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## **Santos 2008 Half Year Results**

### **Highlights**

- Product sales revenue up 14% to a first half record \$1,384 million.
- EBITDAX up 6% to a first half record \$1,032 million.
- Net profit after tax up 58% to \$304 million.
- Underlying net profit after tax up 30% to \$289 million.
- Operating cash flow up 30% to a first half record \$699 million.
- Sale of a 40% interest in the integrated Gladstone LNG (GLNG™) project to PETRONAS for US\$2.5 billion. Profit on sale will be reported in the second half.
- Interim dividend up 10% to 22 cents per share fully franked.
- Off-market share buy-back of \$300 million.

Santos today announced a 58% increase in net profit after tax to \$304 million for the half year ended 30 June 2008. Sales revenue, EBITDAX and operating cash flow were all at record levels for the first half.

Sales revenue increased by 14% to \$1.4 billion. Higher commodity prices were evident across the Santos portfolio, with average realised Australian dollar oil, condensate and natural gas prices increasing by 45%, 42% and 4% respectively.

Earnings before interest, tax, depreciation, amortisation and exploration (EBITDAX) increased by 6% to \$1,032 million and underlying net profit after tax increased by 30% to \$289 million.

Production of 27.6 million barrels of oil equivalent for the half year was 8% lower than last year, primarily due to higher downtime at producing assets in Western Australia, including the impact of the Varanus Island incident on John Brookes production, partially offset by new production in Asia and higher production of coal seam gas.

Production costs increased in line with company guidance, primarily due to new production from Oyong (Indonesia) combined with higher costs in the Cooper Basin.

Operating cash flow increased by 30% to a first half record \$699 million, primarily reflecting higher operating results and lower tax payments.

## Growth Strategy

Key milestones in the Company's growth strategy were achieved in the half year, including:

- Sale of a 40% interest in the integrated GLNG™ project to PETRONAS for US\$2.5 billion. Completion has occurred in the second half.
- Award of dual pre-Front End Engineering Design (FEED) contracts for GLNG™.
- Signing of the Papua New Guinea (PNG) LNG Joint Operating and Gas Agreements, and project entry into FEED.
- Reindeer gas project (Western Australia) sanctioned with first gas expected by the end of 2010.

Santos Chief Executive Officer David Knox said "Santos has continued its sound operating performance in 2008."

"Looking forward, our focus is on delivering the base business and executing our LNG and Asian growth strategies. In the half year, we sanctioned the Reindeer project which will bring a new source of gas supply into the rapidly growing Western Australian market."

"Significant steps were taken in delivering our LNG growth strategy in the half year. We were very pleased to enter a long term, fully aligned joint venture with PETRONAS to develop GLNG™. We are currently in pre-FEED and expect to enter FEED late this year and reach a Final Investment Decision (FID) by the end of 2009/early 2010, with first LNG expected in 2014."

"The PNG LNG project also achieved major milestones in the half year with the signing of the Joint Operating and Gas Agreements, and project entry into FEED."

On 18 July 2008, all conditions precedent were satisfied for PETRONAS to become a 40% partner in the integrated GLNG™ project. PETRONAS made an initial cash investment of approximately US\$2 billion. Profit on sale will be reported in the second half. A further payment of US\$500 million will be made upon reaching FID for a second LNG train of 3mtpa capacity.

## Capital Management

Santos today announced a comprehensive capital management strategy, including:

- An off-market share buy-back of \$300 million.
- An interim 2008 dividend of 22 cents per share (fully franked), representing a 10% increase on the final 2007 dividend.

- An intention to repay some of Santos' existing debt facilities.

The Dividend Reinvestment Plan (DRP) will be operational with respect to the interim 2008 dividend. The DRP will be fully underwritten with respect to the interim 2008 dividend as well as the following two dividends.

The interim dividend will be paid on 30 September 2008 to registered shareholders as at 2 September 2008, with an ex-dividend date of 27 August 2008.

Santos Chairman Stephen Gerlach said "The announced initiatives are consistent with Santos' ongoing commitment to efficient capital management, and reflect the strength of the Company's financial position."

"The off-market buy-back will allow Santos to immediately distribute to shareholders some of the proceeds resulting from the GLNG<sup>TM</sup> joint venture with PETRONAS, and will reduce the number of shares on issue. The final size of the buy-back will depend upon shareholder demand and market conditions."

"The 10% increase in the interim dividend reflects Santos' continuing sound operational performance and positive outlook."

"At the same time, underwriting the Dividend Reinvestment Plan maintains the Company's capacity for future growth. Taken together, the suite of capital management initiatives is expected to have a positive impact on earnings per share."

Further information on the off-market share buy-back is available in a separate ASX release issued today and on the Company's website [www.santos.com](http://www.santos.com)

### **Proposed Shaw River Power Station in Victoria**

Santos today announced a proposal to construct a nominal 500 MW power station near Orford in western Victoria.

The proposed move into power generation reflects Santos' recognition that natural gas will play an increasingly significant role in Australia's power generation mix.

The \$800 million combined cycle gas turbine (CCGT) first phase of the proposed Shaw River Power Station would be expandable to a three-CCGT nominal 1,500 MW plant supplying power to the eastern Australian energy grid.

Santos CEO David Knox said: "Entry into power generation is consistent with Santos' strategy of accelerating the commercialisation of its gas reserves and resources. It is a gas demand channel with high growth potential."

For further information on the proposed Shaw River Power Station, refer to today's separate ASX release and our website [www.shawriverpowerstation.com.au](http://www.shawriverpowerstation.com.au).

## **Outlook**

Santos CEO David Knox said the Company is focussed on delivering its strategy for growth.

“We expect to complete pre-FEED studies on GLNG™ by the end of this year. We also expect to sanction our first oil project in Vietnam by the end of the year.”

“The Company reaffirms the guidance for 2008 issued in our June Quarterly Activities Report.”

Ends

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