

# Delivering value...



...through growth,  
responsibility and  
discipline.



2018 was a very successful year for Energean. In 1Q, we concurrently raised \$460 million via our IPO on the Premium Segment of the London Stock Exchange and \$1.275 billion of project finance, securing the funding for, and enabling a Final Investment Decision (FID) to be taken on, our flagship Karish and Tanin gas development project. Over the remainder of the year the project progressed on time and on budget and we achieved the key milestone of first steel cut on the Energean Power FPSO hull in November 2018.

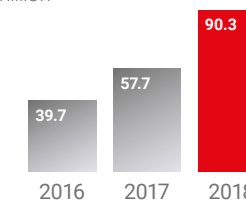
In Greece, we increased revenues by 56% whilst reducing unit cost of production by 29% and made significant progress on the Epsilon development project.

Our long-term strategy is to deliver sustainable value to stakeholders by leveraging the Group's experience and expertise in identifying, acquiring, developing and operating oil and gas assets in the Mediterranean region, and by meeting the economic, social and environmental challenges of what is a fast-growing energy market.

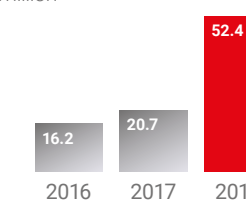
## Key highlights

### Financial

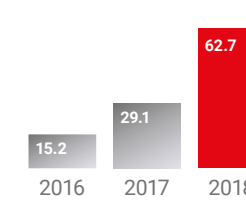
Revenue  
US\$ million



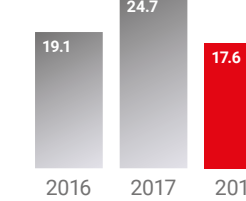
Adjusted EBITDAX  
US\$ million



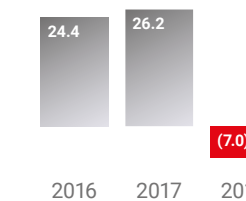
Cash from operating activities  
US\$ million



Cost of production per barrel  
US\$



Gearing ratio  
%



### Operational

Average daily production

**4,053** bopd

2017: 2,803 bopd

2P reserves

**347** MMboe

2017: 51 MMbbls oil

GSPAs signed in Israel

**4.6** bcm/yr

2017: 0

2C resources

**58** MMboe

2017: 250 MMboe

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# Creating the leading E&P player in the Mediterranean

We are an independent E&P company focused on developing sustainable resources in the Mediterranean, where we hold 13 licences and operate assets with a production track record of more than 38 years.

## Key facts

Since inception in 2007 Energean has built up a balanced portfolio of producing and development assets, increasing its 2P reserves from 2 MMboe in 2007 to 347 MMboe of 2P reserves and 58 MMboe of 2C resources at the end of 2018. Energean is committed to realising the significant value and growth potential of its production assets in Greece, the Karish and Tanin development asset offshore Israel, and its exploration acreage across Israel, Western Greece and Montenegro.



### Operational strength

**+45%**

Production growth<sup>1</sup>

**-29%**

Cost of production<sup>1</sup>

**35%**

2P + 2C increase<sup>1</sup>



### Effective execution

**13**

GSPAs signed, securing project economics

**8**

bcm/yr FPSO under construction

**1Q 2021**

On track to deliver first gas from Karish



### Proven access to capital

**\$13bn**

Revenue underpinned by gas sales and purchase agreements in Israel

**39**

MMboe reserves in Prinos, up from 2 MMboe at acquisition

**\$1.5bn**

Valuation from just \$1m 10 years ago



### Key milestones 2019

**FPSO Hull delivery**

**3 Karish Main wells**

**Karish North well**

## Where we operate

Energean currently holds 13 licences across the Mediterranean. Our asset base provides an attractive, balanced mix of producing, development and exploration assets, creating near- and long-term value. We are focused on value-accretive growth opportunities within the region and will continue to pursue organic and inorganic growth options that benefit all of our stakeholders.

### Greece

#### Producing

Prinos 100%

Prinos North 100%

South Kavala 100%

#### In development

Epsilon 100%

Prinos 100%

Prinos North 100%

Katakolo 100%

#### Exploration

Prinos 100%

South Kavala 100%

Katakolo 100%

Ioannina 40%

Aitolokarmania 40%

### Montenegro

#### Exploration

Block 26 100%

Block 30 100%

### Israel

#### In development

Karish 70%\*

Tanin 70%\*

#### Exploration

Karish 70%\*

Tanin 70%\*

Blocks 12, 21, 22, 23, 31 (all 70%)

■ Oil ■ Gas  
% Ownership

1. 2017 – 2018

\* Working interest in the Karish and Tanin assets was 50% as of 31 December 2017 and increased to 70% in March 2018.

# Our history

## Awards

Oil & gas deal of the year



Energy company of the year



Deal of the year, Executive of the year, Small Cap of the year



2007

▶ Aegean Energy S.A. announced the purchase of 100% of Eurotech's shares, majority shareholder of Kavala Oil S.A.

2008

▶ Aegean Energy initiated a new development plan for Prinos North and Epsilon fields

2010

▶ Aegean Energy S.A. changed its name to Energean Oil & Gas

2013

▶ Multi-year offtake agreement signed between BP and Energean Oil & Gas for the entire oil production from Prinos

▶ Aegean Energy S.A. achieved extension of the concession licence for the Prinos Oil Field area

▶ Third Point investment as equity supporter

2014

▶ Purchased the Energean Force

2015

▶ Completed a 3D seismic survey in the Prinos Oil Field

2016

▶ Acquired 100% interest in Karish and Tanin fields, offshore Israel, from Delek Drilling and Avner

▶ Secured US\$75million EBRD RBL facility as well as agreed US\$20million finance for exploration assets

▶ Kerogen Capital 50% investment in Energean Israel

2017

▶ Awarded two offshore blocks in Montenegro with limited commitments

▶ Repsol farms in to Energean's Ioannina and Aitolokarnania Blocks, onshore Western Greece

▶ Awarded five new exploration blocks offshore Israel

▶ Signed a total of 12 GSPA agreements for the sale of 4.2bcm/year of gas

2018

### January:

– Signed extended and updated US\$180m RBL Senior facility for the Greek assets

### March:

– Delivered the largest oil and gas IPO in London for four years, raising US\$460m.

– Signed US\$1.275bn of project financing to develop the Karish field.

– Took Final Investment Decision on the Karish and Tanin development

– Increased shareholding in Energean Israel to 70% (Kerogen Capital holding remaining 30%)

### October:

– Started trading on the Tel Aviv Stock Exchange (TASE) through a secondary listing

### November:

– Achieved First Steel Cut on the Energean Power FPSO Hull

### December:

– Energean Israel Limited (Energean plc 70%) signed an MoU with INGL for the transfer of near-shore and onshore infrastructure, resulting in cash inflow of approximately 369 million NIS (US\$98 million)

– 13th GSPA signed, increasing total gas sales contracted to 4.6bcm/year

2019

### January:

– Completed seismic acquisition over licences 23 and 31, offshore Israel

### February:

– Completed seismic acquisition over Blocks 26 and 30, offshore Montenegro

– Commenced our drilling programme offshore Israel

### April:

– First oil delivered from the Epsilon Extended Reach Well

– Gas discovery in Karish North



*"I'm proud, grateful and happy to be part of the fast growth and strong consolidation of Energean over the last 10 years."*

**Halina Dana**  
Production Technologist



# Continued delivery and momentum

## Key board agenda focus for 2019

- ▶ Health & safety
- ▶ Corporate culture
- ▶ Delivering on key project milestones for Karish and Tanin
- ▶ Maximising value from the Prinos Area
- ▶ Maintaining capital discipline
- ▶ Compliance with the 2018 Corporate Governance Code
- ▶ Progressing our CSR programme

**Simon Heale**  
Chairman



*"We will continue to deliver value for shareholders by focusing on operational excellence, effective project delivery, risk mitigation and disciplined capital allocation."*

## Dear Shareholder,

I am pleased to present our first set of full year results since Energean entered the Premium Listing Segment of the London Stock Exchange with our IPO in March of this year, and promotion to the FTSE 250 following June's index review. Our \$460 million equity raise represented the largest oil and gas IPO in London for nearly four years and marked an important step forward in the Company's development. In October, we commenced trading through our secondary listing on the Tel Aviv Stock Exchange, subsequently entering the Tel Aviv 35 index, and further expanding the accessibility of our exciting Mediterranean energy story to a wider pool of investors.

Securing funding of \$1.94 billion in 2018 against an uncertain market backdrop was a momentous achievement for Energean, of which I am extremely proud. Because of our London IPO, the US\$1.275 billion project finance facility, and the \$0.2 billion Reserve Based Lending (RBL) facility, our developments are funded. This means that we are confident we can deliver the operational progress and momentum that is necessary to meet our ambitious value creation goals.

Alongside these corporate achievements, Energean delivered another year of robust financial and operational performance. Revenue growth of 56% was delivered whilst simultaneously reducing unit cost of production by 29%. In addition, strong progress was made in advancing our Karish and Tanin project, where we hit all of our milestones and remain confident of delivering first gas in 1Q 2021.

Underpinning our success in 2018 is Energean's steadfast commitment to delivering operational excellence, effective project delivery, risk mitigation and disciplined capital allocation, within a strong corporate culture and an even stronger health, safety and environmental (HSE) focus.

Together, we are determined to make the Company the leading independent operator in the Mediterranean, delivering value for all of our shareholders and stakeholders.

### Our Board and Governance

Our Board was chosen to ensure that, as a fast growing public company, Energean demonstrates best practice governance standards and provides sound stewardship. We are fortunate to have deep sector, financial, HSE and capital markets expertise on the Board to guide the Company going forward and will continue to comply fully with the UK Corporate Governance Code.

### Our People

Energean's executive management team has a strong track record of delivery and value creation, and is supported by deep and broad expertise across our technical, engineering, geological and financial teams. We recognise the benefits of having a diverse workforce and female representation currently makes up 40% of the Executive Committee and 25% of Senior Management. Energean's people are one of its key strengths, and I would like to thank all of our colleagues for their hard work and commitment in delivering the results and progress that are set out in this report. I very much look forward to working with all of you as we continue to grow the business.

We further strengthened our executive management team during the period with the appointment of Iman Hill as Chief Operating Officer. Iman is a Petroleum Engineer with extensive expertise in the technical and commercial aspects of the petroleum business, which will be of significant value as we continue to move forward.

### Dividend Policy

Strong capital discipline is a key pillar of Energean's strategy and management framework. At present, we are in a growth phase and do not expect to pay a dividend until Karish is producing gas and generating cash flows. In the near term, I expect our earnings to be reinvested in developing the businesses of the Group, with a particular focus on the Karish and Tanin development, which I anticipate will deliver strong capital returns. The Board will continue to review how it provides returns to shareholders regularly and will take a prudent approach to reinvestment and/or distribution of the profits generated by our business.

### Outlook

2019 is set to be an exciting year and I believe we will see significant progress across our asset portfolio. I look forward to delivering the four well drilling programme in Israel, which could underpin significant growth in our reserves and resources base. We continue to see positive demand for Karish and Tanin gas, and future gas sales agreements will target both the growing domestic and key regional export markets. Our medium term goal is to utilise fully our 8 bcm/yr FPSO, which will deliver strong incremental economic returns for our shareholders and stakeholders. In Greece, we recently achieved first oil from the Epsilon satellite development, and our ongoing drilling programme should see production further enhanced as we move through 2019.

I look forward to updating shareholders on our exciting work programme over the coming months.

**Simon Heale**  
Chairman

# Delivering sustainable growth and value



## Replicating the growth and value creation achieved in the last decade

Energean was established in 2007 with a clear vision to build the leading independent E&P company in the Mediterranean. We saw a region which had been overlooked and under-exploited by the international oil and gas majors, and one that would inevitably need more gas development to cater for growing demand for cleaner energy in the surrounding states.

The past decade has been one of considerable growth, learning, investment and achievement for Energean. We will leverage this experience to continue creating value into our next decade whilst retaining our focus on the emerging oil and gas industry in the Mediterranean. We believe that this region will soon become a globally significant gas hub, in which we intend to be a key independent player. Our ambitions are clear; the Energean Power is currently the only planned Floating, Production, Storage and Offloading ("FPSO") vessel in the Eastern Mediterranean and is set to be a strategically significant piece of infrastructure.

Since 2007, we have steadily expanded our operating footprint from one country to four; from two licences to 13; and from 2 MMboe to more than 400 MMboe of 2P and 2C reserves and resources. In a very short period, we took the Karish and Tanin gas fields, offshore Israel, from acquisition in December 2016 through a Field Development Plan (FDP) and financing to a Final Investment Decision (FID) in March 2018, with the development remaining on track to deliver first gas in 1Q 2021. This is a remarkable achievement, of which we are very proud.

We have succeeded in delivering significant growth and value in our first year as a listed business. Our priority now is to continue this momentum into the coming years, and replicate the value creation that we have delivered over the last decade. We will pursue this goal whilst retaining our strong focus on HSE and CSR, which remain core to the organisation.



*"In 2018 we delivered a step change in our growth and operations. I look forward to maintaining this momentum into 2019, and I am focused on delivering value for our shareholders across our production, development and exploration assets."*

## Successful IPO and project financing

Energean's Premium Listing on the London Stock Exchange in March 2018, raising US\$460 million, was a landmark accomplishment for the Company and represented the largest primary raise by an E&P company for more than four years. In June 2018, we were admitted to the FTSE 250 index.

Our investment proposition to the London market attracted substantial institutional interest despite challenging market conditions. The key characteristics underpinning our successful proposition were, and continue to be, the quality of our asset portfolio, our strategic position in the Mediterranean and our management's track record of value creation. As we continue to deliver on our stated milestones and enter what is expected to be a very active year, presenting multiple catalysts for our share price, we continue to see an increasing level of interest in our story from the equity market.

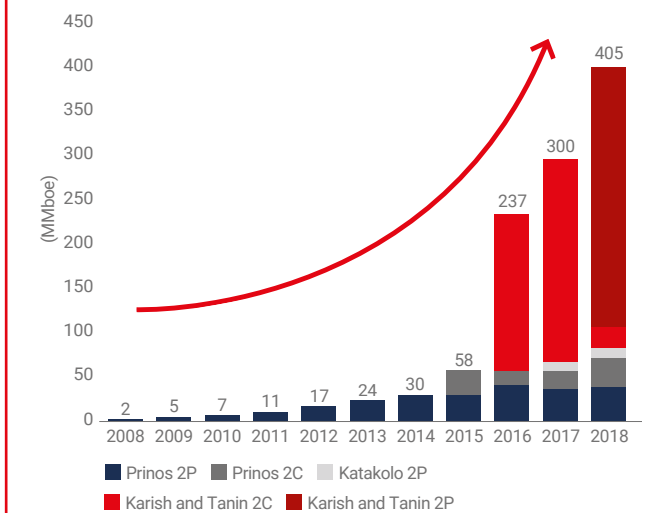


Signing the US\$1.275 billion Facility Agreement in the same month as the IPO was a key milestone in financing the development of the Karish and Tanin project and testament to the confidence placed in us by leading international banks.

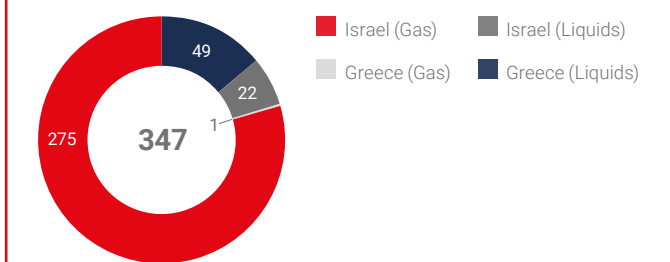
Combined, the debt and equity raised enabled us to take Final Investment Decision on the Karish and Tanin development, a key driver of the momentum and growth that will ultimately lead to considerable value creation for our shareholders and stakeholders.

The period also saw us list our shares on the Tel Aviv Stock Exchange (TASE), the market in which our flagship Karish and Tanin assets lie, and where a significant number of stakeholders are domiciled. In undertaking this secondary listing, we succeeded in expanding the accessibility of our exciting Mediterranean energy story to a wider pool of investors and, post period end, have entered the Tel Aviv 35 index, which is composed of the largest 35 companies listed on the TASE by market capitalisation.

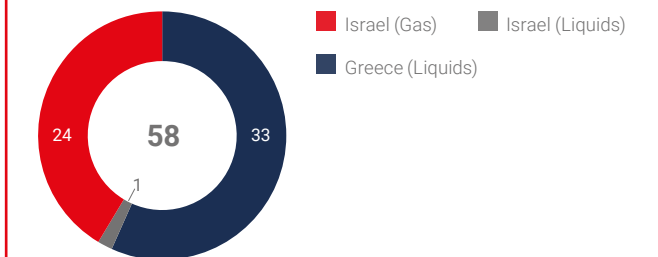
### Continuous increase in reserves and resources



### 2P Reserves – MMboe



### 2C Resources – MMboe





# Our strategy

We have three key elements to our strategy, that we execute within our fundamental pillars of disciplined capital allocation, risk mitigation, effective project delivery and, ultimately, operational excellence. The three areas in which we create value are:



## Optimising production:

Our strategy is to optimise production from our existing low cost production base, ensuring the most advantageous mix of investment and production growth to deliver value and sustainable cash flows.



## Developing reserves:

When allocating capital to our development programmes we take a highly disciplined approach that means we only invest in projects that deliver substantial value for our shareholders, and which can be delivered in a low risk and efficient manner. Our development programmes at Karish and Tanin, and Epsilon are undertaken within this framework and are expected to result in strong returns for our shareholders.



## Adding more hydrocarbons:

We are highly selective in our approach to adding hydrocarbons, be it through organic or inorganic means. Low cost, balanced risk exploration is a core part of our strategy, but we will always approach exploration with capital allocation and risk mitigation in mind. Our first exploration well, Karish North, is well aligned to this approach, and in early 2019 we have undertaken low-cost seismic acquisition over acreage in Israel and Montenegro.



## Optimising production

The Prinos Area oil fields, offshore North Eastern Greece, are low-cost producing assets in which Energean continues to see significant potential. The Prinos Basin licence was acquired in 2007. Since then, we have secured a 25-year licence extension and have increased reserves through the technical re-appraisal of the reservoir, with a new 3D campaign undertaken in 2015 as well as further drilling activity enabling us to implement our development plan to significantly increase production over the next three years.

Energean's long track record in the Prinos Basin, operatorship of the majority of our assets, and low operating costs per barrel underpin our ability to maximise cash flow from our reserves and resources.

### Prinos development programme

In the Prinos Basin, we have an ongoing investment plan from which we expect to increase production over the next few years, tapping the 38 MMbbls of discovered 2P oil reserves in the Prinos, Prinos North and Epsilon oil fields.

Energean delivered 2018 full-year production of 4,053 bopd with fourth quarter production averaging 4,573 bopd, representing the sixth successive quarter of production growth from the Prinos Area. During 2019, Energean expects to deliver at least a further 25% increase in production. We continue to expect to deliver production growth to more than 10,000 bopd by 2021 once the Epsilon satellite development has reached plateau production.

In April 2019, we have delivered first production from the Epsilon field via an Extended Reach Well, which enabled early production from this highly prospective satellite accumulation. The three well platform development is progressing well and expected on stream in the next year. At peak, the field is expected to deliver up to 5,000 bopd.

We will continue drilling in the Prinos Area in 2019, with the exact location and target being determined to deliver maximal return on investment and value to our shareholders. Owning the production infrastructure and drilling rig at Prinos enables us to approach drilling from a flexible and nimble position, enabling us to optimise the programme based on the most up-to-date drilling results, information and analysis.

We regard Prinos as a low-risk development due to our extensive knowledge and experience of the Basin and its geology, the secured offtake agreement with BP that will fully cover the expected increase in production, and the control we enjoy as operator over the related infrastructure.



## Developing reserves

### Developing Karish and Tanin

#### A material de-risked opportunity

Our most significant undeveloped assets are the Karish and Tanin gas fields located offshore Israel, which we acquired in December 2016 for \$148.5 million (\$40 million up front and \$108.5 million payable over ten instalments following Final Investment Decision) plus royalty (7.5%/8.25%) and which are set to transform our business over the next few years. The fields contain an estimated 2.4 Tcf (68 bcm) of natural gas and 32.8 MMbbls of condensate and light oil 2P reserves and 2C resources.

At the time of acquisition, Karish and Tanin were stranded assets with no gas contracts in place. Along with receiving approval of our FDP from the Israeli government in August 2017, we aimed to secure gas sale and purchase agreements with leading industrial companies and power producers in Israel. By December 2017, the Company had secured contracts with 12 leading domestic industrial and independent power producers in Israel for the sale of 61 bcm of gas (up to 74 bcm including the OR gas supply agreement) over a period of 16 years on a weighted average basis. The annual production rate is estimated at approximately 4.2 bcm per year on an annual contract quality (ACQ) basis (up to 4.9 bcm per year including the OR gas supply agreement). This was 1.2 bcm above the amount required to proceed with FID for Karish and Tanin and reflects the increasing energy demand in Israel.

Energean continues to see strong demand for its gas and future Gas Sales and Purchase Agreements (GSPAs) and will target both the growing domestic and key regional export markets. In December 2018, ahead of its four well drilling programme, Energean signed a contract to supply I.P.M. Beer Tuvia 5.5 bcm of gas over a period of 19 years. The contract is contingent on finding additional gas, which demonstrates both the attractiveness of Karish and Tanin gas to the domestic market and confidence in our upcoming drilling programme.

The development of the Karish field, which is expected to deliver first gas in 1Q 2021, will materially increase the scale of the Group's operations and support Energean's strategy to become a major player in the Mediterranean gas market. Production from the Karish accumulation will be solely used to supply Israel, with new discoveries earmarked for both the domestic and key regional export markets. These assets are highly strategic for the development of the Israeli energy market and will help to meet increasing Israeli demand, increase market competition and improve security of supply.

## Chief Executive's review continued

### A material de-risked opportunity continued

We have de-risked the project through a scalable development plan. Our new-build FPSO, the Energean Power, will allow Energean to develop its assets in the region and will be available to be used as a tie back option for future third party oil and gas discoveries. The FPSO is currently the only such vessel earmarked for operation in the region, and we expect it to be a key strategic piece of infrastructure, presenting us with an advantage to quickly capitalise on suitable nearby discoveries. Our lump-sum Engineering, Procurement, Construction, Installation & Commissioning (EPCIC) contract with TechnipFMC has supported our capability to deliver the project on time and on budget and protects our shareholders against the risk of delays and cost overruns.

In December 2018, Energean Israel signed a Memorandum of Understanding (MoU) with Israel Natural Gas Lines (INGL) that will result in approximately \$98 million of cash inflow for Energean Israel between now and first gas. This cash inflow was not accounted for in our initial project economics and demonstrates Energean's intention to create value for shareholders at every opportunity. The MoU covers the onshore section of the Karish and Tanin infrastructure and the near shore section of pipeline extending to approximately 10km offshore. It is intended that the handover to INGL will become effective shortly after the delivery of first gas from the Karish field in 1Q 2021. Following handover, INGL will be responsible for the operation and maintenance of this part of the infrastructure and Energean will not incur any charges or tariffs for use of the infrastructure. Energean's collaboration with INGL demonstrates the Israeli government's support for and commitment to the Karish and Tanin project.

### Karish and Tanin project milestones 2019

#### 1Q 2019

- ▶ Four well drilling programme commenced

#### 2Q 2019

- ▶ Keel laying on the FPSO

#### 3Q 2019

- ▶ Beach crossing at Dor to be completed

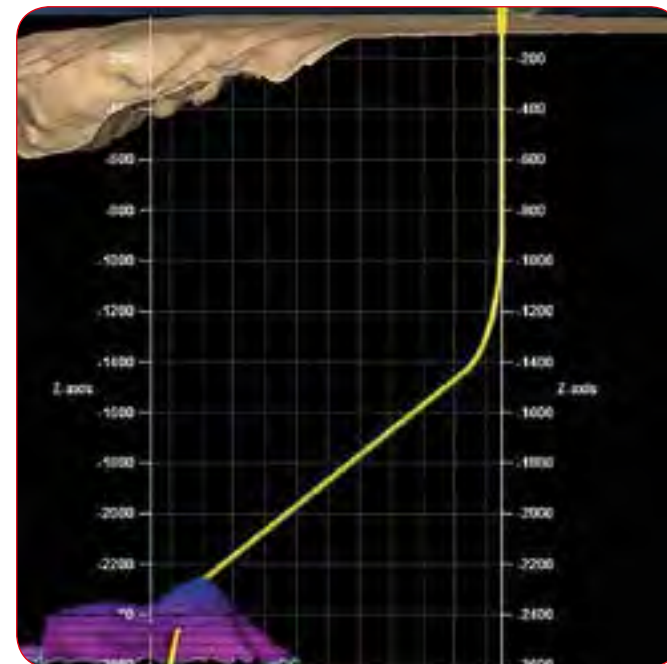
#### 4Q 2019

- ▶ Sales gas pipeline installation Dor to Karish
- ▶ FPSO Hull sailaway from the COSCO yard (China) to Singapore for topsides integration

### Monetising Katakolo

In addition to the Prinos Basin, we also own 100% of the Katakolo development project in Western Greece, which we received government approval to develop in 2017 and which holds 10.5 MMbbls of 2P oil reserves and 6.2 Bcf of 2C gas resources. The government has already issued a 25 year exploitation licence for Katakolo, although Energean has no commitments in the area. We expect to either take FID or farm down the project in 2019; if we decide to take FID, it is likely that the first pilot well will be drilled in 2020 with first oil in late 2020/early 2021. Drilling will be undertaken using extended reach technology to drill from onshore to the offshore reservoir, thus avoiding the construction and use of offshore facilities in an area of natural beauty and cultural importance.

### Optionality at Katakolo



## Adding hydrocarbons

### Exploration

Energean's focused exploration strategy is to deploy capital only in balanced risk, high potential return scenarios, targeting prospects and leads that can be quickly, easily, economically and safely monetised. We focus on identifying and exploring undeveloped areas where we have technical experience of similar geologies to minimise exploration risk. Our exploration portfolio consists of prospects in Greece, Montenegro and Israel, which we rank based on various risk- and return-based metrics.

### Our exploration acreage in Israel

In December 2017, Energean Israel was awarded five licences for Blocks 12, 21, 22, 23 and 31. During 2018, NSAI certified gross prospective resources of 7.5 Tcf (212 bcm) of gas and 101 MMbbls of liquids across these five blocks plus the Karish and Tanin leases.

### Targeting upside through infrastructure-led exploration



The Karish lease is the most prospective of the seven blocks with 2.5 Tcf and 31.9 MMbbls of gross unrisks prospective resources. Energean's first exploration well in Israel is Karish North, which spudded in March 2019. At just 5.4km from the Energean Power FPSO, a Karish North discovery could be quickly and economically developed.

### Our seismic programme in Israel and Montenegro

Post period-end, a seismic campaign of three separate 3D seismic surveys was scheduled using the PGS Ramform Titan seismic vessel in order to maximise operational and financial synergies. Energean opted for a turnkey contract to limit the risks that our shareholders are exposed to. The seismic campaign started on 23 December 2018 in Israel. Acquisition commenced on licence 31 followed by licence 23, before the vessel moved to Montenegro to shoot 3D across licences 26 and 30 combined.

### Israel, Licences 31 and 23:

Energean committed to cover licences 31 and 23 with 3D seismic (specifically excluding those areas previously covered) as part of the first exploration licensing round.

The North-East corner of licence 31 had already been covered by the Dolphin-2013 3D seismic survey. Sparse 2D seismic, acquired by Spectrum in 2008, covered the South-West corner, therefore the newly acquired 3D seismic survey targeted the remaining 181 km<sup>2</sup> in the South-West corner. The objectives of the seismic survey in licence 31 were primarily to delineate the South-West extent of the Orpheus prospect and secondly to investigate further prospectively South-West of the Orpheus prospect.

The South-West corner of licence 23 was already covered by the Dolphin-2013 3D seismic survey. Sparse 2D seismic, acquired by Spectrum in 2008, targeted the North-East corner. Therefore, the newly acquired 3D seismic survey covered the remaining 255 km<sup>2</sup> in the North-East corner. The objectives of the seismic survey were primarily to delineate the Hercules prospect and secondly to investigate deeper prospectivity. The Mesozoic Hercules lead is the most likely prospect across Energean's acreage to be charged with oil.

The data quality across both licences in Israel was excellent. The processing of the new 3D will be finished by the end of October 2019 and will be merged with the legacy Dolphin-2013 3D into a single mega 3D seismic volume.



### Montenegro

Energean committed to cover licences 26 and 30 with 3D seismic as part of the exploration licensing bid round. The licences were already partially covered by the PGS-2003 3D seismic survey. The PGS survey was oriented in the dip direction orthogonal to the coastline. Energean planned the new 3D seismic survey in the strike direction and parallel to the coastline. The new seismic dataset will be processed together with the legacy seismic dataset using a dual azimuth processing workflow. The total coverage of the new 3D survey is 338km<sup>2</sup>.

Licences 26 and 30 were acquired in March 2017, when Energean signed an exploration concession contract. Preliminary estimates, made before the recently acquired seismic data was available, placed unrisks prospective resources at 1.8 Tcf (51 bcm) of natural gas and 143.9 MMbbls of liquids. We believe Montenegro has significant exploration potential for future oil and gas discoveries and the entry of ENI into the four blocks neighbouring those held by Energean, with significant exploration commitments, is an indication of the area's potential.

### Our seismic programmes in Western Greece

In Western Greece, Energean and Repsol, the operator, commenced a seismic acquisition programme in the Ioannina Block in November 2018 and expect to complete the acquisition and processing of 400km<sup>2</sup> of data in 2019. In the Aitolokarnania Block, Repsol and Energean expect to complete the first stage of a seismic acquisition programme during 2019. Energean is substantially carried through both seismic programmes by Repsol.

### Inorganic opportunities

Energean continues to assess the opportunity to inorganically acquire additional hydrocarbons. All opportunities are rigorously assessed and Energean will only participate in deals that i) are aligned with its strategy and ii) add value for shareholders.

### Maintaining a disciplined financial framework

We have successfully maintained a conservative balance sheet throughout the commodity down-cycle, through careful management of working capital and low levels of bank debt. We aim to preserve our balance sheet flexibility, alongside disciplined capital deployment, backed by strong cash flow from our producing assets.

As our track record demonstrates, Energean continually assesses ways to create further sustainable value and act upon value-accretive opportunities. We have strict investment criteria for new projects, typically targeting an unlevered internal rate of return of more than 15%. This approach, alongside the Group's production, development and exploration prospects, will underpin Energean's sustainable growth in the future.

### Health, safety and the environment

We see our health, safety and environmental (HSE) performance as a key aspect of the overall success of our business. We are committed to the highest standards of HSE regarding our employees, contractors, partners and the general public, and the mitigation of our environmental impact.

Our experience of operating in environmentally sensitive areas without compromising them is something we are proud of. Energean's HSE record has been an important factor in our successful bids for licences, including Karish and Tanin.

Energean is the only oil and gas producer in Greece and, together with its predecessor business, has a 38-year track record of operating offshore and onshore assets in environmentally sensitive areas. Energean's experience and conscientious approach towards the management of its assets constitute a key differentiator in the sector.

As we continue to scale up operations, we will remain focused on our key HSE performance indicators and the safety of our employees. These are key aspects of how we operate as a business and are integral to our culture and our engagement with our stakeholders.

### Post-period developments

2018 demonstrated our ability to move quickly and deliver upon our planned milestones. We are continuing this momentum into 2019, which will see a further step-up in value-accretive activity:

- ▶ Spudded the highly prospective Karish North exploration well in March, targeting 1.3 Tcf (36.7 bcm) plus 16.4 MMbbls of gross prospective resources, and made a gas discovery.
- ▶ Signed a further gas sales agreement for 0.4 bcm/yr with I.P.M. Beer Tuvia Ltd, contingent on the results of the upcoming four well drilling programme. The signing of this contract ahead of results from our 2019 drilling programme demonstrates not only the attractiveness of the Karish and Tanin fields but also the strong incremental demand for our gas.
- ▶ Delivered first production from the Epsilon satellite accumulation.
- ▶ Completed seismic acquisition and initial processing on Blocks 23 and 31, offshore Israel and Blocks 26 & 30, offshore Montenegro.
- ▶ Became a constituent of the Tel Aviv 90 (TA-90) index in January and subsequently the Tel Aviv 35 (TA-35) Index in February. The TA-90 and TA-35 consist of the 90 and 35 largest stocks, respectively, by market capitalisation on the Tel Aviv Stock Exchange.

### Outlook

Over the last 10 years, Energean has grown from being a company with a \$1 million valuation to one of \$1.5 billion today, and the Board believes that it can continue this growth in the coming years through leveraging both organic and inorganic opportunities.

Through our full-cycle operations, we are well positioned to continue creating value for our shareholders and I believe you will see 2018's momentum continued into 2019 and beyond.

2019 is set to be an exciting year for Energean, which I expect to deliver a number of catalysts for our story. In the Prinos Area we plan to deliver a further 25% year-on-year increase in production in 2019, whilst completion of the Epsilon platform development will precede a further significant step-up in production into 2020. Significant progress will be made at our Karish and Tanin development asset, and before year-end you will see drilling of all three production wells completed and the Energean Power Hull sailaway from China to Singapore for integration of the topsides. It is also a big year for exploration; the Karish North well could add significant reserves, thus generating additional gas sales agreements and high-return revenues, and we are confident that our seismic operations will generate additional prospects for future drilling that adhere to our exploration strategy to target resources that can be quickly, economically and safely monetised.

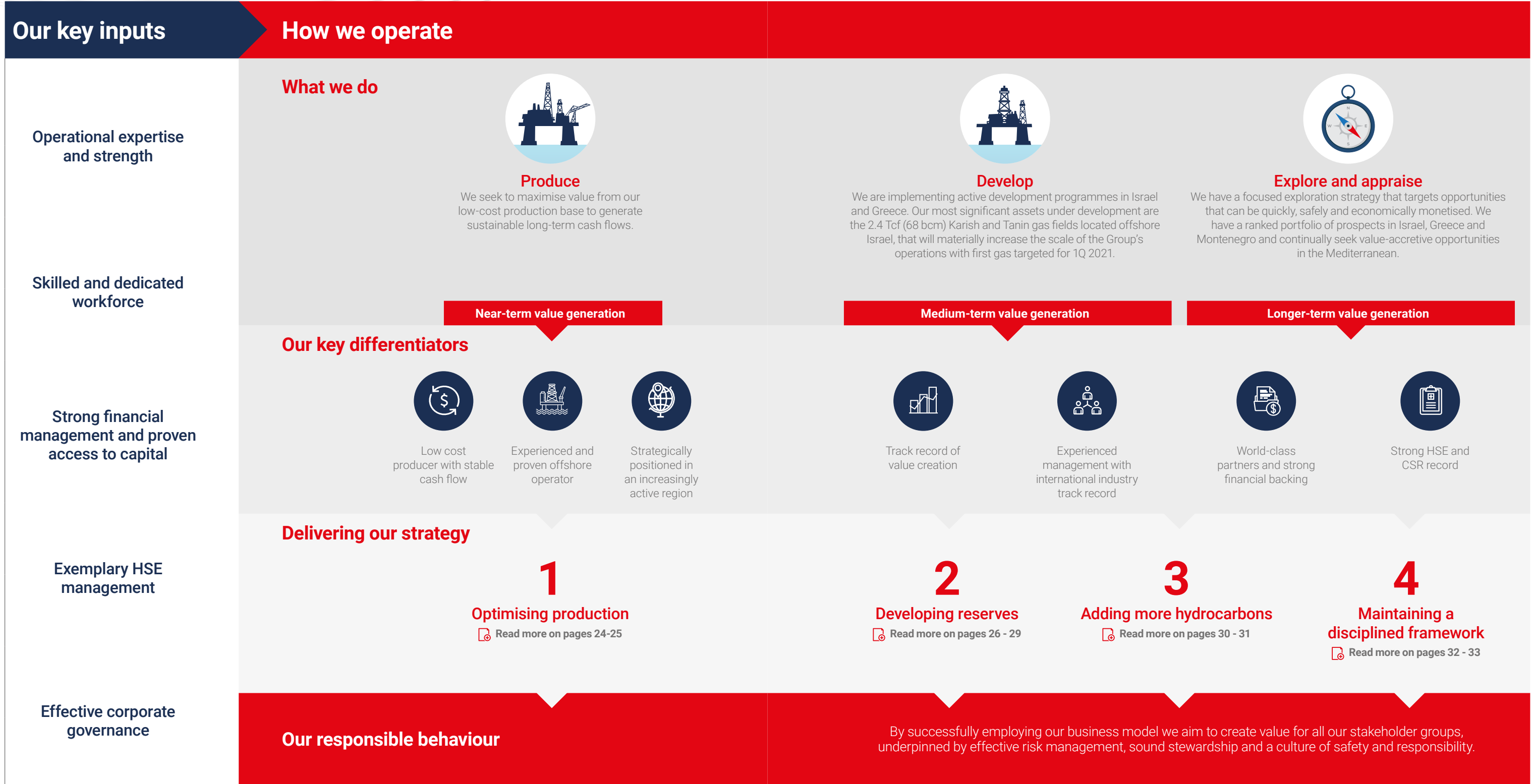


**Mathios Rigas**  
Chief Executive Officer

Our business model

# Creating value in the Mediterranean

Energiean has gone from strength to strength in 2018, from its Premium Listing on the Main Market of the London Stock Exchange at the beginning of the year, to listing on the Tel Aviv Stock Exchange later in 2018. The Group was the best performing FTSE 250 oil and gas company in 2018 and continues to deliver on its vision of becoming the leading independent E&P company in the Mediterranean.



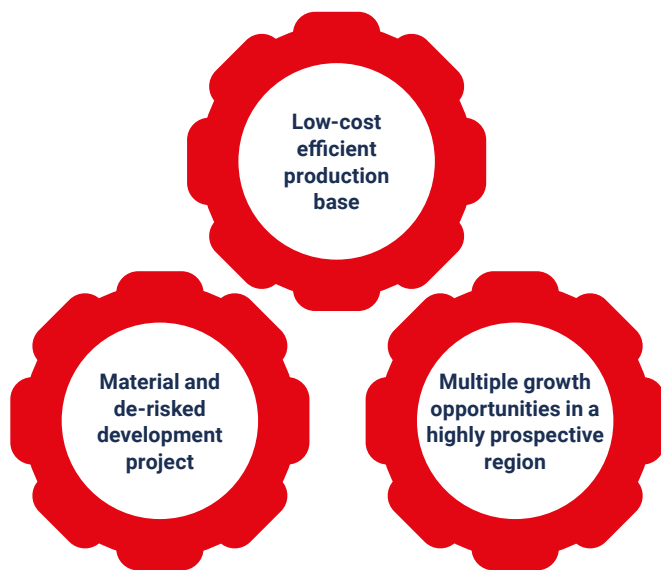


## A strong investment proposition

# Leveraging our key differentiators

Our strong investment proposition and key differentiators set us apart in a competitive industry. Energean's growth story is one underpinned by long-term contracts to supply oil and gas to growing markets and is backed by leading financial and industry partners.

Production from low cost, assets in Greece



Transformational development of \$1.6 billion project in Israel

Exploring the Eastern Mediterranean with low commitment high impact assets in Greece, Montenegro and Israel

### Low-cost producer with stable cash flow

Energean has historically been able to respond to oil price volatility through its low cost of production at its Prinos oil field. This has been achieved through increasing production, as the largely fixed element of its costs remains the same. In 2018, Energean saw its average cost of oil production at US\$17.6/bbl, down from US\$24.7/bbl in 2017. With high netbacks and favourable fiscal terms, the Group aims to continue this downward trajectory in costs as it increases its Greek production base, and believes that costs should dip below \$10/bbl once production exceeds 10,000 bopd.

Energean's continued aim is to maximise value by optimising production, reserves and cash flow from our existing low-cost production base, while pursuing sustainable growth and returns through active development and exploration programmes in the Mediterranean.

### Experienced and proven offshore operator

A core competency of Energean is its capability as an operator, giving the Group the flexibility to progress projects using the significant operational and technical knowledge within the team. Energean is an approved operator in Israel, Greece, Egypt and Montenegro.

Energean's dedicated teams of geologists, geophysicists and production and reservoir engineers draw from extensive experience from around the globe and specifically within the Mediterranean. As well as growing production at Prinos, Energean's experienced team has taken the Group's development project in Israel to the next level of development and has de-risked it further in the process.

### Strategically positioned in an increasingly active region

Our focus on the Mediterranean region leverages our relationships with key stakeholders and regional knowledge and expertise, ensuring that we can optimise our strengths of capital discipline, risk mitigation, effective project delivery and, ultimately, deliver operational excellence.

The region itself has seen significant activity in recent years, having experienced several world class natural gas discoveries which have attracted the global oil and gas industry. Energean's existing position in the region equips it with early mover advantage, and its position as an independent E&P with existing local offices, means that it is well positioned to move swiftly on opportunities in the regions. We are focused on expanding our position in the region both organically and inorganically.

### Track record of value creation

Energean has a strong track record of value creation, having built its initial portfolio at low cost, during downturns when others were focused on fixing balance sheets and unable to direct attention to growth opportunities. During 2018, Energean increased its 2P reserve base by more than six times, owing primarily to FID on the Karish and Tanin project. This was made possible only due to the technical, operational and financial capabilities of the Company and the strong relationships that Energean has with its customers, lending banks and shareholders.

FID on the Karish and Tanin development represented a significant step in creating value from these assets, which were, at the time of purchase, stranded gas discoveries with no gas contracts or financing in place. Energean has contracted TechnipFMC under a turnkey, lump sum EPCIC contract to provide the full suite of FPSO and SURF services during the construction phase and believes that this contracting structure is a key contributor to risk mitigation and that, by minimising contractor interfaces, project management will be simplified. Stena and Halliburton have been selected to provide drilling services, and Wood Group will provide operations and maintenance services once production has commenced. Energean believes that its partnerships with these world-renowned oil and gas service providers will minimise operational and development risk and help generate maximum value from these assets. Furthermore, by the end of 2018, Group has secured US\$13 billion of future revenues by signing 13 contracts for domestic gas supply, firmly underpinning the project economics. Further volumes are expected to be contracted in the coming year and Energean has a medium-term target of filling the spare capacity in the Group's 8 bcm/yr FPSO, which we believe will generate strong incremental economics for our shareholders.

In August 2018, an updated independent Competent Persons Report from Netherland Sewell & Associates ('NSAI') for Energean's Israeli portfolio included the certification of 2.2 Tcf (63 bcm) and 31.8 MMbbls of gross 2P reserves, 0.2 Tcf (5 bcm) of gross 2C resources and 7.5 Tcf (212 bcm) and 101 MMbbls of gross prospective resources. This is the first assessment of prospective resources in the Karish and Tanin leases and the new Blocks (12, 21, 22, 23 and 31) that were awarded as part of the 2017 offshore licensing round.

In Greece, Energean delivered full year 2018 production of 4,053 bopd, which represented 45% growth on the previous year (2017: 2,803 bopd). Fourth quarter production was 4,573 bopd and represented the sixth successive quarter of production growth from the Prinos Area. Despite this production growth, 2018 unit cost of production was down 29% on the previous year (2017: \$17.6/bbl). The combined trajectories of increasing production and decreasing costs are fundamental to our strategy of maximising value from the Prinos Area licences, and we expect to continue this performance into 2019 as investment in, and management of, Prinos and Epsilon continues.

### Experienced management with international industry track record

Energean's management team and operational and technical staff are drawn from international and national oil companies, major and smaller independents and engineering contractors. Management are also well aligned with shareholders through substantial shareholdings in the business.

During 2018, the Group has added further to its wealth of experience with the appointment of Iman Hill as Group Chief Operating Officer (COO). Iman brings significant experience in the MENA region, having worked for Dana Gas, BG, Shell and BP.

### World-class partners and strong financial backing

The Group has always seen collaboration as key to its success. Whether this be with industry-leading technical support, or with banks and credit institutions, our collaboration with our partners has enabled us to become the leading independent E&P company in the Mediterranean.

### Strong HSE and CSR record

Energean's objective is to generate sustainable value through both growth and optimisation of existing assets. We are committed to conducting our business responsibly, which means safeguarding the health and safety of our employees, caring for our environment, supporting the local communities in which we operate: not only meeting their expectations and needs, but also contributing to the sustainable development of those communities. At its operated production licences in North Eastern Greece, the Group has a 38-year track record of safe operations in environmentally sensitive locations.

# Maximising opportunities in a highly prospective region

## The Eastern Mediterranean

2018 was a decisive year in the Eastern Mediterranean in confirming the region's potential as a gas hub, underpinning Energean's view that its 'early mover' status in the region is a strategic advantage.

The region represents a large captive market in which governments are seeking to transition to cleaner sources of energy and are keen to expand sovereign resources. Growing demand from Western Europe for alternative sources of gas has raised the prospect of strategic pipelines being put in place that will considerably increase the economic importance of Eastern Mediterranean assets.

## Our opportunity

Energean is well positioned to target and compete for opportunities in this region. In addition to our strong track record of value creation from assets in the Prinos Basin, we have secured world class industry partners (such as BP, Repsol and TechnipFMC) and strong financial backing from our lending banks.

The Energean Power is currently the only planned FPSO for the Eastern Mediterranean and we believe it could become a strategic piece of infrastructure in this emerging hub. We are building our FPSO with 8 bcm/yr of capacity and 1 million barrels of liquids storage capacity and are seeking to fill the 3.4 bcm/yr of spare capacity with new discoveries in the medium term.

Our expanding presence in the Eastern Mediterranean will strengthen our ability to create new opportunities.

## Regional overview and recent activity

### Israel

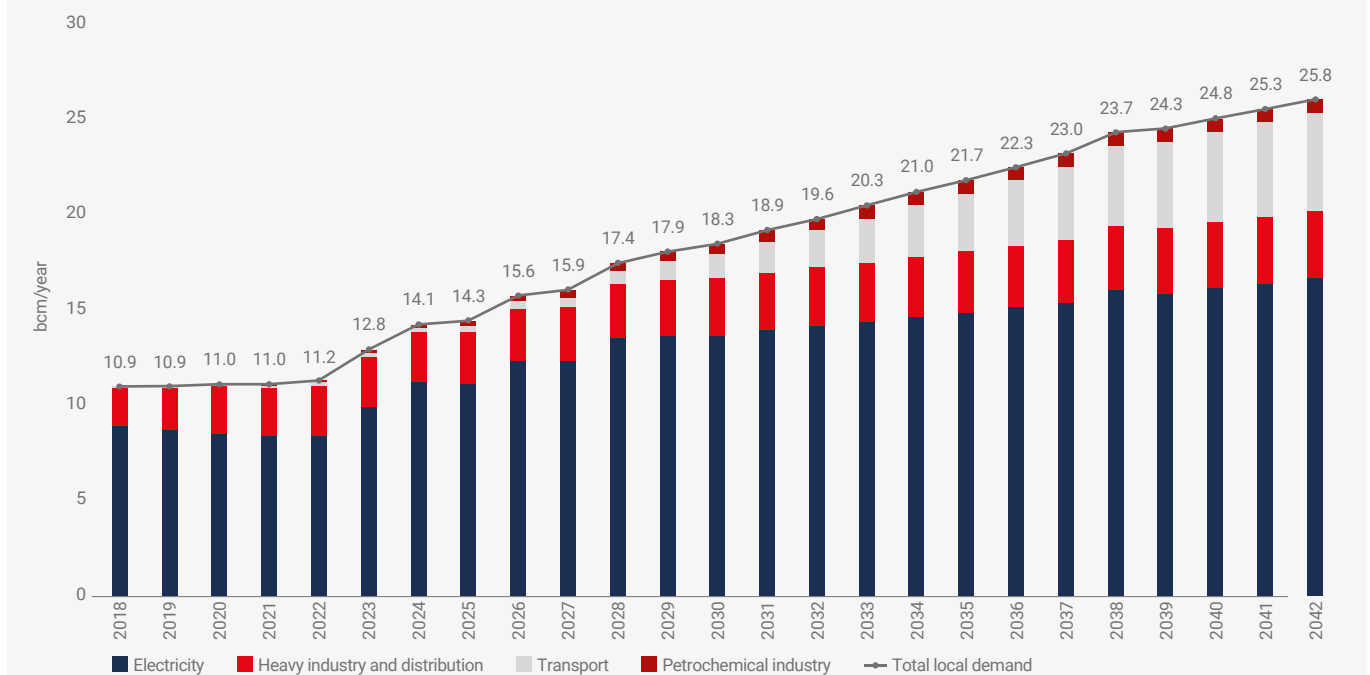
Alongside Energean's Karish and Tanin project, the development of Noble's Leviathan is on track for first gas at the end of 2019. Leviathan holds estimated recoverable reserves of 605 bcm (21.4 Tcf) of gas and will supply both the Israeli domestic market and the regional export markets of Egypt and Jordan. As part of its export strategy, Noble and its partners acquired a stake in the East Mediterranean Gas (EMG) pipeline through which they intend to export 64 bcm of gas to Egypt over 10 years, both for local consumption and for re-export.

In November 2018, the Israeli Ministry of Energy announced a second offshore licensing round. Nineteen blocks in five zones are open for bidding and all are located in the southern part of the Israel Exclusive Economic Zone (EEZ). Bids are due in June 2019 with allocation decisions expected in July 2019.

Over the last decade, Israeli natural gas demand has been among the fastest growing globally. Future demand is forecast to increase substantially, primarily driven by the electricity sector to serve population growth, rising living standards, increased water desalination, electrification of the railway system, and the adoption of electric vehicles and compressed natural gas (CNG) for transportation. Israel consumed 10.9 bcm of gas in 2018. The Israeli Ministry of Energy anticipates that demand will increase to 11.0 bcm in 2020 and to 18.3 bcm by 2030, of which almost 95% will be for electricity generation and industrial use.

In October 2018, the Ministry of Energy published a policy to reduce emissions in energy production with a view to reducing the use of polluting fuel products by 2030. According to the policy, the goal is a fuel mix of 80% natural gas and 20% or more from renewable energy sources in the electricity production sector, by 2030, and the gradual closure of coal-fired power stations.

## Meeting growing Israeli gas demand



### Egypt

Natural gas dynamics in Egypt are undergoing a period of substantial change owing to recent large domestic discoveries, in particular ENI's Zohr.

Early 2018 saw the ramp-up of the 30 Tcf Zohr field to 2 Bcf/d in the third quarter following first gas in December 2017, with a target of reaching a plateau of 2.7 Bcf/d during 2019.

The Zohr project is playing a fundamental role in the gas independence of Egypt and the Petroleum Ministry expects production to reach 8 Bcf/d in 2019 - 2020. Egypt has now received its final LNG shipment in September and is widely expected to become an LNG exporter. Supporting this latter view is the signing of agreements that could see the import of gas from neighbouring countries, including Israel, specifically to feed the LNG plants for re-export.

Towards the end of 2018, ENI commenced drilling the Nour-1 well in its Nour concession, which has been widely speculated to contain very large prospects. A success at Nour could further boost Egypt's gas renaissance and further spur infrastructure developments in the region.

### Cyprus

ENI announced the 6 - 8 Tcf Calypso discovery in February 2018, expecting appraisal drilling in 2019 to confirm the potential of the play, and adding to the country's offshore gas resource base, which also includes the 4 - 6 Tcf Aphrodite discovery. Exxon commenced its two-well drilling programme towards the end of the year, announcing the Glafkos-1 discovery in late February. The Cypriot government tendered Block 7 to a select group of bidders in October, and has entered into negotiations with a Total/ENI joint venture to sign a final contract for Block 7.

Until Cyprus can produce its own gas, the authorities are planning to import LNG and have launched the tender for a Floating Storage Regasification Unit (FSRU). A second tender to supply LNG is expected in 2019. The proximity of Cyprus to the Energean Power FPSO provides an opportunity for Energean to export gas to Cyprus and we have already made a proposal to the Cypriot Government in this regard.



## Market overview continued

### Lebanon

During 2018, Lebanon signed its first offshore E&P agreements and is preparing for a second licensing round in 2019. Two Exploration and Production agreements were signed with a Total-led consortium for Blocks 4 and 9, and drilling in Block 4 is expected during 2019. Lebanon is also completing plans to import LNG, having launched a tendering process for up to three FSRUs in May 2018, although a final decision may need to wait until a government is formed.

### Greece

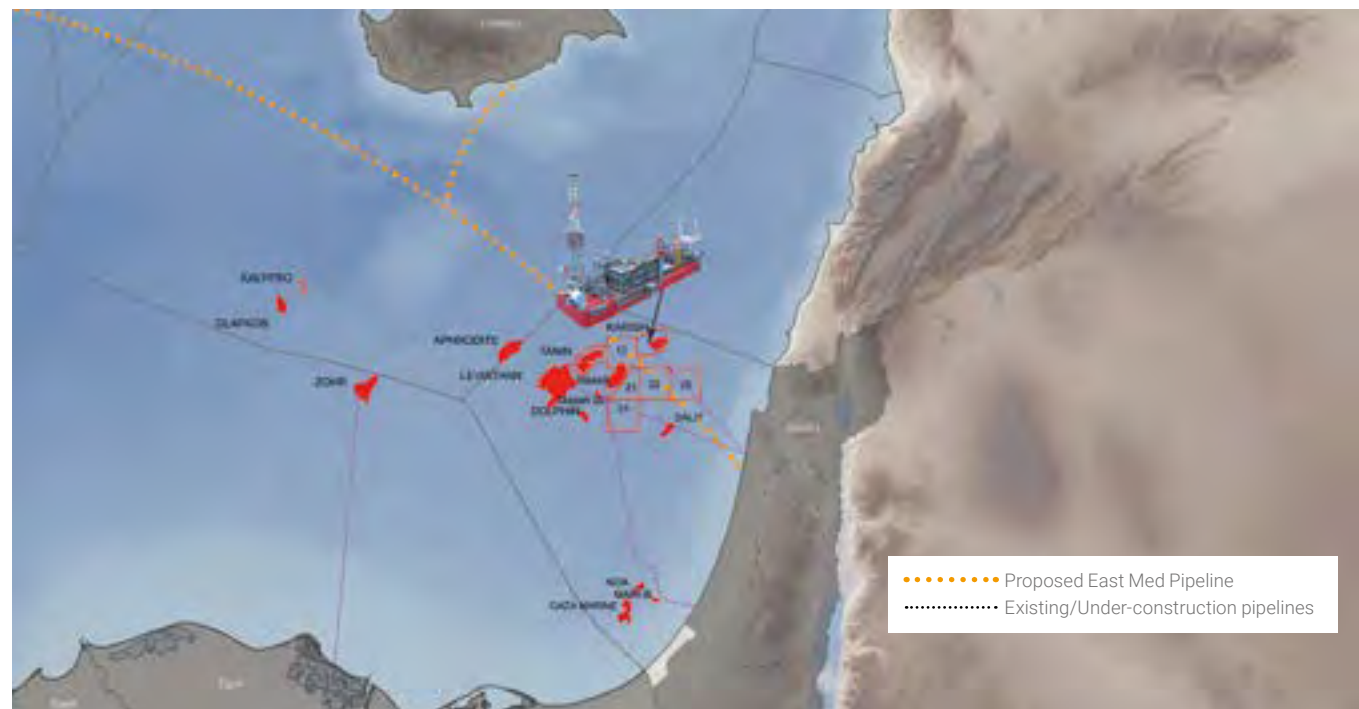
Energean is currently the only company in Greece operating producing oil and gas assets. In July 2018, a consortium of ExxonMobil, Total and Hellenic Petroleum was awarded a contract to explore for hydrocarbons in the ultra-deep water West of Crete and South West of Crete blocks, although drilling is not expected until the second exploration phase, most likely in five to six years. Repsol and Hellenic Petroleum were awarded an interest in a third block in the Ionian Sea to the west, which is thought to have similar characteristics to those off Crete.

A floating gas storage and regasification unit offshore Alexandroupolis is expected to begin operations in the coming years, creating a fourth import route to Greece. DESFA, Greece's natural gas transmission system operator, launched a new tank at the LNG terminal on Revithoussa Island, increasing its total storage capacity by 73% to 225,000 cubic metres.

Energean is also expecting a tender to be issued for the conversion of its South Kavala field to the first Underground Gas Storage (UGS) project in Greece.

### Montenegro

The Eastern Adriatic remains underexplored, despite having what appear to be all the necessary hydrocarbon-generating components. Large prospects have been identified offshore Montenegro. These are on a par with recent oil discoveries in northern Albania, such as the onshore Shpirag-2 discovery. To date, over five billion barrels of oil in place have been discovered within this prolific carbonate play. Energean owns two licences to the immediate north of four licences owned and operated by ENI (a joint venture with Novatek) which completed a 3D seismic survey in late 2018, and is expected to drill two wells during 2019 and 2020.



## Future pipeline developments

Energean is supportive of all infrastructure developments in the Mediterranean. We believe that infrastructure is paramount to the Mediterranean achieving status of a global gas hub, in which we aim to be the leading independent E&P player.

### East Med Pipeline, an export route to Europe

A 1,700km pipeline connecting the Eastern Mediterranean's Levantine Basin (Israel) with the European gas network, via Greece, Cyprus and Italy, could be completed around 2025. Known as the East Med Pipeline, this development has been classified as a European Project of Common Interest. An MoU has already been signed between Israel, Greece, Italy and Cyprus to support the expected US\$6 - 7 billion pipeline construction.

### Two further pipelines that could traverse Greece

There are currently two further major pipeline projects which could traverse Greece. The Trans-Anatolian pipeline is planned to run from the Turkish border with Georgia, to the Greek border at Edirne. Here, the pipeline will connect to the Trans-Adriatic pipeline, which is under construction and runs from Greece to Albania in the west.

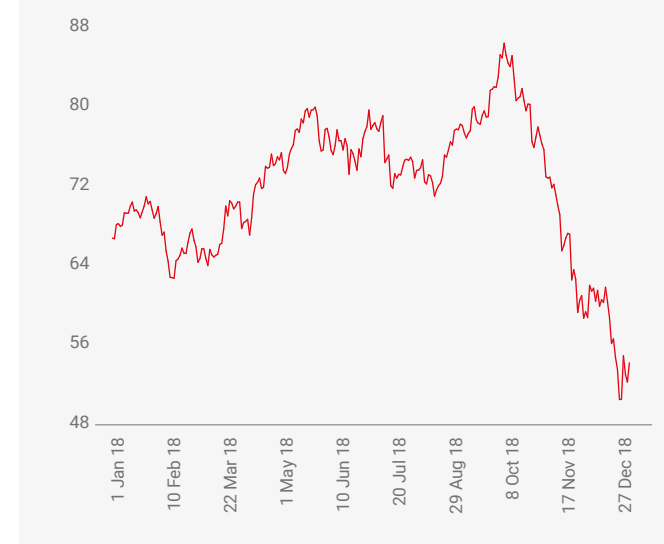
### Cyprus – Egypt pipeline

Cyprus has signed an agreement with Egypt that will eventually allow natural gas found in the Aphrodite field (estimated at 4 - 6 Tcf) to be exported to Egypt, most likely for re-export as LNG to Europe.

## Oil price outlook

Oil prices continued to steadily recover throughout most of 2018, reaching a peak of \$86 in October. However, prices weakened thereafter, reaching a transient minimum of \$50 in December. Energean's conservative financial management and its focus on operating costs ensure it is well placed to withstand the high level of variability currently being experienced in the commodity markets and give the Group confidence that it can prosper under a range of oil prices.

Brent Oil Prices 2018 (US\$)



## Our strategy in action

# Optimising production through disciplined capital allocation to increase production and reduce per unit costs

Energiean is focused on a clear strategy to deliver value by optimising production, efficiently developing and effectively exploring existing and new assets in the Mediterranean region. By maximising the potential of our assets and building momentum in this increasingly active region, we aim to deliver real and sustainable value.

### Maximising our low-cost production base

A key strategic priority is to increase Prinos Basin production and cash flow. Our existing development plan targets the monetisation of 2P reserves of 38 MMbbls of oil and 5.2 Bcf of gas, as well as 2C resources of 32.5 MMbbls of oil and 8.3 Bcf of gas, as of 31 December 2018.

We estimate average production rates to increase to

## 5,000 - 5,500

bopd in 2019

Over the next 12 months we will complete the construction of an unmanned platform to exploit the Epsilon Field, adjacent to Prinos, alongside continued activity in the Prinos Area. We estimate average production rates to increase to 5,000 - 5,500 bopd in 2019 as the drilling programme is continued, workovers are completed on the existing well stock and additional wells are brought into production.

### Our focus in Greece for the next 12 months

- ▶ Continue drilling in the Prinos Area
- ▶ Increase production to between 5,000 and 5,500 bopd (2019 average)
- ▶ Reduce per-barrel operating costs to \$14 - 17
- ▶ Deliver first production from the three-well Epsilon platform development





## Our strategy in action

Developing reserves through strict risk mitigation and capital allocation to deliver sustainable cash flows



The development of the 2.4 Tcf Karish and Tanin gas project, offshore Israel, will ultimately transform the Group's business and position us as a significant player within the Mediterranean.

Delivering commercial production from Karish and Tanin will ultimately transform our business. With an estimated 2.4 Tcf (68 bcm) of natural gas and 31.8 MMbbls of liquids 2P reserves plus 2C resources, and 7.5 Tcf (212 bcm) of natural gas and 101.8 MMbbls of liquids (prospective resources), our acreage is highly strategic for the development of the Israeli energy market and will help to meet increasing Israeli demand, increase market competition and improve security of supply.

The Karish and Tanin development will position Energean as a significant player within the region. Final Investment Decision was taken in the first quarter of 2018, the key milestone of First Steel Cut on the Energean Power FPSO hull was achieved in November 2018, and on the topsides in December 2018. We are on track to deliver first gas into the Israeli domestic market in the first quarter of 2021.

### Working in partnership with world-class contractors

- ▶ **TechnipFMC**  
EPCIC contract for FPSO, onshore and subsea workstreams
- ▶ **Wood Group**  
Operations and maintenance manpower and specialist engineering services
- ▶ **Stena Drilling**  
Contracted for four firm and six optional wells
- ▶ **Halliburton**  
Drilling services

### A transformational project in Israel

World-class asset

**2.4** Tcf

2P reserves and 2C resources

Gas sales

**4.6** bcm

per year gas contracts in place

World-class exploration potential

**7.5** Tcf

Unrisked prospective resources

Substantially de-risked project

**FID**

Achieved March 2018

### Our focus for the next 12 months

- ▶ Continue our active drilling programme
- ▶ Commence keel laying on the FPSO in 2Q 2019
- ▶ Complete the Beach Crossing at Dor in 3Q 2019
- ▶ Energean Power Hull to sail away from the COSCO yard in China to Singapore for topside integration in December 2019



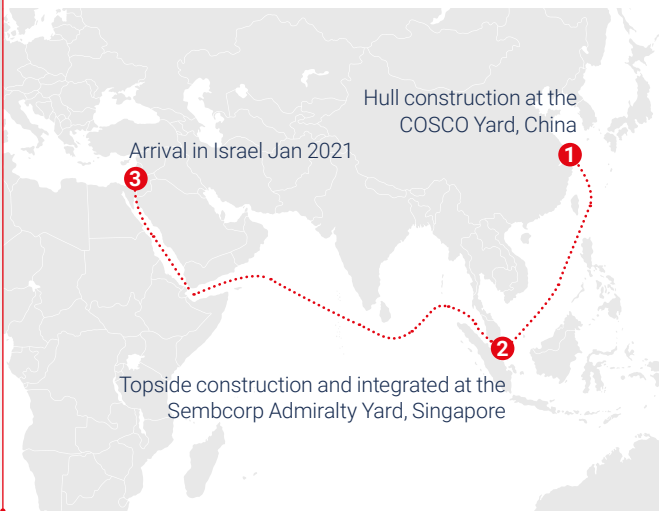
# Developing reserves continued

## Key milestones to Karish and Tanin first gas

2018

**March 2018**  
FID taken following financing secured

**4Q 2018**  
Energean Power FPSO First Steel Cut



2019

**1Q 2019**  
– Commenced sales gas pipeline beach crossing at Dor  
– Mobilised Stena DrillMAX rig and commenced the four well drilling programme

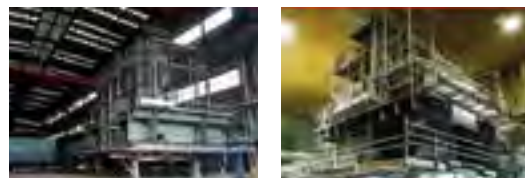
**2Q 2019**  
– Commence keel laying on the FPSO

**3Q 2019**  
– Complete beach crossing at Dor

**4Q 2019**  
– Complete evaluation of shallow and deep potential in Karish Main field through the three Karish Main development wells  
– FPSO Hull sails from China to Singapore for integration of the topsides



Sembcorp Marine Admiralty Yard, Singapore



COSCO Yards, Zhoushan, China

2020

**1Q 2020**  
– Karish Main development wells cleaned up and suspended

**2Q 2020**  
– Installation of production manifold and other sub-surface structures

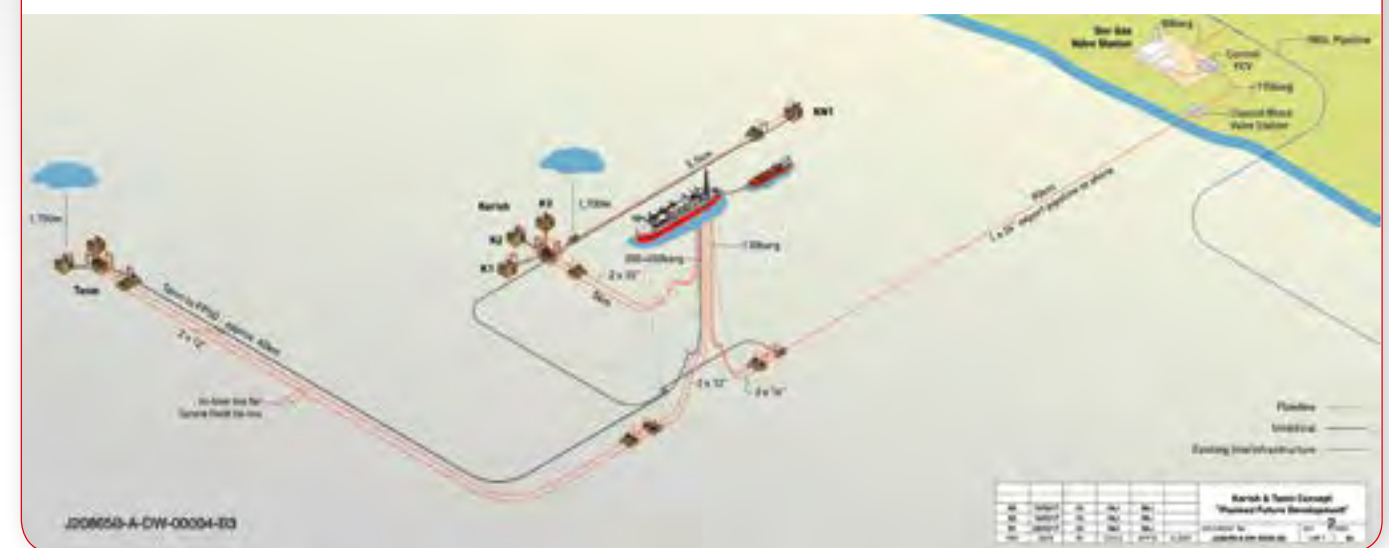
**4Q 2020**  
– Sailaway of the Energean Power from Singapore to Israel

2021

**1Q 2021**  
– First gas production



### Subsea Installation Campaign – 1H 2020 on track





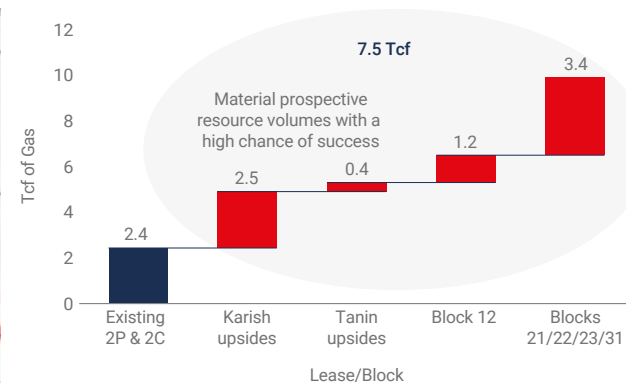
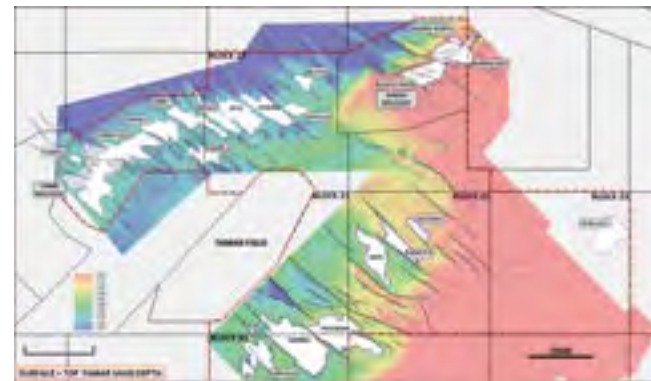
## Our strategy in action

# Adding hydrocarbons by capitalising on growth opportunities in the Mediterranean

Energean is well positioned, as an independent operator in an increasingly active region, to advance existing and future developments and exploration prospects



### Subsea Installation Campaign - 1H 2020 on track



## Upside potential

Energean has a broad portfolio of organic exploration and development opportunities that it believes will result in further value creation for shareholders. Our existing opportunities include:



### In Israel

- ▶ 7.5 Tcf (212 bcm) and 101 MMbbls of prospective resources across our five exploration blocks and Karish and Tanin leases offshore Israel. We are building the Energean Power FPSO with 8 bcm/yr of capacity, ensuring that new discoveries in the area can be quickly and economically monetised.
- ▶ In early 2019, Energean acquired 3D seismic over the previously uncovered areas of licences 31 and 23, as required as part of the first exploration licensing round. The objectives of the seismic survey were:
  - In licence 31, primarily to delineate the South-West extent of the Orpheus prospect (NSAI 2018: Orpheus 348 Bcf plus 1.7 MMbbls of gross unrisks prospective resources) and secondly to investigate further prospectively South-West of the Orpheus prospect.
  - In licence 23, primarily to delineate the Hercules prospect (NSAI 2018: 887 Bcf plus 4.4 MMbbls of gross prospective resources) and secondly to investigate deeper prospectivity. The Mesozoic Hercules lead is the most likely prospect across Energean's acreage to be charged with oil.
- ▶ Energean has a further six options available on its drilling contract with Stena.



### In Greece

- ▶ Further Prinos Basin development and exploration opportunities.
- ▶ Underground natural gas storage (UGS) through exploitation of the almost depleted underwater natural gas field of South Kavala.
- ▶ In Western Greece, Energean and operator, Repsol, commenced a seismic acquisition programme in the Ioannina Block in November 2018 and expect to complete the acquisition and processing of 400km<sup>2</sup> of data in 2019. In the Aitolokarmania Block, Repsol and Energean expect to complete the first stage of their seismic acquisition programme during 2019. Energean is substantially carried through both seismic programmes by Repsol.



### In Montenegro

- ▶ In early 2019, Energean shot 3D seismic over its 100% owned licences 26 and 30, as required as part of the exploration licensing bid round. The new seismic dataset will be processed, together with the legacy seismic dataset, with full results available towards the end of the year.
- ▶ Licences 26 and 30 were acquired in March 2017, when Energean signed an exploration concession contract. Preliminary estimates, made before the recently acquired seismic data was available, placed unrisks prospective resources at 1.8 Tcf (51 bcm) of natural gas and 143.9 MMbbls of liquids.

## Our focus for the next 12 months

- ▶ Complete the drilling of the Karish North well
- ▶ Assess additional resource potential in Karish Main through the three development wells
- ▶ Assess all opportunities for the remaining six options on the Stena drilling contract
- ▶ Continue to assess and quantify resource upside in the Epsilon Deep Horizon and Dolomitic Zone that was identified as part of EL-1 drilling
- ▶ Finalise plans for Prinos EOR (tertiary) development
- ▶ Complete interpretation of the 3D seismic surveys in Israel and Montenegro, with a decision on whether to 'drill or drop' in Montenegro to be made in 2020
- ▶ Complete 2D seismic acquisition and interpretation in Western Greece (Repsol operator)
- ▶ Secure operatorship of additional development and production projects

## Our strategy in action

# Maintaining a disciplined financial framework

Our core value drivers of optimising production, developing reserves and adding hydrocarbons are managed within a steadfast and disciplined financial framework. This enables us to ensure that returns to shareholders are optimised.

### Leveraging financial flexibility

We have successfully built a conservative balance sheet by careful working capital management and maintaining low levels of bank debt throughout the commodity down-cycle and periods of subdued oil prices.

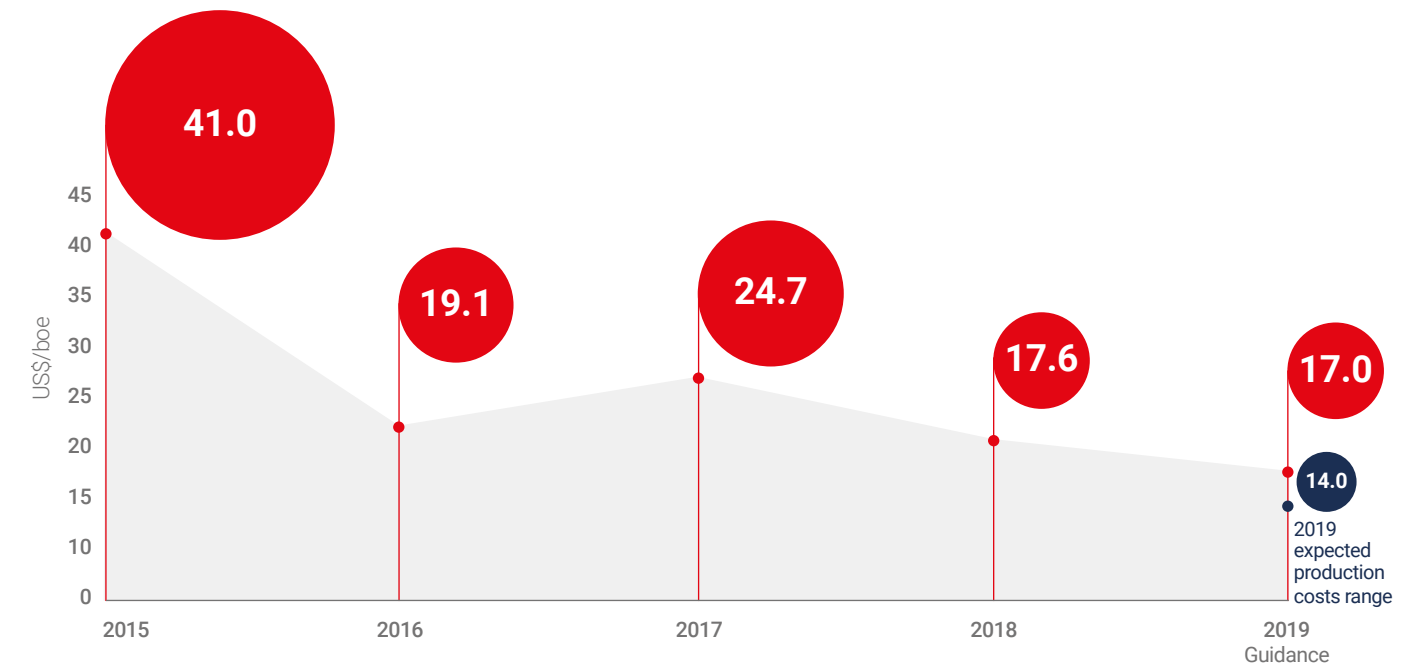
A key strategic priority is to maintain balance sheet flexibility going forward, with leverage minimised at the corporate level.

We will seek to maintain strict investment criteria for new projects, typically targeting an unlevered internal rate of return of more than 15%. We are confident that this approach, alongside our production, development and exploration opportunities, will underpin our sustainable growth in the future.

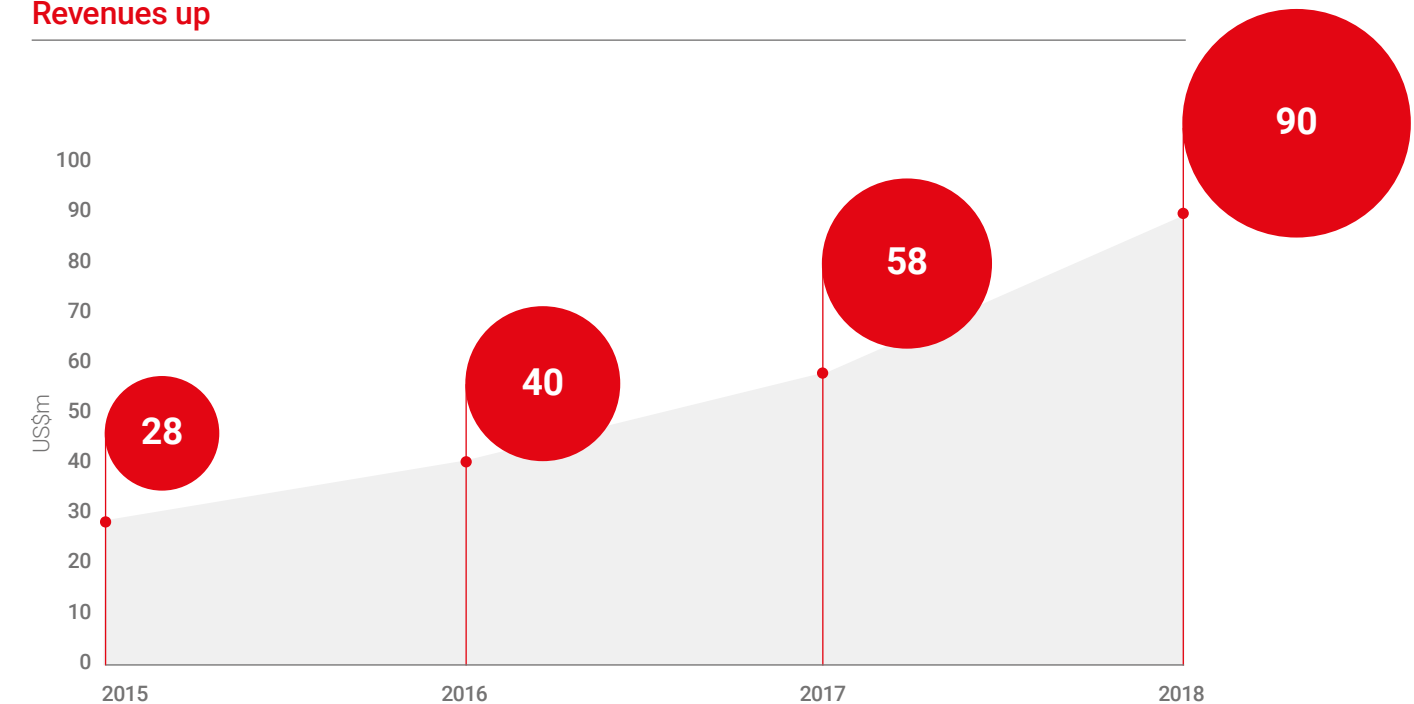
### Our focus for the next 12 months

- ▶ Delivering Karish and Epsilon development programmes on time and in line with capital expenditure budget
- ▶ Optimise the use of capital by ensuring the highest possible returns
- ▶ Maintain liquidity to enable the Company to capture exploration or business development opportunities as they may arise
- ▶ Grow production to maximise cash from operating activities

### Unit cost of production down



### Revenues up





## Our key performance indicators

## How we measure our success

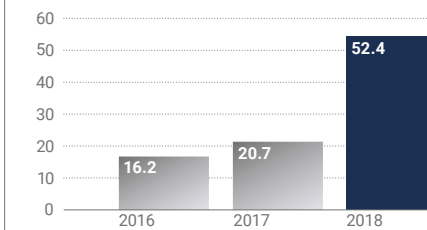
We measure our performance over a range of financial, operational and non-financial metrics to ensure we are managing our long-term success in a sustainable way and in line with our strategic objectives.

## Financial

Adjusted EBITDAX\*  
(US\$ million)

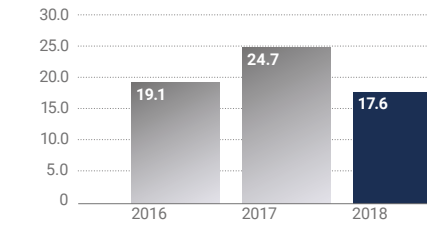
52.4

2017: 20.7

Cost of oil production per boe  
(US\$)

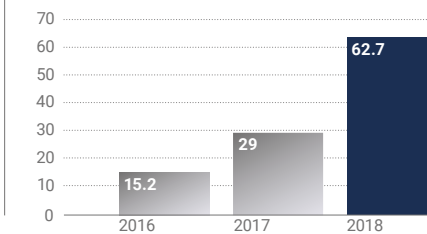
17.6

2017: 24.7

Cash flow from operating activities  
(US\$ million)

62.7

2017: 29

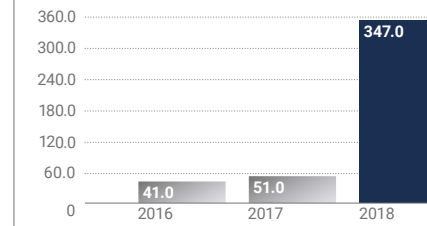


## Operational

2P reserves  
(MMboe)

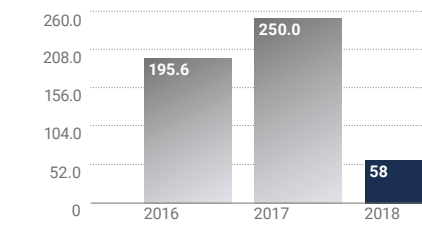
347.0

2017: 51.0

2C resources  
(MMboe)

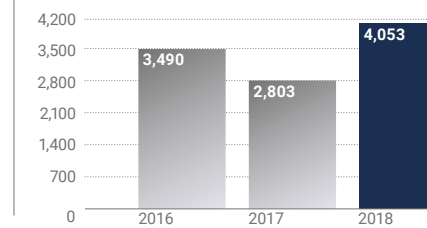
58

2017: 250.0

Average production per day  
(bopd)

4,053

2017: 2,803

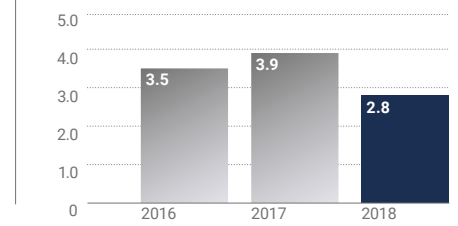


## HSE

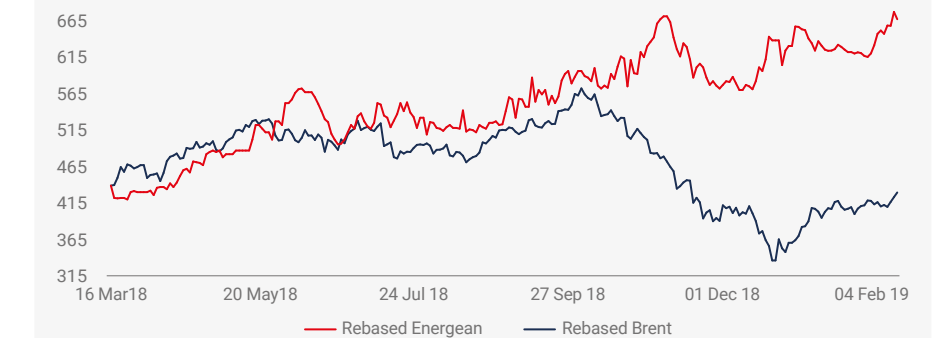
Lost time injury frequency rate  
(Average number per million hours worked)

2.8

2017: 3.9



## Total Shareholder Return (US\$)



\* Earnings Before Interest, Taxes, Depreciation, Amortization and Exploration Expenses

# Building a balanced portfolio

2018 was a significant year in Energean's development. Our focus was on progressing Karish and Tanin through FID and optimising cash flows in our Prinos Licence Area.

## Operational achievements in 2018

### Corporate

- ▶ Increased net 2P reserves to 347 MMboe from 51 MMboe at the point of Listing
- ▶ Raised \$460 million through Premium London Stock Exchange IPO
- ▶ Arranged \$1,275 million of project financing for Karish and Tanin
- ▶ Started trading on the Tel Aviv Stock Exchange (TASE) through a secondary listing. Post-period end, our shares have entered the Tel Aviv 35 Index, which is composed of the 35 largest companies listed on the TASE by market capitalisation
- ▶ No environmental incidents occurred in 2018; all environmental KPIs within expected range.

### Israel

- ▶ Took Final Investment Decision for the flagship Karish and Tanin project
- ▶ Signed a lump-sum EPCIC with TechnipFMC, mitigating many of the risks that shareholders would usually be exposed to in a company executing a large-scale E&P project
- ▶ Signed Gas Sales and Purchase Agreements for 4.6 bcm/yr, securing \$13 billion of future revenues and underpinning the economics of our gas project
- ▶ Achieved first steel cut on the Energean Power hull (November 2018) and topsides (December 2018), a key milestone in demonstrating that the project is on track to deliver first gas in 1Q 2021
- ▶ Energean Israel signed an MoU with INGL for the transfer and operatorship of the onshore section of the Karish and Tanin infrastructure and the near-shore section of pipeline extending to approximately 10km offshore, which will result in approximately \$98 million of cash inflow between now and first gas
- ▶ Identified 7.5 Tcf (212 bcm) of gross prospective resources over the Karish and Tanin leases and the five new blocks awarded in December 2017, with a high geological probability of success
- ▶ Committed to the Karish North exploration well, which commenced March 2019, targeting 1.3 Tcf (36.7 bcm) and 16.4 MMbbls of gross recoverable prospective resource (Energean 70%). Karish North commenced drilling in March 2019.

### Greece

- ▶ Delivered production of 4,053 bopd from the Prinos Area, resulting in a 56% year-on-year increase in revenues
- ▶ Grew production from the Prinos Area for a sixth consecutive quarter
- ▶ Reduced production costs to \$18/bbl, a 29% year-on-year reduction, and estimated a further reduction to between \$14 and \$17/bbl in 2019
- ▶ Achieved production of more than 1,000 bopd from the Prinos North Extended Reach Well
- ▶ Successfully drilled the Epsilon Extended Reach Well which came into production post-period end
- ▶ Completed drilling of the first vertical well into the Epsilon reservoir, which indicated reserve upside in the Epsilon Main and Deep reservoirs.

## Karish and Tanin

In Israel, we made major advances in the development of the Karish and Tanin gas fields, acquired from Delek Energy and Avner in 2016.

To fast-track the development of Karish to produce first gas in 2021, Energean contracted TechnipFMC to design, procure, construct, install and commission all facilities from the wellhead to the entry point of the Israeli gas grid. This approach minimises interfaces and hence execution risk for the Group and its shareholders.

In parallel with preparing the FDP, approved by the Israeli authorities in August 2017, and ahead of FID, we secured gas supply contracts for around 4.2 bcm per year for 16 years with Israeli gas buyers. This secured \$12 billion of revenues and firmly underpinned the project's economics.

In January 2018, Energean announced it had selected Stena Drilling as its preferred drilling contractor, following a competitive tendering process. The Stena DrillMAX was later selected as the rig to be deployed. One exploration well and three development wells will be drilled at Karish in 2019, and commenced in March with the spud of Karish North. Drilling services will be provided by Halliburton and well engineering by Lloyds Register.

In March 2018, we raised \$1.275 billion of project financing and \$460 million of equity through our London IPO, securing the financing for the Karish development.

In April 2018, Energean awarded a two-year contract to Wood, involving the preparation of systems and procedures to ensure safety and efficiency in all aspects of the pre-operation period. A second contract was subsequently awarded in the second half of the year to provide operations and maintenance manpower and specialist engineering services for a period of five years.

In November 2018, first steel was cut on the Energean Power FPSO at the COSCO Yard in China, and in December 2018 first steel was cut on the topsides at the Sembcorp Admiralty Yard in Singapore. Both of these events signified key milestones towards the delivery of first gas from the project in 1Q 2021.

In December 2018, Energean Israel signed a Memorandum of Understanding (MoU) with Israel Natural Gas Line (INGL) that will result in approximately \$98 million of cash inflow for Energean Israel between now and first gas. This cash inflow was not accounted for in our initial project economics and demonstrates Energean's intention to create value for shareholders at every opportunity. The MoU covers the onshore section of the Karish and Tanin infrastructure and the near-shore section of pipeline extending to approximately 10km offshore. It is intended that the handover to INGL will become effective shortly after the delivery of first gas from the Karish field in 1Q 2021.

Following handover, INGL will be responsible for the operation and maintenance of this part of the infrastructure and Energean will not incur any charges or tariffs for use of the infrastructure. Energean's collaboration with INGL demonstrates the Israeli government's support and commitment to the Karish and Tanin project.

Also in December 2018, Energean signed a further gas sales agreement with I.P.M. Beer Tuvia Ltd. (IPM) to supply an estimated 5.5 bcm of gas from its Karish and Tanin FPSO over a period of 19 years. The contract is subject to necessary approvals and is contingent on the results of the 2019 drilling programme.

In addition to the above, we have been gradually extending our team in Israel and recruiting local staff to deliver the in-country scope and to manage all local interfaces and stakeholders.

## Gas as a key transition fuel

With Israeli natural gas demand growing and the IEC focused on reducing coal generation post 2017, Energean is committed to gas as a key transition fuel.

Energean's \$1.6 billion investment in the gas industry allows Israel to shut down its first four coal-fired power plants in Hadera and by 2021 it is estimated that more than 80% of Energean's production will come from gas.



## Review of operations continued

### Prinos operations

Energiean delivered 2018 full year production of 4,053 bopd. Fourth quarter production averaged 4,573 bopd, representing the sixth successive quarter of production growth from the Prinos Area, a great result that demonstrates the effectiveness of our ongoing investment programme. Ownership of the infrastructure and facilities in the Prinos Area provides a relatively fixed cost base and therefore high operational leverage, which allowed us to deliver a 29% reduction in unit cost of production in 2018, from \$24.7/bbl to \$17.6/bbl.

During 2019, Energiean expects production to average between 5,000 and 5,500 bopd. The range in our guidance is driven by assumptions on performance of the Epsilon Extended Reach Well, timing and performance of 2019 wells, workovers, and historic performance/decline of the existing well stock. Energiean continues to target production of more than 10,000 bopd in 2021, at which point operating costs are expected to fall to less than \$10/bbl.

Energiean commenced operations on the Epsilon Lamda Platform development during 2018. Epsilon is an 18.4 MMbbl satellite development that will be tied back to the Prinos complex, utilising spare capacity to benefit from the high level of operating leverage in the system. The development will utilise a minimum manned facility with 15 well slots, controlled remotely from Prinos Delta. GSP was selected as turnkey contractor for construction of all facilities and drilling of three initial vertical wells using the GSP Jupiter rig. A further five wells are envisaged to be required to fully recover all 2P reserve volumes.

The first vertical well of the Epsilon Platform development, EL-1, encountered the previously discovered Epsilon A reservoir. The well found a marginally thicker gross section of 98m with 40 - 45m of net pay in the Epsilon A reservoir as compared to the gross and net thicknesses of 80m and 40m encountered in past wells. EL-1 also penetrated the deeper Epsilon reservoir, discovering a zone of approximately 82m thickness and 30 - 35m net pay, which was ahead of expectations. A third zone, the Dolomitic Zone, has also been penetrated, showing some additional hydrocarbon potential across the 140m drilled.



During 2018, Energiean commenced the drilling of an Extended Reach Well from the Prinos Alpha platform into the Epsilon satellite accumulation, accelerating first oil from the field by nearly one year.

### Exploration activities

2018 was a year of early stage exploration activities, primarily focused on seismic planning across the portfolio and specific planning for the Karish North well. We also commissioned an NSAI report on our Israeli acreage in August 2018, which identified 7.5 Tcf (212 bcm) and 101 MMbbls of gross prospective resources across our Karish and Tanin leases and the five exploration licences awarded as part of the 2017 bid round.

Momentum is picking up in 2019 with the shooting and early stage interpretation of seismic across the portfolio and the spudding of our first exploration well, Karish North.



# Strong financial discipline



**Panos Benos**  
Chief Financial Officer

## Revenue, production and commodity prices

Working interest production from Greece averaged 4,053 boepd, an increase of 45% for the period (2017: 2,803 boepd). The increase in production is due to continued reservoir management of asphaltene precipitation and progress through the development drilling programme.

Prinos production is sold at a \$6.4/bbl discount to Urals Med blend, adjusted for final cargo API. Revenues in 2018 benefited from both increased volumes and realised prices.

## Cost of production

Cost of oil production is a non-IFRS measure that is used by the Group as a useful indicator of the Group's underlying cash costs to produce hydrocarbons. The Group uses the measure to compare operational performance period to period, to monitor costs and to assess operational efficiency. Cost of oil production is calculated as cost of sales, adjusted for depreciation and hydrocarbon inventory movements.

The spare processing capacity in the Prinos infrastructure provides a high level of operational leverage. This has resulted in a 29.1% reduction in per barrel production costs, from \$24.7/bbl in 2017 to \$17.6/bbl in 2018. As production grows, Energean expects operating costs to continue to fall, reaching less than \$10/bbl if the NSAI 2P production profile were to be achieved. Energean expects 2019 operating costs of \$14 - \$17/bbl.

## Depreciation

Depreciation increased by 91% to \$34.3 million (2017: \$18.0 million) due to increased production and capital expenditure invested in Greece.

## Sales, general and administrative (SG&A) expenses

Energean incurred SG&A costs of \$12.1 million in 2018. This represents an 89% increase on the previous year (2017: \$6.4 million) and is due to the additional staffing and administrative costs associated with the rapid growth of the Group's portfolio, the efforts associated with developing the projects, and additional requirements associated with being a Premium Listed entity.

For the full year 2019 Energean expects SG&A costs to be \$15 million, reflecting the additional costs associated with a full year of being listed on the LSE and the TASE, and the continued increase in the size of the business.

## Other income

Other income of \$7.8 million (2017: \$6.4 million expense) includes a reversal of a provision for the Greek tax and transfer pricing penalties relating to fiscal years 2006 - 2011, which were the subject of an appeal that was ruled in Energean's favour in July 2018.

## Finance costs

Financing costs for the period were \$13.5 million (2017: \$22.9 million), and are composed mainly of \$15.1 million of interest expenses on the RBL and project finance facilities plus \$5.7 million of interest expenses on long term payables representing payments to seller on Karish and Tanin, offset by capitalised interest of \$9.3 million. The decrease compared to the previous period is associated with the conversion of a shareholder loan to preference shares during 2017.

## Derivative financial instruments

The gain on derivative of \$96.7 million is a result of the valuation of a derivative financial instrument, measured at fair value at the end of each reporting date, which related to Energean Israel Limited Class B Shares that the Group had a contingent commitment to acquire in the event of an exit (IPO or sale). The methodology used to value the shareholding multiplied the estimated probability of an exit event (IPO or sale) by the estimated difference between the consideration payable and the estimated value of the B shares. The gain recognised in 2018 (FY 2017: \$25.8 million) reflects the increase in probability of an exit event to 100% when Energean listed on the London Stock Exchange on 21 March 2018. Following execution on the contingent commitment the derivative financial asset was derecognised and transferred to the cost of investment in Energean Israel Limited.

## Crude oil hedging

Energean has no outstanding crude oil hedges.

## Taxation

Energean recorded tax income of \$15.5 million in 2018 (2017: \$14.1 million tax expense) primarily associated with an increased recognition of a deferred tax asset.

## Financial results summary

	2018 \$m	2017 \$m	Change
Av. daily working interest production (kboed)	4.1	2.8	46.4%
Sales revenue (\$m)	90.3	57.8	56.4%
Realised oil price (\$/boe)	60.3	46.7	29.1%
Cost of oil production (\$m)	26.0	25.3	2.8%
Cost of production per barrel (\$/boe)	17.6	24.7	(28.9)%
Administrative & selling expenses (\$m)	12.1	6.4	88.3%
Adjusted EBITDAX (\$m)	52.4	20.7	153.6%
Cash flow from operating activities (\$m)	62.7	29.1	115.4%
Capital expenditure (\$m)	494.6	67.6	631.3%
Cash capital expenditure (\$m)	293.6	54.0	443.6%
Net debt (cash) (\$m)	(75.6)	75.6	(200)%
Net debt/equity (%)	(7.0%)	26.2%	(126.5)%

## Adjusted EBITDAX

Adjusted EBITDAX is a non-IFRS measure used by the Group to measure business performance. It is calculated as profit or loss for the period, adjusted for discontinued operations, taxation, depreciation and amortisation, other income and expenses (including the impact of derivative financial instruments and foreign exchange), net finance costs and exploration costs. The Group presents adjusted EBITDAX as it is used in assessing the Group's growth and operational efficiencies, because it illustrates the underlying performance of the Group's business by excluding items not considered by management to reflect the underlying operations of the Group.

	2018 \$m	2017 \$m
Adjusted EBITDAX	52.4	20.7
<b>Reconciliation to profit/(loss):</b>		
Depreciation and amortisation	(34.3)	(18.0)
Exploration and evaluation expense	(2.1)	(10.0)
Other income/(expense)	7.8	(6.4)
Finance expenses	(13.5)	(22.9)
Finance income	1.7	0.0
Gain on derivative	96.7	25.8
Net foreign exchange	(23.5)	36.2
Taxation income/(expense)	15.5	(14.1)
Profit/(loss) from discontinued operations	-	(1.4)
<b>Income for the year</b>	<b>100.8</b>	<b>9.9</b>

## Operating cash flow

Cash from operations before movements in working capital was \$53.9 million, representing a 197% increase on the comparable period (2017: \$18.1 million). After adjusting for working capital movements, cash from operations was \$62.7 million, a 115% increase on the comparable period (2017: \$29.1 million).



## Financial review continued

### Capital expenditure

Capital expenditure is a useful indicator of the Group's organic expenditure on oil and gas assets and exploration and appraisal assets incurred during a period. Capital expenditure is defined as additions to property, plant and equipment and intangible exploration and evaluation assets excluding decommissioning asset additions, disposal and capitalised depreciation, less capitalised borrowing cost.

	2018 \$m	2017 \$m
Additions to property, plant and equipment	497.7	65.7
Additions to intangible exploration and evaluation assets	6.2	3.2
Less		
Capitalised borrowing costs	(9.2)	(1.3)
<b>Total</b>	<b>494.6</b>	<b>67.6</b>

Capital expenditure was \$494.6 million, of which \$396.5 million was invested in Israel, \$97.2 million in Greece and \$1.3 million in other areas. 2018 capex does not include the Karish acquisition and development cost of \$86.0 million, which was accrued pre consolidation at 29 March 2018.

Cash capital expenditure in 2018 was \$293.6 million (FY 2017: \$54.0 million).

Energean expects consolidated capital expenditure in 2019 to be \$825 - 860 million, the break-down of which is provided in the table below.

	Israel \$ million	Greece \$ million	Montenegro \$ million	New business \$ million	Total \$ million
Exploration	30 - 40	5 - 10	5	5	45 - 60
Development	640 - 650	140 - 150	–	–	780 - 800
<b>Total</b>	<b>670 - 690</b>	<b>145 - 160</b>	<b>5</b>	<b>5</b>	<b>825 - 860</b>

### Goodwill

Energean has recorded \$75.8 million of goodwill (2017: \$ nil) in respect of the acquisition of Energean Israel Limited. In accordance with IAS 12, Energean is required to recognise a deferred tax liability in relation to the forward liability assumed, the provision for which is calculated as the tax rate of Israel (23%) multiplied by the difference between the assigned fair value and the tax bases of assets acquired. The offsetting accounting entry to this is goodwill. None of this goodwill will be deductible for tax purposes.

### Net cash/debt and gearing ratio

Net debt is defined as the Group's total borrowings less cash and cash equivalents. Management believes that net debt is a useful indicator of the Group's indebtedness, financial flexibility and capital structure because it indicates the level of borrowings after taking account of any cash and cash equivalents that could be used to reduce borrowings. The Group defines capital as total equity and calculates the gearing ratio as net debt divided by capital.

### Net debt reconciliation

	2018 \$m	2017 \$m
EBRD facility (\$200m)	144.3	91.3
Israel project finance facility (\$1,275m)	–	–
<b>Total borrowings</b>	<b>144.3</b>	<b>91.3</b>
Cash and cash equivalents	(219.8)	(15.7)
<b>Total net debt/(cash)</b>	<b>(75.6)</b>	<b>75.6</b>
Capital	1,087.8	289.0
<b>Gearing ratio</b>	<b>(7.0%)</b>	<b>26.1%</b>

In March 2018, Energean raised \$460.0 million through its Premium Listing. Net of cash transaction costs of \$20.1 million this contributed \$439.9 million of cash.

### EBRD facility agreements

On 30 January 2018, the Group's existing EBRD Senior Facility Agreement was amended and restated pursuant to the RBL Senior Facility Agreement. The RBL Senior Facility Agreement comprises two facilities i) a facility of up to \$105 million with EBRD and the Black Sea Trade and Development Bank as lenders; and ii) a \$75 million facility pursuant to which the Export-Import Bank of Romania Eximbank SA and Banca Comerciala Intesa Sanpaolo Romania S.A. (with 95% insurance cover from the Romanian ECA) are lenders. Proceeds from the Romanian Club Facility will finance exclusively 85% of the value attributable to goods and services under the GSP EPCIC. Interest is charged on the \$105 million component of the loan at LIBOR + 4.9% and on the \$75 million Romanian facility at LIBOR + 3%.

### Karish-Tanin project finance

In 1H 2018 Energean secured \$1,275 million of senior secured project finance for its Karish-Tanin project. The loan is held at the Energean Israel Limited level (Energean 70%). Once drawn, interest is to be charged at LIBOR + 3.75% over months 1 - 12, LIBOR + 4.00% over months 13 - 24, LIBOR + 4.25% over months 25 - 36 and LIBOR + 4.75% over months 37 - 45. The facility matures in December 2021 and has a bullet repayment on maturity. There is a commitment fee of 30% of the applicable margin. Energean estimates that the weighted average applicable interest rate over the life of the facility will be 4.0%.

### Liquidity risk management and going concern

The Group's forecasts show that the Group will be able to operate within its current debt facilities and has sufficient financial headroom for the next 12 months. An important factor for determining that the going concern basis remains appropriate is the Group's ability to raise necessary funding as and when needed. In 2018, the Group successfully became a Premium Listed company on the London Stock Exchange, which raised \$460 million gross proceeds. Furthermore, the Group's liquidity position was significantly improved by the amendment entered into on 30 January 2018 of the Group's existing EBRD Senior Facility agreement, which increased this facility from US\$75 million to US\$180 million. In addition, the Group entered into a US\$1.275 billion Senior Credit Facility agreement, which is being used to fund the Karish and Tanin development costs. Subsequent to the balance sheet date, the Group made its first drawdown under this facility.

### Brexit

Energean has considered the potential impact of Brexit and believes that its business would not be materially affected by Brexit (either with or without a deal).

### Events since 31 December 2018

There has not been any event since 31 December 2018 that has resulted in a material impact on the year-end results.

### Non-IFRS measures

The Group uses certain measures of performance that are not specifically defined under IFRS or other generally accepted accounting principles. These non-IFRS measures include adjusted EBITDAX, cost of oil production, capital expenditure, cash capex, net debt and gearing ratio and are explained above.

### Business combination

On 27 March 2018, the Group, following a FID in respect of the Karish and Tanin assets, subscribed for additional shares in Energean Israel for an aggregate consideration of US\$266.7 million, payable in cash, increasing its shareholding in Energean Israel to 70% from 50% as Kerogen Capital did not participate in the new share issuance. Upon completion of this subscription, the Group holds 70% of the shares in Energean Israel, with Kerogen holding the remaining 30%. Following the above, Energean Israel is consolidated in Energean's accounts.

## Corporate social responsibility – Our approach

# Responsibility lies at the heart of our business

Energean is committed to adopting a responsible, sustainable business model in order to create shared long-term value for all our stakeholders. Our aim is therefore to ensure that sustainable development and corporate responsibility are at the centre of our operations and governance.

We intend to go beyond adherence to compliance requirements by adopting the highest international business standards and by creating an operational framework that allows us to integrate sustainability into our business.

In our business, we aim to make a positive contribution to society whilst minimising the cost to the environment.

We:

- ▶ **Build** strong and productive relationships with our investors, customers, partners and suppliers, based on understanding, trust, transparency and accountability
- ▶ **Manage** risk more effectively by strengthening our procedures and processes
- ▶ **Engage** our employees through a culture of development, collaboration, trust and safety
- ▶ **Improve** our performance by maintaining the integrity of our assets, our environment and our communities wherever we operate
- ▶ **Earn** trust amongst our stakeholders to sustain our reputation in the long term.
- ▶ **Foster** a culture of environmental stewardship across our value chain, by monitoring and mitigating our environmental footprint
- ▶ **Respect** the communities with whom, and the environment within which, we work.

Our goal is to integrate sustainability thoroughly into our operations and maximise our value creation.

Our objective is to generate sustainable prosperity through our business operations.

We are therefore committed to conducting our operations responsibly, which means supporting local communities and caring for the environment, as well as looking after the health and safety of our employees.

We have established frequent communication with our stakeholders in order to be able to better understand their perspectives, taking initiatives to address their concerns and vital needs. We have initiated sponsorships to address *ad hoc* needs within local communities, promoting social welfare and protecting our social licence to operate.

### CSR policy

In addition to the expectations of stakeholders, CSR is a fundamental guiding principle of how we run our business. Our CSR policy is deeply rooted in our corporate values, and is guided by international standards and global initiatives, as well as industry best practice.

Our Chief Executive is accountable for CSR, supported by our CSR Team. The Board has ultimate responsibility for reviewing and approving the CSR strategy and for monitoring our progress in achieving sustainability objectives, through regular performance reviews and reporting. In this, it is also supported by the Board HSE Committee.

All our business units are accountable for developing and implementing the CSR strategy and, where appropriate, progress against our targets is independently assessed.

### Our approach to CSR

#### Corporate governance

We are committed to upholding the highest standards of integrity and corporate governance practices in order to maintain excellence in our daily operations, and to promote confidence in our governance systems.

We aim to conduct our business in an open, honest and ethical manner.

Energean will become a signatory to the UN Global Compact in 2019, supporting its corporate governance principles on human rights, anti-corruption, environmental protection and better labour practices.

#### We focus our CSR activities in the following key impact areas:





# Excellence through our people

Energean understands that its people are central to ensuring it achieves its objectives as a business. Our values of responsibility, excellence, integrity and commitment, coupled with caring for the environment and engaging with local communities, are key to achieving our success in a sustainable manner. We also understand that inclusivity and diversity in our workforce will strengthen our capabilities and broaden our horizons.

## Inclusivity and diversity

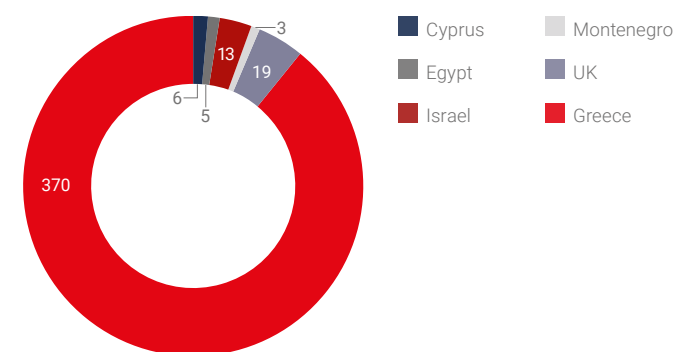
We create a fair and inclusive environment to attract the best people. We are proud of our diverse workforce, with its diversity of gender, variety of nationalities and broad spectrum of ages. We strive to create and develop a working environment where everyone can perform to the highest standards. Our guiding principle is that all employees have the ability to learn and develop. We therefore seek to assist them in reaching their full potential, and thus enable the business to maximise its chances of success.

During 2018, Energean established an Executive Committee, which has 40% female representation. Our senior management team has 25% female representation.

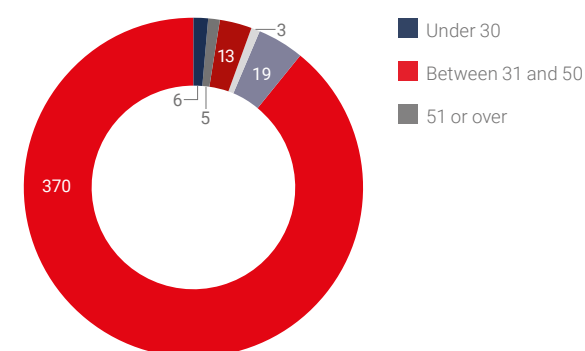
As at 31 December 2018, Energean had 416 employees, located in six countries.

Three hundred and seventy of our employees are located in Greece, 90% of them in Kavala, and contributing to our onshore and offshore operations, which makes Energean one of the largest employers in the local area. Our other employees are located in our offices in the UK, Israel, Montenegro, Egypt and Cyprus, as shown below.

Employees per country



Employees by age



## Values

We want to promote a culture of fairness and equality in our working environment and amongst our workforce, without discrimination. We require all employees and contractors to abide by Energean's Code of Conduct. Energean is committed to protecting and advancing Human Rights as defined in the Universal Declaration of Human Rights and the core conventions of the International Labour Organization's conventions on labour. We uphold and promote Human Rights within our sphere of influence.

Our employees and contractors come from 28 throughout the world. We celebrated this inclusivity on 21 March this year, when we supported the UN sponsored **International Day for the Elimination of Racial Discrimination**.



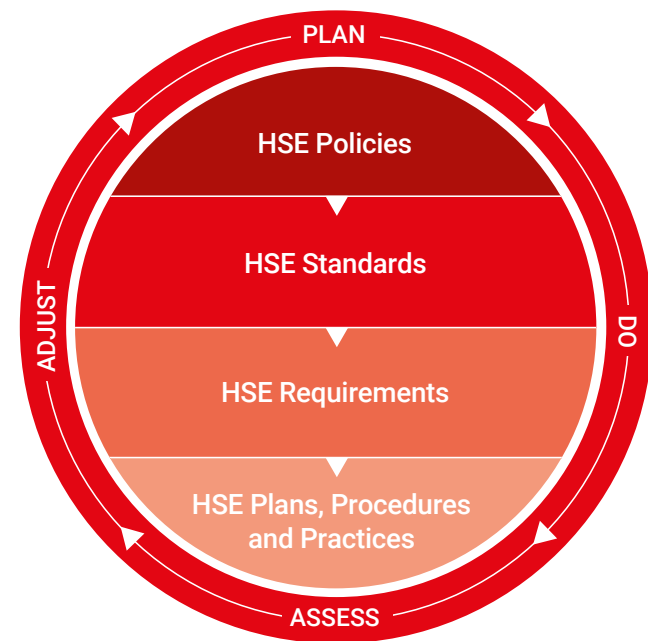
# Setting and maintaining a positive safety culture

Energean is committed to protecting the health and safety of all individuals affected by its corporate activities, including employees, contractors and the general public.

We have established a comprehensive and integrated Health and Safety Management System ('H&S MS') aligned with the requirements of international standards and European safety directives.

We are committed to the implementation, maintenance and continual improvement of our H&S MS and aim to achieve accreditation for international safety standards and best practices.

Our H&S MS is based on tried and tested, internationally recognised best practices in managing health and safety risks in the E&P industry, structured around a classic 'Plan-Do-Assess-Adjust' cycle.



By implementing this structure we seek to ensure that we:

- ▶ Understand all hazards associated with our operations
- ▶ Undertake activities to manage those hazards and minimise the risk levels
- ▶ Measure the effectiveness of our HSE performance
- ▶ Adjust our plans and procedures in response to those assessments.

## Corporate Major Accident Prevention Policy

The Board has approved a Corporate Major Accident Prevention policy (CMAPP), recognising:

- ▶ its responsibility to comply with the Offshore Safety Directive and with the Seveso Directive;
- ▶ that the nature of Energean's offshore oil and gas operations may give rise to major accidents;
- ▶ its responsibility to control the risks of major accidents and to continuously improve these controls in line with advances in technology and good oilfield practices; and
- ▶ its commitment – as laid out in the Energean Code of Conduct – to achieve high standards of HSE performance and to make available all necessary resources to achieve these goals.

Energean controls risks of major accidents arising from its onshore and offshore oil and gas operations so far as is reasonably practicable, ensuring that such risks are within the 'acceptable' or 'tolerable' classification under ALARP (As Low As Reasonably Practicable).

## 'Stop work' policy

Any person employed or contracted by Energean may invoke the 'stop work' policy if they feel that any employee, a Group asset or the local environment is at risk. There shall be no blame put on any employee calling for a 'stop work' order in good faith even if, upon investigation, the stop work order proves to be unnecessary.

## Leadership and commitment

HSE leadership and accountability for H&S starts with the CEO who takes all necessary steps to ensure that the highest possible level of health and safety performance is achieved within the Company. We regard health and safety as a line responsibility and an integral part of the duties of all personnel.

## Legal compliance

Compliance with all applicable health and safety legislation and regulations is a fundamental requirement of the Energean H&S MS. All work carried out at our company offices and premises, and all work activities undertaken at project locations and operational sites, is carried out in accordance with applicable local laws and European regulations.

## Competence management and training

Energean maintains an ongoing competence and assurance management scheme, and provides appropriate HSE training to all employees. Formal H&S training is provided to all employees either annually, or every 2 - 3 years, depending on the specific training required.

## HSE Assurance in the Supply Chain

Energean applies a systematic process for the selection and management of suppliers and contractors, from the pre-qualification stage at the outset of this process to the monitoring and audit of HSE performance during the provision of supplies, work and/or services.

## Operational framework and control

We develop, implement, monitor and review procedures and instructions for safe operation, enabling our adaptation to changes in operations, regulations, industry standards and technology. The main components of this framework are:

- ▶ Pre-shift briefings and shift handovers
- ▶ Toolbox talks
- ▶ Site HSE inspections and audits
- ▶ Incident reporting and investigation
- ▶ Task risk assessments
- ▶ HSE meetings
- ▶ Permit to Work system
- ▶ Emergency response
- ▶ Safety inductions.

## Occupational health

We take all necessary steps to ensure the health of our employees and contractors. An annual health programme is implemented for all employees, which includes biochemical analysis, physical examinations, and heart and lung screenings. All employees and contractors hold medical certificates relevant to the requirements of their position. Private health insurance is provided to all employees, except in Israel where public health services are of a high standard.

## Key metrics monitored

- ▶ Total man-hours worked
- ▶ Number of Lost Time Injuries (LTI)
- ▶ Lost Time Injury Frequency (LTIF)
- ▶ Total Recordable Injury Rate (TRIR)
- ▶ Fatal Accident Rate (FAR)

## Total man-hours worked

	2016	2017*	2018**
Employees	570,410	778,008	712,988
Contractors	281,640	161,280	1,108,606
Personnel total	852,050	939,288	1,821,594

\* 2017 includes employees' man-hours worked during the plant general turn-around activities and for two additional support vessels  
 \*\*2018 includes contractors' man-hours in all construction yards related to Energean projects

## Total LTI\*

	2016	2017	2018
Employees	2	3	2
Contractors	0	0	0
Personnel total	2	3	2

\* Lost Time Injuries

## LTIF\*

	2016	2017	2018
Employees	3.51	3.86	2.81
Contractors	0	0	0
Personnel total	2.35	3.19	1.10

\* LTI Frequency: The number of lost time injuries (fatalities + LTIs) per million hours worked

## TRIR\*

	2016	2017	2018
Employees	8.77	10.28	2.81
Contractors	3.55	0	2.71
Personnel total	7.04	8.52	2.74

\* Total Recordable Injury Rate: The number of recordable injuries (fatalities + LTIs + restricted work day cases + medical treatment cases) per million hours worked

## FAR\*

	2016	2017	2018
Employees	0	0	0
Contractors	0	0	0
Personnel total	0	0	0

\* Fatal Accident Rate: The number of fatalities per 100 million hours worked



# Creating a sustainable environment

The environment is a key concern for Energean. We understand the impact of our activities upon the environment. We are therefore working continually to improve our Environmental Management System.

We are in the process of achieving ISO 14001 accreditation, which will help us to manage more efficiently our environmental responsibilities. We seek to address our environmental responsibilities throughout the value chain.

Reducing waste and emissions are important to us. We also invest in ways to enhance our energy and water efficiency.

Environmental protection is a top priority and we are committed to ensuring that all necessary measures are taken to minimise the possibility of any environmental impact. Additionally, management and staff are committed to vigorous supervision and the implementation of applicable national and European legislation.



Beach cleaning in Kavala, Greece

## Key metrics monitored

- ▶ Greenhouse gas emissions
- ▶ Specific direct/indirect emissions
- ▶ Specific energy consumption
- ▶ Specific water usage
- ▶ Waste quantities

### Environmental expenditure

	2016	2017	2018
Total cost (€)	112,158	525,318	825,287

### Crude oil production

	2016	2017	2018
Product (tn)	178,209	143,137	207,003

### Specific energy consumption\*

	2016	2017	2018
Electrical (KWh/product tn)	338	338	274
Thermal (KWh/product tn)	928	1,202	1,044

### Specific emissions\*

	2016	2017	2018
Direct (kg CO <sub>2</sub> /product tn)	208	262	219
Indirect (kg CO <sub>2</sub> /product tn)	297	341	234

### Specific water usage\*

	2016	2017	2018
Seawater and potable water (m <sup>3</sup> /product tn)	7.24**	7.67**	4.90

\*\*Values corrected from the figures given in 2017.

### Non-hazardous waste disposal

	2016	2017	2018
Total waste (tn)	398	276	941

### Hazardous waste disposal

	2016	2017	2018
Total waste (tn)	170	1,191	1,508

\* It should be noted that increase of production reduces the above specific values.

### Air quality

To ensure we meet all our environmental objectives, we are continuously monitoring air quality. In the wider area of Thassos and Kavala, 12 stations monitor the total sulphation of the atmosphere on a monthly basis, and a central environmental station monitors H<sub>2</sub>S, SO<sub>2</sub> and HC levels and meteorological parameters (wind speed and direction, ambient temperature, and relative humidity).

### Marine environment

We have an excellent track record of environmental risk management. In 39 years of operation, in the sensitive environment of the Gulf of Kavala, no environmental damage has been recorded.

Our environmental policy and management are in line with all applicable national laws and European directives.

Our onshore and offshore water discharges are continuously monitored to meet the requirements of the Water Framework Directive, the Marine Strategy Framework Directive, the Barcelona Convention and the International Convention for the Prevention of Pollution from Ships ('MARPOL').

### Biodiversity protection

We aim to conserve the biological diversity of terrestrial, marine and avian migratory species throughout their range. We manage our operations by taking into account the fundamental ecological functions of wetlands and their economic, cultural, scientific and recreational value.

The Bonn Convention, the Ramsar Convention, the Convention on Biological Diversity, and the EU Birds and Habitats Directives are considered throughout the execution of environmental impact assessments and environmental monitoring plans.

An independent offshore specific study showed that benthic communities have not been affected by Energean's offshore operations in the Gulf of Kavala.

### Marine contingency plan

We have developed and tested emergency response procedures for handling specific incidents such as oil spills. Our well-structured management plan, which includes regular, comprehensive training for staff and the necessary oil spill fighting equipment, ensures we have the confidence that we can manage any potential oil spill. The effectiveness of these emergency management procedures is demonstrated by the fact that we have never had to put them into practice.

### Waste management

We are committed to reducing at source the amount of waste generated by our activities. Where recycling is not deemed practical, opportunities for using waste as a source of energy are being considered. Energean is investigating new processes to treat waste more efficiently. For instance, we are considering how to minimise the solid waste produced by our plant, and how to recycle it.

### Water recycling and reuse

We recognise the importance of global water resources to the environment, as well as water's social, economic and political implications. We are reducing the impact of our operations upon water resources by recycling and reusing:

- ▶ water from production
- ▶ water for cooling
- ▶ water for firefighting
- ▶ water for utilities.

### Adaptive environmental behaviour

At Energean, we seek to promote environmental awareness amongst our employees, throughout their daily activities, both inside and outside of the workplace. We recognise that sustainable development and sustainable living are key to successful environmental conservation. We therefore regularly undertake environmental initiatives with the participation of local communities, such as cleaning local beaches on page 50.



Dolphins offshore Kavala, Greece

### Our industry, tourism and the environment in co-existence

Since 2009, we have invested more than US\$400 million in the Prinos oil field in the Gulf of Kavala. Our track record of zero environmental incidents during our operations in the Gulf of Kavala demonstrates that heavy industry can be compatible with both the natural environment and the activities of local communities. Our ability to operate in environmentally sensitive areas is also reflected by the award of more than 10 blue flags by the Hellenic Society for the Protection of Nature (representing Greece in the International Foundation for Environmental Education) every year since 2008 to beaches and marinas in the areas surrounding the Prinos basin.



# Community relations

Energean aims to make a positive impact when it comes to community issues. Having understood the power of working together, we undertake initiatives in order to build trust with the local communities where we operate and, hence, secure our social licence to operate. We actively pay close attention to the impact we make on the well-being of society and we further engage in activities geared towards contributing to and improving the quality of life.

Our community investments are part of our larger effort to build trust in the societies where we operate and provide solutions to chronic societal problems. We consider this effort as a joint purpose and we are trying to increase our ability to provide sustainable solutions in the long run. We believe that the only way to achieve this, is through the establishment of a mutually beneficial relationship between the organisation and the local communities.

The energy industry, in its entirety, is engaged in a serious debate over impacts on natural resources, as well as impacts on local communities and their ecosystems. At Energean, we believe that adopting responsible practices and aiming to create shared values for all of our stakeholders helps us manage risks and fully take advantage of the opportunities presented to us in a constantly changing environment. Potential risks mainly include damage to our reputation and undermining of our established and long-lasting relationships with our local communities, which could lead to the loss of our 'social licence' to operate.

Our CSR policy is rooted in our Company values, guided by international standards and best practices, and has become a fundamental guiding principle of how we do business. To this end, we work towards contributing to the achievement of the United Nations Sustainable Development Goals (SDGs) in our everyday operations.

Our social activities contribute to the achievement of the Sustainable Development Goals and specifically to: Goal 1 'No Poverty', Goal 2 'Zero Hunger', Goal 3 'Good Health and Well-Being', Goal 4 'Quality Education', Goal 10 'Reduced Inequalities', Goal 11 'Sustainable Cities and Communities', and Goal 14 'Life Below Water'.



## We combat poverty



Energean has adopted a responsible attitude to support poor and vulnerable people, joining the efforts of NGOs and establishing alliances with them towards the common goal of fighting poverty. To this end, Energean:

- Supported the NGO 'Together for Children' through the CSR initiatives 'I give because I care' and 'Secret Santa'. In this context, Energean urged colleagues to donate children's items and, through a great response, Energean managed to collect food, personal hygiene products, cleaning and school supplies, clothes and toys in order to support children, adolescents and families in need. Energean's employees were also urged to become the Secret Santa to a child in need and feel the happiness of giving. In this way, Energean contributed during the Christmas period to the happiness and wellbeing of 30 children and families already supported by NGO's food relief programme. The Secret Santa activity took place in both Athens and Kavala in Greece.

## We fight hunger



In Energean, we fight hunger by supporting people, particularly the poor and vulnerable, who lack access to food and proper nutrition. In order to achieve this goal, we establish partnerships with NGOs and we contribute to their efforts against hunger, while directly helping people in need with food and gift vouchers:

- Donation of surplus lunch food from the Athens office to 'Boroume' ('We Can') – 1,562 portions ('Boroume' is a non-profit organisation that fights food waste by organising the distribution of surplus food for charity throughout Greece).
- Donation of supermarket gift vouchers for celebrating Easter, to families in need.





## Corporate social responsibility – Community continued

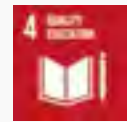
### We care about good health and wellbeing



Energean cares about the good health and wellbeing of all people, from its employees to the citizens of local communities. Providing premium health insurance packages to its employees, while promoting health initiatives in the local communities, Energean seeks to provide a helping hand to people in need and especially to people with special needs and disabilities. In this context, Energean responded to local needs through:

- ▶ Energean established a crowd-funding project, the proceeds of which were allocated to the Kavala School of Special Vocational Education and Training (the 'Kavala EEEEEK'), at Nea Karvali, Kavala, Greece. The purpose of the fundraising was the creation of a multi-sensory room for students on the autism spectrum, as well as for children with learning difficulties, hyperactivity or other neurological development disorders. The room is called the Snoezelen Therapy Room or Multi-Sensory Treatment Room.

### We reinforce education



In Energean, we believe that it is our duty to support the future generations of Oil & Gas experts, who will staff the Greek upstream sector. To this purpose, we aim to secure a high level of educational skills, which can address the employment needs and future opportunities in the energy sector. We accomplish that by providing scholarships and internships to existing and prospective college students, sponsoring student's initiatives, forums and conferences, as well as donating school equipment. During the reporting period, Energean initiated the following actions:

- ▶ Hosted 14 college students for internships and summer work during the summer of 2018.
- ▶ Provided numerous guided tours and visits to college professors and students on our onshore facilities ('Sigma Plant'), at Nea Karvali, Kavala, Greece.
- ▶ Offered scholarships to two college students of the Eastern Macedonia and Thrace Institute of Technology, in order to acquire their Master's Degree in Oil & Gas Technology.
- ▶ Supported, as Gold Sponsors, the '1st Petrochem Day', organised by Chemecon, a NGO established by Chemical Engineering college students.
- ▶ Donated 500 sets of school equipment to six Municipalities in Epirus, Western Greece.
- ▶ On the 'World Environment Day': Initiated and offered lectures to primary school students on Marine Environment and Recycling, in order to educate and raise students' awareness.



Wheelchair Basket Ball Game, Kavala, Greece (with our Chief Executive on the right)

### We stand for equality



Through our slogan 'We all can, we all care' we aim to convey the message that living with a disability should not prevent anyone from living a full life. At the same time, we urge everyone to fight against social exclusion of people with disabilities and contribute to a world of reduced inequalities. Towards this goal, Energean implemented the following actions during the reporting period:

- ▶ Ancient Olympia Marathon: Donation to the 'Association of Paraplegics and Disabled People in the Prefecture of Ileaia', Greece. Additionally, a team of 23 members in total from our offices in London, Athens and Cairo, including teenagers and children, participated in various races, including a night-run that we run next to the Association's members who participated in their wheelchairs.
- ▶ Bath University, United Kingdom: Supported a Charity Wheelchair Basketball Game, aiming to engage students and to raise awareness.
- ▶ We organised a Wheelchair Basketball Game for a good cause in Kavala, Greece: 'Energean-Kavala B.C.', a basketball team competing in the 2018 - 2019 A2 Men's National Basketball Championship & Friends, played wheelchair basketball with 'Kavala Sports Club – Wheelchair Basketball Team'. Energean's CEO, Mr. Mathios Rigas, along with other company executives, participated in the game. All proceeds of the event were donated for the needs of 'Kavala Sports Club – Wheelchair Basketball Team'.
- ▶ Supported 'Etgarim' (Israel), an NGO for the rehabilitation, empowerment and social integration of children and adults with disabilities, through outdoor sports.

### We promote cultural and natural heritage



Sustainable development has always been Energean's primary goal for the local communities where the Company operates. In this context, we work towards the protection and safeguard of the cultural and natural local heritage. During the reporting period, Energean initiated and supported the following actions:

- ▶ Support of the 2nd Dodoni Festival (a Cultural Summer Festival in Ioannina, Greece).
- ▶ Great sponsors of 'Kalpakia 2018' (a Cultural Festival of Historical Remembrance for the WWII Battle in Kalpaki, Ioannina, Greece).
- ▶ On-going and continuous support of Kavala's Fire Brigade.
- ▶ Grand Sponsors of Ancient Olympia Marathon.
- ▶ Grand sponsors of Kavala's 21km Half-Marathon Race 'Saint Paul Run'.

### We protect our ecosystems



In Energean, we seek to prevent and significantly reduce marine pollution of all kinds. We aim to sustainably manage and protect marine coastal ecosystems, not only through the prevention of potential pollution, but also through remediation of the existing pollution beyond Energean's operational boundaries. Our employees are encouraged to make a positive impact in local communities, and during the reporting period, they took part in the following voluntary actions:

- ▶ Voluntary cleaning of Rapsani Beach (employees' engagement).
- ▶ Cleaning of the seabed of Kavala's Main Port 'Apostolos Pavlos', with the participation of Energean's divers and divers volunteers (shown below). The action was supported by Energean's vessels 'Energean Wave' and 'Skala Prinos' (employees' engagement).



Seabed cleaning, Kavala Port, Greece

### Additional Initiatives

In Energean, we believe that our host communities are an integral part of our operations and thus they are recognised as key stakeholders for our company. In this context, Energean held a range of additional societal actions, during the reporting period, as stated below:

- ▶ Energean's Floating Production Storage Off-loading (FPSO) Naming Competition 2018, for the naming of the Energean's future built floating vessels. The winner of the competition will travel to Singapore for the naming ceremony in 2020;
- ▶ Employees engagement through an Environment Photo Contest, with various gifts for participants while the best photos awarded and included in the Energean's annual calendar;
- ▶ Creation and publishing of the '2007 - 2017: 10 years of getting WISER' book, including words of wisdom by Energean's employees;
- ▶ Gold sponsors of Kavala's 'White Night', in collaboration with the Commercial Association of Kavala and the participation of the surrounding local communities, with the aim to enhance and mobilise the local market;
- ▶ Initiation of the collection and recycling of plastic bottles, lids and bags consumed on Energean's platforms, delivering dual positive impact. On the one hand, the plastic is being recycled while on the other hand the monetary value generated through this process is donated to the local Special Vocational Education & Training School of Nea Karvali in Kavala, Eastern Macedonia, Greece;
- ▶ Decoration and delivery of Easter Candles at a Nursing Home;

### Our Performance

Our main goal is to raise public and employee awareness and to inspire the local community on related engagements. For this reason, we constantly aim to openly inform the local communities, as well as urge and engage our employees over upcoming events. At the same time, we welcome feedback on the initiatives and activities that have already taken place by our CSR Department.

The primary way of receiving feedback regarding our approach comes from our day to day interaction with the local communities. However, in our constant effort to improve and maximise our social contribution, we plan to undertake local communities' needs assessments in the future, through meetings, stakeholder forums and surveys, in order to better identify and hence address the specific societal needs.

During 2018, no significant disputes emerged with local communities and indigenous people, concerning land use, marine areas, cultural heritage, or other reasons. On planned and future operations, we aim to further enhance our relationship with the local communities in order to keep our social licence to operate intact and retain their trust.

# Risk management framework

Effective risk management is fundamental to achieving our strategic objectives and protecting shareholder value. The Directors have carried out a robust assessment of the Group's principal risks and a description of these risks, together with details of how they impact our strategy and how they are managed, is provided on pages 58 - 62.

## Overview

The Board has overall responsibility for determining the nature and extent of the significant risks it is willing to take in achieving the strategic objectives of the Group, and for ensuring that risks are managed effectively. A key aspect of this is ensuring the maintenance of a sound system of internal control and risk management.

The Group operates a risk management framework in order to identify, assess, control and monitor the risks to the business and allow it to achieve its strategic objectives.

The risk management framework sets out the inputs into the internal controls and risk management process and includes detail on the following matters:

- ▶ Risk reporting structure
- ▶ Identification
- ▶ Methodology and classification
- ▶ Risk appetite
- ▶ Group Risk Register
- ▶ Reporting and monitoring framework.

The Board has approved a Group Risk Register identifying significant risks of the following kinds:

- ▶ Strategic risk
- ▶ Health, safety and environmental risk
- ▶ Human resource risk
- ▶ Technology risk
- ▶ Regulation & compliance risk
- ▶ Operational and execution risk
- ▶ Financial and reporting risk.

The Board has put in place a monitoring system to ensure that risk management and all aspects of internal control are considered on a regular basis, and fully reviewed at least annually. The monitoring system assists in determining the nature and extent of the significant risks the Board is willing to take in achieving its strategic objectives.

## Risk management processes

The Board and the senior management team use a combination of different and complementary skills to assess the risks facing the business. In determining its risk appetite, the Board considers a variety of information when reviewing the Group's operations and approving key matters reserved for its decision. This information includes:

- ▶ updates provided by senior management on key strategic and operational matters;
- ▶ discussion and approval by the Board of the Group budget (including its working capital);
- ▶ information provided for the purposes of deciding whether to approve those significant matters which have been reserved for the Board;
- ▶ Group risk assessments facilitated by the Group's management and monitored by the Internal Audit function; and
- ▶ the reports of the external auditors.

## Risk reporting

The Board has delegated to the Audit and Risk Committee the responsibility for reviewing the effectiveness of the Group's systems of internal control and its risk management methodology.

As part of this review, the Audit and Risk Committee considers the principal risks facing the Group and the nature and extent of these risks, based on assessments by management and the Group's internal auditors. The Group outsources its Internal Audit function, which also provides independent assurance over the effectiveness of the systems of risk management and internal control. The detailed assessments are then consolidated to provide input into the overall Group risk assessment.





## Principal risks

## Principal risks and uncertainties

This section describes the material existing and emerging risks which the Board believes could significantly impact the ability of the Group to meet its strategic objectives.

## Strategy:

- 1 Optimising production    2 Developing reserves: Karish and Tanin    3 Adding hydrocarbons by capitalising on growth opportunities in the Mediterranean    4 Maintaining a disciplined financial framework

The Directors of the Company confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

Principal Risk	Potential Impact	Mitigation
<b>Strategic Risks</b>		
<b>Reserve replacement</b> The Group's long term success depends on its ability to find, develop and acquire additional oil and gas reserves that are economically recoverable. <b>Link to strategy:</b> 1	The Group's current reserves are being depleted by production, requiring replacement through organic or inorganic means. An inability to replenish the portfolio at acceptable costs may result in declining production and revenues. This could have a material adverse effect on the Group's business, results of operations, financial condition and/or investor confidence. The Group's current reserves are being depleted at a low rate. Once production from Karish commences, depletion is expected to be significantly increased and hence the Group may have to increase the number of exploration wells drilled or discovered reserves acquired through M&A activity to maintain the same reserves position.	<ul style="list-style-type: none"> <li>▶ Maturation of the Group's exploration position, including: de-risking of the Group's existing exploration portfolio by acquisition and interpretation of additional seismic data; high-grading of exploration acreage and prospects; and drilling of low risk, material exploration prospects that the Group believes can be quickly, economically and safely monetised.</li> <li>▶ Pursuit of inorganic opportunities throughout the oil &amp; gas lifecycle with a focus on existing production and development projects that can be quickly, economically and safely progressed into the reserves category.</li> <li>▶ Continuing to maintain a strong technical and commercial team with successful track record in exploration and marginal field development.</li> </ul>
<b>Geopolitical</b> The geopolitical situation in Israel may adversely affect the Group's business. <b>Link to strategy:</b> 2	As the Group has assets located in and offshore Israel, political, economic and military conditions in Israel may directly affect the Group's business. The Group's development and/or future production operations with respect to the Karish-Tanin Development, although subject to security measures required by law and under the Lease requirements, could be specifically targeted.	<ul style="list-style-type: none"> <li>▶ Active monitoring of the political, economic and social situation in Israel.</li> <li>▶ Ensuring that the offshore facilities are appropriately equipped and protected.</li> <li>▶ Monitoring and adhering to local laws and regulations.</li> </ul>

Principal Risk	Potential Impact	Mitigation
<b>Health, Safety and Environmental Risks</b>		
<b>Health, Safety and the Environment</b> The Group is obliged to comply with health and safety and environmental regulations and cannot guarantee that it will be able to comply with these regulations. <b>Link to strategy:</b> 1 2	The Group operates in an industry that is inherently hazardous and consequently subject to comprehensive regulation. Although the Group considers that it has adequate procedures in place to mitigate operational risks and keeps these under review, there can be no assurances that these will be adequate and failure to adequately mitigate risks may result in loss of life, injury, or adverse impacts on the health of employees, contractors or third parties or the environment. Failure, whether inadvertent or otherwise, by the Group to comply with applicable legal or regulatory requirements may give rise to significant liabilities and may result in loss of life, injury, or adverse impacts on the health of employees, contractors and third parties or the environment.	<ul style="list-style-type: none"> <li>▶ Compliance with the Group's Health, Safety and Environment ("HSE") policy which observes local and national, legal and regulatory requirements and generally applies best practices where local legislation does not exist or where environmental regulation does not presently occur.</li> <li>▶ Ongoing monitoring of the changes in relevant legislation and regulation.</li> <li>▶ Further development and maintenance of the HSE Management System.</li> <li>▶ Accreditation for Environmental International Standard ISO 14001 for all existing installations.</li> <li>▶ Continuous monitoring of air quality in existing plant locations.</li> <li>▶ Continuous implementation of an ongoing competence assurance and assessment scheme.</li> <li>▶ Continuous implementation of an internal and external annual safety training for all onsite personnel and contractors.</li> <li>▶ Continuous implementation of a health monitoring programme and personnel fitness for workers onsite.</li> </ul>
<b>Project Execution &amp; Production Operations Risks</b>		
<b>Project Execution</b> The Group's success will be partly dependent upon completing the Karish-Tanin Development on budget and on schedule. <b>Link to strategy:</b> 1 2	The Karish-Tanin development is approximately 33% progressed. Whilst the design and execution strategy have been developed so as to mitigate risk, there remains risk in ensuring that project delivery is on budget and on schedule. Any delay in project delivery could have an impact under the Group's Gas Sales and Purchase Contracts, which could result in delay to, or reduction of, cash flows with potential adverse effects on the Group's results, financial position and/or investor confidence.	<ul style="list-style-type: none"> <li>▶ Disciplined lump sum, turnkey engineering, procurement, construction, installation and commissioning "EPCIC" Contract with TechnipFMC for the construction of the FPSO and subsurface facilities (which Contract includes liquidated damages, including for the event of delay).</li> <li>▶ Monthly reporting on the status, risks, opportunities and budget of the Karish-Tanin development.</li> <li>▶ Effective contract management, with a focus on minimising variations and close management of contractual milestones, contingencies and reimbursable items.</li> <li>▶ Focus on the critical path and regular progress meetings.</li> </ul>
<b>Production</b> The Group's success will be partly dependent upon continuing production from Prinos. <b>Link to strategy:</b> 1	The Group's current oil and gas production and related revenues come entirely from the Prinos basin, located offshore in northeast Greece. The Group is therefore exposed to the effect of disruption, delays or interruptions of production from wells in this area. Furthermore, the Prinos main field is mature and off plateau. Significant incidents could result in material adverse effects on the Group's cash flows, financial position and/or investor confidence.	<ul style="list-style-type: none"> <li>▶ Continuous focus on and investment in HSE.</li> <li>▶ A high quality team of committed in-house reservoir engineers and production technologists working on Prinos reservoir management, supplemented with outsourced consultants/experts.</li> <li>▶ Continuous review of well design and performance, in particular with a view to minimise unexpected or additional well maintenance.</li> <li>▶ Monthly reporting on the status, risks, opportunities and budget of the Prinos development.</li> <li>▶ Ensure production and operating costs from Prinos are within guidance on production volume and cost of production per barrel.</li> <li>▶ Management and preventative maintenance of facilities, with a focus on ensuring that unplanned work-overs, shutdowns and expenditure are minimised.</li> <li>▶ Compliance with asset licence and applicable laws and regulations.</li> <li>▶ Continuous and rigorous focus on cost control.</li> </ul>

## Principal risks and uncertainties continued

Principal Risk	Potential Impact	Mitigation
<b>Project Execution &amp; Production Operations Risks</b>		
<b>Major cyber or information security incident</b> Link to strategy: 1 2	<p>A cyber-attack could compromise the Group's network and have a disruptive or destructive impact resulting in stopped production, explosion or loss of life.</p> <p>Any loss or theft of confidential information could lead to loss of competitive advantage and intellectual property and reputational damage.</p>	<ul style="list-style-type: none"> <li>▶ Continuous implementation and monitoring of the Company's IT Security Policy, which includes measures to protect against cyber-attacks.</li> <li>▶ Vulnerability Assessment and Penetration Testing.</li> <li>▶ Employee awareness of confidentiality through internal policies (including the Group's Corporate Culture and Business Ethics policy) and awareness training.</li> <li>▶ Control of disclosures and protection of any disclosed confidential information in third party contracts.</li> </ul>
<b>Financial Risks</b>		
<b>Compliance with Financial Covenants</b> The Group has secured loan agreements and is subject to restrictive debt covenants and security arrangements that may limit its ability to finance its future operations and capital needs and to pursue business opportunities and activities. Breach of financial covenants may lead to default and/or liquidity risk. Link to strategy: 4	<p>Under the terms of the Reserve Based Lending ("RBL") Senior Facility Agreement and the Subordinated Facility Agreement and the Karish-Tanin Project Financing, the Group must comply with a number of covenants including financial maintenance covenants and restrictions on, among other matters, dividends and other distributions, cash movements, capital expenditure, additional future borrowings and indebtedness, and disposals and acquisitions. The breach of any of these covenants could result in part of the loan amounts becoming unavailable or to an event of default, in which case all amounts owed to the lenders would be due and payable immediately.</p>	<ul style="list-style-type: none"> <li>▶ All loans are project based, not corporate loans, that have been sized and structured on conservative economic, cost and production assumptions (according to bank lending policies).</li> <li>▶ Regular monitoring of financial covenants on an actual and forecast basis as part of the monthly reporting to management and the Board.</li> <li>▶ Adherence to the Facility Compliance Calendar, which outlines covenant requirements, due dates and the frequency of reporting.</li> </ul>

Principal Risk	Potential Impact	Mitigation
<b>Financial Risks</b>		
<b>Treasury and trading</b> The Group is exposed to treasury and trading risks, including foreign exchange, interest rate and commodity price risk. Link to strategy: 4	<p>The Group is exposed to changes in currency values as a result of its international operations in various foreign currencies. The key sources of the risk include loan agreements denominated in the US Dollars, sales of crude oil denominated in U.S. dollars, ongoing operating costs and capital expenditures incurred in EUR, USD and to a lesser extent GBP and NOK.</p> <p>The Group is exposed to commodity prices in relation to its sales and revenues under its crude oil and gas sales contracts, which are subject to variable market factors. A decrease in these commodity prices could significantly impact the Group's cash flows and results.</p> <p>The Group is exposed to changes in interest rates as a result of its various financings (the RBL Senior Facility and the Subordinated Facility and the Karish-Tanin Project Financing). The key source of risk is the floating interest rate charged under each of the loan agreements (determined by USD LIBOR). An increase in the floating rate could adversely impact the Group's cashflow and results.</p>	<p>The Group has a centralised Treasury function which manages currency exchange, interest rate and commodity risks, with mitigations including:</p> <ul style="list-style-type: none"> <li>▶ <b>Currency risk</b> <ul style="list-style-type: none"> <li>– Regular updates and revisions of short and long term expenditure budgets and cash flow projections, applying 15% sensitivity on EUR: USD movements</li> <li>– Short term EUR: USD hedging for fixed inelastic EUR denominated expenditures.</li> <li>– Negotiation of large capital expenditure commitments and contractual obligations in USD denominations. During 2018, the Group exercised the option under the Technip EPCIC contract to fix the non USD component of the payment plan in USD for the period 2019 - 2021.</li> <li>– All Group loans are USD denominated.</li> <li>– All crude sales and gas contracts are denominated in USD.</li> </ul> </li> <li>▶ <b>Interest Rate Risk</b> <ul style="list-style-type: none"> <li>– The Group actively monitors its interest rate exposure and receives regular market updates from its lending banks.</li> <li>– Interest rates under bank borrowings are fixed in advance for a period of at least 3 months</li> <li>– The Group may hedge a portion of its floating rate debt in order to hold a mix of both fixed and floating rate exposure</li> </ul> </li> <li>▶ <b>Commodity price risk</b> <ul style="list-style-type: none"> <li>– The Group actively monitors oil price movements and may hedge part of its production to protect the downside while maintaining access to upside and to ensure availability of cashflows for re-investment and debt-service.</li> <li>– All Karish-Tanin gas contracts are based on pricing formulas which include floor prices; this ensures a minimum price for gas sales whatever the market conditions or pricing formulas outcome.</li> <li>– The Group's debt facilities have been sized and structured on conservative oil and gas price assumptions compared to prevailing market prices.</li> </ul> </li> </ul>
<b>Liquidity risk and restricted funding</b> The Group might not have adequate liquidity and/or access to the necessary funding sources to meet its minimum opex, capex and financing commitments as well as its growth and expansion plans. Link to strategy: 4	<p>Lack of necessary liquidity and access to funding may materially impact the Group's plans to develop its existing assets, meet production targets and execute its strategic growth plan.</p>	<ul style="list-style-type: none"> <li>▶ At least monthly monitoring of 6 - 18 month cash flow projections under a number of reasonable worst case assumptions, which include downside sensitivities on oil price, cost and production levels.</li> <li>▶ Optimisation of debt capital structure.</li> <li>▶ Strong long term relationship with major international and local financial institutions.</li> <li>▶ The Karish-Tanin development has secured funding to First Gas by a combination of committed equity funding and the Karish-Tanin project finance.</li> <li>▶ Epsilon development has secured funding to First Oil by a combination of ongoing operating cash flow from the Prinos field and the RBL Facility.</li> <li>▶ Major turnkey EPCIC contracts for both Karish-Tanin and Epsilon development to minimise the risk of cost overruns and ensure adequate liquidated damages are payable in case of project execution delays.</li> </ul>



## Principal risks and uncertainties continued

Principal Risk	Potential Impact	Mitigation
<b>Financial Risks</b>		
<p><b>Counterparty Risk</b></p> <p>The Group may be exposed to delayed payment, counterparty default or suspension or termination of sales.</p> <p><b>Link to strategy:</b></p> <p>4</p>	<p>All of the Group's production of crude oil from the Prinos basin is currently sold to a single buyer, BP, under a long-term offtake agreement. The Group is consequently reliant on BP for substantially all of its revenue.</p> <p>If the offtake agreement with BP was terminated, the Group would need to negotiate and enter into a new offtake contract. During any such negotiations, the Group might not be able to sell any of its oil from the Prinos basin, which would have an adverse effect on the Group's business, results of operations, financial condition and/or prospects.</p> <p>The Group will be dependent on its purchasers under the Gas Sale and Purchase Contracts for its Karish-Tanin Project for regular and prompt payment once it starts producing in 2021. The Group is therefore exposed to a risk of default by these purchasers. In the event of such default, the Group might be required to find alternative purchasers at less favourable terms.</p>	<ul style="list-style-type: none"> <li>▶ Crude Oil Offtake Agreement <ul style="list-style-type: none"> <li>– In Q1 2018, the crude oil offtake agreement with BP was extended to 2025 on the same terms.</li> <li>– The Group has built a strong relationship with BP and the contractual terms have been applied since 2013 without disputes and/or payment defaults and/or lifting delays.</li> <li>– Focus on maintaining delivery of production.</li> <li>– BP is an investment grade A- credit rated company with minimal risk of being unable to meet its lifting and payment obligations under the Prinos offtake agreement.</li> </ul> </li> <li>▶ Gas Sale and Purchase Contracts <ul style="list-style-type: none"> <li>– The Group has secured 4.6bcm/yr for a weighted average tenor of 16 years at an average of 75% 'take-or-pay' contract terms.</li> <li>– The Group has centred its gas offtake contracts on the largest private industrial and IPPs in Israel to ensure credit worthiness.</li> <li>– There is a pipeline of opportunities for replacement offtakers (power plants, increasing market, reduction of coal-generation).</li> </ul> </li> </ul>
<b>Governance and Compliance Risks</b>		
<p><b>Fraud, bribery and corruption</b></p> <p>The Group has an obligation to comply with fraud, anti-bribery, anti-corruption and anti-money laundering laws and violations of these laws expose the Group and / or its employees to criminal ramifications.</p> <p><b>Link to strategy:</b></p> <p>1 2 3 4</p>	<p>The Group is exposed to bribery and corruption risk through its business operations.</p> <p>Any instances of non-compliance with applicable laws and regulations, including those laws around fraud, anti-bribery, anti-corruption and anti-money laundering, could damage the reputation of the Group. In addition, these could result in litigation, regulatory action and fines which could have a material adverse impact on our cash flows and the financial condition of the Group</p>	<ul style="list-style-type: none"> <li>▶ Strong oversight and leadership from the Executive Management and the Board.</li> <li>▶ Robust framework of controls to monitor all payment approvals.</li> <li>▶ Compliance with governance policies, including the Group's Anti-Corruption and Bribery Policy, which sets out the Group's responsibilities, as well as those of its employees, in observing and upholding its position on bribery. The policy also provides information and guidance to those working for the Group on how to recognise and deal with bribery and corruption issues.</li> <li>▶ Anti-Bribery training of Group personnel.</li> <li>▶ Compliance with the Group's Corporate Culture and Business Ethics Policy which includes the Group's policy of conducting all its business in an honest and ethical manner and in compliance with all applicable laws, including but not limited to all applicable local laws where the Group operates and the UK's Bribery Act 2010.</li> </ul>

# Viability statement

## The Directors have assessed the viability of the Group over the period to December 2021, taking account of the Group's current position and the potential impact of the principal risks documented in this report.

The Board conducted the review for the purposes of the Viability Statement over this period for the following reasons:

- i. the Group's Karish Field is expected to be on stream during the first quarter of 2021 delivering long-term credible and predictable cash flow based on signed gas contracts with take or pay provision and floor prices;
- ii. the current contractual maturity of the Group's Project Finance Facility for the Karish Field is December 2021. The Greek Reserve Based Lending Facility is also expected to be refinanced within the three-year horizon, as such the three-year period is largely aligned with Energean's funding cycle; and

iii. both the Karish and Epsilon Project will be on-stream by 2021 which means the assessment period contains all material capital investments which will in turn significantly enhance the Group's ability to generate free cash flow.

Based on these factors, the Board consider that an assessment period up to 31 December 2021 appropriately reflects the underlying prospects and viability of the Group, and the period over which the principal risks are reviewed.

In order to make an assessment of the Group's viability, the Board has made a detailed assessment of the Group's principal risks, and the potential implications these risks would have on the Group's liquidity and its business model over the assessment period. This assessment included monthly cash flow analysis and the Board also considered a number of sensitivity scenarios, including combinations thereof, together with associated supporting analysis provided by the Group's finance team. The Karish Project development expenditure in Israel is funded by a dedicated Project Finance Facility and therefore we have focused the sensitivity scenarios on the Greek operations vis-à-vis production and funding risks.

A summary of the key assumptions, aligned to the Group's principal risks, and sensitivity analysis can be found below.

Principal Risks	Base Case Assumptions	Sensitivity Scenarios
Production - to achieve target production guidance and continue ongoing development	Implementation of the drilling programme in Greece during 2019 and 2020, based on the latest NSAI 2P production profile adjusted for actual production YTD	Implementation of the drilling programme in Greece during 2019 and 2020, however with ca. 10% less production than the latest NSAI report
Finance – to continue our ongoing development uninterrupted, pursue more growth opportunities in the region as well as be able to withstand any unexpected oil price and/or production drops	Increase in available funding by circa USD50m by upsizing/refinancing the Greek RBL Refinance of USD1.275bn Project Finance at maturity in December 2021 post First Gas with a long term loan or bond The Project Finance is available, first drawdown occurred in Q1 2019	No funding available for Greece due to lack of bank market liquidity/appetite or access to capital resulting in a delay to the drilling campaign in Greece.
Market and Treasury – to withstand macro environment, oil price, FX and Interest Rate volatility	Oil price based on Group planning assumption of \$65/bbl (real) plus discount to Brent FX rate for costs in EUR of €1 : \$1.15 IR based on floating USD LIBOR set by the Lending banks at each interest rate period under the Loans	Sensitivity to oil price of \$55/bbl (real) plus discount to Brent, oil price downside having the most significant impact versus IR or FX rate volatility.

Under such sensitivity scenarios, the Board has considered the availability and likelihood of mitigating factors such as hedging, additional funding options and further rationalisation of our cost base, including cuts to discretionary capital expenditure. Based on the results of the analysis the Board of Directors has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

# Corporate Governance

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## Chairman's letter



### Dear Shareholders,

I am pleased to welcome you to our Corporate Governance report on behalf of the Board. In this, we outline our governance arrangements and explain how we apply the main principles of the provisions set out in the UK Corporate Governance Code (the 'Code') issued by the Financial Reporting Council (FRC). It is essential that the governance structure supports the success of the Company's strategy and ensures the creation and preservation of shareholder value, as well as benefiting other stakeholders.

Following the successful IPO in March 2018, the Company was pleased to be promoted to the FTSE 250 in May 2018.

I look forward to working with the Board, management and all of our stakeholders as we become a leading independent oil and gas exploration and production company in the Mediterranean.

### The Board and governance

Our Board was formed in 2017, following incorporation of the Company and prior to the IPO in March 2018. In preparation for listing, the Board reviewed and expanded its policies, where necessary, with the aim of strengthening the Group's governance framework.

The Board plays a vital role in developing and maintaining the Group's culture and values by setting the 'tone from the top', determining the behaviours of the Group expected by the Board and ensuring that ethical standards are maintained. In doing so, the Board aims to strike the right balance between entrepreneurial leadership and the prudent and effective management of risk, both of which are essential to maintaining a sustainable business and creating value for shareholders.

### Diversity

The Board understands the benefits of diversity in maintaining and improving the quality of performance and all Board appointments are made against objective criteria and with due regard to the benefits of diversity, in all senses.

The Board established a Board diversity policy in 2018 and will implement the policy as and when vacancies arise on the Board.

### Board evaluation

During the year the Board undertook an internal evaluation facilitated by the Company Secretary.

### Engagement with shareholders

We place emphasis on active engagement with our shareholders and aim to maintain open and transparent communication. During the year we were pleased to host investors at our sites in Israel and Greece and meet with our key partners in those regions.

Looking ahead, I expect 2019 to be an important year for Energean as the Group continues to grow and focus on the development of Karish and Tanin as well as enhancing production in Greece. In this context maintaining the high standards of governance established to date will be of critical importance.

I look forward to engaging with many shareholders throughout the year and welcoming all shareholders to our Annual General Meeting on 13 June 2019.

### Simon Heale

Chairman

17 April 2019



# Board of Directors

An experienced Board with extensive expertise in the energy sector, financial management, HSE and capital markets.



## Simon Heale

Non-Executive Chairman

### Independent

On Appointment

### Commencement of Appointment

July 2017

### Committee Membership

- ▶ Nomination & Governance (Chair)
- ▶ Remuneration Committee

### Key Skills & Experience

Simon Heale is a Chartered Accountant with a degree in Philosophy, Politics and Economics from Oriel College, Oxford.

Simon has significant business operations and management experience gained through a diverse range of industries, previously serving as chairman of Kaz Minerals from May 2013 until December 2017, as chairman of Marex Spectron from January 2016 until December 2018 and Gulf Marine Services plc until March 2019.

He also served on the boards of Carlton Commodities Capital Corporate Member Limited from 2011 to 2016, Coats plc from 2011 to 2014, Morgan Advanced Materials from 2005 to 2014, PZ Cussons from 2008 to 2013 and Panmure Gordon & Co from 2010 to 2011.

Simon has extensive experience in senior executive roles, including as chief executive of the London Metal Exchange from 2001 to 2006, as chief operating officer of Jardine Fleming Ltd from 1999 to 2001, and as deputy managing director at Cathay Pacific Airways from 1994 to 1997.

### Current External Appointments

- ▶ Deputy Chairman of Brooge Petroleum and Gas Investment Company



## Matthaios (Mathios) Rigas

Chief Executive Officer

### Independent

Not Applicable

### Commencement of Appointment

May 2017, previously the CEO of the Group since 2007

### Committee Membership

Not Applicable

### Key Skills & Experience

Mathios Rigas holds a degree in Mining and Metallurgical Engineering from the National Technical University of Athens and an MSc/DIC degree in Petroleum Engineering from Imperial College London.

Mathios has 20 years of investment banking and private equity experience and is a founding shareholder of the Group.

During the years 2001 to 2007 he set up, and was managing partner of, Capital Connect Venture Partners, a private equity fund in Greece with investments in innovative enterprises in IT, healthcare, waste management and food industries.

From 1999 to 2001 Mathios was in charge of Piraeus Bank's shipping division, and from 1993 to 1999, he was vice president of shipping, energy & project finance at Chase Manhattan Bank. He was formerly the chairman of the board of Tyres Herco S.A. and MAVIN S.A. in Greece.

### Current External Appointments

Not Applicable



## Panagiotis (Panos) Benos

Chief Financial Officer

### Independent

Not Applicable

### Commencement of Appointment

May 2017, previously the CFO of the Group since 2011

### Committee Membership

Not Applicable

### Key Skills & Experience

Panos Benos is a Chartered Accountant and holds an MSc in Shipping, Trade and Finance from Cass Business School.

Panos has 15 years of international experience in the oil and gas sector, both in banking and industry, with a long track record of upstream financing in emerging markets.

He was previously a director in the oil and gas team in London with Standard Chartered Bank, delivering a number of award-winning project and acquisition finance deals in Africa, Asia and the Middle East.

Prior to that Panos worked for ConocoPhillips from 2002 to 2006, where he held positions in European treasury, North Sea economics and international downstream with a focus on the North Sea, Central Europe and the Middle East. He commenced his career at Royal Bank of Scotland in shipping finance.

### Current External Appointments

Not Applicable



## Andrew Bartlett

Senior Independent Director

### Independent

Yes

### Commencement of Appointment

August 2017

### Committee Membership

- ▶ Audit & Risk (Chair)
- ▶ Nomination & Governance
- ▶ Remuneration

### Key Skills & Experience

Andrew Bartlett holds an MSc in Petroleum Engineering from Imperial College London.

Andrew has over 30 years' experience in the upstream oil and gas industry.

Andrew served as the chairman and non-executive director of Azonto Energy from 2013 to 2015.

He was also previously the global head of Oil & Gas M&A and Project Finance for Standard Chartered Bank between 2004 and 2011. Prior to this, Andrew worked on the trading and derivatives desk of Standard Bank in South Africa.

Before joining the investment banking industry, Andrew worked for Royal Dutch Shell between 1981 and 2001, as a petroleum engineer and development manager, where he gained extensive experience in the operation of oil and gas fields.

### Current External Appointments

- ▶ Non-Executive Director of Africa Oil Corporation
- ▶ Non-Executive Director of Impact Oil & Gas
- ▶ Adviser to Helios Investment Partners LLP



## Karen Simon

Non-Executive Director

### Independent

Yes

### Commencement of Appointment

September 2017

### Committee Membership

- ▶ Health, Safety & Environment

### Key Skills & Experience

Karen Simon holds a Masters in International Management, an MBA and BA in Economics & International Studies.

Karen has been with J.P. Morgan for over 34 years.

Her career includes senior roles in Oil & Gas, Debt Capital Markets and Private Equity coverage.

Karen was the Head of Financial Sponsor Coverage for J.P. Morgan in both New York and in London from 2007 to 2016, serving further as Global co-head including Asia.

Prior to this, she was co-head of Debt Capital Markets for EMEA and spent the first 15 years of her career in various positions in the Oil & Gas division in Houston and London.

### Current External Appointments

- ▶ A Vice Chairman of Investment Banking, J.P. Morgan
- ▶ Non-Executive Director of Aker ASA
- ▶ Board Member of the non-profit Dallas Women's Foundation

## Board of Directors continued



**Efstathios (Stathis) Topouzoglou**  
Non-Executive Director

**Independent**  
No

**Commencement of Appointment**  
May 2017

**Committee Membership**  
► Nomination & Governance

**Key Skills & Experience**  
Stathis Topouzoglou holds a BA in Business Administration and Economics from the University of Athens, Greece.

He is a founding shareholder of the Group. Stathis is also co-founder of Prime Marine Corporation ('Prime'), a leading worldwide product tanker company and major global provider of seaborne transportation for refined petroleum products, LPG and ammonia.

Stathis has more than 35 years of experience in founding and growing companies in the energy transportation sector.

**Current External Appointments**  
► Chief Executive Officer and Managing Director of PRIME.



**Ohad Marani**  
Non-Executive Director

**Independent**  
Yes

**Commencement of Appointment**  
July 2017

**Committee Membership**  
► Audit & Risk  
► Remuneration (Chair)  
► Health, Safety & Environment

**Key Skills & Experience**  
Ohad Marani holds an MA in Public Administration from Harvard University. He also holds an MBA (major in Finance) and a BA in Economics, both from the Hebrew University of Jerusalem.

Ohad was Chief Executive Officer of the Israel Land Development Company Energy Ltd from April 2010 to September 2015, Chairman of the board of Emmanuelle Energy from 2010 to 2015, and Chairman of the board of Israel Natural Gas Lines Ltd from 2008 to 2010.

He was the Executive Chairman of the board of ORL Ltd from 2004 to 2007.

Ohad has also served in the Israeli government, including Director General of the Israeli Finance Ministry from 2001 to 2003, Director General of the Budget Department of the State of Israel from 2000 to 2001, and Minister of Economic Affairs at the Israeli Embassy in Washington from 1995 to 2000.

**Current External Appointments**  
► Board member of Bank Leumi of Israel Ltd.  
► Member of the Investment Committee of Israel's Infrastructure Fund



**Robert Peck**  
Non-Executive Director

**Independent**  
Yes

**Commencement of Appointment**  
July 2017

**Committee Membership**  
► Audit & Risk  
► Remuneration  
► Health, Safety & Environment (Chair)

**Key Skills & Experience**  
Former Ambassador Robert Peck holds a BA in History and Journalism from Concordia University in Montréal.

Robert was Canada's Ambassador to Greece and High Commissioner to the Republic of Cyprus from 2011 to 2015, Chief of Protocol of Canada from 2007 to 2010, and Canada's Ambassador to the People's Democratic Republic of Algeria from 2004 to 2007.

He was Senior Advisor in the Human Resources Bureau at Global Affairs Canada, a department of the Government of Canada, from 2015 to 2017.

During a two-year leave of absence from the Government of Canada, Robert was Director of Corporate Communications and Investor Relations at CAE Inc., from 2000 to 2002.

He was also Counsellor to the Canadian Embassy in Greece from 1995 to 1998.

**Current External Appointments**  
Not Applicable



**David Bonanno**  
Non-Executive Director

**Independent**  
No

**Commencement of Appointment**  
May 2017

**Committee Membership**  
Not applicable

**Key Skills & Experience**  
David Bonanno graduated cum laude from Harvard University with a BA in Psychology.

In 2008, David joined Third Point, where he is managing director, focusing on special situation opportunities in the US and Europe and where he acts as the primary investment professional responsible for all Third Point's Hellenic Recovery Fund L.P. activities in Greece.

Prior to joining Third Point, David was an associate in the private equity and distressed investments group at Cerberus Capital Management, L.P. from 2006 to 2008.

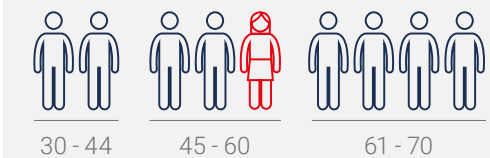
Prior to this, he was an analyst in the restructuring and reorganisation advisory group at Rothschild Inc. from 2004 to 2006.

**Current External Appointments**  
► Managing Director, Third Point

### Board diversity

The mix in our membership

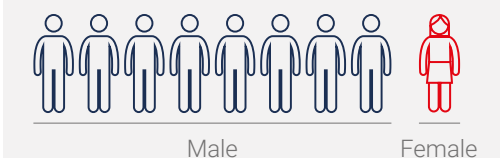
### Board diversity by age (years)



### Board diversity by nationality



### Board diversity by gender





# Executive Committee



**Matthaios (Mathios) Rigas**  
Chief Executive Officer

Profile – see page 66



**Panagiotis (Panos) Benos**  
Chief Financial Officer

Profile – see page 67



**Dr. Stephen Moore**  
Chief Growth Officer

#### Profile

Dr. Steve Moore is an E&P technical professional with 28 years' experience at Shell, Maersk Oil and Mubadala Petroleum. He joined Energean in 2014. Previously he was Senior Vice President Technical at Mubadala Petroleum, where he managed all technical functions of the company worldwide, including G&G, reservoir, drilling, facilities, projects, operations, HSE and technology.

Steve has held increasingly significant roles across New Business Development, and Technical, Asset and Company Management, expanding from company to global level. He has worked extensively in the FSU, in the Middle East and South East Asia, as well as in the UK North Sea.

Steve holds a BSc (Hons) in Chemical Engineering and a PhD in Chemical Engineering from the University of Newcastle upon Tyne, UK.



**Iman Hill**  
Chief Operating Officer

#### Profile

Iman Hill joined Energean as Chief Operating Officer in November 2018. She is a Petroleum Engineer with 30 years' experience in the Oil & Gas industry, specialising in Production Operations and Fast-tracking of Developments to Production, across the MENA region, Africa, Latin America and the Far East.

Prior to joining Energean, Iman was the Technical Director for Dana Gas PJSC in the UAE. She began her career with BP and went on to work for Shell, for more than a decade, and then BG Group, holding positions such as Managing Director of Shell Egypt and Chairwoman of Shell Companies in Egypt and Senior Vice President for Developments and Operations with BG Group.

Iman has also held positions on a number of Boards including as a Non-Executive Director of Outokumpu, Europe's largest steel company.



**Michelle Churchward**  
Group General Counsel  
& Company Secretary

#### Profile

Michelle Churchward joined Energean in April 2017 and is responsible for all legal and company secretarial matters. Prior to joining Energean, Michelle worked on exploration and development projects in the Falkland Islands, Morocco and Egypt. She had previously been Legal Manager at Sterling Energy plc, where she was involved in oil and gas transactions and activities internationally, including in the Kurdistan Region of Iraq, West Africa and Madagascar. She has also worked for the OMV Group, the BG Group and Schlumberger.

Michelle graduated from the University of Nottingham with a degree in Law and began her career as a solicitor with Titmuss, Sainer & Webb (now Decherts). In previous roles she was based in London, Aberdeen and Paris.

# Corporate governance report

## Statement of compliance

The Board is committed to the highest standards of corporate governance. Since Admission on 21 March 2018, the Board has complied and will continue to comply with the provisions of the UK Corporate Governance Code ('the Code'). In this report, we describe our corporate governance arrangements and explain how the Group applies the principles of the Code. The Code is available at [www.frc.org.uk](http://www.frc.org.uk). The Board has carried out a review of its compliance with the relevant provisions of the Code throughout the year and confirmed that it continues to comply with all the provisions.

## Type and number of meetings held during the year

Director	Board	Audit & Risk	Nomination & Governance	Remuneration	HSE
Mathios Rigas	5	–	–	–	–
Simon Heale	5	–	1	1 <sup>1</sup>	–
Andrew Bartlett	5	3	1	2	–
Ohad Marani	5	3	–	2	2
Robert Peck	5	3	–	3	2
Efstathios Topouzoglou	5	–	1	–	–
Panos Benos	5	–	–	–	–
Karen Simon	5	–	–	–	2
David Bonanno	2	–	–	1 <sup>2</sup>	–

1. Became a member of the Committee in September 2018.

2. Left the Committee in September 2018.

## Directors

New Directors were appointed to the Board in 2017 in anticipation of the admission of the Company's ordinary shares to the premium listing segment of the FCA and to trading on the London Stock Exchange's main market of listed securities. Following the appointment of the Independent Non-Executive Directors in 2017, the Board believes it has an appropriate balance of skills and experience. In respect of at least half the Board, its composition meets code provision B.1.2, which requires that at least half the Board (including the Chairman) comprise Independent Non-Executive Directors.

The roles of Chairman and Chief Executive Officer are separate and the responsibilities of the Chairman and Chief Executive Officer are independently defined. It is the Chairman's responsibility to provide leadership of the Board and set the board agenda as well as to ensure that the Board is provided with accurate, timely and clear information in relation to the Group and its business. The Chief Executive Officer is responsible for setting the overall objectives and strategic direction of the Group as well as having day-to-day executive responsibility for the running of the Company's businesses. The Chairman and Chief Executive Officer share responsibility for the representation of the Company to third parties.

## The Board

The Board met on five occasions during the course of 2018 to review trading performance, budgets and funding, to set and monitor strategy, to examine acquisition opportunities and to report to shareholders.

The Board has a formal schedule of matters that can only be decided by the Board, and this schedule is reviewed by the Board each year. The key matters reserved are the consideration and approval of:

- ▶ Business plan and budgets
- ▶ Capital expenditure
- ▶ Group strategy
- ▶ Board membership
- ▶ Performance review
- ▶ Acquisitions and disposals
- ▶ Operation as a listed company
- ▶ Material contracts
- ▶ Financial reporting and controls
- ▶ Material tenders
- ▶ Distributions and dividends
- ▶ The appointment and removal of internal and external auditors
- ▶ Changes in capital structure
- ▶ Material litigation
- ▶ Compliance with statutory and regulatory obligations
- ▶ Internal controls and risk management
- ▶ Significant transactions
- ▶ Executive remuneration
- ▶ Delegations of authority

# Corporate governance report continued

## Non-Executive Directors

The Non-Executive Directors have a broad range of business and commercial experience. They provide independent and constructive challenge to the Group and monitor the performance of the Chief Executive Officer and the Chief Financial Officer against the Group's strategy and key objectives.

Each appointment is for an unlimited term, subject to being re-elected as a director at each annual general meeting. A Non-Executive Director or the Company may terminate the appointment at any time upon three months' written notice. These appointments are subject to the provisions of the Articles of Association, the Code, the Companies Act and related legislation.

The role of the Senior Independent Director, Andrew Bartlett, is to provide a sounding board for the Chairman and to serve as an intermediary for the other Directors when necessary. The Senior Independent Director is available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive Officer or Chief Financial Officer has failed to resolve or for which such contact is inappropriate.

## Independence of Directors

The Board comprises a Non-Executive Chairman, who was independent on appointment, two Executive Directors and six Non-Executive Directors. The Company considers all of the Non-Executive Directors to be independent within the meaning of 'independent' as defined in the Code, other than David Bonanno and Efstathios Topouzoglou.

While each of Mr Bonanno and Mr Topouzoglou are considered to be independent in character and judgement, David Bonanno is not deemed to be independent by reference to the criteria set out in the Code as a result of representing Third Point Hellenic Recovery (Lux) S.À.R.L., which holds approximately 26.7% of the shares of the Company, while Efstathiou Topouzoglou is not deemed to be independent by reference to the criteria set out in the Code as a result of owning in aggregate (as an individual and by his indirect holdings in both Oilco Investments Limited and HIL Hydrocarbon Investments Limited) approximately 11.7% of the shares of the Company.

## Time Commitment of Directors

All of the Directors remain committed to their role, and are able to devote sufficient time to the Company to discharge their responsibilities effectively.

## Board committees

The Board has established four committees made up principally of Independent Non-Executive Directors. All appointments to these committees are for an initial period of up to three years and may be extended by no more than two additional three year periods. These committees are:

- ▶ Audit and Risk Committee (pages 74 - 76)
- ▶ Nomination and Governance Committee (page 77)
- ▶ Health, Safety and Environment Committee (page 78)
- ▶ Remuneration Committee (pages 79 - 94)

The page numbers above denote the location of each committee report, which describes the composition and focus of each of the committees. The terms of reference of the committees have been drawn up in accordance with the provisions of the Code. A copy of each committee's terms of reference is available from the Company Secretary and also can be found at [www.energean.com](http://www.energean.com).

## Board effectiveness

### Evaluation

During the year, the Board undertook an internal review of its effectiveness facilitated by the Company Secretary. This was undertaken by way of a questionnaire and one to one meetings after which an action plan was drawn up and discussed with the Chairman.

### Training and development

Board members are provided with ongoing training and development opportunities.

Development needs are discussed during annual performance reviews with the Chairman. During the year, the Board received training on the UN Sustainability Goals and the FRC's new Corporate Governance Code.

### Induction

On joining the Board all new Directors receive an induction programme that is tailored to their individual requirements. The induction schedule is facilitated by the Company Secretary in consultation with the Chairman and the new Director.

The objective of each induction programme is to provide an overview of the Group's business, strategy, finances, history, culture and values and to ensure that the new Director gains sufficient knowledge of the business to allow them to carry out their role effectively.

## Accountability

This Annual Report includes a number of disclosures which set out the Company's position and prospects. The Statement of Directors' Responsibilities confirms that the Directors believe those disclosures to be fair, balanced and understandable and the auditor, Ernst & Young LLP, has given its opinion that the financial statements give a true and fair view of the Group's affairs.

The Company has established an Audit & Risk Committee to consider the nature and extent of the principal risks facing the Group. The Committee also considers corporate reporting and manages the relationship with external and internal auditors. Further details of the Committee's role and activities are detailed on pages 74 to 76 of this report.

## Remuneration

The Board has established a Remuneration Committee to consider and approve the Executive Directors' remuneration arrangements and to ensure those arrangements are designed to promote the long-term success of the Company and that any performance-related elements are transparent, stretching and rigorously applied. Further details of the role and activities of the Remuneration Committee are found on pages 79 to 94 of this report.

## Relationship with shareholders

### Engagement with shareholders

We are committed to regular dialogue with our shareholders and the wider investment community and this process commenced with the IPO preparations. Ongoing communications are through regulatory announcements, regular meetings, presentations, investor conferences and *ad hoc* events.

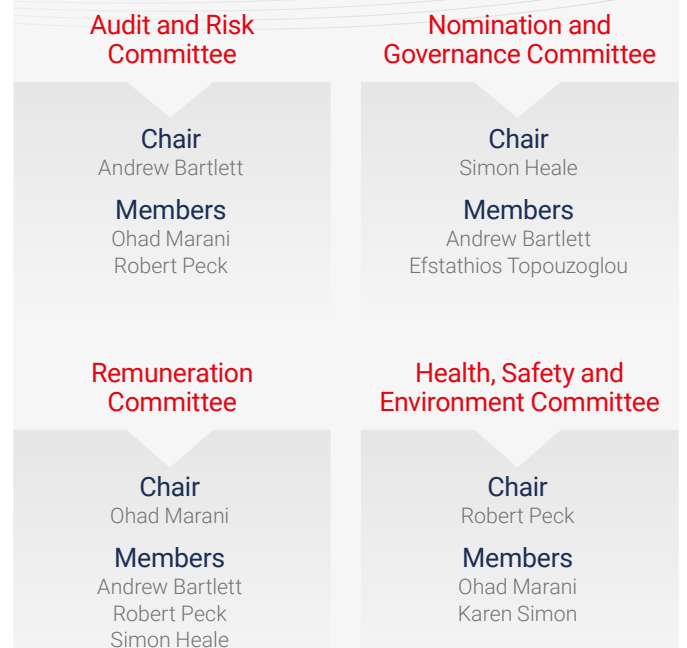
Shareholders can access details of the Group's results and other new releases through the London Stock Exchange's Regulatory News Service and the Tel Aviv Stock Exchange news service and all news releases are also published on the Investors and Media sections of the Group's website: [www.energean.com](http://www.energean.com).

### Annual General Meeting

The 2019 AGM will be held on 13 June 2019. Shareholders will receive presentations setting out the key developments in the Group and will have an opportunity to ask questions of the Board.

A poll will be used to for all resolutions and the final results will be announced via the London Stock Exchange Regulatory News Service, the Tel Aviv Stock Exchange news service and the Group's website.

## Leadership structure





# Audit and Risk Committee report



**Andrew Bartlett**

Chairman of the Audit & Risk Committee

I am pleased to present this Audit and Risk Committee Report for the year ended 31 December 2018, which sets out the role of the committee during the year and key areas of focus for 2019.

## Membership of the committee

The other members of the Audit and Risk Committee are Ohad Marani and Robert Peck.

The Committee's members are all Independent Non-Executive Directors, and therefore the composition of the Committee complies with the Code. Members' skills and experience are documented on pages 66 - 69. The Board is satisfied that the Committee meets the requirement to have recent and relevant financial experience and that as a whole we have sufficient experience of the oil and gas sector. Any member of the Committee, the Company's external auditor, or its internal auditor may however request a meeting if he/she considers that one is necessary or expedient.

The Chairman of the Board, Simon Heale, attends all of the meetings of the Committee and the CFO and external audit partner attend meetings by invitation.

## Role of the committee

The Audit and Risk Committee's role is to assist the Board with discharging its responsibilities in relation to financial reporting, including monitoring the integrity of the Group's annual and half year financial statements, reviewing the Group's accounting policies, reviewing the Group's internal financial controls, reviewing and monitoring the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors, and reviewing the effectiveness of the internal audit, whistleblowing and fraud systems in place within the Group.

The Audit and Risk Committee reviews the Group's capability to identify and manage new types of risk, and keeps under review the Group's overall risk assessment processes that inform the Board's decision making.

The Audit and Risk Committee considers annually how the Group's internal audit requirements shall be satisfied and makes recommendations to the Board accordingly as well as on any area it deems needs improvement or action.

## Attendance at meetings

The Audit and Risk Committee became effective upon Admission in March 2018. The Committee met three times during the year, and attendance at these meetings is set out below:

Member	Number of meetings	Meetings attended
Andrew Bartlett	3	3
Ohad Marani	3	3
Robert Peck	3	3

## Key matters considered in relation to the consolidated financial statements

The Audit and Risk Committee focused on a number of key judgements and reporting issues in the preparation of the full year results and the Annual Report. In particular, the Committee considered, discussed and where appropriate challenged:

- ▶ How the Company recognised the additional investment in Energean Israel Limited. Following the completion of the IPO, the Company had an undertaking to purchase Energean Israel B shares. The Committee agreed that the Company had used the appropriate accounting treatment for the subsequent valuation of the derivative asset and that the consolidation of Energean Israel's results and balance sheet were appropriate.
- ▶ How the Group assesses the recoverability of oil and gas assets, including the estimation of oil and gas reserves. The Committee considered the approach taken by the Company on the impairment indicators and where appropriate, the approach taken to calculate the value-in-use for producing oil and gas assets. The Committee supported the view that there are no indicators of impairment for the Group's oil and gas assets.
- ▶ Given the importance to the Company, the Committee assessed and challenged the accounting treatment of the Karish/Tanin development costs. The Committee reviewed the capitalisation of development costs and agreed with the Company's approach and that appropriate accruals were in place for the year-end to reflect the costs of services provided by contractors.
- ▶ The viability statement in the 2018 Annual Report and the going concern basis of accounting including consideration of evidence of the Group's capital, liquidity and funding position. The Committee considered the assessment of principal risks, assessed the Group's prospects in light of its current position and reviewed the disclosures on behalf of the Board. The Committee supported the viability statement and the Directors' going concern conclusion.

## Assessment of Annual Report

A requirement of the Code is that the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. This is the Group's second Annual Report and, in order to support the assessment, the Committee reviewed the principal risks, business model, financial review and KPIs to ensure these were representative of the business and consistent throughout the Report and that areas requiring significant judgement and explanation have due prominence.

The Committee believes that the disclosures set out in the Annual Report provide the information necessary for shareholders to assess the Group's position, performance, business model and strategic outlook.

## Internal controls and risk management

The Audit and Risk Committee is responsible for the oversight of the Group's system of internal controls, including the risk management framework and the work of the internal audit function. Details of the risk management framework are provided within the risk management section on pages 56 - 57. The Group's principal risks and uncertainties, which provide a framework for the Committee's focus, are discussed on pages 58 - 62. Management has identified the key operational and financial processes which exist within the business and has developed an internal control framework. This is structured around a number of Group policies and procedures and includes a delegated authority framework.

## Internal auditors

The Audit and Risk Committee is responsible for the review and approval of the role and mandate of the Internal Audit function, including the approval of the annual internal audit plan and monitoring the effectiveness of the function.

PwC LLP was appointed in January 2018 for a term of three years as the Group's outsourced internal audit function ('Internal Audit') following a tender process. Its key objectives are to provide independent and objective assurance on risks and controls, to the Board, the Audit and Risk Committee and senior management, and to assist the Board in meeting its corporate governance responsibilities. The long term Internal Audit plan for 2018, 2019 and 2020 was approved by the Audit and Risk Committee in April 2018, as well as a short term Internal Audit plan for 2018. Going forward, the plans will be reviewed annually. The Committee's Chairman has established a positive and effective working relationship with Internal Audit.

In its annual assessment of the effectiveness of Internal Audit, the Audit and Risk Committee will:

- ▶ meet with Internal Audit without the presence of management to discuss the effectiveness of the function;
- ▶ review and re-assess the internal audit work plan; and
- ▶ monitor and assess the role and effectiveness of Internal Audit in the overall context of the Group's risk management.

During the year PwC undertook 3 internal audits (2017: nil) at a cost of \$62,600 (2017: nil)

## External auditors

Ernst & Young LLP ('EY' and the 'External Auditor') were appointed as auditors in 2018 and undertook their first audit for the year ended 31 December 2017. Energean Oil & Gas plc became a Public Interest Entity in 2018 on admission to trading on the London Stock Exchange. The Company has to comply with the EU Audit Directive (2014/56/EU) and Audit Regulation (537/2014) and will be required to put the external audit contract out to tender by 2028. The Committee confirms that it has complied with the provisions of the September 2014 Competition and Markets Authority Order in this area. The current lead audit partner is Andrew Smyth, who has been the lead partner since 2018. The fees paid to EY for their services are detailed in note 8 to the financial statements.

The External Auditor attends each meeting of the Audit and Risk Committee and reports on their audit work and conclusions including the appropriateness of the judgements made by management and their compliance with International Financial Reporting Standards.

# Audit and Risk Committee report continued

The Audit and Risk Committee has responsibility for the oversight of the external audit plan. This includes monitoring the independence and objectivity of EY, the quality of the audit services and their effectiveness, the level of fees paid, approval of non-audit services provided by EY and re-appointment.

The Committee concluded that EY are objective, and operate at a high standard and have recommended to the Board that the External Auditor be re-appointed at this year's AGM for the financial year ending 31 December 2019.

## Non-audit services

In order to safeguard the auditor's independence and objectivity, the Group has in place a policy setting out the circumstances in which the auditor may be engaged to provide services other than those covered by the Group audit. The policy complies with the FRC's Ethical Standard for Auditors, published in September 2015, which implemented the EU's revised Statutory Audit Directive.

The Policy sets out those types of services that are strictly prohibited and those that are allowable in principle (permissible services). Any service types that do not fall within either list are considered by the Audit and Risk Committee Chairman on a case by case basis, supported by a risk assessment prepared by management.

Fees payable to the Auditor for the year ended 31 December 2018 are detailed in note 8 to the financial statements.

## Whistleblowing policy

The Group has a Whistleblowing policy in place and the Committee is responsible for overseeing the arrangements and the effectiveness of the processes for this. The policy exists to enable employees to raise any concerns in confidence about wrongdoing or impropriety within the Group.

## Performance of the Committee

The performance of the Audit & Risk Committee was assessed by way of an internal process in 2018 and will undergo a similar internal assessment during 2019.

## Our priorities for 2019

During 2019, the Committee will continue to oversee the implementation of systems, including SAP. The Committee will continue to review the effectiveness of the risk management process and controls put in place by management. Furthermore the Committee will undertake an internal review of the effectiveness of the internal and external auditor.

## Approval

This report in its entirety has been approved by the Board of Directors, following recommendation by the Committee, and signed on its behalf by:

### Andrew Bartlett

Audit and Risk Committee Chairman

17 April 2019

# Nomination and Governance Committee report



**Simon Heale**  
Chairman of Nomination and Governance Committee

It is my pleasure to introduce the Nomination and Governance Committee Report for 2018, which sets out the composition and role of the Committee and the areas of focus for 2019.

## Membership

The other members of the Nomination and Governance Committee are Andrew Bartlett and Efsthios Topouzoglou.

The Code recommends that a majority of the members of the Nomination and Governance Committee be Independent Non-Executive Directors and that the Chairman (other than where the Committee is dealing with the appointment of a successor to the chairmanship) or an Independent Non-Executive Director should chair the Committee. As I was considered to be independent upon appointment as Chairman and Andrew Bartlett is considered to be an Independent Non-Executive Director, we believe that the Company complies with the requirements of the Code in this respect. The Company Secretary acts as secretary to the Committee.

## Meetings

The Nomination and Governance Committee became effective upon Admission in March 2018.

	Number of meetings	Meetings attended
Simon Heale	1	1
Andrew Bartlett	1	1
Stathis Topouzoglou	1	1

## Role of the Committee

The Nomination and Governance Committee assists the Board in reviewing the structure, size and composition of the Board, including providing advice to the Board on the retirement and appointment of additional and/or replacement Directors.

It is also responsible for reviewing succession plans for the Directors, including the Chairman and Chief Executive and other senior executives. For more information and the Committee's terms of reference please visit the Company's website [www.energean.com](http://www.energean.com).

## Diversity

The Committee's key area of responsibility is to ensure the composition of the Board is appropriate for oversight of the strategic direction of the Group and this includes reviewing the balance of skills and knowledge. The Nomination and Governance Committee recognises the benefits of diversity in the boardroom and believes that a wide range of experience, backgrounds, perspectives and skills generates effective decision-making.

The Board included one woman who represented 11% of the Board.

## Board effectiveness

As reported earlier on page 72, an evaluation of Board effectiveness took place during 2018. The Company Secretary facilitated a formal and rigorous annual evaluation of the Board's performance which was done via a survey and one to one meetings.

## Time commitment of the chairman

During the year Simon Heale was appointed Deputy Chairman of BPGIC. He also served as Chairman of Marex Spectrom until December 31 2018 and as Chairman of Gulf Marine Services for the full year although he stepped down from that position on March 31 2019. The Board believes that he has adequate time available to devote to the company.

## Performance of the Committee

The performance of the Nomination and Governance Committee was assessed by way of an internal process in 2018 and it was concluded that the committee continued to be effective.

## Our priorities for 2019

In 2019, the Nomination and Governance Committee will focus on succession planning to ensure the Group retains senior executives with the necessary skills and knowledge to remain effective and the Committee will work alongside the Board to prepare and implement the board diversity policy.

### Simon Heale

Nomination and Governance Committee Chairman

17 April 2019



# Health, Safety and Environment Committee report



**Robert Peck**  
Chairman of Health, Safety and Environment Committee

As Chairman of the Health, Safety and Environment Committee, it is my responsibility to ensure that the Committee is rigorous and effective in carrying out its role.

## Membership

The other members of the Health, Safety and Environment Committee are Karen Simon and Ohad Marani. The Company Secretary acts as Secretary to the Committee.

## Meetings

The Health, Safety and Environment Committee became effective upon Admission in March 2018, during the year two meetings were held, the details of the attendance at which are detailed below. Any member of the Committee may however request a meeting if he/she considers that one is necessary or expedient.

Director	Number of meetings	Meetings attended
Robert Peck	2	2
Karen Simon	2	2
Ohad Marani	2	2

## Role of the Committee

The Health, Safety and Environment Committee evaluates the effectiveness of the Group's policies and systems for identifying and managing environmental, health, safety and security risks as well as matters relating to equality, diversity, business ethics and corporate social responsibility. Additionally, the Committee assesses the performance of the Group with regard to the impact of decisions and related actions in these areas upon employees, communities and other third parties, as well as upon the reputation of the Group. The Committee receives regular reports from the HSE manager.

## Activities

During the year, the Committee reviewed the effectiveness of the Group's policies and systems for identifying the risk of major accidents and for providing conduct assurance on the key, health, safety and environmental controls to prevent occurrence of accidents. The Committee also reviewed the Group's plans for an enhanced Corporate Social Responsibility (CSR) strategy.

## Performance of the Committee

The performance of the Health, Safety and Environment Committee was assessed by way of an internal process in 2018 and will undergo a similar internal assessment during 2019.

## Our priorities for 2019

In 2019 the Committee will continue to review the effectiveness of the Group's Health and Safety policies, the Group's sustainability report and will review the findings from the Internal Audit Report on Health and Safety.

## Approval

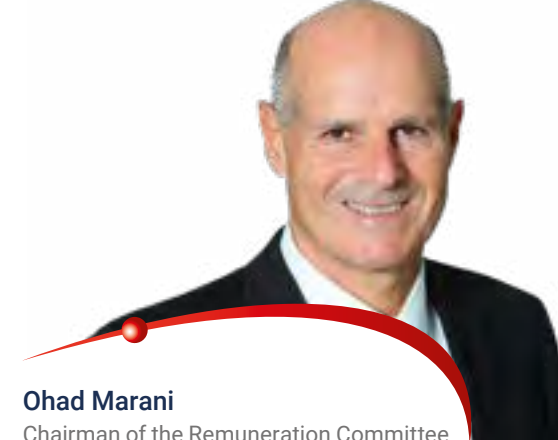
This report in its entirety has been approved by the Board of Directors, following recommendation by the Committee, and signed on its behalf by:

## Robert Peck

Health, Safety and Environment Committee Chairman

17 April 2019

# Remuneration Committee report



**Ohad Marani**  
Chairman of the Remuneration Committee

I am pleased to present the Directors' remuneration report for the year ended 31 December 2018. The report is split into two sections in line with legislative reporting regulations:

- ▶ **Remuneration Policy** – contains details of our Directors' Remuneration Policy, which will be subject to a binding shareholder vote at our 2019 Annual General Meeting (AGM) and which will have effect from the date on which it is approved. Details are set out on pages 80 - 88.
- ▶ **The Annual Report on Remuneration** – contains details of remuneration received by Directors in 2018 and also details of how we intend to implement the Remuneration Policy during 2019. The Annual Report on Remuneration will be subject to an advisory vote at the 2019 AGM. Details are set out on pages 89 - 94.

This report is compliant with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the UK Listing Authority Listing Rules and the Companies Act 2006 and is consistent with the UK Corporate Governance Code 2016.

## Aligning remuneration with Company strategy

We measure our performance against a range of key performance indicators ('KPIs'), set out on pages 34 - 35, to ensure we are managing our long-term success in a sustainable way and in line with our strategic objectives. Our variable pay arrangements reward executives against a balanced scorecard containing financial and operational KPIs as well as strategic goals and shareholder-aligned metrics. The table on this page summarises these variable pay arrangements in 2018 and 2019:

	Annual bonus	LTIP
<b>Financial KPIs</b>	Adjusted EBITDAX (2018 & 2019) Cost of oil production per boe (2018 & 2019)	
<b>Operational KPIs</b>	Average production (2018 & 2019) Growth in 2P reserves (2018 & 2019)	Average production (2019 award)
<b>Strategic goals</b>	Karish Tanin related measure (2018 & 2019) – see below	Karish Tanin related measure (2018 & 2019 awards) – see below
<b>Shareholder-aligned metrics</b>		Relative Total Shareholder Return ("TSR") (2018 & 2019 awards) Absolute TSR (2018 & 2019 awards)

The Karish & Tanin development project is of critical importance to Energean and accordingly the Remuneration Committee has directly aligned executive pay with successful delivery of this strategic project:

- ▶ An element of the 2018 annual bonus was linked to first steel out on the Karish & Tanin project before the end of 2018 – a major milestone to meet the target date of first production in 2021.
- ▶ An element of the 2018 and 2019 LTIPs is based on successfully meeting the key 2021 deadline for delivery of first gas from the Karish & Tanin development project.

## Performance in 2018

As outlined in the Chairman's statement, it has been another year of robust financial and operational performance with revenue growth of 56% whilst simultaneously reducing unit cost of production by 29%. Strong progress was also made in advancing our Karish and Tanin project.

As a result of these key targets being met the bonus out-turn for 2018 was 82.1%, with four of the five metrics paying out in full.

## Key remuneration decisions for 2019

Key decisions made by the Remuneration Committee in relation to 2019 include:

- ▶ Executive Director salaries and annual bonus potential will be unchanged in 2019. LTIP awards will be granted over shares at the following levels – CEO: 200% of salary (2018: 200%); CFO: 180% of salary (2018: 200%).
- ▶ In recognition of our evolving strategic priorities, average production has been added as a LTIP performance measure for the 2019 award.
- ▶ From 2019, an Executive Director's 200% of salary shareholding requirement will, unless the Remuneration Committee determines otherwise, continue to apply for a period of two years following cessation of employment with the Group.

I will be available to answer questions on the Remuneration Policy and the Annual Report on Remuneration at the AGM on 13 June 2019. I hope you will find this report to be clear and helpful in understanding our remuneration practices and that you will be supportive of the resolutions relating to remuneration at the AGM.

## Ohad Marani

Chairman of the Remuneration Committee

17 April 2019

# Remuneration policy

This part of the report sets out our first Directors' Remuneration Policy (the Remuneration Policy) following Admission. This Remuneration Policy will be subject to a binding shareholder vote at the 2019 AGM and will apply to payments made from the date of approval. The information provided in this section of the Remuneration Report is not subject to audit.

## Policy table

Our Group-wide remuneration strategy is to provide remuneration packages that will:

- ▶ Motivate and retain our industry leading employees;
- ▶ Attract high quality individuals to join the Group;
- ▶ Encourage and support a high performance culture;
- ▶ Reward delivery of the Group's business plan and our key strategic and operational goals; and
- ▶ Align our employees with the interests of shareholders and other external stakeholders.

Consistent with this remuneration strategy, the Remuneration Committee has agreed a Remuneration Policy for Executive Directors whereby:

- ▶ salaries will be set at competitive, but not excessive, levels compared to peers and other companies of an equivalent size and complexity;
- ▶ performance-related pay, based on stretching targets, will form a significant part of remuneration packages;
- ▶ there will be an appropriate balance between rewards for delivery of short-term and longer-term performance targets; and
- ▶ development and long-term retention of a significant holding of Company shares will be encouraged.

The remuneration framework intended to deliver this policy will be a combination of base salary, benefits, annual bonus and awards under the Long-Term Incentive Plan (LTIP). The following table sets out details of each of these remuneration components.

## Executive Directors

Purpose and link to strategy	Operation	Maximum opportunity	Performance conditions <sup>1</sup>
<b>Fixed pay</b>			
<b>Base salary</b> To appropriately recognise skills, experience and responsibilities and attract and retain talent by ensuring salaries are market competitive.	Generally reviewed annually with any increase normally taking effect from 1 January although the Remuneration Committee may award increases at other times of the year if it considers it appropriate. The review takes into consideration a number of factors, including (but not limited to): <ul style="list-style-type: none"> <li>▶ The individual Director's role, experience and performance.</li> <li>▶ Business performance.</li> <li>▶ Market data for comparable roles in appropriate comparator businesses.</li> <li>▶ Pay and conditions elsewhere in the Group.</li> </ul>	No absolute maximum has been set for Executive Director base salaries. Any annual increase in salaries is at the discretion of the Remuneration Committee taking into account the factors stated in this table and the following principles: <ul style="list-style-type: none"> <li>▶ Salaries would typically be increased at a rate no greater than the average salary increase for other Group employees.</li> <li>▶ Larger increases may be considered appropriate in certain circumstances (including, but not limited to, a change in an individual's responsibilities or in the scale of their role or in the size and complexity of the Group).</li> <li>▶ Larger increases may also be considered appropriate if a Director has been initially appointed to the Board at a lower than typical salary.</li> </ul>	No performance conditions.
<b>Benefits</b> To provide market competitive benefits (including retirement benefits)	Benefits currently include private medical cover, life assurance and a benefits allowance (in lieu of other benefits and pension allowance). The Remuneration Committee has discretion to add to or remove benefits provided to Executive Directors. Executive Directors are entitled to reimbursement of reasonable expenses. Executive Directors also have the benefit of a qualifying third party indemnity from the Company and directors' and officers' liability insurance.	For the current Executive Directors, the maximum annual value of benefits is £75,000 (Mathios Rigas) and £50,000 (Panos Benos). For any future Executive Director appointed during the lifetime of this Remuneration Policy, the value of their benefits package would not exceed £75,000. These totals exclude any expenses treated as taxable benefits by tax authorities or any one-off costs relating to recruitment, loss of office or relocation.	No performance conditions.
<b>Variable pay</b>			
<b>Annual bonus<sup>2,3,4</sup></b> To link reward to key financial and operational targets for the forthcoming year. Additional alignment with shareholders' interests through the operation of bonus deferral.	The Executive Directors are participants in the annual bonus plan which is reviewed annually to ensure bonus opportunity, performance measures and targets are appropriate and supportive of the business plan. No more than two-thirds of an Executive Director's annual bonus is delivered in cash following the release of audited results and the remaining amount is deferred into an award over Company shares under the Deferred Bonus Plan (DBP). <ul style="list-style-type: none"> <li>▶ Deferred awards are usually granted in the form of conditional share awards or nil-cost options (or, exceptionally, as cash-settled equivalents).</li> <li>▶ Deferred awards usually vest two years after award although may vest early on leaving employment or on a change of control (see later sections).</li> <li>▶ An additional payment may be made in respect of shares which vest under deferred awards to reflect the value of dividends (including special dividends) which would have been paid on those shares during the vesting period (this payment may assume that dividends had been reinvested in Company shares on a cumulative basis).</li> </ul>	The maximum award that can be made to an Executive Director under the annual bonus plan is 150% of salary.	The bonus is based on performance against financial, strategic or operational measures appropriate to the individual Executive Director assessed over one year. The precise measures and weighting of the measures are determined by the Remuneration Committee ahead of each award to ensure they are aligned with strategic priorities. A sliding scale of targets is set for each measure, where appropriate, with payout usually at zero for threshold performance increasing to 100% for maximum performance. Any bonus payout is ultimately at the discretion of the Remuneration Committee.



# Remuneration policy continued

Purpose and link to strategy	Operation	Maximum opportunity	Performance conditions <sup>1</sup>
<p><b>Long-Term Incentive Plan (LTIP)</b><sup>3,4,5,6</sup></p> <p>To link reward to key strategic and business targets for the longer term and to align executives' with shareholders' interests.</p>	<p>Awards are usually granted annually under the LTIP to selected senior executives.</p> <p>Individual award levels and performance conditions on which vesting will be dependent are reviewed annually by the Remuneration Committee.</p> <p>LTIP awards are usually granted as conditional awards of shares or nil-cost options (or, exceptionally, as cash-settled equivalents).</p> <p>Awards granted to Executive Directors normally vest or become exercisable at the end of a period of at least three years following grant and are normally released no earlier than five years following grant. Awards may vest early on leaving employment or on a change of control (see later sections).</p> <p>An additional payment may be made in respect of shares which vest under LTIP awards to reflect the value of dividends (including special dividends) which would have been paid on those shares during the vesting and, if relevant, holding period (this payment may assume that dividends had been reinvested in Company shares on a cumulative basis).</p>	<p>The maximum award permitted to be granted to an Executive Director in respect of any one year under the LTIP is shares with a market value (as determined by the Remuneration Committee) of 200% of salary.</p>	<p>All LTIP awards granted to Executive Directors must be subject to a performance condition.</p> <p>The precise measures and weighting of the measures are determined by the Remuneration Committee ahead of each award to ensure they are aligned with strategic priorities.</p> <p>Performance will usually be measured over a performance period of at least three years. For achieving a 'threshold' level of performance against a performance measure, no more than 25% of the portion of the LTIP award determined by that measure will vest. Vesting then increases on a sliding scale to 100% for achieving a maximum performance target.</p> <p>Any LTIP vesting is ultimately at the discretion of the Remuneration Committee.</p>
<p><b>Share Ownership Guidelines</b></p> <p>To create alignment between the long-term interests of Executive Directors and shareholders.</p>	<p>Executive Directors are required to build and maintain a holding of 200% of salary in Company shares.</p> <p>Until an Executive Director is compliant with this guideline, they are required to retain at least 50% of vested post-tax shares.</p> <p>Unless the Remuneration Committee determines otherwise, this guideline will continue to apply for two years after an Executive Director ceases employment with the Group.</p>		Not applicable.

## Notes to table

- The Remuneration Committee may amend or substitute any performance condition(s) if one or more events occur which cause it to determine that an amended or substituted performance condition would be more appropriate, provided that any such amended or substituted performance condition would not be materially less difficult to satisfy than the original condition (in its opinion). The Remuneration Committee may also adjust the calculation of performance targets and vesting outcomes (for instance for material acquisitions, disposals or investments and events not foreseen at the time the targets were set) to ensure they remain a fair reflection of performance over the relevant period. In the event that the Remuneration Committee were to make an adjustment of this sort, a full explanation would be provided in the next Remuneration Report.
- Performance measures – annual bonus. The annual bonus measures are reviewed annually and chosen to focus executive rewards on delivery of key financial targets for the forthcoming year as well as key strategic or operational goals relevant to an individual. Specific targets for bonus measures are set at the start of each year by the Remuneration Committee based on a range of relevant reference points, including, for Group financial targets, the Company's business plan and are designed to be appropriately stretching.
- The Remuneration Committee may: (a) in the event of a variation of the Company's share capital, demerger, special dividend or dividend in specie or any other corporate event which it reasonably determines justifies such an adjustment, adjust; and (b) amend the terms of awards granted under the share schemes referred to above in accordance with the rules of the relevant plans. Share awards may be settled by the issue of new shares or by the transfer of existing shares. Any issuance of new shares is limited to 10% of share capital over a rolling ten-year period in relation to all employee share schemes. As outlined in the IPO Prospectus, shares issued pursuant to awards granted before or in respect of Admission do not count towards this limit.
- The cash bonus will be subject to recovery and/or deferred shares will be subject to withholding at the Remuneration Committee's discretion where within three years of the bonus determination a material misstatement or miscalculation comes to light which resulted in an overpayment under the annual bonus plan or if evidence comes to light of serious misconduct by an individual, serious reputational damage to the Group or a material failure of risk management or following a corporate failure. LTIP awards will be subject to withholding or recovery at the Remuneration Committee's discretion where before the fifth anniversary of grant a material misstatement or miscalculation comes to light which resulted in an overpayment under the LTIP or if evidence comes to light of serious misconduct by an individual, serious reputational damage to the Group or a material failure of risk management or following a corporate failure.
- Performance measures – LTIP. The LTIP performance measures will be chosen to provide alignment with our longer-term strategy of growing the business in a sustainable manner that will be in the best interests of shareholders and other key stakeholders in the Company. Targets are considered ahead of each grant of LTIP awards by the Remuneration Committee taking into account relevant external and internal reference points and are designed to be appropriately stretching.
- If a one-off share award is granted on recruitment to buy out compensation arrangements forfeited on leaving a previous employer, it may be granted either in the form of a LTIP award or alternatively in the form of an award under a separate arrangement as permitted by Listing Rule 9.4.2. If such an award were to be granted in the form of a LTIP award, then it would not be subject to (or form part of the calculation of) the maximum award limit outlined in the Policy Table opposite. If awarded as compensation for a forfeited share award which is not subject to performance conditions, it would also not be subject to the requirement for the LTIP award to be subject to a performance condition. Full requirements that would apply to any buy-out award granted under the LTIP are set out in the Recruitment Remuneration Policy section of this report.
- The Remuneration Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed (i) before the 2019 AGM (the date the Company's first shareholder-approved Directors' Remuneration Policy came into effect); or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Remuneration Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes 'payments' includes the Remuneration Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.
- The Remuneration Committee may make minor amendments to the Remuneration Policy for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation, without obtaining shareholder approval for that amendment.

# Remuneration policy continued

## Non-Executive Directors

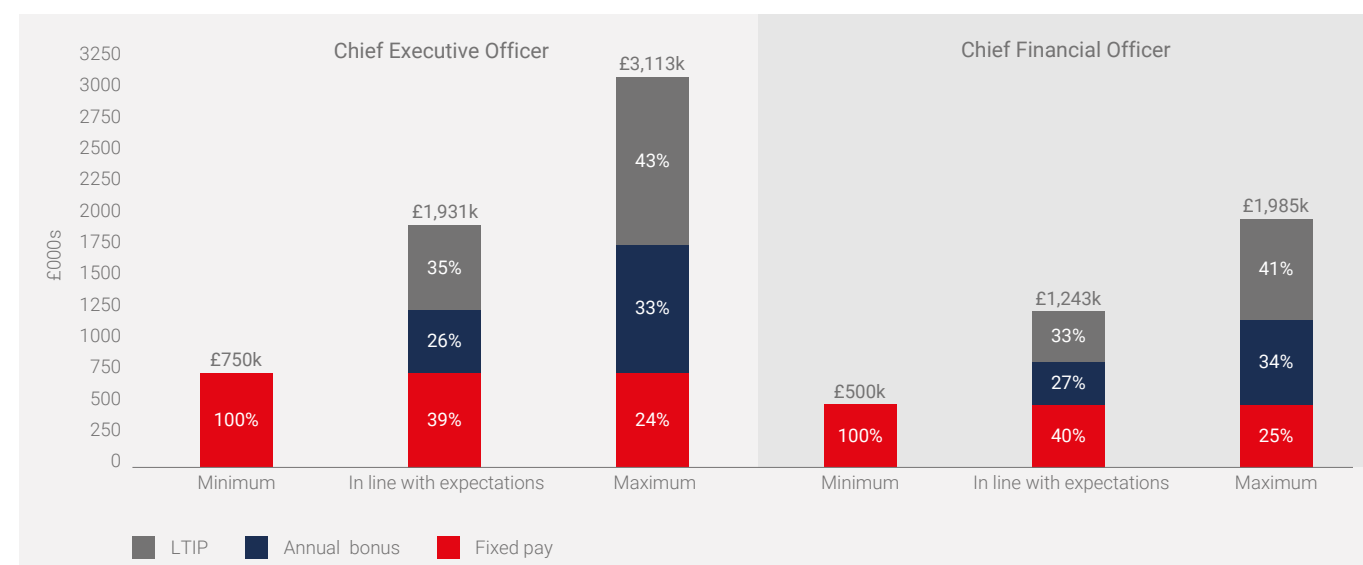
Purpose and link to strategy	Operation	Maximum opportunity
<b>Non-Executive Director (NED) fees</b> To appropriately recognise responsibilities, skills and experience by ensuring fees are market competitive.	NED fees comprise payment of an annual basic fee and additional fees for further Board responsibilities such as: <ul style="list-style-type: none"> <li>▶ Senior Independent Director</li> <li>▶ Audit &amp; Risk Committee Chairman</li> <li>▶ Remuneration Committee Chairman</li> <li>▶ Health, Safety and Environment Committee Chairman</li> </ul> The Chairman of the Board receives an all-inclusive fee. No NED participates in the Group's incentive arrangements or pension plan or receives any other benefits other than where travel to the Company's registered office is recognised as a taxable benefit in which case a NED may receive the grossed-up costs of travel as a benefit. Non-Executive Directors are entitled to reimbursement of reasonable expenses. Fees are reviewed annually and are paid in cash or shares. Non-Executive Directors also have the benefit of a qualifying third party indemnity from the Company and directors' and officers' liability insurance.	Fees are set at an appropriate level that is market competitive and reflective of the responsibilities and time commitment associated with specific roles. No absolute maximum has been set for individual NED fees. The Company's Articles of Association provide that the total aggregate fees paid to the Chairman and NEDs will not exceed £2,000,000.

## Illustrations of application of remuneration policy

The *implementation of remuneration policy in 2019* section of the Annual Report on Remuneration details how the Remuneration Committee intends to implement the Remuneration Policy during 2019.

The charts below illustrate, in three assumed performance scenarios, the total value of the remuneration package potentially receivable by Mathios Rigas and Panos Benos in relation to 2019. This comprises salary and benefits for 2019 (Mathios Rigas: £675,000 and £75,000; Panos Benos £450,000 and £50,000) plus an annual bonus of up to a maximum of 150% of salary and a LTIP award of 200% of salary for Mathios Rigas and 180% of salary for Panos Benos.

The charts are for illustrative purposes only and actual outcomes may differ from those shown.



Note: LTIP awards have been shown in these charts at grant date face value, with no share price growth or discount rate assumptions. If Energean's share price was to increase by 50% over the vesting period, the value of the LTIP included in the single figure at vesting in the maximum scenario would be £675,000 (CEO) / £405,000 (CFO) higher than illustrated in the above charts. Total potential remuneration in this maximum scenario would increase commensurately to £3,788,000 (CEO) / £2,390,000 (CFO).

Assumed performance	Assumptions used
Minimum performance	<ul style="list-style-type: none"> <li>▶ No pay-out under the annual bonus</li> <li>▶ No vesting under the LTIP</li> </ul>
Performance in line with expectations	<ul style="list-style-type: none"> <li>▶ 50% of the maximum pay-out under the annual bonus</li> <li>▶ 50% vesting under the LTIP</li> </ul>
Maximum performance	<ul style="list-style-type: none"> <li>▶ 100% of the maximum pay-out under the annual bonus</li> <li>▶ 100% vesting under the LTIP</li> </ul>

## Recruitment remuneration policy

### Principles

In determining remuneration arrangements for new appointments to the Board (including internal promotions), the Remuneration Committee will apply the following principles:

- ▶ The Remuneration Committee will take into consideration all relevant factors, including the experience of the individual, market data (for the UK and local market as appropriate) and existing arrangements for other Executive Directors, with a view that any arrangements should be in the best interests of both the Company and our shareholders, without paying more than is necessary.
- ▶ Typically, the new appointment will have (or be transitioned onto) the same package structure as the other Executive Directors, in line with the Remuneration Policy.
- ▶ Upon appointment, the Remuneration Committee may consider it appropriate to offer additional remuneration arrangements in order to secure the appointment. In particular, the Remuneration Committee may consider it appropriate to 'buy out' terms or remuneration arrangements forfeited on leaving a previous employer (discussed below).
- ▶ The Remuneration Committee may provide costs and support if the recruitment requires relocation of the individual.
- ▶ Instead of including an all-inclusive benefits allowance in a new appointment's remuneration package, the Remuneration Committee may alternatively provide separate pension and benefits allowances although, in this scenario, the total value of these two allowances would not exceed the maximum benefits cap outlined in the Policy Table on pages 81 - 82.
- ▶ Where an Executive Director is an internal promotion, the normal policy of the Company is that any legacy arrangements would be honoured in line with the original terms and conditions. Similarly, if an Executive Director is appointed following the Company's acquisition of or merger with another company, legacy terms and conditions would be honoured.

### Maximum level of variable remuneration

The maximum level of variable remuneration which may be granted to new Executive Directors in respect of recruitment shall be limited to the maximum permitted under the Remuneration Policy, namely 350% of their annual salary. This limit excludes any payments or awards that may be made to buy out the Director for terms, awards or other compensation forfeited from their previous employer (discussed below).

### Buyouts

To facilitate recruitment, the Remuneration Committee may make a one-off award to buy out compensation arrangements forfeited on leaving a previous employer. In doing so, the Remuneration Committee will take account of all relevant factors, including any performance conditions attached to incentive awards, the likelihood of those conditions being met, the proportion of the vesting/performance period remaining and the form of the award (e.g. cash or shares). The overriding principle will be that any replacement buyout award should be of comparable commercial value to the compensation which has been forfeited. However, such buyout awards would only be considered where there is a strong commercial rationale to do so.



# Remuneration policy continued

## Components and approach

The remuneration package offered to new appointments may include any element within the Remuneration Policy. In considering which elements to include, and in determining the approach for all relevant elements, the Remuneration Committee will take into account a number of different factors, including (but not limited to) market practice, existing arrangements for other Executive Directors and internal relativities. If appropriate, different measures and targets may be applied to a new appointment's annual bonus or LTIP award in their year of joining.

The Remuneration Committee would seek to structure buyout and variable remuneration awards on recruitment to be in line with the Company's remuneration framework so far as practical but, if necessary, the Remuneration Committee may also grant such awards outside of that framework as permitted under Listing Rule 9.4.2 subject to the limits on variable remuneration set out above. The exact terms of any such awards (e.g. the form of the award, time frame, performance conditions, and leaver provisions) would vary depending upon the specific commercial circumstances.

## Recruitment of Non-Executive Directors

In the event of the appointment of a new Non-Executive Director, remuneration arrangements will normally be in line with the Remuneration Policy for Non-Executive Directors. However, the Remuneration Committee (or the Board as appropriate) may include any element within the Policy Table which the Remuneration Committee considers is appropriate given the particular circumstances, with due regard to the best interests of shareholders. In particular, if the Chairman or a Non-Executive Director takes on an executive function on a short term basis, they would be able to receive any of the standard elements of Executive Director pay.

## Service contracts

Key terms of the current Executive Directors' service agreements and Non-Executive Directors' letters of appointment are summarised in the table below. It is envisaged that any future appointments would have equivalent contractual arrangements unless otherwise stated in this Report.

Provision	Policy
<b>Notice period</b>	Executive Directors – termination of the current Executive Directors' service agreements would require six months' notice by either the Company or the Executive Director. The Remuneration Committee retains discretion to include a notice period of up to 12 months in an Executive Director's service agreement. Non-Executive Directors – at the Company's discretion, Non-Executive Directors may have a notice period of up to three months. All current Non-Executive Directors have a three month notice period.
<b>Termination payment</b>	Following the serving of notice by either party, the Company may terminate employment of an Executive Director with immediate effect by paying a sum equal to salary and benefits in respect of their notice period. Non-Executive Directors are only entitled to receive any fee accruing in respect of their period up to termination.
<b>Expiry date</b>	Executive Directors have rolling six months' notice periods so have no fixed expiry date. Non-Executive Directors' letters of appointment have no fixed expiry date.

In accordance with the Code, each Director will retire annually and put themselves forward for re-election at each AGM of the Company.

All Executive Directors' service agreements and Non-Executive Directors' letters of appointment are available for inspection at the Company's registered office.

## Policy on payment of variable remuneration following loss of office

### Annual bonus plan

If the Executive Director's employment terminates (or notice is served to terminate their employment) prior to the payment of an annual bonus, the Director has no contractual entitlement to that bonus. At its discretion, the Remuneration Committee may determine that the Executive Director is eligible to receive a bonus in respect of the financial year in which they cease employment (and / or the financial year in which notice is served to terminate their employment). This bonus would usually be time apportioned and may, at the Remuneration Committee's discretion, be settled wholly in cash. In determining the level of bonus to be paid, the Remuneration Committee may, at its discretion, take into account performance up to the date of cessation or over the financial year as a whole based on appropriate performance measures as determined by the Remuneration Committee.

The treatment of outstanding share awards held by an Executive Director upon cessation of employment is governed by the relevant share plan rules as summarised below.

### Deferred Bonus Plan (DBP) – share awards

- ▶ If an individual ceases to hold employment as a result of death, ill-health, injury, disability, redundancy, transfer of a business out of the Group or any other reason at the Remuneration Committee's discretion (except where an individual is dismissed for gross misconduct), their unvested DBP share awards will be permitted to vest. The vesting date will be accelerated to cessation of employment following an individual's death. Otherwise, unvested shares will vest at the normal vesting date unless the Remuneration Committee, in its discretion, elects to vest the shares following cessation of employment.
- ▶ In all other circumstances, unvested DBP shares will lapse upon cessation of employment.
- ▶ On a change of control, unvested DBP shares will immediately vest in full unless they are exchanged for new awards.
- ▶ If other corporate events occur such as a demerger, delisting, special dividend, voluntary winding-up or other event which in the opinion of the Remuneration Committee may affect the current or future value of shares, the Remuneration Committee will determine whether unvested DBP shares should vest.

### LTIP awards

- ▶ If an individual ceases to hold employment as a result of death, ill-health, injury, disability, redundancy, transfer of a business out of the Group or any other reason at the Remuneration Committee's discretion (except where an individual is dismissed for gross misconduct), their unvested LTIP awards will be permitted to vest on a time pro-rated basis (unless the Remuneration Committee determines otherwise) and subject to performance assessed over the original performance period (or a shortened performance period where appropriate, for example following an individual's death). The release date for vested LTIP awards will remain the original release date unless the Remuneration Committee in its discretion elects to accelerate the release date to cessation of employment or such other intermediate date as is deemed appropriate.
- ▶ In all other circumstances, unvested LTIP shares will lapse upon cessation of employment.
- ▶ LTIP shares that have vested but remain subject to a holding period at the time that an individual ceases employment will lapse in the event that cessation of employment is as a result of gross misconduct. Otherwise, these shares will be released on the original release date unless the Remuneration Committee in its discretion elects to accelerate the release date to cessation of employment or such other intermediate date as is deemed appropriate.
- ▶ On a change of control, unless they are exchanged for new awards, unvested LTIP awards will vest immediately to an extent that takes into account the performance condition assessed at the change of control and, unless the Remuneration Committee determines otherwise, on a time pro-rated basis. LTIP shares that have vested but remain subject to a holding period at the time of the change of control will be released immediately unless they are exchanged for new awards.
- ▶ If other corporate events occur such as a demerger, delisting, special dividend, voluntary winding-up or other event which in the opinion of the Remuneration Committee may affect the current or future value of shares, the Remuneration Committee will determine whether outstanding LTIP awards should be treated on the same basis as following a change of control.

The Remuneration Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of a compromise or settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include but are not limited to paying any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his or her cessation of office or employment.

## Remuneration policy continued

### Consideration of employment conditions elsewhere in the Group

The Remuneration Committee does not currently formally consult with employees when determining Executive Director pay. However, the Remuneration Committee is kept informed of general management decisions made in relation to employee remuneration and is conscious of the importance of ensuring that its remuneration decisions for Executive Directors are regarded as fair and reasonable within the business. Pay and conditions in the Group are one of the specific considerations taken into account when the Remuneration Committee is considering changes in salaries for the Executive Directors.

During the year the Remuneration Committee has received updates on the UK Corporate Governance Code 2018. Work is under way to incorporate, in particular, the new provisions to consider the employee voice and ensure there is appropriate engagement with employees to explain how executive remuneration aligns with wider company pay policy. The Remuneration Committee will also more formally review workforce remuneration and related policies as part of its process when determining Executive Director remuneration.

### Differences in policy from broader employee population

A greater proportion of Executive Directors' potential wealth is 'at risk', either through their existing shareholding or through LTIP awards than for our employees generally and a greater proportion determined by performance than for our employees generally. However, common principles underlie the remuneration policy through the Company including for the Executive Directors. In particular, we place great emphasis throughout the Company on reward being linked to performance and on encouraging share ownership.

### Consideration of shareholders' views

This Remuneration Policy is consistent with the remuneration arrangements that were contained in our IPO Prospectus. The Remuneration Committee Chairman is always available to meet with any shareholders who wish to discuss any aspect of our Remuneration Policy.

## Annual report on remuneration

### Unaudited information

#### Implementation of remuneration policy in 2019

This section provides an overview of how the Remuneration Committee is proposing to implement our Remuneration Policy in 2019 for the Executive Directors.

#### Base salary

No increase has been made to the Executive Directors' salaries in 2019.

	Salary 1 January 2019	Salary 1 January 2018	% increase
Mathios Rigas (CEO)	£675,000	£675,000	Zero
Panos Benos (CFO)	£450,000	£450,000	Zero

#### Benefits

Mathios Rigas and Panos Benos receive contractual benefits packages worth £75,000 p.a. and £50,000 p.a. respectively.

#### Annual bonus

The annual bonus plan for 2019 will be broadly consistent with the bonus plan operated in 2018. Key features of the plan for 2019 are:

- ▶ There will be a maximum bonus opportunity of 150% of annual salary for both of the Executive Directors.
- ▶ One-third of any bonus earned will be deferred into DBP shares. These shares will vest two years post grant.

The annual bonus for 2019 for Executive Directors will be determined as detailed below:

Performance measure	As a percentage of maximum bonus opportunity	
	CEO	CFO
Adjusted EBITDAX	20%	20%
Cost of oil production per boe	20%	20%
Average production per day	20%	20%
Growth in 2P resources	20%	20%
Individual objectives	20%	20%

The targets for these performance measures in relation to the financial year 2019 are deemed commercially sensitive. However, retrospective disclosure of the targets and performance against them will be provided in next year's Remuneration Report to the extent that they do not remain commercially sensitive at that time.

The Remuneration Committee has discretion, where it believes it to be appropriate, to override the formulaic outcome arising from the bonus plan.



# Annual report on remuneration continued

## LTIP

The Executive Directors will receive an award under the LTIP during 2019. Key terms of this award will be:

- ▶ Mathios Rigas will receive an award over shares worth 200% of annual salary at grant and Panos Benos will receive an award over shares worth 180% of annual salary at grant.
- ▶ Awards will vest three years after grant and be subject to an additional two-year holding period.
- ▶ Awards will be subject to performance measures as detailed below:

Performance measure	Proportion of award determined by measure	Threshold Performance	Maximum performance
Relative Total Shareholder Return over 3 Financial Years	55%	Median ranking 13.75% of award	Upper quartile ranking 55% of award
Absolute Total Shareholder Return over 3 Financial Years	20%	12.5% p.a. 5% of award	20% p.a. 20% of award
Average Group production over 3 Financial Years	10%	8,000 bpd 2.5% of award	12,000 bpd 10% of award
Karish Tarin First Gas date	15%	30 June 2021 3.75% of award	31 March 2021 15% of award

Vesting is calculated on a straight-line basis for performance between the threshold and maximum performance targets.

The Remuneration Committee has discretion, where it believes it to be appropriate, to override the formulaic outcome arising from the LTIP.

## Non-Executive Director remuneration

The table below shows the fee structure for Non-Executive Directors for 2019 which is unchanged from after the IPO in 2018. Non-Executive Director fees are determined by the full Board except for the fee for the Chairman of the Board, which is determined by the Remuneration Committee.

	2019 fees
Chairman of the Board all-inclusive fee	£150,000
Basic Non-Executive Director fee	£50,000
Senior Independent Director additional fee	£7,500
Audit Committee Chairman additional fee	£5,000
Health, Safety and Environment Committee Chairman additional fee	£5,000
Remuneration Committee Chairman additional fee	£5,000

No fee is paid to David Bonanno, who is employed and remunerated by Third Point.

## Audited information

The information provided in this section of the Remuneration Report, up until the 'Unaudited information' heading on page 89, is subject to audit.

## Single total figure of remuneration

The following table sets out the total remuneration for Executive Directors and Non-Executive Directors for 2018. Comparative figures are also provided for 2017 although Energean was an unlisted company throughout that year. As disclosed in last year's Remuneration Report, the Executive Directors' remuneration framework was restructured for 2018 ahead of Energean's admittance to the main market of the London Stock Exchange in order to be compliant with UK best practice and consistent with the enhanced responsibilities of the Executive Directors.

All figures shown in £'000	2018				2017			
	Salary and fees	Benefits <sup>(1)</sup>	Annual bonus <sup>(2)</sup>	Total <sup>(3)</sup>	Salary and fees	Benefits	Annual bonus	Total <sup>(3)</sup>
<b>Executive Directors</b>								
Mathios Rigas	675	75	831	1,581	603	10	805	1,418
Panos Benos	450	50	554	1,054	464	4	481	949
<b>Non-Executive Directors<sup>(4)</sup></b>								
Simon Heale	150	–	–	150	54	–	–	54
Andrew Bartlett	55	–	–	55	7	–	–	7
David Bonanno	–	–	–	–	–	–	–	–
Robert William Peck	48	–	–	48	9	–	–	9
Karen Simon	44	–	–	44	6	–	–	6
Ohad Marani	48	–	–	48	9	–	–	9
Stathis Topouzoglou	44	–	–	44	13	–	–	13

Notes to the table – methodology

- Benefits – Mathios Rigas and Panos Benos receive a contractual benefits package worth £75,000 p.a. and £50,000 p.a. respectively. They do not receive a separate pension allowance.
- Annual bonus – bonus payments in relation to 2018 performance are paid two-thirds in cash and one-third in deferred shares. Details of the performance measures and targets are set out in the following section.
- Total remuneration paid to Directors in respect of 2018 is £3,026,000 (2017: £2,465,000).
- Non-Executive Directors joined the Board during the course of 2017 as follows: David Bonanno – 8 May 2017; Stathis Topouzoglou – 8 May 2017; Simon Heale – 11 July 2017; Ohad Marani – 11 July 2017; Robert William Peck – 11 July 2017; Andrew Bartlett – 22 August 2017 and Karen Simon – 15 September 2017.

## Annual bonus

The maximum annual bonus opportunity for the Executive Directors in 2018 was 150% of salary. Two-thirds of any bonus will be paid in cash with the remaining third granted in shares under the DBP which vest two years post grant.

Performance measures and targets applying to the 2018 annual bonus are set out below:

Performance measure	Proportion of bonus determined by measure	Threshold performance	Target performance	Maximum performance	Actual performance	% of maximum bonus payable
Adjusted EBITDAX	20%	\$40m	\$45m	\$50m	\$52m	20%
Cost of oil production per boe	20%	Zero payout	10% of bonus	20% of bonus	\$17 per boe	20%
Average production per day	20%	4,000 bpd	4,250 bpd	4,500 bpd	4,053 bpd	2.1%
2P reserves	20%	5% increase in 2P	10% increase in 2P	15% increase in 2P	600% increase in 2P	20%
Strategic objective	20%	Zero payout	10% of bonus	20% of bonus	First steel was cut on 26 November 2018 as announced in a press release of the following day	

The target for this element of the bonus was first steel cut on the Karish and Tanin floating production storage and offloading ('FPSO') vessel before the end of 2018. First steel cut on the Karish and Tanin project is a major milestone in the delivery of the FPSO to the Karish field in order to meet the target date of first production in Q1 2021.

	Total bonus payable % of maximum	Total bonus payable £ and % of annual salary
Mathios Rigas	82.1%	£831,465 (123.2% of salary)
Panos Benos	82.1%	£554,310 (123.2% of salary)

The Remuneration Committee considered this bonus outcome in light of the Group's overall financial and operational performance during 2018 and was satisfied that it was appropriate and that no adjustment to the outcome was required.

# Annual report on remuneration continued

## LTIP awards during the financial year

An award was granted under the LTIP to selected senior executives, including the Executive Directors, in July 2018. This award is subject to the performance conditions described below and will vest in July 2021 with a subsequent two-year holding period for any vested shares to July 2023.

	Type of award	Date of grant	Maximum number of shares	Face value (£)*	Face value (% of salary)	Threshold vesting	End of performance period
Mathios Rigas	Conditional share award	12 July 2018	252,904	£1,350,000	200%	25% of award	30 June 2021
Panos Benos	Conditional share award	12 July 2018	168,602	£900,000	200%	25% of award	30 June 2021

\*The maximum number of shares that could be awarded has been calculated using the share price of £5.338 (average closing share price for the five dealing days prior to grant) and excludes any additional shares that may be awarded in relation to dividends accruing during the vesting and holding periods.

Vesting of the awards is subject to satisfaction of the following performance conditions measured over a three-year performance period to 30 June 2021. Vesting is calculated on a straight-line basis for performance between the threshold and maximum performance targets. Any LTIP vesting is at the discretion of the Remuneration Committee.

	Type of award	Date of grant	Maximum number of shares	Face value (£)*	Face value (% of salary)	Threshold vesting	End of performance period
Mathios Rigas	Conditional share award	12 July 2018	252,904	£1,350,000	200%	25% of award	30 June 2021
Panos Benos	Conditional share award	12 July 2018	168,602	£900,000	200%	25% of award	30 June 2021

Performance measure	Proportion of award determined by measure	Threshold performance	Maximum performance
Relative Total Shareholder Return**	70%	Median ranking 17.5% of award	Upper quartile ranking 70% of award
Absolute Total Shareholder Return	10%	12.5% p.a. 2.5% of award	20% p.a. 10% of award
Karish Tarin First Gas date	20%	30 June 2021 5% of award	31 March 2021 20% of award

\* The maximum number of shares that could be awarded has been calculated using the share price of £5.338 (average closing share price for the five dealing days prior to grant) and excludes any additional shares that may be awarded in relation to dividends accruing during the vesting and holding periods.

\*\* Comparator group comprises Cairn Energy, EnQuest, Genel Energy, Gulf Keystone Petroleum, Hurricane, Isramco, Kosmos Energy, Nostrum Oil & Gas, Ophir Energy, Premier Oil, Ratio, Rockhopper Exploration, Seplat Petroleum, SOCO International, Tamar Petroleum, Tullow Oil.

## Payments to past Directors

There have been no payments to past Directors or payments to Directors for loss of office during 2018.

## Statement of Directors' shareholding and share interests

Executive Directors are expected to achieve a holding of shares worth 200% of salary. The Remuneration Committee reviews ongoing individual performance against this shareholding requirement at the end of each financial year. Both Executive Directors currently exceed their minimum guideline.

The number of shares currently held by Directors are set out in the table below:

Director	Number of shares at 31 December 2018			Share ownership guidelines met <sup>(2)</sup>
	Shares owned outright	Interests in share incentive schemes, subject to performance conditions	Percentage of Issue Share Capital (minus LTIP shares)	
		LTIP <sup>(1)</sup>		
Mathios Rigas	19,437,816	252,904	12.75	Yes
Panos Benos	4,055,713	168,602	2.65	n/a
Simon Heale	52,478	-	-	n/a
Andrew Bartlett	2,126	-	-	n/a
David Bonanno	0	-	-	n/a
Robert William Peck	5,665	-	-	n/a
Karen Simon	89,949	-	-	n/a
Ohad Marani	2,690	-	-	n/a
Stathis Topouzoglou	17,819,893	-	-	n/a

### Notes to the table

- This relates to shares awarded under the LTIP in July 2018.
- For the purposes of determining the value of Executive Director shareholdings, the individual's current annual salary and the share price as at 31 December 2018 has been used (£6.28 per share).

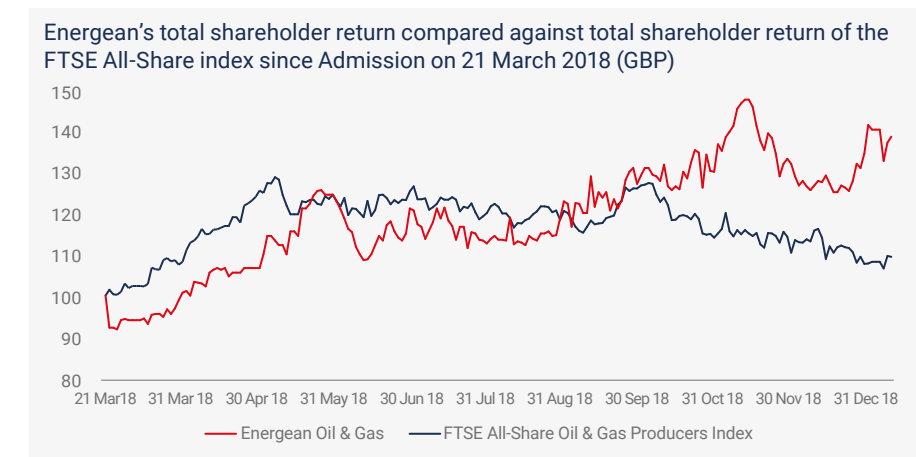
After 31 December 2018, Mathios Rigas acquired 82,488 shares in the Company and Efstathios Topouzoglou acquired 91,650 shares in the Company. On 28 March 2019, pursuant to the 2018 annual bonus, Mathios Rigas was granted 36,401 DBP awards and Panos Benos was granted 24,267 DBP awards. Also on that date, Mathios Rigas was granted 177,309 LTIP awards and Panos Benos was granted 106,385 LTIP awards. Full details of these awards will be disclosed in the 2019 Annual Report.

## Unaudited information

The information provided in this section of the Remuneration Report is not subject to audit.

## Performance graph and CEO remuneration table

The chart below compares the Total Shareholder Return performance of the Company over the period from Admission to 31 December 2018 to the performance of the FTSE All-Share Oil & Gas Producers Index. This index has been chosen because it is a recognised equity market index of which the Company is a member. The base point in the chart for the Company equates to the Offer Price of £4.55 per share.



The table below the chart summarises the CEO single figure for total remuneration, annual bonus pay-outs and long-term incentive vesting levels as a percentage of maximum opportunity over this period.

	2018	2017
CEO <sup>(1)</sup> single figure of remuneration £000	1,581	1,418
Annual bonus pay-out (as a % of maximum opportunity)	82.1%	n/a <sup>(1)</sup>
LTIP vesting out-turn (as a % of maximum opportunity)	n/a (no award vested in 2018)	n/a (no award vested in 2017)

### Notes to the table

- Energiean was an unlisted company during 2017 and the annual bonus plan had no cap.

# Annual report on remuneration continued

## Percentage change in remuneration of the CEO

The table below illustrates the percentage change in annual salary, benefits and bonus between 2017 and 2018 for the CEO and the average for all Company employees.

	Salary change (2017 to 2018)	Benefits change (2017 to 2018)	Annual bonus change (2017 to 2018)
CEO <sup>(1)</sup>	+12%	+650%	+3.3%
Average for all employees	+9.9%	+14.6%	+76.2%

1. During 2017 Energean was an unlisted company. As disclosed in last year's Remuneration Report, the CEO's remuneration framework was restructured for 2018 ahead of Energean's admittance to the main market of the London Stock Exchange in order to be compliant with UK best practice and consistent with the CEO's enhanced responsibilities.

## Relative importance of the spend on pay

The table below illustrates the total expenditure on remuneration in 2017 and 2018 for all of the Company's employees compared to dividends payable to shareholders.

	2018 £m	2017 £m	Change
Total expenditure on remuneration	19.9	15.5	+28.7%
Dividends payable to shareholders	nil	nil	-

## Consideration by the Directors of matters relating to Directors' remuneration

The Remuneration Committee is chaired by Ohad Marani. During the year, the Remuneration Committee also comprised Andrew Bartlett, Robert Peck. Simon Heale (from 11 September 2018) and, until 11 September 2018, David Bonanno. Details of their attendance are set out page 71.

The Remuneration Committee met three times during 2018, details of attendance at the meetings are set out on page 91. Other attendees present at these meetings by invitation were the Company Chairman, the CEO and the CFO. No individual was in attendance when their own remuneration was being determined.

The Remuneration Committee is responsible for determining the Company Chairman's fee and all aspects of Executive Director remuneration. In line with the Corporate Governance Code 2018, the Remuneration Committee's responsibilities will extend to the determination of other senior management's remuneration in 2019. The Remuneration Committee also oversees the operation of all share plans. Full terms of reference of the Remuneration Committee are available on our website at [www.energean.com](http://www.energean.com).

During the year, the Remuneration Committee received independent and objective advice from Deloitte LLP principally on market practice and incentive design for which Deloitte LLP was paid £17,400 in fees (charged on a time plus expenses basis). Deloitte LLP is a founding member of the Remuneration Consultants Group and as such, voluntarily operates under that industry's code of conduct in relation to executive remuneration consulting in the UK. Deloitte LLP was reporting accountant in the Admission process and, since Admission, has also provided advice to the Company in relation to technology consulting, tax advice, direct and indirect tax compliance services, payroll services and financial models. The Remuneration Committee has reviewed the nature of this additional advice and is satisfied that it does not compromise the independence of the advice that it has received.

## Shareholder voting on Remuneration Report resolution

	Votes for	Votes against	Votes withheld
Approval of the Annual Report on Remuneration 2018 AGM	106,260,775 (100%)	0 (-)	0

## External board appointments

Executive Directors are not normally entitled to accept a Non-Executive Director appointment outside the Company without the prior approval of the Board. Neither of the current Executive Directors currently holds any such appointment.

By order of the Board.

### Ohad Marani

Chairman of the Remuneration Committee

17 April 2019

# Directors' report

## The Directors present their Annual Report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 December 2018. The Corporate Governance Statement set out on pages 65 - 94 forms part of this report.

Details of significant events since the balance sheet date are contained in note 30 to the financial statements. An indication of likely future developments in the business of the Company and details of research and development activities are included in the strategic report.

## Admission to the Main Market of the London Stock Exchange & Tel Aviv Stock Exchange

On 21 March 2018, all of the Company's issued ordinary shares were admitted to trading on the main market for listed securities of the London Stock Exchange. On 29 October 2018, the Company's shares were admitted to a secondary listing on the Tel Aviv Stock Exchange.

## Dividends

No dividends were paid during the year 2018 (2017:nil).

## Capital structure

Details of the issued share capital are shown in note 20 to the financial statements. As at 31 December 2018, the Company's share capital consisted of 153,152,763 issued ordinary shares of £0.01 each. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share plans are outlined in note 26 to the financial statements.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of directors are described in the Articles of Association and the Schedule of Matters Reserved for the Board, copies of which are available on request, and the Corporate Governance Statement on page 71.

## Directors' authority over shares

The authority to issue shares in the Company may only be granted by the Company's shareholders and once granted such authority can be exercised by the Directors. At the 2018 AGM, shareholders approved a resolution for the Company to make purchases of its own shares to a maximum of 10% of its issued Ordinary shares. This resolution remains in force until the conclusion of the AGM in 2019. As at 17 April 2019 the Directors had not used this authority. The Directors are proposing to renew this authority.

There are a number of agreements entered into by members of the Group that take effect, alter or terminate upon a change of control of the Company, such as commercial contracts and bank loan agreements. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

## Directors

The biographical details and appointments of the Directors are set out on pages 66 - 69. All of the Directors will offer themselves for re-election at the AGM on 13 June 2019.

The Directors at the year-end were:

- ▶ Simon Heale (Non-Executive Chairman)
- ▶ Mathios Rigas (Chief Executive Officer)
- ▶ Panos Benos (Chief Financial Officer)
- ▶ Andrew Bartlett (Senior Independent Non-Executive Director)
- ▶ Robert Peck (Independent Non-Executive Director)
- ▶ Ohad Marani (Independent Non-Executive Director)
- ▶ Karen Simon (Independent Non-Executive Director)
- ▶ Efstathios Topouzoglou (Non-Executive Director)
- ▶ David Bonanno (Non-Executive Director)



# Directors' report continued

## Articles of Association

The Company's Articles of Association ("Articles") may only be changed by special resolution at a General Meeting of shareholders. The Articles contain provisions regarding the appointment, retirement and removal of Directors.

A Director may be appointed by an ordinary resolution of shareholders in a General Meeting following nomination by the Board or member(s) entitled to vote at such a meeting. The Directors may appoint a Director during any year provided that the individual stands for election by shareholders at the next AGM.

## Directors' indemnities

Under the Company's Articles, the Directors of the Company may be indemnified out of the assets of the Company against certain liabilities which may be incurred in relation to the affairs of the Company or in relation to the duties, powers and office of each Director. Such qualifying third party indemnity provisions for the benefit of the Directors were implemented upon incorporation of the Company on 8 May 2017 and remain in force at the date of this report.

## Political contributions

No political donations were made during the year (2017: nil).

## Substantial shareholdings

The Company has been notified in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules (or otherwise) of the following holdings in the Company's issued share capital:

	Number of shares	% of issued share capital
Third Point Hellenic Recovery (Lux) S.À.R.L.	40,782,418	26.7%
Growthy Holdings Co. Limited	18,661,564	12.2%
Oilco Investments Limited	17,053,253	11.2%
Clal Insurance	15,147,504	9.69%
The Capital Group Companies, Inc.	10,874,957	7.1%

## Annual General Meeting (AGM)

The Company's AGM will be held in London on 13 June 2019. Formal notice of the AGM will be issued separately from this Annual Report and Accounts.

## Registrars

The Company's share registrar in respect of its ordinary shares traded on the London Stock Exchange is Computershare Investor Services PLC, full details of whom can be found in the Company Information section on page 176.

## Greenhouse gas emissions (GHG) reporting

Details of the Group's emissions are contained in the Corporate Social Responsibility report on page 50.

## Directors' statement of disclosure of information to auditor

Each of the Directors in office at the date of the approval of this Directors' Report has confirmed that, so far as such Director is aware, there is no relevant audit information (as defined in Section 418 of the Companies Act 2006) of which the Company's auditor is unaware; and such Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

## Independent auditor

Having reviewed the independence and effectiveness of the auditor, the Audit & Risk Committee has recommended to the Board that the existing auditor, Ernst & Young LLP ("EY"), be reappointed. EY has expressed its willingness to continue in office as auditor. An ordinary resolution to reappoint EY as auditor of the Company will be proposed at the forthcoming AGM.

## Requirements of the Listing Rules

The following table provides references to where the information required by Listing Rule 9.8.4R is disclosed.

Listing Rule requirement	Listing Rule Reference	Section
Capitalisation of interest	LR 9.8.4R (1)	Note 10/page 136
Publication of unaudited financial information	LR 9.8.4R (2)	Not applicable
Long-term incentive schemes	LR 9.8.4R (4)	Directors' remuneration report/ pages 79 - 94
Director emoluments	LR 9.8.4R (5), (6)	No such waivers. David Bonanno does not receive any fee for acting as a Director.
Allotment of equity securities	LR 9.8.4R (7), (8)	No such share allotments.
Listed shares of a subsidiary	LR 9.8.4R (9)	Not applicable
Significant contracts with Directors and controlling shareholders	LR 9.8.4R (10), (11)	Directors' report/pages 95 - 96
Dividend waiver	LR 9.8.4R (12), (13)	Not applicable
Board statement in respect of relationship agreement with the controlling shareholder	LR 9.8.4R (14)	Not applicable

The Directors' Report was approved by the Board and signed on its behalf by the Company Secretary on 17 April 2019.

By order of the Board

**Michelle Churchward**  
Company Secretary

17 April 2019

44 Baker Street  
London  
W1U 7AL

# Statement of Directors' responsibilities for the Group financial statements

The Directors of the Company are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law, the Directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgements and accounting estimates that are reasonable and prudent;
- ▶ state whether FRS 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- ▶ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the parent company will continue in business.

In preparing the Group financial statements, International Accounting Standard (IAS) 1 requires that the Directors:

- ▶ properly select and apply accounting policies;
- ▶ present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- ▶ provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- ▶ make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Responsibility statement

We confirm that to the best of our knowledge:

- ▶ the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- ▶ the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- ▶ the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the board of directors on 17 April 2019 and is signed on its behalf.

By order of the Board

**Mathios Rigas**  
Chief Executive Officer

17 April 2019

**Panos Benos**  
Chief Financial Officer

17 April 2019

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# Independent auditor's report to the members of Energean Oil & Gas plc

## Opinion

In our opinion:

- ▶ Energean Oil & Gas plc's group financial statements and parent company financial statements (the 'financial statements') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- ▶ the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- ▶ the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and in accordance with the provisions of the Companies Act 2006; and
- ▶ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards to the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Energean Oil & Gas plc (Energean) that comprise:

Group	Parent
Consolidated statement of financial position as at 31 December 2018	Company statement of financial position as at 31 December 2018
Consolidated statement of profit or loss for the year then ended	
Consolidated statement of comprehensive income for the year then ended	
Consolidated statement of changes in equity for the year then ended	Company statement of changes in equity for the year then ended
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 30 to the group financial statements, including a summary of significant accounting policies	Company accounting policies and the related notes 1 to 14 to the company financial statements

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice) and in accordance with the provisions of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- ▶ the disclosures in the Annual Report set out on pages 58 - 62 that describe the principal risks and explain how they are being managed or mitigated;
- ▶ the directors' confirmation set out on page 58 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- ▶ the directors' statement set out on page 98 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- ▶ whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- ▶ the directors' explanation set out on page 63 in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

## Overview of our audit approach

Key audit matters	<ul style="list-style-type: none"> <li>▶ Recognition of the group's additional investment in Energean Israel Limited</li> <li>▶ Recoverability of oil and gas assets, including estimation of oil and gas reserve volumes used in management's impairment assessment</li> <li>▶ Karish/Tanin development project spend</li> </ul>
Audit scope	<ul style="list-style-type: none"> <li>▶ We performed an audit of the complete financial information of three components and audit procedures on specific balances for a further three components</li> <li>▶ The components where we performed full or specific audit procedures accounted for 98% of profit before tax, 100% of revenue and 96% of total assets</li> </ul>
Materiality	<ul style="list-style-type: none"> <li>▶ Overall group materiality of \$7.5 million which represents 0.5% of Total Assets, adjusted to remove the amount of goodwill connected with group's additional investment in Energean Israel Limited.</li> </ul>

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. We communicated key audit matters and our planned response to each risk to the Audit and Risk Committee in our November audit planning report. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p><b>Recognition of the group's additional investment in Energean Israel Limited</b></p> <p>Net assets attributable to Energean Israel Limited ('Energean Israel') as at 31 December 2018: \$866.6 million (31 December 2017: \$nil)</p> <p>Derivative asset: \$nil (2017: \$93.3 million)</p> <p>Refer to the Audit and Risk Committee Report (page 74); Accounting policies (pages 118 - 119); Notes 4.1, 6, 12, 21 and 28.5 of the consolidated financial statements.</p> <p>The commitment to purchase the Energean Israel B shares crystallised on 16 March 2018 upon completion of Energean's IPO on the London Stock Exchange. This in turn triggered the Subscription Agreement for Energean to subscribe for new shares in Energean Israel at a cost of \$266.7 million, increasing the group's interest in that entity to 70% of the issued equity shares. Therefore, there is a risk of misstatements in relation to the following:</p> <ul style="list-style-type: none"> <li>▶ Re-measurement of the derivative up to 16 March 2018;</li> <li>▶ Applying acquisition accounting principles for Energean Israel becoming a controlled subsidiary in accordance with IFRS 3 Business Combinations ('IFRS 3'); and</li> <li>▶ The recognition of assets and liabilities acquired at fair value, including deferred tax effects, and the valuation of goodwill arising from the transaction.</li> </ul>	<p>We performed the following procedures to address the risks identified:</p> <ul style="list-style-type: none"> <li>▶ Reviewed the approach adopted by management for the valuation of the derivative asset at the IPO date;</li> <li>▶ Reviewed supporting evidence to verify that the criteria were met to treat Energean Israel Limited as a subsidiary from the share subscription date;</li> <li>▶ Inspected supporting documents in relation to the key transactions, including the payment of \$266.7 million as a subscription for shares in Energean Israel Limited;</li> <li>▶ Evaluated management's attribution of fair values to the assets, liabilities and non-controlling interest of Energean Israel Limited including deferred tax implications of the relevant fair value adjustments; and</li> <li>▶ Reviewed the disclosures in the financial statements to ensure they are in line with IFRS 3.</li> </ul> <p>The audit procedures to address this risk were principally performed by the Group team.</p>	<p>We reported to the Audit and Risk Committee that:</p> <ul style="list-style-type: none"> <li>▶ The fair value of the derivative asset at the IPO date was appropriate;</li> <li>▶ The fair values of the assets and liabilities, including deferred tax impacts, and of the non-controlling interest recognised upon Energean Israel becoming a controlled subsidiary are reasonable;</li> <li>▶ The goodwill recognised in the financial statements, which is driven by the deferred tax impacts of accounting for the share subscription transaction, is appropriate; and</li> <li>▶ The disclosures required by IFRS 3 have been made in the financial statements.</li> </ul>



## Auditor's report continued

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
<p><b>Recoverability of oil and gas assets, including estimation of oil and gas reserve volumes used in management's impairment assessment</b></p> <p>Tangible oil and gas properties: \$1,312.3 million (2017: \$248.9 million)</p> <p>Refer to the Audit and Risk Committee Report (page 74); Accounting policies (pages 120 - 122); and Notes 4.2 and 14 of the consolidated financial statements.</p> <p>This refers to the risk that capitalised costs associated to tangible oil and gas assets may be recorded at a level that exceeds the future recoverable amounts. Within the Energean group, we consider this risk to exist for the established assets in Greece and the development assets in Israel.</p> <p>Accounting standards require management to assess at each reporting date whether indicators of asset impairment exist. Where indicators of impairment (or reversal) exist, management must carry out an impairment test.</p> <p>Where indicators of impairment exist, management prepares the asset impairment tests under the value-in-use methodology. The models include a number of management estimates and judgements including: reserve and resource volume estimates, future oil and gas prices, discount rates, production forecasts and operating and capital expenditures for each cash generating unit (CGU). Changes to one or more of these key inputs could lead to a potential impairment, change the amount of impairment recognised or result in a reversal of a previously recognised impairment.</p>	<p>Management did not identify any impairment indicators as a result of their impairment assessment. Our audit procedures to evaluate management's assessment of impairment indicators for the group's tangible oil and gas assets included:</p> <ul style="list-style-type: none"> <li>▶ Assessing internal and external factors for the existence of impairment indicators;</li> <li>▶ Assessing the completeness of management's reserve and resource estimates report, as well as the objectivity and competency of the third party that was engaged by management to prepare the reserves and resources report authors, and verifying specific input data used within the report;</li> <li>▶ Inspecting management's reconciliation of the third party reserves and resources report with Energean's valuation models and assessing economic cut off;</li> <li>▶ Using EY valuation specialists to assist the audit team in assessing the reasonableness of other key accounting estimates and judgements prepared by management as part of their impairment indicators assessment, as well as the valuation methodology used in the oil and gas field cash flow models; and</li> <li>▶ Assessing the reasonableness of future production assumptions used by management.</li> </ul> <p>The audit procedures to address this risk were principally performed by the Group team and the Greek and Israeli component teams.</p>	<p>We reported to the Audit and Risk Committee that:</p> <ul style="list-style-type: none"> <li>▶ Management's estimates of reserves and resources, as well as other key assumptions used in their impairment indicators assessment, were found to be reasonable; and</li> <li>▶ We did not identify any impairment indicators that would suggest the carrying value of the group's tangible oil and gas properties is not recoverable.</li> </ul>
<p><b>Karish/Tanin development project spend</b></p> <p>Karish and Tanin development costs capitalised within Oil and Gas properties for the year ended 31 December 2018: \$638.0 million (2017: \$nil)</p> <p>Refer to the Audit and Risk Committee Report (page 74); Accounting policies (pages 120 - 121); and Note 14 of the consolidated financial statements.</p> <p>The Karish/Tanin development attained FID in March 2018 and consequently there has been significant project-related expenditure in the last nine months of the year.</p> <p>We focused on the risks of inappropriate capitalisation of costs in accordance with IAS 16 Property, Plant and Equipment and the completeness of project cost accruals recorded as at 31 December 2018.</p>	<p>In order to address the risks identified we performed audit procedures focused on capitalisation criteria and the completeness of accruals for the key elements of costs incurred for the Karish/Tanin development. These procedures included:</p> <ul style="list-style-type: none"> <li>▶ Understanding the criteria used by management to assess whether costs should be capitalised or expensed;</li> <li>▶ Verifying that the capitalisation criteria were met for costs that we selected on a sample basis as part of our audit procedures relating to the project costs;</li> <li>▶ Reviewing the agreements entered into with the major project contractors to understand the nature of services to be provided and the associated milestones;</li> <li>▶ Obtaining a listing of project cost accruals at 31 December 2018, validating a sample of costs to supporting documents and comparing to the contractual milestones for the development project work; and</li> <li>▶ Performing a search for unrecorded liabilities through reviewing invoices received after the balance sheet date. We compared these to the project costs accrued by management and assessed whether there were any material omissions.</li> </ul> <p>The audit procedures to address this risk were principally performed by the Group team and the Israeli component team.</p>	<p>We reported to the Audit and Risk Committee that:</p> <ul style="list-style-type: none"> <li>▶ The capitalisation of development costs for the Karish/Tanin project spend met the IAS 16 capitalisation criteria; and</li> <li>▶ The accruals recorded at year end are materially complete and appropriately reflect the cost of services provided by the project contractors, including TechnipFMC as the project's major contractor.</li> </ul>

Revenue recognition is a significant risk presumed by ISAs (UK). It is not included above, as Energean's revenue streams are routine in nature and do not involve significant judgement or use of significant estimates. Consistent with the prior year, it is not included above as Energean's revenue streams have not changed in 2018, are routine in nature and consequently, the auditing of revenue recognition did not have a significant effect on our overall audit strategy, the allocation of resources in the audit or in directing the efforts of the engagement team.

We have also identified a significant risk from misstatements due to fraud or error associated with management override in relation to the estimation of oil & gas reserves and other key judgements made in impairment assessments and decommissioning provisioning. However, it is not included above, as it is addressed with the procedures associated with the recoverability of oil and gas assets in addition to audit procedures conducted in accordance with ISAs (UK) to address fraud.

In the prior year, our auditor's report included a key audit matter in relation to assessment of impairment indicators for exploration and evaluation intangible assets. In the current year, we no longer consider there is a significant risk attributable to the impairment of exploration and evaluation assets due to changes in the size and composition of the balance sheet which have resulted in the risk of misstatement to no longer be material to the financial statements.

## An overview of the scope of our audit

### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, and changes in the business environment when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the nine reporting components of the group, we selected all nine components covering entities within Greece, Cyprus, Egypt, Montenegro, Israel and the United Kingdom, which represent the principal business units within the group.

Of the nine (2017: ten) components selected, we performed an audit of the complete financial information of three (2017: three) components ('full scope components') which were selected based on their size or risk characteristics. For the remaining six (2017: seven) components, we performed audit procedures on specific accounts within three components ('specific scope components') that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed full scope and specific scope audit procedures accounted for 98% of the group's profit before tax, 100% of revenue and 96% of total assets.

For the remaining three components, we performed other procedures including the following to respond to any potential risks of material misstatement of the consolidated financial statements:

- ▶ Analytical review procedures on a legal entity basis;
- ▶ Tested consolidation journals, intercompany eliminations and foreign currency translation recalculations;
- ▶ Made inquiries of management about unusual transactions in these components; and
- ▶ Reviewed minutes of Board meetings held throughout the period.

### Changes from the prior year

In comparison to the prior year the following changes occurred in the structure of our components:

- ▶ Energean Israel Limited was included as a full scope component following the subscription of new shares in the entity which increased the group's equity share by an additional 20% and resulted in Energean Israel Limited becoming a consolidated subsidiary of the group;
- ▶ The Group merged two previously full scope components, Kavala Oil S.A. and Energean Oil & Gas S.A. in November 2018. Therefore, our component audit team in Athens reported on the consolidated reporting package of Energean Oil & Gas S.A for the purposes of the 2018 group audit;
- ▶ The activities in Energean International Limited (Egypt Branch) were significantly reduced in 2018, therefore, this component was moved out of specific scope, with balances being subject to other procedures as described above.

### Involvement with component teams

In establishing our overall approach to the group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the group audit engagement team, or by component auditors from other EY global network firms operating under our instruction. For two full scope components where the work was performed by two EY component teams based in Athens and Tel Aviv, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the group as a whole.

The group audit team interacted regularly with the EY component teams during each stage of the audit, were responsible for the scope and direction of the audit process and reviewed key working papers. The group audit team followed a programme of planned visits that was designed to ensure that the group audit team members visited the full scope component teams during the current year's audit cycle. The Group audit partner visited the Tel Aviv audit team and the Group audit manager visited the component team in Athens. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting

## Auditor's report continued

with local management, and reviewing key audit working papers on risk areas. The group team interacted regularly with the component teams during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at group level, gave us appropriate evidence for our opinion on the consolidated financial statements. We maintained continuous and open dialogue with our EY component teams in addition to holding formal meetings to ensure that we were fully aware of their progress and results of their procedures.

### Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

#### Materiality

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the group to be \$7.5 million, which is 0.5% of total assets as at 31 December 2018, adjusted to remove the amount of goodwill connected with group's additional investment in Energean Israel Limited (\$75.8m). This goodwill was driven by the recognition of a deferred tax liability as part of the business combination accounting which we did not consider to be reflective of the underlying business activities. We believe that adjusted total assets provides us with a suitable basis for setting materiality for immature emerging oil and gas exploration and production companies, providing a reliable measure to assess the size of the group's operations.

We determined materiality for the parent company to be \$4.3 million which is 0.5% of total assets.

During the course of our audit, we reassessed initial materiality and no changes were made.

#### Performance materiality

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely \$3,750,000. We have set performance materiality at this percentage based on our assessment of the likelihood of misstatements based on our understanding of the group as part of our planning procedures.

Audit work at component locations for the purposes of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was \$750,000 to \$2,800,000.

We determined performance materiality for the parent company to be \$2,100,000, based on the same judgement made for the Group.

#### Reporting threshold

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of \$375,000, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

For the parent company, we agreed with the Audit & Risk Committee that we would report to them all uncorrected differences in excess of \$215,000, based on the same judgement made for the Group.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

### Other information

The other information comprises the information included in the Annual Report set out on pages 1 - 176, including the Strategic Report and Corporate Governance, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- ▶ **Fair, balanced and understandable**, set out on page 98 – the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- ▶ **Audit and Risk Committee reporting**, set out on pages 74 - 76 – the section describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee; or
- ▶ **Directors' statement of compliance with the UK Corporate Governance Code**, set out on page 71 – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- ▶ the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ▶ the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- ▶ adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- ▶ certain disclosures of directors' remuneration specified by law are not made; or
- ▶ we have not received all the information and explanations we require for our audit; or
- ▶ a Corporate Governance Statement has not been prepared by the company.

### Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 98, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## Auditor's report continued

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- ▶ We obtained an understanding of the legal and regulatory frameworks that are applicable to Energean and determined that the most significant are those that relate to the reporting framework (IFRSs, Companies Act 2006, the UK Corporate Governance Code and Listing Rules of the UK Listing Authority) and the relevant tax compliance regulations in the jurisdictions in which the group operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and laws and regulations relating to health and safety, employee matters, environmental and bribery and corruption practices.
- ▶ We understood how the group is complying with those frameworks by making enquiries of management and with those responsible for legal and compliance procedures. We designed audit procedures to identify non-compliance with such laws and regulations identified in the paragraph above, including corroborating our enquiries through our review of Board minutes, papers provided to the Audit and Risk Committee and correspondence received from regulatory bodies, and noted that there was no contradictory evidence.
- ▶ We assessed the susceptibility of Energean's consolidated financial statements to material misstatement, including how fraud might occur, focussing on opportunities for management to reflect bias in key accounting estimates. We have reported our findings in our key audit matters section of our report. We also incorporated data analytics and manual journal entry testing into our audit approach.

- ▶ Other procedures performed to address the risk of management override included evaluating the business rationale for significant unusual and one-off transactions, reviewing the minutes of the Board of Directors and Audit and Risk Committee, and including a level of unpredictability in our testing.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Other matters we are required to address

- ▶ We were appointed by the company on 16 April 2018 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods.
  - The period of total uninterrupted engagement including previous renewals and reappointments is two years, covering the years ended 31 December 2017 and 31 December 2018.
- ▶ The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- ▶ The audit opinion is consistent with the report of the Audit and Risk Committee.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Andrew Smyth

Senior statutory auditor  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

17 April 2019

## Group income statement

Year ended 31 December 2018

	Notes	2018 \$'000	2017 \$'000
Revenue	7	90,329	57,752
Cost of sales	8a	(60,019)	(48,648)
<b>Gross profit</b>		<b>30,310</b>	<b>9,104</b>
Administrative expenses	8b	(11,666)	(5,991)
Selling and distribution expenses	8c	(453)	(445)
Exploration and evaluation expenses	8d	(2,102)	(9,966)
Other income/(expense)	8e	7,751	(6,398)
<b>Operating profit/(loss)</b>		<b>23,840</b>	<b>(13,696)</b>
Finance income	10	1,735	14
Finance cost	10	(13,471)	(22,940)
Gain on derivative	27	96,709	25,786
Net foreign exchange (loss)/gain	10	(23,521)	36,243
<b>Profit from continuing operations before tax</b>		<b>85,292</b>	<b>25,407</b>
Taxation income/(expense)	11	15,527	(14,061)
<b>Profit from continuing operations</b>		<b>100,819</b>	<b>11,346</b>
Net results from discontinued operations	12	–	(1,403)
<b>Income for the year</b>		<b>100,819</b>	<b>9,943</b>
Attributable to:			
Owners of the parent		105,279	9,952
Non-controlling interests		(4,460)	(9)
		<b>100,819</b>	<b>9,943</b>
<b>Basic and diluted earnings from continuing activities per share (cents per share)</b>	13		
Basic		\$0.80	\$0.16
Diluted		\$0.79	\$0.16
<b>Basic and diluted total earnings per share (cents per share)</b>	13		
Basic		\$0.80	\$0.14
Diluted		\$0.79	\$0.14

1. The maintenance and integrity of the Energean Oil & Gas plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# Group statement of comprehensive income

Year ended 31 December 2018

	2018 \$'000	2017 \$'000
<b>Income for the year</b>	100,819	9,943
<b>Other comprehensive income/(loss):</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange difference on the translation of foreign operations	(4,288)	(2,252)
	(4,288)	(2,252)
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Remeasurement of defined benefit pension plan	(444)	(258)
Income taxes on items that will not be reclassified to profit or loss	107	74
	(337)	(184)
<b>Other comprehensive loss after tax</b>	(4,625)	(2,436)
<b>Total comprehensive income for the year</b>	96,194	7,507
<b>Total comprehensive income/(loss) attributable to:</b>		
Owners of the parent	100,856	7,516
Non-controlling interests	(4,662)	(9)
	96,194	7,507

# Group statement of financial position

Year ended 31 December 2018

	Notes	2018 \$'000	2017 \$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	1,341,704	309,976
Intangible assets	15	10,555	4,000
Goodwill	6	75,800	–
Other receivables	19	71,845	591
Deferred tax asset	16	15,532	13,473
		1,515,436	328,040
<b>Current assets</b>			
Inventories	18	9,912	9,529
Trade and other receivables	19	32,883	24,684
Cash and cash equivalents	17	219,822	15,692
Derivative asset	27	–	93,292
		262,617	143,197
<b>Total assets</b>		1,778,053	471,237
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	20	2,066	917
Share premium		658,805	–
Merger reserves	20	139,903	139,903
Other reserves		5,907	73,750
Foreign currency translation reserves		(15,513)	(11,427)
Share-based payment reserve		6,617	–
Retained earnings		29,993	(138,455)
<b>Equity attributable to equity holders of the parent</b>		827,778	64,688
Non-controlling interests	21	260,045	224,294
<b>Total equity</b>		1,087,823	288,982
<b>Non-current liabilities</b>			
Borrowings	22	144,270	78,831
Deferred tax liabilities	16	76,370	3,570
Retirement benefit liability	23	3,659	3,288
Provisions	24	7,530	5,688
Other payables	25	72,723	2,544
		304,552	93,921
<b>Current liabilities</b>			
Trade and other payables	25	385,678	66,528
Borrowings	22	–	12,500
Provisions	24	–	9,306
		385,678	88,334
<b>Total liabilities</b>		690,230	182,255
<b>Total equity and liabilities</b>		1,778,053	471,237

Approved by the Board on 17 April 2019

**Matthaios Rigas**  
Chief Executive Officer

**Panos Benos**  
Chief Financial Officer

# Group statement of changes in equity

Year ended 31 December 2018

	Share capital \$'000	Share premium <sup>1</sup> \$'000	Other reserve <sup>2</sup> \$'000	Share-based payment reserve <sup>3</sup> \$'000	Translation reserve <sup>4</sup> \$'000	Retained earnings \$'000	Merger reserves \$'000	Total \$'000	Non-controlling interests \$'000	Total \$'000
<b>At 1 January 2017</b>	14,904	125,851	404	–	(9,175)	(148,407)	–	(16,423)	303	(16,120)
Profit for the year	–	–	–	–	–	9,952	–	9,952	(9)	9,943
Exchange difference on the translation of foreign operations	–	–	–	–	(2,252)	–	–	(2,252)	–	(2,252)
Remeasurement of defined benefit pension plan	–	–	(258)	–	–	–	–	(258)	–	(258)
Income taxes of other comprehensive income	–	–	74	–	–	–	–	74	–	74
<b>Total comprehensive income</b>	–	–	(184)	–	(2,252)	9,952	–	7,516	(9)	7,507
<b>Transactions with owners of the company</b>										
Issuance of shares	65	–	–	–	–	–	–	65	–	65
Group restructuring (note 20)	(14,052)	(125,851)	–	–	–	–	139,903	–	–	–
Modification of derivative (note 27.2)	–	–	67,506	–	–	–	–	67,506	–	67,506
Transaction with non controlling interests (note 28.5)	–	–	6,761	–	–	–	–	6,761	224,000	230,761
Transfer due to disposal of subsidiary (note 12)	–	–	(737)	–	–	–	–	(737)	–	(737)
<b>At 31 December 2017</b>	917	–	73,750	–	(11,427)	(138,455)	139,903	64,688	224,294	288,982

	Share capital \$'000	Share premium <sup>1</sup> \$'000	Other reserve <sup>2</sup> \$'000	Share-based payment reserve <sup>3</sup> \$'000	Translation reserve <sup>4</sup> \$'000	Retained earnings \$'000	Merger reserves \$'000	Total \$'000	Non-controlling interests \$'000	Total \$'000
<b>At 1 January 2018</b>	917	–	73,750	–	(11,427)	(138,455)	139,903	64,688	224,294	288,982
Profit for the period	–	–	–	–	–	105,279	–	105,279	(4,460)	100,819
Remeasurement of defined benefit pension plan	–	–	(337)	–	–	–	–	(337)	–	(337)
Exchange difference on the translation of foreign operations	–	–	–	–	(4,086)	–	–	(4,086)	(202)	(4,288)
Total comprehensive income	–	–	(337)	–	(4,086)	105,279	–	100,856	(4,662)	96,194
Retrospective application of IFRS 9 (note 2.2)	–	–	–	–	–	(4,337)	–	(4,337)	–	(4,337)
<b>Transactions with owners of the company</b>										
IPO shares (note 20)	1,009	458,991	–	–	–	–	–	460,000	–	460,000
Issuance of shares for share-based payment transactions	7	–	–	3,110	–	–	–	3,117	–	3,117
Transaction cost in relation to IPO and new share issue (note 20)	–	(24,057)	–	–	–	–	–	(24,057)	–	(24,057)
Employee share schemes (note 26)	4	–	–	3,507	–	–	–	3,511	–	3,511
Derecognition of derivative asset (note 27.2)	–	–	(67,506)	–	–	67,506	–	–	–	–
Share capital increase in subsidiary	–	–	–	–	–	–	–	–	59,613	59,613
Shares issued in settlement of preference shares in subsidiary (note 21)	129	223,871	–	–	–	–	–	224,000	(224,000)	–
NCI on acquisition of subsidiary (note 6)	–	–	–	–	–	–	–	–	204,800	204,800
<b>At 31 December 2018</b>	2,066	658,805	5,907	6,617	(15,513)	29,993	139,903	827,778	260,045	1,087,823

1. The share premium account represents the total net proceeds on issue of the Company's shares in excess of their nominal value of £0.01 per share less amounts transferred to any other reserves.
2. Other reserves are used to recognise remeasurement gain or loss on cash flow hedge and actuarial gain or loss from the defined retirement benefit plan. Furthermore, other reserve are used to recognise measurement gains from derivative asset, refer to note 8 for further detail of this transaction.
3. The share-based payments reserve is used to recognise the value of equity-settled share-based payments granted to parties including employees and key management personnel, as part of their remuneration.
4. The foreign currency translation reserve is used to record unrealised exchange differences arising from the translation of the financial statements of entities within the Group that have a functional currency other than US Dollar.
5. Refer to note 20.

# Group statement of cash flows

Year ended 31 December 2018

	Note	For the year ended 31 December	
		2018 \$'000	2017 \$'000
<b>Operating activities</b>			
Profit/(loss) from continuing operations before tax		85,292	25,407
Loss from discontinued operations before tax		–	(1,403)
<b>Profit/(loss) before taxation</b>		<b>85,292</b>	<b>24,004</b>
Adjustments to reconcile profit/(loss) before taxation to net cash provided by operating activities:			
Depreciation of property, plant and equipment	14	34,087	17,808
Amortisation of intangible assets	15	171	200
Impairment loss on property, plant and equipment	14	–	1,344
Impairment loss on intangible assets	15	–	6,663
Impairment loss on inventory	8e	992	–
Gain from disposal on property, plant and equipment		(6)	–
Gain from disposal of subsidiary	8e	–	(1,540)
(Decrease)/increase in provisions		(6,757)	8,748
Finance income	10	(1,735)	(14)
Finance costs	10	13,471	22,940
Fair value gain on derivative	27.2	(96,709)	(25,786)
Share-based payment charge	26	1,570	–
Net foreign exchange (gain)/loss	10	23,521	(36,243)
<b>Cash flow from operations before working capital adjustments</b>		<b>53,897</b>	<b>18,124</b>
(Increase)/decrease in inventories		(1,807)	4,985
Decrease/(increase) in trade and other receivables		10,741	(11,168)
(Decrease)/increase in trade and other payables		(3,562)	17,157
<b>Cash flow from operations</b>		<b>59,269</b>	<b>29,097</b>
Tax paid		(251)	–
Receipts in relation to provisions	24	3,666	–
<b>Net cash inflow from operating activities</b>		<b>62,684</b>	<b>29,097</b>
<b>Investing activities</b>			
Payment for additions to property, plant and equipment	14	(290,123)	(48,744)
Payment for additions to intangible assets	15	(3,449)	(5,259)
Disposal of subsidiary, net of cash disposed		–	(5,610)
Acquisition of a subsidiary, net of cash acquired	6	(32,746)	–
Proceeds from disposal of property, plant and equipment		63	1,000
Interest received		1,591	14
<b>Net cash used in investing activities</b>		<b>(324,664)</b>	<b>(58,599)</b>
<b>Financing activities</b>			
Proceeds from issue of share capital		460,000	–
Proceeds from new debt		55,626	33,915
Proceeds from capital increases by non-controlling interests		67,613	–
Transaction costs in relation to IPO and new share issue		(20,057)	–
Debt arrangement fees paid		(8,237)	(1,475)
Debt arrangement fees for Karish-Tanin facility	22	(61,496)	–
Finance costs paid		(10,919)	(4,019)
<b>Net cash inflow from financing activities</b>		<b>482,530</b>	<b>28,421</b>

	Note	For the year ended 31 December	
		2018 \$'000	2017 \$'000
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>220,550</b>	<b>(1,081)</b>
Cash and cash equivalents:			
At beginning of the period		15,692	17,586
Effect of exchange rate fluctuations on cash held		(16,420)	(813)
<b>Total cash and cash equivalents at end of the year</b>	17	<b>219,822</b>	<b>15,692</b>

## Supplemental cash flow information:

	Note	For the year ended 31 December	
		2018 \$'000	2017 \$'000
<b>Non-cash investing and financing activities</b>			
Investment in oil and gas assets against liabilities	14	199,262	15,739
Loan capitalisation and issuance of preference shares	21	–	230,761
Capitalisation of depreciation to oil and gas properties	14	2,574	2,388
Capitalised borrowing costs	14, 15	9,258	1,258



# Notes to the consolidated financial statements

Year ended 31 December 2018

## 1. Corporate Information

Energean Oil & Gas plc (the 'Company') was incorporated in England & Wales on 8 May 2017 as a public company with limited liability, under the Companies Act 2006. Its registered office is at 44 Baker Street, London W1U 7AL, United Kingdom. The Company and all subsidiaries controlled by the Company are together referred to as 'the Group'.

The Group has been established with the objective of exploration, production and commercialisation of crude oil and natural gas in Greece, Israel, North Africa and the wider Eastern Mediterranean.

The Group's core assets as of 31 December 2018 comprise:

	Asset	Country	Group's working interest	Partner's working interest	Field Phase
1.	Karish <sup>1</sup>	Israel	70%	30%	Development
2.	Tanin <sup>1</sup>	Israel	70%	30%	Development
3.	Blocks 12, 21, 22, 23, 31	Israel	70%	30%	Exploration
4.	Prinos	Greece	100%	N/A	Production
5.	Prinos North	Greece	100%	N/A	Production/undeveloped
6.	South Kavala	Greece	100%	N/A	Production
7.	Epsilon	Greece	100%	N/A	Undeveloped
8.	Prinos exploration area	Greece	100%	N/A	Exploration
9.	Katakolo	Greece	100%	N/A	Undeveloped
10.	Ioannina <sup>2</sup>	Greece	40%	60%	Exploration
11.	Aitolokarnania <sup>2</sup>	Greece	40%	60%	Exploration
13.	Block 26	Montenegro	100%	N/A	Exploration
14.	Block 30	Montenegro	100%	N/A	Exploration

1. Energean Israel holds 100% interest in the Karish and Tanin leases and in the Blocks 12, 21, 22, 23. At 31 December 2018, Energean Israel is a subsidiary in which the Group holds a 70% economic interest (Note 6). Kerogen Capital holds the remaining 30% of Energean Israel.

2. In March 2017 the Group agreed to farm-out a 60% working interest to Repsol (operator) in the Ioannina and Aitolokarnania blocks.

The principal operations of the Group are in Greece, Israel and Montenegro.

On 21 March 2018 the Company completed the admission of its shares to the Premium Segment of the London Stock Exchange.

On 29 March 2018 the Group, following a final investment decision in respect of the Karish and Tanin assets, subscribed for additional ordinary shares in Energean Israel for an aggregate consideration of \$266.7 million, payable in cash. Since completion of this subscription, the Group holds 70% of the shares in Energean Israel, with Kerogen Capital holding the remaining 30% (refer to note 6).

Based on the above, since 29 March 2018 Energean has consolidated Energean Israel Ltd to its consolidated financial statements.

### Subsidiaries

Name of subsidiary	Country of incorporation/ registered office	Principal activities	Shareholding At 31 December 2018 (%)	Shareholding At 31 December 2017 (%)
Energean E&P Holdings Ltd	22 Lefkonos Street, 2064 Nicosia, Cyprus	Holding Company	100	100
Energean MED Limited	44 Baker Street, London W1U 7AL, UK	Oil and gas exploration, development and production	100	–
Energean Oil & Gas S.A.	32 Kifissias Ave. 151 25 Marousi Athens, Greece	Oil and gas exploration, development and production	100	100
Kavala Oil S.A.	P.O. BOX 8, 64006 Nea Karvali, Kavala, Greece	Provision of oil and gas support services	99.92	99.92
Energean International Limited	22 Lefkonos Street, 2064 Nicosia Cyprus	Oil and gas exploration, development and production	100	100
Energean Israel Limited (Note 6)	22 Lefkonos Street, 2064 Nicosia Cyprus	Oil and gas exploration, development and production	70	50
Energean Montenegro Limited	22 Lefkonos Street, 2064 Nicosia Cyprus	Oil and gas exploration, development and production	100	100
Energean Israel Finance SARL	560A rue de Neudorf, L-2220, Luxembourg	Financing activities	70	–
Energean Israel Transmission LTD	9 Metsada St., Bnei Brak 5120109, Israel	Gas transportation licence holder	70	–

## 2. Significant accounting policies

### 2.1 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU).

The consolidated financial information is presented in US Dollar and all values are rounded to the nearest thousand dollars except where otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the financial statements.

The consolidated financial statements have been prepared on a going concern basis. The principal accounting policies adopted by the Group are set out below.

### 2.2 New and amended accounting standards and interpretations

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### IFRS 15 Revenue from Contracts with Customers

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers.

The Group has elected to apply the 'modified retrospective' approach to transition permitted by IFRS 15 under which comparative financial information is not restated. This election has been made as the adjustment on implementation of IFRS 15 is not considered material to the Group's financial statements. It is not considered material as the transition has not impacted gross profit in the comparative periods or retained earnings on 1 January 2018.

Disclosure of disaggregated revenue information consistent with the requirement included in IFRS 15 has not had an impact on the information presented in note 7.

The Group's accounting policy under IFRS 15 is that revenue is recognised when the Group satisfies a performance obligation by transferring oil or gas to its customer. The title to oil and gas typically transfers to a customer at the same time as the customer takes physical possession of the oil or gas. Typically, at this point in time, the performance obligations of the Group are fully satisfied. The accounting for revenue under IFRS 15 does not, therefore, represent a substantive change from the Group's previous accounting policy for recognising revenue from sales to customers.

#### IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018.

The effect on the Group of adopting IFRS 9 is, as follows:

#### Loan modification

IFRS 9 changed accounting for loan modifications, which the Group may experience from time to time. According to IFRS 9, an entity shall recognise any adjustment to the carrying amount of a financial liability arising from a modification or exchange in the statement of comprehensive income at the date of the modification or exchange. The classification and measurement of financial liabilities is materially consistent with that required by IAS 39 with the exception of the treatment of modification or exchange of financial liabilities which do not result in de-recognition.

#### According to the new requirements:

▶ The Company recalculated the amortised cost of the intercompany loan between Energean International Limited (Cyprus) and Energean Oil & Gas S.A. (Greece) in the amount of \$192.8 million as at 1 January 2018 when the terms modified on 31 December 2017.

As a result, intercompany loan liabilities differed from the liabilities under the loan agreements with the subsequent re-measurement of deferred tax.

▶ The carrying amount of the intercompany balance is eliminated in the Group's consolidated financial statements. The effect of the deferred tax recalculation was recognised in the statement of comprehensive income at the date of the modification or exchange.

# Notes to the consolidated financial statements continued

## 2.2 New and amended accounting standards and interpretations continued

The impact of the loan modification on the consolidated statement of financial position at the recognition date was as follows:

	Balance at 31 December 2017 published \$'000	Loan modification under IFRS 9 \$'000	Balance at 1 January 2018 \$'000
Retained earnings	(138,455)	(4,337)	(142,792)
Deferred tax liabilities	3,570	4,337	7,907

The Group has not identified any other modification in its financial liabilities that would result from retrospective application of IFRS 9.

The classification and measurement of financial assets have changed with the implementation of IFRS 9. However, this has not materially changed the measurement of financial assets of the Group.

The IFRS 9 impairment model requiring the recognition of 'expected credit losses', in contrast to the requirement to recognise 'incurred credit losses' under IAS 39, has not had a material impact on the Group's financial statements. Trade receivables are settled on a short time frame and the Group's other financial assets are due from counterparties without material credit risk concerns at the time of transition.

### IFRS 16 Leases

The Group will adopt IFRS 16 Leases for the year commencing 1 January 2019, which will impact both the measurement and disclosures of leases that are valued above a low value threshold and with terms that are longer than one year.

IFRS 16 "Leases" eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The Group has completed an assessment of lease agreements. On adoption of IFRS 16, the Group will recognise lease liabilities in relation to leases which are currently classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities will be measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease (if available), or the Group's subsidiaries incremental borrowing rate as of 1 January 2019. The determination of whether there is an interest rate implicit in the rate, the calculation of the Group's subsidiaries incremental borrowing rate, and whether any adjustments to this rate are required for certain portfolios of leases involve some judgement and are subject to change over time. A 1% change in the Group's incremental borrowing rate would increase/decrease the value of lease liabilities on transition by around \$0.2 million. In accordance with the transition provisions in IFRS 16 the modified retrospective approach will be adopted, with the cumulative effect of initially applying the new standard to be recognised on 1 January 2019. Comparatives for the 2018 financial year will not be restated. The expected financial impact of transition to IFRS 16 has been summarised within this note. In applying IFRS 16 for the first time, the Group will use the following practical expedients permitted by the standard on transition: the use of a single discount rate to a portfolio of leases with reasonably similar characteristics and to not separate and account for both the lease and the associated non-lease component but to account for both as a single combined lease component. The Group has identified lease portfolios for property, oil and gas supply vessels and other support equipment, and other vehicles.

Lease portfolio	Gross value on transition \$'000
Property leases	2,302
Oil and gas supply vessels and other support equipment leases	15,456
Other vehicles	140
<b>Total</b>	<b>17,898</b>

### Financial impact of the transition Income statement

Property leases: These leases are currently included as administrative expenses. On transition to IFRS 16 the expense will decrease, offset by an increase in finance costs and depreciation of other fixed assets.

Oil and gas production and support equipment leases: These leases are currently either treated as operating costs or capitalised as property, plant and equipment. On transition to IFRS 16 operating costs will decrease, offset by an increase in finance costs and depletion and amortisation of oil and gas assets.

Other vehicles: These leases are currently included as administrative expenses. On transition to IFRS 16 these expenses will decrease, offset by an increase in finance costs and depreciation of other fixed assets.

## 2.2 New and amended accounting standards and interpretations continued

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

### Balance sheet

The Group expects the impact of the transition to result in higher property, plant and equipment and current and non-current lease liabilities.

	Value on transition \$'000
Property, plant and equipment	
Current	–
Non-current	17,898
<b>Total</b>	<b>17,898</b>

	Value on transition \$'000
Lease liabilities	
Current	7,788
Non-current	10,110
<b>Total</b>	<b>17,898</b>

Several other amendments and interpretations apply for the first time in 2018, but did not have any significant impact on the consolidated financial statements of the Group.

## 2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) as detailed in Note 1. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- ▶ Power over the investee
- ▶ Exposure, or rights, to variable returns from its involvement with the investee, and
- ▶ The ability to use its power over the investee to affect the amount of the investor's returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has control over an investee, including:

- ▶ The contractual arrangement with the other vote holders of the investee
- ▶ Rights arising from other contractual arrangements
- ▶ The Group's voting rights and potential voting rights

The results of subsidiaries acquired or disposed of during the year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Profit or loss and each component of other comprehensive income (OCI) are attributed to owners of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intragroup transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

Transactions with non-controlling interests that do not result in loss of control of a subsidiary, are accounted for as transactions with the owners (i.e. as equity transactions). The difference between the fair value of any consideration and the resulting change in the non-controlling interests' share of the net assets of the subsidiary, is recorded in equity.

# Notes to the consolidated financial statements continued

## 2.3 Basis of consolidation continued

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intragroup transactions, balances, income and expenses are eliminated on consolidation.

## 3. Summary of significant accounting policies

The principal accounting policies and measurement bases used in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all periods presented in the consolidated financial statements unless otherwise stated.

### 3.1 Functional and presentation currency and foreign currency translation

#### Functional and presentation currency

Items included in the consolidated financial statements of the Company and its subsidiaries entities are measured using the currency of the primary economic environment in which each entity operates ("the functional currency").

The functional currency of the Company is the US Dollar (US\$). The US Dollar is the currency that mainly influences sales prices, revenue estimates and has a significant effect on Company's operations. The functional currencies of the Group's main subsidiaries are the euro for Energean E&P Holdings Ltd, Energean Oil & Gas S.A., Kavala Oil SA and Energean Montenegro, and US\$ for Energean International Limited and Energean Israel Limited.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss. Such monetary assets and liabilities are translated at year end foreign exchange rates. Non-monetary items denominated in a foreign currency are translated at the exchange rates prevailing at the date of the transaction and are not subsequently remeasured.

#### Translation to presentation currency

For the purpose of presenting consolidated financial statements information, the assets and liabilities of the Group are expressed in US\$. The Company and its subsidiaries' assets and liabilities are translated using exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates have fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising are recognised in other comprehensive income and accumulated in the Group's translation reserve. Such translation differences are reclassified to profit or loss in the period in which the foreign operation is disposed of.

### 3.2 Business combinations and goodwill

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognised in the consolidated statement of profit or loss as incurred.

Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified are accounted for in profit or loss. Contingent consideration classified as equity is not remeasured.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations (revised 2008) are recognised at their fair value at the acquisition date, except that:

- ▶ deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12, 'Income Taxes' and IAS 19, 'Employee Benefits' respectively;
- ▶ liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based payment at the acquisition date; and
- ▶ non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are measured at fair value less costs to sell.

### 3.2 Business combinations and goodwill continued

If the initial accounting for a business combination is incomplete by the end of the reporting year in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The measurement period is the year from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed at the acquisition date and is subject to a maximum of one year.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

### 3.3 Joint arrangements

A joint arrangement is one in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

#### Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.



# Notes to the consolidated financial statements continued

## 3.3 Joint arrangements continued

### Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have the right to the assets and obligations for the liabilities relating to the arrangement. In relation to its interests in joint operations, the Group recognises its share of:

- ▶ Assets, including its share of any assets held jointly
- ▶ Liabilities, including its share of any liabilities incurred jointly
- ▶ Revenue from the sale of its share of the output arising from the joint operation
- ▶ Share of the revenue from the sale of the output by the joint operation
- ▶ Expenses, including its share of any expenses incurred jointly

## 3.4 Exploration, evaluation and production assets

The Group adopts the successful efforts method of accounting for exploration and evaluation costs. Pre-licence costs are expensed in the period in which they are incurred. All licence acquisition, exploration and evaluation costs and directly attributable administration costs are initially capitalised as intangible assets by field or exploration area, as appropriate. These costs are then written off as exploration costs in the income statement unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment. Cash consideration received on farm-down of exploration and evaluation assets is credited against the carrying value of the asset.

All field development costs are capitalised as property, plant and equipment. Interest payable is capitalised insofar as it relates to specific development activities. Property, plant and equipment related to production activities is amortised in accordance with the Group's depletion and amortisation accounting policy.

## 3.5 Commercial reserves

Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50% statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50% statistical probability that it will be less.

## 3.6 Depletion and amortisation

All expenditure carried within each field is amortised from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, generally on a field-by-field basis or by group of fields which are reliant on common infrastructure. Costs included in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs required to recover the commercial reserves remaining. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Where there has been a change in economic conditions that indicates a possible impairment in a discovery field, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs. In order to discount the future cash flows the Group calculates CGU-specific discount rates. The discount rates are based on an assessment of a relevant peer group's pre-tax weighted average cost of capital (WACC). The Group then adds any exploration risk premium which is implicit within a peer group's WACC and subsequently applies additional country risk premium for CGUs. Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single CGU for impairment purposes. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any amortisation that would have been charged since the impairment.

The reversal is limited such that the carrying amount of the asset exceeds neither its recoverable amount, nor the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

## 3.7 Other property, plant and equipment

Other property, plant and equipment comprises plant machinery and installation, furniture and fixtures.

### Initial recognition

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

### Depreciation

Depreciation of other property, plant and equipment is calculated on the straight-line method so as to write-off the cost amount of each asset to its residual value, over its estimated useful life. The useful life of each class is estimated as follows:

	Years
Buildings	12
Plant and machinery	7 - 30
Furniture, fixtures and equipment	5 - 7

Depreciation of the assets in the course of construction commences when the assets are ready for their intended use, on the same basis as other assets of the same class.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

### Repairs, maintenance, and renovations

Expenditure for routine repairs and maintenance of property, plant and equipment is charged to the profit or loss in the year in which it is incurred. The cost of major improvements and renovations and other subsequent expenditure are included in the carrying amount of the asset when the recognition criteria of IAS 16 'Property, Plant and Equipment' are met. Major improvements and renovations capitalised are depreciated over the remaining useful life of the related asset.

## 3.8 Other intangible assets

### Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses.

Costs associated with maintenance of computer software programs are recognised as an expense when incurred.

Computer software costs are amortised using the straight-line method over their useful life, of between three and five years, which commences when the computer software is available for use.

## 3.9 Impairment of non financial assets

At each reporting date, the Group reviews the carrying amounts of its depreciable property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Impairment is assessed at the level of cash-generating units (CGUs) which, in accordance with IAS 36 'Impairment of Assets', are identified as the smallest identifiable group of assets that generates cash inflows, which are largely independent of the cash inflows from other assets. This is usually at the individual royalty, stream, oil and gas or working interest level for each property from which cash inflows are generated.

An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount, which is the higher of fair value less costs of disposal (FVLCD) and value-in-use (VIU). The future cash flow expected is derived using estimates of proven and probable reserves and information regarding the mineral, stream and oil and gas properties, respectively, that could affect the future recoverability of the Company's interests. Discount factors are determined individually for each asset and reflect the respective risk profiles.

Assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the conditions that gave rise to the recognition of an impairment loss are subsequently reversed and the asset's recoverable amount exceeds its carrying amount. Impairment losses can be reversed only to the extent that the recoverable amount does not exceed the carrying value that would have been determined had no impairment been recognised previously.

# Notes to the consolidated financial statements continued

## 3.9 Impairment of non-financial assets continued

Exploration and evaluation assets are tested for impairment when there is an indication that a particular exploration and evaluation project may be impaired. Examples of indicators of impairment include a significant price decline over an extended period, the decision to delay or no longer pursue the exploration and evaluation project, or an expiration of rights to explore an area. In addition, exploration and evaluation assets are assessed for impairment upon their reclassification to producing assets (oil and gas interest in property, plant and equipment). In assessing the impairment of exploration and evaluation assets, the carrying value of the asset would be compared to the estimated recoverable amount and any impairment loss recognised immediately in profit or loss.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

## 3.10 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

### Operating leases

#### The Group as lessee:

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease as well as prepayments and any other premiums paid are spread on a straight-line basis over the lease term.

## 3.11 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### i) Financial assets

#### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

#### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- ▶ Financial assets at amortised cost (debt instruments)
- ▶ Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- ▶ Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- ▶ Financial assets at fair value through profit or loss

## 3.11 Financial instruments – initial recognition and subsequent measurement continued

### Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- ▶ The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- ▶ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables.

### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired.

### Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### ii) Financial liabilities

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

# Notes to the consolidated financial statements continued

## 3.11 Financial instruments – initial recognition and subsequent measurement continued

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

#### Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, modified and through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

#### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

#### iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### Derivative financial instruments and hedge accounting

##### Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps and forward commodity contracts, to hedge its interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- ▶ Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- ▶ Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- ▶ Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

## 3.11 Financial instruments – initial recognition and subsequent measurement continued

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- ▶ There is 'an economic relationship' between the hedged item and the hedging instrument.
- ▶ The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- ▶ The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for as described below:

#### Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to forward commodity contracts is recognised in revenue or cost of sales.

From 1 January 2018, the Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity.

The amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction.

#### Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

#### Ordinary shares

Ordinary shares are classified as equity and measured at their nominal value. Any premiums received on issue of share capital above its nominal value are recognised as share premium within equity. Associated issue costs are deducted from share premium.

## 3.12 Share-based payment

### Equity-settled transactions

#### Awards to non-employees:

The fair value of the equity-settled awards has been determined at the date the goods or services are received with a corresponding increase in equity (share-based payment reserve).

#### Awards to employees:

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The fair value of the equity-settled awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions.

That cost is recognised in employee benefits expense, together with a corresponding increase in equity (share-based payment reserve), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.



# Notes to the consolidated financial statements continued

## 3.12 Share-based payment continued

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

## 3.13 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities, for which fair value is measured or disclosed in the consolidated financial statements, are categorised within the fair value hierarchy, described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- ▶ Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- ▶ Level 2 – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable
- ▶ Level 3 – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## 3.14 Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank, demand deposits and also cash reserves retained as a bank security pledge in respect of bank guarantees (Note 16), with a maturity of three months or less that are subject to an insignificant risk of changes in their fair value.

The cash reserves retained as a bank security pledge in respect of bank guarantees are defined as restricted cash and held in designated bank deposits accounts to be released when the Group meets the specified expenditure milestones.

## 3.15 Inventories

Inventories comprise crude oil and by-product (Sulphur), consumables and other spare parts. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the monthly weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. It does not include borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Spare parts consumed within a year are carried as inventory and recognised in profit or loss when consumed.

The Group assesses the net realisable value of the inventories at the end of each year and recognises in the consolidated statement of profit or loss the appropriate valuation adjustment if the inventories are overstated. When the circumstances that previously caused impairment no longer exist or when there is clear evidence of an increase in the inventories' net realisable value due to a change in the economic circumstances, the amount thereof is reversed.

## 3.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risk and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

## 3.16 Provisions continued

### Decommissioning provision

Provision for decommissioning is recognised in full when the related facilities are installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment.

The amount recognised is the estimated cost of decommissioning, discounted to its net present value at a risk-free discount rate, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the decommissioning provision is included as a finance cost.

## 3.17 Revenue

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

### Sale of crude oil and by products

Sales revenue represents the sales value, net of VAT, of liftings in the year together with the gain/loss on realisation of cash flow hedges.

Revenue from sale of crude oil and by products is recognised when performance obligations have been met, which is typically when goods are delivered and title has passed.

### Rendering of services

The Group recognises revenue from technical advisory services, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

## 3.18 Retirement benefit costs

### State-managed retirement benefit schemes

Payments made to state managed retirement benefit schemes (e.g. Government Social Insurance Fund) are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution plan. The Group's contributions are expensed as incurred and are included in staff costs. The Group has no legal or constructive obligations to pay further contributions if the government scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

### Defined benefit plan

The Group operates an unfunded defined benefit plan in which a lump sum amount is specified and is payable at the termination of employees' services based on such factors as the length of the employees' service and their salary. The liability recognised for the defined benefit plan is the present value of the defined benefit obligation at the reporting date.

The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. The assumptions used in the actuarial valuations are developed by management with the assistance of independent actuaries.

Service costs on the defined benefit plan are included in staff costs. Interest expense on the defined benefit liability is included in finance costs. Gains and losses resulting from other remeasurements of the defined benefit liability are included in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

## 3.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Excluded from the above capitalisation policy are any qualifying assets that are inventories that are produced in large quantities on a repetitive basis.

Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

# Notes to the consolidated financial statements continued

## 3.20 Tax

Income tax expense represents the sum of current and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated financial statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. No deferred tax is recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Current and deferred tax assets and corresponding liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its tax assets and liabilities on a net basis.

## 3.21 Equity, reserves and dividend payments

Share capital represents the nominal (par) value of shares that have been issued. Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other components of equity include the following:

- ▶ remeasurement of net defined benefit liability – comprises the actuarial losses from changes in demographic and financial assumptions and the return on plan assets (see Note 3.18)
- ▶ translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities (see Note 3.1)

Retained earnings includes all current and prior period retained profits.

All transactions with owners of the parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the balance sheet date.

## 4. Critical accounting estimates and judgements

The preparation of these consolidated financial statements in conformity with IFRS, requires the use of accounting estimates and assumptions, and also requires management to exercise its judgement, in the process of applying the Group's accounting policies.

Estimates, assumptions and judgement applied are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates, assumptions and judgement are based on management's best knowledge of current events and actions, actual results may ultimately differ.

### 4.1 Critical judgements in applying the Group's accounting policies

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the consolidated financial statements:

#### Business combination (note 6)

Determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Group to make certain judgements. A business is a group of assets that includes inputs, outputs and processes that are capable of being managed together to provide a return to the Group and its shareholders. Classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on the entries made on or after acquisition.

### 4.1 Critical judgements in applying the Group's accounting policies continued

On 29 March 2018, the Group, following a final investment decision in respect of the Karish and Tanin assets, subscribed for additional ordinary shares in Energean Israel. Following completion of this subscription, the Group holds 70% of the shares in Energean Israel, with Kerogen Capital holding the remaining 30%. The Group considered the acquisition as a business combination because at the date of the acquisition the acquired company had a firm approved development plan, licences, employees and processes in place to create future outputs. Furthermore at that date the company had already secured Gas Supply Agreements for up to approximately 4.4 to 5.1 bcm per annum on an ACQ basis (or an average of approximately 3.3 to 3.8 bcm per annum on a take or pay basis, including the Or Gas Supply Agreement), subject to all conditions being satisfied.

Since 29 March 2018, Energean Israel has been consolidated into the Group. The business combination is subject to the application of acquisition accounting as required by IFRS 3 Business Combinations.

The identifiable assets acquired and liabilities assumed of the acquiree are recognised as of the acquisition date and measured at fair value as at that date. Any non-controlling interest in the acquiree was also recognised at fair value at the acquisition date.

#### Carrying value of intangible exploration and evaluation assets (note 15)

Amounts carried under intangible exploration and evaluation assets represent active exploration projects. Capitalised costs will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment in accordance with the Group's accounting policy. The process of determining whether there is an indicator for impairment or calculating the impairment requires critical judgement. The key areas in which management has applied judgement and estimation are as follows: the Group's intention to proceed with a future work programme; the likelihood of licence renewal or extension; the assessment of whether sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale; and the success of a well result or geological or geophysical survey.

#### Functional currency

The functional currency for the Company and each of its subsidiaries is the currency of the primary economic environment in which the entity operates. Note 3.2 describes the functional currency of each of the entities within the Group. The determination of the functional currency of the group's subsidiary Energean Oil and Gas S.A. involves certain judgements to determine the primary economic environment. Energean Oil and Gas S.A.'s revenue and borrowings are denominated in US\$, however capital expenditures, payroll cost, energy costs and exploration and evaluation costs are all predominantly denominated in Euro, and also the company operates in Greece, consequently the Group has determined that the functional currency of the company is the Euro. The Group reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

### 4.2 Estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, are discussed below:

#### Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability the Group uses market-observable data to the extent that it is possible. Where level 1 inputs are not available, as is the case for estimating a fair value for the convertible loan notes (see Note 6) and the option to purchase Energean Israel Class B shares (see Note 27.2) the Group has used a combination of level 2 and level 3 inputs to estimate the fair value.

The valuation technique and associated inputs applied in determining the fair value of the option to purchase Energean Israel Class B shares are disclosed in Note 27.2.

#### Carrying value of property, plant and equipment (note 14)

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an indicator of impairment exists, the recoverable amount (which is the higher of fair value less costs to sell and value in use) of the cash-generating unit to which the assets belong is then estimated based on the present value of future discounted cash flows. For oil and gas assets, the expected future cash flow estimation is based on a number of factors, variables and assumptions, the most important of which are estimates of reserves, future production profiles, oil prices and costs. In most cases, the present value of future cash flows is most sensitive to estimates of future oil price, estimates of reserves, estimates of development costs and discount rates. A change in the assumptions could materially change the recoverable amount. In the event that future circumstances vary from these assumptions, the recoverable amount of the Group's development and production assets could change materially and result in impairment losses or the reversal of previous impairment losses.

# Notes to the consolidated financial statements continued

## 4.2 Estimation uncertainty continued

The fields of Prinos, Prinos North and Epsilon are grouped together in one cash-generating unit (CGU) and reviewed annually for impairment. The rationale behind the Group's view to consider Prinos, Prinos North and Epsilon as one CGU is based on the fact that the field area includes all wells on Prinos, Prinos North and Epsilon and the field investment decisions are based on expected field production and not on a single well. Moreover all wells are dependent on the same field infrastructure and therefore no well in this area can generate cash flows independently.

Further details about the carrying value of property, plant and equipment are shown in Note 14 to the consolidated financial statements.

### Hydrocarbon reserve and resource estimates

The Group's oil and gas development and production properties are depreciated on a unit of production basis at a rate calculated by reference to developed and undeveloped proved and probable commercial reserves (2P developed and undeveloped) which are estimated to be recoverable with existing and future developed facilities using current operating methods, determined in accordance with the Petroleum Resources Management System published by the Society of Petroleum Engineers, the World Petroleum Congress and the American Association of Petroleum Geologists.

Commercial reserves are determined using estimates of oil in place, recovery factors and future oil prices. The level of estimated commercial reserves is also a key determinant in assessing whether the carrying value of any of the Group's oil and gas properties has been impaired. As the economic assumptions used may change and as additional geological information is produced during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Group's reported financial position and results and include:

- ▶ Depreciation and amortisation charges in profit or loss may change where such charges are determined using the unit of production method, or where the useful life of the related assets change
- ▶ Impairment charges in profit or loss
- ▶ Provisions for decommissioning may change where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities
- ▶ The recognition and carrying value of deferred tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets

The impact upon commercial reserves and the aggregate depletion charge for the year of a fluctuation of the forward Brent oil price assumption as well as the Group's carrying amount of oil and gas properties for all periods is shown in note 14. Management monitors the impact on the commercial reserves and the depletion charge on a Group level.

### Retirement benefit obligation

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases where necessary. The Group sets these assumptions with the assistance of independent professional actuaries. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The assumptions used may vary from year to year which would affect future net income and net assets. Any differences between these assumptions and the actual outcome also affect future net income and net assets. Further details are shown in note 23 of the consolidated financial statements.

### Income taxes

Significant estimates and judgement are required in determining the liability for income taxes.

The Group has recognised deferred tax assets in respect of tax losses and other temporary differences to the extent that it is probable that there will be future taxable profits against which such tax losses can be recovered and other temporary differences can be utilised. The Group considers their carrying value at each balance sheet date and assesses whether sufficient taxable profits will be generated in future years to recover such recognised deferred tax assets. These estimates are based on forecast performance and where tax losses are subject to expiration, the estimates take into account the expected reversal patterns of taxable temporary differences compared to the future reversal of deductible temporary differences.

Deferred tax assets recognised from carried forward unused tax losses for the Group amounted to \$85.6 million for the year ended 31 December 2018 (year ended 31 December 2017: \$80.6 million) (note 16).

In evaluating whether it is more likely than not that sufficient taxable profits will be generated in future periods in order to assess recoverability of losses, the Group considers all available evidence including approved budgets, forecasts and business plans to form its assessment. Following an assessment conducted in December 2018, it was determined there would be sufficient taxable income generated to recover the deferred tax assets recognised.

## 5. Segmental reporting

The information reported to the Group's Chief Executive Officer and Chief Financial Officer together, the chief operating decision makers for the purposes of resource allocation and assessment of segment performance is focused on five operating segments: Greece (including the Prinos production asset, Katakolo non-producing assets and Ioannina and Aitolokarnania exploration assets), Israel, Egypt (which for the period ended 31 December 2017 included West Kom Ombo exploration asset), Montenegro (including two non-producing exploration assets) and New Ventures.

The Group's reportable segments under IFRS 8 Operating Segments are Greece and Israel. Segments that do not exceed the quantitative thresholds for reporting information about operating segments have been included in Other.

### Segment revenues, results and reconciliation to profit before tax

The following is an analysis of the Group's revenue, results and reconciliation to profit before tax by reportable segment:

	Greece \$'000	Israel \$'000	Other & intercompany transactions \$'000	Total \$'000
<b>Year ended 31 December 2018</b>				
Revenue <sup>1</sup>	90,457	–	(128)	90,329
Adjusted EBITDAX	58,242	(4,724)	(1,069)	52,449
<b>Reconciliation to profit before tax:</b>				
Depreciation and amortisation expenses	(34,237)	(17)	(4)	(34,258)
Exploration and evaluation expenses	(41)	–	(2,061)	(2,102)
Other income/(expense)	7,835	–	(84)	7,751
Finance income	694	841	200	1,735
Finance costs	(21,026)	(217)	7,772	(13,471)
Gain on derivative	–	–	96,709	96,709
Net foreign exchange gain/(loss)	(10,126)	(15,096)	1,701	(23,521)
<b>Profit/(loss) before income tax</b>	<b>1,341</b>	<b>(19,213)</b>	<b>103,164</b>	<b>85,292</b>
Taxation income/(expense)	11,660	4,381	(514)	15,527
<b>Profit/(loss) from continuing operations</b>	<b>13,001</b>	<b>(14,832)</b>	<b>102,650</b>	<b>100,819</b>
<b>Year ended 31 December 2017</b>				
Revenue	55,445	–	2,307	57,752
Adjusted EBITDAX	21,125	–	(449)	20,676
<b>Reconciliation to profit before tax:</b>				
Depreciation and amortisation expenses	(17,946)	–	(62)	(18,008)
Exploration and evaluation expenses	(340)	–	(9,626)	(9,966)
Other income/(expense)	(7,445)	–	1,047	(6,398)
Finance income	22,130	–	(22,116)	14
Finance costs	(29,814)	–	6,874	(22,940)
Gain on derivative	–	–	25,786	25,786
Net foreign exchange gain/(loss)	36,198	–	45	36,243
<b>Profit before income tax</b>	<b>23,908</b>	<b>–</b>	<b>1,499</b>	<b>25,407</b>
Taxation income/(expense)	(13,929)	–	(132)	(14,061)
<b>Profit from continuing operations</b>	<b>9,979</b>	<b>–</b>	<b>1,367</b>	<b>11,346</b>



# Notes to the consolidated financial statements continued

## 5. Segmental reporting continued

	Greece \$'000	Israel \$'000	Other & intercompany transactions \$'000	Total \$'000
<b>Year ended 31 December 2018</b>				
Property, plant and equipment	361,436	980,026	242	1,341,704
Intangible assets including goodwill	6,632	78,449	1,274	86,355
Other assets	68,426	275,375	6,193	349,994
<b>Total assets</b>	<b>436,494</b>	<b>1,333,850</b>	<b>7,709</b>	<b>1,778,053</b>
<b>Total liabilities</b>	<b>221,355</b>	<b>470,550</b>	<b>(1,675)</b>	<b>690,230</b>
<b>Year ended 31 December 2017</b>				
Total assets	372,636	–	98,601 <sup>2</sup>	471,237
Total liabilities	386,035	–	(203,780) <sup>3</sup>	182,255

- The Group supplies its Prinos crude oil to BP Oil International Ltd, until the later of: a) the expiry of the agreement on 1 November 2025 or b) the delivery of twenty-five million barrels
- Consists mainly of the derivative asset of \$93.3 million related to the Energean Israel B shares acquisition option (note 27.2)
- Consists mainly of the elimination of an intercompany loan of \$210.7 million between Energean International Limited (Cyprus) and Energean Oil & Gas S.A. (Greece)

### Segment cash flows

	Greece \$'000	Israel \$'000	Other & intercompany transactions \$'000	Total \$'000
<b>Year ended 31 December 2018</b>				
Net cash from/(used in) operating activities	71,163	(1,236)	(7,243)	62,684
Net cash used in investing activities	(118,121)	(182,900)	(23,643)	(324,664)
Net cash from financing activities	44,515	393,559	44,456	482,530
Net increase/(decrease) in cash and cash equivalents	(2,443)	209,423	13,570	220,550
Cash and cash equivalents at end of the period	11,799	194,456	13,567	219,822
<b>Year ended 31 December 2017</b>				
Net cash from (used in) operating activities	27,734	(4,652)	6,015	29,097
Net cash (used in) investing activities	(48,073)	(6,744)	(3,781)	(58,599)
Net cash from financing activities	20,916	13,578	(6,073)	28,421
Net increase/(decrease) in cash and cash equivalents	577	2,182	(3,840)	(1,081)
Cash and cash equivalents at end of the period	7,692	6,791	1,209	15,692

## 6. Business combination

At 31 December 2017, the Group held a commitment to acquire 50% of the preference shares in Energean Israel Limited. The recognition of this commitment, which represented a derivative financial instrument, was based on management's estimate of the likelihood of the triggering events occurring (upon either a successful Initial Public Offering ('IPO') or in the event of a sale transaction), the estimated valuation of the Israel entity and the \$10 million exercise price. The value of the Israel entity was estimated based on the price negotiated at a similar time with Kerogen as a transaction between market participants which drove the subscription price of \$266.7 million for the Energean Israel share issuance. This sum includes the amount payable in respect of Energean's carry of 20% of Energean Israel for \$80 million, together with its 70% proportionate share of funding in respect of such carry. Since completion of this subscription, the Group holds 70% of the shares in Energean Israel, with Kerogen holding the remaining 30%.

The Group recognised a derivative financial asset of \$93.3 million in the 2017 financial statements. On 21 March 2018, the Group successfully completed an IPO on the London Stock Exchange and the probability of the IPO taking place by definition became 100%. At that date the Group re-measured the value of the derivative asset, which was valued at \$190 million, representing an increase of \$96.7 million since the year-end, which has been taken to the income statement. Furthermore, the IPO event crystallised the Group's commitment to purchase the Energean Israel preference shares.

## 6. Business combination continued

The acquisition of the 50% of preference shares in Energean Israel, changing the Group's economic interest in the entity, resulted in accounting for Energean Israel as a 50% Joint Venture. The derivative asset was discharged in consideration for the acquisition of the 50% of the entity's preference shares.

On 29 March 2018, the Group, following a final investment decision in respect of the Karish and Tanin assets, subscribed for additional shares in Energean Israel for an aggregate consideration of \$266.7 million, payable in cash. Prior to this subscription, Kerogen Capital Limited ('Kerogen') held 50% of the equity voting shares in Energean Israel and did not participate in the new share issuance. Since completion of this subscription, the Group holds 70% of the voting shares in Energean Israel, with Kerogen holding the remaining 30%.

From 29 March 2018, Energean Israel has therefore been consolidated into the Group and represents a business combination for which acquisition accounting is required in line with IFRS 3 Business Combinations.

The identifiable assets acquired and liabilities assumed of the acquiree are recognised as of the acquisition date and measured at fair value as at that date. Any non-controlling interest in the acquiree is also recognised at fair value at the acquisition date. The fair value of the business acquired is represented by the Karish and Tanin oil and gas assets, cash and working capital, offset by certain liabilities including the deferred consideration obligation for the oil and gas licences. The fair value allocation, as mentioned above, has been determined by management using the agreement with Kerogen in December 2017 as a transaction between market participants which drove the subscription price of \$266.7 million for the Energean Israel share issue. This resulted in an aggregate fair value of \$682.7 million being allocated to the identifiable assets and liabilities acquired, prior to the recognition of a deferred tax liability of \$79.0 million as further described below.

The consolidated financial statements include the results of Energean Israel for the period 29 March to 31 December 2018. Since the acquisition date Energean Israel's loss included in the consolidated statement of comprehensive income for the reporting period amounted to \$14.8 million. If the combination had taken place at the beginning of the year, the Group's profit from continuing operations for the period would have been \$99.9 million. Following the August 2018 independent Competent Persons Report (CPR), the Group's 70% stake in Energean Israel represents 298 MMboe of 2P reserves and 24 MMboe of 2C resources.

The fair values of the identifiable assets and liabilities of Energean Israel have been estimated as at the date of acquisition and were as follows:

	Fair value recognised on acquisition \$'000
<b>Assets:</b>	
Property, plant and equipment	579,906
Intangible assets	615
Trade and other receivables <sup>1</sup>	309,248
Cash and cash equivalents	3,104
	<b>892,873</b>
<b>Liabilities</b>	
Trade and other payables	(211,194)
Deferred tax liabilities	(78,012)
	<b>(289,206)</b>
<b>Total identifiable net assets at fair value</b>	<b>603,667</b>
Goodwill arising on acquisition	75,800
Fair value of non-controlling interest on acquisition	(204,800)
<b>Fair value of purchase consideration transferred</b>	<b>474,667</b>

# Notes to the consolidated financial statements continued

## 6. Business combination continued

	Fair value recognised on acquisition \$'000
<b>Acquisition date fair value of consideration transferred</b>	
Cash paid for the acquisition of 50% preference shares	10,000
Cash paid at acquisition as advance for issue of shares	25,850
Cash paid after acquisition date for issue of shares	240,817
Cash payable at acquisition date	8,000
Derivative asset	190,000
<b>Consideration transferred</b>	<b>474,667</b>
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	3,104
Cash paid	(35,850)
<b>Net consolidated cash outflow</b>	<b>(32,746)</b>

1. Included in trade and other receivables is an amount of \$248.8 million receivable from Energean E&P Holdings due for share capital increases, of which \$240.8 million was paid in April 2018.

The balances above which were increased as a result of fair value adjustments being applied upon acquisition are property, plant and equipment (oil and gas properties) and deferred tax liabilities.

Goodwill of \$75.8 million has been recognised upon acquisition. An amount of \$79.0 million was due to the requirement of IAS 12 to recognise deferred tax assets and liabilities for the difference between the assigned fair values and tax bases of assets acquired and liabilities assumed. The assessment of fair value of such licences is therefore based on cash flows after tax. Nevertheless, in accordance with IAS 12 Sections 15 and 19, a provision is made for deferred tax corresponding to the tax rate of Israel (23%) multiplied by the difference between the acquisition cost and the tax base. The offsetting entry to this deferred tax is goodwill. Hence, goodwill arises as a direct result of the recognition of this deferred tax adjustment ("technical goodwill"). None of the goodwill recognised will be deductible for income tax purposes.

## 7. Revenue

	2018 \$'000	2017 \$'000
Crude oil sales	88,587	55,113
Petroleum products sales	1,659	1,025
Rendering of services	1,398	1,877
Loss on forward transactions	(1,315)	(280)
Other	–	17
<b>Total revenue</b>	<b>90,329</b>	<b>57,752</b>

## 8. Operating profit/(loss) before taxation

	2018 \$'000	2017 \$'000
<b>(a) Cost of oil sales</b>		
Staff costs (note 9)	12,825	12,598
Energy cost	5,859	5,767
Royalty payable	1,024	176
Other operating costs	6,257	6,721
Depreciation and amortisation (note 14)	33,904	17,640
Movement in inventories of oil	(1,073)	5,003
<b>Total cost of oil sales</b>	<b>58,796</b>	<b>47,905</b>
<b>Cost of services</b>	<b>1,223</b>	<b>743</b>
<b>Total cost of sales</b>	<b>60,019</b>	<b>48,648</b>
<b>(b) General and administration expenses</b>		
Staff costs (note 9)	6,766	3,048
Depreciation and amortisation (note 14, 15)	354	368
Auditor fees (note 8f)	804	418
Other general & administration expenses	3,742	2,157
	<b>11,666</b>	<b>5,991</b>
<b>(c) Selling and distribution expenses</b>		
Staff costs (note 9)	166	181
Other selling and distribution expenses	287	264
	<b>453</b>	<b>445</b>
<b>(d) Exploration and evaluation expenses</b>		
Staff costs (note 9)	773	244
Exploration costs written off (note 14, 15)	–	8,007
Provision for bank guarantee related to exploration licence (note 24)	602	1,285
Other exploration and evaluation expenses	727	430
	<b>2,102</b>	<b>9,966</b>
<b>(e) Other operating (income)/expenses</b>		
Provision/(reversal of provision) for tax litigations (note 24)	(7,248)	6,935
Reversal of prior period other provision	(169)	(235)
Other income	(1,622)	(14)
Gain from disposal of subsidiary (note 12)	–	(1,540)
Provision for bad debts	46	401
Impairment of inventory	992	–
Other expenses	250	851
	<b>(7,751)</b>	<b>6,398</b>
<b>(f) Fees payable to the Company's auditor:</b>		
Fees payable to the Company's auditor for:		
The audit of the Company's annual accounts	243	68
The audit of the Company's subsidiaries pursuant to legislation	267	185
<b>Total audit services</b>	<b>510</b>	<b>253</b>
Audit-related assurance services – half-year review	157	–
Other services	137	165
<b>Total non-audit services</b>	<b>294</b>	<b>165</b>
<b>Total</b>	<b>804</b>	<b>418</b>

# Notes to the consolidated financial statements continued

## 9. Staff costs

The average monthly number of employees (including Executive Directors) employed by the Group worldwide was:

	2018 Number	2017 Number
Administration	70	58
Technical	335	328
	405	386

	2018 \$'000	2017 \$'000
Salaries	26,550	20,635
Social security costs	5,470	4,418
Share-based payments (note 26)	3,564	–
	35,584	25,053
Payroll cost capitalised in oil and gas assets and exploration & evaluation costs	(13,972)	(8,358)
<b>Payroll cost expensed</b>	<b>21,612</b>	<b>16,695</b>
Included in:		
Cost of oil sales (note 8a)	12,825	12,598
Cost of services	1,062	600
Administration expenses (note 8b)	6,766	3,048
Exploration & evaluation expenses (note 8d)	773	244
Selling and distribution expenses (note 8c)	166	181
Other	20	24
	21,612	16,695

Details of Directors' remuneration, Directors' transactions and Directors' interests are set out in the part of the Directors' Remuneration Report described as having been audited, which forms part of these financial statements.

## 10. Net financing cost

	Notes	2018 \$'000	2017 \$'000
Interest on bank borrowings	22	12,175	22,221
Interest expense on long-term payables	25	5,676	–
Less amounts included in the cost of qualifying assets	14,15	(9,258)	(1,258)
		8,593	20,963
Finance and arrangement fees		2,931	–
Other finance costs and bank charges		1,548	1,774
Unwinding of discount		399	203
<b>Total finance costs</b>		<b>13,471</b>	<b>22,940</b>
Interest income from time deposits		(1,735)	(14)
<b>Total finance revenue</b>		<b>(1,735)</b>	<b>(14)</b>
Foreign exchange losses/(gain)		23,521	(36,243)
<b>Net financing costs</b>		<b>35,257</b>	<b>(13,317)</b>

The decrease in interest expenses versus the previous year (31 December 2017: \$22.9 million) is associated with conversion of a shareholders' loan to preference shares at the end of 1H 2017 (refer to note 20).

## 11. Taxation

### (a) Taxation charge

	2018 \$'000	2017 \$'000
Corporation tax – current year	(939)	(204)
Corporation tax – prior years	4,343	(4,155)
Deferred tax (Note 16)	12,123	(9,702)
<b>Total taxation income/(expense)</b>	<b>15,527</b>	<b>(14,061)</b>

### (b) Reconciliation of the total tax charge

The tax credit/(charge) recognised in the income statement is reconciled to the Group's Greek entity standard tax rate of 25% (31 December 2017: 25%). The differences are reconciled below:

	2018 \$'000	2017 \$'000
Profit before tax	85,292	24,004
Tax credit/(charge) at the applicable tax rate of 25% (FY17: 25%) <sup>1</sup>	(21,323)	(6,001)
Impact of different tax rates	5,600	427
Tax impact of change of tax rates	598	–
Reassessment of recognised deferred tax asset in the current period	(404)	(517)
Permanent differences	(1,318)	(7,864)
Non-recognition of deferred tax on current period losses of branches	(1,259)	(965)
Tax effect of non-taxable income <sup>2</sup>	20,749	5,002
Derecognition of deferred tax as a result of capitalisation of loan <sup>3</sup>	8,367	–
Other adjustments	174	12
Prior year tax <sup>4</sup>	4,343	(4,155)
Taxation income	15,527	(14,061)
Effective tax rate	(18%)	59%

- For the reconciliation of the effective tax rate, the statutory tax rate of Greek upstream oil and gas activities of 25% has been used since the major part of the deferred tax is coming from the Greek operations of the Group.
- In 2018, the Group recognised a gain of \$96.7 million (31 December 2017: \$25.8 million) from the revaluation of the derivative asset due to the acquisition of 50% of Energean Israel; this gain is non-taxable.
- The Group capitalised an intercompany loan liability of \$233.0 million which is eliminated for group reporting purposes. However, because the tax implications differ between the relevant jurisdictions the deferred tax credit impact is recorded in the profit and loss.
- The Group also reversed a provision of \$4.3 million relating to previous years' income taxes.



# Notes to the consolidated financial statements continued

## 12. Discontinued operations

At 31 December 2016, Energean Israel Limited was presented as a wholly owned subsidiary of Energean E&P Holdings Limited. Based on the Kerogen convertible loan and founding shareholder loans, the Group lost control of Energean Israel Limited on 13 June 2017 and it was therefore presented as a discontinued operation.

On 21 December 2016, the Group entered into a subscription agreement with Kerogen Capital Limited (Kerogen), a private equity fund manager focused on oil and gas, for the investment of \$50 million to Energean Israel Limited. The initial capital was funded by a \$35 million convertible loan in December 2016 and a further \$5 million loan in the first quarter of 2017, to be converted to equity, together with a further equity investment by Kerogen of \$10 million subject to (i) the approval from the Petroleum Commissioner and (ii) the closing of the sale and purchase of the subject interest in accordance with the provisions of the Delek sale and purchase agreement. The loan bears no interest and was repayable by 19 June 2017 in the case that no conversion occurred. The net proceeds received from the issue of the Kerogen convertible loan have been allocated between the financial liability component (\$34.2 million as of 31 December 2016) and an equity component (\$0.7 million as of 31 December 2016). The conversion reserve represents the difference between the fair value of the discounted cash outflows to repay the loan from Kerogen, discounted using the market interest rate, and the total proceeds from the convertible loans of \$40 million.

On 13 June 2017 the Kerogen Convertible loan interim facility and founding shareholder loans were discharged in consideration for the issue of shares in Energean Israel Limited, whereby Kerogen acquired a 50% equity voting interest and a 50% economic interest and the founding shareholders acquired a 50% economic interest in Energean Israel Limited. Energean E&P Holdings Limited retained the remaining 50% of the voting rights of Energean Israel. The shareholders' agreement governing the control and management of Energean Israel Limited specified that the Group's strategy for the development and operation of the Karish and Tanin fields and the implementation of such strategy are subject to consulting with and obtaining the consent of Kerogen, resulting in a loss of control. Accordingly, Energean Israel Limited was classified in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations as a discontinued operation. Energean Israel Limited was deconsolidated as at 13 June 2017.

The results of the discontinued operations, which have been included in the consolidated statement of profit or loss for the year ended 31 December 2017, were as follows:

	For the year ended 31 December 2017
Administration expenses	(1,112)
<b>Operating loss</b>	<b>(1,112)</b>
Finance costs	(304)
Finance income	11
Income from foreign exchange transactions	2
<b>Profit/(loss) from discontinued operations</b>	<b>(1,403)</b>

A \$1.5 million gain on disposal of the subsidiary was recognised in other income in profit or loss, based on the difference between the consideration received (nil) and the net liability position of Energean Israel Limited as of 13 June 2017 of \$1.5 million.

Details of the cash flows of the discontinued operations which are included in the consolidated statement of cash flows for the period ended 31 December 2017 are as follows:

	For the year ended 31 December 2017 \$'000
Operating activities	(985)
Investing activities	(2,715)
Financing activities	4,702
<b>Net cash from discontinued operation</b>	<b>1,002</b>

## 13. Earnings per share

Basic earnings per ordinary share amounts are calculated by dividing net income for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted income per ordinary share amounts are calculated by dividing net income for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued if employee share options were converted into ordinary shares.

	2018 \$'000	2017 \$'000
Profit from continuing operations attributable to owners of the parent	105,277	11,355
Net results from discontinued operations	–	(1,403)
Total income attributable to equity shareholders	105,277	9,952
Effect of dilutive potential ordinary shares	–	–
	105,277	9,952

	2018 Number	2017 Number
<b>Number of shares</b>		
Basic weighted average number of shares	132,319,399	70,643,120
Dilutive potential ordinary shares	974,418	–
<b>Diluted weighted average number of shares</b>	<b>133,293,817</b>	<b>70,643,120</b>
Basic earnings from continuing operations per share	\$0.80/share	\$0.16/share
Basic earnings from discontinued operations per share	\$0.00/share	(\$0.02)/share
<b>Basic earnings per share</b>	<b>\$0.80/share</b>	<b>\$0.14/share</b>
Diluted earnings from continuing operations per share	\$0.79/share	\$0.16/share
Diluted earnings from discontinued operations per share	\$0.00/share	(\$0.02)/share
<b>Diluted income per share</b>	<b>\$0.79/share</b>	<b>\$0.14/share</b>

## 14. Property, plant and equipment

	Oil and gas assets \$'000	Other property, plant and equipment \$'000	Total \$'000
<b>Property, plant and equipment at cost</b>			
<b>At 1 January 2017</b>	<b>321,059</b>	<b>50,376</b>	<b>371,435</b>
Additions	63,467	2,274	65,741
Capitalised depreciation	2,388	–	2,388
Change in environmental rehabilitation provision	2,876	–	2,876
Foreign exchange impact	40,131	1,885	42,016
<b>At 31 December 2017</b>	<b>429,921</b>	<b>54,535</b>	<b>484,456</b>
Additions	493,276	4,417	497,693
Acquisition of subsidiary (Note 6)	579,688	80	579,768
Disposals	(372)	(57)	(429)
Capitalised depreciation	2,574	–	2,574
Change in environmental rehabilitation provision	1,758	–	1,758
Foreign exchange impact	(19,391)	(2,462)	(21,853)
<b>At 31 December 2018</b>	<b>1,487,454</b>	<b>56,513</b>	<b>1,543,967</b>

# Notes to the consolidated financial statements continued

## 14. Property, plant and equipment continued

	Oil and gas assets \$'000	Other property, plant and equipment \$'000	Total \$'000
Property, plant and equipment at cost			
<b>Accumulated depreciation</b>			
<b>At 1 January 2017</b>	<b>118,339</b>	<b>22,916</b>	<b>141,255</b>
Charge for the period			
– Expensed	17,020	788	17,808
– Capitalised to oil and gas properties	–	2,388	2,388
Impairment	1,344	–	1,344
Foreign exchange impact	12,952	(1,267)	11,685
<b>At 31 December 2017</b>	<b>149,655</b>	<b>24,825</b>	<b>174,480</b>
Charge for the period	–		
– Expensed	33,194	893	34,087
– Capitalised to oil and gas properties	–	2,574	2,574
Foreign exchange impact	(7,727)	(1,151)	(8,878)
<b>At 31 December 2018</b>	<b>175,122</b>	<b>27,141</b>	<b>202,263</b>
<b>Net carrying amount</b>			
<b>At 31 December 2017*</b>	<b>280,265</b>	<b>29,711</b>	<b>309,976</b>
<b>At 31 December 2018</b>	<b>1,312,332</b>	<b>29,372</b>	<b>1,341,704</b>

\* the carrying value of the oil & gas assets as at 31 December 2017 was presented within 'oil and gas assets' and 'property under construction'.

Borrowing costs capitalised for qualifying assets, included in 'additions' of oil and gas properties, for the year ended 31 December 2018 amounted to \$8.3 million (year ended 31 December 2017: \$1.3 million). The interest rates used was 7.0% (for the year ended 31 December 2017: 7.0%)

During the year ended 31 December 2014 and in view of its future drilling campaigns, the Group acquired and initiated the upgrade work of a drilling rig (Energean Force). The Group has issued a first preferred mortgage (refer to note 22) on the aforementioned Energean Force, in favour of the European Bank for Reconstruction and Development (EBRD).

The carrying value of the Energean Force as at 31 December 2018 is \$21.4 million and its depreciation charge has been capitalised within the oil and gas properties.

The impairment charge in 2017 relates to impairment of drilling materials in the West Kom Ombo licence and are recorded under 'exploration and evaluation expenses' in the profit or loss.

The currency translation adjustments arose due to the movement against the Group's presentation currency, USD, of the Group's Greek assets which have the euro as their functional currency.

In 2018 the Group executed an impairment assessment of the Prinos assets. The Group used the value in use in determining the recoverable amount of the cash-generating unit. The assessment did not result in an impairment charge. In determining the value in use, the Group used a forward curve for one year, average forward curve and forecast median for the subsequent six years reverting to the Group's long-term price assumption for impairment testing which is \$70 per barrel inflated at 2% from 2026. The Group applied a 10.4% pre-tax discount rate (2017: 11.5%) based on the Group weighted average cost of capital.

Depreciation expense for the year has been recognised as follows:

	2018 \$'000	2017 \$'000
Cost of sales (note 8a)	33,904	17,640
Administration expenses (note 8b)	183	168
Capitalised depreciation in oil and gas properties	2,574	2,388
<b>Total</b>	<b>36,661</b>	<b>20,196</b>

## 14. Property, plant and equipment continued

Cash flow statement reconciliations:

	2018 \$'000	2017 \$'000
Payment for additions to property, plant and equipment		
Additions to property, plant and equipment	497,693	65,741
<b>Associated cash flows</b>		
Payment for additions to property, plant and equipment	(290,123)	(48,744)
<b>Non-cash movements/presented in other cash flow lines</b>		
Borrowing cost capitalised	(8,307)	(1,258)
Movement in working capital	(199,262)	(15,739)

## 15. Intangible assets

	Exploration and evaluation assets \$'000	Other Intangible assets \$'000	Total \$'000
<b>Intangibles at cost</b>			
<b>At 1 January 2017</b>	<b>7,963</b>	<b>1,299</b>	<b>9,262</b>
Additions	2,871	281	3,152
Write-off of exploration and evaluation costs	(6,663)	–	(6,663)
Disposal of exploration and evaluation cost	(1,000)	–	(1,000)
Exchange differences	440	82	522
<b>31 December 2017</b>	<b>3,611</b>	<b>1,662</b>	<b>5,273</b>
Additions	6,177	8	6,185
Acquisition of subsidiary (Note 6)	616	–	616
Exchange differences	(94)	(28)	(122)
<b>At 31 December 2018</b>	<b>10,310</b>	<b>1,641</b>	<b>11,951</b>

**Accumulated amortisation and impairments**

	2018 \$'000	2017 \$'000
<b>At 1 January 2017</b>	<b>240</b>	<b>744</b>
Charge for the period	–	200
Exchange differences	21	68
<b>31 December 2017</b>	<b>261</b>	<b>1,012</b>
Charge for the period <sup>1</sup>	–	171
Exchange differences	–	(48)
<b>31 December 2018</b>	<b>261</b>	<b>1,135</b>

**Net carrying amount**

	2018 \$'000	2017 \$'000
<b>At 31 December 2017</b>	<b>3,350</b>	<b>650</b>
<b>At 31 December 2018</b>	<b>10,049</b>	<b>506</b>

1. Recognised in administrative expenses.

Borrowing costs capitalised for qualifying assets, included in 'additions' of exploration and evaluation assets, for the year ended 31 December 2018 amounted to \$0.95 million (year ended 31 December 2017: \$nil). The interest rates used was 7.0%.

# Notes to the consolidated financial statements continued

## 15. Intangible assets continued

### Disposal of exploration and evaluation cost

In March 2017, the Group agreed to farm out a 60% working interest and operatorship of the Ioannina licence to Repsol. The Group retains a 40% working interest as of 31 December 2018. According to the farm-out agreement:

- ▶ On the completion date, 31 March 2017, Repsol paid to the Group the consideration of \$1.0 million for all past costs regarding the licence.
- ▶ Repsol will conduct the exploration of the Ioannina block, providing 90% of the committed investment up to \$25 million and 60% thereafter in exchange for a 60% interest.

The disposal of exploration and evaluation cost included in the year ended 31 December 2017, relates to 60% of past expenditure in the Ioannina lease area.

### Write-off and impairments

The Group recognised \$6.7 million for exploration and evaluation expenses written off in the period ended 31 December 2017, relating to exploration expenditure for West Kom Ombo in Egypt. West Kom Ombo is an exploration block in Upper Egypt, the licence for which expired on 2 October 2017. There are no recoverable costs associated with West Kom Ombo and the asset has been fully written off in 2017.

### Cash flow statement reconciliations:

	2018 \$'000	2017 \$'000
Payment for additions to intangible assets		
Additions to intangible assets	6,185	3,152
<b>Associated cash flows</b>		
Payment for additions to intangible assets	(3,449)	(5,259)
<b>Non-cash movements/presented in other cash flow lines</b>		
Borrowing cost capitalised	951	-
Movement in working capital	(3,687)	2,107

## 16. Net deferred tax (liability)/asset

Deferred tax (liabilities)/assets	Property, plant and equipment \$'000	Prepaid expenses and other receivables \$'000	Inventory \$'000	Tax losses \$'000	Retirement benefit liability \$'000	Accrued expenses and other short term liabilities \$'000	Total \$'000
<b>At 1 January 2017</b>	(51,100)	10,227	649	56,296	782	835	17,689
<b>Increase/(decrease) for the period through:</b>							
Profit or loss (Note 11)	(11,191)	(14,404)	(339)	15,565	(44)	711	(9,702)
Other comprehensive income	-	-	-	-	74	-	74
Exchange difference	(7,726)	521	85	8,710	111	141	1,842
<b>31 December 2017</b>	(70,017)	(3,656)	395	80,571	923	1,687	9,903
<b>Retrospective application of IFRS 9 (note 2.2)</b>	-	-	-	-	-	(4,337)	(4,337)

## 16. Net deferred tax (liability)/asset continued

Deferred tax (liabilities)/assets	Property, plant and equipment \$'000	Prepaid expenses and other receivables \$'000	Inventory \$'000	Tax losses \$'000	Retirement benefit liability \$'000	Accrued expenses and other short term liabilities \$'000	Total \$'000
<b>At 1 January 2018 (restated)</b>	(70,017)	(3,656)	395	80,571	923	(2,650)	5,566
Acquisition of subsidiary (Note 6)	(79,117)	-	-	1,099	-	6	(78,012)
<b>Increase/(decrease) for the period through:</b>							
Profit or loss (Note 11)	(4,524)	1,841	45	7,677	(63)	7,147	12,123
Other comprehensive income	-	-	-	-	-	87	87
Exchange difference	3,025	110	236	(3,733)	(40)	(200)	(602)
<b>31 December 2018</b>	(150,633)	(1,705)	676	85,614	820	4,390	(60,838)

	2018 \$'000	2017 \$'000
Deferred tax liabilities	(76,370)	(3,570)
Deferred tax assets	15,532	13,473
	(60,838)	9,903

The change in the deferred tax liability is not equal to the origination of temporary difference as in Note 11 mainly because of the acquisition of the subsidiary company Energean Israel (business combination), as described in Note 6.

At 31 December 2018 the Group has unused tax losses of \$344.5 million (as of 31 December 2017: \$322.1 million) available to offset against future profits. Out of the total tax losses, \$318.7 million come from the Greek operations whereas amount of \$25.8 million comes from the Israeli operations and specifically the Karish licence which is in the development phase and expected to commence production by 2021.

With respect to the Greek tax losses carried forward, the majority of them (\$317.7 million) come from the Prinos exploitation area which is the only producing asset of the Group, whereas an amount of \$1.0 million comes from Ioannina, Katakolo and Aitolokarnania areas which are in the exploration phase.

A deferred tax asset has been recognised as of 31 December 2018 in respect of \$85.6 million (as of 31 December 2017: \$80.6 million) of such tax losses. This represents the losses which are expected to be utilised based on Group's projection of future taxable profits in the jurisdictions in which the losses reside. It is considered probable based on business forecasts that such profits will be available.

## 17. Cash and cash equivalents

	2018 \$'000	2017* \$'000
Cash at bank	207,043	8,144
Restricted bank deposits	12,778	7,548
	219,822	15,692

\* As at 31 December 2017 an amount \$1.9 million of restricted cash was reclassified within 'Non-current deposits'.

Bank demand deposits comprise deposits and other short-term money market deposit accounts that are readily convertible into known amounts of cash. The effective interest rate on short-term bank deposits was 1.33% for the year ended 31 December 2018 (year ended 31 December 2017: 0.34%).

Restricted bank deposits comprise mainly cash retained as a bank security pledge for the Group's performance guarantees in its exploration blocks of Israel, Montenegro, Ioannina and Aitolokarnania.



# Notes to the consolidated financial statements continued

## 18. Inventories

	2018 \$'000	2017 \$'000
Crude oil	5,407	4,573
Warehouse stocks and materials	4,505	4,956
<b>Total inventories</b>	<b>9,912</b>	<b>9,529</b>

The Group's raw materials and supplies consumptions for the year ended 31 December 2018 was \$1.7 million (year ended 31 December 2017: \$1.7million)

The Group recorded impairment and write-off charges on inventory of \$1.0 million for the year ended 31 December 2018 (year ended 31 December 2017: \$nil) related to materials written off (note 8e).

## 19. Trade and other receivables

	2018 \$'000	2017 \$'000
<b>Trade and other receivables – Current</b>		
<b>Financial items:</b>		
Trade receivables	1,462	9,313
Receivables from related parties (note 28)	24	184
	<b>1,486</b>	<b>9,497</b>
<b>Non-financial items:</b>		
Deposits and prepayments	17,422	9,090
Deferred insurance expenses	6,139	–
Government subsidies <sup>2</sup>	3,248	3,482
Refundable VAT	4,187	2,195
Reimbursement from insurance contracts	401	420
	<b>31,397</b>	<b>15,187</b>
	<b>32,883</b>	<b>24,684</b>
<b>Trade and other receivables – Non-current</b>		
<b>Non-financial items:</b>		
Deferred borrowing fees <sup>1</sup>	65,558	–
Deferred insurance expenses	5,617	–
Other non current assets	670	591
	<b>71,845</b>	<b>591</b>

- This item represents arrangement fees and issue costs that the Group has incurred in connection with the Karish-Tanin debt raising, which completed on 2 March 2018. Arrangement fees and issue costs are deducted from the debt proceeds on initial recognition of the liability and are amortised as finance costs over the term of the debt using the effective interest method.
- Government subsidies mainly relate to grants from Greek Public Body for Employment and Social Inclusion (OAED) to financially support Kavala Oil S.A. labour cost from manufacturing under the action plan for promoting sustainable employment in underdeveloped or deprived districts of Greece, such as the area of Kavala. Kavala Oil S.A. participated in this scheme from July 2010 until subsidies ceased in January 2016. The subsidies balance outstanding at 31 December 2017 is for the period 1 July 2010 to 31 December 2015. In December 2015, the Group filed a petition against OAED, and the Greek state itself, seeking the payment of US\$2.9 million (€2.5 million), which represent the outstanding balance up to 31 December 2014. Following several postponements of the hearing initiated by the Greek state, the hearing took place on 14 June 2017 before the Administrative Court of Piraeus. By decision A6360/2017, the Administrative Court of Piraeus found itself as non-competent court in terms of forum and referred the case to the Three-Membered Administrative Court of Kavala. A new hearing date is still expected to be set by the Kavala court. The Group is of the view, based on legal advice, that this petition will prevail.

## 20. Share capital

The Company's initial share capital amounted to £50 thousand (\$65k), consisting of an issuance of 50,000 ordinary shares of a nominal value of £1.00 (\$1.3) each on 8 May 2017. On 30 June 2017 the Company effected a 100 for 1 share split resulting in 5,000,000 ordinary shares of a nominal value of £0.01 (\$0.013) each.

On 30 June 2017, the Company also became the parent company of the Group through the acquisition of the full share capital of Energean E&P Holdings Limited, in exchange for 65,643,120 £0.01 (\$0.013) shares in the Company issued to the previous shareholders. As of this date, the Company's share capital increased from £50 thousand (\$65k) to £706 thousand (\$917k). From that point, in the consolidated financial statements, the share capital became that of Energean Oil & Gas plc. The previously recognised share capital of \$14.9 million and share premium of \$125.8 million was eliminated with a corresponding positive merger reserve recognised of \$139,903 thousand. The tables below outline the share capital of the Company.

On 21 March 2018, the Company issued 72,592,016 new shares in relation to the placement of its initial public offering of ordinary shares at £4.55 per share.

	Equity share capital allotted and fully paid Number	Share capital \$'000	Share premium \$'000
<b>Issued and authorised</b>			
At 1 January 2017		14,904	125,851
Group restructuring	65,643,120	(14,052)	(125,851)
Issuance of shares and share split	5,000,000	65	–
At 1 January 2018	70,643,120	917	–
Issued during the year			
– IPO shares	72,592,016	1,009	434,934
– Shares issued in settlement of preference shares in subsidiary (note 21)	9,095,900	129	223,871
– Share based payment	821,727	11	–
<b>At 31 December 2018</b>	<b>153,152,763</b>	<b>2,066</b>	<b>658,805</b>

## 21. Non-controlling interests

Name of subsidiary	Voting rights		Share of loss		Accumulated balance	
	Year ended 31 December 2018 %	Year ended 31 December 2017 %	Year ended 31 December 2018 \$'000	Year ended 31 December 2017 \$'000	Year ended 31 December 2018 \$'000	Year ended 31 December 2017 \$'000
Kavala Oil S.A.	0.08	0.08	(202)	(9)	92	294
Energean International Limited	–	–	–	–	–	224,000
Energean Israel Ltd	30.00	50.00	(4,460)	–	259,953	–
<b>Total</b>			<b>(4,662)</b>	<b>(9)</b>	<b>260,045</b>	<b>224,294</b>

### Energean International Limited

On 30 June 2017, as part of the Reorganisation Agreement, the loan from Third Point to Energean International Limited was discharged in consideration for the issuance of 224,000 new preference shares in Energean International Limited. The Group derecognised the \$230.8 million carrying value of the loan and recognised \$224.0 million in equity for the preference shares. The difference of \$6.8 million was recognised in other reserves as a capital contribution, as Third Point is an ultimate shareholder of the Group. The \$224.0 million equity recognised for the preference shares represented a non-controlling interest in a subsidiary of the Group.

On the Company's admission to the London Stock Exchange and pursuant to the terms of the reorganisation, the Energean International preference shares held by Third Point were converted to 9,095,900 common shares in the Company. This conversion solely impacts equity and non-controlling interests and had no impact on the Company's net assets.

# Notes to the consolidated financial statements continued

## 21. Non-controlling interests continued

### Material partly-owned subsidiaries

#### Energean Israel Limited

On 29 March 2018, the Group, following a final investment decision in respect of the Karish and Tanin assets, and after acquiring the 50% founders shares (refer to note 6), subscribed for additional shares in Energean Israel for an aggregate consideration of \$266.7 million, payable in cash. Since completion of this subscription, the Group holds 70% of the shares in Energean Israel, with Kerogen Capital holding the remaining 30%. The fair value of the non-controlling interest at the date of the acquisition of the additional 20% and control of the company, amounted to \$204.8 million (refer to note 6).

The summarised financial information of Energean Israel Limited for the year ended 31 December 2018, is provided below. This information is based on amounts before inter-company eliminations.

#### Summarised statement of financial position as at 31 December 2018:

	2018 \$'000
Current assets	204,160
Non-current assets	1,059,259
Current liabilities	(325,724)
Non-current liabilities	(71,195)
<b>Total equity</b>	<b>866,500</b>

#### Summarised statement of profit or loss for 2018:

	2018 \$'000
Administration expenses	(4,741)
Operating (Loss)/profit	(4,741)
Finance income	841
Finance costs	(15,314)
<b>Loss for the year before tax</b>	<b>(19,214)</b>
Tax income	4,381
<b>Net loss for the period</b>	<b>(14,833)</b>

## 22. Borrowings

	2018 \$'000	2017 \$'000
<b>Net Debt</b>		
Current borrowings	–	12,500
Non-current borrowings	144,270	78,831
Carrying values of total borrowings	144,270	91,331
Less: Cash and cash equivalents and bank deposits	(219,822)	(15,692)
<b>Net (funds)/debt (1)</b>	<b>(75,552)</b>	<b>75,639</b>
Total equity (2)	1,087,823	288,982
<b>Gearing ratio (1)/(2):</b>	<b>(6.95%)</b>	<b>26.17%</b>

### EBRD Senior Facility

In May 2016, the Group signed a Senior Facility Agreement with the EBRD, subsequently amended on 12 July 2016, for a \$75 million borrowing base facility to fund the Group's development programme in Prinos, Prinos North and Epsilon fields. The facility was subject to an interest rate of 4.9% plus LIBOR01, in addition to fees and commission.

## 22. Borrowings continued

On 30 January 2018, the Group's existing EBRD Senior Facility Agreement was amended and restated pursuant to the RBL Senior Facility Agreement, giving rise to a modification loss amount of \$1.4 million included in Group's finance cost. The RBL Senior Facility Agreement comprises two facilities—a facility of up to \$105.0 million with EBRD and the Black Sea Trade and Development Bank as lenders and a \$75.0 million facility pursuant to which the Export-Import Bank of Romania Eximbank SA and Banca Comerciala Intesa Sanpaolo Romania S.A. (with 95% insurance cover from the Romanian ECA) as lenders. Proceeds from the Romanian Club Facility will finance exclusively 85% of the value attributable to goods and services under the GSP Engineering, Procurement, Construction and Installation Contract (EPCIC) contract. The facility is secured by substantially all of the assets of the subsidiary company Energean Oil & Gas S.A. and a guarantee from Energean E&P Holdings and a pledge of its shares in Energean Oil & Gas S.A. The facility will have a seven-year tenor and incurs interest on outstanding debt at US Dollar LIBOR01 plus an applicable margin (4.9% for the \$105.0 million facility and 3.0% for the \$75.0 million facility).

### EBRD Subordinated Facility

In July 2016, the Group signed a EBRD Subordinated Facility Agreement, a subordinated loan agreement with the EBRD, subsequently amended on 8 March 2017, for a \$20 million facility to fund the Group's exploration activities. The facility is subject to an interest rate of 4.9% plus LIBOR01, in addition to fees and commission and an EBITDA participation amount of up to 3.5% of EBITDA (if EBITDA is positive) depending on the amount of the facility drawn.

On 28 February 2018, the Group's existing Subordinated Facility Agreement was amended and restated regarding the Maturity Date and EBITDA participation amount.

### Senior Credit Facility for the Karish-Tanin Development:

On 2 March 2018, the Group entered into a senior secured project finance for its Karish-Tanin project amounting to \$1,275 million. The loan is held at the Energean Israel Limited level (Energean 70%). Once drawn, interest is to be charged at LIBOR + 3.75% over months 1 to 12, LIBOR + 4.00% over months 13 – 24, LIBOR + 4.25% over months 25 – 36 and LIBOR + 4.75% over months 37 – 45. The facility matures in December 2021 and has a bullet repayment on maturity. There is a commitment fee of 30% of the applicable margin. As of 31 December 2018 the Group has paid a total amount of \$61.5 million for debt arrangement and commitment fees.

The Group started drawing down the project finance facility in March 2019.

### Movement in borrowings

	1 January \$'000	Cash inflows \$'000	Cash outflows \$'000	Amended of facility agreement \$'000	Reclassification \$'000	Borrowing costs including amortisation of arrangement fees \$'000	Foreign exchange impact \$'000	Shareholder loan capitalized to equity \$'000	31 December \$'000
<b>2018</b>									
Long-term borrowings	78,831	55,626	(17,610)	12,500	–	15,106	(183)	–	144,270
Current portion of long-term borrowings	12,500	–	–	(12,500)	–	–	–	–	–
<b>2017</b>									
Long-term borrowings	255,118	28,915	(3,721)	–	(12,500)	20,486	164	(209,631)	78,831
Current portion of long-term borrowings	21,130	–	–	–	12,500	–	–	(21,130)	12,500
Borrowings included in asset held for sale	44,262	5,000	–	–	–	738	–	(50,000)	–

### Capital management

The Group defines capital as the total equity and net debt of the Group. Capital is managed in order to provide returns for shareholders and benefits to stakeholders and to safeguard the Group's ability to continue as a going concern. Energean is not subject to any externally imposed capital requirements. To maintain or adjust the capital structure, the Group may put in place new debt facilities, issue new shares for cash, repay debt, engage in active portfolio management, adjust the dividend payment to shareholders, or undertake other such restructuring activities as appropriate.

On 21 March 2018 the Company completed the admission of its shares to the Premium Segment of the London Stock Exchange and raised gross proceeds of \$460 million.

# Notes to the consolidated financial statements continued

## 23. Retirement benefit liability

The Group operates defined benefit pension plans in Greece.

These plans are final salary pension plans. The level of benefits provided depend on members' length of service and remuneration.

These plans are not funded and are defined benefit plans in accordance with IAS 19. The Greek subsidiaries charge the accrued benefits in each period with a corresponding increase in the relative actuarial liability. The payments made to retirees in every period are charged against this liability. The liabilities of the Group arising from the obligation to pay termination indemnities are determined through actuarial studies, conducted by independent actuaries.

### 23.1 Provision for retirement benefits

	2018 \$'000	2017 \$'000
Defined benefit obligation	3,659	3,288
<b>Provision for retirement benefits recognised</b>	<b>3,659</b>	<b>3,288</b>
Allocated as:		
Non-current portion	3,659	3,288
	3,659	3,288

### 23.2 Defined benefit obligation

	2018 \$'000	2017 \$'000
At 1 January	3,288	2,425
Current service cost	250	296
Interest cost	48	43
Extra payments or expenses	45	34
Actuarial losses – from changes in financial assumptions	444	258
Benefits paid	(249)	(86)
Exchange differences	(167)	318
<b>At 31 December</b>	<b>3,659</b>	<b>3,288</b>

### 23.3 Actuarial assumptions and risks

The most recent actuarial valuation was carried out as of 31 December 2018 and it was based on the following key assumptions:

	2018 \$'000	2017 \$'000
Discount rate	1.70%	1.50%
Expected rate of salary increases	3.59%	3.59%
Average life expectancy over retirement age	20.8 years	24.57 years
Inflation rate	1.75%	1.75%

#### Sensitivity analysis

The sensitivity analysis below shows the impact on the defined benefit obligation of changing each assumption while not changing any other assumptions. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in the assumptions would occur in isolation of one another as some of the assumptions may be correlated.

### 23.3 Actuarial assumptions and risks continued

	2018	2017
<b>Percentage effect of change in defined benefit obligation</b>		
Change + 0.5% in Discount rate	-8%	-9%
Change -0.5% in Discount rate	8%	9%
Change +0.5% in Expected rate of salary increases	8%	9%
Change -0.5% in Expected rate of salary increases	-8%	-9%

	2018	2017
<b>Percentage effect of change in current service cost</b>		
Change + 0.5% in Discount rate	-12%	-14%
Change -0.5% in Discount rate	12%	14%
Change +0.5% in Expected rate of salary increases	13%	14%
Change -0.5% in Expected rate of salary increases	-13%	-14%

The amounts presented reflect the percentage increase/(decrease) in the given assumption that is required to impact the defined benefit obligation by +/- 0.5%, while holding all other assumptions constant.

The plan exposes the Group to actuarial risks such as interest rate risk, longevity changes and inflation risk.

#### Interest rate risk

The present value of the defined benefit liability is calculated using a discount rate determined by reference to market yields of high quality corporate bonds. The estimated term of the bonds is consistent with the estimated term of the defined benefit obligation and it is denominated in Euro. A decrease in market yield on high quality corporate bonds will increase the Group's defined benefit liability.

#### Longevity of members

Any increase in the life expectancy of the members will increase the defined benefit liability.

#### Inflation risk

A significant proportion of the defined benefit liability is linked to inflation. An increase in the inflation rate will increase the Group's defined benefit liability.

## 24. Provisions

	Decommissioning \$'000	Litigation and other claims \$'000	Total \$'000
<b>At 1 January 2017</b>	<b>2,240</b>	<b>–</b>	<b>2,240</b>
New provisions and changes in estimates	2,897	12,462	15,359
Transfer from trade and other receivables	–	(3,839)	(3,839)
Unwinding of discount	229	–	229
Currency translation adjustment	322	683	1,005
<b>At 31 December 2017</b>	<b>5,688</b>	<b>9,306</b>	<b>14,994</b>
<b>Current provisions</b>	<b>–</b>	<b>9,306</b>	<b>9,306</b>
<b>Non-current provisions</b>	<b>5,688</b>	<b>–</b>	<b>5,688</b>



# Notes to the consolidated financial statements continued

## 24. Provisions continued

	Decommissioning \$'000	Litigation and other claims \$'000	Total \$'000
<b>At 1 January 2018</b>	<b>5,688</b>	<b>9,306</b>	<b>14,994</b>
New provisions and changes in estimates	1,758	(10,989)	(9,231)
Refunds	–	3,666	3,666
Payments	–	(1,887)	(1,887)
Unwinding of discount	351	–	351
Currency translation adjustment	(267)	(96)	(363)
<b>At 31 December 2018</b>	<b>7,530</b>	<b>–</b>	<b>7,530</b>
<b>Current provisions</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Non-current provisions</b>	<b>7,530</b>	<b>–</b>	<b>7,530</b>

### Decommissioning provision

The decommissioning provision represents the present value of decommissioning costs relating to the Prinos asset in Greece.

According to the Prinos concession agreement ratified by Greek Law, the Group is obliged to plug only the wells opened as a result of its own drilling activities.

Reviews of estimated future decommissioning and restoration costs and the discount rate applied are carried out annually.

In 2018, there was an increase of \$1.1 million (2017: \$2.9 million) in the provision resulting from changes in the discount rate. The discount rate applied at 31 December 2018 was 4.7% (2017: 6.05%).

Of the decommissioning and restoration provision at 31 December 2018, an estimated \$nil million is expected to be utilised between one to five years, \$0.5 million within six to 10 years, and the remainder in later periods.

### Litigation and other claims

As of 31 December 2017 the Group recorded a provision of \$6.9 million for transfer pricing and income tax penalties following tax litigation in Greece, for the tax audit of the years 2008 - 2011 which was appealed. Furthermore, the Company recognised a provision for its unaudited tax years 2012 – 2016 of a further \$4.2 million. This takes into consideration the outcome of the tax audit of the Company's transfer pricing policies finalised for fiscal years 2010 - 2011, which were the subject of the appeal. This amount corresponds to corporate income tax amount of \$2.3 million plus penalties and interest of \$1.9 million.

Following the receipt in June 2018 of the final favourable decision from the appeal process, the provision for transfer pricing and income tax penalties has been reversed and recorded in 'other income' (note 8e) in the consolidated income statement. During 2015, Energean had been required to make a mandatory prepayment of 50% of the total exposure, \$3.7 million to the Greek tax authorities. Following the final decision, Energean received a refund of aforementioned amount in October 2018.

## 25. Trade and other payables

	2018 \$'000	2017 \$'000
<b>Trade and other payables – Current</b>		
<b>Financial items:</b>		
Trade accounts payable <sup>1</sup>	323,953	47,965
Accrued expenses <sup>1</sup>	36,341	11,125
Other creditors	2,372	2,281
Deferred licence payments due within one year <sup>2</sup>	15,342	–
Other finance costs accrued	3,148	2,071
	<b>381,156</b>	<b>63,442</b>
<b>Non-financial items:</b>		
Social insurance and other taxes	3,583	2,882
Income taxes	939	204
	<b>4,522</b>	<b>3,086</b>
	<b>385,678</b>	<b>66,528</b>
<b>Trade and other payables – Non-current</b>		
<b>Financial items:</b>		
Deferred licence payments <sup>2</sup>	71,176	–
<b>Non-financial items:</b>		
Social insurance	1,547	2,544
	<b>72,723</b>	<b>2,544</b>

1. Included in trade payables and accrued expenses are mainly Karish field related development expenditures (mainly FPSO and Sub Sea construction cost) which accounts for a total amount of \$302.8 million, \$282.4 million included in trade payables and \$20.4 million in accrued expenses.

2. In December 2016, Energean Israel acquired the Karish and Tanin offshore gas fields for \$40.0 million closing payment with an obligation to pay additional consideration of \$108.5 million plus interest inflated at an annual rate of 4.6% in ten equal annual payments. The additional consideration was triggered on the earlier of the date on which a final investment decision of Karish and Tanin made or the date on which the aggregate expenditures in connection with the Israeli oil and gas leases exceeded \$150.0 million. Therefore as of 31 December 2017, Energean Israel (which at that date was not a subsidiary of the Group) did not recognise a liability in respect of the deferred consideration since it was not probable that the contingent consideration would become payable. In March 2018 Energean Israel made a Final Investment Decision ('FID') on the Karish and Tanin offshore Israel leases. Consequently the company proceeded with the payment of the first instalment of \$10.9 million and the recognition of a liability in respect of the remaining deferred consideration at a discount rate 9.34%. The recognition of this liability by Energean Israel took place before the share subscription through which Energean Israel became a subsidiary of the Group (see note 6). As at 31 December 2018 the total discounted deferred consideration was \$86.5 million.

## 26. Employee share schemes

### Analysis of share-based payment charge

	2018 \$'000	2017 \$'000
Employee Share Award Plan	3,000	–
Energean 2018 Long Term Incentive Plan	511	–
<b>Total share-based payment charge</b>	<b>3,511</b>	<b>–</b>
Capitalised to intangible and tangible assets	1,941	–
Expensed as administration expenses	1,520	–
Expensed to exploration and evaluation expenses	50	–
<b>Total share-based payment charge</b>	<b>3,511</b>	<b>–</b>

# Notes to the consolidated financial statements continued

## 26. Employee share schemes continued

### Energiean 2018 Long Term Incentive Plan

Energiean Incentive Plan (LTIP) Under the LTIP, Senior Management can be granted nil exercise price options, normally exercisable from three to ten years following grant provided an individual remains in employment. The size of awards depends on both annual performance measures and Total Shareholder Return (TSR) over a period of up to three years. There are no post-grant performance conditions. No dividends are paid over the vesting period; however, Energiean's Board may decide at any time prior to the issue or transfer of the shares in respect of which an award is released that the participant will receive an amount (in cash and/or additional Shares) equal in value to any dividends that would have been paid on those shares on such terms and over such period (ending no later than the Release Date) as the Board may determine. This amount may assume the reinvestment of dividends (on such basis as the Board may determine) and may exclude or include special dividends

There are further details of the LTIP in the Directors' Remuneration Report on pages 79 - 94. The weighted average remaining contractual life for LTIP awards outstanding at 31 December 2018 was 2.5 years.

### Employee Share Award Plan (ESAP)

Most Group employees are eligible to be granted nil exercise price options under the ESAP.

On 24 May 2018, the Company, following its admission on the London Stock Exchange on 21 March 2018 granted conditional awards to most Group employees under the Energiean 2018 Long Term Incentive Plan (LTIP) over 659,050 ordinary shares in Energiean Oil & Gas plc.

Subject to the rules of the LTIP, half of the shares subject to each employee Award vested on 22 November 2018, and the remainder will vest on 22 November 2019.

## 27. Financial instruments

### Financial risk management objectives

The Group is exposed to a variety of risks including commodity price risk, interest rate risk, credit risk, foreign currency risk and liquidity risk. The use of derivative financial instruments is governed by the Group's policies approved by the Board of Directors. Compliance with policies and exposure limits are monitored and reviewed internally on a regular basis. The Group does not enter into or trade financial instruments, including derivatives, for speculative purposes.

### 27.1. Fair values of financial assets and liabilities

The information set out below provides information about how the Group determines fair values of various financial assets and liabilities.

The fair values of the Group's financial assets and liabilities measured at amortised cost approximate to their carrying amounts at the reporting date. The carrying value less any estimated credit adjustments for financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair values due to their short term-nature.

The carrying amount of each class of financial assets and liabilities included in the consolidated statement of financial position is as follows:

	Notes	Year ended 31 December	
		2018 \$'000	2017 \$'000
<b>Financial assets</b>			
Cash and cash equivalents and bank deposits	17	219,822	15,692
Trade and other receivables	19	1,486	9,497
<b>Measured at fair value through profit or loss:</b>			
Derivative asset		–	93,292
		<b>221,308</b>	<b>118,481</b>
<b>Financial liabilities at amortised cost</b>			
Borrowings	22	144,270	91,331
Trade and other payables	25	452,332	63,442
		<b>596,602</b>	<b>154,773</b>

The Group has no material financial assets that are past due. No material financial assets are impaired at the balance sheet date. All financial assets and liabilities with the exception of derivatives are measured at amortised cost.

### 27.2 Fair values of derivative instruments

The Group had one material financial asset measured at fair value at 31 December 2017 which relates to the Energiean Israel B shares.

On 30 June 2017 the Group entered into a Reorganisation Agreement which was subsequently amended by the 'Supplementary Agreement' dated 31 October 2017, for a full description of this transaction please refer to note 28.5 to the consolidated financial statements.

The valuation technique used multiplied the estimated likelihood of an Exit (being an IPO or a Sale) by the estimated difference between the consideration payable under the commitment and the estimated value of the B shares acquired under the commitment. The key input assumptions used in the fair value measurement calculation were the estimated likelihood of an IPO event and value of the B shares. An Exit in the form of a Sale was considered to be of negligible likelihood. The other significant inputs were the transaction prices applicable in an Exit Event, which were contractually agreed amounts, and the discount rate assumption used in the calculation, which was 11.5%. The fair value of the derivative asset was a Level 3 fair value measurement in the fair value measurement hierarchy, because the valuation relied significantly on input assumptions that were unobservable.

On remeasurement on 31 December 2017, the value of the B shares was estimated based on the price negotiated at a similar time with a third party for another tranche of the B shares in a separate transaction. The likelihood of a future IPO occurring was estimated as of 31 December 2017 to be 50% having regard to the considerable progress made to prepare for an IPO as of that date, but also to the fact that there were a number of significant steps not wholly under the control of the Group that remained to be achieved, and the inherent uncertainty in achieving any IPO due to capital market conditions.

Also on 31 October 2017, under the Supplementary Agreement the consideration payable to acquire the B shares in the event of an IPO was reduced from \$150 million to \$10 million. The resulting increase in the value of the derivative asset of \$67.5 million (after applying the 50% IPO likelihood assumption and other discounting effects) is recorded in the consolidated statement of changes in equity as the Supplementary Agreement is a transaction with owners, giving the derivative asset a closing value as of 31 October 2017 of \$91.6 million. As of 31 December 2017 the derivative asset was further increased to \$93.3 million due to unwinding of the discount applied at the recognition, resulting in an additional gain of \$1.7 million recorded in profit or loss.

At the time of the Company's admission to the Premium Segment of the London Stock Exchange on 21 March 2018, the probability of an IPO increased to 100%, increasing the fair value of the derivative to \$190 million. The change in fair value of \$96.7 million between 31 December 2017 and 31 March 2018 is included in 'Gain on derivative' in the consolidated income statement as it is due to changes in measurement assumptions.

On 21 March 2018 following the acquisition of a 50% economic interest in Energiean Israel, as described in note 6 the Group derecognised the derivative asset at its total fair value of \$190 million. Upon derecognition, this derivative was the only instrument in the Level 3 category of the fair value hierarchy. There were no transfers in or out of this category in the period, and the only movement in the category relates to the increase in fair value of the derivative.

### 27.3 Commodity price risk

The Group does not have a formal hedging policy with regard to the oil price and is limited in the scope of its hedging activities under the terms of its facility agreements with the EBRD. Historically, hedging has been undertaken via zero cost collars for general downside risk and fixed price contracts to set a fixed price for a set number of barrels for a known future BP lifting to protect against either (i) a fall in the oil price and/or (ii) the pricing optionality afforded to BP under the BP Offtake Agreement.

In order to mitigate price risk and take advantage of the April 2018 spike in Brent prices, Energiean decided to hedge 30% of anticipated sales volumes for the remainder of 2018. On 13 April, Energiean entered a hedging trade with Britannic Trading Limited, selling 150,000 bbls for each of the anticipated 400,000 bbl liftings in July, September and December at an average price of \$69.39/bbl.

The following table demonstrates the timing, volumes and the average floor price protected for the Group's commodity hedges:

Hedged quantity bbls	Contract Month	Cargo Month	Cargo Size bbls	Fixed Price \$/bbl
150,000	Jun/Jul average	July	408,856	70.73
150,000	Aug/Sept average	September	400,000	69.54
150,000	Nov/Dec average	December	400,000	67.91

# Notes to the consolidated financial statements continued

## 27.3 Commodity price risk continued

The Group's oil derivatives have been designated as cash flow hedges. The Group's oil hedges have been assessed to be 'highly effective' within the range prescribed under IFRS 9 using regression analysis.

The deferred gains and losses in the hedge reserve were subsequently transferred to the income statement during the period in which the hedged transaction affected the income statement. All the above oil hedge transactions were realised within the year and therefore transferred to sales revenue, resulting in a \$1.3 million (31 December 2017: \$0.2 million) loss recognised within revenue and \$nil hedge reserve as at 31 December 2018.

## 27.4 Interest rate risk

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At 31 December 2018, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. The exposure to interest rates for the Group's money market funds is considered immaterial.

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/- 1%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	2018 \$'000	2017 \$'000
<b>Variable rate instruments</b>		
Borrowings	142,986	89,986
	<b>142,986</b>	<b>89,986</b>
<b>Interest rate sensitivity</b>		
	<b>Profit and equity for the period</b>	
	<b>+1%</b>	<b>-1%</b>
<b>31 December 2018</b>	(1,170)	1,170
<b>31 December 2017</b>	(1,165)	962

## 27.5 Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has policies in place to ensure that all of its transactions giving rise to credit risk are made with parties having an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

Also, the Group has policies to limit the amount of credit exposure to any banking institution, considering among other factors the credit ratings of the banks with which deposits are held. Credit quality information in relation to those banks is provided below.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date, without taking account of any collateral obtained, was:

	2018 \$'000	2017 \$'000
Trade receivables	1,462	9,313
Other receivables	24	184
Cash and cash equivalents and bank deposits	219,822	15,691
<b>Total</b>	<b>221,308</b>	<b>25,188</b>

## 27.5 Credit risk continued

### Credit quality of financial assets

The credit quality of the banks in which the Group keeps its non impaired deposits is assessed by reference to the credit rating of these banks. Moody's credit ratings of the corresponding banks in which the Group keeps its deposits is as follows:

	2018 \$'000
Aa3	217,190
Caa1	2,632
<b>Total</b>	<b>219,822</b>

The Company has assessed the recoverability of all cash balances and believe they are carried within the consolidated statement of financial position at amounts not materially different to their fair value.

The credit ratings of the Group's trade receivables are as follows:

	2018 \$'000	2017 \$'000
A1	213	8,587
Non-rated	1,249	726
<b>Total</b>	<b>1,462</b>	<b>9,313</b>

No current receivables are overdue; therefore none have been impaired and no allowance for expected credit losses has been recognised (2017: \$nil).

## 27.6 Foreign exchange risk

The Group is exposed to foreign exchange risk as it undertakes operations in various foreign currencies. The key sources of the risk are attributed to the fact that the Group has certain subsidiaries with Euro functional currencies in which a number of loan agreements denominated in US\$ and sales of crude oil are additionally denominated in US\$.

The Group's exposure to foreign currency risk at each reporting date is shown in the table below. The amounts shown are the US\$ equivalent of the foreign currency amounts.

	Liabilities		Assets	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Dollars (US\$)	172,247	89,985	22,852	17,240
United Kingdom Pounds (GBP)	25,674	–	46,528	403
Euro	40,955	–	43,281	–
NOK	15,001	–	17,774	–
ILS	4,173	–	1,904	–
<b>Total</b>	<b>258,050</b>	<b>89,985</b>	<b>132,339</b>	<b>17,643</b>



# Notes to the consolidated financial statements continued

## 27.6 Foreign exchange risk continued

The following table reflects the sensitivity analysis for profit and loss results for the year and equity, taking into consideration for the periods presented foreign exchange variation by +/- 10%.

	31 December 2018									
	USD		GBP		Euro		ILS		NOK	
	Variation		Variation		Variation		Variation		Variation	
	10%	-10%	10%	-10%	10%	-10%	10%	-10%	10%	-10%
Profit or loss (before tax)	15,976	(19,527)	3,519	(3,065)	347	(336)	(227)	206	277	(252)
Other comprehensive income	11,201	(11,202)	–	–	–	–	–	–	–	–
<b>Equity</b>	<b>27,177</b>	<b>(30,729)</b>	<b>3,519</b>	<b>(3,065)</b>	<b>347</b>	<b>(336)</b>	<b>(227)</b>	<b>206</b>	<b>277</b>	<b>(252)</b>

	31 December 2017			
	USD		GBP	
	Variation		Variation	
	10%	-10%	10%	-10%
Profit or loss (before tax)	9,182	(11,222)	77	(112)
Other comprehensive income	(1,595)	828	–	–
<b>Equity</b>	<b>7,587</b>	<b>(10,394)</b>	<b>77</b>	<b>(112)</b>

The above calculations assume that interest rates remain the same as at the reporting date.

## 27.7 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially can increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and having available an adequate amount of committed credit facilities.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

The Group manages its liquidity risk by ongoing monitoring of its cash flows. Group management prepares budgets and regular cash flow forecasts and takes appropriate actions to ensure cash deposits and credit lines with the banks are available to meet the Group's liabilities as they fall due. On 2 March 2018, the Group entered into a senior secured project finance for its Karish-Tanin project amounting to \$1,275 million. The Group started drawing down the project finance facility in March 2019.

The table below summarises the maturity profile of the Group financial liabilities based on contractual undiscounted payments:

31 December 2018	Carrying amounts \$'000	Contractual cash flows \$'000	3 months or less \$'000	3 - 12 months \$'000	1 - 2 years \$'000	2 - 5 years \$'000	More than 5 years \$'000
Bank loans	142,986	237,760	4,629	6,698	42,666	112,087	71,681
Other loans	1,284	1,284	–	–	1,284	–	–
Trade and other payables	458,407	492,004	337,307	48,429	15,373	42,499	48,396
<b>Total</b>	<b>602,677</b>	<b>731,048</b>	<b>341,935</b>	<b>55,127</b>	<b>59,323</b>	<b>154,586</b>	<b>120,077</b>

## 27.7 Liquidity risk continued

31 December 2017	Carrying amounts \$'000	Contractual cash flows \$'000	3 months or less \$'000	3 - 12 months \$'000	1 - 2 years \$'000	2 - 5 years \$'000	More than 5 years \$'000
Bank loans	89,986	132,900	2,655	15,806	55,105	59,333	–
Other loans	1,345	1,345	–	–	1,345	–	–
Trade and other payables	69,073	69,073	52,689	14,393	526	1,465	–
<b>Total</b>	<b>160,404</b>	<b>203,318</b>	<b>55,344</b>	<b>30,199</b>	<b>56,976</b>	<b>60,798</b>	<b>–</b>

## 28. Related parties

### 28.1 Related party relationships

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The Directors of Energean Oil & Gas Plc are considered to be the only key management personnel as defined by IAS 24. The following information is provided in relation to the related party transaction disclosures in note 28.2 below:

**Adobelero Holdings Co Ltd.** is a beneficially owned holding company controlled by Panos Benos, the CFO of the Group. **Growthy Holdings Co Ltd** is a beneficially owned holding company controlled by Matthaios Rigas, the CEO of the Group. **Oil Co Investments Limited** is beneficially owned and controlled by Efstathios Topouzoglou, a Non-Executive Director of the Group. The nature of the Group's transactions with the above related parties is mainly financing activities.

**Third Point Hellenic Recovery (Lux) S.A.R.L** is a US based institutional investor that has historically supported the Group through debt funding and remains one of the Group's largest shareholders (refer to note 21).

**Kerogen Capital** is an independent private equity fund manager specialising in the international oil and gas sector, which currently holds the 30% of Energean Israel ordinary shares not held by the group.

**Seven Maritime Company (Seven Marine)** is a related party company controlled by one the Company's shareholder Mr Efstathios Topouzoglou. Seven Marine owns the offshore supply ships Valiant Energy and Energean Wave which support the Group's investment program in northern Greece.

**Energean Israel Limited** was an associate of the Group until 29 March 2018, when the company became a subsidiary to the Group. A Technical Services Agreement dated 19 December 2016 was signed between Energean International Limited and Energean Israel Limited for the provision of project advisory, technical and commercial consulting services between the two companies.

**Abbey Investing:** Property lease to other related party includes rental fees of a flat in London. The property is beneficially owned by Energean's executive director's spouse. The flat is used as a company flat for Energean's staff and consultants. The lease agreement was terminated in August 2018.

**Capital Earth:** During the year ended 31 December 2018 the Group received consultancy services from Capital Earth Limited, a consulting company controlled by the spouse of one of Energean's executive directors, for the provision of Group Corporate Social Responsibility Consultancy and Project Management Services.

# Notes to the consolidated financial statements continued

## 28.2 Related party transactions

### Purchases of goods and services

	Nature of transactions	2018 \$'000	2017 \$'000
Third Point Hellenic Recovery Fund L.P.	Finance cost	–	16,070
Growthy Holdings CO	Finance cost	–	43
Oilco Investments Limited	Finance cost	–	43
Adobelero Holdings CO	Finance cost	–	4
Other related party 'Seven marine'	Vessel leasing and services	6,383	6,430
Other related party 'Abbey Investing'	Property lease	47	67
Other related party 'Capital Earth Ltd'	Consulting services	131	–
		<b>6,561</b>	<b>22,657</b>

### Revenue and other income

	Nature of transactions	2018 \$'000	2017 \$'000
Energiean Israel Ltd	Technical services	1,398	1,498
		<b>1,398</b>	<b>1,498</b>

## 28.3 Related party balances

### Payables

	Nature of balance	2018 \$'000	2017 \$'000
Energiean Israel Ltd	Technical services	–	1,477
Seven marine	Vessel leasing and services	4,053	2,562
Other related party 'Capital Earth Ltd'	Consulting services	158	–
		<b>4,211</b>	<b>4,039</b>

## 28.4 Key management compensation

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the Group. The definition of key management personnel includes directors (both executive and non-executive) and other executives from the management team with significant authority and responsibility for planning, directing and controlling the entity's activities. Key management personnel compensation comprises the following:

	Salary and fees \$'000	Benefits \$'000	Annual bonus \$'000	Total \$'000
Executive Directors	1,502	167	1,849	3,518
Executive Committee	817	15	379	1,211
Non-Executive Directors	514	–	–	514
<b>Total</b>	<b>2,833</b>	<b>182</b>	<b>2,228</b>	<b>5,243</b>

## 28.5 Reorganisation

On 30 June 2017 the Group entered into a Reorganisation Agreement which was subsequently amended by the 'Supplementary Agreement' dated 31 October 2017. The Reorganisation Agreement was between the Company and the existing shareholders of Energiean E&P Holdings (the Existing Shareholders), Energiean E&P Holdings, Energiean Israel and Energiean International. Under the Reorganisation Agreement, the Company became the holding company of the Group and the senior secured loan from Third Point and certain other parties was discharged in exchange for \$224 million preference shares in Energiean International Limited.

The preference shares in Energiean International Limited had no voting rights. Rights to future capital and distributions comprised the right to a return of capital of \$224 million upon winding up of Energiean Israel Limited and, as clarified in the Supplementary Agreement dated 31 October 2017, priority over distributions to the Company's ordinary shareholders up to an amount of \$224 million.

## 28.5 Reorganisation continued

Under the Reorganisation Agreement dated 30 June 2017 and the subsequent Supplementary Agreement dated 31 October 2017, the Group also made the following commitments:

- ▶ Under the Reorganisation Agreement dated 30 June 2017, in the event of an Exit transaction as defined in the Reorganisation Agreement, the Group committed to acquire the preference shares in Energiean Israel Limited. Consideration would be in the form of ordinary shares of the Company to the value of \$224 million in the event of a Sale transaction or \$240 million in the case of an IPO. Under the Reorganisation Agreement, each of Third Point and the Founders may at any time have proposed an Exit Event at which time each of the other parties to the Agreement shall: (i) give such co-operation and assistance as such Parties may reasonably request; and (ii) use all reasonable endeavours to procure that such Exit Event was achieved in accordance with such proposal, and therefore the contingent settlement provision of the preference shares represented a financial liability at 30 June 2017, initially recognised at its fair value and subsequently carried at amortised cost. Under the Supplementary Agreement dated 31 October 2017, the process to implement of an Exit Event (whether by reference to an IPO or Sale) required the consent of each of Third Point, the Founders and the Company, therefore the liability recognised was extinguished on 31 October 2017 with no impact on profit or loss.
- ▶ Under the Reorganisation Agreement dated 30 June 2017, in the event of an Exit transaction as defined in the Reorganisation Agreement, the Group committed to acquire the Founders' 50% interests in the B shares of Energiean Israel Limited which represented 50% of the beneficial ownership of Energiean Israel. Taken together with the Group's A shares of Energiean Israel Limited, this would have resulted in Energiean Israel becoming a 50% joint venture investee of the Group. Consideration would be in the form of ordinary shares of the Company to the value of \$50 million in the event of a Sale transaction or \$150 million in the case of an IPO.
- ▶ Under the Reorganisation Agreement, the Group was contractually obliged to pursue an Exit transaction, and therefore the contingent share purchase represented a derivative financial instrument at 30 June 2017, carried at fair value through profit and loss (see Note 27.2). Pursuant to the terms of the Supplementary Agreement the Company agreed to acquire the Energiean Israel Limited Class B Shares from its founder shareholders upon the occurrence of:

- a Sale for \$10 million in cash (rather than for the issue of New Shares as contemplated by the Reorganisation Agreement); or
- an IPO for \$10 million in cash (rather than for the issue of New Shares as contemplated by the Reorganisation Agreement).

The impact of the Supplementary Agreement on the derivative financial instrument was recognised as a credit to equity. In March 2018 the Company completed the admission of its shares to the Premium Segment of the London Stock Exchange and the derivative financial asset was subsequently derecognised upon the purchase of the Energiean Israel B shares.

## 29. Commitments and contingencies

In acquiring its oil and gas interests, the Group has pledged that various work programmes will be undertaken on each permit/interest. The exploration commitments in the following table are an estimate of the net cost to the Group of performing these work programmes:

	2018 \$'000	2017 \$'000
<b>Capital commitments:</b>		
Due within one year	16,176	7,505
Due later than one year but within two years	5,840	14,458
Due later than two years but within five years	229	500
	<b>22,245</b>	<b>22,463</b>
<b>Operating lease commitments</b>		
Within one year	2,457	6,540
Between one and five years	2,966	659
After five years	66	175
	<b>5,489</b>	<b>7,374</b>
<b>Contingent liabilities</b>		
<b>Performance guarantees</b>		
Greece	6,623	9,630
Israel	26,750	20,350
Montenegro	3,435	3,598
	<b>36,808</b>	<b>33,578</b>

# Notes to the consolidated financial statements continued

## 29. Commitments and contingencies continued

The non-cancellable operating lease agreements entered by the Group relate mainly to:

- ▶ Lease of supply vessels
- ▶ Oil & gas support equipment leases
- ▶ Property leases; and
- ▶ Vehicles lease.

The total operating lease expenses for the year ended 31 December 2018 amounted to \$1.0 million (year ended 31 December 2017: \$0.7 million).

### Performance guarantees

Energean Israel Limited, on 25 December 2016, submitted to the Israeli Petroleum Commissioner two irrevocable bank guarantees issued by HSBC of \$10 million each, for each of the Karish and Tanin Leases, to secure compliance with the leases and related liabilities. The guarantees replace the respective guarantees in the amount of US\$7.5 million each given by the previous leaseholders, Noble, Delek, and Avner.

The Group has issued bank guarantees in favour of the Israeli Petroleum Commissioner in respect of a committed minimum work program in five exploration blocks, Block 12, Block 21, Block 22, Block 23 and Block 31, which are located in the economic waters of the State of Israel. For the security of any bank claim on the aforementioned guarantees, the Group proceeded to restrict an amount of \$2.5 million, included within long term restricted bank deposits.

The Group issued a Letter of Guarantee of \$6.0 million to beneficiary Ganoub El Wadi Holding Petroleum (GANOPE), which is the Egyptian Oil Commissioning Authority in respect of the capital and financial commitments of its related entity, Energean International Limited, in the area of West Kom Ombo. As of 31 December 2017, the \$6.0 million guarantee had been reduced to \$2.2 million. The Group relinquished the area in October 2017 and the respective bank guarantee was further reduced in April 2018 to \$1.9 million. In the year ended 31 December 2017, the Group recognised a provision of \$1.3 million for the remaining amount of the financial commitment (note 24). In August 2018, the Group proceeded with the payment of the amount of \$1.9 million in respect of the aforementioned bank guarantee.

The Group provided a performance guarantee for the amount of \$0.7 million (€0.6 million) issued to the Greek Ministry of Environment Energy and Climate Change in respect of contract with the Greek State for exploitation in Prinos.

The original \$8.6 million (€7.9 million) performance bank guarantee related to Ioannina block was reduced to \$6.7 million (€5.6 million), and will be further reduced from time to time to represent the remaining minimum expenditure obligations. For the security of any bank claim on the aforementioned guarantee, Energean Oil & Gas S.A. proceeded to restrict an amount of \$2.7 million (€2.2 million), which corresponds to its 40% participating interest.

As of 31 December 2018, the Group and its partner Repsol provided a bank guarantee for the total amount of \$8.3 million in respect of the Lease Agreement of the Aitolokarnania Area in Greece, to satisfy the Minimum Expenditure Obligations of that agreement for the First Exploration phase. The Group proceeded to restrict an amount of \$3.3 million (€2.9 million), which corresponds to its 40% participating interest.

A €3.0 million guarantee from Energean Montenegro Limited in favour of the state of Montenegro, is due to expire on 14 October 2020, relating to the Group's concession and mandatory work programme in Montenegro. The guarantee is secured by a €3.0 million cash deposit (see Note 17).

### Other contingent liabilities

On 25 January 2018, the Group signed a contract with Stena Drilling, the Contractor, to conduct drilling of three development wells in Karish field in Israel, with optional scope for drilling of two near field exploration wells and up to five additional development wells.

According to this contract in the event of the termination for Group's convenience, the Contractor shall be entitled to payment as follows:

- ▶ for termination after the date of Final Investment Decision ('FID') on the Karish and Tanin offshore Israel leases, the Company shall pay Contractor an early termination fee as follows:
  - Operating Rate, multiplied by sixty (60), or, if the number of unutilised days in the firm drilling campaign (based on a drilling campaign of 230 days) is less than sixty, multiplied by such lesser number.

### Legal cases and contingent liabilities

The Group had no other material contingent liabilities as of 31 December 2018 and 31 December 2017.

## 30. Subsequent events

There has not been any event since 31 December 2018 that has resulted in a material impact on the year-end results.

# Company statement of financial position

As at 31 December 2018

	Notes	2018 \$'000	2017 \$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	1	848,485	852
Property plant and equipment		2	–
Loans and other intercompany receivables	3	1,443	–
		<b>849,930</b>	852
<b>Current assets</b>			
Trade and other receivables	4	6,488	4,848
Derivative asset	5	–	93,292
Cash and cash equivalents		6,840	–
		<b>13,328</b>	98,140
<b>Total assets</b>		<b>863,258</b>	98,992
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	6	4,339	5,562
		<b>4,339</b>	5,562
<b>Non-Current Liabilities</b>			
Other long-term liabilities	7	47	–
		<b>47</b>	–
<b>Total liabilities</b>		<b>4,386</b>	5,562
<b>Capital and reserves</b>			
Share capital	8	2,066	917
Share premium	8	658,805	–
Other reserves	5	–	67,506
Share based payment reserve	10	6,617	–
Retained earnings		191,384	25,007
<b>Total equity</b>		<b>858,872</b>	93,430

During the year the Company made a profit of \$98.9 million (31 December 2017: \$25.0 million).

Approved by the Board and authorised for issue on 17 April 2019.

### Matthaios Rigas

Chief Executive Officer

### Panagiotis Benos

Chief Financial Officer



## Company statement of changes in equity

As at 31 December 2018

	Share Capital \$'000	Share Premium \$'000	Share based payment reserve \$'000	Other reserves \$'000	Retained earnings \$'000	Total equity \$'000
<b>At 8 May 2017</b>						
Profit/(loss) for the period	–	–	–	–	25,007	25,007
Capital contributions	917	–	–	–	–	917
<b>Transactions with owners of the company</b>						
Modification of derivative (Note 5)	–	–	–	67,506	–	67,506
<b>At 31 December 2017</b>	<b>917</b>	<b>–</b>	<b>–</b>	<b>67,506</b>	<b>25,007</b>	<b>93,430</b>
Profit/(loss) for the year	–	–	–	–	98,871	98,871
<b>Transactions with owners of the company</b>						
Issuance of shares for share-based payment transactions	7	–	3,110	–	–	3,117
Employee share schemes	4	–	3,507	–	–	3,511
Transaction cost in relation to IPO and new share issue	–	(24,057)	–	–	–	(24,057)
Shares issued in settlement of preference shares in subsidiary	129	223,871	–	–	–	224,000
Group restructuring (Note 5)	–	–	–	(67,506)	67,506	–
<b>At 31 December 2018</b>	<b>2,066</b>	<b>658,805</b>	<b>6,617</b>	<b>–</b>	<b>191,384</b>	<b>858,872</b>

## Company accounting policies

As at 31 December 2018

### (a) General information

Energiean Oil & Gas PLC ('the Company') was incorporated in England & Wales on 8 May 2017 as a public company with limited liability, under the Companies Act 2006. Its registered office is at 44 Baker Street, London W1U 7AL, United Kingdom. The Financial Statements are presented in US Dollars and all values are rounded to the nearest US\$ thousands (\$'000), except where otherwise stated. Energiean Oil & Gas Plc is the ultimate Parent of the Energiean Oil & Gas Group.

### (b) Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. The Financial Statements have therefore been prepared in accordance with Financial Reporting Standard 101 (FRS 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 - 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1 and (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment;
- the requirements of paragraphs 10(d), 16, 38A to 38D, 40A, 40B, 40C and 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 share-based payments
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;

Where relevant, equivalent disclosures have been given in the Group accounts.

The Company has applied the exemption from the requirement to publish a separate income statement for the parent company set out in section 408 of the Companies Act 2006.

During the year the Company made a profit of \$98.9 million (31 December 2017: \$25.2 million).

### (c) Going concern

The Directors have exercised significant judgement in assessing that the preparation of the financial statements on a going concern basis is appropriate. In making this assessment, the factors considered, among others, include the current financial position and the profitability of the Company as well as the Directors' expectations in relation to future business prospects, and future profitability and cash flows of the Company. Another important factor for determining that the going concern basis remains appropriate is the ability to raise funding as and when needed. In 2018 the Company successfully completed an IPO on the London Stock Exchange and raised \$460 million gross proceeds. Accordingly, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and consider it appropriate to adopt the going concern basis in preparing the financial statements.

### (d) Foreign currencies

The US Dollar is the functional currency of the Company. Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at the rates of exchange ruling at the balance sheet date, with a corresponding charge or credit to the income statement.

### (e) Investments

Fixed asset investments, representing investments in subsidiaries, are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

### (f) Financial instruments at fair value through profit or loss

FVTPL includes financial instruments held for trading (HFT) and financial instruments designated upon initial recognition at fair value through profit or loss. Financial instruments are classified as HFT if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as HFT. Financial instruments at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as gain or loss in the statement of profit or loss. The Company's financial instrument that have been classified as HFT are derivative instruments.

## Company accounting policies continued

### (g) Trade and other receivables

Receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Where the time value of money is material, receivables are carried at amortised cost.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity.

### (h) Trade and other payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obligated to make future payments in respect of the purchase of those goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

### (i) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities, for which fair value is measured or disclosed in the financial statements, are categorised within the fair value hierarchy, described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- ▶ Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- ▶ Level 2 – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable
- ▶ Level 3 – Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### (j) Share issue expenses

Costs of share issues are written off against share premium arising on the issues of share capital.

### (k) Capital management

The Company defines capital as the total equity of the Company. Capital is managed in order to provide returns for shareholders and benefits to stakeholders and to safeguard the Company's ability to continue as a going concern. The Company is not subject to any externally imposed capital requirements. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital, issue new shares for cash, repay debt, and put in place new debt facilities.

### (l) Share-based payments

The Company has share-based awards that are equity settled as defined by IFRS 2.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee remuneration expense together with a corresponding increase in equity (share based payment reserve), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

### (m) Critical accounting judgements and key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, are discussed below:

#### Fair value measurements and valuation processes

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability the Company uses market-observable data to the extent that it is possible. Where level 1 inputs are not available, as is the case for the option to purchase Energean Israel Class B shares the Company has used a combination of level 2 and level 3 inputs to estimate the fair value.

Information about the valuation technique and inputs used in determining the fair value of the option to purchase Energean Israel Class B shares is disclosed in Note 5.

# Notes to the company financial statements

## Note 1 Investments in subsidiaries

The following table shows the movement in the investment in subsidiaries during the year

	\$'000
<b>At 31 December 2017</b>	<b>852</b>
Settlement of preference shares (note 8)	224,000
Derivative asset capitalised to investment (note 5)	190,000
Cash investments	433,633
<b>At 31 December 2018</b>	<b>848,485</b>

On 30 June 2017, the Company reorganised the business and became the parent company of the Group through the acquisition of the full share capital of Energean E&P Holdings Limited in exchange for 65,643,120 shares of nominal value £0.01.

During 2018, the Company increased its investments in subsidiary undertakings by \$847.6 million.

A complete list of Energean Oil & Gas Plc Group companies at 31 December 2018, and the Group's percentage of share capital are set out in Note 1 of the Group financial statements. The principal activity of all companies relates to oil and gas exploration, development and production. All of these subsidiaries have been consolidated in the Group's financial statements.

## Note 2 Dividends

No dividends were paid and declared during the period.

## Note 3 Loans and other intercompany receivables

	2018 \$'000	2017 \$'000
Loans to subsidiary	1,280	–
Other receivables	163	–
<b>At 31 December 2018</b>	<b>1,443</b>	<b>–</b>

The loan to subsidiary include amount due from subsidiary which incurs a fixed rate of interest at 3% per annum and has maturity date on 20 October 2021. The amount has been fully eliminated in the Group financial statements.

## Note 4 Trade and other receivables

	2018 \$'000	2017 \$'000
<b>Financial items</b>		
Receivables from shareholders	23	65
Due from subsidiary undertakings	6,267	–
	6,290	65
<b>Non-financial items</b>		
Deposits and prepayments	198	4,783
	198	4,783
<b>Total trade and other receivables</b>	<b>6,488</b>	<b>4,848</b>

Receivables from subsidiary undertakings relates to intragroup recharges for subsidiaries' employees share-based payments, the employee remuneration expense related to subsidiaries is fully recharged to subsidiaries, and management services provided by the Company.

## Note 4 Trade and other receivables continued

The amounts due from subsidiary undertakings consist of receivables related to services provided from the Company to its subsidiaries under a 'Management and administrative Services Agreement'. All these amounts have been eliminated in the Group financial statements.

The receivable amount from shareholders consists of the nominal value of the initial share capital for the incorporation of the company. At incorporation, the affiliate company Energean E&P Holdings provided a letter according to which the amount of £50k is held available in its bank accounts on behalf of the Company until its shareholders are able to pay the amount. At reporting date an amount of \$23k was still outstanding.

The amount included under deposits and prepayments account as at 31 December 2017 consists of the costs accrued in 2017 and which are related to the Initial Public Offering (IPO) of the Company which at 31 December 2017 was still in progress. All such costs, after the IPO successfully completion have been debited against the share capital raised at the reporting date. Such IPO costs are related to the services provided to the Company by the reporting accounts, lawyers and other professionals.

## Note 5 Financial Instruments

### Disclosure exemptions adopted

Where equivalent disclosures for the requirements of IFRS 7 Financial Instruments: Disclosures and IFRS 13 Fair Value Measurements have been included in the 2017 Annual Report and Accounts of Energean Oil & Gas Plc, the Company has adopted the disclosure exemptions available to the Company's accounts.

### Financial risk management objectives

The Company follows the Group's policies for managing all its financial risks.

### Fair values of derivative instruments

The Company had one material financial asset measured at fair value at 31 December 2017 which relates to the Energean Israel B shares. As part of the reorganisation the Company committed on 30 June 2017 to acquire the 50% of the class B shares of Energean Israel Limited in an Exit Event.

The valuation technique used multiplies the estimated likelihood of an Exit (being an IPO or a Sale) by the estimated difference between the consideration payable under the commitment and the estimated value of the B shares to be acquired under the commitment. The key input assumptions used in the fair value measurement calculation are the estimated likelihood of an IPO event and value of the B shares. An Exit in the form of a Sale is considered to be of negligible likelihood. The other significant inputs were the transaction prices applicable in an Exit Event, which were contractually agreed amounts, and the discount rate assumption used in the calculation which was 11.5%. The fair value of the derivative asset is a Level 3 fair value measurement in the fair value measurement hierarchy, because the valuation relies significantly on input assumptions that are unobservable.

On remeasurement on 31 December 2017, the value of the B shares was estimated based on the price negotiated at a similar time with a third party for another tranche of the B shares in a separate transaction. The likelihood of a future IPO occurring was estimated as of 31 December 2017 to be 50% having regard to the considerable progress made to prepare for an IPO as of that date, but also to the fact that there were a number of significant steps not wholly under the control of the Company that remained to be achieved, and the inherent uncertainty in achieving any IPO due to capital market conditions.

The change in fair value of \$25.8 million between 30 June 2017 and 31 December 2017 is included in 'Gain on derivative' in the statement of profit or loss as it is due to changes in measurement assumptions.



# Notes to the company financial statements continued

## Note 5 Financial Instruments continued

Also on 31 October 2017, under the Supplementary Agreement the consideration payable to acquire the B shares in the event of an IPO was reduced from \$150m to \$10m. The resulting increase in the value of the derivative asset of \$67.5 million (after applying the 50% IPO likelihood assumption and other discounting effects) is recorded in the statement of changes in equity as the Supplementary Agreement is a transaction with owners, giving the derivative asset a closing value as of 31 October 2017 of \$91.6 million. As of 31 December 2017 the derivative asset was further increased to \$93.3 million due to unwinding of the discount applied at the recognition, resulted in additional gain of \$1.7 million recorded in profit or loss.

At the time of the Company's admission to the Premium Segment of the London Stock Exchange on 21 March 2018, the probability of an IPO increased to 100%, increasing the fair value of the derivative to \$190 million. The change in fair value of \$96.7 million between 31 December 2017 and 21 March 2018 is included in 'Gain on derivative' in the income statement as it is due to changes in measurement assumptions.

On 21 March 2018 following the acquisition of a 50% economic interest in Energean Israel, as described in note 27.2 of the consolidated financial statements the Company derecognised the derivative asset at total fair value of \$190 million. Upon derecognition, this derivative was the only instrument in the Level 3 category of the fair value hierarchy. There were no transfers in or out of this category in the period, and the only movement in the category relates to the increase in fair value of the derivative.

## Note 6 Trade and other payables

	2018 \$'000	2017 \$'000
Staff costs accrued	1,573	1,849
Trade payables	1,282	3
Due to subsidiary undertakings	756	–
Accrued expenses	323	3,674
Taxes and social securities payable	398	–
Other creditors	7	36
<b>Total trade and other payables</b>	<b>4,339</b>	<b>5,562</b>

## Note 7 Other long-term liabilities

Other long-term liabilities consists of a provision for Employers' National Insurance accounted for on the LTIP Awards at each reporting date up to the release date.

## Note 8 Share capital

The Company's initial share capital amounted to £50 thousand (\$65k), consisting of an issuance of 50,000 ordinary shares of a nominal value of £1.00 (\$1.3) each on 8 May 2017. On 30 June 2017 the Company effected a 100 for 1 share split resulting in 5,000,000 ordinary shares of a nominal value of £0.01 (\$0.013) each.

On 30 June 2017, the Company also became the parent company of the Group through the acquisition of the full share capital of Energean E&P Holdings Limited, in exchange for 65,643,120 £0.01 (\$0.013) shares in the Company issued to the previous shareholders. As of this date, the Company's share capital increased from £50 thousand (\$65k) to £706 thousand (\$917k).

On 21 March 2018, the Company issued 72,592,016 new shares in relation to the placement of its initial public offering of ordinary shares at £4.55 per share.

On the Company's admission to the London Stock Exchange and pursuant to the terms of the reorganisation agreement, a Company's subsidiary preference shares held by one of the Company's shareholder were converted to 9,095,900 common shares in the Company (note 1).

## Note 8 Share capital continued

	Equity share capital allotted and fully paid Number	Share capital \$'000	Share premium \$'000
<b>Authorised</b>			
<b>At 31 December 2017</b>	70,643,120	917	–
Issued during the year			
– IPO shares	72,592,016	1,009	434,934
– Shares issued in settlement of preference shares in subsidiary	9,095,900	129	223,871
– Share-based payment transactions	492,202	7	–
– Employee share schemes	329,525	4	–
<b>At 31 December 2018</b>	<b>153,152,763</b>	<b>2,066</b>	<b>658,805</b>

## Note 9 Staff costs

	2018 \$'000	2017 \$'000
Wages and salaries	402	–
Directors' remuneration	3,265	588
Social insurance costs and other funds	343	81
Share-based payments	468	–
Pension contribution & insurance	12	–
<b>Total payroll cost</b>	<b>4,490</b>	<b>669</b>

Details of Directors' remuneration, Directors' transactions and Directors' interests are set out in the part of the Directors' Remuneration Report described as having been audited, which forms part of these Financial Statements.

## Note 10 Share-based payment

### Employee Share Award Plan (ESAP)

On 24 May 2018, the Company, in respect of the its admission to the London Stock Exchange on 21 March 2018 granted conditional awards to most Group employees under the Energean 2018 Long Term Incentive Plan (LTIP) over Company's 659,050 ordinary shares.

On 16 November 2018 a number of 329,525 new ordinary shares were issued, in respect of those shares awarded under the Energean 2018 Long Term Incentive Plan 2018 on 24 May 2018 ('Admission Awards') which were due to vest on 22 November 2018.

### Energean 2018 Long Term Incentive Plan

Energean Incentive Plan (LTIP) Under the LTIP, Senior Management can be granted nil exercise price options, normally exercisable from three to ten years following grant provided an individual remains in employment. The LTIP Awards were granted in the form of conditional share awards and are subject performance conditions over a period of up to three years. On 12 July 2018 a total of 644,893 LTIP Awards were granted to Senior Management.

Please refer to note 26 of the consolidated financial statements for additional disclosures on the Company's share based payment plan.

### Income statement summary

Share based payment charges during the year, which have been recognised in the income statement were totalling to \$468k.

# Notes to the company financial statements

## continued

### Note 11 Related party transactions

The Company's subsidiaries at 31 December 2018 and the Group's percentage of share capital are set out in note 1 of the consolidated financial statements. The following table provides the Company's balances which are outstanding with subsidiaries companies at the balance sheet date:

	2018 \$'000	2017 \$'000
Amounts receivable from subsidiary undertakings	7,710	–
Amounts payable to subsidiary undertakings	866	–
	8,576	–

The amounts outstanding are unsecured and repayable on demand and will be settled in cash.

The following table provides the Company's transactions only with partially owned subsidiary companies where the Company holds a minority interest recorded in the income statement:

	2018 \$'000	2017 \$'000
Amounts invoiced to subsidiaries under a 'Management and administrative Services Agreement'	4,327	–
	4,327	–

### Note 12 Directors' Remuneration

Directors' remuneration has been provided in the remuneration report within the Annual Report. Please refer to page 89 of the Annual Report.

### Note 13 Auditors' Remuneration

Auditors' remuneration has been provided in the group financial statements. Please refer to note 8 of the group financial statements for details of the remuneration of the company's auditor on a group basis.

### Note 14 Events after reporting period

Please refer to note 30 of the consolidated financial statements.

# Payments to governments (unaudited)

Energean pays to several countries numerous taxes, including withholding taxes, PAYE and National Insurance on personnel employed, bonuses, licence fees, royalties and other taxes.

## Transparency disclosure

The Reports on Payments to Governments Regulations (UK Regulations) came into force on 1 December 2014 and require UK companies in the extractive sector to publicly disclose payments made to governments in the countries where they undertake extractive operations. The regulations implement Chapter 10 of EU Accounting Directive (2013/34/ EU). The UK Regulations came into effect on 1 January 2015. The 2018 disclosure remains in line with the EU Directive and UK Regulations and we have provided additional voluntary disclosure on withholding taxes, PAYE and other taxes.

The payments disclosed are based on where the obligation for the payment arose: payments raised at a project level have been disclosed at project level and payments raised at a corporate level have been disclosed on that basis. However, where a payment or a series of related payments do not exceed £86,000, they are disclosed at a corporate level, in accordance with the UK Regulations. The voluntary disclosure has been prepared on a corporate level.

All of the payments disclosed in accordance with the Directive have been made to National Governments, either directly or through a Ministry or Department of the National Government, with the exception of Greek payments in respect of production royalties and licence fees, which are paid to the Hellenic Hydrocarbon Resources Management SA.

**Royalties** – represent cash royalties paid to the Greek Government during the year for the extraction of oil. The terms of the royalties are described within the Lease Agreement for Prinos area. The cash payment of royalties occurs within a three months' period from the end of the year in which the royalty payment obligation has arisen.

**Bonus payments** – represent signature bonuses paid to the Greek and Israeli governments during the year as a result of the award of Aitolakarnania license in Greece and exploration blocks 12, 21, 22, 23 & 31 in Israel as per the terms of the relevant lease agreements.

**Licence fees** – represent licence fees, rental fees, entry fees and other consideration for licences and/or concessions paid for access to an area during the year (with the exception of signature bonuses which are captured within bonus payments).

**Withholding tax (WHT)** – represent tax charged mainly on services and royalties. The amount disclosed is equal to the WHT return submitted by Energean to governments with the cash payment made in the year the charge is borne.

**PAYE and national insurance** – represent payroll and employer taxes paid (such as PAYE and national insurance) by Energean as a direct employer. The amount disclosed is equal to the return submitted by Energean to governments with the cash payment made in the year the charge is borne.

**Training allowances** – comprise payments made in respect of training government or national oil company staff. This can be in the form of mandatory contractual requirements or discretionary training provided by the company.

**VAT** – represents net cash VAT received from/paid to governments during the year. The amount disclosed is equal to the VAT refunds/ payments made by Energean to governments on a cash basis.

**Other taxes** – comprise payments made in respect of taxes other than the above including annual levies, stamp duties, etc.

The main economic value to host governments is from payroll and withholding taxes on Energean's activities.

**\$10.1m**  
paid to governments

## Transparency disclosure (unaudited)

Licence/Company level	European transparency directive disclosure									Voluntary disclosure						Total \$000	Total BBL000	
	Production entitlements BBL000	Production entitlements \$000	Income taxes \$000	Royalties (cash only) \$000	Dividends \$000	Bonuses payments \$000	Licence fees \$000	Infrastructure improvement payments \$000		VAT \$000	Stamp duty \$000	Withholding tax \$000	PAYE and national insurance \$000	Training allowances duties \$000	Other \$000			
<b>Energean Oil &amp; Gas SA</b>																		
Greece – Prinos licence	-	-	-	228.68	-	-	232.78	-		-	-	-	-	-	-	-	461.45	-
Greece – South Kavala licence	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-
Greece – Ioannina licence	-	-	-	-	-	-	19.78	-		-	-	-	-	-	-	-	19.78	-
Greece – Katakolo licence	-	-	-	-	-	-	1.18	-		-	-	-	-	-	-	-	1.18	-
Greece – Aitolokarnania licence	-	-	-	-	-	366.09	256.59	-		-	-	-	-	-	-	-	622.68	-
Energean Oil & Gas SA	-	-	-	-	-	-	-	-		(4,897.16)	31.13	1,037.58	3,391.78	-	200.51	(236.16)	-	-
<b>Kavala Oil SA</b>																		
										-	0.02	49.08	8,507.35	-	(3,782.11)	4,774.34	-	-
<b>Greek Government Report</b>	-	-	-	228.68	-	366.09	510.32	-		(4,897.16)	31.15	1,086.66	11,899.13	-	(3,581.60)	5,643.28	-	-
<b>Energean Israel Limited</b>																		
Israel – Karish licence	-	-	1.99	-	-	-	70.93	-		-	-	-	-	-	-	-	72.92	-
Israel – Tanin licence	-	-	-	-	-	-	72.38	-		-	-	-	-	-	-	-	72.38	-
Israel – Blocks 12, 21, 22, 23 & 31	-	-	-	-	-	500.00	-	-		-	-	-	-	-	-	-	500.00	-
Israel – Energean Israel Transmission Limited	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-
Israel – Branch of Energean Israel Finance Sarl	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-
<b>Israeli Government Report</b>	-	-	1.99	-	-	500.00	143.31	-		(511.27)	-	1,199.23	360.92	-	-	1,694.18	-	-
<b>Energean International Limited</b>																		
Egypt – branch	-	-	-	-	-	-	-	-		-	-	4.75	54.95	-	17.43	77.12	-	-
<b>Egypt Government Report</b>	-	-	-	-	-	-	-	-		-	-	4.75	54.95	-	17.43	77.12	-	-
<b>Energean Montenegro Limited</b>																		
Montenegro – Block 4218 - 30	-	-	-	-	-	-	100.96	-		-	-	-	-	-	-	100.96	-	-
Montenegro – Block 4219 - 26	-	-	-	-	-	-	23.13	-		-	-	-	-	-	-	23.13	-	-
<b>Montenegrin Government Report</b>	-	-	-	-	-	-	124.09	-		-	-	19.56	90.40	99.69	-	333.73	-	-
<b>Energean E&amp;P Holdings Limited</b>																		
	-	-	-	-	-	-	-	-		-	-	272.23	-	-	8.26	280.49	-	-
<b>Energean International Limited</b>																		
	-	-	253.32	-	-	-	-	-		-	-	69.42	-	-	4.53	327.27	-	-
<b>Energean Israel Limited</b>																		
	-	-	-	-	-	-	-	-		-	-	2.55	-	-	0.40	2.95	-	-
<b>Energean Montenegro Limited</b>																		
	-	-	-	-	-	-	-	-		-	-	0.89	-	-	0.41	1.30	-	-
<b>Cyprus Government Report</b>	-	-	253.32	-	-	-	-	-		-	-	-	345.08	-	13.61	612.01	-	-
<b>Energean Oil &amp; Gas plc</b>																		
	-	-	-	-	-	-	-	-		(211.84)	-	-	1,116.89	-	-	905.04	-	-
<b>Energean International Limited (UK branch)</b>																		
	-	-	-	-	-	-	-	-		(266.17)	-	-	1,126.99	-	-	860.82	-	-
<b>Energean Med Limited</b>																		
	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-
<b>UK Government Report</b>	-	-	-	-	-	-	-	-		(478.01)	-	-	2,243.88	-	-	1,765.87	-	-
<b>Luxembourg Government Report</b>	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-
	-	-	255.30	228.68	-	866.09	777.72	-		(5,886.44)	31.15	2,310.20	14,994.36	99.69	(3,550.57)	10,126.18	-	-



## Other information

## Glossary

<b>CO<sub>2</sub></b>	Carbon dioxide	<b>E</b>		<b>J</b>		<b>O</b>	
<b>H<sub>2</sub>S</b>	Hydrogen sulphide	<b>E&amp;P</b>	Exploration and production	<b>JOA</b>	Joint Operating Agreement	<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>SO<sub>2</sub></b>	Sulphur dioxide	<b>EBITDAX</b>	Earnings before interest, tax, depreciation, amortisation and exploration expenses	<b>JV</b>	Joint Venture	<b>Opex</b>	Operating expenses
<b>GBP or £</b>	Pound sterling	<b>EBRD</b>	European Bank for Reconstruction and Development	<b>K</b>		<b>OR</b>	Or Power Energies
<b>USD or \$</b>	US dollar	<b>EIA</b>	Environmental Impact Assessment	<b>kboepd</b>	Thousands of barrels of oil equivalent per day	<b>P</b>	
<b>EUR or €</b>	Euro	<b>EOR</b>	Enhanced Oil Recovery	<b>km</b>	Kilometres	<b>PP&amp;E</b>	Property, plant and equipment
<b>NOK</b>	Norwegian krone	<b>EPCIC</b>	Engineering, Procurement, Construction, Installation and Commissioning	<b>KPI</b>	Key Performance Indicator	<b>Psi</b>	Pounds per square inch
<b>A</b>		<b>F</b>		<b>L</b>		<b>R</b>	
<b>ACQ</b>	Annual Contract Quantity	<b>FAR</b>	Fatal Accident Rate – number of fatalities per 100 million hours worked	<b>LIBOR</b>	London Interbank Offered Rate	<b>2P reserves</b>	Proven and probable reserves
<b>AGM</b>	Annual General Meeting	<b>FDP</b>	Field Development Plan	<b>LSE</b>	London Stock Exchange	<b>RBL</b>	Reserve Based Lending
<b>ALARP</b>	As low as reasonably practicable (A term often used in the regulation and management of safety-critical and safety-involved systems.)	<b>FEED</b>	Front-end Engineering and Design	<b>LTI</b>	Lost Time Injury	<b>2C resources</b>	Contingent resources
<b>B</b>		<b>FID</b>	Final Investment Decision	<b>LTIF</b>	Lost Time Injury Frequency	<b>S</b>	
<b>bbl</b>	Barrel	<b>FPSO</b>	Floating Production Storage and Offloading vessel	<b>M</b>		<b>Sq km or km<sup>2</sup></b>	Square kilometres
<b>Bcf</b>	Billion cubic feet	<b>FRC</b>	Financial Reporting Council	<b>M<sub>3</sub></b>	Cubic metre	<b>STOB</b>	Stock Tank Oil Barrels
<b>bcm</b>	Billion cubic metres	<b>FRS</b>	Financial Reporting Standard	<b>MARPOL</b>	(Marine pollution) International Convention for the Prevention of Pollution from Ships	<b>T</b>	
<b>boe</b>	Barrels of oil equivalent	<b>G</b>		<b>MM</b>	Million	<b>Tcf</b>	Trillion cubic feet
<b>boepd</b>	Barrels of oil equivalent per day	<b>G&amp;A</b>	General and Administrative	<b>MMbbls</b>	Million barrels	<b>TRIR</b>	Total Recordable Injury Rate
<b>bopd</b>	Barrels of oil per day	<b>GSPA</b>	Gas Sale and Purchase Agreement	<b>MMboe</b>	Million barrels of oil	<b>TASE</b>	Tel Aviv Stock Exchange
<b>C</b>		<b>GSP</b>	GSP Offshore S.R.L.	<b>MMbtu</b>	Million British Thermal Units	<b>W</b>	
<b>CAGR</b>	Compound annual growth rate	<b>H</b>		<b>MMscf</b>	Million standard cubic feet	<b>WI</b>	Working interest
<b>Capex</b>	Capital expenditure	<b>H&amp;S</b>	Health and Safety	<b>MMscf/day or MMscfd</b>	Million standard cubic feet per day		
<b>CEO</b>	Chief Executive Officer	<b>HMRC</b>	HM Revenue and Customs	<b>MMtoe</b>	Million tonnes of oil equivalent		
<b>CFO</b>	Chief Financial Officer	<b>HSE</b>	Health, Safety and Environment	<b>MoU</b>	Memorandum of Understanding		
<b>COO</b>	Chief Operating Officer	<b>I</b>		<b>N</b>			
<b>CMAPP</b>	Corporate Major Accident Prevention Policy	<b>IAS</b>	International Accounting Standard	<b>NGF</b>	Natural Gas Framework		
<b>CNG</b>	Compressed natural gas	<b>IASB</b>	International Accounting Standards Board	<b>NGO</b>	Non-Governmental Organisation		
<b>CPR</b>	Competent Person's Report	<b>IFRS</b>	International Financial Reporting Standard	<b>NPV</b>	Net Present Value		
<b>CSR</b>	Corporate Social Responsibility	<b>INGL</b>	Israel Natural Gas Lines Ltd	<b>NSAI</b>	Netherland, Sewell & Associates, Inc.		
<b>D</b>		<b>IPO</b>	Initial Public Offering				
<b>DCQ</b>	Daily Contract Quantity	<b>IPP</b>	Independent Power Producers				
		<b>IR</b>	Investor Relations				

## Company information

### Registered office

Energean Oil & Gas plc  
Accurist House  
44 Baker Street  
London  
W1U 7AL  
United Kingdom

Tel: +44 203 655 7200

### Corporate brokers

Morgan Stanley  
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Canary Wharf  
London  
E14 4QA

### Auditor

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

### Legal adviser

White & Case LLP  
5 Old Broad Street  
London  
EC2N 1DW

### Financial PR adviser

Camarco  
107 Cheapside  
London  
EC2V 6DN

### Registrar

Computershare Investor Services plc  
The Pavilions  
Bridgwater Road  
Bristol  
BS13 8AE

### Financial calendar

13 June 2019: Annual General Meeting

### Forward-looking statements

This Annual Report may include statements that are, or may be deemed to be, 'forward-looking statements'. These forward-looking statements may be identified by the use of forward-looking terminology, including terms such as 'believes', 'estimates', 'plans', 'projects', 'anticipates', 'expects', 'intends', 'may', 'will' or 'should' or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts and involve predictions. Forward-looking statements may and often do differ materially from actual results.

In addition, even if results or developments are consistent with the forward-looking statements contained in this Annual Report, those results or developments may not be indicative of results or developments in subsequent periods. Any forward-looking statements reflect the Group's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's business, results of operations, financial position, liquidity, prospects, growth or strategies and the industry in which it operates. Forward-looking statements speak only as of the date they are made and cannot be relied upon as a guide to future performance.



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