Santos

16 February 2022

# Santos reports record free cash flow and underlying earnings, and higher final dividend

| Full-year (US$million) | 2021 | 2020 | Change |
|---|---|---|---|
| Production (mmboe) | 92.1 | 89.0 | 3% |
| Sales volume (mmboe) | 104.2 | 107.1 | -3% |
| Product sales revenue | 4,713 | 3,387 | 39% |
| EBITDAX[1] | 2,805 | 1,898 | 48% |
| Underlying profit[1] | 946 | 287 | 230% |
| Net profit/(loss) after tax | 658 | (357) | 284% |
| Free cash flow[1] | 1,504 | 740 | 103% |
| Final dividend (UScps) | 8.5 | 5.0 | 70% |

Santos today announced its full-year results for 2021, reporting record free cash flow of US$1.5 billion and underlying profit of US$946 million. The results reflect significantly higher oil and LNG prices compared to the corresponding period due to the recovery in global energy demand combined with supply constraints across the industry due to lower capital investment through the pandemic, and three weeks contribution from the Oil Search assets.

The results also reflect Santos' disciplined, low-cost operating model which delivered a free cash flow breakeven of US$21 per barrel in 2021.[2]

The reported net profit after tax of US$658 million includes losses on commodity hedging and costs associated with acquisitions and one-off tax adjustments, and is significantly higher than the corresponding period mainly due to impairments included in the previous year.

The Board has resolved to pay a final dividend of US8.5 cents per share, 70 per cent higher than the previous final dividend. The dividend equates to 20 per cent of full-year proforma free cash flow for the merged entity less dividends paid in the first half by both companies, in-line with Santos' sustainable dividend policy which targets a range of 10 per cent to 30 per cent payout of free cash flow.

The final dividend is franked to 70 per cent and substantially distributes the company's remaining franking credits to shareholders. Based on the company's carry-forward tax losses, Santos does not expect to generate franking credits for the next several years.

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Santos Managing Director and Chief Executive Officer Kevin Gallagher said Santos delivered record production, free cash flow and underlying earnings in 2021, as strong base business performance positioned the company to benefit from higher commodity prices.

"The highlight of the year was the completion of our merger with Oil Search. The merger delivers increased scale and capacity to drive our disciplined, low-cost operating model and unrivalled growth opportunities over the next decade – all with a vision of becoming a global leader in the energy transition," Mr Gallagher said.

"The financial results we are announcing today include only three weeks of the merged company. Had the merger been in place for all of 2021, the combined asset portfolio would have generated more than US$2.3 billion in free cash flow for the year.

"We will now seek to further optimise the portfolio, reduce gearing and conduct a review of our capital management framework including returns to shareholders.

"2021 brought global energy security into the spotlight with higher prices and a supply crunch in the wake of rapidly recovering demand and a lack of investment in new supply.

"It is vitally important that investment in new supply occurs and in a sustainable way. At Santos, we are focussed on supplying critical fuels more sustainably to meet society's demand."

**2022 Guidance**

2022 production is expected to increase to a range of 100 to 110 million barrels of oil equivalent (mmboe) primarily due to higher production from PNG following the Oil Search merger. This is expected to be offset by a lower share of Bayu-Undan production, which is expected to be approximately 10 mmboe less than 2021, due to a lower average working interest following the 25 per cent sell-down to SK E&S in 2021, lower gross production as the field approaches end of field life and lower net entitlement under the Production Sharing Contract due to higher forecast LNG prices. Sales volumes in 2022 are expected to be in the range of 110 to 120 mmboe.

Sustaining capital expenditure is expected to be approximately US$900 million and restoration expenditure is expected to be approximately US$200 million. Sustaining and restoration expenditure is self-funded within the disciplined operating model and is included in the 2022 forecast free cash flow breakeven oil price of less than US$25 per barrel.

Major growth projects capital expenditure is expected to be in the range of US$1.15 billion to US$1.3 billion. A contingent amount of up to approximately US$400 million could be added should the Dorado and Pikka projects take final investment decisions. Guidance assumes current Santos interest in all projects.

At an average oil price of approximately US$65 per barrel in 2022, it is expected sufficient free cash flow would be generated to fund forecast major growth projects capital expenditure, including the contingent amount.[3]

**2022 Annual General Meeting**

The 2022 Annual General Meeting will be held on Tuesday 3 May 2022. The closing date for receipt of nominations from persons wishing to be considered for election as director is Thursday 24 February 2022.

**Live webcast**

A video presentation on the 2021 full-year results is available on Santos' website. A live question and answer webcast for analysts and investors will be held today at 11:30 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 profit after tax and underlying profit is provided in the Appendix of the 2021 full-year results presentation released to ASX on 16 February 2022.

[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. Excludes one-off restructuring and redundancy costs, cost associated with asset divestitures and acquisitions, major growth capital expenditure and lease liability payments.

[3] Forecast free cash flow of approximately US$1.8 billion at an average oil price of US$65 per barrel based on sensitivity of approximately $450 million in free cash flow for each $10/bbl above forecast free cash flow breakeven of <$25/bbl in 2022. Excludes hedging. 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, costs associated with asset divestitures and acquisitions, major growth capital expenditure and lease liability payments.

# 2021 Full-year results

16 February 2022

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# 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, carbon emissions reduction and associated technology risks, physical risks, legislative, fiscal and regulatory developments, economic and financial markets conditions in various countries, approvals, conduct of joint venture participants and contractual counterparties and cost estimates. The forward-looking information in this presentation is based on management's current expectations and reflects judgements, assumptions, estimates and other information available as at the date of this document and/or the date of Santos' planning processes. Except as required by applicable regulations or by law, Santos does not undertake any obligation to publicly update or review any forward looking statements, whether as a result of new information or future events. Forward looking statements speak only as of the date of this presentation or the date planning process assumptions were adopted, as relevant. Our strategies and targets will adapt given the dynamic conditions in which we operate; it should not be assumed that any particular strategies, targets or implementation measures are inflexible or frozen in time. No representation or warranty, express or implied, is given as to the accuracy, completeness or correctness, likelihood of achievement or reasonableness of any forward looking information contained in this presentation. Forward looking statements do not represent guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond Santos' control, and which may cause actual results to differ materially from those expressed in the statements contained in this presentation.

All references to dollars, cents or $ in this document are to United States currency, unless otherwise stated.

Underlying profit, EBITDAX (earnings before interest, tax, depreciation, depletion, exploration, evaluation and impairment) 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. The non-IFRS financial information is unaudited however the numbers have been extracted from the audited financial statements. 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, costs associated with asset divestitures and acquisitions, major growth capex and lease liability payments.

The estimates of petroleum reserves and contingent resources contained in this presentation are as at 31 December 2021. Santos prepares its petroleum reserves and contingent resources estimates in accordance with the 2018 Petroleum Resources Management System (PRMS) and $CO_2$ Storage capacity and contingent resource estimates in accordance with the 2017 $CO_2$ Storage Resources Management System (SRMS) sponsored by the Society of Petroleum Engineers (SPE). Unless otherwise stated, all references to petroleum reserves, contingent resources and $CO_2$ Storage 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: Hela Province, Papua New Guinea

# Merger has created a company of size and scale

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Well-placed to fund sustainable growth, energy transition and deliver increased returns to shareholders

| | |
|---|---|
| Strong free cash generation | **$2.3 billion proforma free cash flow for the merged group[1]** |
| Diversified portfolio with increased interest in long-life, low-cost assets | **Merger added 416 mmboe in 2P reserves** |
| Unrivalled growth opportunities | **Across LNG, low carbon liquids and CCS** |
| Strengthened balance sheet | **Strong liquidity of $5.6 billion and gearing reduced to 27.5%** |

[1] Includes reported for merged group and proforma Oil Search from 1 January 2021 to 10 December 2021.

# 2021 Full-year results

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## Record sales revenue, free cash flow and underlying profit

**FREE CASH FLOW[1]**

**$1,504** 103%

million

**PROFIT AFTER TAX[2]**

**$658** 284%

million

**UNDERLYING PROFIT[2]**

**$946** 230%

million

**SALES REVENUE**

**$4,713** 39%

million

**EBITDAX**

**$2,805** 48%

million

**FINAL DIVIDEND**

**8.5** 70%

US cents per share

[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 costs associated with asset acquisitions, disposals and impairments, hedging and items that are subject to significant variability from one period to the next.

# Cash generative base business through the cycle

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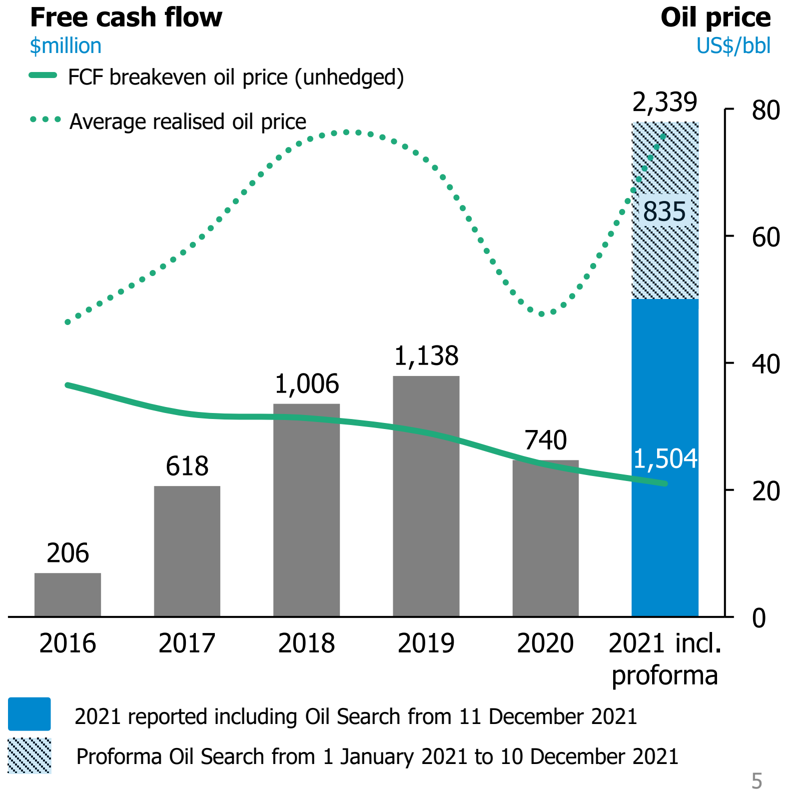
## Diversified, balanced portfolio that is well positioned to generate strong and sustainable free cash flows

| | |
|---|---|
| **2016 – 21 free cash flow** | **>$5.2 billion[1]** |
| **2021 free cash flow breakeven before hedging** | **~$21 per barrel** |
| **2021 free cash flow yield** | **~14 per cent[2]** |
| **2022 forecast free cash flow sensitivity** | **~$450 million for every $10/bbl above FCF BOP[3]** |




[1] Includes reported free cash flow of US$1,504 million for 2021.
[2] Based on 2021 full-year free cash flow and one-month volume weighted average share price for December 2021.
[3] Free cash flow breakeven oil price (FCF BOP). Excludes hedging.

# Health, safety and environment

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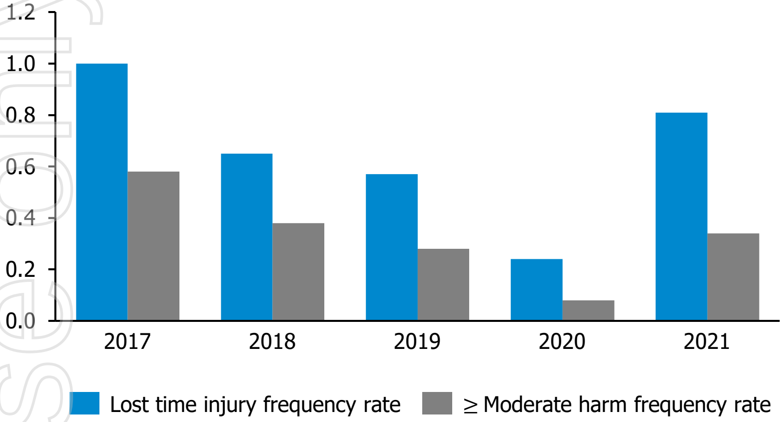
## Our “Always Safe” value is at the centre of everything we do

**Injury frequency rates**

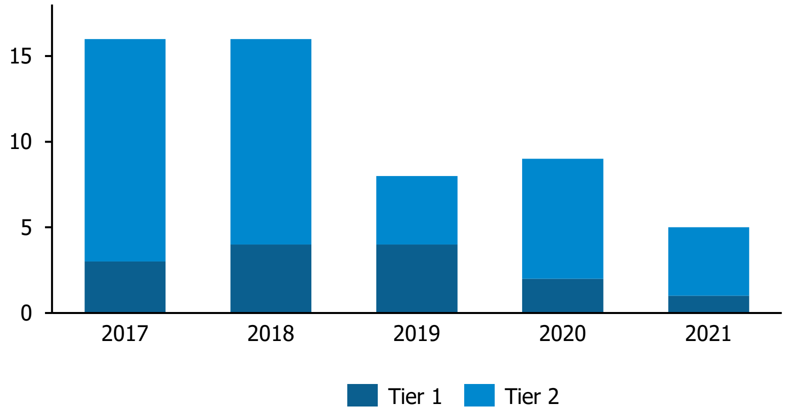
Number of injuries per million hours worked




+ Disappointing safety performance in 2021 with injury frequency rates increasing due to 12 lost time injuries
+ COVID response has focused on protecting our workforce and maintaining production despite state and international border restrictions

**Loss of containment**

Number of Tier 1 and Tier 2 incidents




+ Continued integrity management focus has delivered a substantial reduction in loss of containment incidents

# Diversified reserve and resource position of 4.9 billion boe

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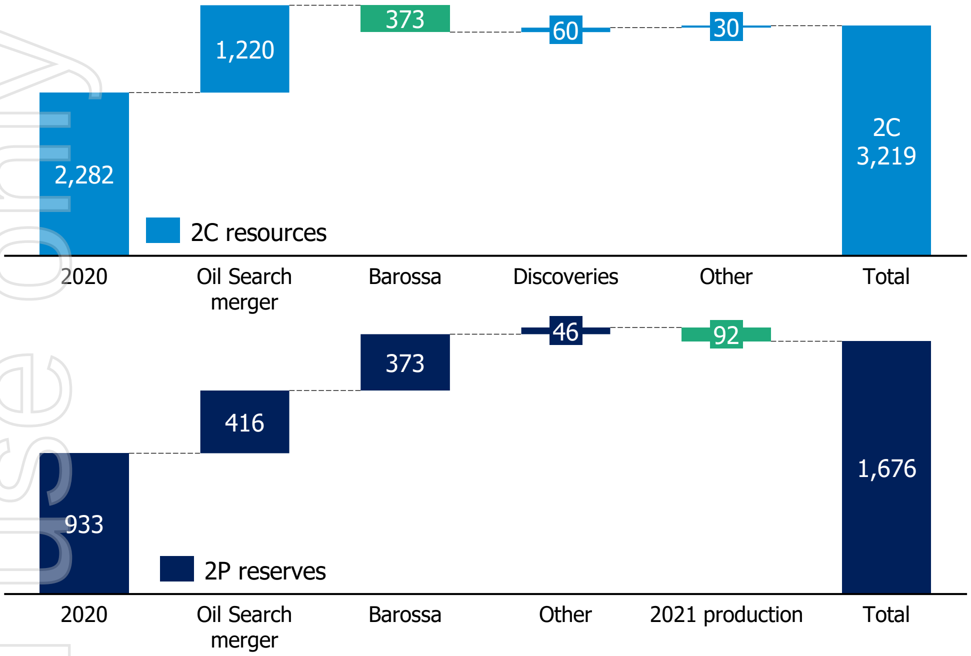
## Diversified portfolio with increased interest in long-life, low-cost assets

**YE21 2C resources and 2P reserves**

mmboe




**4.9 billion boe 2P plus 2C:**

+ 2P reserves increased by 835 mmboe before production
  + Oil Search merger added 416 mmboe
  + Barossa FID added 373 mmboe
+ Gas comprises 92% of 2P reserves
+ Three-year reserves replacement ratio 355%
+ 2C contingent resources increased 41% to 3,219 mmboe
  + Oil Search merger added 819 mmboe in PNG and 401 mmboe in Alaska
+ ~94% of 2P reserves are externally audited
+ 100 MtCO2 total storage resource booked in the Cooper Basin

# Energy markets

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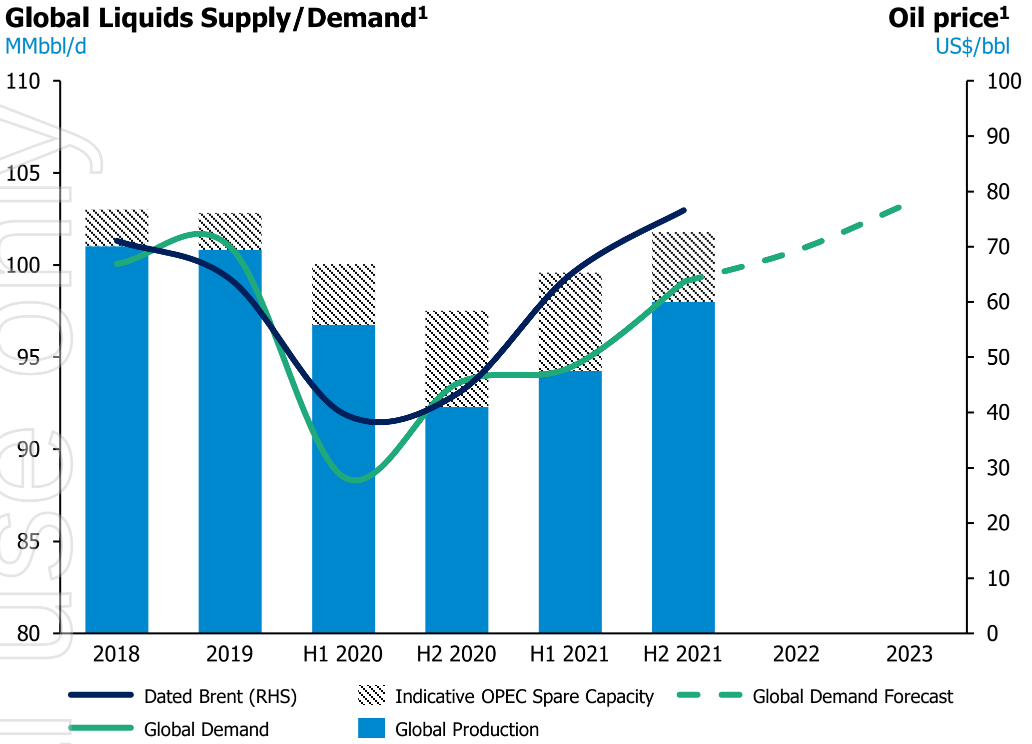
## Investment in affordable, reliable and lower emissions energy required to ensure demand is met




[1] Data sourced from IHS Markit

**Investment in new, lower emission oil and gas supply is required to ensure energy supply remains affordable and reliable during the energy transition**

+ Oil demand is expected to reach pre-COVID levels in 2022
+ Significant underinvestment in upstream projects is shifting global markets to a state of under-supply
+ LNG demand is at record highs due to the role of natural gas as a reliable and lower carbon fuel
+ Underinvestment is driving significant price increases and limiting access to energy for those who can least afford it

# Decarbonisation and carbon storage

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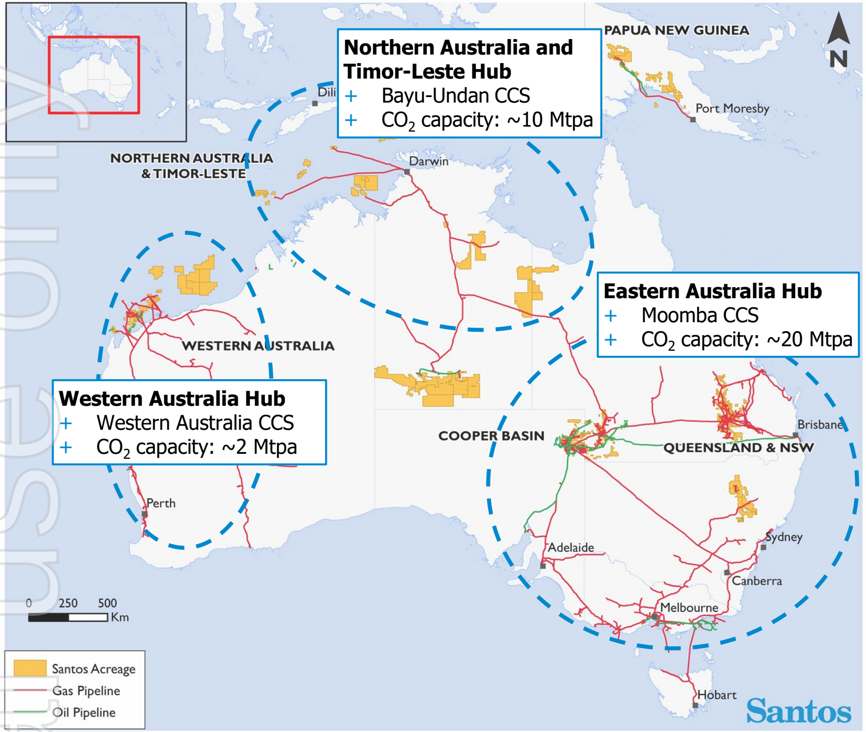
## Santos’ three operated CCS hubs support the decarbonising of natural gas and enable the production of clean fuels including hydrogen and ammonia

**Santos Three-Hub Strategy**




**Santos’ CCS projects offer a strategic competitive advantage enabling**

- Emission reductions for Santos’ liquids, pipeline gas and LNG products
- Hydrogen production from natural gas
- CCS services to existing and new customers
- Carbon removal services via direct air capture technology

1. **Eastern Australia Hub**
   - 100 MtCO2 total storage resource booked in the Cooper Basin
   - Moomba CCS Phase 1
     - Carbon capture of 1.7 Mtpa (1.1 MtCO2pa Santos share)
     - Facilities construction to start in 3Q 2022 and four injector wells to be drilled into depleted gas reservoirs by year-end. First injection expected in 2024
     - Estimated Moomba CCS capacity ~20 MtCO2pa
2. **Northern Australia and Timor-Leste Hub**
   - CCS services at DLNG enable development of regional resources and clean fuels production
   - Estimated Bayu-Undan CCS capacity ~10 MtCO2pa
3. **Western Australia Hub**
   - Desktop studies underway to confirm CO2 injection capacity
   - Estimated Western Australia CCS capacity >2 MtCO2pa, with expansion opportunities

***CCUS technologies will play an important role in meeting net zero targets, including as one of few solutions to tackle emissions from heavy industry and to remove carbon from the atmosphere.*** (IEA, 2021)

# Our focus is to supply critical fuels more sustainably

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## Net-zero Scope 1 and 2 emissions target by 2040

| Areas of focus | Category | Types of initiatives |
|---|---|---|
| **Operational efficiency** | Avoid and minimise | **Improving efficiency across operated assets**<br>+ Comprises a portfolio of >25 projects planned for 2022<br>+ Includes electrification, renewable integration, power and compression optimisation |
| **Carbon capture and storage** | Reduce | **Infrastructure-led CCS strategy**<br>+ Moomba CCS Phase 1 project FID taken in 4Q 2021 with first injection expected in 2024<br>+ Facilities construction to start in 3Q 2022 and four injector wells to be drilled into depleted gas reservoirs by year-end<br>+ Investigating potential for CCS at Bayu-Undan, offshore WA and PNG |
| **Carbon reduction solutions** | Reduce | **Nature-based solutions**<br>+ Existing forest plantation in Queensland and savanna fire management project in the Northern Territory<br>+ Investigating potential for nature-based abatement opportunities across Australia and PNG<br>**New technology**<br>+ Direct air capture studies to be completed in 2022 investigating potential to utilise storage resource booked in the Cooper Basin |

# Portfolio optimisation

Optimise portfolio to reduce gearing and conduct a review of the capital management framework including returns to shareholders

| Optimise portfolio | Optimise balance sheet | Review capital management framework |
| --- | --- | --- |
| Targeting $2-3 billion in asset sale proceeds | Aim for less than 25% gearing through the cycle including major growth | + Returns to shareholders<br>+ Reduced debt<br>+ Invest in growth<br>+ Invest in the energy transition |

# Oil Search integration synergies

## On track to deliver $90-115 million per annum of integration synergies

### Oil Search integration synergies

- $90-115 million annual run-rate (pre-tax)[1] through:
  - **Corporate:** Board, ASX-listing costs, insurance, finance costs and overheads
  - **Operational Efficiencies:** Eliminating duplication of activities, procurement, contracting and centralised operations
  - **Information Systems:** Eliminating duplication of technology and systems

### $30 million initial synergies (run-rate) captured[1]

- Set up integration team using capability from previous acquisitions
- Day 1 completed with no impact on safety or production
- Initial synergies captured in corporate overheads
- Review of organisational structure expected to be complete by mid-year
- SAP Integration partner selected
- Currently reviewing operational and procurement opportunities

**Integration synergies**
$ million (pre-tax)


[1] Excluding integration and other one-off costs.

# 2022 strategic priorities

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| | |
|---|---|
| 1 | Maximise free cash. Sensitivity ~$450m for every $10 above target FCF BE of <$25/bbl |
| 2 | Deliver integration and merger synergies target of $90-115 million |
| 3 | Optimise portfolio, target $2-3 billion in asset sale proceeds |
| 4 | Review capital management framework |
| 5 | Continue to execute Barossa LNG and Moomba CCS projects on budget and schedule |
| 6 | Dorado Phase 1 and Pikka Phase 1 projects to be FID-ready by mid year |

# Finance and Capital Management

Anthea McKinnell
Chief Financial Officer

Santos

# Financial discipline

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## Strong base business and disciplined approach to capital allocation

| | |
|---|---|
| Strong, cash-generative base business | + Generated $1.5 billion free cash flow in 2021<br>+ Proforma[1] cash flow of merged group for 2021 was $2.3 billion facilitating final dividend of 8.5 cents per share, 70% franked<br>+ Delivered 2021 free cash flow breakeven oil price of ~$21/bbl before hedging |
| Disciplined capital management | + Retained focus on disciplined capital management and operating model<br>+ Group unit production costs down 3% despite COVID-19 impacts and unfavourable FX<br>+ Merged group scale and portfolio provides opportunity to optimise |
| Balance sheet prepared to fund growth | + Strong liquidity of $5.6 billion as at 31 December 2021<br>+ Strong cash flows reduced gearing to 27.5 per cent at 31 December 2021<br>+ Stable investment grade credit ratings: S&P BBB-, Fitch BBB and Moody's Baa3<br>+ Optimisation of debt portfolio by cancellation of legacy non-PNG LNG Oil Search facilities |

[1] Includes reported for merged group and proforma Oil Search from 1 January to 10 December 2021.

# 2021 Full-year financial snapshot

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Strong base business delivered $1.5 billion of free cash flow and record underlying profit. Reported results include Oil Search from 11 December 2021

| $ million | 2021 | 2020 | Change |
|---|---|---|---|
| Product sales revenue | 4,713 | 3,387 | 39% |
| EBITDAX | 2,805 | 1,898 | 48% |
| Underlying profit[1] | 946 | 287 | 230% |
| Net profit/(loss) after tax | 658 | (357) | 284% |
| Operating cash flow | 2,272 | 1,476 | 54% |
| Free cash flow[2] | 1,504 | 740 | 103% |
| Full-year dividend (UScps) | 14.0 | 7.1 | 97% |

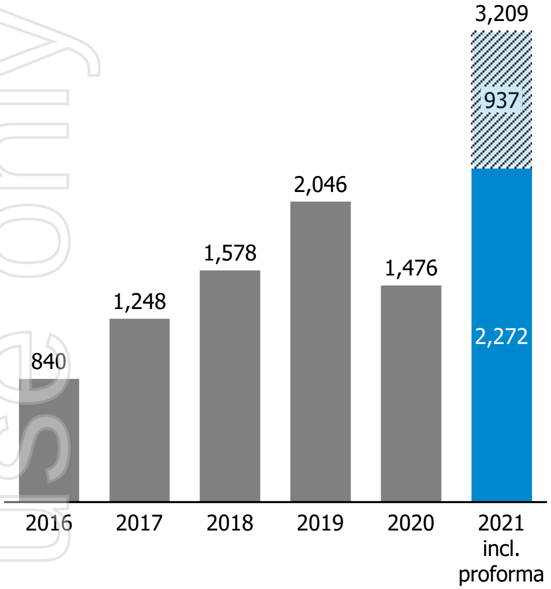
[1] For a reconciliation of 2021 full-year net profit after tax to underlying profit, refer to Appendix.
[2] Operating cash flow less investing cash flows (net of acquisitions and disposals and major growth capex) less lease liability payments.

# Strong free cash flow generation

## On a proforma basis, the merged company delivered more than $2.3 billion free cash flow

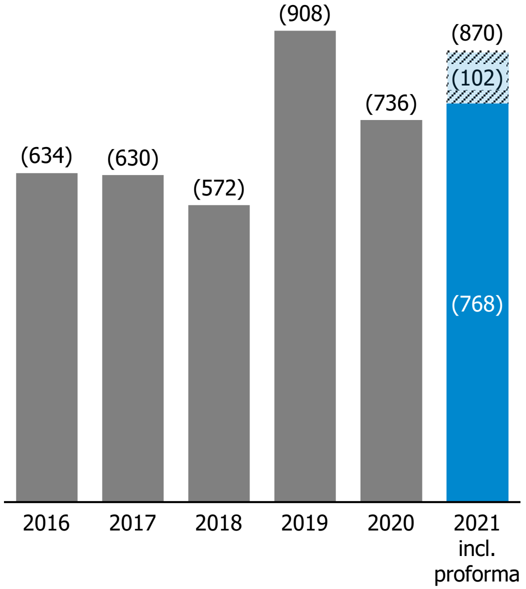
**Operating cash flow**

$ million




**Investing cash flow[1]**

$ million

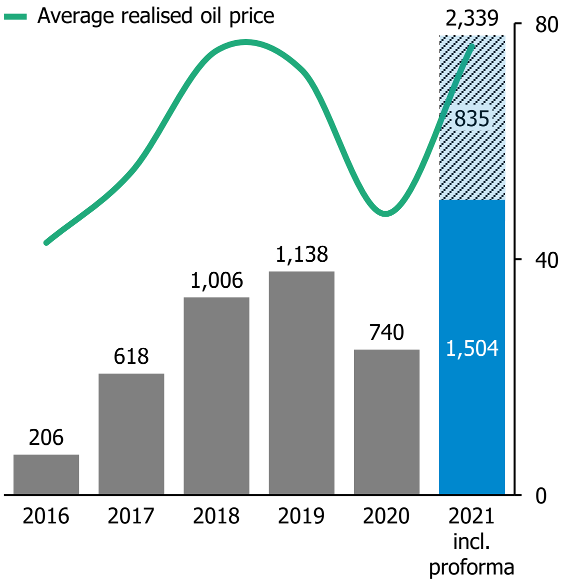



**Free cash flow[1]**

$ million

**Oil price**

US$/bbl




2021 reported including Oil Search from 11 December 2021

Proforma Oil Search from 1 January 2021 to 10 December 2021

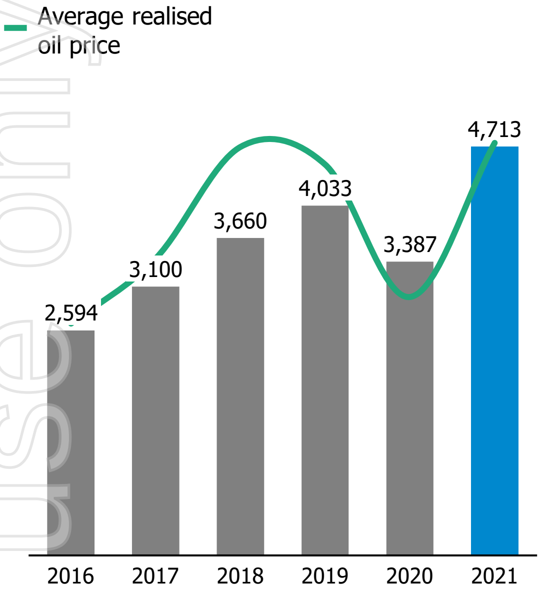
[1] Excludes acquisitions / divestments, major growth capex and lease liability payments.

# Underlying earnings

## Record sales revenue, EBITDAX and underlying profit

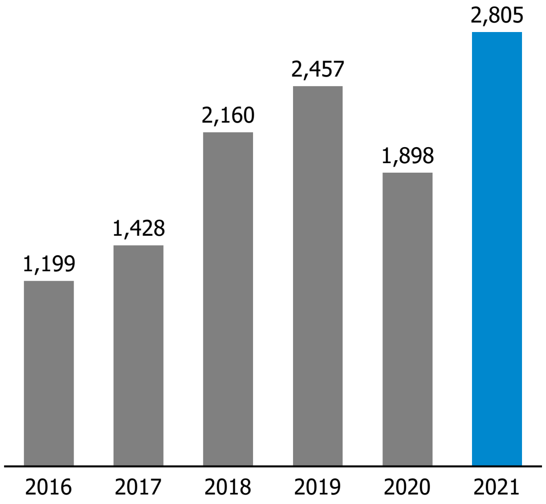
### Product sales revenue

$ million



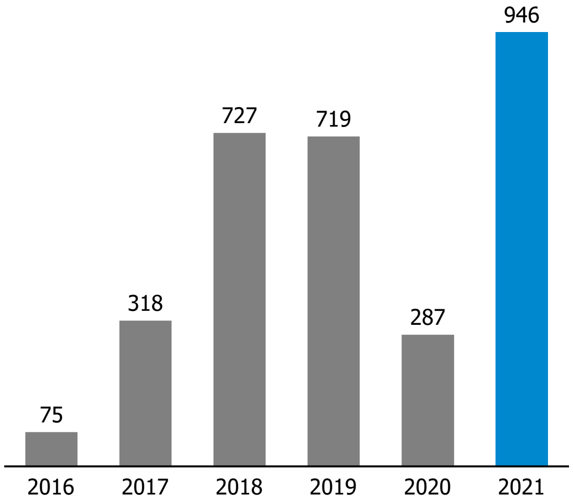

### EBITDAX

$ million




### Underlying profit[1]

$ million

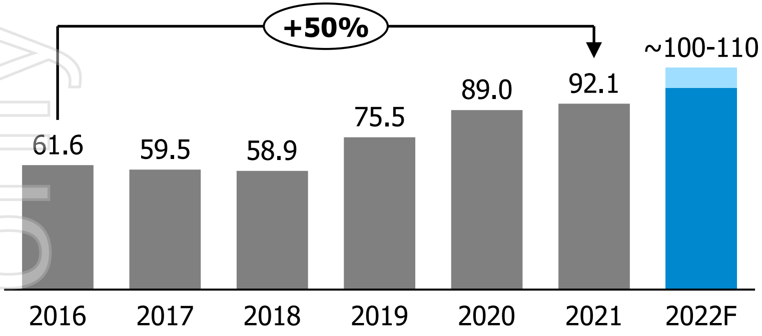



[1] Underlying profit excludes the impacts of asset acquisitions, disposals and impairments, and the impact of hedging.

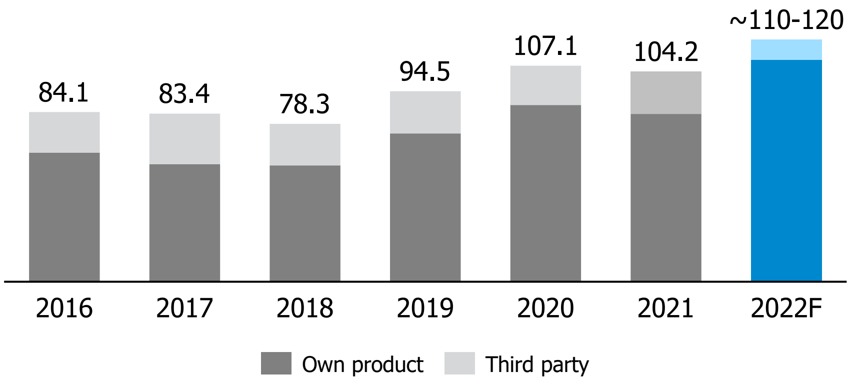
# Production and sales volumes

Record production in 2021. 2022 guidance 100-110 mmboe and sales volumes 110-120 mmboe

**Production volume**
mmboe




**Sales volume**
mmboe




Factors influencing 2022 production:

+ Higher production in PNG due to the merger
+ Bayu-Undan approaching end of field life. 2022 net entitlement production expected to be ~10 mmboe less than 2021 due to:
  + Lower average working interest following 25% sell-down to SK E&S in April 2021
  + Lower gross production due to natural field decline
  + Higher forecast average JKM prices result in higher revenue but lower net entitlement production under the Bayu-Undan PSC

# Production costs

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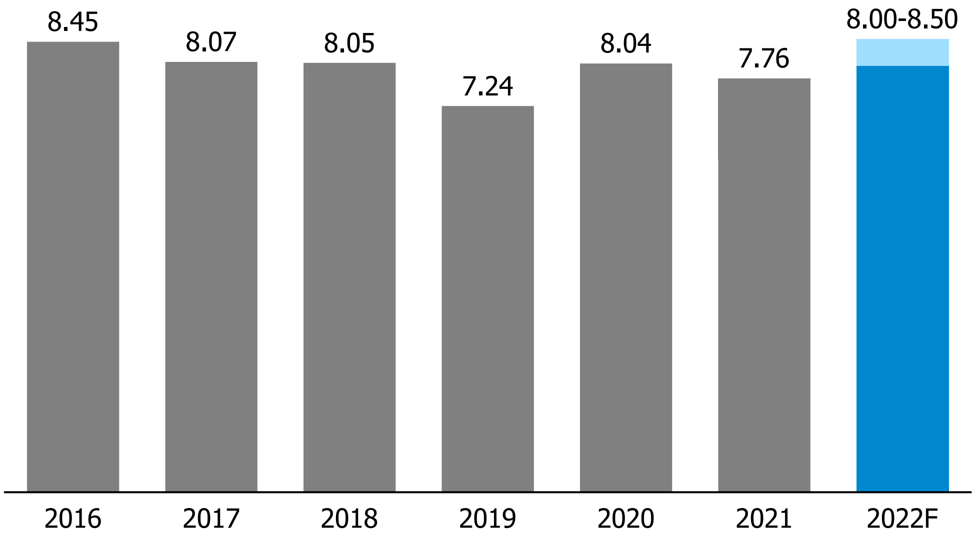
## Lower unit costs in 2021 despite COVID-19 impacts and unfavourable FX impacts

- Unit production costs reduced by 3% to $7.76/boe
- Sustained cost improvement and operating efficiencies were offset by COVID-19 cost impacts and unfavourable FX rates
  - COVID-19 impact ~$0.20/boe
  - FX rate impact ~$0.45/boe
- Factors influencing 2022 unit production costs:
  - Bayu-Undan production decline impacts average unit cost in 2022 by ~$1.20/boe
  - Higher unit cost PNG operated assets
- 2022 upstream production cost guidance is $8.00-$8.50/boe

**Upstream unit production costs[1]**
$/boe




[1] Includes all planned shutdown activity and PNG earthquake recovery costs.

# Upstream unit production costs

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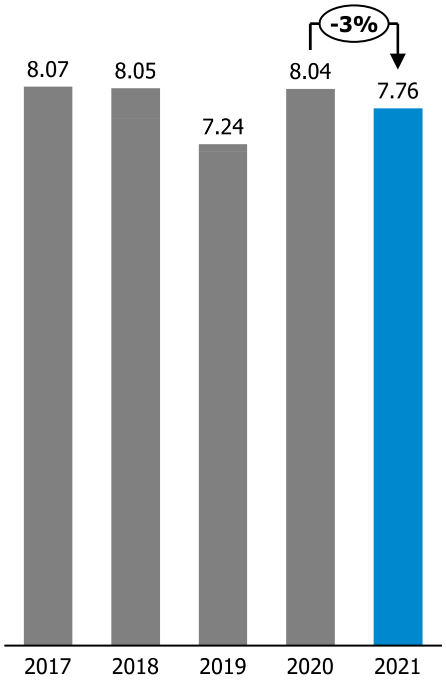
## Synergy cost reductions realised in Northern Australia. Partially offset by COVID-19 related costs and foreign exchange increases

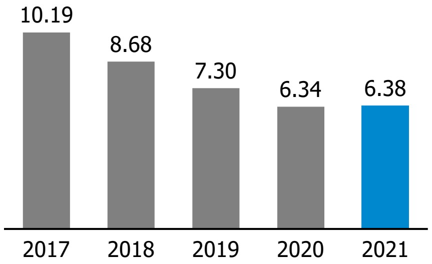
**Disciplined Operating Model**

- Core portfolio free cash flow breakeven at ≤$35/bbl oil price through the oil price cycle
- Each core asset free cash flow positive at ≤$35/bbl, pre-major growth spend

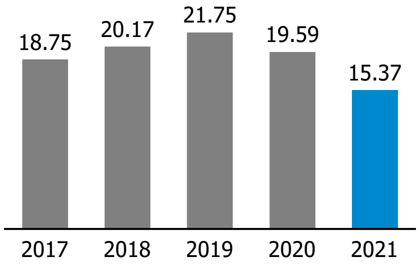
**Total unit production cost**
$/boe



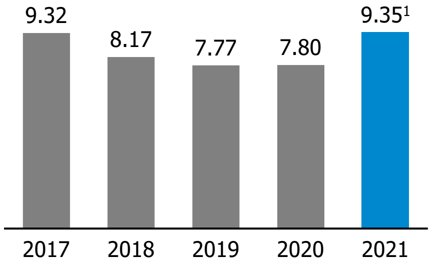

**Western Australia production cost**
$/boe



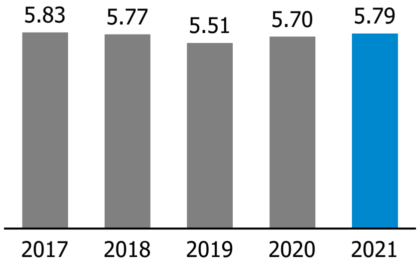

**Northern Australia & Timor-Leste production cost**
$/boe




**Cooper Basin production cost**
$/boe




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




[1] Cooper Basin unit production cost increase due to lower production, unfavourable AUD fx rates and cost impacts of managing the response to COVID-19.

# Cash generative Operating Model continues to drive value

Santos

## Diversified portfolio of assets delivering strong margins. Increased exposure to PNG LNG following merger

**2021 Full year results summary[1]**

| | Cooper Basin | Qld & NSW | PNG[2] | Nth Aust & T-L[3] | WA | Santos |
|---|---|---|---|---|---|---|
| **Total revenue** $million | 1,000 | 973 | 736 | 903 | 1,105 | 4,837 |
| **Production cost** $/boe | 9.35 | 5.79 | 4.69 | 15.37 | 6.38 | 7.76 |
| **Capex** $million | 329 | 195 | 34 | 377 | 316 | 1,387 |
| **EBITDAX** $million | 423 | 525 | 615 | 728 | 851 | 2,805 |
| **EBITDAX** margin | 42% | 54% | 84% | 81% | 77% | 58% |

[1] Corporate segment not shown.
[2] Includes Oil Search assets from 11 December 2021.
[3] Decreased equity in Bayu-Undan & DLNG at 43.4% from 30 April 2021.

- Group EBITDAX margin increased to 58% due to higher realised prices across all products
- EBITDA includes ~$370 million for the Midstream assets (included in the asset results)
- Average realised oil price up 60% to $76/bbl
- Average realised LNG price up 45% to $9.25/mmBtu
- Sustained cost improvement and operating efficiencies were offset by COVID-19 cost impacts and unfavourable FX rates

# Capital expenditure - Sustaining

Santos

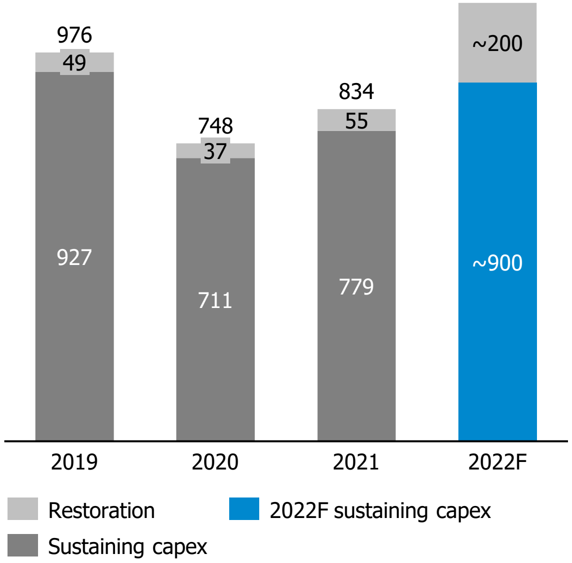
## Sustaining and restoration capex self-funded within the disciplined operating model and included in forecast free cash flow breakeven of <$25/bbl

- Increased sustaining capex in 2022 primarily due to higher interest in PNG LNG and PNG operated assets
- Sustaining capex includes Cooper Basin and Queensland drilling, Western Australia, Northern Australia and PNG, corporate and exploration
- Restoration capex primarily in WA (ME-FF, Harriet, Thevenard) and PNG
- Sustaining and restoration capex self-funded within the disciplined operating model and included in forecast <$25/bbl free cash flow breakeven in 2022

| 2022 | Western Australia | Northern Australia and TL | Cooper Basin | PNG | QLD & NSW | Alaska | Corporate & Exploration |
|---|---|---|---|---|---|---|---|
| Base business sustaining and restoration | ~$200m includes Apus & Pavo drilling | ~$30m | ~$310m | ~$220m | ~$230m | ~$40m | ~$70m |

**Sustaining capex**

$million



# Capital expenditure – Major Growth Projects

Santos

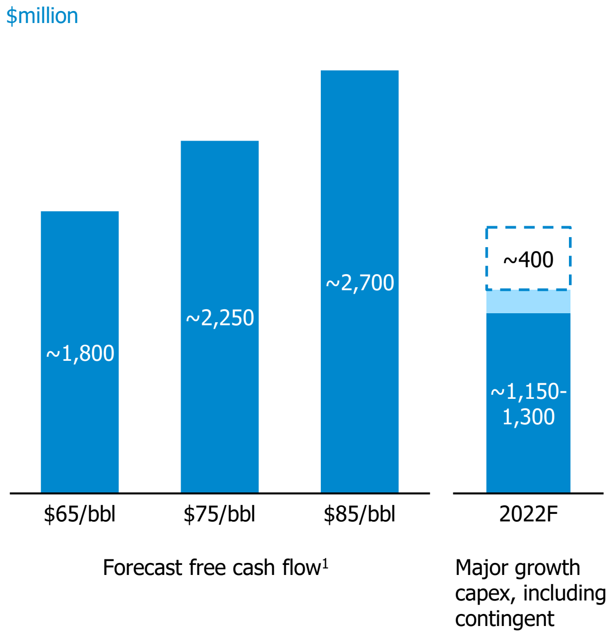
## 2022 Major projects capex funded from free cash flow at an average oil price of $65/bbl

- Major projects ~$1,150-$1,300 million assumes current equity interests in all projects
- Unsanctioned projects contingent amount of up to ~$400 million for Dorado Phase 1 and Pikka Phase 1 (subject to FID)
- Major projects funded from free cash flow. 2022 free cash flow sensitivity ~$450 million for every $10/bbl above forecast free cash flow breakeven of <$25/bbl
- At an average Brent oil price of US$65/bbl in 2022, sufficient free cash flow expected to be generated (~$1.8 billion) to fund all committed and contingent major projects[1]

| 2022 | Western Australia | Northern Australia and TL | Cooper Basin | PNG | QLD & NSW | Alaska | Corporate & Exploration |
|---|---|---|---|---|---|---|---|
| Major projects incl. contingent | ~$300m includes Dorado | ~$650-$700m includes Barossa | ~$50-$100m includes Moomba CCS | ~$150-$200m includes Angore and Papua LNG | ~$50m includes Narrabri appraisal | ~$300m includes Pikka | ~$50m includes Energy Solutions and Clean Fuels |

[1] Forecast free cash flow based on sensitivity of ~$450 million for each $10/bbl above forecast free cash flow breakeven of <$25/bbl in 2022. Excludes hedging.

**Forecast 2022 free cash flow[1] and major projects capex**



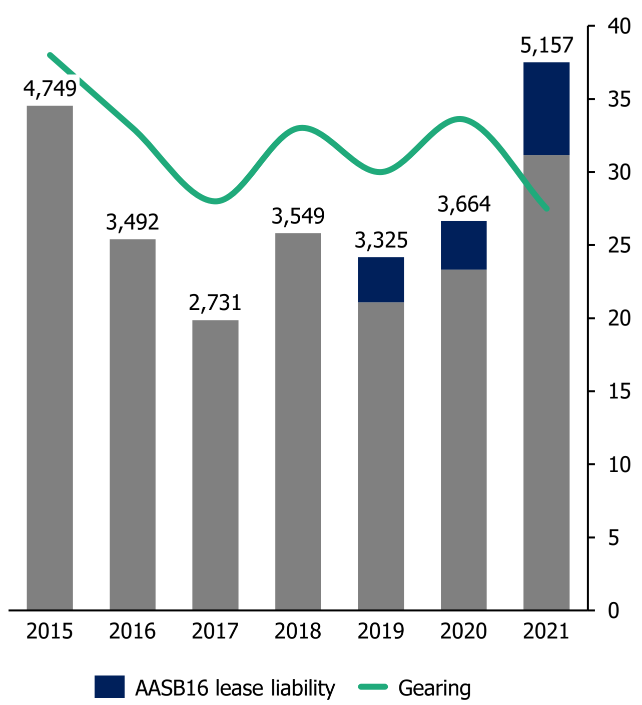
# Debt and liquidity at 31 December 2021

Santos

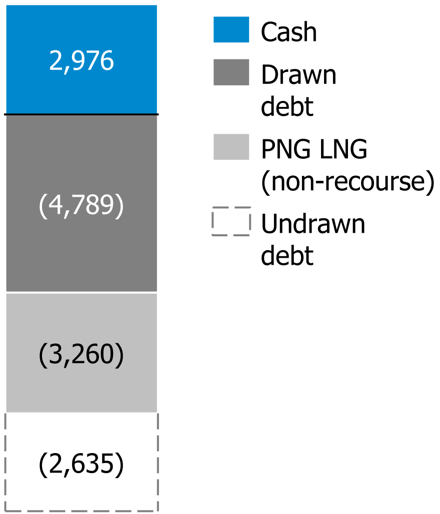
## Gearing reduced to 27.5%. Net debt increased due to Oil Search merger

- Gearing 27.5%
- Net debt $5,157 million (includes $873 million AASB 16 lease liabilities)
- Liquidity in place of $5,611 million:
  - $2,976 million in cash
  - $2,635 million in committed undrawn debt facilities
- Synergies will be realised by optimisation of the debt portfolio
- Three stable investment grade credit ratings support access to capital markets

**Net debt** $million | **Gearing** %




**Cash, debt and undrawn debt facilities at 31 December 2021**[1]
$million




[1] Drawn debt includes $873 million AASB 16 lease liabilities and excludes derivatives of $84 million.

# Summary

Santos

## Disciplined low-cost operating model ensures we can sustain our base business and remain resilient through the cycle

| | |
|---|---|
| Disciplined approach | + Targeting free cash flow breakeven oil price <$25/bbl in 2022<br>+ Forecast free cash flow for 2022 post hedging is >$2 billion at $70/bbl oil price<br>+ 2022 free cash flow sensitivity of >$450 million for every $10 above the breakeven oil price, before hedging |
| Portfolio optimisation and capital management | + Maintain cost focus through disciplined operating model<br>+ Disciplined, low-cost operating model sets the framework to deliver value<br>+ Deliver integration and merger synergies target of $90-105 million<br>+ Capital management framework to be reviewed with portfolio optimisation |
| Strong free cash flow and liquidity | + Well positioned to fund growth and the energy transition<br>+ Liquidity of over $5.6 billion comprising ~$3 billion cash and ~$2.6 billion in committed undrawn debt facilities<br>+ Gearing reduced to 27.5% at 31 December 2021. Net debt including leases of $5.2 billion |

# Growth Projects and Asset Performance



Santos

# Barossa progressing on budget and schedule

Santos

## Barossa project progressing as planned

### Barossa development

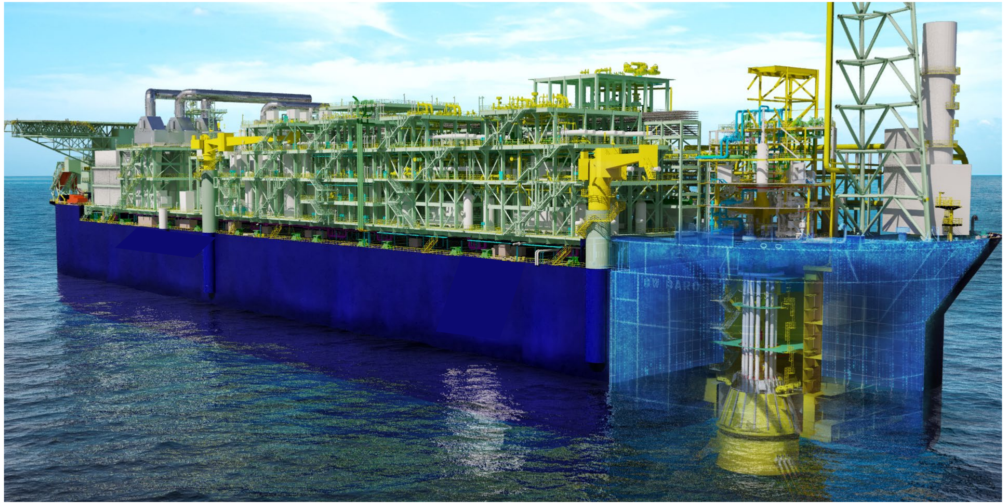
- Project 25 per cent complete and progressing on budget and schedule
- FPSO hull, topsides, and turret all under construction in Korea, Singapore, and Indonesia respectively
- Subsea hardware manufacture well advanced in Europe with first subsea tree shipped & fully tested in Perth
- Preparations to start drilling in 3Q 2022 well advanced

### Equity sell-downs

- Binding agreement executed to sell a 12.5 per cent stake in Barossa to JERA in December 2021
- Completion is expected in the first half 2022, with net proceeds of around ~US$300 million

### Darwin LNG life extension project

- Darwin LNG life extension project remains on schedule and budget
- Preliminary civil works completed on site



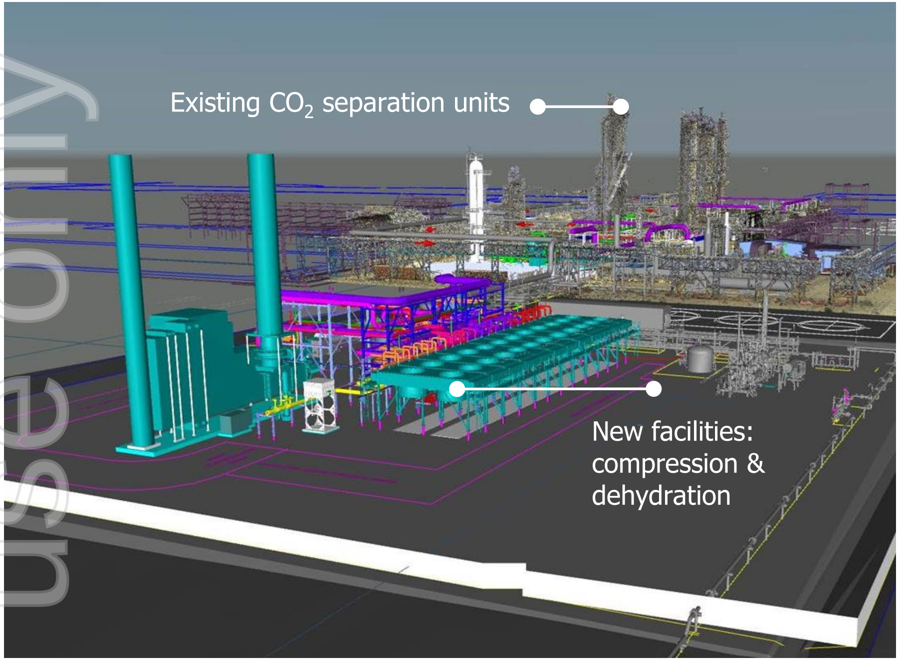
### Proposed Bayu-Undan CCS

- Progressing technical, commercial and regulatory engagement for proposed carbon capture and storage (CCS) project at Bayu-Undan

# Moomba CCS provides step change in emission reduction

Santos

## FID taken in November on one of the largest and lowest-cost CCS projects, with first injection expected in 2024




### Low-cost CCS project due to

+ Existing separation equipment delivering high purity CO2
+ Existing wells which can be repurposed
+ Depleted reservoirs with proven rock seal and potential to scale-up to ~20 mtpa across the basin

### 2021 milestones achieved

+ ACCU registration obtained and FID taken in November 2021
+ Key equipment orders placed for compressor, facilities equipment and pipeline
+ Booked 100 MtCO2 storage resource capacity

### 2022 key milestones

+ Facilities construction to start in 3Q 2022
+ Four injector wells expected to commence drilling in 4Q 2022

# PNG Growth

Santos

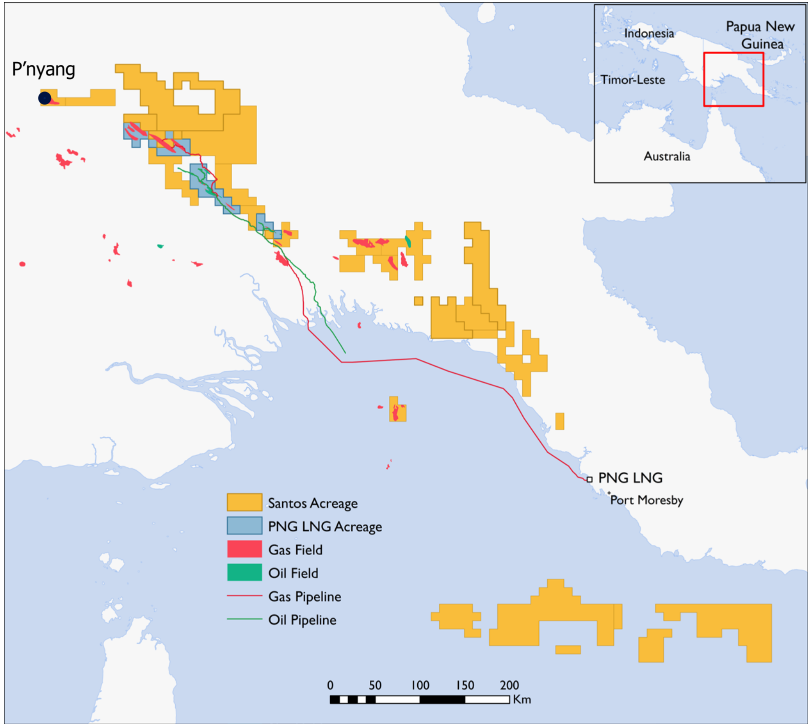
## Sequential development planned for Papua LNG and P’nyang

### Papua LNG

- Significant activity during 2021 in preparation for FEED-entry in 2022
- Fiscal Stability Agreement executed in 2021
- Retention Licence extended a further 5 years
- Technical work underway focusing on facilities optimisation

### P’nyang

- Negotiations recommenced in July with a Heads of Agreement outlining key fiscal terms executed in September 2021
- Next steps are a fully termed Gas Agreement expected to be executed in 2022
- P’nyang development anticipated as back-fill to the PNG LNG foundation two trains with construction following Papua



# Dorado

Santos

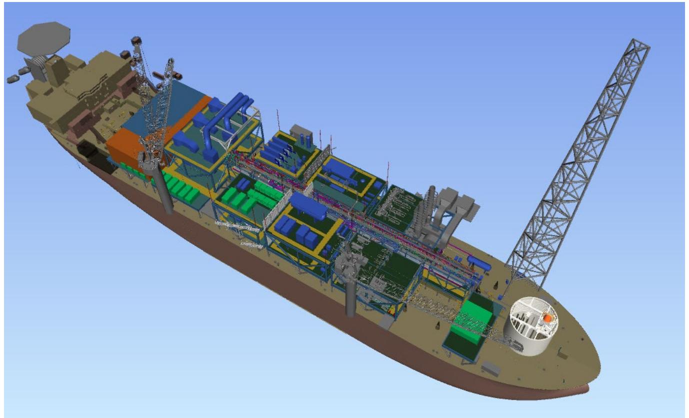
## FEED continues targeting FID-ready mid-2022

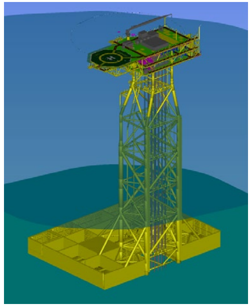
### Phase 1 liquids development

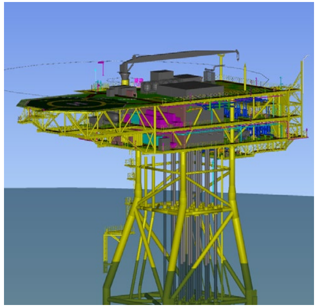
- Estimated gross capital cost of ~$2 billion[1]
- Low $CO_2$ (~1.5%) and high-quality fluid expected to earn a premium to regional pricing benchmarks
- Entered Stage 2 Assessment Phase of Offshore Project Proposal (OPP)
- Production Licence assessment in progress

### Phase 2 gas development

- Integrated development concept established for both liquids and gas
- Gas export is a potential source of supply for Santos' existing WA domestic gas infrastructure
- Flexibility retained for tieback of future exploration success
- Drilling of exploration well Pavo has commenced, to be followed by Apus







[1] Subject to detailed FEED for build and own FPSO.

# Pikka Phase 1

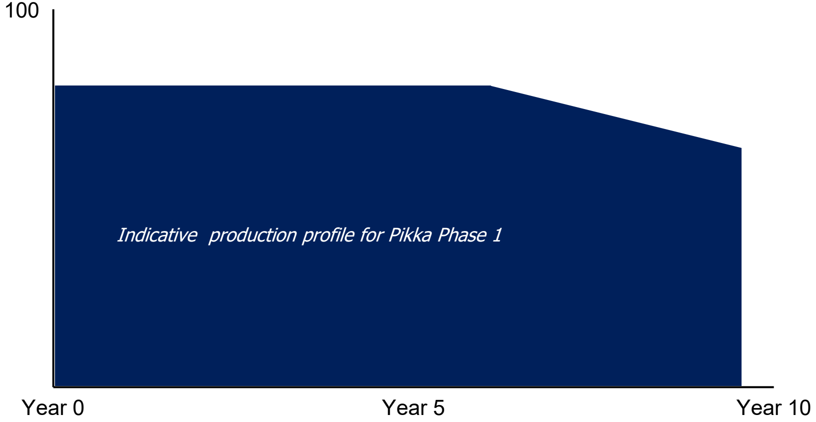
Santos

## Targeting FID-ready by mid year. Low GHG intensity first phase of Pikka development

### Phase 1 nearing completion of FEED activities and targeting FID-ready by mid year

+ First step in developing world-class oil discovery located in prolific North Slope of Alaska
+ Project benefits from existing pipeline and other infrastructure
+ All major regulatory and environmental approvals have been received for FID
+ Phase 1 consists of ~80kbopd single drill-site development
+ Low breakeven cost of supply with significant expansion and backfill opportunity

**Indicative production profile for Pikka Phase 1**
kbbl/d




### Phase 2 expansion options provide value upside

+ Phase 1 commercialises first of multiple potential drill-sites within Pikka Unit and adjacent proposed Quokka Unit (Mitquq discovery)
+ Expansion benefits from efficient and phased project execution and modular facilities

# Creating value from midstream infrastructure portfolio

Santos

## Unique portfolio of strategic midstream infrastructure assets generating stable and material EBITDA of ~$370 million per annum, excluding GLNG

| | MIDSTREAM INFRASTRUCTURE ASSETS | | | | |
|---|---|---|---|---|---|
| | Moomba | Port Bonython | Darwin LNG | Varanus Island | Devil Creek |
| |  |  |  |  |  |
| Annual capacity | Gas: 400 TJ/d<br>Storage: 70 PJ | Liquids:<br>20 mmboe | LNG: 3.7 mtpa with approvals up to 10 mtpa | Gas: 390 TJ/d | Gas: 220 TJ/d |
| 2021 throughput (gross) | 298 TJ/d | 13.3 mmboe | 3.1 mtpa | 273 TJ/d | 152 TJ/d |
| Utilisation (%) | 75 | 63 | 80 | 70 | 69 |
| Existing tolling structure | Internal and external tolls | Internal and external tolls | Internal tolls | Internal tolls | Internal tolls |
| 2021 EBITDA | ~$370 million[1] | | | | |

[1] This amount is already included in Santos financials as existing earnings and costs at asset level.

# Papua New Guinea producing assets

Santos

## Merger increased equity in Tier 1 PNG LNG project and added operatorship of PNG's oil fields

**PNG LNG**

+ PNG LNG continues to perform consistently with 8.4 million tonnes of LNG and 110 cargoes loaded during 2021
    + PNG EBITDAX margin improved to 84% in 2021
    + 2021 unit production costs $4.69/boe[1]
    + Increased cash flow ~2026 once project finance repaid
+ Angore FID in 3Q21: next tranche of backfill gas to maintain PNG LNG production with first gas expected in 2024

**PNG Operated Assets**

+ Santos now operates all oil fields in Papua New Guinea
+ Strong performance from Agogo and Moran fields
    + A coiled tubing campaign commenced in 4Q21 on the Moran and Agogo fields to deliver incremental production in 2022

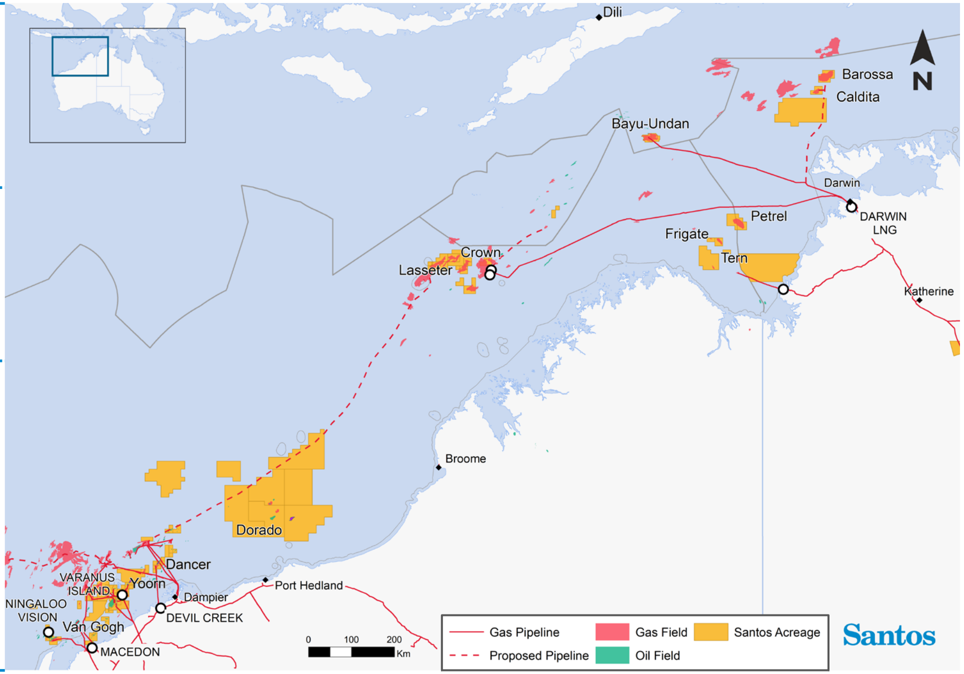
[1] Includes Santos operated assets from 11 December 2021.

# Offshore conventional business

Santos

## Bayu-Undan approaching end of field life in 2022-23 with Barossa as backfill for Darwin LNG from 1H 2025. Western Australia's largest domestic gas supplier

| | |
|---|---|
| **Strong cash margin, low-cost operating business** | + Western Australia EBITDAX margin improved to 77%<br>+ WA unit production cost at $6.38 per boe<br>+ Northern Australia & Timor-Leste EBITDAX margin strengthened to over 80%<br>+ NA & TL unit cost lowered ~30% to $15.4/boe since assuming operatorship |
| **Near term, near-field growth opportunities utilising existing infrastructure** | + Successful infill wells programs at Bayu-Undan Phase 3C and Van Gogh Phase 2 delivered incremental production in 2021<br>+ FID taken on Spartan gas backfill to VI<br>+ FID taken on Pyrenees Ph IV Infill<br>+ Varanus Island compression to recover low pressure reserves startup 4Q 21 |



# Growing production and improving efficiency

Santos

## Applying Santos’ disciplined low cost operating model has delivered significant cost reductions

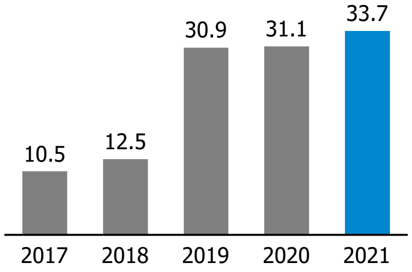
### Maintaining strong production

- Western Australia’s largest domestic gas producer
- Increased oil production due to three dual lateral wells from the Phase 2 infill campaign brought online in 4Q21

[1] Includes Quadrant Energy acquisition from 27 Nov 2018.

### Western Australia production[1]

mmboe

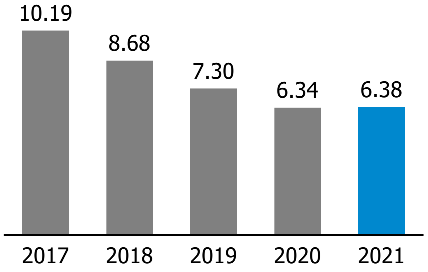



### Stable unit production costs

- Benefits of strong production volumes offset by unfavourable FX rates

### Western Australia upstream production cost

$/boe



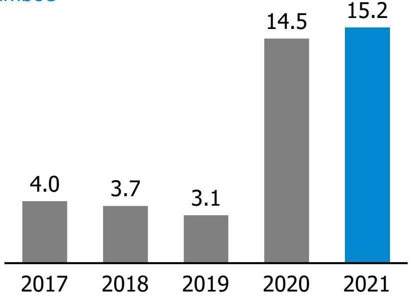

### Strong infill well performance

- Increased gas production from Phase 3C infill program at Bayu-Undan
- Bayu-Undan end of field life expected in 2022-23

[1] Includes ConocoPhillips ABW acquisition from 28 May 2020.

### Northern Australia and Timor-Leste production[1]

mmboe

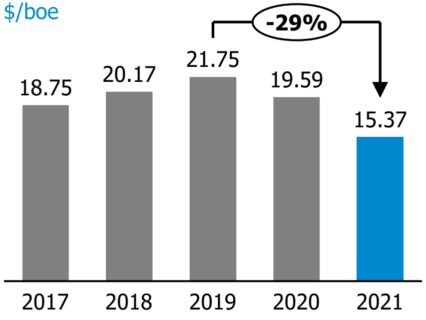



### CoP ABU acquisition synergies drive cost reductions

- Cost reductions reflect acquisition synergies, partially offset by the cost impacts of managing COVID-19

### Northern Australia and Timor-Leste upstream production cost

$/boe

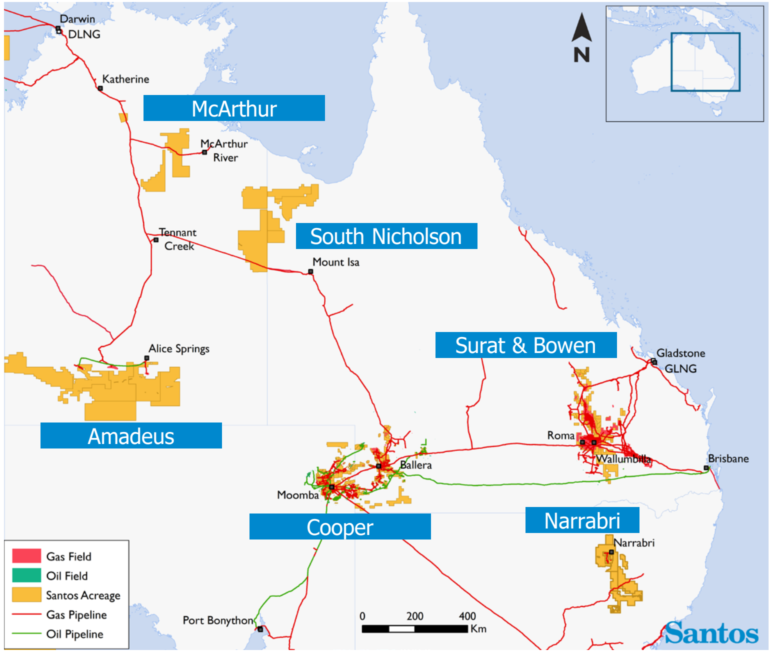


# Integrated onshore business with market optionality

Santos

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

| | |
|---|---|
| **Australia's lowest cost onshore operator** | + Growth self-funded within the low cost disciplined Operating Model<br>+ Driving capital efficiency to unlock additional resources<br>+ COVID-19 and joint venture budget constraints in 1H 2021 impacted activity levels |
| **Cooper Basin high value swing producer** | + Increased focus on oil development to complement stable gas production program<br>+ Using underbalanced drilling and enhanced stimulation technology to improve deliverability |
| **GLNG** | + Upstream production supported GLNG sales of 6.4 million tonnes in 2021<br>+ First gas from the Arcadia Phase 2 project expected the second half of 2022 |
| **Narrabri Gas Project** | + Appraisal planned to commence in 2022 |
| **Northern Territory** | + 300-day flow test underway for the two Tanumbirini horizontal wells |



# Cooper Basin

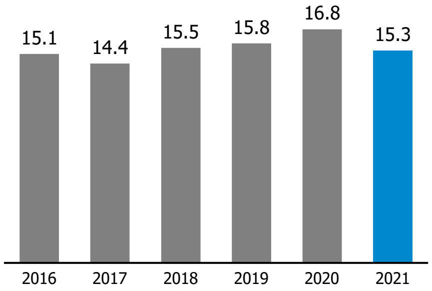
## Operating model is delivering reserve replacement, cost discipline and self-funded growth

### Lower production

- Production impacted by lower drilling activity, natural field decline and higher downtime
- Well type mix to maximise deliverability in a variety of plays
- Continuous focus on cycle time reduction

### Cooper Basin production

mmboe

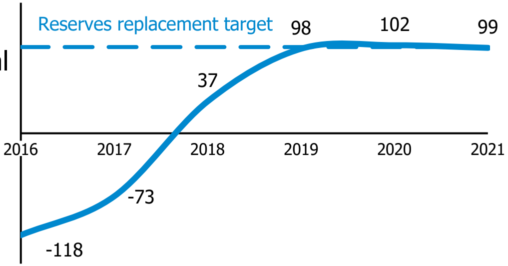



### Targeting >100% 2P RRR

- Sustained 2P reserves replacement ratio
- Reduced number of appraisal wells in 2021 resulting in lower 2C to 2P conversion
- Increased number of appraisal wells planned in 2022

### Reserves replacement ratio (RRR)

% three year rolling average

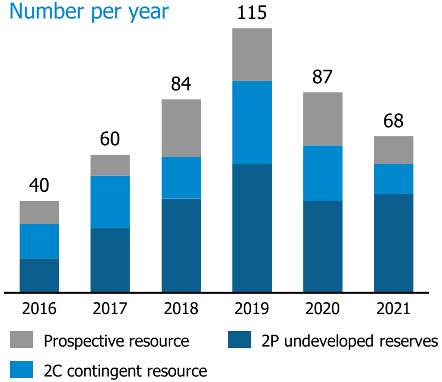



### Drilled 68 wells in 2021

- Well count is subject to well type and joint venture participation levels
- 11 horizontal wells in 2021 with 10 wells online
- ~100 wells planned in 2022

### Wells drilled

Number per year

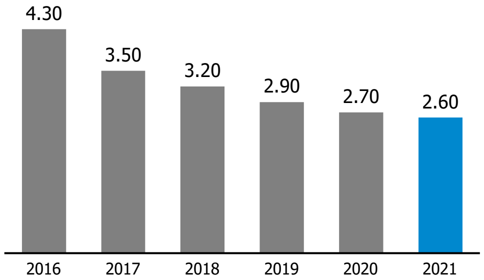



### Maintaining well cost discipline

- Well costs reduced by ~40% since 2016
- Unit development cost of horizontal wells 25% better than vertical offset wells
- Vertical well costs continue to decline

### Deep gas well cost[1]

$million per well




[1] Vertical, deviated and horizontal gas development wells to >3km (drill, stimulate, complete).

# Strong GLNG upstream production and cost out

Santos

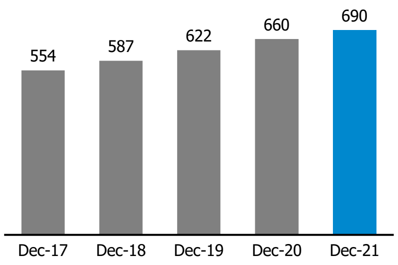
## Record upstream GLNG production driven by strong ramp at Roma and Arcadia

**Strong gas production**

+ Strong upstream production at 690TJ/d
+ Roma Field continuing to increase production, approaching 200TJ/d
+ Arcadia ramp-up, field and facilities debottlenecking delivering >90TJ/d

**GLNG sales gas production**

TJ/d (gross)

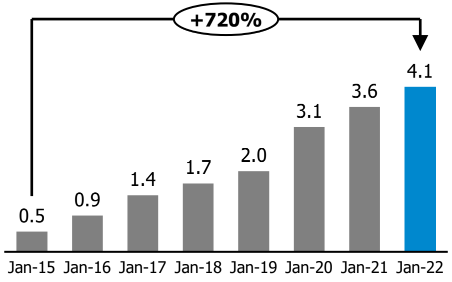



**Driving down operating cost by increasing production**

+ Implementation of new well design
+ Innovative operational tools to mitigate solids-related failures
+ Continuous improvement of technologies and processes

**Mean time between failure**

Years (Roma)

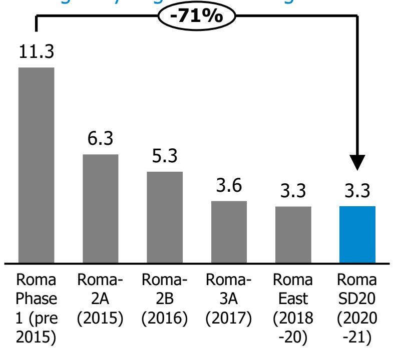



**Fit for purpose rigs, experienced crews**

+ High volume, sequential and repeatable scope
+ Technical limit focus
+ Performance improvement has offset impact of increase depth for Roma SD20 wells

**Days - development drilling**

Average days rig release to rig release



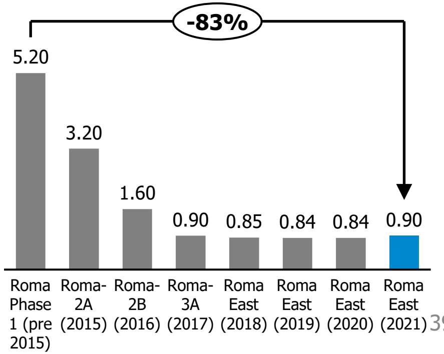

**Maintaining well cost discipline**

+ Relentless focus on optimising well cost
+ Expect to drill ~350 wells in 2022

[1] Drill, complete, connect.

**Roma well cost - GLNG[1]**

$million per well



# Appendix

# Financial performance

Santos

## EBITDAX up 48% to $2,805 million. Underlying profit up 230% to $946 million

| $million | 2021 | 2020 |
|---|---|---|
| Total revenue | 4,837 | 3,512 |
| Production costs | (715) | (716) |
| Other operating costs | (347) | (274) |
| Third party product purchases | (654) | (612) |
| Other[1] | (66) | (44) |
| Foreign exchange losses | (4) | (13) |
| Fair value (losses)/gains on commodity hedges | (246) | 45 |
| **EBITDAX** | **2,805** | **1,898** |
| Exploration and evaluation expense | (126) | (59) |
| Depreciation and depletion | (1,243) | (1,015) |
| Impairment losses | (8) | (895) |
| Change in future restoration | (6) | (1) |
| **EBIT** | **1,422** | **(72)** |
| Net finance costs | (217) | (234) |
| **Profit/(loss) before tax** | **1,205** | **(306)** |
| Tax expense | (547) | (51) |
| **Profit/(loss) after tax** | **658** | **(357)** |
| **Underlying profit** | **946** | **287** |

+ Total revenue up 38% due to higher realised prices across all products
+ Average realised oil price up 60% to $76/bbl and average realised LNG price up 45% to $9.25/mmBtu
+ Lower unit production costs/boe. Absolute production costs steady
+ Excluding the impacts of gain on disposal of Bayu-Undan and DLNG to SK and other one-off items, the effective tax rate is 39%

[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

## Higher realised prices across all products

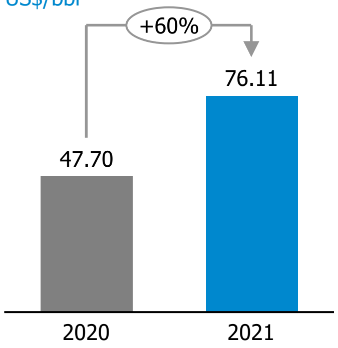
| $million | 2021 | 2020 | Variance |
|---|---|---|---|
| **Sales Revenue (incl. third party)** | | | |
| Gas, ethane and liquefied gas | 3,464 | 2,505 | 38% |
| Crude oil | 688 | 531 | 30% |
| Condensate and naphtha | 428 | 256 | 67% |
| Liquefied petroleum gas | 133 | 95 | 40% |
| **Total[1]** | **4,713** | **3,387** | **39%** |

[1] Total product sales include third-party product sales of $936 million (2020: $753 million)

- Sales revenue up 39% to $4.7 billion
- Average realised oil price up 60% to $76.1/bbl
- Average realised LNG price up 45% to $9.25/mmBtu

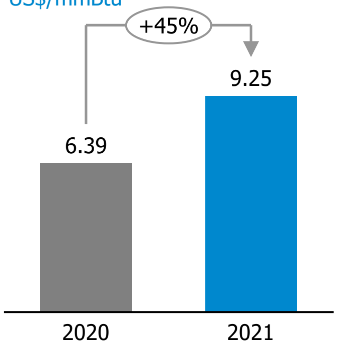
**Average realised crude oil price**

US$/bbl



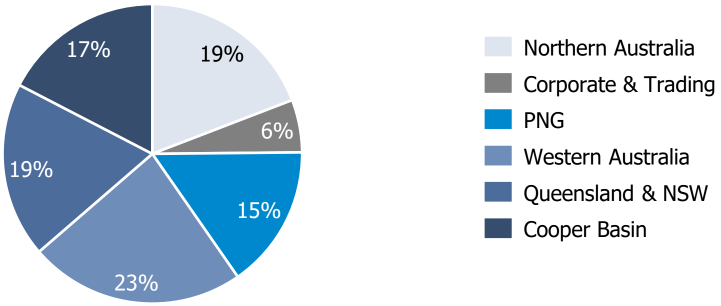

**Average realised LNG price**

US$/mmBtu




**2021 Sales revenue by asset**

%



# Free cash flow

Santos

## Calculation of 2021 full-year free cash flow

| $million | 2021 |
|---|---|
| **Operating cash flows** | **2,272** |
| Deduct Investing cash flows | (137) |
| Deduct Net acquisitions and disposals | (1,008) |
| Add Major growth capex | 524 |
| Deduct Lease liability payments | (147) |
| **Free cash flow** | **1,504** |

Lease liability payments are treated as financing cash flows under AASB 16. To ensure like-for-like comparisons with prior periods, the definition of free cash flow reflects 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.

# Significant items

Santos

## Reconciliation of full-year net profit/(loss) to underlying profit

| $million | 2021 | 2020 |
|---|---|---|
| **Net profit/(loss) after tax** | **658** | **(357)** |
| Add/(deduct) significant items after tax | | |
| Impairment losses | 6 | 653 |
| Net gains on asset sales | (44) | - |
| Fair value losses/(gains) on hedges | 173 | (30) |
| One-off acquisition and disposal costs | 80 | 21 |
| One-off tax adjustments | 73 | - |
| **Underlying profit** | **946** | **287** |

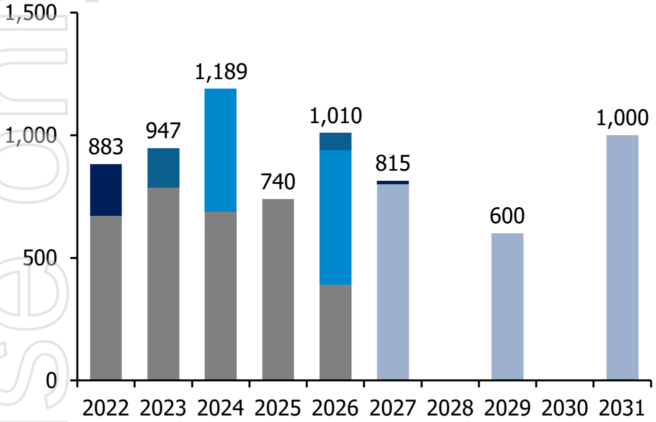
# Drawn debt maturity profile

Santos

## No significant near-term debt maturities until 2024, excluding PNG LNG project finance which is funded from project cash flows

**Drawn debt maturity profile¹**

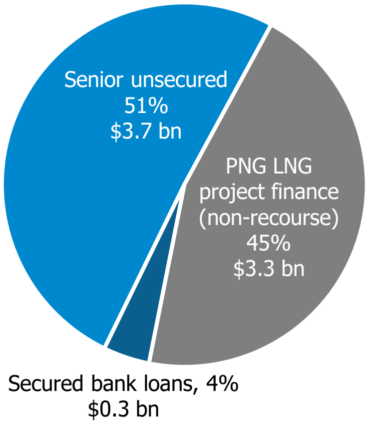
$million




Bank term loans
Long-term notes
PNG LNG project finance
Reg-S/144A bond
Secured bank loans

**Breakdown of drawn debt facilities¹**

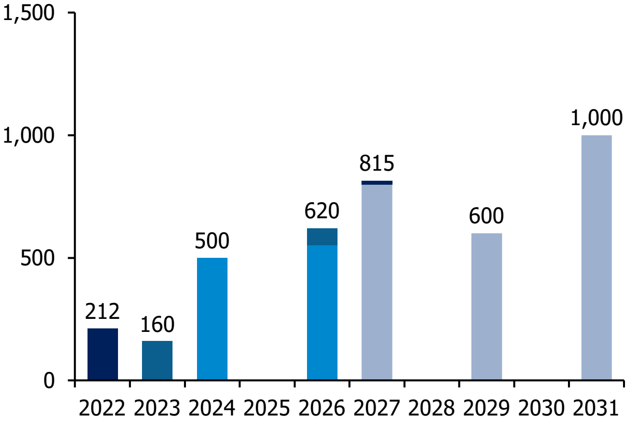
%




+ Weighted average term to maturity ~4.3 years

**Drawn debt maturity profile excluding PNG LNG project finance¹**

$million




Bank term loans
Long-term notes
Reg-S/144A bond
Secured bank loans

¹ As at 31 December 2021. Excludes leases and derivatives.

# Liquidity and net debt as at 31 December 2021

Santos

## Net debt $5,157 million. Liquidity of $5,611 million

| Liquidity ($million) | | 31 Dec 2021 | 31 Dec 2020 |
|---|---|---|---|
| Cash | | 2,976 | 1,319 |
| Undrawn bilateral bank debt facilities | | 2,635 | 1,870 |
| **Total liquidity** | | **5,611** | **3,189** |
| **Debt ($million)** | | | |
| Export credit agency supported loan facilities | Senior, unsecured | Nil | 283 |
| Bank Loans - unsecured | Senior, unsecured | 1,043 | 1,441 |
| Bank Loans - secured | Secured (legacy Oil Search) | 255 | Nil |
| US Private Placement | Senior, unsecured | 238 | 252 |
| Reg-S / 144A bonds | Senior, unsecured | 2,380 | 1,382 |
| PNG LNG project finance | Non-recourse, secured | 3,260 | 1,184 |
| Leases | Leases | 873 | 457 |
| Other | Derivatives | 84 | (16) |
| **Total debt** | | **8,133** | **4,983** |
| **Total net debt** | | **5,157** | **3,664** |

# 2022 guidance

| 2022 guidance item | Guidance |
|---|---|
| Production (mmboe) | 100-110 mmboe |
| Sales volumes (mmboe) | 110-120 mmboe |
| Capital expenditure – base including restoration ($m) | ~1,100 million |
| Capital expenditure – major projects ($m) | ~1,150-1,300 million |
| Capital expenditure – contingent major projects, subject to FID ($m) | Up to ~400 million |
| Upstream production costs ($/boe) | 8.00-8.50/boe |

# 2021 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** | **1,000** | **973** | **736** | **903** | **1,105** | **120** | **4,837** |
| Production costs | (143) | (79) | (67) | (234) | (215) | 23 | (715) |
| Other operating costs | (101) | (98) | (61) | - | (4) | (83) | (347) |
| Third party product purchases | (340) | (191) | - | - | - | (123) | (654) |
| Inter-segment purchases | (1) | (64) | - | - | - | 65 | - |
| Product stock movement | 4 | (33) | (16) | - | 22 | - | (23) |
| Other income | 17 | 25 | 43 | 28 | 2 | 3 | 118 |
| Other expenses | (13) | (8) | (21) | 7 | (59) | (92) | (186) |
| FX gains and losses | - | - | - | - | - | (3) | (3) |
| Fair value losses on commodity hedges | - | - | - | - | - | (247) | (247) |
| Share of profit of joint ventures | - | - | 1 | 24 | - | - | 25 |
| **EBITDAX** | **423** | **525** | **615** | **728** | **851** | **(337)** | **2,805** |

# 2020 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** | **919** | **793** | **451** | **466** | **742** | **141** | **3,512** |
| Production costs | (131) | (76) | (56) | (284) | (198) | 29 | (716) |
| Other operating costs | (60) | (78) | (41) | - | (4) | (91) | (274) |
| Third party product purchases | (303) | (173) | (1) | - | (1) | (134) | (612) |
| Inter-segment purchases | - | (69) | - | - | - | 69 | - |
| Product stock movement | (31) | - | (1) | (2) | 8 | - | (26) |
| Other income | 10 | 33 | 13 | 2 | 3 | 4 | 65 |
| Other expenses | (12) | (6) | (11) | (11) | (25) | (51) | (116) |
| FX gains and losses | (2) | 4 | - | 1 | 21 | (37) | (13) |
| Fair value losses on commodity hedges | - | - | - | - | - | 45 | 45 |
| Share of profit of joint ventures | - | - | - | 33 | - | - | 33 |
| **EBITDAX** | **390** | **428** | **354** | **205** | **546** | **(25)** | **1,898** |

# Oil Search acquisition accounting

Santos

### Purchase price allocation

- Under AASB 3 *Business Combinations*, all assets acquired and liabilities assumed in a business combination are recognised at acquisition date fair value, known as purchase price allocation (PPA).
- Santos has provisionally recognised the fair values of the identifiable assets and liabilities of Oil Search based upon information available at reporting date as shown in **Note 6.2 (a)** to the 2021 Consolidated Financial Statements.
- Goodwill on acquisition of $1,080 million has been recognised. The goodwill has arisen due to the net deferred tax liability of $1,080 million generated on acquisition.
- Exploration and evaluation assets recognised of $2,050 million primarily relate to the Pikka project in Alaska, Papua LNG, P'nyang and the remaining acreage positions across PNG.
- Oil and gas assets recognised of $6,549 million predominantly arises from the additional 29% interest acquired in PNG LNG.
- Restoration provision of $800 million has been recognised based on the most recent information, assumptions and forecasts.
- LNG sales contracts are fair valued on acquisition. This results in a contract assets of $318 million which will be amortised to the profit and loss over the period of the contract.

### Income statement

| Year-ended 31 Dec 2021 | Oil Search post-acquisition | Santos standalone | Consolidated |
|---|---|---|---|
| Production volume (mmboe) | 1.7 | 90.4 | 92.1 |
| Sales volume (mmboe) | 1.5 | 102.7 | 104.2 |
| Product sales ($million) | 101 | 4,612 | 4,713 |
| EBITDA ($million) | 62 | 2,603 | 2,665 |

### Balance sheet

| $million<br>As at 31 Dec 2021 | Oil Search fair value post-PPA | Santos standalone | Consolidated[1] |
|---|---|---|---|
| Current assets | 1,162 | 3,620 | 4,751 |
| Non current assets[1] | 11,131 | 20,259 | 25,258 |
| Total assets[1] | 12,293 | 23,879 | 30,009 |
| Current liabilities | (1,158) | (1,884) | (3,011) |
| Non current liabilities | (5,083) | (8,399) | (13,388) |
| Total liabilities | (6,241) | (10,283) | (16,399) |
| Net assets[1] | 6,052 | 13,596 | 13,610 |

[1] Consolidated total shown is net of eliminations on consolidation, including purchase consideration of $6,038 million.

# Oil price hedging and dividend franking

Santos

| Open oil price positions[1] | 2022 |
| --- | --- |
| Zero cost collars (barrels) | 4,000,000 |
| Average floor price ($/bbl) | 50 |
| Average ceiling price ($/bbl) | 66.14 |
| Three-way Participating (barrels) | 2,000,000 |
| Average floor price ($/bbl) | 50 |
| Average ceiling price ($/bbl) | 60 |
| Average re-participation price ($/bbl) | 65.05 |

[1] As at 31 December 2021.

**Dividend franking**

- Dividend franking account balance as at 31 Dec 2021: US$94 million
- 2021 final dividend will substantially deplete franking account balance and will be franked to 70%
- Dividend will be designated Conduit Foreign Income (CFI) allowing it to be paid to non-resident shareholders free of withholding tax