

18 February 2021

Santos reports record annual production and sales volumes, and strong free cash flow and underlying earnings despite impact of COVID-19 and lower commodity prices

Full-year (US\$m)	2020	2019	Change
Product sales revenue	3,387	4,033	-16%
EBITDAX ¹	1,898	2,457	-23%
Underlying profit ¹	287	719	-60%
Net (loss)/profit after tax	(357)	674	-153%
Free cash flow ¹	740	1,138	-35%
Final dividend (UScps)	5.0	5.0	-

Santos today announced its full-year results for 2020, reporting record annual production of 89 mmbob and sales volumes of 107 mmbob, free cash flow of US\$740 million and underlying profit of US\$287 million. The results reflect significantly lower oil and LNG prices compared to the previous year due to the impact of the COVID-19 pandemic on global energy demand.

The reported net loss after tax of US\$357 million includes the previously announced impairments, primarily due to lower oil price assumptions.

The Board has resolved to pay a final dividend of US5.0 cents per share fully-franked, in-line with the previous year's final dividend. This brings full-year dividends to US7.1 cents per share fully-franked, representing 20% of free cash flow and in-line with the company's 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 Santos delivered record annual production and sales volumes in 2020, and strong free cash flow of US\$740 million despite significantly lower commodity prices.

"These results again demonstrate the resilience of our cash-generative base business in a lower oil price environment and strong operational performance across our diversified asset portfolio. The improvements in our base business in recent years were perfectly illustrated in 2020 with an average realised oil price of US\$47 per barrel generating more than three times the free cash flow as generated in 2016 at a similar average oil price.

"2020 saw us ride through the bottom of the cycle while still generating free cash flow under a sustainable and disciplined operating model. As prices and demand recover, our projects are much better placed than those of our competitor countries. Living by our disciplined approach to

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cost and capital allocation, and remaining cash flow positive through 2020 means we are well positioned for further efficiency gains and growth initiatives in 2021.

“Consistent application of our low-cost disciplined operating model continues to deliver cost reductions and efficiencies, with unit production costs down 10 per cent to US\$6.50/boe (excluding the ConocoPhillips acquisition).

“At the onset of the COVID-19 in early 2020, Santos acted to protect its balance sheet, cash flows and the retention of permanent employees. As a precaution, Santos applied for and received A\$4 million in JobKeeper payments from the Australian government up to September 2020. By November 2020, it was clear that the impact of COVID-19 on Santos would be less than expected, so Santos repaid this amount in full to the government during December 2020.

“In December 2020 we announced an ambitious roadmap to net-zero emissions by 2040, new emissions reduction targets and a commitment to work with our customers to reduce their emissions. Our Moomba carbon capture and storage project is FID-ready, subject to eligibility for Australian Carbon Credit Units.

“The Barossa LNG project remains on-track for a final investment decision in the first half of 2021. In December, we signed a long-term LNG offtake agreement with Mitsubishi for 1.5 million tonnes per annum of Santos equity LNG and executed agreements to transport and process Barossa gas through the Darwin LNG facilities. All required consents and approvals are now in place for our sell-down of 25% interests in Bayu-Undan and Darwin LNG to SK E&S, which is now binding and subject only to FID. We also continue to progress the binding sale and purchase agreement with JERA for the sale of a 12.5% interest in Barossa.

“We have made significant progress on our exciting Dorado project and aim to take a FEED-entry decision in the first half of 2021 while also advancing plans to drill the Apus and Pavo prospects in 2021-22.

“The Narrabri gas project received environmental approvals from the state and federal governments in 2020, and planning is now well underway for the two-year appraisal program commencing later this year. Narrabri has the potential to supply up to half of NSW’s natural gas demand”, Mr Gallagher said.

“Our strongly cash-generative base business and diversified portfolio means that we are well positioned to drive free cash flow as commodity prices recover,” Mr Gallagher said.

Live webcast

A video presentation on the 2020 full-year results is available on Santos’ website. A live question and answer webcast for analysts and investors will be held today at 11:30am AEDT.

To access the live webcast, register on Santos’ website at www.santos.com.

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

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 and major growth capital expenditure, 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 costs associated with asset acquisitions, disposals and impairments, 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 loss after tax and underlying profit is provided in the Appendix of the 2020 full-year results presentation released to ASX on 18 February 2021.