

22 August 2019

## Santos reports record interim underlying profit of \$411 million and 71% increase in interim dividend

Half-year (US\$m)	2019	2018	Change
Product sales	1,974	1,680	↑ 18%
EBITDAX <sup>1</sup>	1,260	883	↑ 43%
Underlying profit <sup>1</sup>	411	217	↑ 89%
Net profit/(loss) after tax	388	104	↑ 273%
Free cash flow <sup>1</sup>	638	367	↑ 74%
Interim dividend (UScps)	6.0	3.5	↑ 71%

Santos today announced its half-year results for 2019, reporting both record EBITDAX and underlying profit.

The Board has resolved to pay an interim dividend of US6.0 cents per share fully-franked, an increase of 71% over the previous interim dividend. The 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 half-year results demonstrates the strength of our cash-generative operating model and the successful integration of the Quadrant acquisition."

"Santos has delivered strong interim financial results with EBITDAX<sup>1</sup> up 43% to a record US\$1.3 billion and free cash flow<sup>1</sup> up 74% to US\$638 million. Underlying profit<sup>1</sup> after tax increased by 89% to a record US\$411 million.

"Consistent application of our disciplined operating model continues to deliver cost reductions and efficiencies, with normalised production costs<sup>2</sup> down 5% to US\$7.27/boe.

"Our forecast free cash flow breakeven oil price for 2019 is now reduced to ~US\$31 per barrel, in-line with 2018 notwithstanding higher capex this year. Every US\$10 per barrel increment in average oil price above our free cash flow breakeven increases annual free cash flow by between US\$300 million to US\$350 million.

"Today's results also demonstrate the successful integration of our Western Australian business following the acquisition of Quadrant. We are today increasing guidance on combination synergies to between US\$50 and \$60 million per annum.

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“Strong free cash flows also underpin our brownfield growth strategy, including Dorado where successful appraisal during the first half has resulted in a 68% increase in gross 2C resources to 310 million barrels of oil equivalent. Santos has an 80% interest in Dorado.

“I am also pleased with the progress we are making toward FID on Barossa, including the award of major contracts and exclusive negotiations for the supply of backfill gas to Darwin LNG.

“We are in advanced discussions with a number of LNG buyers on firm offers for Barossa offtake volumes.

“In PNG, our signing of a binding letter of intent to farm-in to PRL 3 (P’nyang) marked an important milestone towards expansion of the PNG LNG plant. We look forward to working with our partners and the PNG Government to make expansion a reality.

“In the Cooper Basin, our focus on low-cost, efficient operations contributed to stronger first-half production and the highest number of wells drilled in 12 years. The Cooper Basin is now positioned to grow production and reserves.

“At GLNG, our disciplined operating model continues to support a development plan to unlock more gas over time. In the first half of 2019, we drilled a record 189 wells and progressed the Roma East and Arcadia upstream developments on schedule. GLNG remains on track to meet the six million tonne annualised LNG sales run-rate (including LNG volumes redirected to the domestic market) by the end of 2019.

“All of this growth activity is consistent with reaching our goal of more than 100 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.

## **Interim dividend**

The Board has resolved to pay a 2019 interim dividend of US6.0 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 interim dividend will be paid on 26 September 2019 to registered shareholders as at the record date of 28 August 2019.

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 28 August 2019. The Dividend Reinvestment Plan will not be offered for the 2019 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: **10000888**.

For locations within Australia dial toll-free 1800 558 698 or toll 02 9007 3187.

For other countries, please use one of the following toll-free numbers: Canada (1 855 336 4664); China (4001 200 641); Hong Kong (800 906 986); India (0008 0010 08069); Japan (005 3116 1306); New Zealand toll free (800 480 392); Singapore (800 852 3140); United Kingdom (0808 168 3761); United States (1 855 336 4664). For all other countries or operator assistance, please call +61 2 9007 3187.

The webcast will be available on Santos' website from 11:00am AEST at [www.santos.com](http://www.santos.com).

Ends.

<sup>1</sup> 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 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 2019 Half-year results presentation released to ASX on 22 August 2019.

<sup>2</sup> Excluding the impact of shutdowns and PNG LNG earthquake recovery costs.