

20 April 2022

## Santos announces new capital management framework including an initial on-market share buyback

Santos today announced a new capital management framework targeting higher shareholder returns and including an initial on-market share buyback of up to US\$250 million.

Santos' strategy is to maintain a disciplined, low-cost operating model that is designed to deliver strong cash flows through the oil price cycle. The new capital management framework seeks to maintain an appropriate capital structure that enables Santos to balance the allocation of capital between investment in the business, the development of strategic growth and clean energy projects, and the provision of sustainable returns to shareholders at higher commodity prices.

The new capital management framework includes:

- A dividend policy of 10 per cent to 30 per cent payout of free cash flow<sup>1</sup> (excluding major growth) generated per annum at an average Brent oil price up to US\$65 per barrel.
- Additional shareholder returns of at least 40 per cent of the incremental free cash flow<sup>1</sup> (excluding major growth) in the form of additional dividends and/or share buybacks at the Board's discretion at Brent oil price outcomes above US\$65 per barrel.
- A target gearing<sup>2</sup> range of 15 per cent to 25 per cent.

Given the strong free cash flow being generated at current oil prices and gearing at 26 per cent at the end of March 2022, Santos intends to return up to US\$250 million to shareholders via an on-market share buyback during the remainder of 2022.

The share buyback is expected to commence in May 2022. Any shareholder return over and above the base dividend announced in respect of the 2022 half-year results in August will be inclusive of this US\$250 million initial on-market share buyback announced today.

Santos Managing Director and Chief Executive Officer Kevin Gallagher said consistent delivery of Santos' Transform Build Grow strategy had placed the company in a strong financial position with a robust outlook.

"We are now in a position to target higher shareholder returns through our new capital management framework and are pleased to announce an initial on-market share buyback of up to US\$250 million because we believe the current share price undervalues the company," Mr Gallagher said.

Full details of the buyback are set out in the Appendix 3C lodged with the ASX today. The timing and number of shares purchased under the buyback will depend on the prevailing market conditions, the share price and other relevant factors.

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

<sup>1</sup> Free cash flow is operating cash flows less investing cash flows net of acquisitions and disposals and major growth capital expenditure, less lease liability payments. The Board will have the discretion to adjust free cash flow for individually material items.

<sup>2</sup> Gearing is defined as net debt / (net debt + equity).

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