ASX / Media Release

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Santos announces sustainable dividend policy

In line with Santos' stated purpose to provide sustainable returns to our shareholders, the Board has approved a new Dividend Policy.

Santos will look to pay ordinary dividends that are sustainable through the oil price cycle and will target a range of 10% to 30% payout of free cash flow[1] generated per annum.

Furthermore, given the cyclical nature of the industry, the Board will also consider additional returns to shareholders above the ordinary dividend when business conditions permit.

Santos' strategy has been to establish a low cost operating model that is designed to deliver strong cash flows through the oil price cycle.

Since 2016, Santos has successfully executed the Transform phase of the strategy to simplify the company to focus on five core long-life natural gas assets, reduce costs and increase efficiencies to become Australia's lowest cost onshore operator, and position the balance sheet for growth by significantly reducing net debt. During this period, dividends remained suspended as the company prioritised debt repayment.

Santos is on track to achieve its net debt reduction target in the second half of 2018, more than a year ahead of schedule and now has a significantly stronger balance sheet to support the company's growth strategy. This positions the company to return to sustainable dividend payments to shareholders.

In determining the appropriate dividend payment, the Santos Board will consider the company's growth profile, cash flow and funding requirements, balance sheet strength, capital structure, and franking credit balance. The declaration and amount of any dividend payment remains at the discretion of the Board.

Should market conditions remain supportive and the company continues to make good progress to its debt reduction target ahead of plan, the Board will look to restore dividends to shareholders when it considers the 2018 half-year financial results in August.

Ends.

[1] Free cash flow is operating cash flow less investing cash flow (including all sustaining capital expenditure, exploration spend and interest payments). The Board will have the discretion to adjust free cash flow for individually material items, including major growth spend (for example, capital expenditure associated with the proposed Barossa development and PNG LNG expansion projects), and asset acquisitions and disposals.

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