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## **Record Santos first half result**

- **Net profit after tax up 28% to a record \$370 million**
- **Underlying profit up 68% to \$407 million**
- **First half EBITDAX up 45% to \$1.01 billion**
- **Cash flow up 14% to a record \$643 million**
- **Interim dividend up 11% to 20 cents per share**
- **Production up 9% to 28.7 mmboe**
- **On target for 7% rise in full-year production to 60 - 61 mmboe**

Santos today announced the strongest first half production, revenue, profit and cash flow in the Company's history.

Net profit after tax rose 28% to a record \$370 million from \$290 million in the previous corresponding period.

First half EBITDAX topped \$1 billion for the first time with a 45% jump from \$695 million to \$1.01 billion.

The higher profit was achieved on record first half production of 28.7 million barrels of oil equivalent (mmboe), a 9% increase on the previous corresponding period.

Sales revenue increased by 29% to \$1.3 billion, which also represented a record for the first half.

Cash flow from operating activities was \$643 million, a 14% increase on the first half 2005 result of \$565 million.

### **Interim dividend increased**

Santos' interim dividend has again been increased with Directors declaring a fully franked payment of 20 cents per ordinary share – up 11% on the 2005 interim dividend and representing a 33% improvement over the past two years.

Santos' Chairman, Mr Stephen Gerlach, said the latest dividend increase resulted from the Company's continuing strong operational performance and ongoing positive outlook.

"The Board looks forward with confidence to Santos achieving further production and profit growth in the current half as the Company's strategies continue to deliver," Mr Gerlach said.

## **Delivering Results**

Santos' Managing Director, Mr John Ellice-Flint, said the exceptional first half progress demonstrated that Santos' business was in sound shape, and that its strategies were delivering.

"We have achieved a 9% increase in production, and have managed our portfolio in a way that has seen us benefit from high commodity prices," Mr Ellice-Flint said.

"Our transition from an onshore focussed company is evident. Within the next year we will operate four offshore producing projects, with two already online in Australia and another two to come online in Indonesia.

## **Timor/ Bonaparte**

Mr Ellice-Flint described the first LNG production during the half from the Bayu-Undan project as a turning point for Santos.

"Not only will this project contribute to our earnings for much of the next two decades, it also provides an important growth option, and we are actively pursuing opportunities to commercialise additional gas resources in the area - such as the Caldita and Evans Shoal discoveries," he said.

"We are working hard with our co-venturers to prove up sufficient resources to underpin an expansion of the Darwin LNG plant, and the second half will be extremely active in this area.

## **Eastern Australian Gas**

Mr Ellice-Flint said Santos had significant uncontracted gas reserves in eastern Australia - in both conventional and coal seam gas fields.

"These reserves are in all of the major basins supplying gas to the population and industrial centres in eastern Australia. In addition, we have significant contingent resources in both Australia and Papua New Guinea," he said.

## **PNG Gas Project**

“In recent weeks we have observed significant increases in capital costs associated with the PNG Gas Pipeline,” Mr Ellice-Flint said.

“Our position on the PNG Gas Project is clear. Santos is keen to support opportunities to commercialise its share of Hides gas and liquids but we will only pursue opportunities that are robust and sustainable for all stakeholders - including the PNG Government and landowners as well as our shareholders,” he said.

“Given the capital cost increases, our assessment is that the PNG Gas Project will have to capture higher gas prices to offset the rising costs.

“Additionally, we will continue to consider purchasing gas from PNG, but only if we have the ability to create shareholder value by extracting sufficient volumes of LPG and ethane at Moomba to justify that purchase.”

## **Cooper Oil Project**

Mr Ellice-Flint said the Cooper Oil Project, which commenced in February 2006, was now being ramped up following encouraging initial results.

“Over the first half of 2006, we successfully commissioned three automated rigs, and rolled out a large amount of infrastructure, including flow lines, spur lines and power supplies.” he said.

“Overall, the project is targeting 1000 wells over 5 years. To date, we have drilled 42 wells with 37 successful, giving a success rate of 88%.”

## **Production Outlook**

Production guidance is unchanged from that previously advised to the market, which is:

- Between 60 and 61 mmboe in 2006; and
- Between 62 and 63 mmboe in 2007.

## **Webcast**

A webcast presentation of Santos' half year results is available at [www.santos.com](http://www.santos.com).

Ends

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