

19 July 2016

Change in Reporting Currency

Santos will change its reporting currency from Australian dollars to US dollars, commencing with the 2016 interim result.

This reflects the change in the group's revenue mix, which is now predominantly US dollar denominated with PNG LNG and GLNG in production. Reporting in US dollars will also enhance comparability with Santos' industry peer group, the majority of which report in US dollars.

The second quarter activities report for the quarter ended 30 June 2016 and the half-year financial report for the six months ending 30 June 2016 will be presented in US dollars, including all comparative information.

Historical financial information has been restated to US dollars and is provided on the following pages.

Ends.

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EXPLANATION OF CHANGE

Santos has changed its reporting currency from Australian dollars to US dollars in the current year. The change in reporting currency is a voluntary change that is accounted for retrospectively. All other accounting policies are consistent with those adopted in the annual financial report for the year ended 31 December 2015.

The financial information included in the attached for the years ended 31 December 2015 and 31 December 2014 and for the half-year ended 30 June 2015, previously reported in Australian dollars, has been restated to US dollars using the procedures outlined below:

1. Income Statement and Statement of Cash Flows have been translated into US dollars using average foreign currency rates prevailing for the relevant period.
2. Assets and liabilities in the Statement of Financial Position have been translated into US dollars at the closing foreign currency rates on the relevant balance sheet dates.
3. The equity section of the Statement of Financial Position, including foreign currency translation reserve, retained earnings, share capital and the other reserves have been translated into US dollars using historical rates.
4. Earnings per share and dividend disclosures have also been restated to US dollars to reflect the change in reporting currency.

The financial information presented has not been audited.

CONSOLIDATED INCOME STATEMENT
PRESENTED IN US DOLLARS

	Year ended 31 Dec 2015 \$US million	Year ended 31 Dec 2014 \$US million	Six months ended 30 June 2015 \$US million
Product sales	2,442	3,641	1,261
Cost of sales	(1,883)	(2,611)	(882)
Gross profit	559	1,030	379
Other revenue	36	56	16
Other income	9	11	3
Impairment of non-current assets	(2,854)	(1,934)	–
Other expenses	(141)	(151)	(131)
Finance income	6	17	4
Finance costs	(223)	(73)	(102)
Share of net profit of joint ventures	10	15	5
Profit/(loss) before tax	(2,598)	(1,029)	174
Income tax benefit/(expense)	621	286	(145)
Royalty-related taxation benefit	24	113	1
Total taxation benefit/(expense)	645	399	(144)
Net profit/(loss) for the period attributable to owners of Santos Limited	(1,953)	(630)	30

	Year ended 31 Dec 2015 \$US million	Year ended 31 Dec 2014 \$US million	Six months ended 30 June 2015 \$US million
Reconciliation of underlying profit			
Net profit/(loss) after tax attributable to equity holders of Santos Limited	(1,953)	(630)	30
Add/(deduct) the following items (after-impact of tax):			
Net gains on sales of non-current assets	(1)	(2)	–
Impairment losses	2,014	1,228	–
Foreign exchange (gains)/losses	(23)	2	(13)
Fair value adjustments on embedded derivatives and hedges	(6)	(32)	18
Remediation (income)/costs net of insurance recoveries	–	(4)	–
Other expense items, including redundancy & restructure costs	35	–	7
Other tax adjustments	(17)	(39)	(17)
Underlying profit	49	523	25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
PRESENTED IN US DOLLARS

	Year ended 31 Dec 2015 \$US million	Six months ended 30 June 2015 \$US million	Year ended 31 Dec 2014 \$US million
Current assets			
Cash and cash equivalents	839	306	634
Trade and other receivables	392	472	518
Prepayments	47	66	75
Inventories	360	404	362
Other financial assets	1	1	54
Tax receivable	85	27	47
Assets held for sale	401	–	–
Total current assets	2,125	1,276	1,690
Non-current assets			
Receivables	4	19	8
Prepayments	20	190	154
Investments in joint ventures	71	77	79
Other financial assets	158	124	136
Exploration and evaluation assets	520	955	905
Oil and gas assets	12,404	15,035	15,071
Other land, buildings, plant and equipment	181	194	219
Deferred tax assets	466	169	19
Total non-current assets	13,824	16,763	16,591
Total assets	15,949	18,039	18,281
Current liabilities			
Trade and other payables	618	730	1,131
Deferred income	7	43	41
Interest-bearing loans and borrowings	152	306	267
Current tax liabilities	8	28	12
Provisions	125	102	138
Other financial liabilities	2	2	3
Liabilities directly associated with assets held for sale	14	–	–
Total current liabilities	926	1,211	1,592
Non-current liabilities			
Deferred income	158	131	123
Interest-bearing loans and borrowings	5,246	6,597	6,483
Deferred tax liabilities	153	612	486
Provisions	1,736	1,764	1,747
Other financial liabilities	309	272	149
Total non-current liabilities	7,602	9,376	8,988
Total liabilities	8,528	10,587	10,580
Net assets	7,421	7,452	7,701
Equity			
Issued capital	8,119	5,873	5,762
Reserves	(699)	(630)	(335)
Retained Earnings	1	2,209	2,278
Equity attributable to owners of Santos Limited	7,421	7,452	7,705
Non-controlling interests	–	–	(4)
Total equity	7,421	7,452	7,701

CONSOLIDATED STATEMENT OF CASH FLOWS
PRESENTED IN US DOLLARS

	Year ended 31 Dec 2015 \$US million	Year ended 31 Dec 2014 \$US million	Six months ended 30 June 2015 \$US million
Cash flows from operating activities			
Receipts from customers	2,711	4,024	1,417
Dividends received	13	16	6
Pipeline tariffs and other receipts	25	48	5
Payments to suppliers and employees	(1,539)	(2,022)	(772)
Exploration and evaluation seismic and studies	(111)	(131)	(76)
Royalty and excise paid	(43)	(87)	(25)
Borrowing costs paid	(164)	(44)	(70)
Carbon costs paid	(16)	(48)	(13)
Income taxes paid	(50)	(106)	(25)
Royalty-related taxation paid	(43)	(44)	(35)
Other operating activities	28	27	4
Net cash provided by operating activities	811	1,633	416
Cash flows from investing activities			
Payments for:			
Exploration and evaluation assets	(279)	(415)	(196)
Oil and gas assets	(1,125)	(2,557)	(672)
Other land, buildings, plant and equipment	(17)	(47)	(6)
Acquisitions of oil and gas assets	(102)	(30)	(98)
Acquisitions of controlled entities	-	(7)	-
Proceeds from disposals of non-current assets	60	1	36
Borrowing costs paid	(109)	(200)	(56)
Other investing activities	(20)	(5)	-
Net cash used in investing activities	(1,592)	(3,260)	(992)
Cash flows from financing activities			
Dividends paid	(161)	(178)	(83)
Drawdown of borrowings	636	1,967	294
Repayment of borrowings	(1,770)	(78)	(34)
Proceeds from issues of ordinary shares	2,300	10	82
Net cash provided by financing activities	1,005	1,721	259
Net increase/(decrease) in cash and cash equivalents	224	94	(317)
Cash and cash equivalents at the beginning of the period	634	573	634
Effects of exchange rate changes on the balances of cash held in foreign currencies	(19)	(33)	(11)
Cash and cash equivalents at the end of the period	839	634	306

OTHER FINANCIAL INFORMATION

		Year ended 31 Dec 2015	Year ended 31 Dec 2014	Six months ended 30 June 2015
EBITDAX	US\$m	1,454	2,076	800
EBIT	US\$m	(2,381)	(973)	272
Underlying profit	US\$m	49	523	25
Net debt	US\$m	(4,749)	(6,128)	(6,743)
Capital expenditure	US\$m	(1,406)	(3,512)	(735)
EPS Basic	US cents/share	(169.53)	(64.41)	3.02
Closing exchange rate	A\$:US\$	0.7274	0.8181	0.7672

NOTES:

Santos' results are reported under International Financial Reporting Standards ("IFRS"). This report also includes certain non-IFRS financial information, including the following:

- EBITDAX (earnings before interest, tax, depreciation, depletion, exploration and evaluation and impairment) and EBIT (earnings before interest and tax) and underlying profit are presented to provide an understanding of the underlying performance of Santos' operations.
- Underlying profit excludes the impacts of asset acquisitions, disposals and impairments, as well as items that are subject to significant variability from one period to the next, including the effects of fair value adjustments and fluctuations in exchange rates.

Non-IFRS financial information is unaudited, however the numbers have been extracted from previously audited Australian dollar financial statements and converted to US dollars.