

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

Energean plc ("Energean" or the "Company")

Proposed acquisition of Kerogen Capital's 30% shareholding in Energean Israel Limited

London, 30 December 2020 - Energean plc (LSE: ENOG, TASE: אנרג) is pleased to announce that it has entered into a conditional Sale and Purchase Agreement ("**SPA**") with Kerogen Investments No.38 Limited ("**Kerogen**"), an affiliate of Kerogen Capital, for the proposed acquisition of Kerogen's 30% shareholding in Energean Israel Limited ("**EISL**", the "**Minority Interest**" and the "**Acquisition**", respectively), which would result in Energean owning 100% of EISL's share capital.

Highlights - Acquisition

- Acquisition to acquire Kerogen's 30% shareholding in EISL for a total consideration of between \$380 million and \$405 million (the "**Total Consideration**")
- The Total Consideration includes:
 - An up-front payment of \$175 million (the "**Up-Front Consideration**")
 - Deferred cash consideration amounts totalling between \$155 million and \$180 million, which are expected to be funded from future cash flows and optimisation of the group capital structure, post-first gas from the Karish project
 - \$50 million of convertible loan notes (the "**Convertible Loan Notes**"), which have a maturity date of 29 December 2023 a strike price of GBP 9.50 and a zero-coupon rate
- The Acquisition adds 2P reserves of 29.5 billion cubic metres ("**Bcm**") of gas and 30 million barrels of liquids, representing approximately 219 million barrels of oil equivalent ("**MMboe**") in total, to the Company
 - The enlarged Energean group will have 2P reserves of 974 MMboe (80% gas) and a working interest production trajectory to more than 200 thousand barrels of oil equivalent per day ("**kboed**") (approximately 80% gas), once Karish and Karish North are producing at plateau rates
- Energean believes that the Acquisition will be highly value accretive and that the Total Consideration represents attractive valuation metrics, including:
 - A 43% discount to the estimated Enterprise Value ("**EV**") of the Minority Interest, based on the latest 2P CPR valuation estimates¹
 - A price of approximately 1x the forecast Minority Interest annual EBITDAX, which is expected to be approximately \$400 million per year when the gas sales profile is on plateau

¹ Based on DeGolyer and MacNaughton CPR 2P valuation, per report issued in November 2020, assuming a \$66/bbl liquids price (\$60/bbl Brent and 10% premium) and \$4.04/mmbtu gas price

- An equity acquisition price of between \$1.74 and \$1.85 per 2P barrel of oil equivalent (“boe”)²
- A leverage-accretive acquisition that is well within Energean’s target to keep its corporate net debt / EBITDAX ratio below 2.0x
- Taking a 100% interest in EISL will enable Energean to fully control its capital structure, enhancing its ability to maximise total shareholder returns
- The Acquisition is subject to shareholder, regulatory and other customary approvals. Energean expects to close the Acquisition in 1Q 2021

The Energean board of directors (“the Board”) has unanimously approved the Acquisition and will recommend it to Energean shareholders in the upcoming circular, which Energean expects to publish in late January / early February 2021.

Highlights – Karish Update

- The Energean Power FPSO is expected to sailaway from Singapore to Israel in 3Q 2021 and to deliver first gas in 4Q 2021.
- Energean estimates that the Karish project will generate Carbon Dioxide emissions intensity of less than 4.5 kg CO₂e/boe once production is on plateau. This represents approximately 25% of the current global average for the oil & gas industry
- In December 2020, the Karish project was awarded a safety and health award recognition for safety excellence and maintaining high HSE standards in Singapore.

Mathios Rigas, Chief Executive Officer of Energean, commented:

“The Acquisition represents a unique opportunity, given our existing, unrivalled understanding of the assets and the fact that the position significantly enhances Energean’s cash flow, whilst generating no incremental G&A costs. It allows us to consolidate our interests in Israel, enabling us to further generate long-term value by capitalising on the production growth and upside potential of our acreage offshore Israel; and is supportive of our ambition to be the leading independent, gas-producer in the Mediterranean.

“Having now closed the Edison acquisition, Energean has 2P reserves of almost 1 billion barrels of oil equivalent, 80% of which is gas; and we are now at a key transition point, in which these reserves will be turned into long-term cash flows that will support our medium-term ambition to pay a meaningful, sustainable dividend to our shareholders.

“I would like to thank Kerogen for their support and involvement in the Karish development over the last four years. Together, we will have delivered a project that will provide diversity and security of gas

² When additionally taking into account the Minority Interest net debt position of \$340 million, the estimated Enterprise Value / 2P boe is between \$3.29 to \$3.40

supply to Israel, whilst also helping to remove significant amounts of CO2 annually from Israel's emissions by enabling the switch from coal to natural gas."

Jason Cheng, Chief Executive Officer of Kerogen Capital, commented:

"We deeply value the partnership formed with Energean over the recent years, where together, we have seen substantial progress made in advancing the Karish development and expanding the overall resource base. During this process, we have also found Israel to be a favourable jurisdiction for energy investing.

"We see this transaction as accretive for both Kerogen and Energean. For Kerogen, it enables the successful value creation to date to be captured, with some upside participation through the convertible notes. For Energean, this represents a unique opportunity to consolidate ownership of its flagship asset. We wish Energean every success going forward in delivering this project of national significance."

Enquiries

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Consideration for the Acquisition

Energean has entered into a conditional SPA with Kerogen to acquire Kerogen's 30% shareholding in EISL, which would result in Energean owning 100% of EISL's share capital. The Acquisition has an economic reference date of 1 January 2021 and the Total Consideration consists of:

- \$175 million of Up-Front Consideration
- Deferred consideration of between \$125 million and \$150 million (the "**Deferred Cash Consideration**"), the latest allowable payment of which will be 30 calendar days following Practical Completion of the Karish project (as defined under EISL's contract with TechnipFMC). Before Practical Completion, Energean has the option, at its sole discretion, to pay the Deferred Cash Consideration at any point, in accordance with the following schedule:

Payment Date	Amount Payable (US\$ millions)
On or before 31 March 2021	125.0
On or before 30 April 2021	127.5
On or before 31 May 2021	130.0
On or before 30 June 2021	132.5
On or before 31 July 2021	135.0
On or before 31 August 2021	137.5
On or before 30 September 2021	140.0
On or before 31 October 2021	142.5
On or before 30 November 2021	145.0
On or before 31 December 2021	147.5
After 31 December 2021 or at Practical Completion	150.0

- A further \$30 million of deferred cash consideration, payable on 31 December 2022 (the "**Additional Deferred Consideration**")
- \$50 million of convertible loan notes, which have a maturity date of 29 December 2023, a strike price of GBP 9.50 and zero-coupon rate.

If the Deferred Cash Consideration is paid following Practical Completion of the Karish Project (as defined under EISL's contract with TechnipFMC), the Total Consideration will be \$405 million. If Energean elects to pay the Deferred Cash Consideration earlier than 31 December 2021, the Total Consideration could be reduced by up to \$25 million, to \$380 million.

Financing of the Acquisition

The Up-Front Consideration for the Acquisition is \$175 million and is expected to be funded through a combination of existing Energean Group funds and a new Energean Group loan facility.

The Deferred Cash Consideration will be between \$125 million and \$150 million, depending on the point at which Energean elects to make the payment. The Additional Deferred Payment is \$30 million. These deferred payments are expected to be funded from future cash flows and optimisation of the group capital structure both pre- and post-first gas.

The \$50 million Convertible Loan Notes have the following features.

- The strike price is GBP 9.50, representing a premium of 36% to the Energean share price as at market close the day before this announcement, with a maturity date of 29 December 2023.
- At an exchange rate of 1.35 USD/GBP and 177.1 million shares in issue, conversion would, if exercised, result in dilution of approximately 2% of the Company's issued share capital.
- The Convertible Loan Notes attract no coupon rate and Kerogen can call for conversion at any point during the term of the Convertible Loan Notes; conversion events carry a minimum conversion value of \$5 million and have a subsequent 90-day period between the submission of any subsequent conversion notice.
- The option for cash settlement is only available to Kerogen at maturity

Approvals

The Acquisition is subject to approval by the Israeli Petroleum Commissioner, which is expected to take approximately two months.

The Acquisition constitutes a Related Party Transaction and Class 1 Transaction for the purposes of the Listing Rules and therefore Energean will be required to publish a circular and to seek shareholder approval at an EGM before completion of the Acquisition.

Issuance of the ordinary shares that may be issued pursuant to the Convertible Loan Notes will also require shareholder approval, which will be sought as part of the abovementioned circular and EGM.

Directors' Recommendation

The Board has unanimously approved the Acquisition and will recommend in the upcoming circular that Energean's shareholders vote in favour of the Acquisition.

Proposed timetable of events

Publication of Circular	End-January / Early-February 2021
EGM and shareholder votes	Mid-Late February 2021
Closing of the Acquisition	End-February / Early March 2021

Reasons for the Acquisition

Background

EISL holds a 100% working interest in the Karish and Tanin leases, offshore Israel. As announced on 10 November 2020, a recent independent Competent Persons Report (“CPR”) by DeGolyer and MacNaughton (“D&M”) certified gross 2P reserves of 98.2 Bcm (3.5 Tcf) of gas and 99.6 million barrels (“MMbbls”) of liquids across the Karish, Karish North and Tanin fields, representing approximately 729 million barrels of oil equivalent. The Company’s flagship Karish gas development project is expected onstream in 4Q 2021.

EISL also owns a 100% working interest in four exploration blocks (Blocks 12, 21, 23, 31) offshore Israel that offer low-risk, near-infrastructure drilling opportunities to be targeted by its next drilling programme, which is expected to commence in early 2022. The CPR estimated gross best estimate risked prospective resources across the Karish and Tanin leases and Block 12 of 62.0 Bcm of gas plus 33.4 MMbbls of hydrocarbon liquids.

EISL also has an 80% working interest in a further four exploration blocks in Zone D, offshore Israel.

Significant increase in 2P reserves and prospective resources

The Acquisition adds 2P reserves of 29.5 Billion cubic metres (“Bcm”) of gas and 30 million barrels of liquids; representing approximately 219 million barrels of oil equivalent (“MMboe”). The enlarged Energean group will have 974 MMboe of 2P reserves, an increase of 29% on the previous position.

	Bcm	MMbbls	MMboe
Energean existing Working Interest 2P in Israel	69	70	511
Energean ex- Israel Working Interest	24	96	245
Total existing Energean reserves	93	165	755
Acquired Minority Interest position	29	30	219
Total reserves post-completion	123	195	974
% increase	32%	18%	29%

Attractive metrics

The acquisition is being transacted at:

- An equity acquisition price / 2P boe of between \$1.74 and \$1.85 with incremental upside from the additional prospective resources that the Acquisition delivers to the Company. When taking into account the current Minority Interest net debt position of \$340 million, this represents an EV / 2P boe of between \$3.29 and \$3.40
- A price of approximately 1x the forecast Minority Interest annual EBITDAX, which is expected to be approximately \$400 million per year when the gas sales profile is on plateau
- A level that achieves payback within three years, including the ongoing capital expenditure associated with completing the Karish project in 4Q 2021 plus the new investments expected for Karish North
- A 43% discount to the estimated EV of the Minority Interest, based on 2P CPR valuation estimates³

The estimated discount to NAV is based on the following:

- The CPR valued the 2P reserves associated with the Karish, Karish North and Tanin fields at \$3.1 billion, discounted to 30 June 2020 and using a 10% discount rate. Discounted to 1 January 2021, to align with the economic reference date of the Acquisition, the total valuation would have been an estimated \$3.5 billion. The estimated value of the Minority Interest in the assets would therefore have been approximately \$1.0 billion
- At 22 December 2020, \$1.15 billion had been drawn down from the \$1.450 billion project finance facility and EISL held cash of approximately \$15 million; the minority interest in the net debt position is therefore approximately \$340 million
- The CPR valuation, adjusted for the net debt position in EISL, gives an estimated EV for the Minority Interest of approximately \$710 million
- At a Total Consideration of \$405 million, this is a 43% discount to the estimated EV of the Minority Interest

Capital structure optimisation

Full control over EISL would enable Energean to optimise its capital structure, to include the funding of the Karish and Karish North projects; refinancing of the project finance facility and improved cost of funding; and movement of capital between EISL and Energean plc, especially following first gas from Karish. Energean believes that this will enhance its ability to maximise the total shareholder returns generated by the projects.

Gas-focused, complementing Energean's strategic commitment to net-zero

³ Based on DeGolyer and MacNaughton CPR 2P valuation assuming a \$66/bbl liquids price (\$60/bbl Brent and 10% premium) and \$4.04/mmbtu gas price

86% of Energean's 2P reserves and 82% of production on plateau in Israel will be gas, therefore, Energean believes that the Acquisition is well-aligned with its gas-focused transition fuel strategy.

Energean estimates that the Karish project will generate Carbon Dioxide emissions intensity of less than 4.5 kgCO₂e/boe once production is on plateau, which is approximately 75% lower than the current global average for the oil & gas industry.

The Karish project is integral to Israel's target of replacing coal-fired power generation with gas. This transition will reduce Israel's CO₂ emissions significantly each year. As such, the project is well-aligned with Energean's strategic commitment to help transition to a net-zero carbon world.

Near-term growth further amplified

EISL has signed gas sales and purchase agreements to supply its customers with 7.4 Bcm/yr of Karish gas on plateau and associated oil production is expected to achieve a plateau rate of approximately 28 kboed, a total production level of approximately 158 kboed (82% gas).

The Acquisition increases working interest production by approximately 47 kboed. Following completion of the Acquisition, working interest production from the enlarged group is expected to have a trajectory to more than 200 kboed, once Karish and Karish North are producing on plateau.

Update on the Karish Project

As of 26 November 2020, the Karish gas development was 86% complete. Within this, the Energean Power FPSO was 93% complete, the subsea work 73% complete and the onshore work virtually 100% complete. The project is expected to deliver first gas into the Israeli domestic market in 4Q 2021.

Energean Power FPSO progress and key milestones

Following COVID-19-related disruptions in Singapore earlier this year, the manning profile at the construction yard has now ramped up towards planned levels, reaching over 1000 people by the end of November.

The main modules and pipe racks have now been lifted onto the FPSO hull, signalling near-completion of the first major milestones of the hull and topside integration campaign. The final lifts, of module-1 and the flare, will be completed in December 2020 and January 2021, respectively.

The completed Energean Power FPSO is expected to sailaway from Singapore to Israel in 3Q 2021 with first gas in 4Q 2021.

Subsea and onshore

Energean's subsea and onshore workstreams have progressed in line with expectations, despite the challenges of COVID-19.

On the subsea work, the complete FPSO mooring system and the deepwater subsea production system is now fully installed and the gas sales pipeline scope is almost completed. In October 2020, the tie-in manifold was successfully installed and was connected to the gas sales pipeline in November 2020. The riser installation campaign is expected to commence, and to be completed during 1Q 2021, which will mark completion of the subsea works required ahead of arrival of the Energean Power FPSO.

On the onshore, installation of the production rate measurement system at Dor commenced in August 2020 with mechanical completion and commissioning expected in 1Q 2021. Installation of the onshore section of the pipeline commenced in June 2020. Works are progressing as expected and installation is expected to be complete in 1Q 2021. Civils work is also progressing well and is expected to be completed during 2Q 2021. Together, all components of the onshore are expected to be completed approximately six-months ahead of first gas into the system.

Minority interest Key Financial Data

At 31 December 2019, Kerogen's 30% stake in EISL contributed:

- \$432 million of gross assets
- \$157 million of net assets
- \$0.5 million of net losses

The Company believes that the current Minority Interest financial data is not representative of the value of the assets, or the future cash flows that will be generated by the assets, due to the stage of development of the assets contained within EISL.

Inside Information

Some of the information contained within this announcement is considered by Energean to constitute *inside information*, as defined under the EU Market Abuse Regulation, EU No.596/2014. By the publication of this Announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain. The person responsible for arranging for the release of this announcement on behalf of Energean is Russell Poynter, Company Secretary.

About Energean plc

Established in 2007, Energean is a London Premium Listed FTSE 250 and Tel Aviv 35 Listed E&P company with operations in nine countries across the Mediterranean and UK North Sea. Since IPO, Energean has

grown to become one of the leading independent, gas-focused E&P companies in the Eastern Mediterranean, with a strong production and development growth profile. The Company explores and invests in new ideas, concepts and solutions to produce and develop energy efficiently, at low cost and with a low carbon footprint.

Energean's production comes mainly from the Abu Qir field in Egypt and fields in Southern Europe and the UK. The company's flagship project is the 3.5 Tcf Karish, Karish North and Tanin development offshore Israel, where it intends to use the only FPSO in the Eastern Mediterranean to produce first gas, commencing 4Q-2021. Energean has signed firm contracts for 7.4 Bcm/yr of gas sales into the Israeli domestic market, which have floor pricing, take-or-pay and/or exclusivity provisions that largely insulate the project's revenues against global commodity price fluctuations and underpin Energean's goal of paying a meaningful and sustainable dividend.

With a strong track record of growing reserves and resources, Energean is focused on maximising production from our large-scale gas-focused portfolio to deliver material free cash flow and maximise total shareholder return in a sustainable way. ESG and health and safety are paramount to Energean; it aims to run safe and reliable operations, whilst targeting carbon neutrality across its operations by 2050. These aspirations have been significantly advanced with the completion of the Edison E&P acquisition in December 2020.

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