Half-year report incorporating Appendix 4D

Santos Limited and its controlled entities.
For the period ended 30 June 2015, under Listing Rule 4.2.

Santos
We have the energy.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

APPENDIX 4D FOR THE PERIOD ENDED 30 JUNE 2015

				$million
Revenue from ordinary activities	Down	15%	to	1,631
Profit from ordinary activities after tax attributable to members	Down	82%	to	37
Net profit for the period attributable to members	Down	82%	to	37

Interim Dividends	Amount per security	Franked amount per security at 30% tax
Ordinary securities	15 ¢	15¢
28 August 2015 is the record date for determining entitlements to the dividend		
Comparison period ended is 30 June 2014.		

CONTENTS

Half-year Report 30 June 2015

ABOUT SANTOS

An Australian energy pioneer since 1954, Santos is one of the leading independent oil and gas producers in the Asia-Pacific region, supplying the energy needs of homes, businesses and major industries across Australia and Asia.

Underpinned by a portfolio of high-quality liquefied natural gas (LNG), pipeline gas and oil assets, Santos seeks to deliver long-term value to shareholders.

Santos' foundations are based on safe, sustainable operations and working together with our shareholders, host communities, governments and business partners.

With one of the largest exploration and production acreages in Australia and an extensive infrastructure position, Santos is committed to supplying the domestic markets, unlocking resources and driving value and performance from its existing operations.

Santos' portfolio of LNG assets is transforming the company. Backed by long-term offtake agreements with high quality Asian buyers, Darwin LNG, PNG LNG and GLNG will provide strong cash flow for decades to come.

In South-East Asia, Santos' business continues to grow through the successful delivery of key projects in Papua New Guinea, Vietnam and Indonesia, and through high impact exploration opportunities.

Natural gas will continue to play an important role in meeting the growing regional demand for energy. Santos, through its abundant gas resources, strong infrastructure position and LNG portfolio is well-positioned to benefit from this growing demand profile.

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report of the consolidated entity, being Santos Limited ("Santos" or "the Company") and its controlled entities, for the half-year ended 30 June 2015, and the auditor's review report thereon.

REVIEW AND RESULTS OF OPERATIONS

A review of the operations and of the results of those operations of the consolidated entity during the half-year is as follows:

Summary of results table	2015	2014	Variance
	mmboe	mmboe	%
Production volume	28.3	25.0	13
Sales volume	30.9	28.9	7
	$million	$million	
Product sales	1,611	1,887	(15)
EBITDAX[1]	900	950	(5)
Exploration and evaluation expensed	(194)	(102)	90
Depreciation and depletion	(480)	(429)	12
Net impairment (loss)/reversal	-	(67)	
EBIT[1]	226	352	(36)
Net finance (costs)/ income	(125)	(46)	172
Taxation expense	(64)	(100)	(36)
Net profit for the period	37	206	(82)
Underlying profit for the period[1]	32	258	(88)

1 *EBITDAX (earnings before interest, tax, depreciation, depletion, exploration and evaluation and impairment), EBIT (earnings before interest and tax) and underlying profit are non-IFRS measures that 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. Please refer to page 4 for the reconciliation from net profit to underlying profit for the period. The non-IFRS financial information is unaudited however the numbers have been extracted from the financial statements which have been subject to review by the Company's auditor.*

Production and Sales

Santos' 2015 half-year production of 28.3 million barrels of oil equivalent (mmboe) was 13% higher than the corresponding period in 2014. Strong production from PNG LNG combined with higher Cooper Basin gas production and higher oil production in Vietnam contributed to the overall increase. This was partially offset by lower oil production from the Carnarvon Basin in Western Australia due to both planned and unplanned outages.

Sales volumes rose 7% to 30.9 mmboe, reflecting the higher production outcome, partially offset by lower third party product sales primarily due to lower third party Cooper Basin oil volumes.

Sales revenue fell 15% to $1.6 billion for the half-year. The positive effect of higher sales volumes was more than offset by significantly lower crude oil prices. The average realised crude oil price for the half-year was A$77 per barrel, 38% lower than the corresponding period.

Santos took positive steps in the first half to strengthen the Company's financial position in the lower oil price environment, including significant reductions to both capital and operating expenditure. First half capital expenditure (excluding capitalised interest) was 55% lower than the corresponding period while production costs per barrel of oil equivalent were 11% lower. Santos is also considering asset divestments as part of its ongoing portfolio management, provided fair long-term value can be realised.

Review of Operations

Santos' operations are reported in four business units based on the different geographic regions of the Company's operations: Eastern Australia; Western Australia and Northern Territory; Asia Pacific; and GLNG.

Eastern Australia

Santos is a leading producer of natural gas, gas liquids and crude oil in eastern Australia. Gas is sold primarily to domestic retailers and industry, while gas liquids and crude oil are sold in the domestic and export markets.

Eastern Australia Business Unit EBITDAX was $253 million, 21% lower than the first half of 2014 primarily due to lower sales revenue impacted by lower global oil prices and lower third party crude sales volumes.

Santos' share of Cooper Basin sales gas and ethane production of 31.0 petajoules (PJ) in the first half was 7% higher than the corresponding period, reflecting improvements in field capacity and plant downtime. Santos' share of Cooper Basin condensate production was 0.5 million barrels (mmbbl), in line with the corresponding period. Santos' share of gas production from the Denison, Scotia, Spring Gully and Combabula fields in Queensland and the Otway Basin offshore Victoria was 13.8 PJ, also in line with the corresponding period.

Santos' share of Cooper Basin oil production of 1.4 mmbbl was 11% lower than the corresponding period due to natural field decline more than offsetting the contribution of new wells online. Volumes of third party crude oil processed at Moomba decreased in line with lower production from other operators in the Cooper Basin.

Western Australia and Northern Territory

Santos is one of the largest producers of domestic natural gas in Western Australia and is also a significant producer of gas liquids and crude oil. Santos also has an interest in the Bayu-Undan/Darwin LNG project.

Western Australia and Northern Territory Business Unit EBITDAX was $193 million, 50% lower than the first half of 2014 mainly due to lower sales revenue impacted by the fall in global oil prices, combined with the Mutineer-Exeter/Fletcher Finucane FPSO being off-line for most of the first half of 2015 for repairs.

Santos' Western Australia gas and condensate production of 27.0 PJ and 272,900 barrels respectively in the first half were both in line with the corresponding period.

Santos' share of Western Australia oil production of 0.7 mmbbl was significantly lower than the corresponding period due to a combination of planned and unplanned outages combined with natural field decline.

Darwin LNG continued to perform strongly, with high operating efficiency and excellent cost performance. Santos' net entitlement to gas production of 9.8 PJ was in-line with the corresponding period.

Asia Pacific

Santos is building a focussed, high-value position in South-East Asia with producing assets in three countries: Papua New Guinea, Indonesia and Vietnam, and exploration interests in these countries as well as Malaysia and Bangladesh.

Asia Pacific Business Unit EBITDAX was $440 million, 96% higher than the first half of 2014 mainly due to a full half year of production from PNG LNG.

In Papua New Guinea, the PNG LNG project continued to perform well, with both trains consistently operating above nameplate capacity. Santos' share of gas and condensate production in the first half of 29.0 PJ and 700,100 barrels respectively were both significantly higher than the corresponding period, reflecting the successful start-up of the project in April 2014.

Santos' net entitlement to oil production in Vietnam of 1.5 mmbbl was 13% higher than the corresponding period primarily due to Dua commencing production in July 2014 and improvements in operating efficiency on the production vessel.

Santos' net entitlement to gas production in Indonesia of 11.8 PJ was 6% lower primarily due to natural field decline.

GLNG

Sanctioned in January 2011, the GLNG project (Santos 30% interest) is on track for first LNG around the end of the third quarter of 2015. The project involves developing coal seam natural gas fields in the Bowen and Surat Basins in south-western Queensland, a 420 kilometre underground gas transmission pipeline and a two-train LNG plant on Curtis Island at Gladstone. The project has an estimated gross capital cost of US$18.5 billion for the period from final investment decision until the end of 2015. This is based on foreign exchange rates which are consistent with the assumptions used at FID (A$/US$0.87 average over 2011-15).

Strong construction progress continued across the project in the first half of 2015. The initial upstream component of the project was completed with the handover of the third and final gas processing hub from commissioning to operations. The 420-kilometre gas transmission pipeline is also operational and is supplying commissioning gas to the LNG plant on Curtis Island. Commissioning of the LNG plant continues following the introduction of feed gas into the front end of Train 1 in August 2015. First LNG is expected around the end of the third quarter of 2015.

GLNG Business Unit results include domestic gas production and sales from the GLNG coal seam natural gas fields in south-western Queensland. Santos' share of GLNG domestic gas production was 3.0 PJ in the first half, 33% lower than the corresponding period. GLNG Business Unit EBITDAX was $11 million, 21% lower than the first half of 2014 mainly due to lower domestic gas customer nominations.

Net Profit

The 2015 first half net profit of $37 million is $169 million lower than in 2014. The decrease is primarily due to lower sales revenue from lower global oil prices and higher E&E expensed from unsuccessful well results in Malaysia and PNG.

Net profit includes items after tax of $5 million (before tax of $25 million), referred to in the reconciliation of net profit to underlying profit below.

Reconciliation of Net Profit to Underlying Profit[1]	2015 $million			2014 $million		
	Gross	Tax	Net	Gross	Tax	Net
Net profit after tax attributable to equity holders of Santos Limited			**37**			**206**
Add/ (deduct) the following:						
Impairment losses/(reversals)	-	-	-	67	-	**67**
Foreign exchange losses/(gains)	(24)	7	**(17)**	13	(4)	**9**
Fair value adjustments on embedded derivatives and hedges	34	(10)	**24**	4	(2)	**2**
Remediation (income)/ costs for incidents net of related insurance recoveries	-	-	**-**	(5)	1	**(4)**
Redundancy/restructuring costs	15	(5)	**10**	-	-	**-**
Other one-off tax adjustment	-	(22)	**(22)**	-	(22)	**(22)**
	25	(30)	**(5)**	79	(27)	**52**
Underlying Profit[1]			**32**			**258**

1 *Underlying profit is a non-IFRS measure that is presented to provide an understanding of the underlying performance of Santos' operations. The measure 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. The non-IFRS financial information is unaudited however the gross numbers presented above have been extracted from the financial statements which have been subject to review by the Company's auditor.*

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SANTOS LIMITED / DIVIDENDS

Equity attributable to equity holders of Santos Limited at 30 June 2015 was $9,713 million.

On 21 August 2015, the Directors resolved to pay a fully franked interim dividend of 15 cents per fully paid ordinary share on 30 September 2015 to shareholders registered in the books of the Company at the close of business on 28 August 2015 ("Record Date").

The Board also resolved that the Dividend Reinvestment Plan ("DRP") will continue to be in operation for the 2015 interim dividend. Shares issued under the DRP will be allocated at the arithmetic average of the daily volume weighted average market price over a period of 10 business days commencing on the second business day after the Record Date less a 2.5% discount ("DRP Price"). The last date to elect to participate in the DRP is 31 August 2015. The DRP will be fully underwritten.

CASH FLOW

The net cash inflow from operating activities of $532 million was 28% lower than the first half of 2014. This decrease is principally attributable to lower receipts from customers as a result of the significant decline in global oil prices. Net cash used in investing activities of $1,264 million was $548 million lower than the first half of 2014 primarily due to lower payments for non-current assets. Cash flows from financing activities of $333 million were $546 million lower than the first half of 2014, mainly due to decreased drawdown of borrowings.

OUTLOOK

Santos maintains production guidance in the range of 57 to 64 mmboe for 2015.

POST BALANCE DATE EVENTS

On 21 August 2015 the Directors of Santos Limited resolved to pay an interim dividend on ordinary shares in respect of the 2015 half-year period as outlined above. The financial effect of these dividends has not been brought to account in the half-year financial report for the six months ended 30 June 2015.

DIRECTORS

The names of Directors of the Company in office during or since the end of the half-year are:

Surname	Other Names
Allen[1]	Yasmin Anita
Borda[2]	Kenneth Charles (Chairman)
Coates[3]	Peter Roland (Chairman)
Dean	Kenneth Alfred
Franklin	Roy Alexander
Goh	Hock
Hemstritch	Jane Sharman
Knox	David John Wissler (Managing Director)
Martin	Gregory John Walton
Sheffield	Scott Douglas

1 *Ms Allen was appointed a Director of Santos Limited by the Board on 22 October 2014 and elected a Director by shareholders at the Annual General Meeting of Santos Limited on 30 April 2015.*
2 *Ceased to be a Director and Chairman of Santos Limited at the completion of the 2015 Annual General Meeting on 30 April 2015.*
3 *Re-elected a Director of Santos Limited on 30 April 2015. Mr Coates replaced Mr Borda as Chairman of Santos Limited at the completion of the 2015 Annual General Meeting held on 30 April 2015.*

Each of the above named Directors held office during or since the end of the half-year. There were no other persons who acted as Directors at any time during the half-year and up to the date of this report.

ROUNDING

Australian Securities and Investments Commission Class Order 98/100, dated 10 July 1998, applies to the Company. Accordingly, amounts have been rounded off in accordance with that Class Order, unless otherwise indicated.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required by section 307C of the *Corporations Act 2001* (Cth) is set out on page 7 and forms part of this report.

This report is made out on 21 August 2015 in accordance with a resolution of the Directors.

Director **Director**

21 August 2015

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Auditor's Independence Declaration to the Directors of Santos Limited

In relation to our review of the financial report of Santos Limited for the half-year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

T S Hammond
Partner
Adelaide
21 August 2015

TH:RM:SANTOS:393

CONSOLIDATED INCOME STATEMENT
FOR SIX MONTHS ENDED 30 JUNE 2015

	Note	**30 June 2015 $million**	30 June 2014 $million
Product sales	4	1,611	1,887
Cost of sales	5	(1,127)	(1,329)
Gross profit		484	558
Other revenue	4	20	33
Other income	4	4	4
Other expenses	5	(289)	(250)
Finance income	6	5	8
Finance costs	6	(130)	(54)
Share of profit of joint ventures		7	7
Profit before tax		101	306
Income tax expense		(66)	(97)
Royalty-related taxation expense		2	(3)
Total taxation expense		(64)	(100)
Net profit for the period		37	206
Net profit attributable to:			
Owners of Santos Limited		37	206
Non-controlling interests		–	–
		37	206
Earnings per share attributable to the owners of Santos Limited (¢)			
Basic earnings per share		3.7	21.1
Diluted earnings per share		3.7	21.0
Dividends per ordinary share (¢)			
Paid during the period	13	15	15
Declared in respect of the period	13	15	20

The consolidated income statement is to be read in conjunction with the notes to the half-year financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	30 June 2015 $million	30 June 2014 $million
Net profit for the period	37	206
Other comprehensive income, net of tax:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange gain/(loss) on translation of foreign operations	497	(345)
Tax effect	–	–
	497	(345)
Gain/(loss) on foreign currency loans designated as hedges of net investments in foreign operations	(351)	206
Tax effect	106	(62)
	(245)	144
Loss on derivatives designated as cash flow hedges	(9)	(2)
Tax effect	3	1
	(6)	(1)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	246	(202)
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial gain on the defined benefit plan	11	–
Tax effect	(3)	–
	8	–
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	8	–
Other comprehensive income/(loss), net of tax	254	(202)
Total comprehensive income, net of tax	291	4
Total comprehensive income attributable to:		
Owners of Santos Limited	291	4
Non-controlling interests	–	–
	291	4

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the half-year financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Note	**30 June 2015 $million**	31 December 2014 $million
Current assets			
Cash and cash equivalents	7	399	775
Trade and other receivables		615	633
Prepayments		86	91
Inventories		526	443
Other financial assets		1	66
Tax receivable		35	57
Total current assets		1,662	2,065
Non-current assets			
Receivables		25	10
Prepayments		248	189
Investments in joint ventures		101	97
Other financial assets		161	166
Exploration and evaluation assets	8	1,246	1,106
Oil and gas assets	9	19,597	18,422
Other land, buildings, plant and equipment	10	253	267
Deferred tax assets		220	23
Total non-current assets		21,851	20,280
Total assets		23,513	22,345
Current liabilities			
Trade and other payables		952	1,382
Deferred income		55	51
Interest-bearing loans and borrowings	11	400	327
Current tax liabilities		35	14
Provisions		133	169
Other financial liabilities		3	3
Total current liabilities		1,578	1,946
Non-current liabilities			
Deferred income		171	150
Interest-bearing loans and borrowings	11	8,599	7,925
Deferred tax liabilities		798	594
Provisions		2,300	2,136
Other financial liabilities		354	181
Total non-current liabilities		12,222	10,986
Total liabilities		13,800	12,932
Net assets		9,713	9,413
Equity			
Issued capital	12	7,051	6,905
Reserves		592	346
Retained earnings		2,070	2,166
Equity attributable to owners of Santos Limited		9,713	9,417
Non-controlling interests		–	(4)
Total equity		9,713	9,413

The consolidated statement of financial position is to be read in conjunction with the notes to the half-year financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Note	**30 June 2015 $million**	30 June 2014 $million
Cash flows from operating activities			
Receipts from customers		1,736	2,067
Pipeline tariffs and other receipts		81	54
Dividends received		8	3
Payments to suppliers and employees		(982)	(1,088)
Exploration and evaluation – seismic and studies		(102)	(62)
Royalty and excise paid		(32)	(45)
Borrowing costs paid		(89)	(14)
Carbon costs paid		(17)	(49)
Income taxes paid		(32)	(108)
Royalty-related taxation paid		(45)	(29)
Other operating activities		6	15
Net cash provided by operating activities		532	744
Cash flows from investing activities			
Payments for:			
Exploration and evaluation assets		(253)	(193)
Oil and gas assets		(854)	(1,488)
Other land, buildings, plant and equipment		(7)	(14)
Acquisitions of exploration and evaluation assets		(125)	(8)
Borrowing costs paid		(72)	(118)
Proceeds on disposal of assets		47	–
Other investing activities		–	9
Net cash used in investing activities		(1,264)	(1,812)
Cash flows from financing activities			
Dividends paid		(107)	(81)
Drawdown of borrowings		378	967
Repayments of borrowings		(44)	(8)
Proceeds from issues of ordinary shares		106	1
Net cash provided by financing activities		333	879
Net decrease in cash and cash equivalents		(399)	(189)
Cash and cash equivalents at the beginning of the period		775	644
Effects of exchange rate changes on the balances of cash held in foreign currencies		23	(7)
Cash and cash equivalents at the end of the period	7	399	448

The consolidated statement of cash flows is to be read in conjunction with the notes to the half-year financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Equity attributable to owners of Santos Limited						
	Issued capital $million	Translation reserve $million	Hedging reserve $million	Retained earnings $million	Total equity $million	Non-controlling interests $million	Total equity $million
Balance at 1 January 2014	6,749	57	(10)	3,420	10,216	(4)	10,212
Net profit for the period	–	–	–	206	206	–	206
Other comprehensive income/(loss) for the period	–	(201)	(1)	–	(202)	–	(202)
Total comprehensive income/(loss) for the period	–	(201)	(1)	206	4	–	4
Transactions with owners in their capacity as owners:							
Shares issued	66	–	–	–	66	–	66
Dividends to shareholders	–	–	–	(146)	(146)	–	(146)
Share-based payment transactions	–	–	–	11	11	–	11
Balance at 30 June 2014	6,815	(144)	(11)	3,491	10,151	(4)	10,147
Balance at 1 July 2014	6,815	(144)	(11)	3,491	10,151	(4)	10,147
Net loss for the period	–	–	–	(1,141)	(1,141)	–	(1,141)
Other comprehensive income/(loss) for the period	–	509	(8)	–	501	–	501
Total comprehensive income/(loss) for the period	–	509	(8)	(1,141)	(640)	–	(640)
Transactions with owners in their capacity as owners:							
Shares issued	90	–	–	–	90	–	90
Dividends to shareholders	–	–	–	(195)	(195)	–	(195)
Share-based payment transactions	–	–	–	11	11	–	11
Balance at 31 December 2014	6,905	365	(19)	2,166	9,417	(4)	9,413
Balance at 1 January 2015	6,905	365	(19)	2,166	9,417	(4)	9,413
Net profit for the period	–	–	–	37	37	–	37
Other comprehensive income/(loss) for the period	–	252	(6)	8	254	–	254
Total comprehensive income/(loss) for the period	–	252	(6)	45	291	–	291
Transactions with owners in their capacity as owners:							
Shares issued	146	–	–	–	146	–	146
Dividends to shareholders	–	–	–	(148)	(148)	–	(148)
Share-based payment transactions	–	–	–	11	11	–	11
Non-controlling interest exit from foreign operations	–	–	–	(4)	(4)	4	–
Balance at 30 June 2015	7,051	617	(25)	2,070	9,713	–	9,713

The consolidated statement of changes in equity is to be read in conjunction with the notes to the half-year financial statements.

1. Corporate Information

Santos Limited ("the Company") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX"). The condensed consolidated financial report of the Company for the six months ended 30 June 2015 ("the half-year financial report") comprises the Company and its controlled entities ("the Group"). Santos Limited is the ultimate parent entity in the Group.

The half-year financial report was authorised for issue in accordance with a resolution of the Directors on 21 August 2015.

2. Basis of Preparation and Significant Accounting Policies

Basis of preparation

This general purpose half-year financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the annual financial report.

It is recommended that the half-year financial report be read in conjunction with the annual financial report for the year ended 31 December 2014 and considered together with any public announcements made by the Company during the six months ended 30 June 2015, in accordance with the continuous disclosure obligations of the ASX listing rules.

Significant accounting policies

The accounting policies adopted in the preparation of the half-year financial report are consistent with those applied in the preparation of the Group's annual financial report for the year ended 31 December 2014, except for new standards, amendments to standards and interpretations effective from 1 January 2015.

The following standards, all consequential amendments and interpretations, applicable from 1 January 2015, have been adopted by the Group. These standards, amendments to standards and interpretations have not impacted on the accounting policies, financial position or performance of the Group, or on presentation or disclosure in the half-year financial report:

- AASB 2013-9 Part C *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*;
- AASB 2014-1 *Amendments to Australian Accounting Standards Part A – Annual Improvements 2010-2012 and 2011-2013 Cycles;*
- AASB 2014-1 *Amendments to Australian Accounting Standards Part B – Amendments to AASB 119 Employee Benefits; and*
- AASB 2014-2 *Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements.*

2. Basis of Preparation and Significant Accounting Policies (continued)

Significant accounting judgements, estimates and assumptions

The significant accounting judgments, estimates and assumptions adopted in the half-year financial report are consistent with those applied in the preparation of the Group's annual financial report for the year ended 31 December 2014.

3. Segment Information

The Group has identified its operating segments to be the four business units of Eastern Australia; Western Australia and Northern Territory ("WA & NT"); Asia Pacific; and Gladstone LNG ("GLNG"), based on the different geographical regions and the similarity of assets within those regions. This is the basis on which internal reports are provided to the Chief Executive Officer for assessing performance and determining the allocation of resources within the Group.

The Asia Pacific operating segment includes operations in Indonesia, Papua New Guinea, Vietnam, India and Bangladesh.

The Chief Executive Officer monitors the operating results of the business units separately for the purposes of making decisions about allocating resources and assessing performance. Segment performance is measured based on earnings before interest, tax, impairment, exploration and evaluation, and gains/losses on sale of non-current assets and controlled entities ("EBITX"). Corporate and exploration expenditure and inter-segment eliminations are included in the segment disclosure for reconciliation purposes.

The Group operates primarily in one business: the exploration for, development, production, transportation and marketing of, hydrocarbons. Revenue is derived primarily from the sale of gas and liquid hydrocarbons and the transportation of crude oil.

3. Segment Information (continued)	Eastern Australia 2015 $million	Eastern Australia 2014 $million	WA & NT 2015 $million	WA & NT 2014 $million	Asia Pacific 2015 $million	Asia Pacific 2014 $million	GLNG 2015 $million	GLNG 2014 $million	Corporate, exploration and eliminations 2015 $million	Corporate, exploration and eliminations 2014 $million	Total 2015 $million	Total 2014 $million
Revenue												
Sales to external customers	654	988	360	568	586	309	11	22	–	–	1,611	1,887
Inter-segment sales*	–	–	–	–	–	–	6	7	(6)	(7)	–	–
Other revenue from external customers	12	20	–	3	5	6	1	1	2	3	20	33
Total segment revenue	666	1,008	360	571	591	315	18	30	(4)	(4)	1,631	1,920
Results												
Earnings before interest, tax, exploration and evaluation, impairment and gains/(losses) on sale of non-current assets and controlled entities ("EBITX")	52	129	96	249	303	155	(11)	2	(20)	(14)	420	521
Depreciation and depletion	201	192	97	136	137	69	22	12	23	20	480	429
Earnings before interest, tax, depreciation, depletion, exploration and evaluation and impairment ("EBITDAX")	253	321	193	385	440	224	11	14	3	6	900	950
Depreciation and depletion	(201)	(192)	(97)	(136)	(137)	(69)	(22)	(12)	(23)	(20)	(480)	(429)
Exploration and evaluation expensed	–	–	–	–	–	–	–	–	(194)	(102)	(194)	(102)
Net impairment loss	–	–	–	–	–	(67)	–	–	–	–	–	(67)
Earnings before interest and tax ("EBIT")	52	129	96	249	303	88	(11)	2	(214)	(116)	226	352
Net finance costs									(125)	(46)	(125)	(46)
Profit before tax											101	306
Income tax expense									(66)	(97)	(66)	(97)
Royalty-related taxation expense	10	33	(8)	(36)	–	–	–	–	–	–	2	(3)
Net profit for the period											37	206

* *Intersegment pricing is determined on an arm's length basis. Intersegment sales are eliminated on consolidation.*

3. Segment Information (continued)	Eastern Australia 2015 $million	Eastern Australia 2014 $million	WA & NT 2015 $million	WA & NT 2014 $million	Asia Pacific 2015 $million	Asia Pacific 2014 $million	GLNG 2015 $million	GLNG 2014 $million	Corporate, exploration and eliminations 2015 $million	Corporate, exploration and eliminations 2014 $million	Total 2015 $million	Total 2014 $million
Amounts included in profit before tax that are unusual because of their nature, size or incidence:												
Redundancy and restructuring costs	11	–	–	–	–	–	2	–	2	–	15	–
Remediation income for incidents, net of related insurance recoveries	–	2	–	–	–	3	–	–	–	–	–	5

4. Revenue and Other Income

	30 June 2015 $million	30 June 2014 $million
Product sales:		
Gas, ethane and liquefied gas	929	647
Crude oil	498	1,023
Condensate and naphtha	131	136
Liquefied petroleum gas	53	81
Total product sales*	1,611	1,887
Other revenue:		
Overriding royalties	3	5
Pipeline tariffs and processing tolls	10	14
Other	7	14
Total other revenue	20	33
Total revenue	1,631	1,920

* *Total product sales include third party product sales of $263 million (2014: $505 million).*

	30 June 2015 $million	30 June 2014 $million
Other income:		
Insurance recoveries	–	4
Other	4	–
Total other income	4	4

5. Expenses	**30 June 2015 $million**	30 June 2014 $million
Cost of sales:		
Cash cost of production:		
Production costs:		
Production expenses	346	329
Production facilities operating leases	41	54
Total production costs	387	383
Other operating costs:		
Pipeline tariffs, processing tolls and other	56	58
Royalty and excise	31	45
Carbon costs	–	31
Shipping costs	15	2
Total other operating costs	102	136
Total cash cost of production	489	519
Depreciation and depletion	479	428
Third party product purchases	240	387
Increase in product stock	(81)	(5)
Total cost of sales	1,127	1,329
Other expenses:		
Selling	12	16
Corporate	72	47
Depreciation	1	1
Foreign exchange (gains)/losses*	(24)	13
Losses from change in fair value of derivative financial assets designated as at fair value through profit or loss	8	2
Fair value hedges, losses/(gains):		
On the hedging instrument	39	2
On the hedged item attributable to the hedged risk	(13)	–
Exploration and evaluation expensed	194	102
Net impairment loss on exploration and evaluation assets	–	58
Net impairment loss on financial assets	–	9
Total other expenses	289	250

* *The foreign exchange losses for the six months ended 30 June 2015 include the following significant amounts in relation to foreign functional currency subsidiaries: $116 million loss (2014: $75 million gain) relating to the effects of foreign exchange on Australian dollar denominated tax bases and $116 million gain (2014: $75 million loss) on foreign functional currency intercompany loans.*

6. Net Finance (Costs)/Income	**30 June 2015 $million**	30 June 2014 $million
Finance income:		
Interest income	5	8
Total finance income	5	8
Finance costs:		
Interest expense:		
Interest paid to third parties	(180)	(145)
Deduct borrowing costs capitalised	79	124
	(101)	(21)
Unwind of the effect of discounting on provisions	(29)	(33)
Total finance costs	(130)	(54)
Net finance (costs)/income	(125)	(46)

	Six months ended		
7. Cash and Cash Equivalents	**30 June 2015 $million**	31 December 2014 $million	30 June 2014 $million
Cash at bank and in hand	399	775	448
	399	775	448
8. Exploration and Evaluation Assets			
Balance at the beginning of the period	1,106	2,054	1,964
Acquisitions of exploration and evaluation assets	89	56	8
Additions	193	217	234
Exploration and evaluation expensed	(127)	(65)	(30)
Disposals and recoupment	(34)	–	–
Net impairment losses	–	(1,112)	(58)
Transfer to oil and gas assets in development	(1)	(2)	(8)
Transfer to oil and gas assets in production	–	(78)	(45)
Exchange differences	20	36	(11)
Balance at the end of the period	1,246	1,106	2,054
Comprising:			
Acquisition costs	490	409	1,187
Successful exploration wells	687	581	743
Exploration and evaluation assets pending determination of success	69	116	124
	1,246	1,106	2,054

	Six months ended		
9. Oil and Gas Assets	**30 June 2015 $million**	31 December 2014 $million	30 June 2014 $million
Assets in development			
Balance at the beginning of the period	5,991	6,565	9,057
Additions	200	775	1,110
Capitalised depreciation	19	8	7
Transfer from exploration and evaluation assets	1	2	8
Transfer to oil and gas assets in production	(1,783)	(2,359)	(3,121)
Exchange differences	378	1,000	(496)
Balance at the end of the period	4,806	5,991	6,565
Producing assets			
Balance at the beginning of the period	12,431	10,067	6,766
Acquisitions of oil and gas assets	1	16	–
Additions	602	1,032	604
Transfer from exploration and evaluation assets	–	78	45
Transfer from oil and gas assets in development	1,783	2,359	3,121
Disposals	–	(10)	–
Depreciation and depletion expense	(476)	(544)	(414)
Net impairment losses	–	(1,163)	–
Exchange differences	450	596	(55)
Balance at the end of the period	14,791	12,431	10,067
Total oil and gas assets	19,597	18,422	16,632
Comprising:			
Exploration and evaluation expenditure pending commercialisation	289	184	241
Other capitalised expenditure	19,308	18,238	16,391
	19,597	18,422	16,632

10. Other Land, Buildings, Plant and Equipment			
Balance at the beginning of the period	267	253	259
Additions	11	35	18
Disposals	(2)	–	(1)
Depreciation	(23)	(23)	(22)
Exchange differences	–	2	(1)
Balance at the end of the period	253	267	253

11. Interest-bearing Loans and Borrowings

During the half-year ended 30 June 2015, the Group's interest-bearing loans and borrowings increased by $747 million. The increase was mainly due to the drawdown of $366 million bilateral bank loan facilities and $364 million due to revaluation of foreign currency denominated borrowings.

	Six months ended					
12. Issued Capital	**30 June 2015 Number of shares**	31 December 2014 Number of shares	30 June 2014 Number of shares	**30 June 2015 $million**	31 December 2014 $million	30 June 2014 $million
Movement in fully paid ordinary shares						
Balance at the beginning of the period	983,750,151	977,203,367	972,088,279	6,905	6,815	6,749
Santos Dividend Reinvestment Plan ("DRP")	5,405,704	5,482,915	4,859,425	40	80	65
DRP underwriting agreement	14,270,511	–	–	106	–	–
Santos Employee Share1000 Plan	–	106,470	5,037	–	2	–
Santos Employee ShareMatch Plan	–	500,971	35,412	–	7	1
Shares issued on exercise of options	–	99,400	–	–	1	–
Shares issued on vesting of Share Acquisition Rights	127,545	345,528	215,214	–	–	–
Santos Executive Share Plan	18,000	11,500	–	–	–	–
Santos Non-executive Director Shareholding Plan	3,496	–	–	–	–	–
Balance at the end of the period	1,003,575,407	983,750,151	977,203,367	7,051	6,905	6,815

13. Dividends	Dividend per share ¢	Total $million	Franked/ unfranked	Payment date
Dividends paid during the period:				
2015				
2014 Final dividend per ordinary share	15	148	Franked	25 Mar 2015
2014				
2013 Final dividend per ordinary share	15	146	Franked	26 Mar 2014
Franked dividends paid during the period were franked at the tax rate of 30%.				
Dividends declared in respect of the current period:	15	151	Franked	30 Sep 2015

After the reporting date, the interim 2015 ordinary dividend of 15 cents per share was declared by the Directors. Consequently, the financial effect of these dividends has not been brought to account in the half-year financial statements for the six months ended 30 June 2015 and will be recognised in subsequent financial reports.

14. Financial Risk Management

Exposure to foreign currency risk, interest rate risk, commodity price risk, credit risk and liquidity risk arises in the normal course of the Group's business. The Group's overall financial risk management strategy is to seek to ensure that the Group is able to fund its corporate objectives and meet its obligations to stakeholders. Derivative financial instruments may be used to hedge exposure to fluctuations in foreign exchange rates, interest rates and commodity prices.

The Group uses various methods to measure the types of financial risk to which it is exposed. These methods include Cash Flow at Risk analysis in the case of interest rate, foreign exchange and commodity price risk, and ageing analysis for credit risk.

Financial risk management is carried out by a central treasury department ("Treasury") which operates under Board-approved policies. The policies govern the framework and principles for overall risk management and covers specific financial risks, such as foreign exchange risk, interest rate risk and credit risk, approved derivative and non-derivative financial instruments, and liquidity management.

(a) Foreign currency risk

Foreign exchange risk arises from commercial transactions and valuations in assets and liabilities that are denominated in a currency that is not the entity's functional currency.

The Group is exposed to foreign currency risk principally through the sale of products denominated in US dollars, borrowings denominated in US dollars and Euros and foreign currency capital and operating expenditure. In order to economically hedge foreign currency risk, the Group from time to time enters into forward foreign exchange, foreign currency swap and foreign currency option contracts.

The Group has certain investments in domestic and foreign operations whose net assets are exposed to foreign currency translation risk. Currency exposures arising from the net assets of these operations are managed primarily through borrowings denominated in the relevant foreign currency.

All foreign currency denominated borrowings of Australian dollar ("AUD") functional currency companies are either designated as a hedge of US dollar denominated investments in foreign operations or swapped using cross-currency swaps to US dollars and designated as a hedge of US dollar denominated investments in foreign operations. As a result, there were no net foreign currency gains or losses arising from translation of US dollar denominated borrowings recognised in the income statement for the half-year ended 30 June 2015.

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of an operation, are periodically restated to Australian dollar equivalents, and the associated gain or loss is taken to the income statement. The exception is foreign exchange gains or losses on foreign currency provisions for restoration at operating sites that are capitalised in oil or gas assets.

14. Financial Risk Management (continued)

(b) Market risk

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group adopts a policy of ensuring that the majority of its exposure to changes in interest rates on borrowings is on a floating rate basis. Interest rate swaps, denominated in Australian dollars and US dollars, have been entered into as fair value hedges of medium-term notes, long-term notes and subordinated debt. When transacted, these swaps had maturities ranging from 1 to 20 years, aligned with the maturity of the related notes. At 30 June 2015, the Group had interest rate swaps with a notional contract amount of $2,608 million.

The net fair value of swaps at 30 June 2015 was $130 million, comprising assets of $130 million and liabilities of nil. These amounts were recognised as fair value derivatives.

Cash flow hedge accounting

The Group has issued €1,000 million subordinated notes with an average fixed interest rate of 8.25%.

In order to reduce the variability of the Australian dollar cash flows arising from the Euro principal and interest payments to September 2017, the Group entered into cross-currency interest rate swap contracts in March 2011, under which it has a right to receive interest at fixed Euro rates and pay interest at floating US dollar interest rates. These contracts are in place to cover all remaining principal and interest payments on €950 million of the subordinated notes.

Subordinated notes totalling €50 million have been swapped to a fixed US dollar interest rate of 8.48% for seven years.

At June 2015, the Group has fully drawn the US$1,200 million uncovered export credit agency supported loan facility, which is repayable in 2019.

In May 2013, the Group has entered into US dollar interest rate swap contracts under which it has a right to receive interest at floating US dollar rates and pay interest at fixed US dollar interest rates. These contracts are in place to cover coupon payments on the US$670 million uncovered export credit agency supported loan through to the end of 2016.

The cross-currency and interest rate swap contracts are recognised at fair value and all gains and losses attributable to the hedged risks are recognised in the hedge reserve and reclassified into the income statement when the interest expense is recognised.

(c) Fair values

The initial fair values of receivables, payables, interest-bearing liabilities and other financial assets and liabilities which are not subsequently measured at fair value approximate their carrying value.

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments:

Available-for-sale financial assets

The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

Derivatives

The fair value of interest rate swaps is calculated by discounting estimated future cash flows based on the terms of maturity of each contract and using market interest rates for a similar instrument at the reporting date. Where these cash flows are in a foreign currency, the present value is converted to Australian dollars at the foreign exchange spot rate prevailing at reporting date.

Financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Where these cash flows are in a foreign currency, the present value is converted to Australian dollars at the foreign exchange spot rate prevailing at reporting date.

14. Financial Risk Management (continued)

(c) Fair values (continued)

Interest rates used for determining fair value

The interest rates used to discount estimated future cash flows, where applicable, are based on the market yield curve and credit spreads at the reporting date.

The interest rates including credit spreads used to determine fair value were as follows:

	30 June 2015 %	31 Dec 2014 %
Derivatives	0.0 – 4.4	0.1 – 5.1
Loans and borrowings	0.0 – 4.4	0.1 – 5.1

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;

Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group held the following financial instruments measured at fair value:

	Total $million	Level 1 $million	Level 2 $million	Level 3 $million
30 June 2015				
Assets measured at fair value				
Financial assets at fair value through profit and loss:				
Interest rate swap contracts	130	–	130	–
Liabilities measured at fair value				
Financial liabilities at fair value through profit and loss:				
Cross-currency swap contracts	(321)	–	(321)	–
Long-term notes	(907)	–	(907)	–
Embedded derivatives	(6)	–	(6)	–
Medium-term notes	(101)	–	(101)	–

14. Financial Risk Management (continued)

(c) Fair values (continued)

	Total $million	Level 1 $million	Level 2 $million	Level 3 $million
31 December 2014				
Assets measured at fair value				
Financial assets at fair value through profit and loss:				
Interest rate swap contracts	141	–	141	–
Embedded derivatives	1	–	1	–
Liabilities measured at fair value				
Financial liabilities at fair value through profit and loss:				
Long-term notes	(841)	–	(841)	–
Cross-currency swap contracts	(154)	–	(154)	–
Medium-term notes	(102)	–	(102)	–

During the six-month period ended 30 June 2015, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into or out of level 3 fair value measurements.

15. Acquisition/Disposal of Controlled Entities

There were no acquisitions or disposals of controlled entities during the six months ended 30 June 2015.

16. Capital Commitments

There has been no material change to the capital commitments disclosed in the most recent annual financial report.

17. Contingent Liabilities

There has been no material change to the contingent liabilities disclosed in the most recent annual financial report.

18. Events After the End of the Reporting Period

On 21 August 2015, the Directors of Santos Limited declared an interim dividend on ordinary shares in respect of the 2015 half-year period. Consequently, the financial effect of these dividends has not been brought to account in the half-year financial statements for the six months ended 30 June 2015. Refer to note 13 for details.

DIRECTORS' DECLARATION

FOR THE SIX MONTHS ENDED 30 JUNE 2015

In accordance with a resolution of the Directors of Santos Limited ("the Company"), we state that:

In the opinion of the Directors of the Company:

1. The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001* (Cth), including:

   (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half-year ended on that date; and

   (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* (Cth); and

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated this 21st day of August 2015

On behalf of the Board:

Director **Director**

Adelaide

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To the members of Santos Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Santos Limited, which comprises the statement of financial position as at 30 June 2015, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, and other selected explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Santos Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

TH:RM:SANTOS:392

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Santos Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

T S Hammond
Partner
Adelaide
21 August 2015

Appendix 4D

FOR THE SIX MONTHS ENDED 30 JUNE 2015

For '**Results for Announcement to the Market**' refer to page 1 of this Half-year Report

NTA BACKING

	30 June 2015	30 June 2014
Net tangible asset backing per ordinary security	N/A	N/A

CHANGE IN OWNERSHIP OF CONTROLLED ENTITIES

There were no acquisitions or disposals of controlled entities during the six months ended 30 June 2015.

DIVIDEND REINVESTMENT PLAN

The Dividend Reinvestment Plan ("DRP") will continue to be in operation for the 2015 interim dividend. Shares issued under the DRP will be allocated at the arithmetic average of the daily volume weighted average market price over a period of 10 business days commencing on the second business day after the Record Date less a 2.5% discount ("DRP Price"). The last date to elect to participate in the DRP is 31 August 2015. The DRP will be fully underwritten.

DETAILS OF JOINT VENTURE AND ASSOCIATE ENTITIES

	Percent ownership interest held at the end of the period	
	30 June 2015	30 June 2014
	%	%
Joint venture entities		
CJSC KNG Hydrocarbons	0	54.0
Darwin LNG Pty Ltd	11.5	11.5
Easternwell Drilling Services Holdings Pty Ltd	50.0	50.0
GLNG Operations Pty Ltd	30.0	30.0
GLNG Property Pty Ltd	30.0	30.0
Lohengrin Pty Ltd	50.0	50.0
Papua New Guinea Liquefied Natural Gas Global Company LDC	13.5	13.5