

24 March 2016

Proposed ENN Group acquisition of Santos shareholding from Hony Capital

Santos notes the ENN Group's announcement in relation to the proposed acquisition of Hony Capital's 11.7% shareholding in Santos, subject to certain conditions, including the ENN Group's shareholder approval. As part of the transaction Hony Capital will become a strategic investor in the ENN Group through a private placement.

The ENN Group is a large private distributor of gas into the growing Chinese market and a known industry player in Australia.

Santos welcomes the ENN Group onto the register as a shareholder with obvious knowledge of the gas business across the region.

Following a request from Hony Capital, Santos has provided consent to the transfer to the ENN Group under the terms of the subscription agreement entered into at the time of Santos' capital raising in 2015. If the transaction completes, those shares will continue to be escrowed until 9 November 2016 subject to certain exceptions.

A copy of the ENN Group's announcement is attached, which includes details of the proposed transaction and the ENN Group.

Ends.

Media enquiries

Armon Hicks
+61 2 9276 1157 / +61 (0) 414 981 372
armon.hicks@santos.com

Investor enquiries

Andrew Hay
+61 8 8116 7722 / +61 (0) 424 054 095
andrew.hay3@santos.com

Santos Limited ABN 80 007 550 923

GPO Box 2455, Adelaide SA 5001
T: +61 8 8116 5000 / F: +61 8 8116 5131
www.santos.com

Media Release



ENN Group to acquire strategic stake in Santos; Hony Capital to become major shareholder in ENN
Twin strategic gains for China's largest private natural gas company

LANGFANG, China [March 23, 2016] – ENN Ecological Holdings Co., Ltd (“600803.SH”), a subsidiary of the ENN Group, today announced it will acquire Hony Capital’s 11.7% share in Santos for US\$ 750 million to become the largest shareholder in the Australian energy company. The two companies also agreed that Hony Capital will become a strategic investor of ENN’s A-share listed company through a private placement of new shares, equivalent to US\$ 380 million, supporting ENN’s natural gas growth plans.

The Santos share acquisition, which is subject to ENN Ecological Holdings Co., Ltd (ENN-EC) shareholder approval, will be the ENN Group’s first exposure to the Upstream part of the value chain, consistent with its strategy to develop into a vertically integrated international natural gas company.

Mr. Wang Yusuo, Chairman of the ENN Group, said: “The proposed acquisition is an exciting move for ENN. This introduction to the Upstream sector takes us a step forward in our aim to generate value across the entire natural gas value chain, and allows us to learn and build experience.

“Equally importantly, we are gaining a strategic investor and partner in Hony Capital whose deep China experience and global outlook can help us accelerate future growth overseas.”

The growth of the ENN Group’s natural gas sales volume by a CAGR of 47% from 2001 to 2015 has established it as the largest private natural gas company in China. It sold 11.3 billion cubic metres (423 PJ) of natural gas in 2015. It supplies natural gas to more than 12 million households in 152 cities across China and more than 56,000 industrial and commercial users. ENN operates a network of 576 Liquefied Natural Gas (LNG) and Compressed Natural Gas (CNG) refueling stations. It distributes 1.88 million tons of LNG annually accounting for about 20% of the LNG trade volume in China.

ENN is also building China’s first private LNG receiving terminal in Zhoushan, Zhejiang Province, to receive imported natural gas. It will have an annual capacity of 3 million tons when Phase 1 is completed in 2018, with scope for further expansion.

The ENN Group is also a long term investor in innovative and sustainable energy solutions including solar energy and clean coal chemical technology as well as intelligent and integrated energy systems using the power of the internet.

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Since 2014, the ENN Group has been developing its Shanghai-listed company as its strategic Upstream and Midstream platform, injecting quality assets into the company, the latest of which is the proposed Santos share acquisition.

Hony Capital is a leading M&A focused private equity company with a track record of success in helping Chinese companies expand overseas through strategic cross-border acquisitions and providing long term support for these companies.

Mr. John Zhao, Chairman of Honoy Capital, said: “Hony prides itself on taking a long term view and focusing on value creation for the companies in which we invest. We chose to invest in Santos because of its strategic position in Australia and synergies with the rapidly growing China energy market. Bringing in ENN as a strategic investor will help Santos connect to that opportunity in China, and at the same time we are helping a Chinese company expand internationally. We have confidence in the ENN Chairman and his management team. After becoming a major shareholder in ENN-EC, we will continue to support its national and international growth.”

The deal remains subject to ENN-EC shareholder approval and customary regulatory filings in China.

Key details

- ENN-EC (“600803.SH”), to acquire Honoy Capital’s 11.7% share in Santos for US\$ 750 million, subject to its shareholder approval.
- Honoy Capital to become second largest shareholder in ENN’s A-share listed company through a private placement of new shares, equivalent to US\$ 380 million.

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Note to Editors

About Hony Capital

Hony Capital, founded in 2003, specializes in equity investment and asset management. It currently manages seven private equity funds (five USD funds and two RMB funds) and two RMB mezzanine funds with more than RMB48 billion in assets under management. The investors of Hony Capital include Legend Holdings, the Chinese Academy of Sciences Holdings Co Ltd., the National Social Security Fund, China Life Insurance and leading investment institutions such as Goldman Sachs, Temasek, European and US pension funds and university endowment funds.

Hony Capital has invested in 80 companies in the areas of machinery and equipment, pharmaceutical and healthcare, consumer products and channels, media and entertainment, financial services and others.

About Santos (ASX:STO)

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. Santos has one of the largest exploration and production acreages in Australia and extensive infrastructure. Santos is committed to the exploration and production of Upstream natural gas and petroleum resources as well as the development and operation of midstream LNG export terminal projects in Asia Pacific. 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.

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FOR FURTHER INFORMATION PLEASE CONTACT:

FOR ENN-EC

FTI Consulting, Communications Advisors to ENN-EC

Australia
Samantha Magnusson Samantha.Magnusson@FTIConsulting.com +61 (0) 423 116 696

China (Chinese language)
Kevin Ma Kevin.Ma@FTIConsulting.com +86 10 8591 1952

China (English language)
Paul Downie Paul.Downie@FTIConsulting.com +65 9238 8836

FOR Hony Capital

Victoria Li victoriali@honycapital.com +852 3961 9714