-Leste | + Barossa 2C resource ~200 mmboe (STO 25%)<br>+ Barossa FID expected in 2Q 2020 post-completion of the ConocoPhillips acquisition |
| Western Australia | + Dorado 2C liquids resource ~120 mmbbl (STO 80%)<br>+ Dorado FEED expected 2Q 2020 |
| Queensland & NSW | + GLNG ~6.2 mtpa[2] annualised sales expected from 2020<br>+ EIS decision for Narrabri expected 1H 2020 |
| Cooper Basin | + Grow production to ~17-19 mmboe[3] by 2025<br>+ Carbon capture and storage |
| Papua New Guinea | + Work with partners to align interests, and support and participate in backfill and expansion opportunities at PNG LNG |

[1] As at 31 December 2019. Excludes Santos' acquisition of ConocoPhillips' northern Australia interests which is subject to third-party consents and regulatory approvals.
[2] LNG sales volumes plus gas diverted to the domestic market.
[3] Santos share

# Resilience and opportunity in a lower carbon future

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## Long-term aspiration to achieve net-zero emissions by 2050



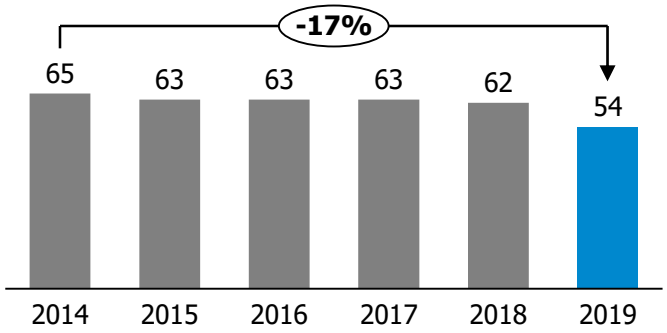
**2020 Climate Change Report released in line with the G20's Task Force on Climate-related Financial Disclosures (TCFD)**

Santos' natural gas-focused portfolio is economically resilient under all of the International Energy Agency's World Energy Outlook 2018 scenarios.

Santos is actively pursuing carbon capture and storage, as this is a critical technology to limit global temperature increases to well below 2 degrees Celsius.

Natural gas has a key role to play in a lower carbon future as it produces 50% less greenhouse gas emissions than coal when used to generate electricity, can significantly improve air quality and is the perfect partner for renewable energy sources.

**Santos emission intensity (Scope 1, equity share)**
ktCO2e/mmboe




**2MW Port Bonython solar PV**

# FEED commenced on Carbon Capture & Storage (CCS) project

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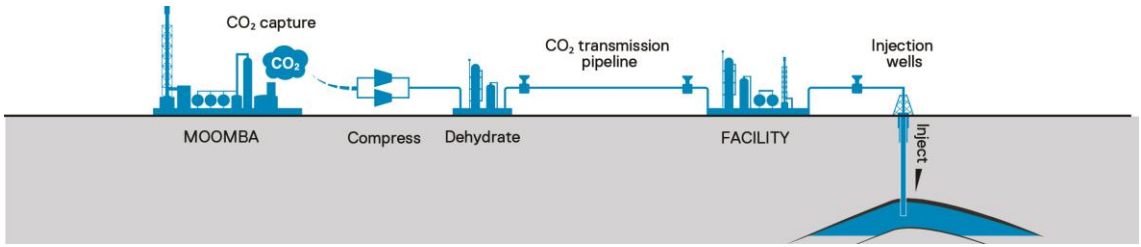
Cooper Basin Carbon Capture and Storage is a scalable opportunity up to ~20 mtpa $CO_2$ storage potential. FEED commenced on 1.7 mtpa CCS project

**CCS provides an opportunity to achieve large-scale emissions reductions at low abatement cost**




**Cooper Basin uniquely placed for CCS**

- + Existing separated industrial $CO_2$ source – Moomba gas plant
- + Long-term experience with gas injection
- + Depleted reservoirs with proven rock seal
- + Santos is collaborating with Occidental Petroleum (OXY), a world-leader in $CO_2$ injection

**Potential value uplift**

- + Offset emissions from other projects through carbon credits
- + Hydrogen industry expressing interest in CCS
- + Enhanced hydrocarbon recovery

# Finance & capital management

Anthony Neilson
CFO

Santos

# Financial discipline

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## Strong financial and operating performance driving shareholder value

| | |
|---|---|
| Record free cash flow generation | + Record free cash flow up 13% to $1,138 million<br>+ 2016-2019 free cash flow $3 billion<br>+ 2019 free cash flow breakeven $29 per barrel before hedging |
| Continued cost out and efficiency gains | + Normalised unit production costs down 8% to $6.97/boe (excludes major shutdowns and impact of PNG earthquake)<br>+ Disciplined Operating Model driving operated asset unit production costs lower<br>+ Average Cooper well costs down 15% to $2.02 million[1] |
| Balance sheet supportive of growth strategy | + Net debt $3,325 million, down 6% (includes $425 million AASB 16 Lease liabilities as at 31 December 2019)<br>+ Gearing 30% at 31 December 2019<br>+ Final dividend US5 cents per share, fully-franked |

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

# Diversified and balanced portfolio

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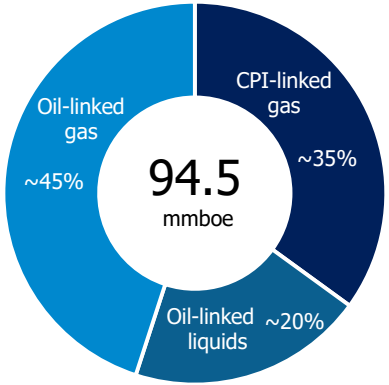
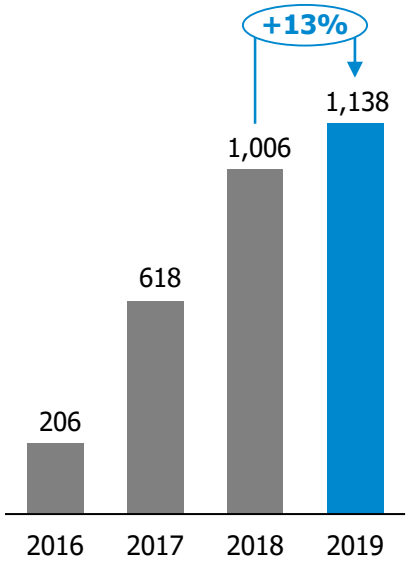
## Strong, sustainable free cash flow through the oil price cycle

**2019 sales volumes**
mmboe




**Free cash flow[1]**
$ million




- Portfolio sales volumes balanced between
  - CPI-linked gas contracts – ~35% of 2019 sales volumes
  - Oil-linked liquids and gas contracts – ~65% of 2019 sales volumes
- Record free cash flow of $1,138 million, up 13%
  - All assets free cash flow positive at <US$40/bbl
- Year-end 2019 free cash flow breakeven[2]
  - ~$29 per barrel before hedging
  - ~$24 per barrel after hedging
- Every $10 per barrel increment in oil price above free cash flow breakeven increases free cash flow by $300-350 million per annum, before hedging

[1] Operating cash flows less investing cash flows (net of acquisitions and disposals and major growth capex) less lease liability payments.
[2] 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, asset divestitures and acquisitions, major growth capex and lease liability payments.

# Our Operating Model in action

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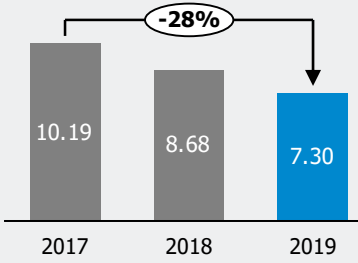
2019 normalised upstream unit production costs down 8% to $6.97 per boe.
Continued capital efficiency focus lowering average onshore well costs



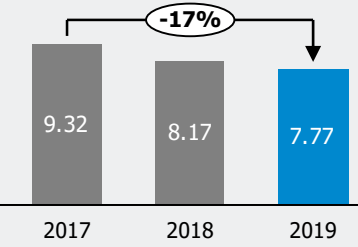
## DISCIPLINED OPERATING MODEL

+ 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

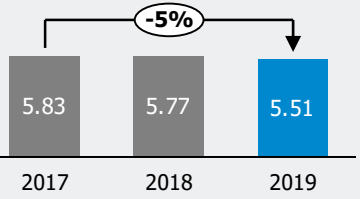
**Western Australia production cost**
$/boe



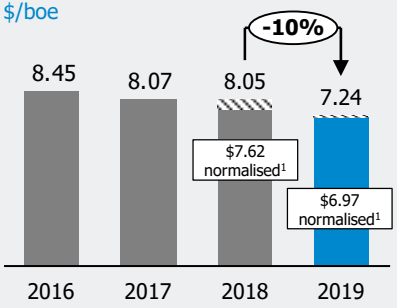

**Cooper Basin production cost**
$/boe



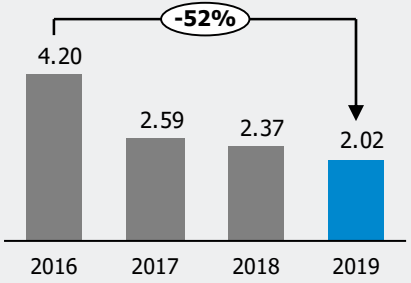

**Queensland & NSW production cost**
$/boe



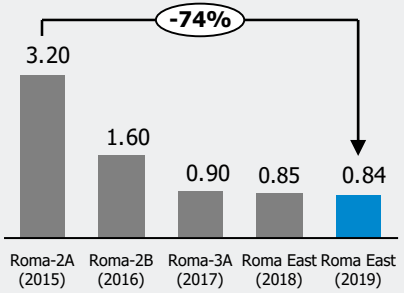

**Total unit production cost**
$/boe




**Cooper Basin well cost[2]**
$million




**Roma well cost - GLNG[3]**
$million




[1] Normalised for impact of planned major maintenance shutdown and PNG earthquake. [2] Vertical and deviated gas development wells (drill stimulate complete). [3] Drill, complete, connect.

# 2019 Full-year financial snapshot

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## Free cash flow up 13% to $1.1 billion

| $ million | 2019 | 2018 | Change |
|---|---|---|---|
| Product sales revenue | 4,033 | 3,660 | 10% |
| EBITDAX | 2,457 | 2,160 | 14% |
| Underlying profit[1] | 719 | 727 | (1)% |
| Net profit after tax | 674 | 630 | 7% |
| Operating cash flow | 2,046 | 1,578 | 30% |
| Free cash flow[2] | 1,138 | 1,006 | 13% |
| Full-year dividends (UScps)[3] | 11.0 | 9.7 | 13% |

[1] For a reconciliation of 2019 Full-year net profit to underlying profit, refer to Appendix.
[2] Operating cash flow less investing cash flows (net of acquisitions and disposals and major growth capex) less lease liability payments.
[3] Incorporates final dividend of US5 cents per share.

# Record free cash flow generation

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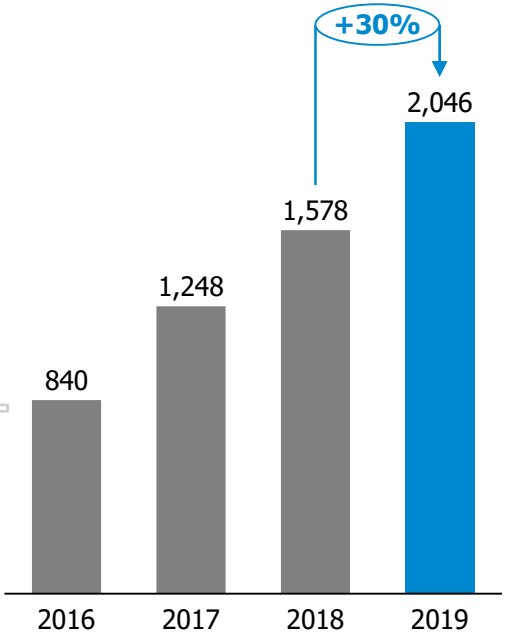
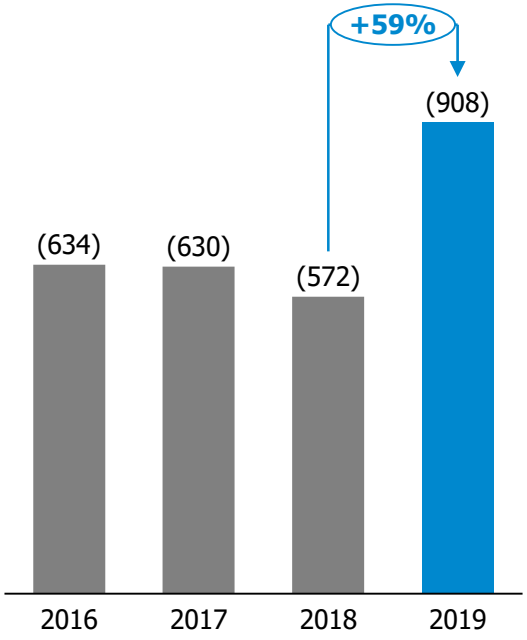
## Free cash flow up 13% to $1,138 million



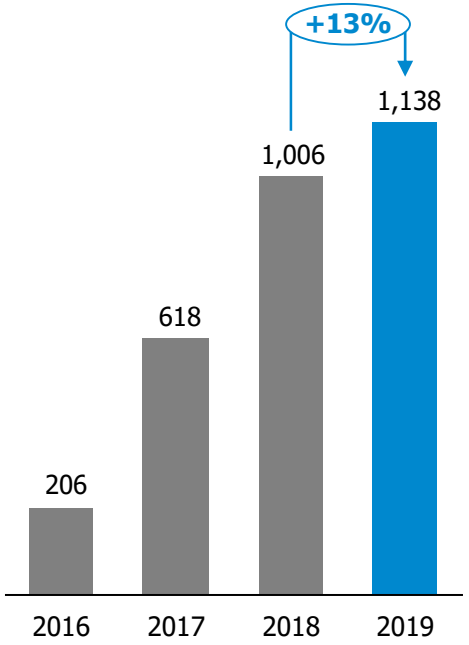
**Operating cash flow**
$ million




**Investing cash flow[1]**
$ million




**Free cash flow[1]**
$ million




[1] Excludes acquisitions / divestments, major growth capex and lease liability payments.

# Underlying earnings

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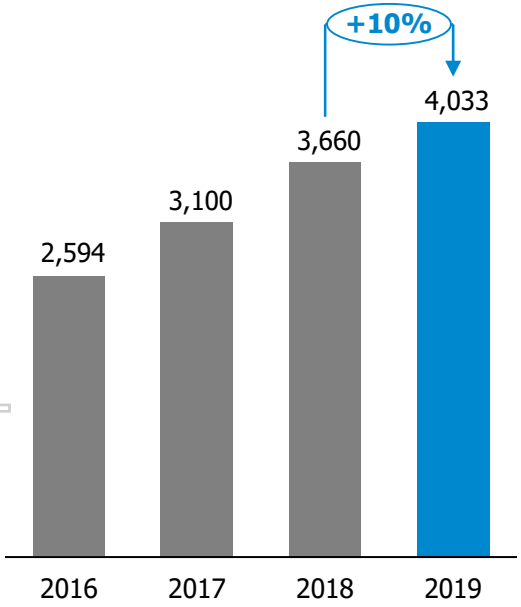
## Higher sales revenue and EBITDAX. Underlying profit stable



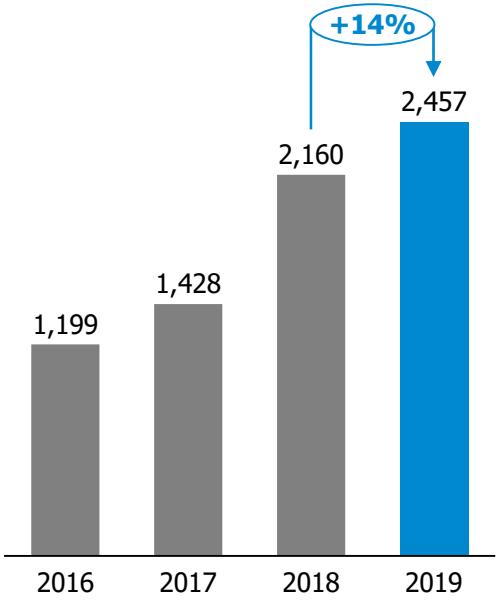
**Product sales revenue**

$ million



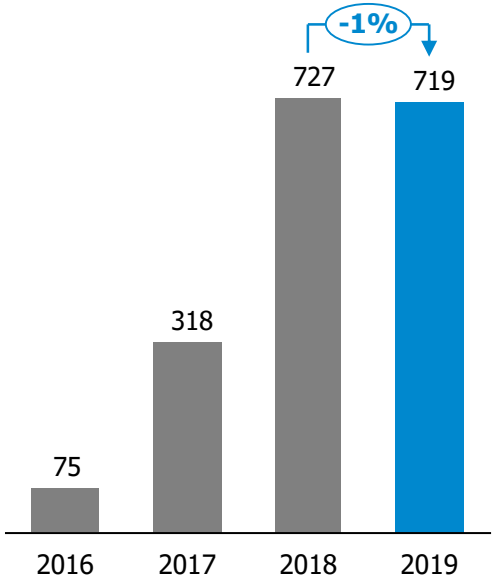

**EBITDAX**

$ million




**Underlying profit[1]**

$ million




[1] Underlying profit excludes the impacts of asset acquisitions, disposals and impairments, and the impact of hedging.

# Cash generative Operating Model continues to drive value

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## Diversified portfolio delivering EBITDAX growth and strong margins across all assets



**2019 Full-year results summary[1]**

| | Cooper Basin | Qld & NSW | PNG | Nth Aust & T-L | WA | Santos |
|---|---|---|---|---|---|---|
| **Total revenue** $million | 1,164 | 1,055 | 663 | 165 | 955 | 4,186 |
| **Production cost** $/boe | 7.77 | 5.51 | 5.21[2] | 21.75 | 7.30 | 6.97[2] |
| **Capex** $million | 308 | 260 | 51 | 50 | 270 | 1,016 |
| **EBITDAX** $million | 529 | 624 | 540 | 102 | 684 | 2,457 |
| **EBITDAX** margin | 45% | 59% | 81% | 62% | 72% | 59% |

[1] Corporate segment not shown.
[2] Normalised for impact of PNG earthquake.

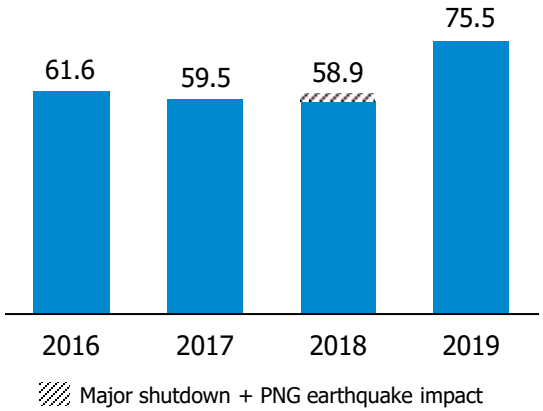
- Total revenue up 11% on 2018 due to higher volumes with the resumption of full production from PNG LNG following the earthquake in 1H18 and higher gas volumes due to the acquisition of Quadrant Energy, partially offset by lower commodity prices
- Average realised oil price down 4% to $71.99/bbl (a premium of ~$8/bbl to dated Brent)
- Normalised unit production costs down 8% to $6.97/boe
- Capex 34% higher due to the 4-well WA offshore drilling program, including the successful Corvus and Dorado appraisals, and increased activity across the Cooper Basin and GLNG within the disciplined Operating Model
- Group EBITDAX margin 59%. All assets have EBITDAX margins ≥45%
- All assets free cash flow positive at <US$40/bbl

# Production and sales volumes

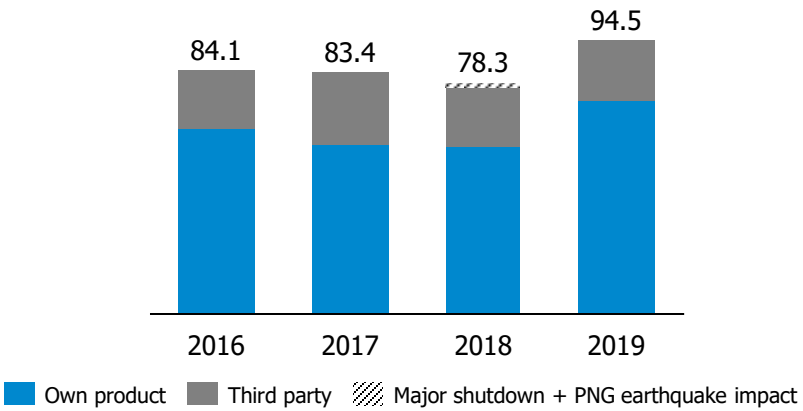
Santos

## PNG LNG resumes full production and Quadrant acquisition provides significant boost

**Production**
mmboe




**Sales volume**
mmboe




+ Production volumes were 16.6 mmboe higher than 2018, mainly due to the resumption of full production in PNG following the impact of the earthquake and the inclusion of Quadrant Energy. This was partly offset by the sale of the Asian assets in September 2018

+ Sales volumes were 16.2 mmboe higher than 2018 as a result of the acquisition of Quadrant Energy and PNG LNG resuming full production following the impact of the earthquake

# Production costs

Santos

## Continued cost discipline. Normalised unit production costs down 8% to $6.97/boe



**2019 upstream unit production costs**

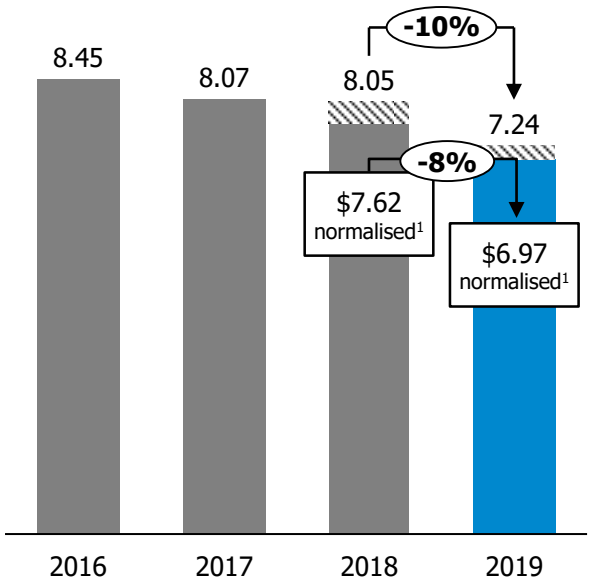
- Sustained cost improvement and operating efficiencies
- Unit upstream production costs $7.24 per boe, down 10%, impacted by PNG LNG earthquake recovery costs in opex
  - Excluding the impact of PNG LNG, normalised unit production costs down 8% to $6.97 per boe
- Unit upstream production costs lower than YE18 across all operated assets
  - Western Australia $7.30/boe, down 16%
  - Cooper Basin $7.77/boe, down 5%
  - Queensland & NSW $5.51/boe, down 5%

**2020 upstream unit production cost guidance**

- $7.00-7.40 per boe including all planned shutdown activity and PNG LNG earthquake recovery costs in opex
- Normalised unit upstream production costs expected to be consistent with 2019

**Upstream unit production costs**

$/boe




[1] Normalised for impact of planned major maintenance shutdown and PNG earthquake.

# Capital expenditure

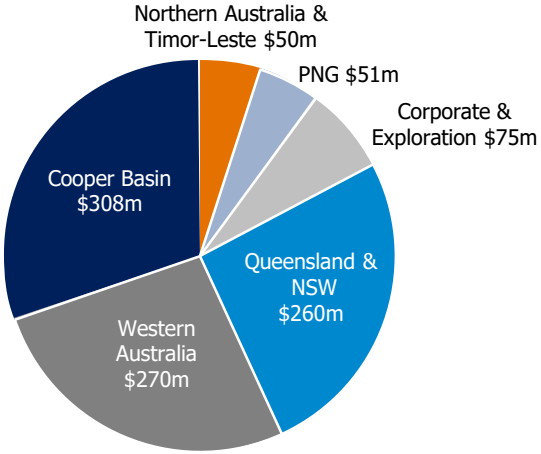
Santos

## Record number of onshore wells and successful Dorado appraisal

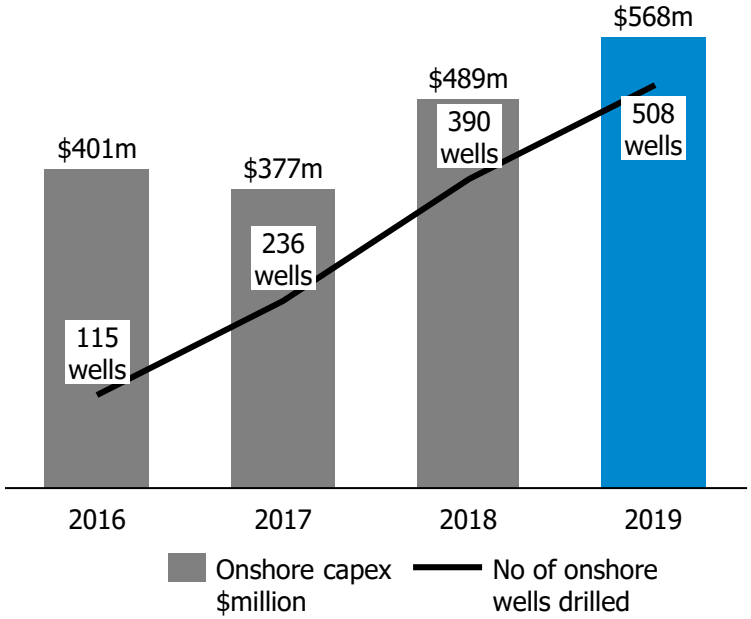


**2019 capital expenditure $1,016 million**

- Cooper Basin drilled 115 wells
- GLNG drilled a record 393 wells
- Western Australia offshore program including successful Dorado and Corvus appraisal wells
- Barossa FEED and long-leads




**Onshore efficiencies.**
**More wells for less capex per well**




Capital expenditure incurred includes abandonment expenditure but excludes capitalised interest.

# Debt and liquidity

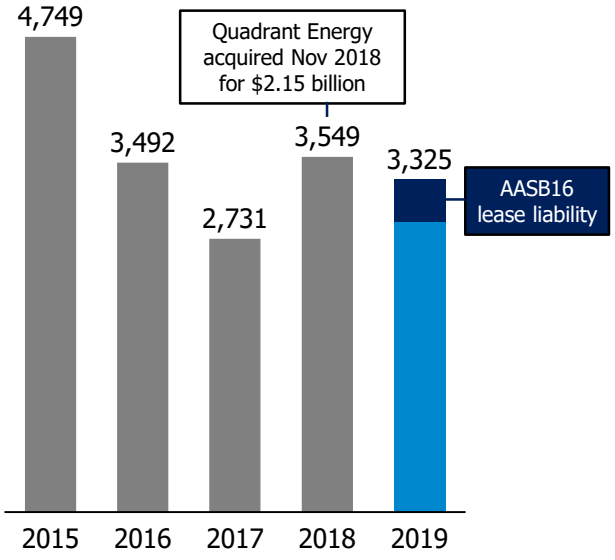
Santos

## Net debt $3,325 million. Ample liquidity of $2,937 million

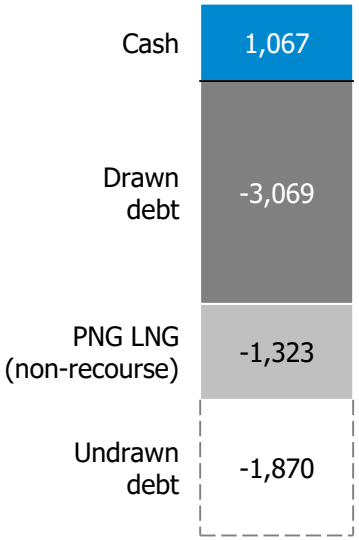


- Strong free cash flows. Net debt reduced to $3,325 million (includes $425 million AASB 16 Lease liabilities) as at 31 December 2019
- Gearing 30% (including AASB 16) as at 31 December 2019
- Ample liquidity in place
  - $1,067 million in cash
  - $1,870 million in committed undrawn debt facilities
- Flexibility to optimise the broader Santos asset portfolio through strategically aligned farm-outs and disposals
- S&P Global Ratings affirmed Santos' BBB- (stable) long-term issuer credit rating on 13 October 2019 noting that the company's current balance sheet capacity can accommodate the ConocoPhillips acquisition

**Net debt**
$million




**Cash, debt and undrawn debt facilities as at 31 December 2019**
$million




[1] Drawn debt includes $425 million AASB 16 Lease liabilities standard adopted 1 January 2019.

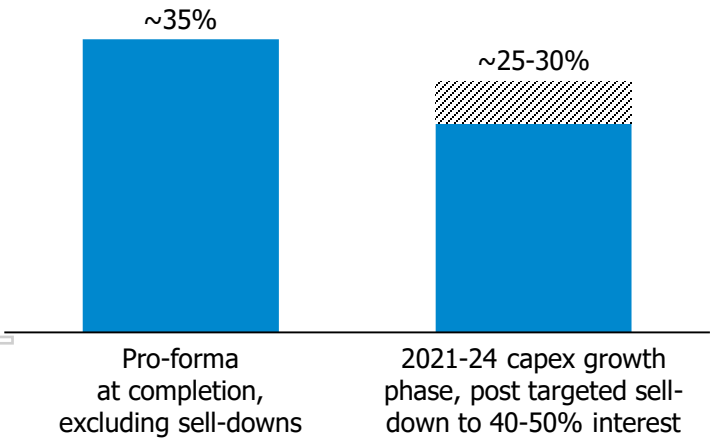
# Stable cash flows underpin strong de-leveraging and liquidity

Santos

## Targeting medium term gearing ratio of 25-30%, with sufficient flexibility to address all future capital expenditure requirements and maintain sustainable dividend

**Gearing post growth funding and dividends[1]**

Net debt / (Net debt + Equity)




Projected gearing profile assumes FID for PNG LNG expansion, Barossa backfill to DLNG, Dorado oil and sell-down of interests in the acquired assets

**Disciplined capital management**

- De-gearing supported by Santos' strong free cash flow profile and through a potential sell-down of interests in the acquired ConocoPhillips assets
- Gearing of ~25-30% is planned during the major capex growth phase, post expected sell-down of interests in Barossa and Darwin LNG to Santos' targeted 40-50% interest
- Expect to be able to fund all major growth at a US$60/bbl oil price and maintain gearing around 35% in the event of no sell-downs of Barossa and Darwin LNG
- Major growth capex and dividend to be fully-funded from operating cash flow and debt
  - Dividend to be maintained through the major growth capex phase, consistent with the sustainable dividend policy
- Rapid de-gearing expected from 2025 onwards
- Flexibility to optimise the broader Santos asset portfolio through strategically aligned farm-outs and disposals

[1] Assumes US$65 per barrel flat real oil price and full-year of ownership of the acquired interests in 2019.

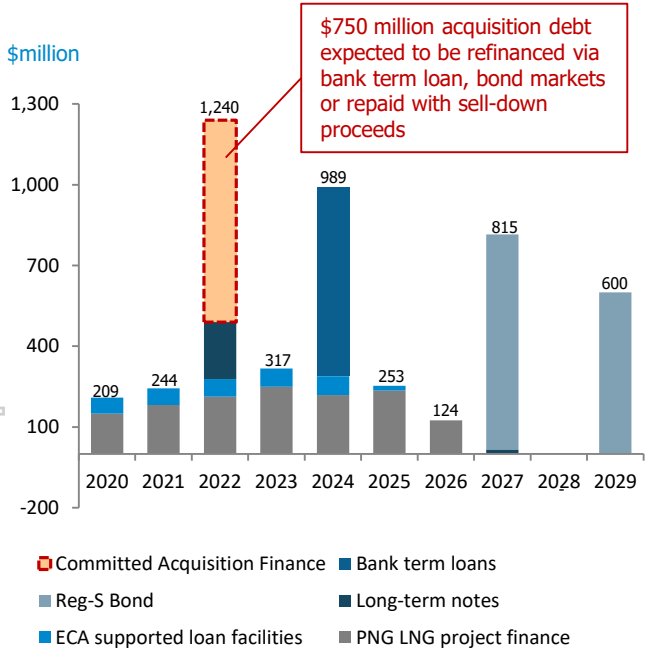
# Drawn debt maturity profile

Santos

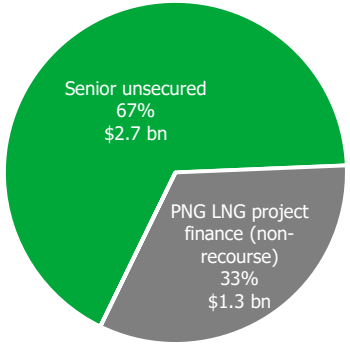
## No material near-term maturities



### Drawn debt maturity profile[1]

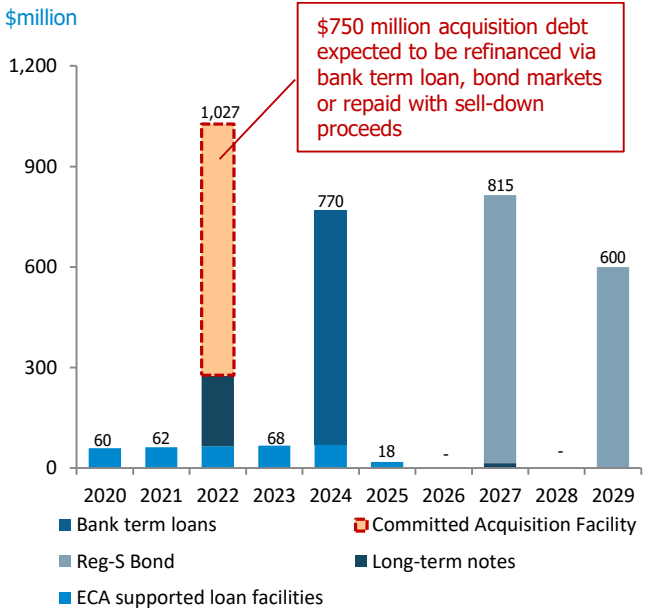



### Breakdown of drawn debt facilities[1]




+ Weighted average term to maturity ~5.2 years

### Drawn debt maturity profile excluding PNG LNG project finance[1]




[1] As at 31 December 2019. Excludes leases and derivatives.

# Operations review

Kevin Gallagher
Managing Director & CEO

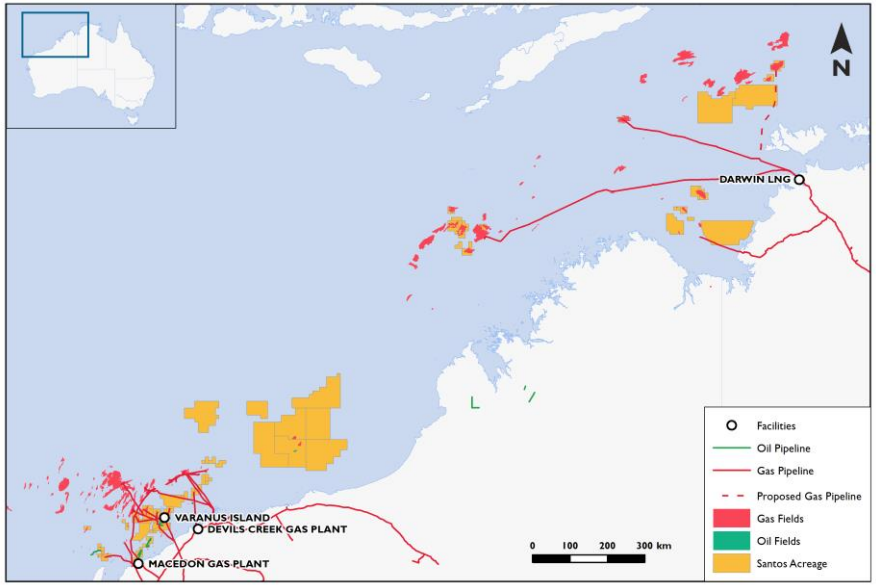
Santos

# Offshore conventional business with major growth

Santos

## High quality portfolio of operated production and near field development and exploration assets

| | |
|---|---|
| **Strong cash margin, low-cost operating business** | + WA EBITDAX margin 72%, up 5%<br>+ WA unit production cost $7.30 per boe, down 16%<br>+ Pyrenees and Van Gogh crude oil achieving strong premiums to Dated Brent |
| **Portfolio of high quality, low-cost near-field gas and oil tieback opportunities** | + Van Gogh infill Phase 2<br>+ Pyrenees infill phase 4<br>+ Spartan sub-sea tieback<br>+ Bayu-Undan end of field life extension opportunity |
| **Conventional low-cost of supply growth through Barossa and Dorado** | + Barossa backfill to Darwin LNG FID expected in 2Q 2020, post-completion of the ConocoPhillips acquisition<br>+ Dorado FEED targeted for 2Q 2020 |



# Gas and oil infill and tieback opportunities

Santos

Near field tieback and infill opportunities across the gas and oil business offer low-cost, short cycle investment options



**Van Gogh infill Phase 2**

- Santos Board approval for Phase 2 infill program
- Three dual laterals targeting undrained parts of the field
- First oil targeted for late 2021

**Pyrenees infill Phase 4**

- High uptime and further water handling debottlenecking
- Select phase studies and further definition underway
- Combination of side-tracks and new drill options

**Spartan subsea tieback**

- Single well subsea development
- Backfill into Varanus Island
- Targeted for 4Q 2020 FID

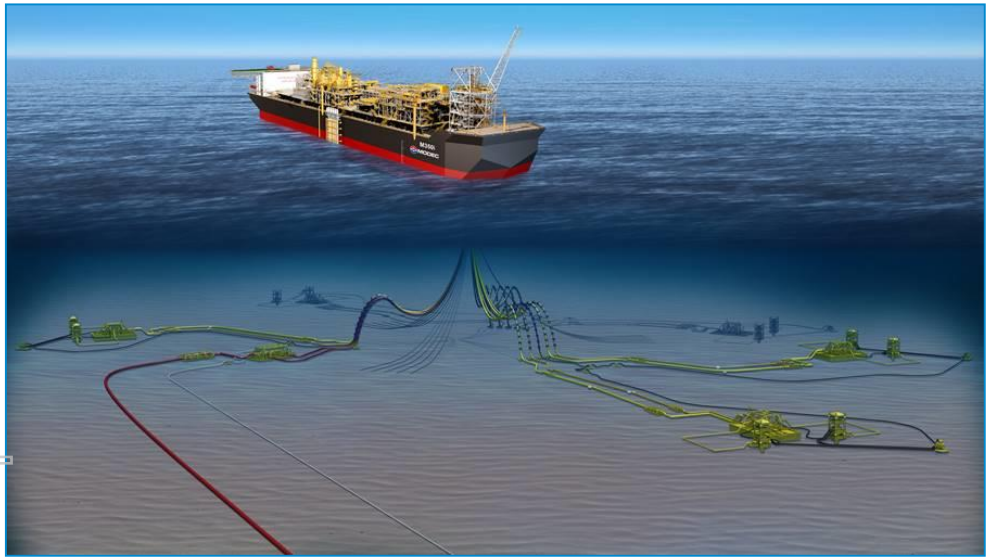
**Bayu-Undan infill opportunities**

- Bayu-Undan end of field life extension opportunities being assessed

# Barossa Project

Santos

## Completion of ConocoPhillips acquisition expected end-1Q 2020. Barossa project advancing towards FID with major contracts awarded



- Completion of ConocoPhillips acquisition expected around the end of 1Q 2020, subject to third-party consents and regulatory approvals
- Barossa backfill to Darwin LNG FID expected in 2Q 2020, post-completion of the ConocoPhillips acquisition
- Major contracts awarded, with Modec FPSO selection offering lower carbon footprint through innovative design
- Capex to first gas estimated to be ~$4.7 billion (gross)
- Barossa and DLNG partners are in advanced discussions to finalise processing agreement for Barossa gas
- Advanced discussions with LNG buyers
- Santos is prepared to sell-down to 40-50% interest in Barossa and is in discussions with existing DLNG partners and other parties
- LOI signed with SK E&S for 25% interest in Darwin LNG and Bayu-Undan
- Infill drilling opportunities being evaluated to extend the life of the Bayu-Undan reservoirs

# Barossa Project assurance

Santos

## Integrated assurance process complete and project is FID-ready



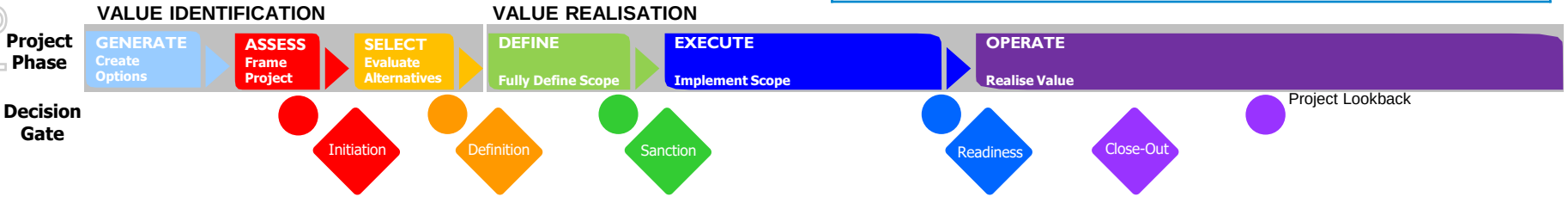
| | |
|---|---|
| **Operator Project assurance process** | + ConocoPhillips assurance process as operator (pre-Santos acquisition) |
| **External reviews** | + IPA (Independent Project Analysis)<br>+ RISC – Reserves, subsurface and development costs |
| **Santos Project assurance** | + Santos Operating Committee assurance<br>+ Pre-FID process closeout |

| Subsurface | Wells | Facilities |
|---|---|---|

+ Individual discipline reviews following Santos' SMS standards
+ External involvement from specialists on key focus areas
+ Input into multi-disciplinary integrated review

| Integrated Review | | |
|---|---|---|
| Operations | Commercial | Sales & Marketing |
| Stakeholder & Approvals | Procurement & Contracts | Subsurface & Prod Tech |
| EHSS | Human Resources | Cost & Schedule |
| Implementation | Economics | Facilities & Quality |
| Risk Management | Drilling & Completions | Legal |

## Santos Project Delivery Phases

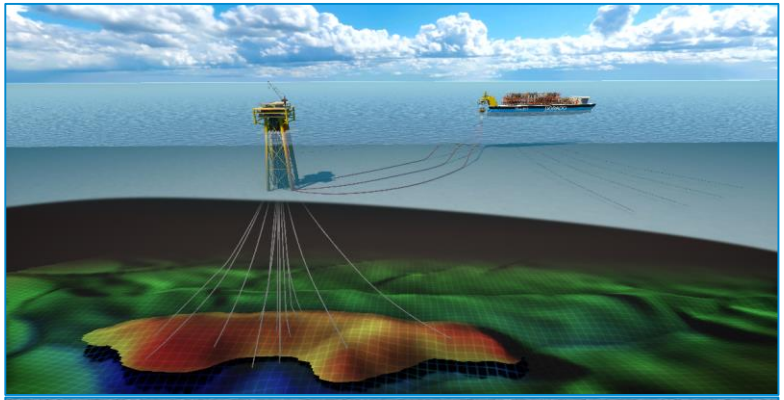


# Dorado development

Santos

## Successful appraisal programme has de-risked development options for the field. Preferred concept is FPSO and wellhead platform development, targeting FEED in 2Q 2020

- Preferred development concept is an initial phase of oil and condensate development followed by future phase of gas export
- Recoverable liquids resource 153 mmbbl 2C gross, 122 mmbbl 2C STO net
- Low $CO_2$ resource, with gas injection in support of enhanced oil recovery
- Shallow water depth allows for simple wellhead platform (WHP) and FPSO development
- 8 to 10 platform wells at start-up (including gas injection wells)
- FEED targeted for 2Q 2020
- Based on new build FPSO:
  - Estimated initial gross oil production rate expected to be between 75-100 kbbl per day[1]
  - Estimated gross capex to first oil expected to be between $1.9 - 2.2 billion[1]
- FPSO re-deployment and lease options under consideration could reduce capex



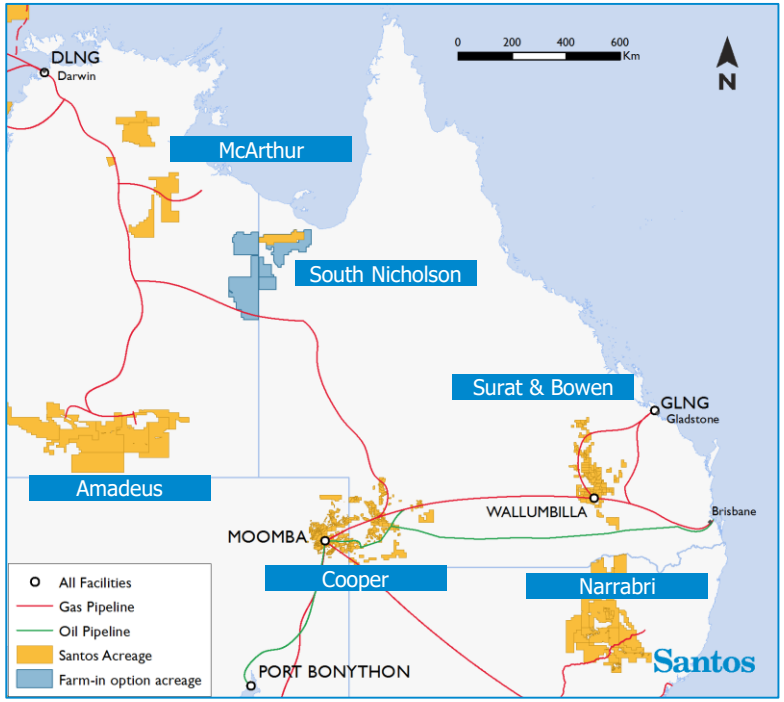

[1] Subject to concept select and detailed front-end engineering and design.

# Integrated onshore business with market optionality

Santos

## Onshore assets connected to domestic markets and strong long-term Asian demand for LNG

| | |
|---|---|
| **Australia's lowest cost onshore operator** | + Growth self-funded by low-cost disciplined Operating Model<br>+ Driving capital efficiency to unlock additional resources |
| **Cooper Basin high value swing producer** | + 183% reserve replacement in 2019<br>+ Carbon capture and storage potential |
| **GLNG 6 mtpa run-rate target achieved in October 2019** | + Now expecting ~6.2 mtpa from 2020 due to strong upstream field performance |
| **Narrabri EIS decision expected 1H 2020** | + 100% gas earmarked for the domestic market |
| **Northern Territory** | + Strong exploration and appraisal inventory<br>+ Successful gas discovery at Tanumbirini-1 vertical well, McArthur Basin |



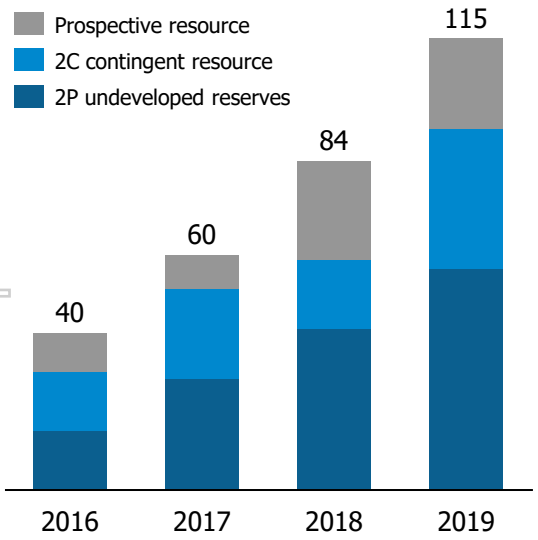
# Cooper Basin reserve replacement 183% in 2019

Santos

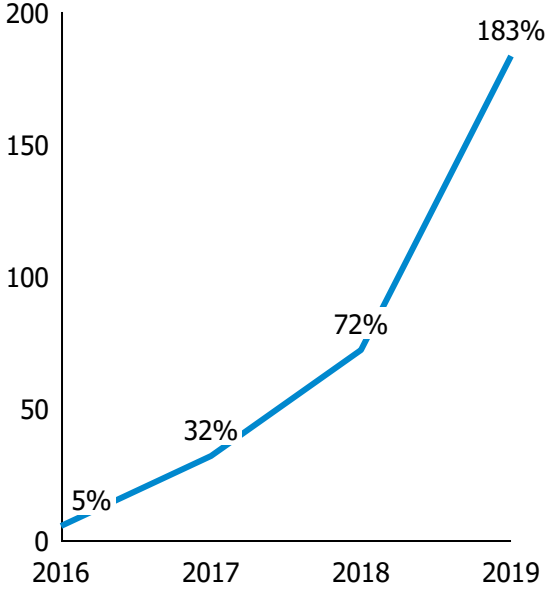
## Successful drilling activity and appraisal programs delivered strong reserves replacement



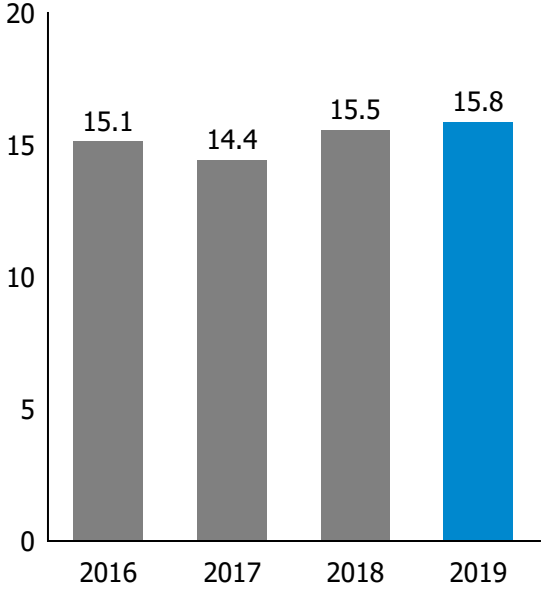
**Wells drilled**
**Targeting ~95 wells in 2020, including 6 horizontal wells**
No of wells per year




**2P reserves replacement ratio**
%




**Production**
mmboe



# Cooper Basin

Santos

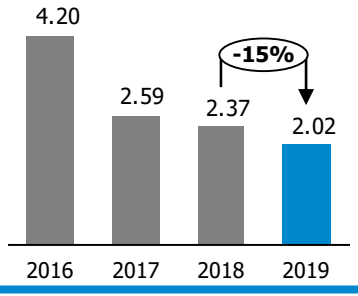
## Continue to focus on lowering unit development costs to unlock resources to drive future production growth



### Continued efficiency focus

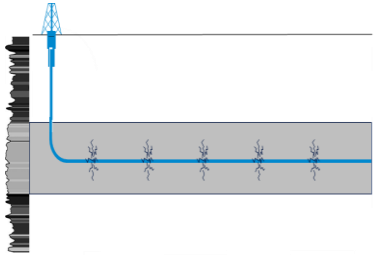
- Well costs down 15% to $2.02 million
- Moomba South appraisal success: 18 mmboe 2P reserve upgrade
- Underbalanced drilling enhancing reservoir deliverability and project cycle times

**Cooper Basin well cost[1]**
$million



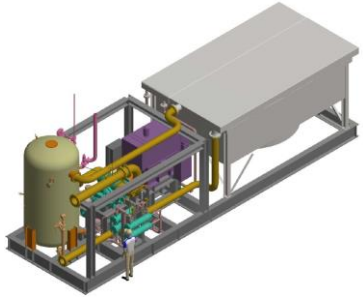

### 2020 drilling program

- Expect to drill 95 wells including 6 horizontal wells
- Moomba South Phase-2 eight-well development program commenced Q1 2020
- Moomba South Granite Wash upside. Expect to drill 2 vertical appraisal wells in 2020



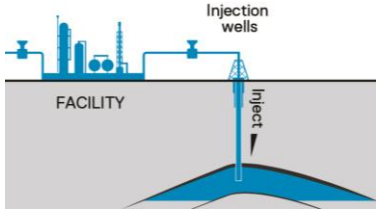
### Optimisation and reliability program

- Increase reliability through fewer, centralised, standardised, modular compressors
- Electric drive compression to reduce fuel gas use
- Expected to deliver up to ~10 TJ/d additional production by reducing fuel gas



### Carbon capture & storage (CCS)

- FEED commenced on 1.7mtpa CCS project
- Scalable opportunity up to ~20 mtpa $CO_2$ storage potential




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

# Queensland

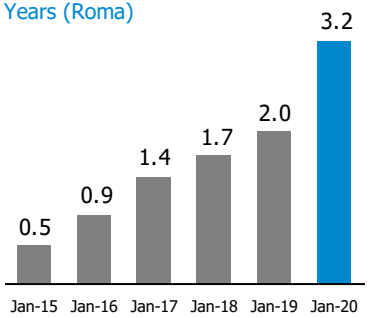
Santos

## GLNG target increased to 6.2 mtpa annualised sales from 2020

### Continued efficiency focus

- Continued focus on well-reliability and cost efficient operations
- Year-end gross upstream sales gas production 622 TJ/d
- GLNG 6 mtpa annualised sales run-rate achieved in October

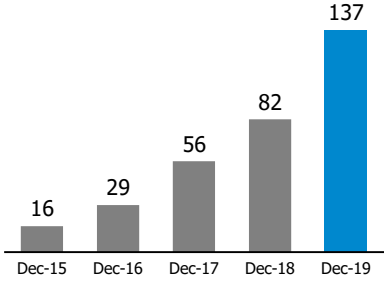
**Mean time between failure**
Years (Roma)




### Strong Roma ramp-up

- Year-end gross sales gas production up 67% to 137 TJ/d
- Roma next phase of development sanctioned ~250 wells
- 314 (of 444) wells connected[2]
- Last well online forecast Q3 2020

**Roma sales gas production**
TJ/d (gross)

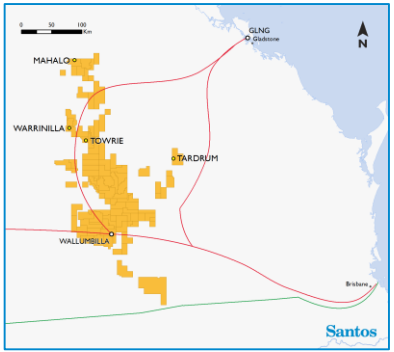



### Arcadia production growing

- Production 15 TJ/d at year-end
- Compression hub delivered within 12 months. ~15% cost improvement[1]
- Final compressor online Q1 2020
- All 137 wells drilled; 104 online[2]

### Eastern Queensland growth

- Successful 2019 exploration and appraisal program proximal to infrastructure to benefit from rapid tie-ins and short cycle days to sales
- Maximising value using our regional expertise and low cost Operating Model




[1] Compared to Scotia facility installed on a $/horsepower installed basis.
[2] January 2020.

# Narrabri gas project

Santos

## Strong demand for natural gas in New South Wales



**100% of Narrabri gas earmarked for the domestic market**

+ Gas supply MOUs signed with Perdaman, Brickworks and Weston Energy
+ Near-term supply to local industry
+ Current Narrabri production supplies Wilga Park Power Station powering the equivalent of >23,000 homes in North West NSW

**EIS approval process nearing completion**

+ EIS determination expected 1H 2020
+ Expanded power generation to 22MW. Online 1Q 2020. Increasing power supply to the region equivalent to >32,000 homes

**Appraisal plans defined**

+ Ready to drill
+ Planning for 150 TJ/d phased development
+ Application of Santos' disciplined low-cost operating model leveraging onshore development experience to create additional value

**Wilga Park Power Station - expanded capacity 22MW**

# Onshore Northern Territory

Santos

## Tanumbirini-1 well test progresses new gas play in Beetaloo Sub-basin



**Gas discovery at Tanumbirini-1 vertical well, Beetaloo Sub-basin/McArthur Basin**

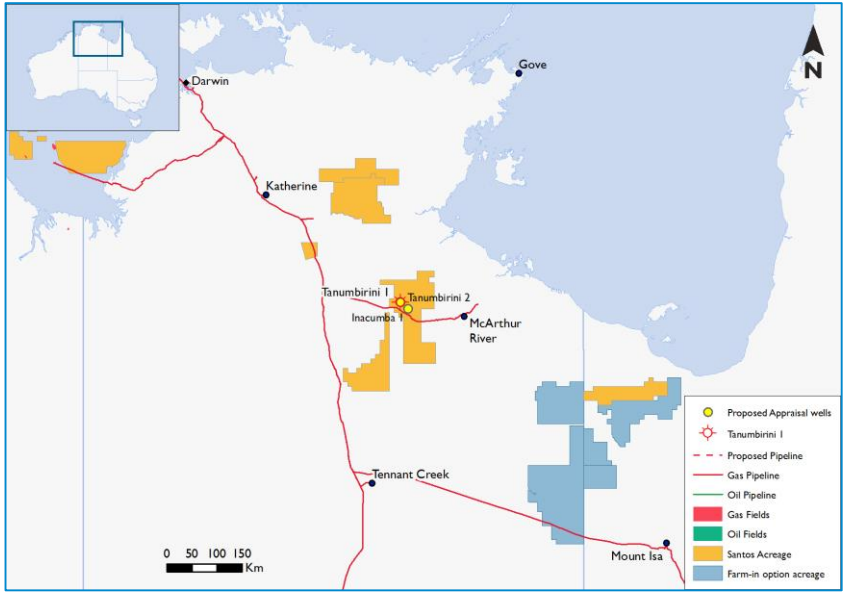
- Success with four-stage stimulation program in the Middle Velkerri shales
- Gas flow rates of >1.2 mmscf/d exceeded initial expectations
- Preliminary gas composition analysis indicates >91% methane, less than 5% total inert content and 3% ethane
- Initial resource booking
- New licence awarded in the Beetaloo Basin

**2020 appraisal program**

- Expect to commence drilling in the first half of 2020 followed by multi-stage stimulation of two horizontal wells: Tanumbirini-2H & Inacumba-1H

**South Nicholson Basin farm-in entry**

- In Q4 2019, Santos farmed-in to an extensive new operated exploration play footprint, across multiple jurisdictions in the South Nicholson Basin
- Multi-TCF shale gas play analogous to Beetaloo



# Summary

Santos

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

| | |
|---|---|
| Record free cash flow | ✓ |
| 2019 free cash flow breakeven $29/bbl before hedging | ✓ |
| Significant Dorado 2C resource upgrade in 2019. Material development project | ✓ |
| ConocoPhillips acquisition announced. Barossa project advancing towards FID | ✓ |
| Cooper Basin reserve replacement 183% in 2019 | ✓ |
| FEED commenced on Cooper Basin Carbon Capture and Storage (CCS) project | ✓ |
| Balance sheet supportive of growth strategy | ✓ |

# Appendix

Santos

# Financial performance

Santos

## EBITDAX up 14% to $2.5 billion. Reported NPAT up 7% to $674 million

| $million | 2019 | 2018 | Var |
|---|---|---|---|
| Total revenue | 4,186 | 3,773 | 11% |
| Production costs | (546) | (474) | 15% |
| Other operating costs | (306) | (315) | (3%) |
| Third party product purchases | (885) | (847) | 4% |
| Other[1] | 25 | (56) | nm |
| Foreign exchange (losses)/gains | (11) | 146 | nm |
| Fair value (losses) on commodity hedges | (6) | (67) | nm |
| **EBITDAX** | **2,457** | **2,160** | 14% |
| Exploration and evaluation expense | (103) | (105) | (2%) |
| Depreciation and depletion | (1,000) | (667) | 50% |
| Impairment losses | (61) | (100) | (39%) |
| Change in future restoration | 2 | 46 | nm |
| **EBIT** | **1,295** | **1,334** | (3%) |
| Net finance costs | (277) | (228) | 21% |
| **Profit before tax** | **1,018** | **1,106** | (8%) |
| Tax (expense) | (344) | (476) | (28%) |
| **Profit after tax** | **674** | **630** | 7% |
| **Underlying profit** | **719** | **727** | (1%) |

- Total revenue up 11% due to higher sales volumes from the resumption of full production from PNG LNG following the earthquake in 1H18 and higher gas volumes due to the acquisition of Quadrant Energy, offset by lower commodity prices
- Average realised oil price down 4% to $71.99/bbl and average realised LNG price down 1% to $9.77/mmBtu
- Lower unit production costs/boe
- Santos Ltd and majority of subsidiaries changed functional currency from AUD to USD effective 1 January 2019, reducing exposure to FX gains and losses
- Net impairment charge of $61 million before tax primarily due to reassessment of abandonment liability for Barrow Island
- Higher net finance costs mainly due to increased interest expense from higher net debt post the acquisition of Quadrant Energy
- Effective tax rate 34% including PRRT

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

# Sales revenue

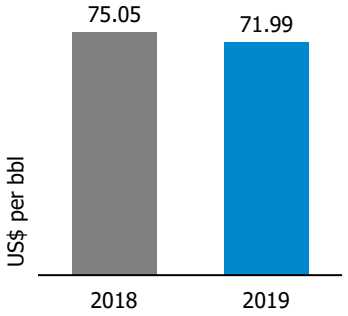
Santos

## Higher sales volumes offset by lower average commodity prices

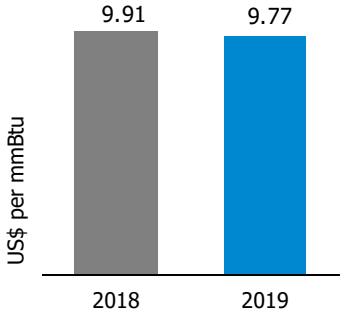
| $million | 2019 | 2018 | Var |
|---|---|---|---|
| **Sales Revenue (incl. third party)** | | | |
| Gas, ethane and liquefied gas | 2,687 | 2,518 | 7% |
| Crude oil | 927 | 757 | 22% |
| Condensate and naphtha | 335 | 300 | 12% |
| Liquefied petroleum gas | 84 | 85 | (1%) |
| **Total[1]** | **4,033** | **3,660** | **10%** |

[1] Total product sales include third-party product sales of $1,022 million (2018: $997 million)

**Average realised crude oil price**

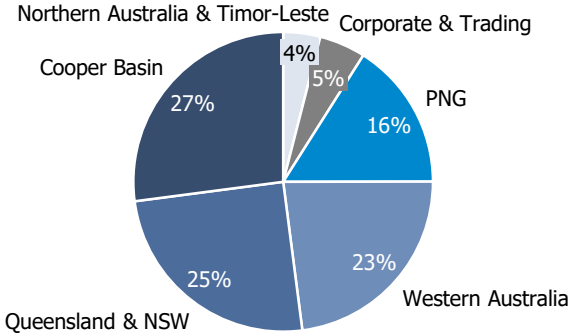



**Average realised LNG price**




- Sales revenue up 10% to $4 billion
- Average realised oil price down 4% to $71.99/bbl (a premium of ~$8/bbl to dated Brent)
- Average realised LNG price down 1% to $9.77/mmBtu
- Santos' high-quality crudes in Western Australia and the Cooper Basin achieving a strong premium to benchmarks

**2019 sales revenue by asset**



# Significant items

Santos

## Reconciliation of full-year net profit to underlying profit

| $million | 2019 | 2018 |
|---|---|---|
| **Net profit after tax** | **674** | **630** |
| Add/(deduct) significant items after tax | | |
| Impairment losses | 46 | 94 |
| Net gains on asset sales | (8) | (94) |
| Fair value adjustments on derivatives and hedges | 7 | 48 |
| One-off acquisition and disposal costs | - | 49 |
| **Underlying profit** | **719** | **727** |

# Free cash flow

Santos

## Calculation of 2019 full-year free cash flow

| $million | 2019 |
|---|---|
| **Operating cash flows** | **2,046** |
| Deduct Investing cash flows | (1,033) |
| Add Net acquisitions and disposals | 172 |
| Deduct Lease liability payments | (87) |
| Add Major growth capex (Barossa FEED) | 40 |
| **Free cash flow** | **1,138** |

Lease liability payments are now treated as financing cash flows under AASB 16. To ensure like-for-like comparisons with prior periods, the definition of free cash flow has been updated to operating cash flows less investing cash flows (net of acquisition and disposal payments and major growth capex) less lease liability payments.

Free cash flow is a non-IFRS measure that is presented to provide an understanding of the performance of Santos' operations. The non-IFRS information is unaudited however the numbers have been extracted from the audited financial statements.

# Liquidity and net debt as at 31 December 2019

Santos

## $2.9 billion in cash and committed undrawn debt facilities

| Liquidity ($million) | | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|---|
| Cash | | 1,067 | 1,316 |
| Undrawn bilateral bank debt facilities | | 1,870 | 2,020 |
| **Total liquidity** | | **2,937** | **3,336** |
| Debt ($million) | | | |
| Export credit agency supported loan facilities | Senior, unsecured | 343 | 998 |
| Bank term loan facilities | Senior, unsecured | 695 | 1,193 |
| US Private Placement | Senior, unsecured | 255 | 405 |
| Reg-S bond | Senior, unsecured | 1,380 | 786 |
| PNG LNG project finance | Non-recourse, secured | 1,323 | 1,474 |
| Leases | Leases | 425 | 62[1] |
| Other | Derivatives | (29) | (53) |
| **Total debt** | | **4,392** | **4,865** |
| **Total net debt** | | **3,325** | **3,549** |

[1] Finance leases only as at 31 December 2018. AASB 16 adopted 1 January 2019.

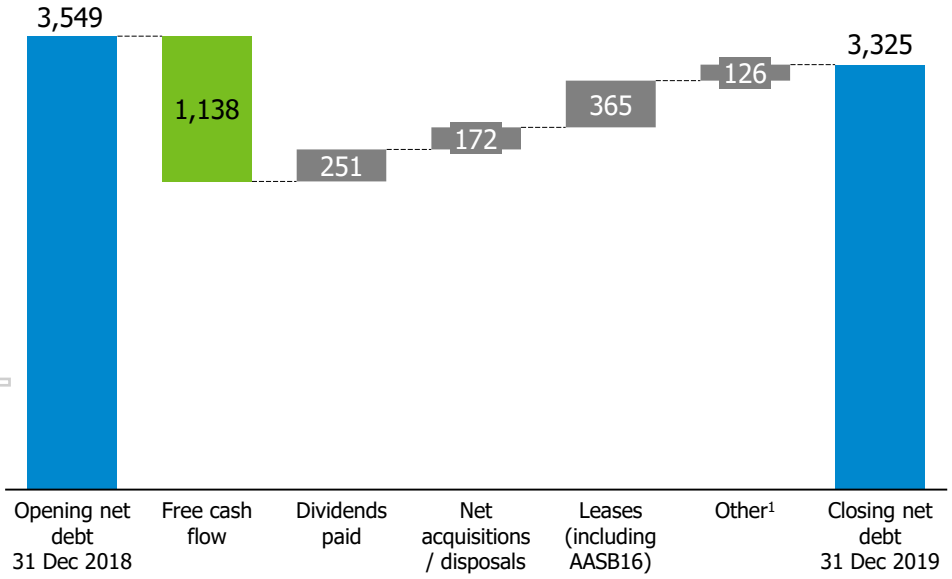
# Net debt reconciliation

Santos

## Net debt reduced to $3.3 billion (including $425 million AASB 16 Lease liabilities) as at Dec 2019



**Reconciliation of movement in net debt**
$million




- Record free cash flow of $1,138 million
- Dividends paid in-line with policy targeting a range of 10% to 30% payout of free cash flow generated per annum
- Net acquisitions/disposals includes ConocoPhillips acquisition deposit
- Leases includes new AASB 16 methodology
- Other includes Barossa major growth capex

[1] Includes major growth capex for Barossa of $40 million.

# Reserves and resources

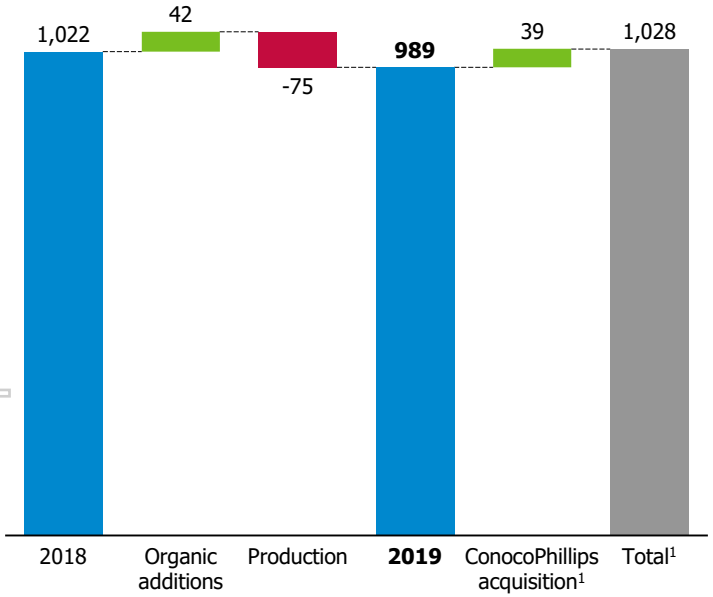
Santos

152% three-year 2P reserves replacement ratio. Cooper Basin 183% 2P RRR in 2019

2C contingent resources increased to >1.9 Bboe primarily due to increases in Dorado and Barossa

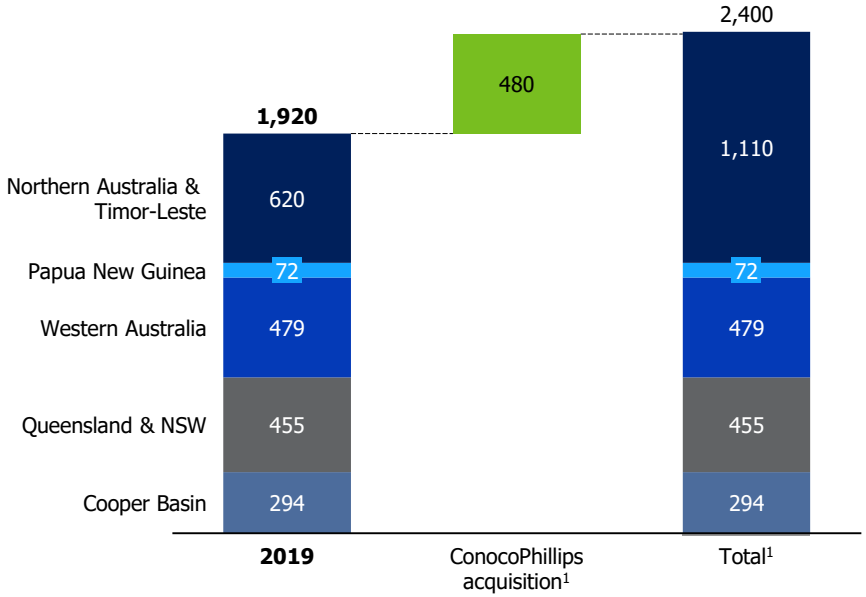
**2P reserves**

mmboe




**2C contingent resources**

mmboe




[1] ConocoPhillips acquisition expected to complete around the end of the first quarter of 2020, subject to third-party consents and regulatory approvals.

# 2020 Guidance

Santos

## 2020 guidance unchanged

| 2020 guidance item | Base business (excl ConocoPhillips acquisition)[1] | ConocoPhillips acquisition (after expected 25% sell-down)[2] | Total |
|---|---|---|---|
| Production | 73-80 mmboe | 6-7 mmboe | 79-87 mmboe |
| Sales volumes | 93-100 mmboe | 6-7 mmboe | 99-107 mmboe |
| Capex – Base<br>Capex – Major growth[3] | | | ~$950 million<br>~$500 million |
| Unit production costs includes all planned shutdown activity and PNG LNG earthquake recovery costs in opex | $7.00-7.40/boe | | To be provided following completion of the ConocoPhillips acquisition |

[1] Completion of the acquisition is expected in the first quarter of 2020 and is subject to third-party consents and regulatory approvals.
[2] Assumes completion of the ConocoPhillips acquisition and expected 25% sell-down to SK E&S both occur on 31 March 2020.
[3] Major growth comprises the Barossa, Dorado and PNG LNG train 3 projects. Assumes sell-down of Barossa to Santos' targeted 40-50% interest range in 2020.

# 2019 Full-year segment results summary

Santos

| US$million | Cooper Basin | Queensland & NSW | PNG | Northern Australia & Timor-Leste | Western Australia | Corporate explor'n & elimins | Total |
|---|---|---|---|---|---|---|---|
| **Revenue** | **1,164** | **1,055** | **663** | **165** | **955** | **184** | **4,186** |
| Production costs | (123) | (71) | (80) | (67) | (225) | 20 | (546) |
| Other operating costs | (74) | (87) | (51) | - | (13) | (81) | (306) |
| Third party product purchases | (475) | (242) | (1) | - | - | (167) | (885) |
| Inter-segment purchases | (2) | (72) | - | - | - | 74 | - |
| Product stock movement | 33 | 4 | (1) | (2) | (12) | - | 22 |
| Other income | 22 | 46 | 24 | - | 7 | 8 | 107 |
| Other expenses | (15) | (9) | (14) | (2) | (27) | (45) | (112) |
| FX gains and losses | (1) | - | - | - | (1) | (9) | (11) |
| Fair value losses on commodity hedges | - | - | - | - | - | (6) | (6) |
| Share of profit of joint ventures | - | - | - | 8 | - | - | 8 |
| **EBITDAX** | **529** | **624** | **540** | **102** | **684** | **(22)** | **2,457** |

# 2018 Full-year segment results summary

Santos

| US$million | Cooper Basin | Queensland & NSW | PNG | Northern Australia | Western Australia | Asia | Corporate explor'n & elimins | Total |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | **1,146** | **1,016** | **630** | **184** | **422** | **181** | **194** | **3,773** |
| Production costs | (127) | (71) | (70) | (74) | (108) | (42) | 18 | (474) |
| Other operating costs | (68) | (80) | (52) | - | (17) | (11) | (87) | (315) |
| Third party product purchases | (421) | (293) | - | - | - | - | (133) | (847) |
| Inter-segment purchases | (3) | (33) | - | - | - | - | 36 | - |
| Product stock movement | (5) | (11) | (3) | 2 | (5) | (2) | (4) | (28) |
| Other income | 8 | 56 | 4 | - | 3 | 56 | 9 | 136 |
| Other expenses | (16) | (16) | (3) | - | (14) | (2) | (115) | (166) |
| FX gains and losses | 4 | 2 | - | - | 2 | (1) | 139 | 146 |
| Fair value losses on commodity hedges | - | - | - | - | - | - | (69) | (69) |
| Share of profit of joint ventures | - | - | - | 4 | - | - | - | 4 |
| **EBITDAX** | **518** | **570** | **506** | **116** | **283** | **179** | **(12)** | **2,160** |

# Oil price hedging

Santos

## Oil price hedging provides protection to oil price downside

| Open oil price positions | 2020 |
|---|---|
| Re-participating 3-Ways (barrels)[1] | 6,180,000 |
| Brent long call price ($/bbl) | US$76.78 |
| Brent short call price ($/bbl) | US$69.03 |
| Brent long put price ($/bbl) | US$54.19 |

As at 31 December 2019

[1] When Brent price is above the weighted average long call price, Santos realises Brent price less the difference between the long call price and the short call price. When Brent price is between the short call price and long call price, Santos realises short call price. When Brent price is below the long put price, Santos realises long put price.