

23 August 2017

Santos to redeem Euro Subordinated Notes

Santos today announces it is exercising its option to redeem its Euro 1 billion Subordinated Notes (Notes) originally issued in 2010, on the first call date of 22 September 2017.

The redemption is in-line with the company's strategic focus on debt reduction, cost reduction and prudent capital management.

The significant business turnaround Santos has undertaken over the last 18 months towards a low-cost, high performing and reliable business positions it to redeem the Notes.

Santos has improved operational performance, cut costs and reduced 2017 forecast free cash flow breakeven to US\$33 per barrel.⁽¹⁾ The company has also undertaken prudent capital management, with net debt reducing towards the target of US\$2 billion by the end of 2019 and oil price hedging in place for 2017 and 2018.

Santos has ample liquidity of US\$4.2 billion, comprising cash of US\$2.2 billion and undrawn bilateral facilities of US\$2 billion. Redemption of the Notes will be funded from existing liquidity.

Santos has a number of debt funding options available to further support liquidity and extend the debt maturity profile. Debt markets remain buoyant and the company expects to undertake suitable additional debt funding at significantly lower interest cost in the near-term.

The Notes to be redeemed are Santos' most expensive debt instrument and replacing with more efficient long-term debt funding will reduce the company's forecast free cash flow breakeven oil price.

Ends.

(1) Free cash flow breakeven is the average annual oil price in 2017 at which cash flows from operating activities (including hedging) equals cash flows from investing activities. Forecast methodology uses corporate assumptions. Excludes one-off restructuring and redundancy costs and asset divestitures.

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