

Media enquiries
Matthew Doman
+61 8 8116 5260 / +61 (0) 421 888 858
matthew.doman@santos.com

Investor enquiries
Andrew Seaton
+61 8 8116 5157 / +61 (0) 410 431 004
andrew.seaton@santos.com

23 August 2007

Santos 2007 half year results

First Half 2007 - Financial Highlights

- **Production of 30.1 mmboe, a record for the company**
- **Sales revenue of \$1,215 million, impacted by the higher Australian dollar**
- **EBITDAX of \$964 million**
- **Underlying net profit after tax of \$305 million**
- **Reported net profit after tax of \$262 million**
- **Interim dividend of 20 cents per share**

Santos today reported underlying net profit after tax of \$305 million for the first 6 months of 2007. This compares with the record result of \$407 million for the first half of 2006.

The decline in underlying profit was recorded notwithstanding record production during the half, which was up by 5% to 30.1 million barrels of oil equivalent (mmboe).

Sales revenue was down by 7% to \$1,215 million, reflecting lower Australian dollar liquids prices caused by the appreciation of the A\$:US\$ exchange rate.

The realised oil price in Australian dollars was down by 9.7% to A\$83.27 per barrel, although the price in US dollars was down by only 0.4% to US\$68.19 for the period.

The average realised gas price of \$3.84 per gigajoule (GJ) was 2.2% higher than 2006. Realised Australian domestic gas prices increased by 7%, although this was offset by lower realised international gas sales revenue in Australian dollars.

Earnings before interest, tax, depreciation, amortisation and exploration (EBITDAX) decreased by 4% to \$964 million.

Production costs per barrel increased by 8% to \$7.01 per boe, reflecting an ongoing focus on cost control offset by higher unit costs due mainly to production constraints at the Maleo gas field in Indonesia and the deferral of some Cooper Basin oil production.

Operating cashflow decreased by 16% to \$538 million reflecting an insurance receivable of \$95 million relating to the Moomba incident in 2006, higher tax payments in 2007 of \$91 million, offset by favourable working capital movements of \$107 million.

Commenting on the 2007 first half result, Santos' Managing Director, Mr John Ellice-Flint, said "Santos' solid operational performance continued in 2007 as we delivered record production and managed to control production costs, although the appreciating Australian dollar and higher depreciation and depletion charges impacted negatively on profits."

"Looking forward, our focus is on transitioning our business towards higher margin products and monetising our large contingent resource base."

"LNG will play an increasingly important role as a higher value market for our gas, as evidenced by our proposal to develop an LNG export facility in Gladstone - a transformational project for Santos."

"Not only does this project give us the ability to commercialise large quantities of contingent coal seam gas resources, it also targets these resources towards a rapidly growing, high value and deep international market."

"Significant progress has been made on the ExxonMobil operated PNG LNG project since we kicked off the pre-FEED studies in April this year. The joint venture is aligned behind ExxonMobil and we are on track to move to a formal FEED process by the end of this year."

"Santos' guidance for 2007 and 2008 unchanged, that is, production of between 59 and 61 mmboe, underpinned by the exploitation of Cooper Basin oil and coal seam gas in eastern Queensland."

"Beyond that, we see moderate organic growth into the next decade, followed by a step change as projects such as Dua and Blackbird (Vietnam), Reindeer (Western Australia), Henry and Kipper (Victoria) and Gladstone LNG, PNG LNG and Darwin LNG 2 come on line."

Dividend

Santos' interim dividend has been maintained at 20 cents per share, fully franked.

The interim dividend will be paid on 2 October 2007 to registered shareholders as at 4 September 2007, with an ex-dividend date of 29 August 2007.

Outlook

In a webcast today, (available for viewing at www.santos.com) Mr John Ellice-Flint (MD and CEO) and Mr Peter Wasow (CFO), detailed the first half financial results, together with the five focus areas that will transition Santos' business towards higher margins and monetise contingent resources. These are summarised as:

1. Cooper Basin oil

- A large scale, low risk opportunity involving the application of proven oil and gas technologies to a commanding acreage position in a world class hydrocarbon province.

2. Eastern Australian gas

- Santos is the largest producer of domestic gas in Australia and remains well positioned with low cost assets, large amounts of uncontracted reserves and extensive infrastructure.
- Domestic gas demand is rapidly growing as gas is increasingly seen as the fuel of choice for the next generation of power stations in eastern Australia.
- Gladstone LNG will provide Santos with the opportunity to sell coal seam gas into the high value LNG market.

3. Western Australian oil and gas

- The Mutineer Exeter oil development continued its strong production performance during the half, with production rates set to increase following workover activity in coming months.
- Gas margins in Western Australia are improving rapidly, and have enabled Santos to move forward with FEED studies for the Reindeer gas field development.

4. LNG projects

- Demand for LNG remains strong, particularly in the Asian region.
- Santos has recently increased its interest in the Darwin LNG facility and is actively progressing on five further LNG opportunities.

5. Asian Growth

- With the sale of its USA business during the half, Santos' new venture activities are focussed on the Asian region.
- Over the last 2 years Santos has added material acreage positions in Vietnam, India and Kyrgyzstan.
- In Indonesia, the Oyong field will be in production by the end of September 2007, and in Vietnam, Santos is progressing the Blackbird and Dua oil discoveries towards a project sanction decision in the first half of 2008.

Ends

Santos stock symbols: STO (Australian Securities Exchange), STOSY (NASDAQ ADR), Ref #82-34 (Securities Exchange Commission)