Delivering value through the **energy transition**

Energegan

Annual Report 2019

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Energean is a gas-focused independent E&P company, with a balanced portfolio of assets across the Eastern Mediterranean.

OUR FOCUS

Our focus is on discovering, developing and monetising gas in the Eastern Mediterranean to deliver value to all of our stakeholders. Sustainability and ESG are at the core of this focus and in that context, we were the first E&P company in the world to commit to net zero emissions by 2050.

OUR KEY STRATEGIC ACTIVITIES

Our key strategic activities include developing reserves, adding hydrocarbons, optimising production and, following completion of the proposed Edison E&P acquisition, integrating our enlarged portfolio.

OUR PORTFOLIO

Our portfolio is 80% gas-weighted and, inclusive of the to-be-acquired Edison E&P business, spans eight countries across the Mediterranean. We are headquartered in London; our shares are listed on the Main Market of the London Stock Exchange and we have a secondary listing on the Tel Aviv Stock Exchange. We are a component of the FTSE 250 and TA-35 indices.

The disclosure in this report is complemented by our online ESG disclosure, which can be found at **energean.com/sustainability/corporate-responsibility/**

Delivering value through the **energy transition**

At Energean, we firmly believe that the energy transition is a crucial choice for the sustainable future of both society and business, and "gas, as a transition fuel, is the way forward." With our 80% gas-weighted portfolio, we are already on the energy transition journey. By 2022, production from our existing portfolio will reach more than 130,000 boepd, the majority of which will be gas.

One of the key highlights of 2019 was our commitment to net zero emissions* by 2050, making us the first E&P company in the world to do so. This puts Energean at the forefront of the oil and gas sector's climate change initiatives and showcases our commitment to ESG and reducing our CO_2 emissions.

Sustainable development is integral to our corporate philosophy and remains core to our organisation. We are committed to creating value for all our stakeholders, and becoming the leading gas-focused, sustainable, independent E&P company in the Eastern Mediterranean.

Our aim is to create near-term and lasting benefits for all our stakeholders, guided by our corporate values and principles.

* Includes Scope 1 and 2 emissions only.

Strategic report
Corporate governance
Financial statements
Other information

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Energean **at a glance**

The leading independent, gas-focused, sustainable E&P company in the Eastern Mediterranean.

Energean is a London Premium Listed FTSE 250 and Tel Aviv 35 Listed E&P company with operations in Israel, Greece and the Adriatic. Our flagship project is the 2.3 tcf Karish and Tanin development offshore Israel, where we are building the only FPSO in the Eastern Mediterranean to produce first gas in 1H 2021.

In Israel, the Company has already signed firm contracts for 5.0 bcm/yr of gas with Israeli offtakers, with a further 1.3 bcm/yr of contingent contracts and 2.0 bcm/yr of potential sales to be discussed under a Letter of Intent ("LOI") with the Public Gas Corporation of Greece ("DEPA").

In July 2019, Energean announced the conditional acquisition of Edison E&P for $750 million plus $100 million of contingent consideration. The acquisition adds a world class portfolio of production, development, appraisal and exploration opportunities, with an excellent HSE record.

Energean key facts

558 MMboe 2P reserves and 2C resources

3.3 kboepd WI production in 2019

3 countries of operations across the Mediterranean

Edison E&P key facts

239 MMboe of 2P reserves[1,2]

56.4 kboepd WI production in 2019[2]

4 countries of operations across the Mediterranean[2]

1. Edison E&P reserves are based on CPR report dated 30 June 2018. An updated CPR will be published in the shareholder Circular to reflect a 31 December 2019 effective date. The updated reserves position should be expected to reflect 18 months of production.
2. Excludes UK, Norway and Algeria.

Energean key strengths

Operational strength

+67%
CAGR in reserves and resources 2008-19

+39%
2P+2C reserves and resource increase YoY*

8 wells
4 deepwater and **4 shallow water** wells drilled in 2019

Effective execution

5.0 bcm
firm GSPAs signed, securing Karish project economics

H1 2021
on track to deliver first gas from Karish

25 bcm
(0.9 tcf) gas + **34 MMbbl** light oil/condensate Karish North discovery

Strong deal delivery capabilities

$750 MM
$750 + 100 MM contingent consideration: acquisition of Edison E&P

$265 MM
equity raise on LSE and TASE

$600 MM
committed bridge loan facility with international banks

Where we operate

Energean holds a balanced portfolio of exploration, development and production assets, with operations in Israel, Greece and Montenegro. The company has interests in 18 leases and licences, 11 of which are located offshore Israel. Four of these licences (55, 56, 61, 62 in Zone D) were awarded in July 2019, and added further upside to the Company's Israeli portfolio.

1. Israel

Development
- Karish, 70%
- Karish North, 70%
- Tanin, 70%

Exploration
- Karish, 70%
- Tanin, 70%
- Blocks 12, 21, 22, 23, 31, 55, 56, 61 & 62 (all 70%)

3. Montenegro

Exploration
- Block 26, 100%
- Block 30, 100%

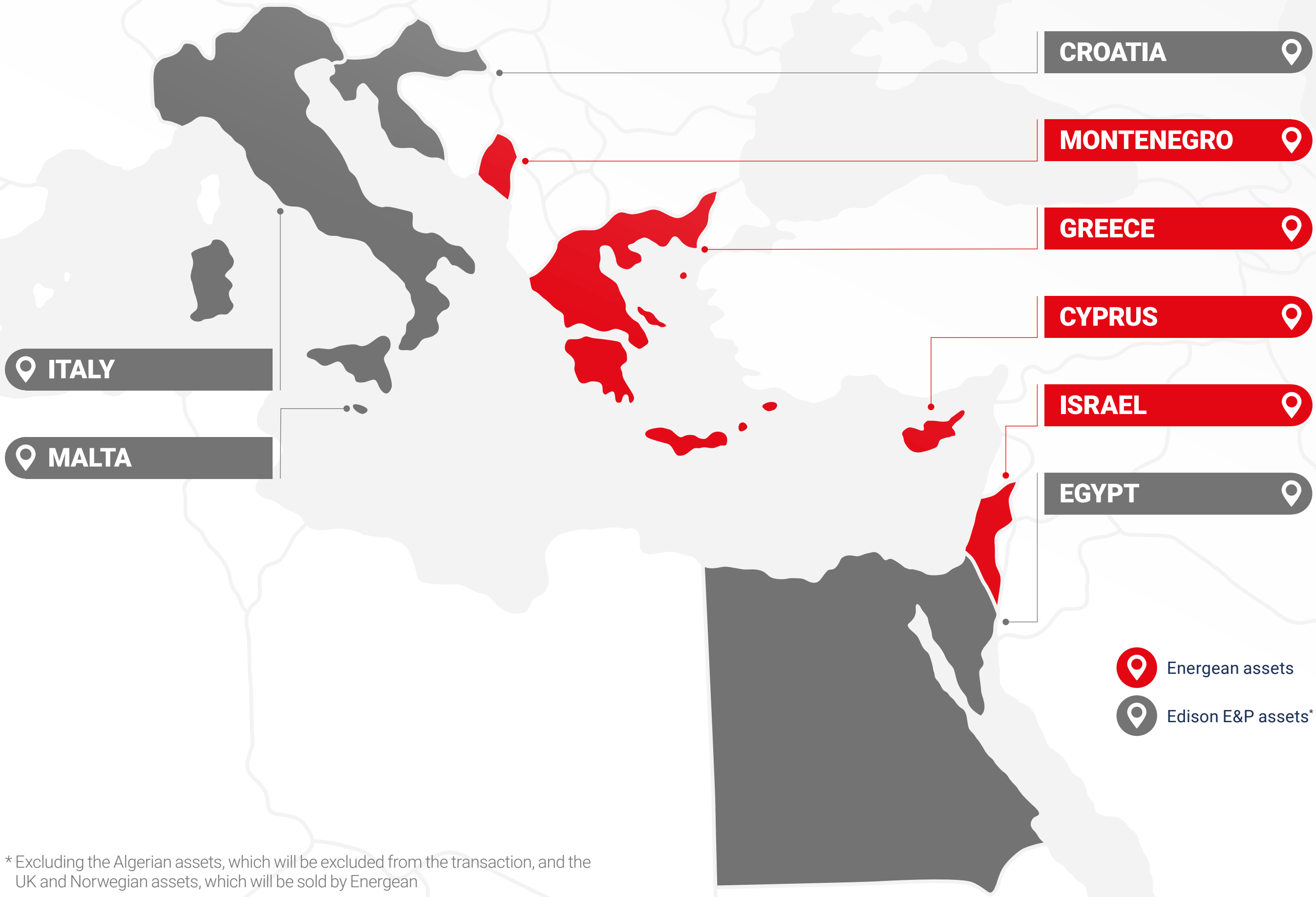
Oil Gas (% ownership)

2. Greece

Production
- Prinos Area, 100%
- Prinos Area, 100%
- South Kavala, 100%

Development
- Prinos Area, 100%
- Prinos Area, 100%
- Prinos Area, 100%
- Katakolo, 100%

Exploration
- Prinos Area, 100%
- South Kavala, 100%
- Katakolo, 100%
- Ioannina, 40%
- Aitoloakarnania 40%



* Excluding the Algerian assets, which will be excluded from the transaction, and the UK and Norwegian assets, which will be sold by Energean

Building the sustainable **E&P company of the future**

Energean has continued its strong growth trajectory, flourishing from a €1 million investment in 2017 to a leading E&P company on the Main Market of the London Stock Exchange in 2019. We have grown 2P reserves and 2C resources from 2 to 558 MMboe (exclusive of the Edison E&P portfolio), representing compound annual growth of around 67% CAGR between 2008 and 2019.

Our landmark acquisition of Edison E&P adds to this growth story and, once completed, will substantially enhance our reserves and production, providing immediate operating cash flow and EBITDAX. Moreover, the combined portfolio establishes a material presence and long-term cash flow profile that supports our ambition to be the E&P leader of the Eastern Mediterranean and pay a sustainable dividend.

Awards

PE Petroleum Economist: Energy Company of the Year; M&A Deal of the Year

S: New Energy Company of the Year

The MSCI ESG Rating places Energean above 63% of the industry's companies

MSCI ESG RATINGS A

Energean was one of the top 20 companies out of a total of 212 industry peers

ISS ESG C+

Bravo! Sustainability Dialogue & Awards: Energean was awarded at the "Bravo! Sustainability Dialogues & Awards 2019" for one of its Corporate Social Responsibility activities

Financial*

Revenue
$76 million -16%
2018: $90.3 million

Cost of production per barrel
$21.5 boe +19%
2018: $17.6/boe

Capital expenditure
$685 million +38%
2018: $495.0 million

Adjusted EBITDAX[1]
$36 million -33%
2018: $52.4 million

1. Non-GAAP measure. Refer to page 51 of the finance review for more details

Cash from operating activities
$36 million -30%
2018: $62.7 million

Operational*

Net 2P reserves
342 MMboe -1%
2018: 347.0 MMboe

Net 2C resources
216 MMboe +272%
2018: 58.0 MMboe

Average net daily oil production
3,312 bopd -18%
2018: 4,053.0 bopd

Total firm GSPAs signed in Israel
5 bcm/yr +19%
2018: 4.2 bcm/yr

Sustainability*

Emissions[2]
Net Zero
by 2050

2. Scope 1 & 2 emissions only

Emissions reduction target
~70%
by 2023

Health and safety
>4 million man hours
without LTIs in COSCO Zhoushan shipyard

>1 million man hours
without LTIs in other operations in the Mediterranean

* Excludes Edison E&P.

Read more about our performance
On pages 28-29

Energean **in 2019**

2019 marked another year of success for the Company. We maintained an active investment programme and a number of milestones were met. These have laid the foundations for future sustainable growth, which will deliver value to our shareholders.

Key milestones in 2019

Edison E&P acquisition*

Adding immediate cash flows and EBITDAX with incremental growth opportunities.

0.8 bcm/yr of new gas contracts

Secured with Israeli offtakers bringing total firm GSPAs to 5.0 bcm/year.

Karish project **72% complete**

Karish project at an advanced stage and 4 new blocks awarded offshore Israel.

$265 million

Of new equity raised from shareholders.

Added **25** bcm **+34** MMbbl of light oil

Discovery of Karish North offshore Israel added another 190 MMboe of recoverable resources to our hydrocarbon base.

+35%

Increase in 2P reserves and 2C resources in Greece in 2018-19. (2018: 79 MMboe, 2019: 113 MMboe).

$600 million

Secured from international banks to secure the Edison E&P acquisition.

4 deepwater wells

Drilled offshore Israel.

*** Edison E&P acquisition = subject to close.**

Read more online about our history
energean.com/about-us/history

Energean Power FPSO

Growing the business, delivering the **energy transition and developing our people**

Karen Simon
Chairman

We are focused on advancing the energy transition whilst continuing to strengthen our organisational capabilities and corporate culture.

Dear Shareholder,

2019 marked our maiden full year as a listed Company and I am pleased to say that it has been one of both inorganic and organic growth, important strategic progress and continued cultural change. Our dedicated teams have delivered strong results across the business and we are well positioned to continue to create value as we play our part in delivering the energy transition in the Eastern Mediterranean through a strategic focus on gas.

It was a great honour to be appointed Chairman of Energean at this time of transition both for the Company and the E&P sector. I have huge respect for the responsibilities that come with the role and I will do my utmost to provide thoughtful leadership to the Board of Directors and support for CEO Mathios Rigas and his team as we continue to grow Energean in what is an evolving and challenging energy landscape.

On the topic of growth, in July 2019, the Board approved Energean's acquisition of Edison E&P for $750 million plus $100 million of contingent consideration. This marked an exciting and landmark event for the Company that, once completed, establishes a material gas-weighted portfolio and long-term cash flow profile that supports our ambition to be the E&P leader of the Eastern Mediterranean.

As such, there is strong support from investors for management's clear vision and growth agenda for the Company, including an unwavering commitment to sustainable development and ESG principles. Indeed, it makes me extremely proud to be part of an organisation that during the period committed to reducing its greenhouse gas (GHG) emissions by implementing science-based targets and reaching net zero emissions by 2050.

Strengthening organisational culture

The work of the Board will continue over the coming years to make sure that Energean is well positioned to advance the energy transition, embrace technical innovation and meet society's changing expectations of energy companies. During my short time at Energean I have witnessed for myself many examples of the commitment, talent and dedication of our people. Their drive and determination have helped bring Energean to where it is today. It is extremely important that we continue to strengthen our organisational capabilities – both by developing our people and by continuing to attract top industry talent.

We look forward to doing this by continuing to develop a diverse and inclusive culture, where all employees feel valued. A key part of my role is to take effective steps in shaping and developing a healthy corporate culture. During the period, we continued to enhance governance and compliance with the ongoing embedding of our values and code of conduct. Moreover, I am extremely pleased to announce that Energean's Board has asked

> *We believe that putting our values into practice and abiding by our principles will help us create long-term benefits for shareholders, customers, employees, suppliers and the communities we serve.*

Board Priorities

- **People:** Optimising the structure of the enlarged management team post-Edison acquisition to deliver optimum value from our portfolio
- **Integration:** Ensuring alignment and enhancement of our culture – our beliefs, assumptions, values and ways of interacting
- **Karish:** Deliver the project during 1H 2021 and secure the resource and offtake to fill our FPSO
- **Operations:** Applying our core principles of disciplined capital allocation, risk mitigation, operational excellence, effective project execution and ESG stewardship to maximise the value of our operations
- **ESG:** Continuing to set goals to move us towards our net zero target by 2050
- **Growth:** Focused on organic opportunities across the combined portfolio
- **Risk management:** Optimising our processes and procedures as we continue our growth

Our Values

We seek to fulfil our vision by adhering to a set of values:

- Responsibility in all our actions and areas where we conduct our business
- Excellence in everything we do, deploying best practices to achieve profitable and sustainable growth
- Integrity, respecting our shareholders, employees and business, promoting transparency and accountability, cultivating a unique corporate sustainability culture
- Commitment to a talented workforce, investing in our people's development
- Caring for the environment, reducing our environmental footprint
- Engaging with local communities, meeting their expectations and needs

Robert Peck, Independent Non-Executive Director, to serve as its workforce representative. Robert will be working closely with me as Chairman and Energean's senior management team to ensure that workforce policies and practices are upheld and consistent with our values. In the coming year we very much look forward to meeting employees across our expanding network.

Dividend Policy

Strong capital discipline is a key pillar of Energean's strategy – and competition for capital and what constitutes the best value for shareholders is something that management continually review. This year, with the proposed acquisition of the Edison E&P portfolio and as the Karish gas field offshore Israel comes onstream in 2021, we have a clear trajectory to increasing our gas production, cash flows, and capacity to pay a sustainable dividend. As a board, we will continue to review how to provide returns to shareholders and will take a prudent approach to reinvestment and/or distribution of the profits generated by our business.

Outlook

2020 will be a pivotal year in Energean's growth. Our flagship Karish development project is set to reach some key operational milestones as it quickly approaches first gas in 1H 2021, with our continued medium-term goal of fully utilising our 8 bcm/yr FPSO having made good headway in 2019 and expected to make further progress in 2020. The coming year will also see us integrate Edison E&P with our existing business. This will significantly increase our production, add multiple large-scale development projects and a suite of high potential impact exploration.

Our clear purpose

I think it is important for Energean's success that we have a clear purpose – one that is strongly linked to ESG. This is why one of my first actions as Chairman has been to review our purpose, alongside our strategy and values. Our purpose is to create long-term value for all our stakeholders and help deliver the energy transition through a strategic focus on gas. Today, the world needs more energy than ever but with fewer emissions. To help meet this dual challenge we have to be financially strong and make sure we deliver on our gas projects in the Eastern Mediterranean. I look forward to continuing to work with Mathios and the team as we advance the energy transition, delivering through our strategy, guided by our values and inspired by our purpose. I also look forward to hearing from you, and meeting many of you, in the coming months and years as we look to reward your trust and confidence in Energean.

Lastly, I want to address the historically unprecedented events we are facing not only with the COVID-19 virus pandemic but coupled with highly challenging oil markets. Our number one priority during this period is the safety of our colleagues in the various countries in which we operate. I have been highly impressed with the swift and decisive actions taken by our CEO and management teams to protect our people while maintaining focus on our longer term business objectives. While the future is unclear, I and the Board remain confident that our leadership team is well equipped to deal with the challenges and that the resiliency of our business model will serve us well as we weather the storm together. I want to thank everyone at Energean for their hard work and dedication during this difficult period.

Karen Simon
Chairman

Delivering on **our strategy**

2019 was another transformational year for Energean. The agreement to acquire Edison E&P, the excellent progress achieved on our flagship Karish project, the substantial increase of the resources in our portfolio through the discovery of Karish North and the protection of our future business through additional long term gas contracts established Energean as the leading independent player in the Eastern Mediterranean.

Energean continued its strong growth trajectory in 2019, becoming firmly established as a leading, FTSE 250 E&P independent. During 2019 we completed the drilling of the three development wells of Karish, confirmed excellent productivity rates from the wells and made a new discovery, Karish North, in Israel that we intend to develop in 2021. We continued to gain market share in Israel securing additional long-term gas contracts and bringing us closer to our target to maximise capacity utilisation of our FPSO. We expect the Edison E&P transaction to close during 2020, which, based on the agreed locked-box date of 1 January 2019, allows us to benefit from the robust results delivered by the business during 2019.

We continue to deliver on our ESG goals and are proud to be the first E&P company globally to commit to net zero emissions by 2050 coupled by generating growth and returns for our stakeholders.

2019 – A year of operational success, growth and value creation for all of our stakeholders

Energean continued its strong growth trajectory in 2019, developing from a newly listed independent E&P company in 2018 into a leading, FTSE 250 player. The agreed acquisition of Edison E&P was a landmark moment for the company that will give us an operational presence in eight countries, 581 MMboe in 2P reserves,* of which 80% is gas, and a clear path towards 130,000 boepd working interest production by 2022.

We remain focused on our core geographical area, the Mediterranean, and our near-term primary objective is to deliver the Karish project, close and integrate Edison, and discover more gas through further exploration drilling in the region. We are also continuously working towards our goal of "filling the boat" i.e. achieve full utilisation of our newbuild FPSO that has 8 bcm/year capacity through securing the resources and additional gas sales to deliver on this target.

As a management team we are fully aligned with our shareholders through our substantial equity holdings in Energean, and by applying our core competencies of disciplined capital allocation, operational excellence, risk mitigation and effective project delivery, our target is to start paying dividends from our operational cashflow once we are in full operation in Israel.

We are now in uncertain times, but we are well-placed to weather the challenges. Following the closing of the Edison E&P transaction and first gas at Karish, around 70% of our production will be sold under long term gas sales agreements that insulate our future

* Edison E&P reserves are based on CPR report dated 30 June 2018. An updated CPR will be published in the shareholder Circular to reflect a 31 December 2019 effective date. The updated reserves position should be expected to reflect 18 months of production.

Read more about our strategy
On pages 18-27

revenues against oil price volatility. We own and operate the majority of our asset base, and are well-funded for all of our projects, ensuring we can respond quickly and appropriately to the macro environment and take the right decisions to protect our business and our shareholders. The recent unprecedented COVID-19 crisis finds Energean well prepared with discretion on our capex programme and a very strong Balance Sheet further strengthened only recently by a further $175 million available funding for our Karish Project demonstrating the strength of our banking relationships and the commitment of our lenders to the project.

2019 – The year the world woke up to climate change

2019 has undoubtedly been the year that climate change has dominated the energy discussion. Sustainability continues to be at the core of Energean's gas-focused strategy and in 2019, we became the first E&P Company in the world to commit to net zero carbon emissions by 2050.

Our near-term carbon intensity reduction plan for scope 1 and scope 2 emissions, as already communicated, estimates a reduction of about 70% by 2023, following first gas from Karish and integration of the Edison E&P portfolio. In 2019, we also continued to deliver upon our exemplary HSE track-record with one million hours free of Lost Time Incidents in Energean sites plus four million man hours in the FPSO construction yard in China.

Mathios Rigas with Edison's CEO Nicola Monti

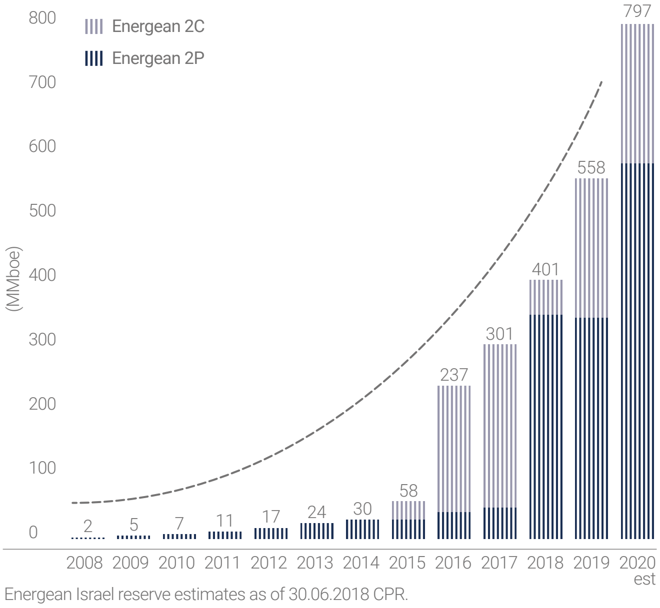
Acquisition of Edison E&P

Energean's $750 million (plus $100 million contingent) acquisition of Edison E&P in July 2019, for which we successfully raised $865 million in financing, was a landmark achievement, and another step towards Energean's target of becoming the leading Mediterranean-focused E&P player. Once the acquisition is completed, we will have acquired a high-quality portfolio of assets and also a strong operating team that will support the day-to-day operations of the enlarged group going forward.

The fact we were able to secure large-scale funding at a time when E&P companies face unprecedented scrutiny from lenders and investors alike, demonstrates not only the high quality of our asset portfolio, but the strength of our position in the Mediterranean, as well as our management team's proven track record of value creation.

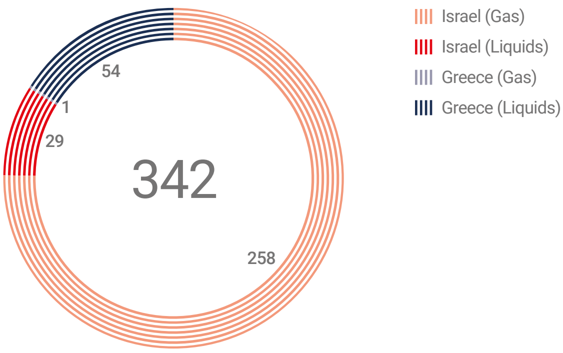
Our strategy has always been to assess growth opportunities on a case-by-case basis with Edison's favourable and value accretive acquisition metrics in line with this approach. With the acquisition of

Continuous increase in reserves and resources

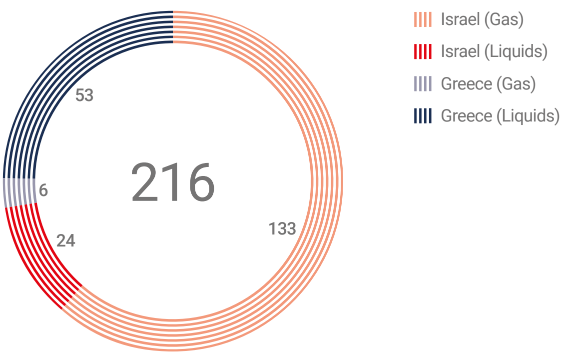


Energean Israel reserve estimates as of 30.06.2018 CPR.
Energean reserve estimates as of 31.12.2019 CPR.

Energean 2P Reserves – MMboe*



Energean 2C Resources – MMboe*



* Excludes Edison E&P

the Edison E&P portfolio and as Karish field comes on stream in 2021, we have a clear trajectory to increasing our gas production, cash flows, and capacity to pay a sustainable dividend.

We will continue to assess acquisition opportunities within our core region of focus on a case-by-case basis. If we see them to be low risk and value accretive, we will apply our core principles of disciplined capital allocation, risk mitigation and effective project delivery across our operations to continue generating value to all our shareholders.

The period also saw us agree to divest Edison E&P's North Sea assets for up to $280 million. The onward sale is in line with our stated strategy of remaining a gas and Mediterranean-focused E&P player, as well as our previously stated intention to dispose of non-core assets. Moreover, the net proceeds of the sale will further strengthen the Company's balance sheet and provide additional financial flexibility across the expanded portfolio.

We have included certain financial and operating data throughout the Strategic Review and Annual Report related to the Edison E&P business in order to provide a more meaningful picture of the enlarged Energean business that will exist following the acquisition. Edison E&P will be consolidated into the Group's financial results from the date of completion of the transaction which is expected to occur later in 2020, but will benefit from the financial results from the business from the locked-box date of 1 January 2019 through an adjustment to the variable consideration. At present, closing of the Edison E&P transaction remains subject to regulatory body approvals in Italy and Egypt, carve out of the Algerian asset from the transaction perimeter and any associated approvals, and shareholder approvals.

Karish and Tanin project update

In Israel our Karish development project continued to progress well and we remain on track to deliver first gas into the Israeli domestic market in 1H 2021. Significant progress was made on the topsides at the Admiralty Yard in Singapore, and it is anticipated that the integrated hull and topsides will sail away from Singapore to Israel around year end 2020. In addition to progress of the FPSO, we completed the drilling of the three Karish Main development wells that will deliver first gas sales into the Israeli domestic market.

Post-period, we have obtained successful results from production measurement performed during the clean-up of the Karish Main-02 development well. KM-02 produced from a 35 metre interval of the C2 sand reservoir and flowed at a maximum rate of120 Mmscf/d of natural gas, limited only by the capacity of the surface equipment, de-risking the project and its forecast cash flows for our shareholders. Performance modelling confirms thatthe well is capable of delivering at the 300 Mmscf/d design capacity when connected to the FPSO.

In line with our strategy of continuously adding hydrocarbons, the period also saw us discover Karish North field, which is situated five kilometres from the future location of the FPSO. Approval of the Karish North discovery confirmed gross best estimate recoverable resources of 0.9 Tcf (25 bcm) plus 34 million barrels of light oil/condensate (a combined 190 MMboe). The field will be developed via a tie-back to the Energean Power FPSO and FID of Karish North is expected during 2020.

Our Targets

- Cutting costs and financial discipline
- Sail away of the Energean Power FPSO hull to Singapore
- Karish North CPR & FDP approval
- NEA / NI Final Investment Decision*
- Edison E&P transaction close and integration
- First gas from Karish in 1H 2021
- Securing new GSPAs and resource in Israel to "fill the boat"
- Medium-term production target of +130 kboe/d*
- Carbon intensity reduction of 65% targeted in 2020

* Subject to Edison E&P transaction close

On the commercial side, our prudent pricing strategy gives us confidence that all our gas reserves and resources for Karish, Tanin, Karish North and future discoveries will be monetised. Our ability to offer low gas prices to end users has secured firm gas supply agreement for around 5 bcm/year. Our ability to compete with key regional gas players is key to the sustainable development of the region and will help drive the phase-out of coal-fired power plants in Israel.

Health, safety and the environment

Energean continued to deliver upon its exemplary HSE track record, with one million hours free of Lost Time Incidents in Energean sites plus four million man hours on the FPSO construction yard in China. We at Energean believes that protecting the environment and the health and safety of our staff and stakeholders is a key factor in the overall success of our business and is committed to improving in all aspects of HSE.

In line with this commitment, we have established a comprehensive and integrated Health and Safety Management System (H&S MS) that is aligned with the requirements of international standards and European safety directives. Our H&S MS is based on tried and tested, internationally recognised best practices in managing H&S risks in the E&P industry, structured around a classic "Plan-Do-Assess-Adjust" cycle.

Looking ahead to 2020

I look forward to continuing this positive momentum in 2020, with a key focus on delivering Karish; closing and integrating Edison E&P; and continuing the sustainable growth of Energean, maximising value for all of our stakeholders.

Mathios Rigas
Chief Executive Officer

For information on our workplace, health and safety procedures visit energean.com/sustainability/workplace-health-and-safety/

Our investment case

Leveraging our key differentiators to create sustainable long-term value in the Eastern Mediterranean

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

- Production from low-cost assets in Egypt and Southern Europe
- Karish project on target for first gas in 1H 2021 in Israel
- Exploring the Eastern Mediterranean with low-commitment high-impact assets in Israel, Egypt, Greece and Montenegro
- Gas-focused transition fuel portfolio
- Landmark acquisition of Edison E&P will transform us into the leading independent gas-focused E&P player in the Eastern Mediterranean.

Low-cost producer with stable cash flow

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

A focused gas-weighted portfolio

Energean's stated aim is to create the leading independent E&P company in the Mediterranean with a focus on gas. The acquisition of Edison E&P is in line with this stated strategy, as it will gives us a material presence in eight countries across the Eastern Mediterranean and an 80% gas-weighted portfolio.

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.

Strategically positioned in an industry hotspot

Our focus on the Eastern Mediterranean region leverages our strong relationships with key stakeholders, as well as regional knowledge and expertise. The region itself has become an industry hotspot, having witnessed several world class natural gas discoveries in recent years, which have attracted major and leading independent E&P players alike.

Leaders in ESG and HSE

We aim to generate sustainable long-term value through both organic and inorganic growth, as well as optimisation of existing assets. We are committed to conducting our business in a responsible and ethical way, which means safeguarding the health and safety of our employees, caring for our environment, supporting the local communities in which we operate and contributing to the sustainable development of the region.

Experienced management team and independent Board with focus on capital allocation

Energean's management team and operational and technical staff are drawn from international and national oil companies, majors and smaller independents and engineering contractors. The Company has added to its wealth of experience with the appointment of Karen Simon as Group Non-Executive Chairman. Karen brings over 35 years of corporate finance experience, having spent the majority of her career at J.P. Morgan.

Track record of value creation

Energean has a strong track record of value creation, having built its initial portfolio at low cost, during industry downturns when others were focused on fixing balance sheets and unable to direct attention to growth opportunities.

How we manage **our business**

Key inputs

Operational expertise and strength

Skilled and dedicated workforce

Strong financial management and proven access to capital

Exemplary HSE management

Effective corporate governance

How we create value

Explore and appraise

We have a focused exploration strategy that targets opportunities that can be quickly, safely and economically monetised. We have a ranked portfolio of prospects in Israel, Greece and Montenegro that support our organically focused growth strategy.

Long-term value

Develop

We are implementing active development programmes in Israel and Greece. Our most significant assets under development are the 2.3 Tcf (65 bcm) Karish and Tanin gas fields located offshore Israel, that will materially increase the scale of the Group's operations with first gas targeted for 1H 2021.

Medium-term value

Delivering on our strategy

Optimising production

Developing reserves

Our competitive strengths

- Experienced offshore operator
- Material position in an industry hotspot
- Strong HSE track record
- Full-cycle E&P player with portfolio optionality

Our responsible behaviour

Effective risk management | **ESG stewardship**

Energean draws upon multiple sources of funding and utilises its strong relationships with world-class industry partners to create value across the Mediterranean. We are a full-cycle E&P business focused on delivering on our economic, social and environmental commitments to all our stakeholders.

Value created for stakeholders

Produce

We seek to maximise value from our low-cost production base to generate sustainable long-term cashflows, which support our medium term ambition to pay a dividend.

Near-term value

Adding more hydrocarbons

Portfolio integration

World class industry partners

Proven and experienced management team

Culture of safety and responsibility

Investors

+39%

Increase in 2P reserves and 2C resources 2018-19

Our people

81%

response rate to staff engagement survey

Our host countries

$2.43m

Payments to governments

Our community

Safe-guarding human rights at work

0

incidents of discrimination

Maximising opportunities **in an industry hotspot**

On Stena DrillMAX

We are strategically positioned to target and compete for both organic and inorganic opportunities in the region, with organic growth expected to drive near-term activity.

The Eastern Mediterranean

The Eastern Mediterranean has become a global industry hotspot following giant gas discoveries offshore Cyprus, Egypt and Israel. 2019 was another pivotal year for the region's upstream oil and gas sector, with ExxonMobil's multi-tcf Glaucus discovery offshore Cyprus, further cementing the Eastern Mediterranean's status as a prolific exploration basin.

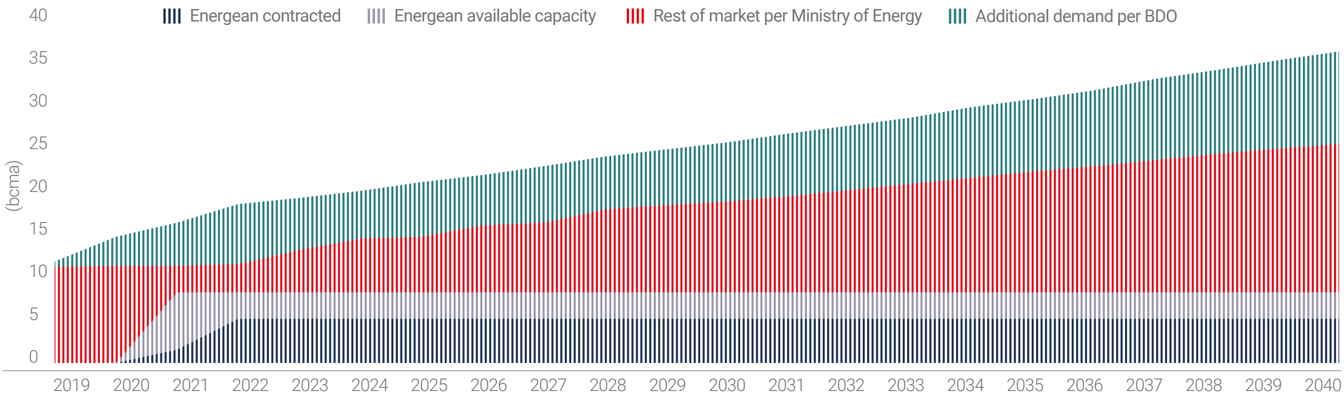
The region continues to represent a large captive market in which governments are seeking to monetise their natural resources to achieve greater energy independence and transition to cleaner sources of energy. The economic importance of the Eastern Mediterranean has also increased as Europe seeks to realise its energy ambitions to diversify away from Russian gas and attract new source of supply. This could see the construction of a number of new strategic pipelines, which Energean is well-placed to capitalise on.

Positioned to take advantage of growth opportunities

Energean is strategically positioned to target and compete for both organic and inorganic opportunities in the region. Alongside our strong operational track record at the Prinos licences in Greece, we have enjoyed strong financial backing from our lending banks and equity investors, showcased by our landmark proposed acquisition of Edison E&P in July 2019 for $750 million of firm consideration plus $100m contingent on first gas at the Cassiopea development (Italy). The deal will give us scale, a material presence in eight Mediterranean countries and sustainable near-term cash flows that support our regional growth ambitions and medium-term goal to start paying a dividend.

The Energean Power remains the only planned FPSO for the region and could become an infrastructure focal point in this emerging gas hub. Energean has firm gas sales agreements in place for 5.0 bcm/yr on plateau, with a further 1.3 bcm/yr of contingent contracts and 2.0 bcm/yr of potential export sales to be discussed under a Letter of Intent with Greece's DEPA, demonstrating significant progress on our ambition to fill our 8 bcm/yr FPSO.

Israel gas demand growth



Recent regional activity

Israel

2019 was a decisive year for Israel's upstream oil and gas sector. Noble's multi-tcf Leviathan field achieved first gas in December, commencing supplies to the Israeli domestic market, as well as the regional export markets of Egypt and Jordan. Gas is exported to Egypt via the Eastern Mediterranean Gas (EMG) pipeline, in which Noble and its partners have a 39% equity interest. The company aims to export around 64 bcm of gas to Egypt over the next decade, both for domestic consumption and for re-export.

In June 2019, Israel's Ministry of Energy commenced its second offshore licensing round, accepting bids for 19 blocks in five zones. Of the 19 blocks on offer, four were awarded to Energean Israel (Energean 70%, Kerogen 30%) – 55, 56, 61, and 62 in Zone D – and eight to a consortium of Cairn Energy, Pharos (ex-SOCO) and Ratio Oil in Zones A and C.

Israel's natural gas demand outlook remains robust, with demand expected to grow from around 11 bcm in 2019 to 26 bcm by 2040, representing a CAGR of 4%. The increase is expected to be 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.

In 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. The policy targets 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.

5.0 bcm/yr
firm gas sales agreements

1.3 bcm/yr
contingent contracts

Power station privatisation

Site	Capacity – MW	bcm/y	Last date of delivery of possession
Alon Tavor	600	0.5	Dec 2019
Ramat Hovav	1,137	1.0	Dec 2020
Reading	428	0.4	Jun 2021
Hagit	697	0.6	Jun 2022
Eshkol	1,693	1.8	Jun 2023

On Stena DrillMAX

Egypt

Egypt's natural gas market has undergone a period of substantial change owing to several recent large domestic discoveries, headlined by ENI's Zohr.

Production from the super-giant Zohr field continued to ramp up in 2019, reaching a planned plateau of 28 bcm/yr (2.7 bcfpd) in August. However, the recent commissioning of a second 216km subsea pipeline, as well as optimisation of the onshore gas processing plant (GPP) could see production increase to 33 bcm/yr (3.2 bcfpd) in future.

The Zohr project is playing a fundamental role in the gas independence of Egypt and the Ministry of Petroleum expects Egyptian production to reach around 83 bcm/yr in 2020. With Egypt now able to meet domestic demand, and with imports from Israel underway, it has ramped up LNG exports from its Idkuterminal to around 10 bcm/yr. The Ministry of Electricity and Renewable Energy expects exports to increase to around 21 bcm/yr in 2020 following planned restart of Damietta LNG plant.

In March 2019, ENI announced a small gas discovery at the Nour prospect offshore Egypt. The Nour-1 well was drilled by the Scarabeo-9 semi-submersible rig in water with a depth of 295 metres and reached a total depth of 5,914 metres.

Cyprus

ExxonMobil announced the 142-227 bcm (5-8 Tcf) GIIP Glaucus discovery in February 2019. This added another wave of volumes to the country's offshore gas resource base, which also includes the 6-8 Tcf Calypso and 4-6 Tcf Aphrodite fields. The discovery from the Glaucus-1 well further reinforced Cyprus's position as one of the world's leading exploration hotspots and marked further success for the Majors, who have remained active in the region despite the recent downturn.

In September 2019, a 50:50 Total/ENI joint venture was also awarded Block 7 offshore Cyprus. However, drilling is yet to commence following a recent flare-up in political tensions between Cyprus and Turkey regarding disputed maritime boundaries.

Until Cyprus can produce its own gas, the authorities are planning to import LNG. In 2018, the Cypriot government launched a tender for a Floating Storage Regasification Unit (FSRU). The tender was awarded to a consortium led by China Petroleum Pipeline Engineering (CPPE).

CPPE is partnered with Greek construction firms Aktor and Matron, as well as China's Hudong-Zhonghua Shipbuilding and Norway's Wilhelmsen Ship Management. Construction costs for the FSRU are estimated at EUR300 million, for which Cyprus has obtained a grant of EUR101 million from the EU's Connecting Europe Facility.

A second tender to supply LNG was launched in 2019 and has reportedly received significant interest from several of the Majors, including Shell, BP, Eni and Total, all of whom are active explorers in the region. The proximity of Cyprus to the Energean Power FPSO provides an opportunity for Energean to export gas to Cyprus and we have already been in discussions with the Cypriot government in this regard, as well as the proposed EastMed gas pipeline.

Lebanon

During 2019 the Lebanese government approved the launch of its second offshore licensing round and invited companies to submit bids for Blocks 1, 2, 5, 6 and 10 before 31 January 2020. The provisional block winners are expected to be announced in Q2 2020.

In December 2019, Total announced that it will commence drilling on Block 4 in early 2020. The company is part of a consortium consisting of ENI and Russia's NOVATEK that was awarded the block in 2017. Drilling is expected to take around two months, with a further two months required for technical and commercial evaluations if a discovery is made.

Greece

Energean is the only company in Greece operating producing oil and gas assets.

In October 2019, the Greek parliament ratified four exploration and production licences for four blocks west and south west of Crete, as well as western Greece.

A consortium of ExxonMobil, Total and Hellenic Petroleum was awarded a contract in 2018 to explore for hydrocarbons on two blocks offshore Crete, although drilling is not expected until the second exploration phase. Repsol and Hellenic Petroleum were awarded an interest in a third block in the Ionian Sea. Hellenic Petroleum is also the sole participant in a licence awarded for Block 10 north west of the Peloponnese.

The Greek government also agreed to adopt a new national energy and climate plan during 2019. This will see all lignite-fired power plants shut by 2028 and a transition towards cleaner sources of energy, including renewables and natural gas. As a result, gas demand is expected to grow from around 4.7 bcm/yr in 2019 to 5.4 bcm/yr by the mid-2020s.

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, recently launched a new tank at the LNG terminal on Revithoussa Island, increasing its total storage capacity by 73% to 225,000 cubic metres.

The Environment and Energy ministry has signed an agreement for the development of an underground gas storage facility in the offshore South Kavala region through the conversion of the almost depleted South Kavala gas field. The Hellenic Republic Asset Development Fund is preparing a tender for the development of the project. A JV between Energean, Storengie and the Greek construction group TERNA as well as DESFA, the Greek TSO are expected to participate in the tender in 2020.

A Greek-Bulgarian bilateral agreement enabling the commencement of construction work on the IGB gas grid interconnector was signed in Sofia in October. Complementary agreements concerning the project, the most significant of these being a shareholders' agreement and a loan agreement with the European Investment Bank (EIB), have also been signed. The pipeline will link Komotini, in Greece's north east, with Stara Zagora.

Montenegro

Montenegro has no history of commercial oil and gas production but is working to establish an upstream industry. 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.

Eni (50%, operator) and NOVATEK (50%) own acreage with a total area of around 1,200 sq km directly south of Energean's two blocks. In July 2019, the consortium completed a geophysical and hydrographic research study that evaluated two offshore prospects. The initial plan was to have two exploration wells drilled in 2020, but the consortium has been recently granted a one year extension.

The Eastern Mediterranean Gas Forum

The Eastern Mediterranean Gas Forum was initiated in January 2019. It seeks to lay strong foundations for the successful realisation of the objectives of member states for fruitful cooperation in the field of natural gas, while enhancing competitiveness, improving and exploiting infrastructure and coordinating systems, while building a sustainable and cost-effective energy market to benefit the region's economies.

The forum includes Egypt, Cyprus, Greece, Israel, Italy, Jordan, Lebanon and the Palestinian Authority, while other Eastern Mediterranean countries and transitory countries may join the forum later.

A Gas Industry Advisory Committee, in which Energean participates, has also been established.

The Eastern Mediterranean Gas Forum

2.0 bcm/yr

Letter of Intent (LoI) for sale and purchase of gas from fields offshore Israel

Future pipeline developments

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

EastMed Pipeline: an export route to Europe

This is a proposed 1,700km pipeline connecting the Eastern Mediterranean's Levantine Basin (Israel) with the European gas network, via Greece, Cyprus and Italy. The pipeline has been classified as a European Project of Common Interest. A MoU has already been signed between Israel, Greece, Italy and Cyprus to support the expected $6-7 billion construction costs; however, completion is not expected until the mid-2020s.

In January 2020, Energean and the Public Gas Corporation of Greece (DEPA) agreed to cooperate to further support construction of the EastMed Pipeline project. The agreement came into force ahead of EastMed Pipeline accord, which was signed by the leaders of Greece, Cyprus and Israel.

Energean and DEPA also signed a Letter of Intent (LoI) for the potential sale and purchase of 2 bcm/year of gas from Energean's fields offshore Israel. The agreement represents an important stepping stone for the project, paving the way for further commercial talks, whilst presenting Energean with another potential monetisation route for its gas.

Two further pipelines across Turkey and southern Europe

The Trans-Anatolian pipeline (TANAP) is a central part of Europe's Southern Gas Corridor and runs from the Turkish border with Georgia to the Greek border at Edirne. It will ultimately deliver 16 bcm/year of Azerbaijani gas across Turkey, 6 bcm/year for domestic offtake and 10 bcm/year for onward export to southern Europe via the Trans-Adriatic pipeline (TAP). The latter is under construction and will run from Greece to southern Italy. As of January 2020, TAP was around 90% complete.

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.

Delivering a sustainable future **through a focus on gas**

Our strategy is underpinned by creating value for shareholders through developing a balanced portfolio of gas assets and producing near-term cash flow within a disciplined financial framework.

Our purpose
To create long-term value for all our stakeholders and help deliver the energy transition through a focus on gas.

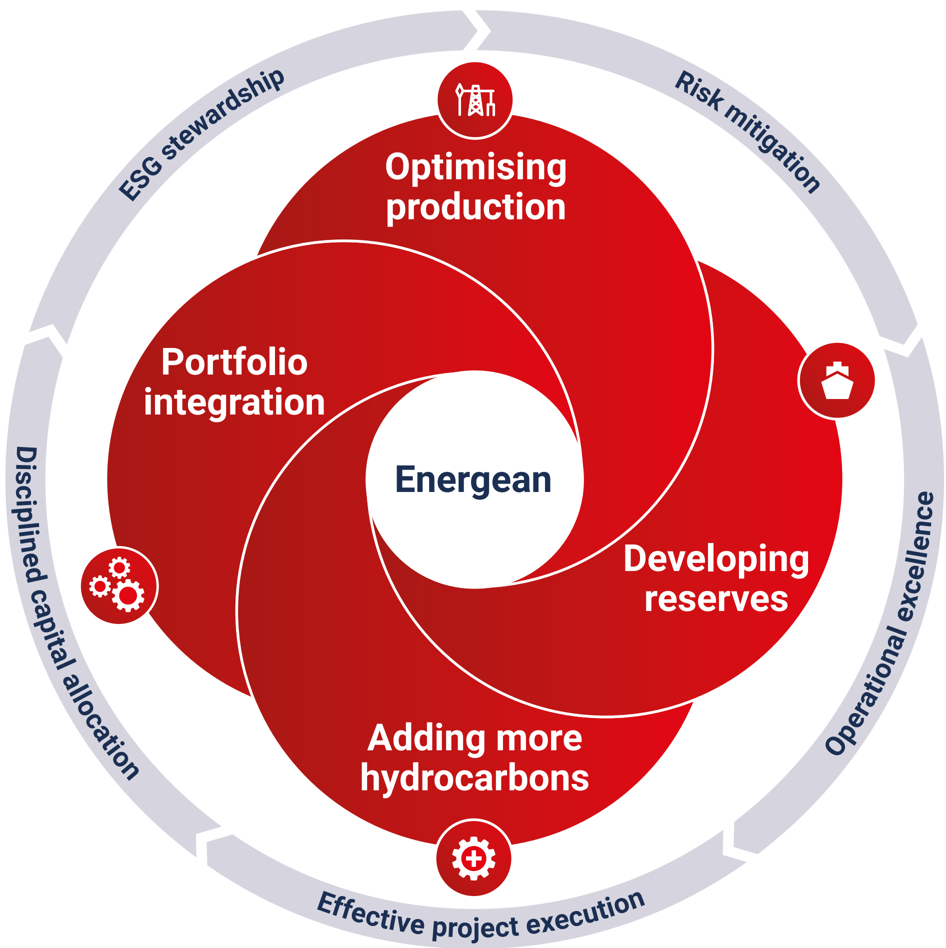
Our vision
To be the leading sustainable, gas focused and innovative independent E&P company in the Eastern Mediterranean.

Eastern Mediterranean
We are focused on developing the Eastern Mediterranean's vast hydrocarbon resources.

Gas
We have the experience and technical expertise to discover, develop and monetise gas – the transition fuel of the future – to meet growing demand in our core areas of operations.

Innovative
We will use a dynamic and innovative approach in executing our business activities in order to generate strong returns for our shareholders.

Sustainable
We are committed to reducing our CO_2 footprint through our focus on gas, whilst delivering sustainable long-term growth to all our stakeholders.



Our strategic priorities

Our strategy consists of four key elements that we execute within our fundamental pillars of risk mitigation, operational excellence, effective project delivery, disciplined capital allocation and ESG stewardship.

Optimising production

We are focused on enhancing our production base and reducing per unit costs to grow operating and free cash flow, driven by our Karish project, which is on track to deliver first gas in 1H 2021. This strategic objective is further supported by the acquisition of Edison E&P, which has put Energean on a trajectory to more than 130,000 boepd production by 2022.

Progress in 2019

- 2019 Working Interest[1] production across the combined portfolio of 59.7 kboepd[2] (of which 3.3 kboepd was produced by Energean)
- Delivered first oil from the Epsilon extended reach well
- Prinos strategic review initiated in 2019

Read more on pages 20-21

Developing reserves

We are focused on developing Israel's offshore gas resources. Our flagship Karish project is at an advanced stage. Following completion of the Edison E&P acquisition we will begin allocating capital to value-accretive assets across the portfolio.

Progress in 2019

- Four deepwater wells drilled offshore Israel
- Four wells drilled offshore Greece
- Karish project 72% complete
- 5.0 bcm/yr of firm GSPAs signed in Israel

Read more on pages 22-23

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 central to our strategy; however, we always approach this with capital allocation and risk mitigation in mind. The successful discovery of the Karish North field was aligned to this approach.

Progress in 2019

- Proposed acquisition of Edison E&P[1,3] will add 2P reserves of 239 MMboe[2]
- 25 bcm gas + 34 MMbbl light oil Karish North discovery
- +35% uplift in reserves and resources in Greece

Read more on pages 24-25

Portfolio integration

Once the acquisition is complete, we will be focused on integrating our two businesses, Energean and Edison E&P, to create the leading independent E&P company in the Eastern Mediterranean. In 2019 , we placed our Prinos assets in Greece under strategic review in order to better understand where to allocate capital and generate the best returns within our enlarged portfolio.

Progress in 2019

- Proposed acquisition of Edison E&P[1]
- Disposal of Edison E&P's North Sea assets
- Awarded four new licences offshore Israel

Read more on pages 26-27

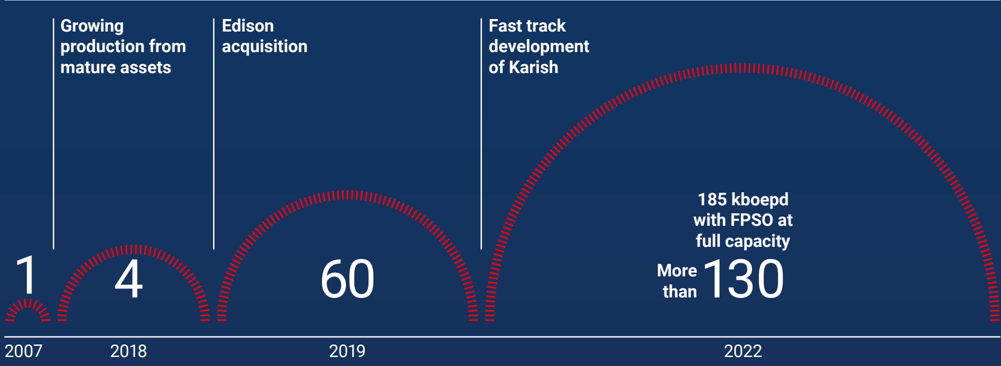
Our strategy in action

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

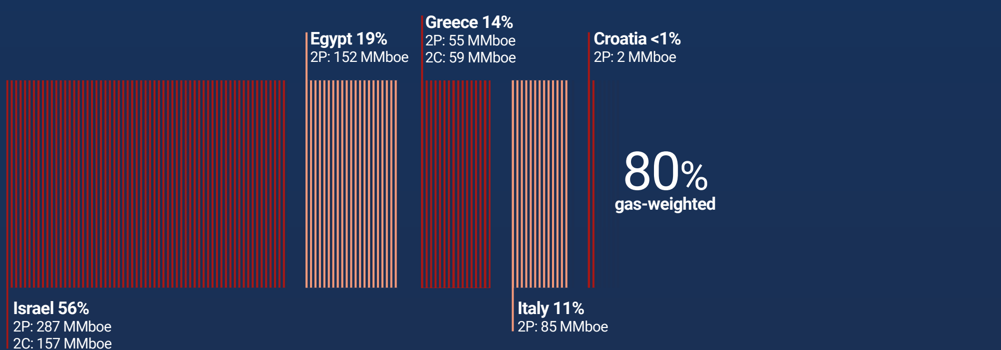
Mitigating our risks

For a breakdown of our key risks see pages 58-78

Pro forma 2P reserves, inclusive of the proposed Edison E&P acquisition



Pro forma 2P reserves, inclusive of the proposed Edison E&P acquisition



1. Subject to Edison E&P acquisition close.
2. Excludes UK, Norway and Algeria.
3. Edison E&P reserves are based on CPR report dated 30 June 2018. An updated CPR will be published in the shareholder Circular to reflect a 31 December 2019 effective date. The updated reserves position should be expected to reflect 18 months of production.

Optimising **production**

Energean

The Prinos Area oil fields, offshore north east Greece, are low-cost producing assets from which Energean has generated significant value since they were acquired in 2007. Energean previously targeted increasing production at the assets; however, following our agreement to acquire Edison E&P and our strategic focus on gas, the Company has decided to place its Prinos assets under strategic review.

Edison E&P

The Edison E&P portfolio adds diversification to our asset base and expands our low cost production stream across the Eastern Mediterranean. The enlarged Group is expected to produce more than 130 kboepd by 2022, following first gas at Karish in 2021. Near-term growth of our Edison position will be generated by optimising output from the assets in Egypt and Italy.

130 kboepd

The enlarged Group is expected to produce more than 130 kboepd by 2022

581 MMboe

2P reserves to be monetised (includes the Edison E&P* portfolio)

Sunrise

* Subject to closing of the Edison E&P transaction.

Priorities for 2020 and beyond

- Infill drilling at Abu Qir in Egypt*
- Sidetracks at Rospo in Italy*
- Strategic review initiated at Prinos Area assets in Greece

* Contingent on the Edison E&P acquisition completing.

Developing **reserves**

Energean
Karish and Tanin

Our flagship project is the 2.3 Tcf Karish and Tanin development offshore Israel. The project will ultimately transform our business and position as the leading sustainable, gas-focused independent E&P player in the Eastern Mediterranean.

Energean continues to see strong demand for its gas, with 5.0 bcm/yr of firm contracts secured with Israeli offtakers by end-2019. We have a further 1.3 bcm/yr of contingent contracts and 2.0 bcm/yr of potential sales to be discussed under a Letter of Intent, demonstrating significant progress on our ambition to fill our 8 bcm/yr FPSO.

Edison E&P*
The company expects to take FID for the NEA satellite field offshore Egypt in 2020. The field will be developed via a subsea tieback to the main production facilities at Abu Qir. First gas is anticipated around YE 2021.

$1.6 bn
Investment in the development of Karish-Tanin

8 Bcma capacity
Energean Power – The first FPSO in the Eastern Mediterranean

'Energean Power' hull at COSCO Shipyards, China

* Subject to completion.

Priorities for 2020 and beyond

- First gas from Karish in 1H 2021
- Potential FID at Katakolo in Western Greece
- FID at NEA offshore Egypt*
- First gas from Cassiopea in 2023*

* Subject to closing of the Edison E&P transaction.

Adding more **hydrocarbons**

Energean is well positioned, as an independent operator in industry hotspots, to advance existing and future developments and exploration prospects.

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, 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 Israel, Greece and Montenegro, which we rank based on various risk and return-based metrics.

5.5 Tcf
(c.156 bcm)
Gross unrisked prospective recoverable resources

On Stena DrillMAX

Priorities for 2020 and beyond

- Assess discretionary exploration capital expenditure opportunities
- Drill or drop decisions at Energean's exploration licences in Western Greece and Montenegro

Portfolio **integration**

The proposed acquisition of Edison E&P adds a complementary portfolio of production, development and exploration assets, as well as an experienced operating team, across our core areas of operation.

The portfolio is a natural fit that complements and augments Energean's growth profile into the 2020s through key developments with attractive IRRs. As part of the integration process, we have taken steps during the period to optimise the portfolio in line with our stated strategy. This includes the onward sale of Edison's UK and Norway assets following deal closure and exclusion of the Algerian asset.

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 appropriate 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, organically driven growth in the future.

$750 million
Plus $100 million contingent consideration acquisition of Edison E&P*

$250 million
Plus up to $30 million contingent consideration sales of Edison E&P's North Sea assets to Neptune

Priorities for 2020 and beyond

- Completion of the Edison E&P acquisition and onward sale of the North Sea assets to Neptune Energy
- Integrating Energean and Edison into the leading Eastern Mediterranean E&P company
- Assessing new highly value-accretive opportunities

* Excluding the Algerian assets, which will be excluded from the transaction, and the UK and Norwegian assets, which will be sold by Energean

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, in line with our strategic objectives.

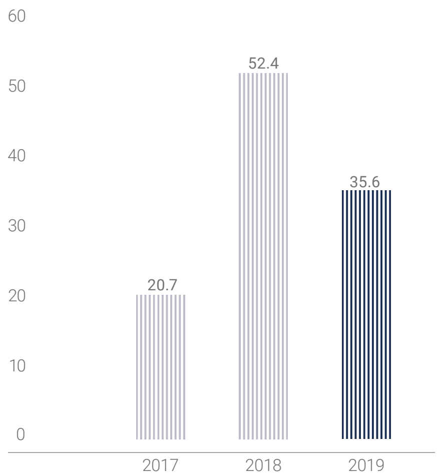
Financial

Adjusted EBITDAX*

(US$ million)

35.6

2018: 52.4

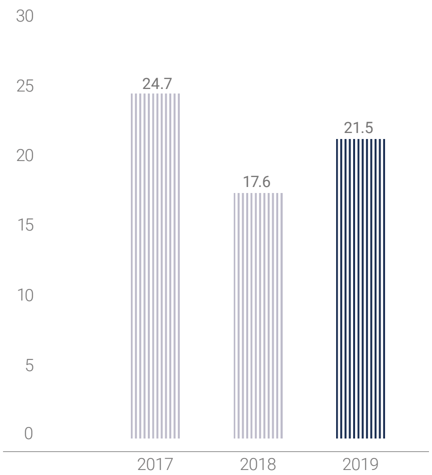


Cost of production

(US$/boe)

21.5

2018: 17.6

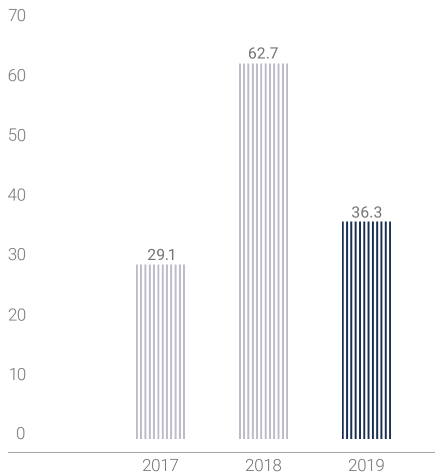


Cash flow from operating activities

(US$ million)

36.3

2018: 62.7



* Earnings Before Interest, Taxes, Depreciation, Amortisation and Exploration Expenses. This is a non-GAAP measure. See page 51 for more details.

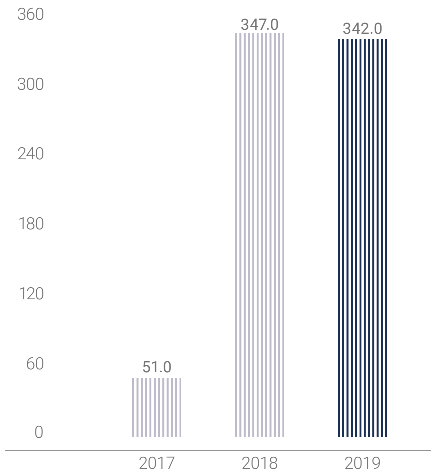
Operational

2P reserves

(MMboe)

342.0

2018: 347.0

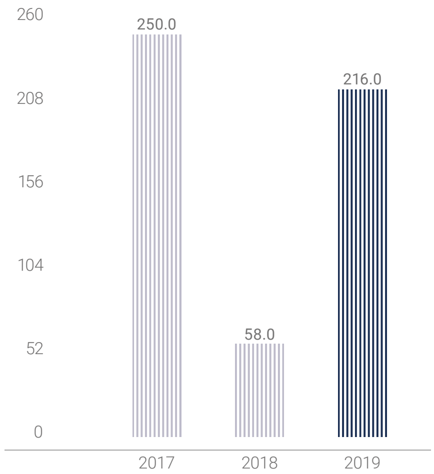


2C resources

(MMboe)

216.0

2018: 58.0



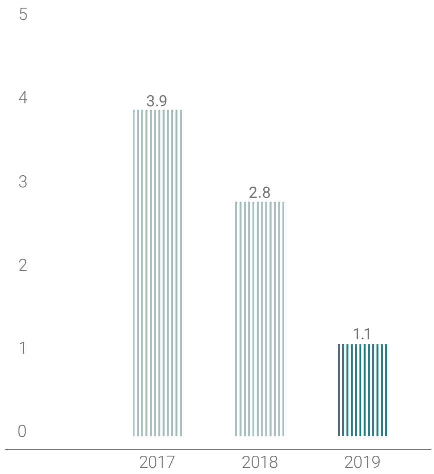
HSE

Lost time injury frequency rate

(Average number per million hours worked)

1.1

2018: 2.8

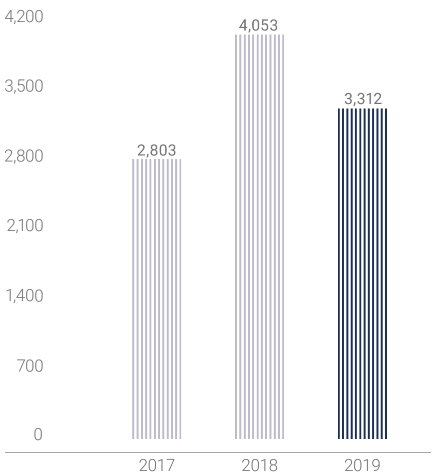


Average production

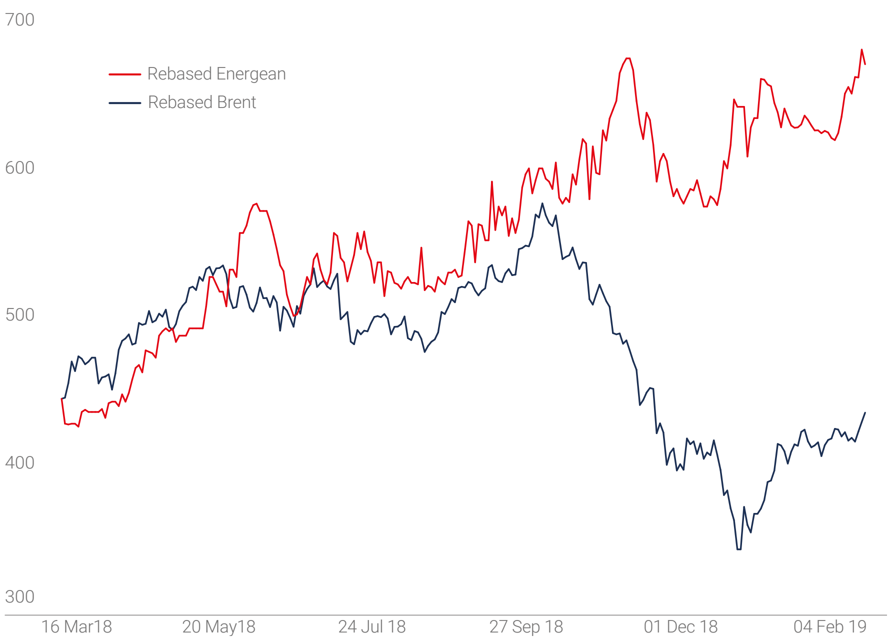
(boepd)

3,312

2018: 4,053



Total Shareholder Return (US$)



Building a **balanced portfolio**

Eastern Mediterranean

Energean's focus on developing gas resources in the Eastern Mediterranean continues to underpin the business with strong progress made across our entire portfolio. The proposed acquisition of Edison E&P[1] and 2019 discovery of Karish North will increase our pro forma 2P + 2C resource base to 797 MMboe[2]. Once complete, the acquisition will give us an operational presence in eight countries across our core areas of operations. Over 2019, our Karish project development has continued in line with the FPD and we secured another 0.8 bcm/yr of new GSPAs with Israeli offtakers to reach a total of 5.0 bcm/yr as at year-end 2019.

Our share price performance was exceptional in 2019, starting the year at GBP 6.28 and closing at GBP 9.30; 54% growth Y-o-Y and over 100% since our IPO in March 2018. The Company also become a constituent of the TA-35 Index at the Tel Aviv Stock Exchange in February 2019.

Acquisition of Edison E&P

In July 2019, Energean agreed to acquire Edison E&P for $750 million plus $100 million of contingent consideration. We raised $265 million of new equity from our shareholders and $600 million in financing from leading international banks to fund the deal. The acquisition gives us scale, diversification and a material presence in eight countries across the Mediterranean.

Energean is working actively to close the acquisition as soon as possible, with approval from Italy anticipated in 2020. Formal approvals from Egypt are expected soon after shareholder approval at the Extraordinary General Meeting (EGM). As announced on 23 December 2019, the transaction is now expected to exclude the Algerian asset. Energean does not expect the exclusion of the Algerian assets from the transaction perimeter to affect its ability to close the transaction on the remainder of the assets. A suitable price reduction is being negotiated with the vendor.

In October 2019, Energean agreed to sell Edison E&P's UK North Sea and Norway assets to Neptune Energy for up for $250 million (plus up to $30 million contingent consideration). This is in line with our strategy of optimising our portfolio, as well as our stated goal of disposing of non-core assets. The onward sale is expected to complete as soon as practicable after the close of the acquisition of Edison E&P.

1. Subject to close.
2. Edison E&P reserves and resources is based on June 2018 CPR. An updated CPR will be issued alongside the Shareholder Circular with an updated effective date of 31 December 2019.
3. Excludes UK, Norway and Algeria.

Production

Greece

Energean's Prinos assets in north east Greece delivered average 2019 FY Working Interest production of 3.3 kboepd. This was in line with management's expectations in light of the Company's capital allocation and subsequent strategic review initiated at Prinos following the acquisition of Edison E&P, which was announced in January 2020. The cost of production was approximately $21.5/bbl and 2019 FY revenues were $76 million.

Edison E&P

Exclusive of the Algeria and UK North Sea assets, Edison E&P[3] delivered 2019 FY Working Interest production of 56.4 kboepd. The majority of output was from the Abu Qir field offshore Egypt, which produced 45.5 kboepd. Production in Italy was 10.4 kboepd and Croatian output averaged 0.5 kboepd.

Exploration and development

Israel

Energean started its drilling programme in Israel in March 2019 using the Stena DrillMAX. The Stena DrillMAX is a sixth generation drillship capable of drilling in water depths of up to 10,000 feet. Four deepwater wells were drilled, including three development wells at Karish and an exploration well at Karish North. The latter was drilled to a depth of 4,880 metres and discovered the Karish North field. Successful appraisal confirmed recoverable resources of 25 bcm (0.9 Tcf) of gas and 34 MMbbl of light (c.190 MMboe). The field will be commercialised via a tieback to the Energean Power FPSO which will be located around 5 km from the Karish North well. Completion of the three Karish Main development wells commenced in late 2019 and the Christmas Trees were tested and installed in Q1 2020. Energean also added to its Israeli acreage in 2019.

Meanwhile, construction of the Energean Power FPSO continued at the yards in Asia. First steel was cut on the FPSO in the Cosco yard, in Zhoushan, China, in November 2018. Keel laying took place successfully in April 2019 and in October 2019, the hull was undocked

Yuval Steinitz, Israeli Minister of Energy, visits Stena DrillMAX at drilling position in Karish field and floated out from the COSCO Shipyards' dock. This marked a significant HSE milestone with no Lost Time Incidents (LTIs) reported. The hull is expected to sail away to Singapore around the end of March 2020. Excellent progress was also made on the topsides in 2019 at the Admiralty Yard in Singapore. Consequently, it is still anticipated that the integrated hull and topsides will sail away from Singapore to Israel around year end 2020.

Energean continued to see strong demand for its gas during 2019. Over the course of the year, Energean signed a further 0.8 Bcm/yr of firm agreements, to reach a total of 5.0 bcm/yr of firm GSPAs. Inclusive of the 0.2 bcm/yr contingent contract signed in 2020, Energean also has a further 0.6 Bcm/yr of contingent GSPAs, which are expected to be converted to firm on publication of the upcoming Karish North CPR. Energean has a further 0.7 Bcm/yr contract with Or Power. Overall, the year's commercial success in Israel brings us closer to achieving our goal of filling our 8 bcm/yr Energean Power FPSO.

The Company was awarded four new licences – 55, 56, 61 and 62 – in Zone D of the Israeli EEZ. The licences are situated around 45 km off the coast of Tel Aviv and represent a strong source of upside in our Israeli portfolio.

Greece

In Greece, total reserves and contingent resources have seen a 35% Y-o-Y increase, to 113 MMboe. This has resulted from the new discoveries in the Epsilon reservoir and reprocessing and interpretation of data at Katakolo.

During the year, we also successfully drilled an extended reach well, EA-H3, at Epsilon in April 2019. The well was drilled to a total measured depth of 5,679 metres and penetrated 689 metres of the Epsilon sandstone reservoir, in line with pre-drill expectations. The well was drilled using the Company-owned drilling rig, the Energean Force, which has since been warm smart-stacked in Greece.

In western Greece, a 2D seismic survey (400 km) was shot on the Ioannina block by Repsol. Interpretation of the data is in progress, with a drill-or-drop decision anticipated by end-2020.

Ramform Titan with cables deployed, Montenegro

Montenegro

In February 2019, Energean commissioned PGS for the acquisition of a new 3D seismic survey over Blocks 26 and 30. The PGS Ramform Titan, one of the best seismic acquisition vessels in the world, deployed 14 geo-streamers, 6.5km for each streamer length, using a triple-source array to cover a total area of 338 sq km. The 3D seismic survey fulfils the commitment to the MHA for both blocks 26 & 30. A drill-or-drop decision is expected by the end of 2020.

Optimising our low-cost production base*

Egypt

In Egypt, we will focus on managing production at Abu Qir through investment in infill drilling and satellite tiebacks. Production is expected to average 32-37 kboepd in 2020. Development of the NEA and NI satellite fields is expected to contribute production growth from year-end 2022.

Italy

In 2020, we aim to maintain production at around 8-10 kboepd. In the medium term we are focused on increasing gas production through the development of the Argo-Cassiopea field offshore Sicily, where first gas is anticipated in 2023.

Developing reserves

Karish and Tanin

We are on track to deliver first gas in 1H 2021, having made excellent progress in 2019. As of 31 December 2019, the project was approximately 72% complete and a number of key milestones had been met. These included the drilling of the three Karish Main development wells, as well as significant progress on the hull and topsides of the Energean Power FPSO. Well completions and installation of the Christmas trees took place in 1Q 2020 and the wells are now ready for integration with the subsea infrastructure and hook-up to the FPSO.

In 2020, we are focused on progressing construction of the Energean Power FPSO, with hull sail away expected in March. Excellent progress has been made on the topsides at the Admiralty Yard in Singapore and it is anticipated that the integrated hull and topsides will sail away from Singapore to Israel around year-end 2020.

Karish project 2020 milestones:

FPSO workstream
- Hull sail away from Cosco Yard
- Hull and topsides integration
- Completed FPSO sail away from Admiralty Yard to Israel around end-2020

Drilling workstream
- Complete and clean-up development wells (successfully completed during early 2020)

Onshore and subsea workstreams
- Pipeline installation Karish to Dor
- Onshore facilities commissioning
- Installation of subsea infrastructure

* Contingent on the Edison E&P acquisition completing.

Building a **balanced portfolio** continued

We are also evaluating gas export monetisation options, including the markets of southern Europe. As part of this strategy, the Company signed a Letter of Intent ("LOI") in January 2020 with the Public Gas Corporation of Greece ("DEPA") for the potential sale and purchase of 2 bcm/yr of natural gas from Energean's fields in Israel through the proposed EastMed Pipeline. There is no commitment to supply this gas.

The LOI provides a further option to monetise future discoveries across Energean's nine leases in Israel, with clear visibility on a path to filling the capacity of the FPSO – and potentially leading to the need to expand the capacity of Energean's infrastructure in Israel.

Energean DEPA LOI signing

Katakolo
In addition to the Prinos Basin, we also own 100% of the 14 MMbbl Katakolo development in Western Greece. Award of the EIA is expected in 2Q 2020 with potential Final Investment Decision thereafter. If we decide to take FID it is likely that the first pilot well will be drilled in 2021, with first oil in late 2021/early 2022. 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.

Edison E&P*
In addition to our core development project in Israel, we will have greenfield assets in Egypt and Italy as part of the Edison E&P portfolio.

Argo-Cassiopea
Energean will obtain a 40% non-operated position in the deepwater Argo-Cassiopea development offshore Sicily. Eni (60%) is the operator and took FID in 2018. Approval of an updated Italian EIA was received by Edison E&P in January 2020. As a result, the development is progressing as planned with first gas expected in early 2023. This will establish a new offshore production hub and will be an important source of future domestic gas supply. Gas from the fields will be shipped via a 60 km pipeline to a new treatment and compression onshore facility within the Gela refinery.

NEA/NI
The NEA and NI assets are satellite fields of the Abu Qir gas-condensate asset. Abu Qir produced approximately 46 kboepd in 2019, with output expected to reduce by 10-15 kboepd in 2020 as a result of investment deferral. To offset this decline, Energean plans to take FID at NEA/NI during 2020, with first gas anticipated around year end 2021. NEA/NI will be developed as a subsea tieback, with production hooked-up to the main production facilities at Abu Qir. Energean also intends to drill additional infill wells, targeting unexploited pockets of gas.

Adding more hydrocarbons
Israel
Energean will assess discretionary exploration capital expenditure opportunities on a case-by-case basis.

Prospects offshore Israel being evaluated for drilling include Zeus (0.6 Tcf GIIP, Block 12), Athena (0.6 Tcf GIIP, Block 12), Hera (0.4 Tcf GIIP, Block 12) and Poseidon (1.0 Tcf GIIP, Block 21).

'Energean Power' topsides construction, Admiralty Yard, Singapore

* Subject to transaction close.

Greece

Ioannina block

In Ioannina, interpretation of the newly acquired seismic lines is ongoing and a drill-or-drop decision will be taken in 2020. The quality of acquired seismic was a major improvement when compared to historic vintages and the lines have identified two prospective trends with multiple analogue prospects.

Furthermore, the new 2D seismic has verified the existing geological model, de-risking existing prospectivity. The seismic lines were acquired with minimal environmental impact and Energean and Repsol (the operator), have agreed to plant trees in areas away from the 2D seismic lines.

Ioannina Seismic Survey

Aitoloakarnania block

In Aitoloakarnania, Repsol (the operator) is carrying out the necessary environmental studies in preparation for the 2D seismic acquisition campaign, which is expected to commence in 2Q 2020, subject to permitting.

Block 2

In February 2020, Energean agreed to acquire Total's 50% WI stake and operatorship in Block 2 offshore western Greece, providing further material exploration opportunities.

Montenegro

In Montenegro, a number of shallow gas prospects and deeper carbonate prospects have been identified through interpretation of the newly acquired seismic data. Energean is awaiting final data in order to confirm the primary prospect. The Ministry of Economy in Montenegro confirmed that Energean will receive an extension to the first exploration phase to 15 March 2021, with a drill-or-drop decision by year end 2020.

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.

Post-period developments

2019 marked another year of success for the Company and demonstrated our ability to take advantage of both organic and inorganic opportunities within our core areas of operation. We are continuing this momentum in 2020, which has seen a high level of activity so far:

- Signed a new GSPA for the sale of up to 0.2 bcm/yr of gas, contingent on additional resource in 2020, with supply ramping-up between 2022 and 2025
- Production measurement performed during clean-up of the Karish Main development wells. Performance modelling confirmed that the three wells are capable of delivering at the approximately 800 mmscf/d design capacity of the FPSO, once connected
- Signed a Letter of Intent (LoI) with DEPA for the potential sale and purchase of up to 2.0 bcm/yr of gas from Energean's fields offshore Israel

Outlook

Over the last ten years, Energean has grown from a €1 million investment in 2017 to a leading E&P company on the London Stock Exchange in 2019. The Board is confident that this decade of growth will continue into the next decade as we focus on gas developments in the Eastern Mediterranean and leading on all aspects of ESG in the E&P sector.

Moreover, through our full-cycle operations and following closure of the acquisition of Edison E&P, we will be well positioned to continue creating value for our shareholders in 2020 and beyond.

Building a **balanced portfolio** continued

Reserves and Resources (exclusive of the Edison E&P portfolio)

Energean expects that year end 2019 Working Interest reserves and resources will be 558 MMboe, a 39% increase on 2018. The table below is preliminary and subject to finalisation[1].

	Israel			Greece			Total		
	Oil Mmbbls	Gas Bcf	Total MMboe	Oil Mmbbls	Gas Bcf	Total MMboe	Oil Mmbbls	Gas Bcf	Total MMboe
Commercial Reserves									
At 1 Jan 2019	**22**	**1,558**	**298**	**49**	**5**	**49**	**71**	**1,563**	**347**
Revisions	7	(99)	(11)	8	1	8	15	(98)	(3)
Disposals	–	–	–	–	–	–	–	–	–
Transfer from contingent resources	–	–	–	(2)	–	(2)	–	–	–
Production	–	–	–	(1)	–	(1)	(1)	–	(1)
At 31 Dec 2019	**29**	**1,460**	**287**	**54**	**6**	**55**	**83**	**1,465**	**342**
Contingent Resources									
At 1 Jan 2019	**0.7**	**133**	**23**	**33**	**15**	**35**	**33**	**148**	**58**
Additions	–	–	–	–	–	–	–	–	–
Revisions and Discoveries	23	618	134	20	22	24	43	640	156
Disposals and relinquishments	–	–	–	–	–	–	–	–	–
Transfer to commercial reserves	–	–	–	–	–	–	–	–	–
At 31 Dec 2019	**24**	**751**	**157**	**53**	**37**	**59**	**76**	**788**	**216**
Total Commercial Reserves & Contingent Resources									
At 1 Jan 2019	**23**	**1,692**	**321**	**81**	**20**	**84**	**104**	**1,711**	**405**
At 31 Dec 2019	**53**	**2,211**	**444**	**107**	**43**	**114**	**159**	**2,253**	**558**

For information on Working Interest reserves and resources by field, see pages 196-197.

1. Numbers may not sum due to rounding

Our pipeline for growth*

Country	Asset	Activity	2020E	2021E	2022-2023
	Optional Exploration	Multi-well drilling campaign			
	Karish	First Gas			
	NEA	Final Investment Decision	FID		
	Abu Qir	Infill Drilling			
	NEA	First Gas			
	Rospo	Sidetracks			
	Cassiopea	First Gas			
	Gemini & Centauro	Prospect Drilling			
	Epsilon	First Oil			
	Echo (W. Patraikos)	Exploration			
	Katakolo	Final Investment Decision	FID		
	Ioannina	Drill or Drop			
	Block 2	2D seismic			
	Blocks 26 & 30	Drill or Drop			

* Includes Edison E&P acquisition which is not yet completed.

Responsibility lies **at the heart of our business**

Energean has developed clear commitments, principles and strategies to ensure its operations adhere to the highest international standards of corporate responsibility and sustainability.

We work with our stakeholders and local communities to develop a business model that makes a positive contribution to society and the environment. Our goal is to integrate sustainable practices into our operations, in an effort to maximise shared value while promoting prosperity and protecting the planet.

Aiming to create a business model with minimal environmental impact, we have committed to:

- Set science-based targets to reduce greenhouse gas emissions.
- Become a net-zero emitter by 2050.

We place strong focus on the needs of our employees, creating an attractive workplace of choice and are devoted to enhancing inclusivity and diversity in the workforce. In addition, we are always improving our risk assessments and procedures in order to operate more effectively and maintain employee safety.

We are committed to supporting the needs of local communities through our CSR programme, which includes a diverse set of social and environmental initiatives and activities. We value our stakeholders' perspectives; therefore, we encourage open communication with us in order to address their needs and concerns more efficiently.

CSR Policy

Our Chief Executive Officer, along with our Board, agree and supervise Energean's CSR Strategy and Policy, supported by the CSR team. Together, they are accountable for developing and promoting CSR practices within the Company. Our Board and its Committees are dedicated to monitoring our progress in achieving sustainability objectives. Frequent reviews and detailed reporting ensure transparency and create trust in our Corporate Governance structure.

In alignment with the United Nations' Sustainable Development Goals, we are dedicated to contributing to climate change mitigation and environmental protection while creating enduring relationships with local communities. Our business model is guided by our corporate values, global initiatives and international standards. These have shaped – and are reflected in – our CSR Policy.

We aim to mobilise action on three levels:

Global Action

Securing effective partnerships, resources and smarter solutions.

Local Action

Embedding the needs and concerns of our local communities into our policies and frameworks, by establishing grievance mechanisms and acting on the feedback received from our stakeholders.

People Action

Encouraging our employees, communities and other stakeholders to join us on our mission towards a transparent and sustainable future, through the implementation of initiatives and activities.

Corporate Governance

We believe that communicating our corporate governance is key to building trustworthy community and investor relations. Our Board of Directors supports environmental awareness and ethical behaviour and seeks to create a transparent set of controls, aligned to company incentives.

Energean supports gender inclusivity and diversity in its corporate structure.

Energean has become a proud signatory to the UN Global Compact in support of corporate governance principles on human rights, anti-corruption, environmental protection and labour practices.

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

Community Relations

We believe it is our responsibility to build strong relationships with local communities in an effort to support them and make a difference to society.

Read more
On page 49

Employees

We are motivated to creating a workplace that promotes employee engagement and growth by investing in their development and offering opportunities for employees to make an impact.

Read more
On pages 40-41

Environment

We manage our environmental responsibilities through an established Environmental Management System, certified according to ISO 14001:2015, that aims to minimise Energean's environmental footprint.

Read more
On pages 45-48

Health and Safety

Health and safety is one of our top priorities. With zero harm being the ultimate goal, we invest in the implementation of strategic safety measures, which meet international standards.

Read more
On pages 42-44

Our management's philosophy and way of thinking drives us to use the United Nations' Sustainable Development Goals as the framework of our activities and actions.

We recognise that as an energy company we have a greater impact on specific Sustainable Development Goals (SDGs). Thus, we make sure that we focus on serving mostly the following SDGs: Goals 3, 6, 7, 12, 13, 14, 15, 17.

SDGs	Our commitments and actions
1	• Engaging in the activities of "Together for Children" – an association of NGOs in the field of child welfare – in Athens, Greece
2	• Cooperating with "Boroume" ("We Can") – an NGO that fights food waste – in Athens and Kavala, Greece • Donation of supermarket gift vouchers for the Easter Table, Kavala, Greece
3	• Zero injuries to company employees in 2019 • Zero work-related illnesses to persons working at Energean sites in 2019 • Four million man-hours with no Lost Time Injuries (LTI) in our FPSO hull construction, Zhoushan, China • One million man-hours with no Lost Time Injuries (LTI) in all Energean sites • Sponsoring the 2019 Finswimming European Senior Championship in Ioannina, Greece • Supporting the 2019 Panhellenic High School Basketball Championship Finals in Kavala, Greece • Energean was the Gold Sponsor of the 2nd "Apostolos Pavlos" International Swimming Meet in Kavala, Greece
4	• Provided international academic scholarships and financial aid to six college students • Offered paid internships to 23 college students in Greece • Became a strategic partner with Chemecon (non-profit association of Young Chemical Engineers) • Guided tours for college professors and students at our onshore facilities ("Sigma Plant"), in Kavala, Greece
5	• Female Chairman • Percentage of women in senior management: 42% • Percentage of women on the Board of Directors: 22%
6	• Recycled more than 90% of the water withdrawals in our production sites
7	• We are a 70% gas-focused company
8	• Number of employees: 393 • Number of nationalities of employees and contractors: 17

SDGs	Our commitments and actions
10	• Supporting "Etgarim" (Israel), an NGO for rehabilitation of disabled adults and children through outdoor sports • Energean teams up with the Israeli Paralympic Committee • Supporting three Paralympic swimmers in Israel • Sponsoring the 2nd International Wheelchair Basketball Tournament "Rebound of Friendship" in Kavala, Greece • Supporting Rabin Elementary School in Nesher, Israel. Children experienced some of the daily challenges faced by disabled people, through simulations • Supporting the School of Special Vocational Education and Training and donating equipment for the school's multi-sensory room, which aids children on the autistic spectrum and with learning difficulties • Supporting the Association of Paraplegics and Disabled people of the Ileia Prefecture, Southwest Greece
11	• Grand sponsor of the 3rd Dodoni Festival – a summer Cultural Festival – Ioannina, Western Greece • Donated firefighting equipment for a large-scale Fire Service response training drill at Energean's onshore facilities in Kavala, Greece • Gold sponsor of the "White Night" in Kavala, Greece • Sponsored "KALPAKIA 2019" and honoured the heroes of World War II in Ioannina, Greece • Sponsored the 2019 Israeli Offshore Regatta by Carmel Sailing Community – an NGO that develops the sailing community in Haifa, Israel
12	• Energy management system established in Energean production sites within the environmental management system accredited to ISO 14001 • Recycled more than 89% of the waste generated during 2019 in our production sites
13	• We have pledged to become a net-zero emitter by 2050 • We commit to set science-based targets to reduce our greenhouse gas emissions
14	• Zero oil spills during 2019, maintaining our completely clean record since the start of our operations • World Environment Day: Energean sponsors Sharks Live Viewing at Hadera, Israel • Supporting the "Protecting the Sea" educational programme in Furadis, Israel
15	• Zero environmental damage during 2019, maintaining our completely clean record since the start of our operations • World Environment Day: Nestos River – Beach Clean Up & signing of a Telemetric Stations MoU • World Environment Day: Beach and Sea Bed Clean-Up, City and Marina of Bar – Montenegro
17	Energean collaborated with: • United Nations Global Compact • "Etgarim" (NGO for rehabilitation of disabled adults and children) – Israel • "Boroume" ("We Can") – Athens & Kavala, Greece • Chemecon (Non-profit association of young Chemical Engineers) – Athens, Greece • Management body of the Nestos River Delta, Lakes Vistonida-Ismarida and Thassos Island, Greece • Israeli Paralympic Committee • Bodossaki Foundation – Greece • Carmel Sailing Community – Haifa, Israel • Municipality of Pogoni – Ioannina, Greece • Nature and Parks Authority – Israel • Rabin Elementary School – Nesher, Israel • School of Special Vocational Education and Training – Kavala, Greece • Association of Paraplegics and Disabled people of the Ileia Prefecture, Southwestern Greece • "Together for Children" – an association of NGOs in the field of child welfare in Athens, Greece

Excellence through **our people**

Energean employs in excess of 400 employees and contractors around the world. We are committed to creating a culture that is inclusive and collaborative, where our people can develop their skills and grow within our organisation.

We develop our culture based on the Company ethos, trust and communication, providing our people with competences and tools that support their own personal development and Energean's growth. We offer competitive remuneration to reward employees for their expertise and commitment to our business strategy and long-term success. Furthermore, senior employees are included in the Company's Long Term Incentive Plan ("LTIP") which rewards employees for reaching specific goals that should lead to increased shareholder value, and aligns employees with shareholders. The second and final vesting of the Admission Award scheme took place in November 2019, which was designed to reward employees who played a crucial role in the Admission process in March 2018 – and retain key staff.

For 2020, we have already rolled out our first employee satisfaction survey to measure employee engagement and people's experience at work. This is being carried out in conjunction with the University of Bath. The overall results of the survey will indicate the areas Energean should focus in the near future to increase employee satisfaction and engagement.

Inclusion and Diversity

We believe that an inclusive and diverse environment is vital to maintaining a successful and sustainable business – and our people should have the opportunity to fulfil their potential and thrive in such a workplace. The skills, abilities, creativity and diversity people bring to Energean are highly valued and we ensure that we provide a workplace where employees are treated fairly, equally and with respect.

Decisions related to recruitment selection, development or promotion are based upon merit and ability to adequately meet the requirements of the job. They are not influenced by factors such as gender, marital status, race, ethnic origin, colour, nationality, religion, sexual orientation, age or disability. We also practice gender pay equality.

Our people policies

A number of policies support our culture and drive our focus on safety and productivity. These policies are embedded in our values, how we measure our success, who we are, what we do and what we stand for.

Our Code of Conduct & Ethics demonstrates our core operating principles, our commitment and values through the procedures we apply at Energean. Through our policies, we clearly state that Energean has zero tolerance to any kind of discrimination, bullying or harassment.

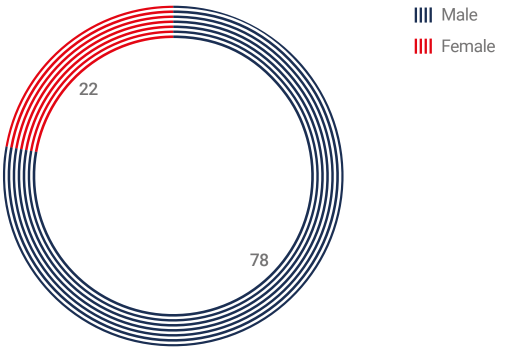
We want our workforce to be truly representative of all sections of society and for all our employees to feel respected and able to reach their potential. A fundamental element of our 2020 plan is to further develop this culture of care within our business.

We aim to provide an optimal working environment to suit the needs of all employees, including those with disabilities. The Company welcomes job applications from those with disabilities.

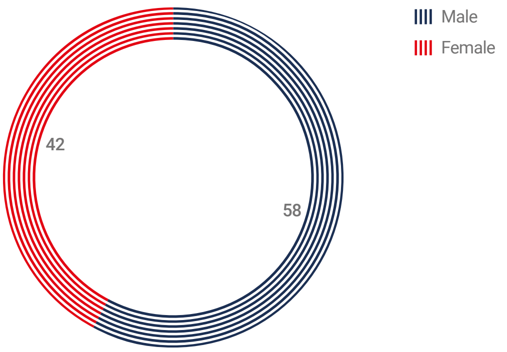
Gender balance

We are committed to increasing the number of women working at Energean. During 2019, the overall percentage of women at Energean increased from 10.33% to 13%, in senior management from 33% to 42% and Board representation from 11% to 22%. Additionally during 2019, 42% of new hires were females.

Gender balance - Board (%)



Gender balance - Senior Management (%)



At the end of 2019, our workforce included 393 employees and 36 contractors, representing 17 different nationalities.

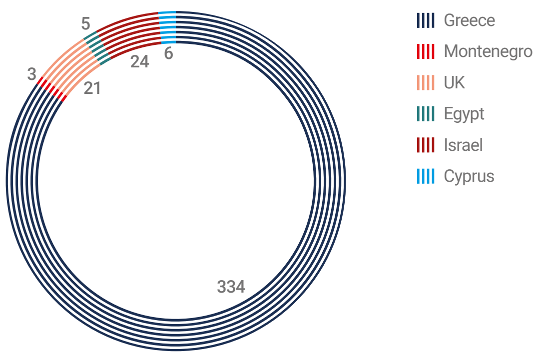
Employee per country breakdown as at 31 December 2019

Country	No. of employees
Cyprus	6
Israel	24
Egypt	5
UK	21
Montenegro	3
Greece	334

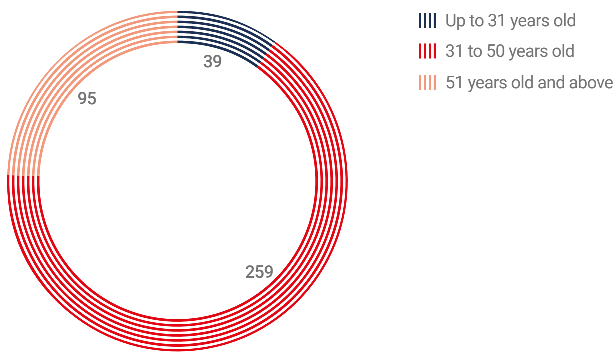
Employees by age breakdown as at 31 December 2019

Category	Number	% vs. total No. of employees
Up to 31 years old	39	10%
31 to 50 years old	259	66%
51 years and older	95	24%

Employees per country



Age breakdown



Intranet

By mid-2020, Energean will be launching its intranet site: an essential business tool to increase communication and collaboration across all countries in which we operate.

Edison Transaction

As part of the Edison transaction, a dedicated work stream has been established to ensure employees at Edison E&P S.p.A and Energean are kept up to date on developments. Energean signed an agreement with national and local trade unions, demonstrating its commitment to maintaining the agreements already in place.

Non-Executive Director Employee Representative

In accordance with the UK Corporate Governance Code 2018, Robert Peck was appointed as the employee representative on the Board. As part of this role, Robert will ensure that the “employee voice” will be heard at the Board and will engage with employees to obtain their views on decisions to be taken by the Board.

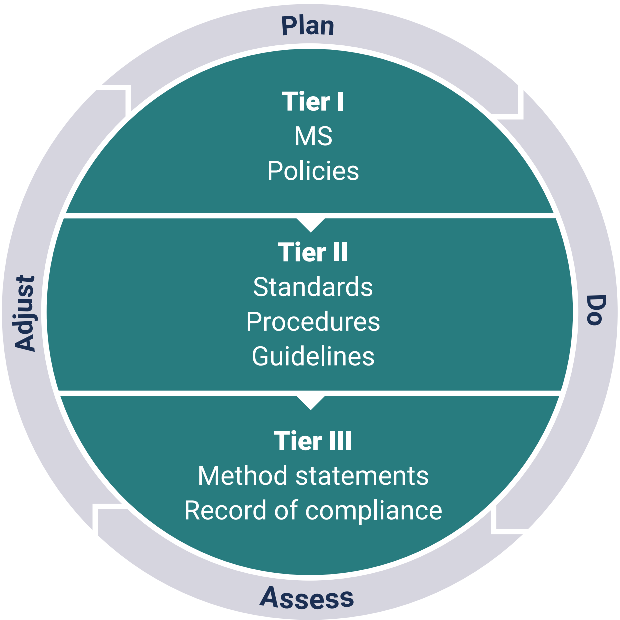
Montenegro Seismic Survey training

Delivering Health and Safety **excellence**

Energean recognises and accepts its core corporate responsibility to protect the health and safety of all people working at or visiting its installations and the public. During 2019 we achieved zero injuries to our employees.

Our Health and Safety Management System ("H&S MS") provides a comprehensive, integrated and effective H&S framework. During 2019 this was aligned with the requirements and principles of the international standard ISO 45001, aiming to achieve relevant accreditation.

We are committed to delivering H&S excellence through continuously promoting a robust safety culture paired with our corporate values. A key element of this process is the implementation, maintenance and continual improvement of our H&S MS, which is based on an iterative process founded on a classic "Plan-Do-Assess-Adjust" cycle. It comprises three distinct tiers of documents: Tier I, H&S MS and H&S Policies; Tier II, H&S standards, procedures and guidelines; Tier II, method statements, records of compliance.



By implementing this structure we seek to ensure that we:

- Identify all risks associated with our operations
- Efficiently control identified risks to an "acceptable" or "tolerable" level under ALARP (As Low As Reasonably Practicable)
- Prevent all accidents that potentially affect stakeholders and the Company
- Eliminate instances of non-compliance with the H&S guidelines
- Continuously improve H&S performance

Health, Safety, Environmental & Social Responsibility Policy

Energean has developed and implements a Health, Safety, Environmental (HSE) & Social Responsibility (SR) policy that sets out corporate values, standards and expectations with respect to all HSE & SR matters in relation to the Company's employees, partners, stakeholders, the general public, environment and sustainable development. Energean's commitments to these areas are communicated through the updated 2019 HSE & SR Policy that takes into consideration present-day occupational, social and environmental concerns.

Corporate Major Accident Prevention Policy

Energean has developed and implements a Corporate Major Accident Prevention Policy (CMAPP), approved by the Board, that recognises:

- its responsibility to comply with the Offshore Safety Directive and with the Seveso Safety Directive
- its responsibility to protect, preserve the good environmental conditions and the health and safety of people
- 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
- 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

'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. More than 550 leadership visits and 20 managerial walk-throughs were performed at Energean's asset in Prinos during 2019.

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 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. More than 20 third party audits and 400 H&S inspections were performed at Energean's asset in Prinos during 2019.

Competence management and training

During 2019 all employees at production sites participated in internal HSE training sessions having a total duration of at least eight hours. Additionally, specific teams participated in external certified training according to ongoing needs. 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 two to three years, depending on the specific requirement.

HSE Assurance in the Supply Chain

Energean applies a systematic process for the selection and management of suppliers and contractors. This applies 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. Our contractors' Lost Time Injuries Frequency (LTIF) and Total Recordable Injuries Rate (TRIR) during 2019 was 0.29 and 0.88 respectively, considering one million hours worked while relevant peers, KPIs in 2018 were 0.64 and 2.41 respectively.

Ceremony on the completion of four million man hours free from LTIs in the FPSO hull construction

Key metrics monitored

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

Total man-hours worked

	2017*	2018**	2019**
Employees	778,008	712,988	**708,080**
Contractors	161,280	1,108,606	**13,594,566**
Personnel total	939,288	1,821,594	**14,302,646**

*** 2017 includes employees' man-hours worked during the plant general turn-around activities and for two additional support vessels**

**** 2018 and 2019 includes contractors' man-hours in all construction yards related to Energean projects**

Total LTI*

	2017	2018	2019
Employees	3	2	**0**
Contractors	0	0	**4**
Personnel total	3	2	**4**

*** Lost Time Injuries**

LTIF*

	2017	2018	2019
Employees	3.86	2.81	**0**
Contractors	0	0	**0.29**
Personnel total	3.19	1.10	**0.28**

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

TRI*

	2017	2018	2019
Employees	8	2	**0**
Contractors	0	3	**12**
Personnel total	8	5	**12**

*** TRI: The number of total recordable injuries (fatalities + LTIs + Restricted Work Cases + Medical Treatment Cases)**

TRIR*

	2017	2018	2019
Employees	10.28	2.81	**0**
Contractors	0	2.71	**0.88**
Personnel total	8.52	2.74	**0.84**

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

FAR*

	2017	2018	2019
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**

Crisis Management

Energean manages crisis following a well-structured scheme consisting of three management levels; the corporate (strategic management) level, the country (incident management) level and the site (incident response) level. Formal exercises ensure the effectiveness of the Crisis Management Plans and provide the opportunity to evaluate their suitability and enhance organisational resilience. The goals of our crisis situation management are:

- Protecting human lives
- Protecting Energean's tangible and intangible assets
- Protecting the environment
- Ensuring or restoring business continuity as soon as possible
- Protecting our internal and external reputations by ensuring Energean is perceived as a professional organisation, able to dominate crisis situations and act rapidly and effectively, that is transparent and attentive towards its employees, those that work with the Company, its customers and local communities.

Occupational health

We take all necessary steps to ensure the health of our personnel. An annual health programme is implemented for all employees, to ensure there is no adverse impact related to their work and that they maintain the highest level of health. All employees and contractors hold medical fitness certificates where required by their position. Zero work-related illnesses were suffered during 2019.

Workers on an Energean vessel

Health and Safety

Occupational safety	2017	2018	2019
Employee man-hours worked	778,008	712,998	**708,080**
Contractor man-hours worked	161,280	1,108,606	**13,594,566**
Total man-hours worked	939,288	1,821,594	**14,302,646**
Number of Employee Fatalities	0	0	**0**
Number of Contractor Fatalities	0	0	**0**
Employee Lost Time Injuries (LTIs)	3	2	**0**
Contractor Lost Time Injuries (LTIs)	0	0	**4**
Total Lost Time Injuries (LTIs)	3	2	**4**
Employee LTI Frequency (LTIF)*	3.86	2.81	**0.00**
Contractor LTI Frequency (LTIF)*	0.00	0.00	**0.29**
Total LTI Frequency (LTIF)*	3.19	1.10	**0.28**
Employee Total Recordable Injuries (TRIs)	8	2	**0**
Contractor Total Recordable Injuries (TRIs)	0	3	**12**
Employee and Contr. Total Recordable Injuries (TRIs)	8	5	**12**
Employee TRI Rate (TRIR)*	10.28	2.81	**0.00**
Contractor TRI Rate (TRIR)*	0.00	2.71	**0.88**
Employee and Contractor TRI Rate (TRIR)*	8.52	2.74	**0.84**
Process safety			
Process safety incidents	2	1	**1**
Loss of containment incidents	1	1	**0**
Safety Training			
Internal training (hours)	2131	3344	2273
Certified training (hours)	192	1164	1631
Total training (hours)	2323	4508	3904

* Per 1MM hours worked

Delivering a **sustainable future**

Energean recognises the importance of a sustainable future. We are committed to setting science-based targets aligned with limiting the rise in global temperature to 1.5°C above pre-industrial levels and reaching 90% net-zero emissions by no later than 2050, in line with 1.5°C scenarios.

Our Environmental Management System (EMS) received the ISO 14001 accreditation. This will help us to manage our environmental responsibilities more efficiently and address them throughout the value chain.

Reducing waste and emissions is of paramount important to us. We also invest in ways to enhance our energy and water efficiency. Recycling of waste and water withdrawals is of high importance and drives our actions for a sustainable development.

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

Air quality

Energean intends to engage in the Carbon Disclosure Project (CDP). We already disclose Scope 1 and Scope 2 emissions and are in the process of standardising emissions calculations and reporting processes for Scope 3 emissions as per CDP requirements. This will provide a clear understanding of the Company's emissions spectrum – and enable us to manage them to a sustainable future by ultimately reducing them.

Scope 1 emissions are calculated for our production facilities using heat and fuel benchmarks. Calculations are verified by an independent accredited body. Emissions consider combustion of gas mixtures for the production of thermal energy required for our processes – and combustion of gas mixtures and fuels for mechanical purposes and utilities. Gas mixture net heating value, composition and volume are measured locally and taken into consideration. Scope 2 emissions are calculated applying the location-based method and considering electrical energy purchased and consumed all over the Company's premises by using country-level grid electricity factors adopted by electrical power supply administrators.

Key metrics monitored

- Annual greenhouse gas emissions*
- Direct/indirect emissions intensity
- Global energy use*
- Energy use intensity
- Water use intensity
- Waste quantities disposal

*** Included in the sustainability tables**

Environmental expenditure

	2017	2018	2019
Total cost (€)	525,318	825,287	**1,152,499**

Total production

	2017	2018	2019
Product (boe)*	1,072,947	1,549,084	**1,262,761**

Energy use intensity

	2017	2018	2019
Electrical (MJ/boe)*	186	129	**165**
Thermal (MJ/boe)*	578	484	**579**

Emissions intensity

	2017	2018	2019
Direct – Scope 1 (kgCO_2e/boe)*	34.9	29.3	**37.8**
Indirect – Scope 2 (kgCO_2e/boe)*	45.5	31.2	**29.0**

**** Scope 3 emissions for 2019 are currently under assessment and shall be published within 2020**

Water use intensity

	2017	2018	2019
Seawater and potable water (m^3/boe)	1.02	0.65	**0.87**
Volume recycled (%)	90	90	**89**

Waste quantities disposal

	2017	2018	2019
Non-hazardous waste (t)	284	2,095.00	**907**
Non-hazardous wastes Intensity (kg/boe)	0.26	1.35	**0.72**
Hazardous waste (t)**	1,191.00	1,798.00	**2,892.00**
Hazardous wastes Intensity (kg/boe)	1.11	1.16	**2.29**
Total wastes recycled (%)	67	81	**96**
Total wastes energy recovery (%)	17	9	**0**

*** Units modified to be in line with market requirements**

**** Drill cuttings are the main hazardous wastes produced during drilling activities**

Science-based targets

Energean is committed to setting science-based targets to reduce GHG emissions in line with 1.5°C emission scenarios within the next 24 months. A time schedule of 5-15 years for meeting the targets will provide the necessary duration for the development and implementation of the most effective processes.

Net-zero emissions commitment

Energean is committed to net-zero emissions by 2050. This will be achieved initially by reducing absolute GHG emissions through the implementation of science-based plans – and further by balancing a measured amount of carbon releases with an equivalent amount sequestered or offset, or buying enough carbon credits to make up the difference. Potential actions to be evaluated for their feasibility and effectiveness include Negative Emissions Technologies (NETs) and Carbon Capture and Storage (CCS) projects, together with reforestation and afforestation initiatives.

Assessing Low-Carbon Transition Technical Working Group (ACT TWG)

We participate in the ACT Oil & Gas TWG. This intends to develop methodologies to determine the degree of alignment of a company with a world having a 2°C rise scenario using a holistic sectorial approach, taking into account both quantitative and qualitative indicators that can provide insight on the company's current and future ability to reduce its climate impact.

Energy efficiency measures

Energean seeks to foster trust in the process of analysing and reviewing energy uses and energy consumption data of various sources within the scope of the certified to ISO 14001 Environmental Management System. During 2019, Energy Management Teams were established in our production installations for conducting annual Energy Analysis & Reviews to identify energy issues and opportunities for performance optimisation. The method used to evaluate the significance of energy consumption comprises a calculation for the contribution of each specific energy consumption to the total energy consumed.

An energy consumption that is over 2% of total energy consumption, is considered as significant and further consideration is given for optimising it through the implementation of a regression analysis for identifying differences between actual and expected consumption based on statistical data. During 2019 a detailed inspection of steam networks was carried out which resulted in the elimination of steam losses. We downgraded our steam boilers, reduced our cooling water pumps, consumption by cleaning the cooling water lines, continued replacing conventional light lamps with LED lamps and commenced the revamping and downgrading of a sour gas compressor medium voltage motor.

Marine environment

We maintain an excellent track record of environmental risk management. In 40 years of operation, in the sensitive environment of the Gulf of Kavala, no environmental damage has been recorded. Our operations offshore Israel and Montenegro were in line with national and international environmental standards and European directives, having zero environmental impact.

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. No effect from our operations is recognised by independent studies in Greece and Montenegro.

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.

Marine contingency plan

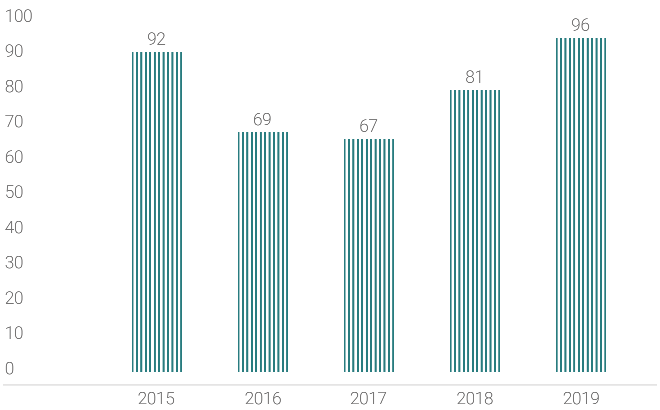
Our Facility Contingency Plans (FCP) provide all necessary means for effectively facing potential oil spills. We have also renewed our membership with a large international industry-funded cooperative which exists to respond to oil spills globally by providing preparedness, response and intervention services delivered by highly experienced and qualified global teams of experts. Our well-structured management plan, which includes regular, comprehensive training for staff and the necessary oil spill fighting equipment, ensures we are confident that we can manage any potential oil spill.

Marine Antipollution Response Drill, Prinos, Greece

Waste management

Following the principles of "circular economy", Energean works towards the elimination of waste and the continual use of resources. Waste minimisation and segregation at source, reuse, recycling and recovering energy constitute the hierarchy of our main continuous targets – while landfilling, if unavoidable, is adequately controlled to be safe for human health and the environment. During 2019 we recycled more than 90% of our waste through authorised companies.

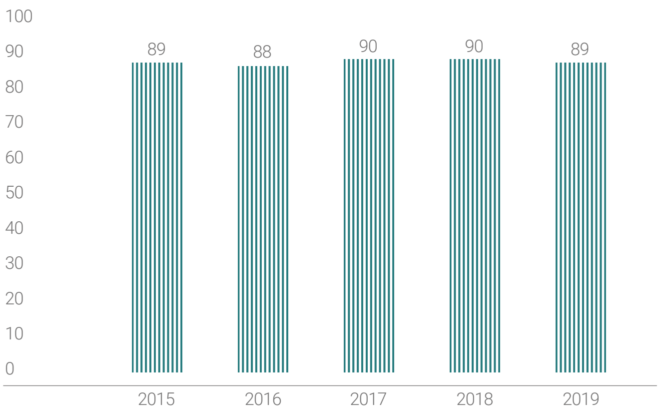
Total waste recycled (%)



Water recycling and reuse

We recognise the importance of global water resources to the environment, as well as the social, economic and political implications of preserving water. We are reducing the impact of our operations on water resources by recycling and reusing water for production, cooling, firefighting and utilities. In 2019 we recycled 89% of our water withdrawals.

Water recycled (%)



Beach clean up at Bar, Montenegro

Beach clean up at Nestos River, Greece

Adaptive environmental behaviour

At Energean, we seek to promote environmental awareness amongst our employees, throughout their daily activities, both inside and outside 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.

Our industry, tourism and the environment in co-existence

Our track record of zero environmental incidents during our operations in the Gulf of Kavala, Montenegro and Israel 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 from the Hellenic Society for the Protection of Nature (representing Greece in the International Foundation for Environmental Education) every year since 2008 of more than ten blue flags to beaches and marinas around the Prinos basin.

Environment

Production data	2017	2018	2019
Oil (kboe)	1,023.1	1,479.4	**1,209,978**
Gas (kboe)	49.9	69.7	**53.8**
Total oil & gas (kboe)	1,073.9	1,549.1	**1,262.8**
Ratio gas/total (%)	4.7	4.5	**4.3**
Ratio oil/total (%)	95.4	95.5	**95.7**

Atmospherics			
Total air GHG emissions (tCO_2e)	86,244	93,758	**84,260**
Scope 1 air emissions (tCO_2e)	37,434	45,404	**47,692**
Scope 2 air emissions (tCO_2e)	48,810	48,354	**36,568**
Scope 1 emissions intensity ($kgCO_2$/boe)	34.9	29.4	**37.8**
Scope 2 emissions intensity ($kgCO_2$/boe)	45.5	31.3	**29.00**
Total emissions intensity ($kgCO_2$/boe)	80.4	60.6	**66.8**
Other air emissions			
NO_x (tonnes)	28.4	29.6	**30.6**
SO_2 (tonnes)	2,1	2,3	**1,437**
VOC (tonnes)	8.9	19.3	**16.5**

Water usage			
Fresh water (m^3)	117,600	82,486	**112,045**
Seawater (m^3)	9,231,650	9,182,950	**9,234,113**
Total water usage (m^3)	9,349,250	9,265,436	**9,346,158**
Recycled water (m^3)	8,369,082	8,333,968	**8,363,527**
Recycled water (%)	90	90	**89**
Dispersed oil concentration in discharged water (mg/l)	6.5	7.9	**6.7**

Spills			
Hydrocarbons spills to the environment	0	0	**0**

Flaring (no routine flaring only emergency)			
Total hydrocarbon flared (tonnes)	460	1,380	**640**
Flaring intensity (kg/boe)	0.5	0.9	**0.6**

Energy consumption			
Electrical energy consumption (MWh)	55,6	55,7	**57.9**
Electrical energy consumption intensity (MJ/boe)	186	129	**165**
Thermal energy consumption (GJ)	620.7	749.3	**731.3**
Thermal energy consumption intensity (MJ/boe)	578	484	**579**
Total energy consumption intensity (MJ/boe)	765	613	**744**

Waste			
Hazardous waste disposed (tonnes)	1,191	1,798	**2,892**
Hazardous wastes intensity (kg/boe)	1.1	1.1	**2.3**
Non-hazardous waste disposed (tonnes)	284	2,095	**907**
Non-hazardous wastes intensity (kg/boe)	0.3	1.4	**0.7**
Total waste recycled (%)	67	81	**96**
Total waste energy recovery (%)	17	9	**0**

Our Management **approach**

Energean aims to have a positive impact on the communities in which it operates. Teamwork and collaboration are at the forefront of our values. Therefore, we believe that building trust and relationships within communities is integral to our progression. We monitor how our operations influence the well-being of our host communities, in order to focus our activities on improving local quality of life, and maintaining our social licence to operate.

By investing in communities, we aim to establish mutually beneficial relationships between Energean and the communities in which we operate. We consider the provision of solutions to the social issues communities are facing to be a joint effort, in which trust is key. In the long run, it is Energean's goal to make these solutions as sustainable as possible.

The energy industry's impact on natural resources, local communities and their ecosystems is subject to scrutiny and debate. Energean believes in creating shared value among its stakeholders – as well as implementing responsible practices and controlling risk while still maintaining the ability to seize business opportunities in a changing environment.

Our CSR policy, our "ETHOS", which is embedded in our values and guided by international standards and best practices, is fundamental to how our business functions. We are continually seeking to improve our sustainable development agenda by collaborating with governments, the private sector and civil society in order to progress on global, regional, national and local levels.

Ilia Rigas, Head of CSR, and the three Israeli Paralympic swimmers adopted by Energean

Our Performance

It is important to us that we constantly try to address the needs of the local communities through our social contributions. Therefore, we value feedback on all our initiatives and activities. Our CSR department works hard to nurture day-to-day interactions with communities provide greater support and improve our methods of assessing needs. A key goal is to inspire the local community and raise awareness of, and engagement with our actions among employees.

During 2019 there were no recorded disagreements with the communities in which we operate concerning the use of land, marine or other cultural heritage areas. We believe trust is key to retaining our social licence in the future, thus we are always striving to improve our relationship with local communities.

Targets in 2020

In the year ahead, we aim to extend our collaborations with organisations, institutions and NGOs – and will strive to create new ones, especially with groups involved with environmental issues.

Focused on maintaining **strong financial discipline**

Panos Benos
Chief Financial Officer

Revenue, production and commodity prices

Working interest crude production from Greece averaged 3,312 bopd, a decrease of 18% for the period (2018: 4,053 bopd). The decrease in production was due to the decision to put the Prinos Area assets under strategic review following the review of capital allocation that was initiated earlier in the year. As a result, investment in Prinos and Prinos North was limited to $14.0 million during the period, while this process was being undertaken.

Prinos crude is sold at a $6.6/bbl. discount to Urals Med blend, adjusted for final cargo API. In 2019 the average sales price achieved was $58/bbl.

Depreciation, impairments and write-offs

Depreciation charges before impairment on production and development assets increased by 14% to $39.1 million (2018: $34.3 million) due to increased capital expenditure invested in Greece during 2018, along with finance lease assets' depreciation recorded for the first time in 2019 (IFRS 16 adoption). The Group recognised a gross impairment charge of $71.1 million in 2019 (2018: $nil). In the period, indicators of impairment were noted for the Prinos CGU, being a reduction in both short-term (Dated Brent forward curve) and long-term price assumptions and a change in the Group's Prinos field production forecast, which have resulted in an impairment of $71.1 million in the carrying value of the Prinos CGU.

Selling, general and administrative (SG&A) expenses

Energean incurred SG&A costs of $13.7 million in 2019. This represents a 13% increase on the previous year (2018: $12.1 million) and is due to the additional staffing and administrative costs associated with the continued growth of the Group's portfolio and the efforts associated with developing the Karish project.

For the full year 2020 Energean expects stand-alone SG&A costs to be $15.0 million. Edison E&P adds an estimated additional $30 million on a pro forma basis.

Other expenses

Other expenses of $21.6 million (2018: $1.1 million) consist predominantly of the direct costs incurred in 2019 relating to the proposed acquisition of Edison's E&P business.

Finance costs

Financing costs before capitalisation for the period were $48.9 million (2018: $22.7 million). Included within this balance is $34.4 million of interest (2018: $12.2 million), of which $7.0 million relates to interest incurred on the RBL facility and $27.4 million on the Karish project finance facility. In addition, there was $7.2 million (2018: $5.7 million) of interest expenses relating to long term payables representing future payments to the previous Karish/Tanin licence holders. This was offset by capitalised borrowing costs of $39.9 million (2018: $9.3 million). The remainder of the total finance costs expensed relate primarily to finance and arrangement fees and other finance costs and bank charges. Total finance cost expensed amounted to $9.0 million (2018: $13.5 million).

Crude oil hedging

Energean had no hedges during the period and has no outstanding crude oil hedges at year-end. Energean will keep its hedging position under review.

Taxation

Energean recorded tax income of $20.5 million in 2019 (2018: $15.5 million tax income) primarily associated with the deferred tax impact of the impairment losses associated with the Prinos assets.

Operating cash flow

Cash from operations before movements in working capital was $18.5 million (2018: $53.9 million). After adjusting for working capital movements, cash from operations was $36.3 million, a 42.1% decrease on the comparable period (2018: $62.7 million). The decrease is driven by reduced production and revenue in the period and due to $8.1 million of direct transaction costs for the proposed acquisition of Edison E&P in 2019, which have been recorded under operating activities.

Financial results summary

	2019	2018
Av. Daily working interest production (kboed)	**3.3**	4.1
Sales revenue ($m)	**75.7**	90.3
Realised oil price ($/boe)	**57.6**	61.3
Cost of oil production ($m)	**25.9**	26.0
Cost of production per barrel ($/boe)	**21.5**	17.6
Administrative & selling expenses ($m)	**13.7**	12.1
Adjusted EBITDAX ($m)	**35.6**	52.4
Cash flow from operating activities ($m)	**36.3**	62.7
Capital expenditure ($m)	**685.1**	494.6
Cash capital expenditure ($m)	**954.6**	293.6
Net debt (cash) ($m)	**561.6**	(75.6)
Net debt/equity (%)	**44.5%**	(6.95)%

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 below.

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.

	2019 $ 000	2018 $ 000
Cost of sales	**65,552**	58,796
Less		
Depreciation	**(36,645)**	(33,904)
Change in inventory	**(2,964)**	1,074
Cost of oil production	**25,943**	25,966
Total production for the period (boe)	**1,208,978**	1,479,367
Cost of oil production per boe (US$)	**21.5**	**17.6**

Prinos production fell by 18% in 2019. This has resulted in a 22% increase in per barrel production costs, from $17.6/bbl. in 2018 to $21.5/bbl.

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.

Metric	**2019 $m**	2018 $m
Adjusted EBITDAX	**35.6**	52.4
Reconciliation to profit/(loss):		
Depreciation and amortisation	**(39.1)**	(34.3)
Exploration and evaluation expense	**(0.8)**	(2.1)
Impairment loss on property, plant and equipment	**(71.1)**	–
Other expenses	**(21.6)**	(1.1)
Other income	**3.1**	8.9
Finance expenses	**(9.0)**	(13.5)
Finance income	**2.5**	1.7
Gain on derivative	**–**	96.7
Net foreign exchange	**(3.9)**	(23.5)
Taxation income/(expense)	**20.5**	15.5
(Loss)/income for the year	**(83.8)**	100.8

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, capitalised depreciation, less capitalised borrowing cost.

	2019 $m	2018 $m
Additions to property, plant and equipment	**670.6**	502.0
Additions to intangible exploration and evaluation assets	**61.7**	6.2
Less		
Capitalised borrowing costs	**(39.9)**	(9.3)
Capitalised depreciation	**(1.9)**	(2.6)
Change in decommissioning provision	**(5.4)**	(1.8)
Total	**685.1**	**494.6**

Capital expenditure was $685.1 million, of which $611.9 million was invested in Israel, $68.4 million in Greece (Epsilon - $45.2 million) and $4.2 million in Montenegro.

Cash capital expenditure in 2019 was $954.5 million (FY 2018: $293.6 million).

Cash Capital Expenditure	**2019 $m**	2018 $m
Payment for purchase of property, plant and equipment	**897.2**	290.1
Payment for purchase of intangible assets	**57.4**	3.5
Total	**954.5**	**293.6**

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

Net Debt	**2019 $ 000**	2018 $ 000
Current borrowings	**38,052**	–
Non-current borrowings	**877,932**	144,270
Total borrowings	**915,984**	144,270
Less: Cash and cash equivalents and bank deposits	**(354,419)**	(219,822)
Net (Funds)/Debt (1)	**561,565**	(75,552)
Total equity (2)	**1,260,752**	1,087,823
Gearing Ratio (1)/(2)	**44.54%**	(6.95)%

In July 2019, Energean raised $265.1 million through the issuance of new ordinary shares on LSE and TASE. Net of cash transaction costs of $8.2 million this contributed $256.9 million of cash to the Group in 2019.

Edison E&P acquisition

In July 2019, Energean agreed to acquire Edison Exploration & Production S.p.A. from Edison S.p.A. for $750 million, to be adjusted for working capital, with additional contingent consideration of $100 million payable following first gas from the Cassiopea development (expected early 2023), offshore Italy.

Energean also agreed to sell the UK and Norwegian subsidiaries of Edison E&P to Neptune Energy for $250 million, to be adjusted for working capital, with additional contingent consideration of up to $30 million. The sale is contingent on Energean completing upon its acquisition of Edison E&P and is expected to close as soon as is reasonably practicable after close of the Edison E&P transaction.

On 23 December 2019, Energean announced that Edison S.p.A. had received a letter from the Algerian authorities, which invited Edison to discuss the transaction with Sonatrach. Energean and Edison E&P subsequently agreed to exclude the asset from the transaction perimeter. Carve out of the Algerian assets from the transaction perimeter has now been agreed in principle at an effective price of $155 million, based on an effective transaction date of 1 January 2019; the carve out remains subject to a signed, amended SPA.

Financing of the acquisition

The initial consideration was supported by a $600 million committed bridge loan facility underwritten by ING and Morgan Stanley, and $265 million of equity financing. The total debt and equity capital raised was sized to cover both the initial consideration and working capital requirements of the enlarged group.

The bridge loan facility is expected to be replaced in 2020 using a reserve based facility and a bridge facility for the onward sale of the UK and Norwegian assets to Neptune Energy. The $100 million of contingent consideration is expected to be funded by the combined free cash flow of the Enlarged Group as well as any incremental reserve based facility capacity.

Placing

In July 2019, Energean also launched a placing with institutional investors of new ordinary shares of 1 pence each in the capital of Energean to raise up to £211 million (approximately $265 million) before expenses.

Proposed Edison E&P acquisition – 2019 financial results

During 2019, Edison E&P delivered the following financial results. These results have been prepared on the basis of Edison E&P's accounting policies and are subject to adjustments when included in Energean's upcoming Circular and Prospectus.

	Edison E&P	Edison E&P exclusive of the UK, Norway and Algeria assets[1]
	2019 $m	2019 $m
Revenue	531	433
Operating costs	255	196
EBITDAX	276	237
Operating cash flow	252	212
Development and production capital expenditure	136	33
Exploration expenditure	49	28

1. Energean has agreed to sell the UK and Norway assets to Neptune Energy. Energean and Edison E&P have agreed to exclude the Algerian assets from the transaction perimeter.

Liquidity risk management and going concern

The Group carefully manages its risk to a shortage of funds by monitoring its funding position and its liquidity risk. Cash forecast are regularly produced and sensitivities run for different scenarios including change in Brent prices, different production rates and future capital expenditure investment profile.

Short-term cash forecasts have been stress-tested in light of the significant oil price reduction seen in early March 2020, with a primary scenario using an average price of $35.0/bbl for 2020 and $42.5/bbl for 2021, and a downside sensitivity run at $30/bbl average for both 2020 and 2021.

In this scenario, the Group would also target a further rationalisation of its cost base, including cuts to discretionary capital expenditure and operating cost. As at 31 December 2019, the Group had cash and undrawn facilities of $834.2 million. Post-period end, Energean has also successfully increased its Israel Project Finance Facility by $175million to $1.45 billion (from $1.275 billion), providing additional headroom on its Karish development.

The Group's revised forecasts show that the Group will be able to operate within its current debt facilities and has sufficient financial headroom for the 12 months from the date of approval of the 2019 Annual Report and Accounts. In arriving at this conclusion, the Directors also had regard to the Group's ability to raise necessary funding as and when needed. In 2019, the Group successfully raised gross proceeds of $265.1 million through a private placement on the London and Tel Aviv Stock Exchanges. The Group also raised a $600 million bridge facility to provide funds for its acquisition of Edison E&P. The Group expects to replace this with a Reserve Based Lending ("RBL") Facility (of up to $525m, of which between $400 and $450million is expected to be available) plus a Bridge to Disposal Facility (of up to $250million) for the sale of the UK and Norway assets to Neptune Energy. The purpose of the RBL will be to fund the acquisition, refinance the Greek RBL and provide headroom over the medium term for capital expenditure within the Group (excluding Israel).

Based on an assessment of the Group's cash flow forecasts under various scenarios, including the identification of associated risks and mitigants, the Directors have concluded that they have a reasonable expectation that the Group will continue in operational existence for a 12 month period from the date of approval of the 2019 Annual Report and Accounts and have therefore adopted the going concern basis in preparing the Group and parent company financial statements.

Coronavirus

Energean continues to monitor the ongoing COVID-19 outbreak, accessing the advice by the World Health Organisation and Public Health England to ensure that best-practice precautions are being applied. Clear information and health precautions on how employees should protect themselves and reduce exposure to, and transmission of, a range of illnesses along with general advice has been communicated across the organisation.

Coronavirus has not yet affected Energean's operations, but in the event that the COVID-19 outbreak escalates, Energean has contingency plans in place that will be followed.

Events since 31 December 2019

Energean is exposed to macro-economic risks, including pandemic diseases that could have a material adverse effect on its operations. We continue to monitor the recent Coronavirus outbreak, which is causing global economic disruption and may impact our performance in 2020. To date, the Coronavirus has not had a material impact on Energean's activities. However, at present, it is not possible to predict whether the outbreak will have a material adverse effect on our future earnings, cash flows and financial condition.

On 6 March 2020, OPEC and non-OPEC allies (OPEC+) met to discuss the need to cut oil supply to balance oil markets in the wake of the Coronavirus outbreak, which has had a material adverse impact on oil demand. OPEC+ failed to reach agreement and on 7 March 2020, Saudi Aramco cut its Official Selling Prices, prioritizing market share over pricing. As a result, oil prices have fallen materially, which may have a material adverse impact on the component of Energean's future earnings that are linked to oil prices.

In January 2020, Energean reduced the size of it EBRD Reserve Based Lending Facility to $161 million.

On 16 March 2020, Energean Israel signed a $175 million increase in its project finance facility, which is now sized at $1,450 million, increasing liquidity available to the company.

Four-year financial **summary**

	2019 $ 000	2018 $ 000	2017 $ 000	2016 $ 000
Group Income Statement				
Revenue	75,749	90,329	57,752	39,724
Cost of Sales	(65,552)	(60,019)	(48,648)	(40,551)
Gross profit / (loss)	**10,197**	**30,310**	**9,104**	**(827)**
Administrative expenses	(13,305)	(11,666)	(5,991)	(4,134)
Selling and distribution expenses	(345)	(453)	(445)	(336)
Exploration and evaluation expenses	(801)	(2,102)	(9,966)	(1,133)
Impairment of property, plant and equipment	(71,115)	–	–	–
Other expenses	(21,584)	(1,118)	(8,187)	(4,688)
Other income	3,095	8,869	1,789	248
Operating profit/(loss)	**(93,858)**	**23,840**	**(22,800)**	**(10,043)**
Finance Income	2,496	1,735	14	327
Finance Costs	(9,002)	(13,471)	(22,940)	(29,311)
Gain on derivative	–	96,709	25,786	–
Net foreign exchange (loss) / gain	(3,933)	(23,521)	36,243	(10,043)
Loss from continuing operations before tax	**(104,297)**	**85,292**	**25,407**	**(49,897)**
Taxation income / (expense)	20,531	15,527	(14,061)	11,517
Profit from continuing operations	**(83,766)**	**100,819**	**11,346**	**(38,380)**
Net Results from discontinued operations	–	–	(1,403)	(229)
Income for the year	**(83,766)**	**100,819**	**9,943**	**(38,609)**
Attributable to:				
Owners of the parent	(83,313)	105,279	9,953	(38,608)
Non controlling Interests	(453)	(4,460)	(9)	(1)
	(83,766)	**100,819**	**9,943**	**(38,609)**
Basic and diluted earnings per share (cents per share)				
Basic	($0.50)	$0.80	$0.14	($0.54)
Diluted	($0.50)	$0.79	$0.14	($0.54)

	2019 $ 000	2018 $ 000	2017 $ 000	2016 $ 000
Group Balance Sheet				
Non-current assets	2,087,061	1,515,436	328,040	259,518
Current assets	421,108	262,617	143,197	84,768
Total assets	**2,508,169**	**1,778,053**	**471,237**	**344,286**
Total assets less current liabilities	2,301,876	1,392,375	382,903	249,389
Non-Current Liabilities	(1,041,124)	(304,552)	(93,921)	(265,509)
Net assets	**1,260,752**	**1,087,823**	**288,982**	**(16,120)**
Share capital	2,367	2,066	917	14,904
Share premium	915,388	658,805	–	125,851
Merger reserves	139,903	139,903	139,903	–
Other reserves	5,862	5,907	73,750	404
Foreign currency translation reserves	(19,264)	(15,513)	(11,427)	(9,175)
Share based payment reserve	10,094	6,617	–	–
Retained earnings	(53,320)	29,993	(138,455)	(148,407)
Equity attributable to equity holders of the parent	**1,001,030**	**827,778**	**64,688**	**(16,423)**
Non-controlling interests	259,722	260,045	224,294	303
Total Equity	**1,260,752**	**1,087,823**	**288,982**	**(16,120)**

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 60-68.

Overview

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

The Board operates a risk management framework for the Group 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 control and risk management process and includes the following:

- 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
- Financial
- Political/Geopolitical
- Regulatory (Host Government regulations/climate change)
- Operational (Health, safety and environment)
- Operational (Cybersecurity)
- Counterparty/ commercial
- Conduct (Corporate Reputation & Culture Ethics & Compliance)

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 are fully reviewed at least annually. The monitoring system assists in determining the nature and extent of the 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 in 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
- 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 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.

The Board

- Overall responsibility for risks it is willing to take
- Considers
  - Management updates
  - Strategic plan and budgets
  - Risk assessments

Audit and Risk Committee

- Responsible for review of the effectiveness of the Group's internal controls
- Considers:
  - Internal audit work plans
  - Management reports (and any other executive reports)
  - External auditor reports
  - Internal audit reports

Internal Audit Reporting and Monitoring

- Reports directly to the Audit and Risk Committee

Management

- Responsible for detailed assessment of the risks
- Considers risks to:
  - Strategy
  - Financial position and prospects

Principal risks **and uncertainties**

This section describes the significant existing and emerging risks which the Board believes could significantly impact the ability of the Group to meet its strategic objectives, which are:

1. Developing the Karish offshore assets
2. Successfully Completing the Acquisition of Edison
3. Capitalising on growth opportunities in the Eastern 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 wou

Strategic risks

1. Operating during the COVID-19 outbreak

Principal Risk	Potential Causes	Potential Impact
While the full, long-term effect of the novel coronavirus outbreak (known as COVID-19) on business operations, financial and stock price performance, strategy, capital allocation and risk mitigation remains to be seen, certain risks have already arisen. **Executive Owner: Management** **Link to strategy:** 1 2 3	As COVID-19 spreads, fears about the disease have disrupted travel and commerce, threatened economic growth and affected global stock markets. The virus may also affect emotional wellbeing due to isolation, panic and – sometimes – social ostracisation. Governments worldwide have taken steps, including travel restrictions, in hopes of containing the spread of the virus and avoiding an – out of control – global pandemic. COVID-19 is without doubt one of the biggest health issues for the current and the past century, and its effects on markets and economies globally will be felt for many months, if not years, to come. It will change the way we live and it will also — fundamentally, irreversibly — change the way we work.	Apart from what is being disclosed in relation to the Karish Project, as defined below, infectious disease outbreaks like COVID-19 may have two primary impacts: on Energean's business and on its people: Operations: Interruption to supply chain may be identified as extension of the pandemic is anticipated not just in the availability of materials, but in sourcing, logistics, commissioning, travel schedules etc. Acquisition: Italy's lockdown may cause delays and have a negative impact on anticipated completion date of the Edison acquisition and may affect the business being acquired, both before and after completion. Governmental measures and travel restrictions have disrupted business travel by stakeholders and members of the management and may induce project delays, business interruptions and force the Company to slow operations. People: Among other consequences, an infectious disease outbreak can have a significant impact on productivity, increase stress among the workforce, affect emotional wellbeing due to isolation, panic and – sometimes – social ostracisation. Like any other organisation, the Company may experience the impacts of a pandemic outbreak, such impacts resulting in a material adverse effect on its business, results of operations, financial condition and/or prospects.

uld threaten its business model, future performance, solvency or liquidity.

Risk Mitigation	2020 outcomes and ongoing actions
Key steps: Operations: FPSO: Prior to COVID-19, the hull sail away from China had been delayed to 31 March 2020, a delay of 3.5 months from the scheduled date of 15 December 2019. This delay could have been extended even further due to the COVID-19 outbreak,. however, due to measures taken by Company, work has proceeded well at the Chinese yard with more than 600 workers on site, so that sail away from China is still expected by end-March 2020; Good progress has also been made on the topsides at the yard in Singapore and it is still anticipated that the integrated Hull and Topsides will sail away from Singapore to Israel around end-2020 with first gas from the project anticipated during 1H 2021. The Company has issued Force Majeure notices to its Israeli gas sales customers to mitigate any penalties arising from any delay to first gas caused by the COVID-19. Operations: Energean is keeping risks under review, to quickly understand and mitigate the potential impact on its wider supply chain from the growing COVID-19 threat, including the subsea work for the Karish project. Business continuity shall be tested in light of the COVID -19 different threat events, with an emphasis on employees, supply chain contacts, stakeholders and the completion of the Edison acquisition. Edison acquisition: Energean is liaising with Edison to mitigate the risk to a timely completion of the acquisition and to take steps to reduce the effects on its business before and after completion. People: Effective communication plans are in place, to respond to the demands of the current crisis. As part of its HSE policies, the Company already possesses an adequate communicable-illness policy and response plan. The Company has issued safety precautions, including "remote working" guidelines in order to enable Energean people to stay safe and protect each other and their community. Energean recognises that the COVID-19 situation is developing rapidly and in unpredictable ways; and is, therefore, keeping the situation under constant review, so that it is able to take actions in a dynamic and timely manner to mitigate its business effects as far as possible and protect its people.	The COVID-19 risks will be kept under close review as the situation evolves and the Company will deploy all appropriate measures to mitigate the effects on its operations, projects and people.

Principal risks **and uncertainties** continued

Strategic risks

2. Risk of failure to deliver the Karish gas field project, offshore Israel (the "Karish Project") on schedule and/or within budget

Principal Risk	Potential Causes	Potential Impact
The risk of making wrong business decisions, implementing decisions poorly, or being unable to adopt to changes in its environment, e.g. the Group's growth strategy, the competitive environment. The Group's business strategy depends significantly on the successful development of the Karish Project. Whilst the design and execution strategy have been developed so as to mitigate risk, challenges remain in ensuring that project delivery is within budget and on schedule. Any significant delay in project delivery could have an impact under the Group's Gas Sales and Purchase Agreements ("GSPAs"), 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. **Executive Owner: Steve Moore** **Link to strategy:** 1	FPSO: • Late sail away of hull from China yard, due to construction delays and the Corona Virus • Delay caused by carry-over work from the hull yard in China to the topside integration yard in Singapore SUBSEA & ONSHORE • INGL/NGA impact/influence on finalising & acceptance of the onshore and nearshore gas sales pipeline system • Delays in receiving Building Permits • INGL acceptance of requirement of a system to remove MEG liquid in Gas Sales pipeline onshore facilities COST CONTROL: The FPSO and pipeline elements of the Karish Project are lump sum/EPCIC but claims for variations could arise and the reimbursable elements require careful control; and the costs relating to drilling activities (which were awarded directly by the Group), could increase.	High Impact: The Karish Project could be delayed against the original timetable and the budget could be exceeded, with the following potential impacts: 1. greater competition from other gas providers for future gas sales; 2. unexpected and potentially significant cost increases; 3. regulatory penalties due to non-compliance with lease milestones; and/or 4 delay in revenue income, contractual damages (LDs) and, ultimately, termination by counterparties under the GSPAs, as a result of delay, although at this stage it is premature to evolve a critical path analysis through which all the time critical events, leading up to delays, are detailed. Furthermore, the Karish Project is funded via a project finance facility (the "Karish Project Finance") at the Energean Israel level and this facility is non-recourse to Energean. In the event of cost overruns on Karish Project, Energean may experience difficulties in financing these increased amounts, which may result in additional funding requirements, restricted access to the Karish Project Finance and re-negotiation of terms with Karish Project lenders. The practical completion date under the EPCIC Contract is 31 March 2021. If the practical completion date is delayed beyond 30 September 2021 this would constitute an event of default under the relevant terms of the Karish Project Finance. Any of the above could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

Risk Mitigation	2020 outcomes and ongoing actions
Delay: The hull sail away from China had been delayed to 31 March 2020, a delay of 3.5 months (and possibly longer due the Coronavirus disease (COVID-19) outbreak). However, work is still proceeding well at the Chinese yard with more than 600 workers on site; excellent progress has been made on the topsides at the yard in Singapore and it is still anticipated that the integrated Hull and Topsides will sail away from Singapore to Israel around end-2020 with first gas from the project anticipated during 1H 2021. Cost: claims for contractor costs and variations are being actively managed within acceptable limits; the onshore elements of the work have been removed from the scope of the EPCIC to allow Company to better control those (reimbursable) costs, de-scoping of the onshore scope. Access to funding: Energean keeps its lenders regularly up to date on Karish Project progress via monthly monitoring, external consultants' reviews and site visits by the Technical Banks. Energean has received lenders support to increase the Project Finance to ensure flexibility for any additional cost due to delay or overruns.	Physical progress on the Karish Project as of 31 December 2019 was 72% complete with first gas expected in 1H 2021. The Group continues to work closely with its contractors to mitigate schedule and cost impacts. After the Company received a notice from TechnipFMC claiming force majeure relief under its EPCIC contract in relation to the coronavirus, the Company in turn, issued corresponding force majeure notices to its GSPA buyers and other relevant counterparties. Energean highlights the importance of guaranteeing the health and safety of its employees and contractors and will act in accordance with instructions and guidance from the UK and Chinese health authorities. Energean signed the increase of the Karish Project Finance facility amount up to $1,450 million on 16 March 2020.

Principal risks **and uncertainties** continued

Strategic risks

3. Risks relating to the Edison Acquisition

Principal Risk	Potential Causes	Potential Impact
3.1 Completion: the completion of the Edison E&P acquisition (the "Acquisition") is subject to the satisfaction (or waiver) of certain conditions; and if the acquisition does not complete because any of them is not satisfied (or waived), Energean may be liable to compensate Edison and Energean will not realize the perceived benefits of the Acquisition. Any delay in completing the Acquisition may adversely affect the benefits that Energean had expected to achieve. Furthermore, the Acquisition is being funded from the Company's existing cash resources following the $265 million equity placing in July 2019 and a 12-month Bridge Loan Facility up to an amount of US$600 million, which has not yet been utilized (the "Bridge Loan"). **Executive Owner: Management** **Link to strategy:** 2	The sale and purchase agreement for the Acquisition ("SPA") was signed in July 2019 but its completion remains subject to the satisfaction (or waiver) of certain conditions including (a) the approvals of (i) the asset transfers by the relevant governments and authorities in Italy, Egypt and Algeria; (ii) the Prospectus for Re-Admission by the FCA; and (iii) Company's Shareholders at a General Meeting (EGM) and (b) the replacement, and release from Edison S.p.A., of bank guarantees and/or parent company guarantees procured or given by Edison S.p.A.,in support of the obligations of various members of Edison E&P in various jurisdictions; and a failure to satisfy (or, obtain a waiver) of any of these conditions may result in the Acquisition not being completed. Completion had been anticipated by end-2019 but has been delayed, primarily due to delay and uncertainty about the approval of the Algerian government. Furthermore, as a condition to their clearance of the Acquisition, regulatory authorities may impose requirements, limitations or costs or place restrictions on the conduct of the business of the Group.	Any delay in completing the Acquisition may reduce the benefits that the Company had expected to achieve had it completed within the expected timeframe. Any limitations, costs or restrictions imposed by a government may jeopardize or delay completion of the Acquisition or may reduce its anticipated benefits. The Company intends to replace the Bridge Loan with a 6 year RBL Facility (the "New RBL"). The New RBL will be used to fund the Acquisition, refinance the RBL Senior Facility (as defined below) and fund the Group's capital expenditure (excluding Israel). Any delay in completing the Acquisition may result in the Company renegotiating the terms of the proposed New RBL Facility or may negatively impact the Company's ability to access to liquidity in the debt markets. If completion does not occur by the completion longstop date (24 July 2020) due to a breach by the Company of any of its obligations under the SPA, the Company will be liable to pay Edison US$15 million; or alternatively if completion does not occur due to the failure to obtain (i) the approval of the Circular by the FCA (ii) the approval of the Prospectus for Re-Admission by the FCA or (iii) the approval of the Company's shareholders to the Acquisition or, for reasons not attributable to either party, the Company is required to pay Edison US$5 million. If completion does not occur by the completion longstop date (24 July 2020) Company should negotiate the extension of the maturity date of the Bridge Loan, which may incur additional fees. If the Acquisition is not completed, the Company will not be able to complete its on-sale of Edison E&P's UK and Norwegian assets/subsidiaries to Neptune Energy (the "Neptune Transaction"). Furthermore, if completion does not occur, the Company will also have incurred significant costs and management time in connection with the Acquisition and the Neptune transaction, which it will not be able to recover. The Company will also not realize the anticipated benefits of the Acquisition and the Neptune Transaction and its ability to implement its stated strategy may be prejudiced. As a further result, the Company may not be able to refinance the RBL Senior Facility (as defined below) on a stand-alone basis. The need to exclude the Algerian Asset will require various amendments to the SPA. Further management time and advisory costs are likely be incurred in negotiating SPA amendments, excluding the Algerian Asset and satisfying remaining conditions precedent and completion of the Acquisition and Neptune transactions is likely to take longer than previously anticipated. Finally, as a result of the locked box mechanism in the SPA, the Company bears risk in relation to changes in the performance and value of Edison E&P from 31 December 2018.

Risk Mitigation	2020 outcomes and ongoing actions
As announced on 23 December 2019, the Acquisition is now expected to exclude the Algerian asset. The Company does not expect the exclusion of that asset to affect its ability to complete the transaction for the remainder of the assets or to complete the Neptune Transaction and the Company is now working proactively with Edison on finding the best route to exclude the Algerian Asset (from commercial tax and regulatory perspective), making necessary SPA amendments and satisfying remaining conditions so as to close the Acquisition as soon as possible. The approval from the Italian Ministry (MSE) is anticipated shortly. The Company is working with international banks to sign the New RBL as soon as possible in Q1 2020.	Expected closing of the Acquisition, the New RBL and of the Neptune Transaction as soon as possible in 2020. The Company and its advisers are working actively on updates of the Circular and Prospectus to reflect exclusion of the Algerian Asset.

Principal risks **and uncertainties** continued

Strategic risks

3. Risks relating to the Edison Acquisition – continued

Principal Risk	Potential Causes	Potential Impact
3.2 Integration – the success of the Edison acquisition (the "Acquisition") will depend on Energean's ability to integrate Edison E&P, including bringing together the cultures and capabilities of both organisations in an effective manner, which will require the cooperation of Edison E&P's existing workforce. The challenges and/or costs associated with that integration may be higher than expected and the benefits expected from the Acquisition may not be fully achieved. **Executive Owner: Management** **Link to strategy:** 2	Unanticipated events or liabilities may arise which result in a delay or reduction in the benefits derived from the Acquisition, or in costs significantly in excess of those estimated, including as a result of any additional and unexpected challenges and/or costs associated with integrating Edison E&P into the Group.	Under any of these circumstances, the business growth opportunities and realization of the benefits anticipated by Energean to result from the Acquisition may not be achieved as expected, or at all, or may be delayed materially. To the extent that the Group incurs higher integration costs or higher liabilities arise than expected, its and the enlarged Group's results of operations, financial condition and/or prospects may be adversely affected.

Risk Mitigation	2020 outcomes and ongoing actions
• The Company has developed a detailed integration strategic plan with activities and milestones • Planned mitigating procedures leading to Day-1 readiness include inter alia: – The enlarged Group's operating model, governance structure and capacity of the senior management team will be enhanced to manage and monitor the significantly increased size and geographical presence of the business – At least one senior manager from Edison E&P is expected to join the Company's executive senior management team. This will ensure appropriate knowledge, expertise and bandwidth to oversee the operations of the enlarged Group – Most of the Edison E&P group technical team and country level employees will join the Group on Day-1, ensuring continuity – The Company will also recruit additional personnel to support the enlarged Group's centralised activities – Following completion, Edison S.p.A will continue to provide their existing centralised services procedures to Edison E&P through the terms of a transitional services agreement (TSA) which will continue for at least 12 months. TSA activities are planned to be transferred to the Group during the term of the TSA as it develops the capabilities and recruits the necessary individuals to operate procedures internally – The Company will undertake a detailed review of the existing compliance policies, including the code of conduct, anti-fraud and whistleblowing policies in order to complete a gap analysis against its own standards and identify all key differences. Following this assessment, the Company will determine a tailored process to align the policies and to manage the enlarged Group's compliance with the ethics, compliance, Listing Rules (LRs, DTRs, MAR) and the UK Corporate Governance Code	• The Company intends to closely monitor the implementation of a detailed integration strategic plan setting out the procedures planned either as "Day 1 readiness" mitigating procedures to be completed prior to Day-1, or as "Transition and Integration" planned mitigating procedures to be performed during the TSA period, which is at least the first 12 months following completion of the SPA. These procedures are necessary for the Company to mitigate the risks identified and establish appropriate procedures • In the first 12 months following completion of the SPA (during the TSA period), an Integration Committee will monitor the progress of the planned mitigating procedures and report the status of implementation to the Audit and Risk Committee on a quarterly basis • The Directors will ensure that planned mitigating procedures are brought into operation by Management on a timely basis, and subsequently operated in accordance with the plan

Principal risks **and uncertainties** continued

Financial risks

4.1 Financial Ability & Flexibility

Principal Risk	Potential Causes	Potential Impact
Risk of erosion of financial strength and value, through revenue deterioration and inadequate liquidity/funding due to adverse oil price movements, poor capital and cost discipline and poor balance sheet management. **Executive Owner: CFO** **Link to strategy:** 3 4	The Group has secured loan agreements[1] 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. The Karish Project Finance expires in December 2021 and should be refinanced. The Group may not have access to the same interest rates or financial terms. The capital markets may not be open and lending appetite for a refinance may be reduced.	Under the terms of the RBLSenior Facility and the Karish Project Finance, the Company 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. Energean may not be able to refinance the Karish Project Finance by or prior to December 2021.

Financial risks

4.2 Treasury & Trading

Principal Risk	Potential Causes	Potential Impact
Risk of erosion of financial strength and value, through revenue deterioration and inadequate liquidity/funding due to adverse oil price movements, poor capital and cost discipline and poor balance sheet management. **Executive Owner: CFO** **Link to strategy:** 3 4	The Group is exposed to treasury and trading risks, including foreign exchange, interest rate and commodity price risk.	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 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 ILS. 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. The Group is exposed to changes in interest rates as a result of its various financings (the RBL Senior Facility and the Karish Project Finance). 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.

1. In March 2018, Energean entered into a senior secured project finance (the "Karish Project Finance") with Morgan Stanley, Natixis, Bank Hapoalim and Societe Generale (the "Karish Project Lenders") for the Karish Project amounting to $1,275 million. The facility matures in December 2021 and has a bullet repayment on maturity. In January 2018, Energean entered into an amendment and restatement of a US$75 million senior facility, to increase the facility amount up to US$180 million in order to fund its ongoing drilling and development program in Prinos (the "RBL Senior Facility")

Risk Mitigation	2020 outcomes and ongoing actions
• 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) • Regular monitoring of financial covenants on an actual and forecast basis as part of the monthly reporting to management and the Board • Adherence to the Facility Compliance Calendar, which outlines covenant requirements, due dates and the frequency of reporting • The Karish Project Finance has covenants and metrics to monitor the ability to refinance via capital markets or by conversion of existing commitments to a term loan. Energean ensures that these covenants are met on a quarterly basis	• Energean will continue to actively monitor covenant compliance and reporting obligations • As part of the refinance and taking into account the enlarged group, Energean expects to optimize its financing terms to allow maximum flexibility to support the business • Energean continues its dialogue and positive relationships with the local and international debt markets to prepare in advance for the refinance of the Karish Project Finance

Risk Mitigation	2020 outcomes and ongoing actions
The Group has a centralised Treasury function which manages currency exchange, interest rate and commodity risks, with mitigations including: • Currency risk and interest rate risk: – Regular monitoring of exposure comparing against market updates and forecasting from Financial Institutions, including our advisors and Lenders – Cashflow projections using conservative assumptions and in advance for a minimum of 3 months on a rolling basis – Negotiation of material capital expenditure commitments aligned with currency of revenue i.e. USD – The Group entered into interest rate hedging and fixed 50% of its LIBOR exposure on the Karish Project Finance • Commodity price risk: – 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 – All Karish-Tanin gas contracts are based on pricing formulas which include floor prices; that ensures a minimum price for gas sales whatever the market conditions or pricing formulas outcome – The Group's debt facilities have been sized and structured on conservative oil and gas price assumptions versus the prevailing market prices	Energean will continue to monitor its currency, interest rate and commodity price exposure and may hedge part of its exposure as it has done already for the Karish Tanin Project Financing (LIBOR).

Principal risks **and uncertainties** continued

Financial risks

4.3 Liquidity risk and restricted funding

Principal Risk	Potential Causes	Potential Impact
Risk of erosion of financial strength and value, through revenue deterioration and inadequate liquidity/funding due to adverse oil price movements, poor capital and cost discipline and poor balance sheet management. **Executive Owner: CFO** **Link to strategy:** 3 4	Oil price volatility due to global supply/demand imbalances reducing revenues and value of underlying assets. • Unplanned outages in hydrocarbon production • Significant damage or loss of asset beyond ordinary wear and tear The Group not having adequate liquidity and/or access to the necessary funding sources in order to meet its minimum opex, capex and financing commitments as well as its growth and expansion plans.	Reduced revenue, cash flows, EBITDA, asset value and debt capacity. 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.

Political risks

5. Risk of disruption to business due to local community and political influence in Israel

Principal Risk	Potential Causes	Potential Impact
The risk of loss or damage to relationships with host governments and other stakeholders jeopardizing the Company's ability to conduct business. This is not currently considered to be a significant risk in countries other than Israel. **Executive Owner: Israel Country Manager** **Link to strategy:** 1	Continued political attention to issues concerning climate change, the role of human activity in it and potential activism from groups campaigning against fossil fuel extraction, could negatively affect the Group's business. The Karish Project, although using an FPSO 90km off the Israeli coast, still attracts ongoing public interest. Environmental activism, going forward, may incite local community protests. Existing environmental permits may be revoked and operations may be suspended under Ministry of Environmental Protection (MoEP) further instructions.	Such local community protests, regulatory initiatives or climate change abatement legislation could have a material adverse effect by delaying consultations on operational permits, increasing the pressure applied to Ministry of Environmental Protection (MoEP) or causing disruption to the Group's operations by regulators. The significance of the MoEP's rejection of any future request, include, among other things, increased costs amounting to hundreds of thousands of shekels in order to resubmit an application for an emissions permit.

Risk Mitigation	2020 outcomes and ongoing actions
The Group monitors its cashflow projections on a quarterly basis, using monthly projections for the next 3 years. Each quarter the group carries out sensitivity analysis to ensure sufficient liquidity buffers either from available cash or undrawn debt. Optimisation of debt capital structure. Strong long term relationship with major international and local financial institutions. The Karish-Tanin development has secured funding to First Gas by a combination of committed equity funding and the Karish project Finance. Major turnkey EPCIC contracts for both the Karish Project and Epsilon development to minimise the risk of cost overruns and ensure adequate liquidated damages are payable in case of project execution delays.	Energean expects to replace the Senior RBL Facility and the subordinated facility with a single Reserves Based Lending Facility during 2020 (the "New RBL"). The purpose of the new RBL will be to fund the Acquisition and for general corporate purposes including capital expenditure.

Risk Mitigation	2020 outcomes and ongoing actions
The Karish Project shall use an FPSO positioned 90km offshore, which will not be visible from land. The Company's CSR initiatives in Israel contribute to building a "clean" public image of the Company. The Chief Executive assumes ultimate accountability for CSR supported by the CSR Team. The Board has ultimate responsibility for reviewing and approving the CSR strategy and monitoring the achievement of sustainability objectives through reviewing regular performance reporting. All business units are accountable for developing and driving implementation of the Company's CSR strategy.	The Company's objective to generate sustainable prosperity through its business operations should be continuously pursued. Lessons learned from the substantial delays which the Leviathan project suffered from, is a vital action that the project team shall continually perform. In doing so, management shall maintain a focused communications strategy to ensure stakeholders are informed about the project and its benefits. Energean commitment to conducting its business responsibly, safeguarding the health and safety of its employees, caring for the environment, supporting the local communities, meeting their expectations and needs and contributing to the sustainable development of those communities shall be continuously monitored and measured.

Principal risks **and uncertainties** continued

Geopolitical risk

6. Risk of disruption to business due to political, economic and military conditions in Israel and the region

Principal Risk	Potential Causes	Potential Impact
The Company, with an expanding presence in the Middle East and the Eastern Mediterranean, operates in a historically sensitive geopolitical environment where exposure to a range of political developments at the local or regional level could result in business disruptions. The Company has furthermore pursued new opportunities in countries where political, economic and social transition may take place. Political instability, changes to the regulatory environment or taxation, international sanctions, expropriation or nationalization of property, civil strife, strikes, insurrection, acts of terrorism, or war may disrupt or curtail existing operations and/or future business development activities. Such eventualities may also adversely affect the recovery of company assets or result in additional costs, particularly given the long-term nature of major projects involving significant capital expenditure. **Executive Owner: Israel Country Manager** **Link to strategy:** 1 3	Regional tensions, armed conflicts, terrorism, or war.	The Karish Project 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. Any armed conflicts, terrorist activities or political instability involving Israel could disrupt the Group's operations,which could adversely affect its business, results of operations, financial condition and/or prospects.

Regulatory risks

7. Climate Change abatement legislation may have a material adverse effect on the Group's industry

Principal Risk	Potential Causes	Potential Impact
Risk of loss due to climate change legislation and regulatory initiatives restricting emissions of greenhouse gases. **Executive Owner: HSE Director** **Link to strategy:** 1 2 3	International agreements, national and regional legislation and regulatory measures to limit greenhouse emissions are currently in various stages of discussion or implementation. These considerations may affect stakeholders' sentiments towards the oil and gas business.	Such international agreements and other greenhouse gas emissions-related laws, policies and regulations may result in substantial capital, compliance, operating and maintenance costs. The level of expenditure required to comply with these laws and regulations is uncertain and is expected to vary depending on the laws enacted by particular countries. As such, climate change legislation and regulatory initiatives restricting emissions of greenhouse gases may adversely affect the Group's operations, cost structure or the demand for oil and gas. Such legislation, regulatory initiatives or general consumer preference could have a material adverse effect by diminishing the demand for oil and gas, increasing the Group's cost structure or causing disruption to its operations by regulators. Investors may be reluctant to finance oil & gas projects and/or the costs of such finance may increase.

Risk Mitigation	2020 outcomes and ongoing actions
The majority of lenders are familiar with the geopolitical situation. GSPAs include a take or pay and floor price mechanism. Due to the fact that the Karish FPSO will be located in a complex geopolitical location, enhanced security and defence measures as required by law and under the lease requirements will be taken to ensure its protection. The Group will be responsible for general security measures, in accordance with Israeli Defence Force (IDF) guidelines, while regulatory authority for defence systems lies with the IDF and will, by law, be led by the Israeli Navy acting as the government regulatory defence entity.	Active monitoring of the political, economic and social situation in Israel. Ensuring that the offshore facilities are appropriately equipped and protected. Monitoring and adhering to local laws and regulations.

Risk Mitigation	2020 outcomes and ongoing actions
• Ongoing monitoring of the changes in relevant legislation and regulation • Climate change strategy development for the reduction and offsetting of greenhouse gas emissions. This includes performance optimization and carbon capture and offsetting projects. Involved financial data shall be precisely calculated and taken into consideration prior to projects implementation • Active commitment to CSR goals and targets • Strengthen our low carbon portfolio and reduce our GHG emissions intensity by shifting production from oil to gas	Energean recognises the importance of a sustainable future and is committed to follow the Paris Agreement Convention for keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. In order to achieve this Energean is also committed to reach net-zero emissions by no later than 2050.

Principal risks **and uncertainties** continued

Operational risks

8. HSE Inherently hazardous industry subject to comprehensive legislation

Principal Risk	Potential Causes	Potential Impact
The risk of loss resulting from inadequate procedures and processes, technical failure, human error or external events. Climate change legislation and regulatory initiatives restricting emissions of greenhouse gases. **Executive Owner: HSE Director** **Link to strategy:** 1 2 3	Major hazards identified and included in the Report on Major Hazards and the Seveso safety cases of our installations under the Offshore Safety Directive and the Seveso Directive related to the Oil & Gas sector.	Property loss/damage, loss of life, injury, or adverse impacts on the health of employees, contractors or third parties or the environment and business interruption. Financial loss and claims arising from the above.

Risk Mitigation	2020 outcomes and ongoing actions
• Development and implementation of the Health Safety Environmental (HSE) & Social Responsibility (SR) policy that sets out corporate values, standards and expectations with respect to all HSE & SR matters in relation to company's employees, partners, stakeholders, general public, environment and sustainable development • Further development and maintenance of the HSE Management System and effective H&S framework, aligned during 2019 with the requirements and principles of the international standard ISO 45001 and aiming to achieve relevant accreditation • Accreditation for Environmental International Standard ISO 14001 for all existing installations • Development and implementation of suitable and effective Emergency Response Plans tested on a regular basis • Development and implementation of the Corporate Major Accident Prevention policy (CMAPP), approved by the Board, that recognises: – Company's responsibility to comply with the Offshore Safety Directive and with the Seveso Safety Directive – its responsibility to protect and preserve the health and safety of people and the good environmental conditions – 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 • 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 • Continuous implementation of an ongoing competence assurance and assessment scheme • Continuous implementation of an internal and external annual safety training for all onsite personnel and contractors • Continuous implementation of a health-monitoring programme and personnel fitness for workers onsite As regards the financial and commercial consequences, the Company carries a comprehensive range of insurance policies, which will respond to personal injuries, property damage, pollution clean-up and third party business interruption.	Ongoing monitoring of the changes in relevant legislation and regulation. Active monitoring of the political, economic and social situation in all countries where we operate. Ensuring that all facilities are appropriately equipped and protected and a suitable assurance program is implemented. Monitoring and adhering to local laws and regulations. Maintain adequate insurance.

Principal risks **and uncertainties** continued

Operational risks

9. Cyber security Risk

Principal Risk	Potential Causes	Potential Impact
The risk of loss resulting from inadequate procedures and processes, technical failure, human error or external events. **Executive Owner: Group Information & Technology Manager** **Link to strategy:** 1 2 3	• External cyber-attack resulting in network compromise or disruptive impact to Industrial Control Systems • Deliberate or accidental theft or loss of confidential information	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. Any loss or theft of confidential information could lead to loss of competitive advantage and intellectual property and reputational damage.

Counterparty risks

10. Counterparty Risk

Principal Risk	Potential Causes	Potential Impact
The risk of loss or damage due to counterparties' default or otherwise failure to fulfill their obligations. **Executive Owner: Group Commercial Manager** **Link to strategy:** 1 2	• Risk of default of the purchasers under the GSPAs. 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 of these purchasers. In the event of such default, the Group may be required to find alternative purchasers at less favourable terms • The Edison E&P Group is, and following Completion, the Company will be, dependent on the Egyptian General Petroleum Corporation ("EGPC") for a portion of its revenues, profits and free cash flows, and receivables due from the operations in Egypt under the applicable licence agreements, which are paid irregularly and may be subject to significant delay • Energean relies on TechnipFMC for construction of the FPSO and subsurface facilities in the Karish field under the EPCIC contract (see above Strategic Risk "Risk of Delivery of the Karish Project")	Negative impact on the Group's revenues.

Risk Mitigation	2020 outcomes and ongoing actions
• Continuous implementation and monitoring of the Company's IT Security Policy, which includes measures to protect against cyber-attacks • Advanced network security detection and data encryption • Vulnerability Assessment and Penetration Testing • Employee awareness training • Control of disclosures and protection of any disclosed confidential information in third party contracts • Complete segregation of Operating Technology (OT) network from corporate office network and internet for maximum Cybersecurity protection of Industrial Control Systems	Energean staff susceptibility to phishing regularly tested. Assurance programme using specialist third-party providers.

Risk Mitigation	2020 outcomes and ongoing actions
• The Group has centred its gas offtake contracts on the largest private industrial and IPPs in Israel to ensure credit worthiness • Most GSPA clients need to deposit a security in the amount of Supplier's credit they receive, or hold an A credit rating • The Group has secured 12 firm contracts, of 5 bcm per year for a weighted, average tenor of 16 years at an average of 75% "take-or-pay" contract terms, plus0.6 bcm/y contingent on additional resources in 2020, to be converted to firm on publication of Karish North CPR • There is a pipeline of opportunities for replacement offtakers (power plants, increasing market, reduction of coal-generation)	During 2020 a further IEC power plant (Ramat Hovav) is expected to be privatised. Energean notes that the first privatization (Alon Tavor), which was completed in 2019, resulted in a GSPA for Energean with MRC, the winning bidder.

Principal risks **and uncertainties** continued

Conduct risks

11. Corporate Reputation and Culture/Ethics/Compliance

Link to strategy: 1 2 3

Executive Owner: Board

Risk of a major breach of Energean Values, Energean Corporate Culture & Business Ethics Policy, lease agreements or major laws and regulations with a potential to seriously damage Company's reputation or result in criminal prosecution, severe fines or material unexpected costs.

Potential Causes	Potential Impact	Risk Mitigation	2020 outcomes and ongoing actions
• Poor individual behaviour and lack of understanding of ethics and compliance risks in key business areas • Organisation culture may not support "speaking up" • Failure to adequately respond to non-compliance allegations • Bribery and corruption risk	Unethical behaviours or breach of anti-corruption laws leading to prosecutions and fines. Breach of a major contract with a host government and JV Partners leading to disputes, claims and unplanned costs. Reputational Harm. Substantial fines and civil claims.	Key features of the existing policies and procedures include: • The Corporate Culture and Business Ethics Policy sets out the code of conduct for all Company people; It is a statement of core operating principles and values and has been designed to establish clear guidelines for daily business conduct and ethical behaviour • The Inside Information Disclosure Policy documents the approach to compliance with the DTRs and MAR • The Related Party Transactions Policy documents the approach to compliance with Chapter 11 of the Listing Rules • The Anti-corruption and Bribery Policy (ABC Policy) sets out the responsibilities of staff and associated parties working for the Company or on its behalf, in observing and upholding our position on bribery and corruption. It also provides information and guidance on how to recognise and deal with such issues • As part of the Company's anti-corruption and bribery compliance program and within the context of the ABC Policy, the Company has recently introduced a third party risk management procedure to support the Company's relevant functions (i.e. contracts & procurement department, CSR, commercial team) in conducting third-party due diligence on potential associated parties with a view to mitigating the risk of becoming involved in corruption through Company's counterparties • As part of the commitment to conducting business with honesty and integrity, the Group has adopted a Whistleblowing Policy that encourages the detection and reporting of malpractice throughout all levels of the organisation. All whistleblowing matters are reported to, and investigated by,the Whistleblowing Officer • As part of the strong oversight and leadership from the executive management and the Board, the Company also runs a robust framework of controls to monitor all payment approvals and to have in place resilient bookkeeping procedures	• Energean Values actively rolled out by the management • Communication of the reporting lines and Whistle-Blowing Policy • Continued local anti-corruption awareness training • Updated policies related to people and workplace environment in the following areas – Grievance procedures, disciplinary procedures, equal opportunities, harassment & bulling, anti-retaliation as well as travel policy, dress code policy and clean desk policy • Continued employees' surveys to measure Company's culture • Update the Group's Code of Conduct & Business Ethics to include the corporate criminal offences together with all other newly adopted policies and standards

Viability **statement**

The Directors have assessed the viability of the Group over the period to December 2022, 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 half 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; it is expected to be refinanced via long-term debt in 2021. Energean expects to finalize the global Reserves Based Lending Facility to refinance its Greek RBL and fund the Edison Acquisition in H1 2020. The Facility will have a 3 year grace period, as such the viability assessment period is largely aligned with Energean's funding cycle;

iii. The majority of the Energean and Edison capital expenditure occurs during the next three years, including for projects such as the Karish gas development in Israel, the NEA gas development in Egypt, the Cassiopea gas development in Italy and the Epsilon oil development in Greece. This means the assessment period contains all material capital investments, which will in turn significantly increase the Group's free cash flow from H2 2021.

Based on these factors, the Board consider that an assessment period up to 31 December 2022 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 (i) monthly cash flow analysis, (ii) a number of sensitivity scenarios and (iii) reasonable worst-case scenarios, together with associated supporting analysis provided by the Group's finance team. Sensitivity analysis focused on development project delay, delay to closing the Edison Acquisition and oil prices.

In the first quarter of 2020, oil prices have fallen significantly due to fears over the spread of COVID-19 and the impact this may have on global demand for oil. In light of this, the Group has performed additional sensitivity analysis on oil price.

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
Failure to deliver the Karish gas field project, offshore Israel (the "Karish Project") on schedule and/or within budget	First Gas from Karish in H1 2021; increase in the Project Finance Facility to USD1.45bn (in Q1 2020)	6 month delay case with First Gas in Q4 2021
Delay in completing the Edison Acquisition	Completion occurs in June 2020	Completion delayed by 6 months
Lower production, poor asset performance and late delivery of projects	Production assumptions based on conservative management estimates for medium term planning, supported by independent reserves report.	3 month delay to Cassiopea first gas (Edison E&P); 6 month delay to the Epsilon development plus 10% increase in total project costs; 10% reduction in average production from producing assets in Egypt (Edison E&P), Greece and Italy (Edison E&P)
Ability to refinance debt and access to liquidity to fund capital expenditure	Increase in Project Finance Facility by $175m to $1.45bn in Q1 2020. Refinance of USD1.45bn Project Finance at maturity in December 2021 post First Gas with a long term loan or bond Refinance of Greek RBL with $525m RBL Facility in H1 2020	Delay to refinance by 6 months; scheduled repayment under the Greek RBL in Q3 2020
Market and Treasury – to withstand macro environment, EGPC receivables risk (Egypt – Edison E&P) , oil price, FX and Interest Rate volatility	Oil price based on Group planning assumption of $60/bbl (real) plus discount to Brent FX rate for costs in EUR of €1 : $1.13 IR based on floating USD LIBOR set by the Lending banks at each interest rate period under the Loans EGPC receivables 300days (Edison E&P)	Average oil price of $50/bbl (real) during the assessment period plus discount to Brent; LIBOR rate increased by 1% in 2021 and 2022 (to 2.4% average); increase in EGPC receivables to 350days (Egypt – Edison E&P) Average Oil price at $30/bbl in 2020 and 2021 and $50/bbl thereafter; reduction in opex of 15%; delay to non-core development projects by 1 year

Under such sensitivity scenarios the Board has considered availability and likelihood of mitigating factors such as hedging, additional funding options, 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**

Chairman's **letter**

Dear shareholders,

On behalf the Board, I am pleased to welcome you to our Corporate Governance report. 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.

In February, the Company was promoted the TA-35 on the Tel Aviv Stock Exchange, which represents the 35 biggest companies by market capitalisation on the Tel Aviv Stock Exchange.

I look forward to working with the Board, management and all of our stakeholders to fulfil the Company's purpose of creating long-term value for all stakeholders and deliver the energy transition through a strategic focus on gas.

The Board and governance

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.

Board changes

On 21 November 2019 Simon Heale retired from the Board, having overseen Energean's transition from a small private company to a constituent of the FTSE 250 and TA-35. On behalf of the Board I would like to thank Simon for his significant contribution to Energean – and the entire Energean team offers Simon best wishes for the future.

The Board was pleased to appoint Amy Lashinsky as an Independent Non-Executive Director. Amy brings to the Board significant experience in global risk management and vast experience of entrepreneurial leadership; I look forward to closely working with her. Whilst the appointment of Amy improves the diversity of the Board, this is an area the Board is looking to address in order to increase female representation on the Board.

We also reshaped the Board committee structure; these changes will ensure that Environment, Social & Governance (ESG) matters are dealt with at one committee, highlighting their importance and the Board's focus on these areas.

Board evaluation

During the year the Board undertook an internal evaluation facilitated by the Company Secretary. As required by the Code, during 2020 this will externally facilitated with the results reported in the 2020 Annual Report and Accounts.

Engagement with stakeholders

Pages 90-91 of the Governance report sets out the Company's compliance with section 172 (1) and engagement with Stakeholders.

Engagement with shareholders

We place considerable emphasis on active engagement with our shareholders and aim to maintain open and transparent communication. We were pleased to meet with a number of shareholders during the capital raise in July 2019 as part of the funding of the Edison E&P transaction. Furthermore, the Company ensures that copies of all annual reports and accounts and interim reports are available on the Company's website and monthly reports are uploaded to keep shareholders abreast of the latest developments within the Group.

I look forward to engaging with many shareholders throughout the year and welcoming all shareholders to our Annual General Meeting on 21 May 2020.

Priorities for 2020

Looking ahead, the key priorities for the Board will be reviewing the successful integration of the Edison E&P business, monitoring the Company's progress on ESG issues, acting on any recommendations from the externally facilitated Board review, tracking progress on the construction of the Karish Project, reviewing the assets within the Group for capital allocation purposes and becoming a leading ESG player in the sector.

In this context maintaining the high standards of governance established to date will be of critical importance.

Karen Simon
Chairman
18 March 2020

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

Committee membership

- Committee Chairman
- A Audit & Risk
- NS Nomination & Environment, Social & Governance
- R Remuneration

Karen Simon

Non-Executive Chairman

Independent: On appointment

Commencement of appointment:
September 2017, appointed Chairman in November 2019

Key skills & experience

Karen recently retired from J.P. Morgan's Investment Bank where she was a Vice Chairman with over 36 years of experience.

Her career included 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.

Karen holds the following degrees: an MBA, a Masters in International Management and a BA in Economics.

Current external appointments

- Non-Executive Director of Aker ASA
- Board Member of the non-profit Dallas Women's Foundation

Matthaios (Mathios) Rigas

Chief Executive Officer

Independent: Not applicable

Commencement of appointment:
May 2017, previously the CEO of the Group since 2007

Key skills & experience

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.

Mathios 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.

Current external appointments

Not applicable

Panagiotis (Panos) Benos
Chief Financial Officer

Independent: Not applicable

Commencement of appointment: May 2017, previously CFO of the Group since 2011

Key skills & experience
Panos has 20 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 based in London and Aberdeen, where he held positions in Finance with a focus in the EMEA region. He commenced his career at Royal Bank of Scotland.

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

Current external appointments
Not applicable

Andrew Bartlett
Senior Independent Director

Independent: Yes

Commencement of appointment: August 2017

Key skills & experience
Andrew has over 38 years' experience in the upstream oil and gas and the financial services industry.

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.

He was previously the global head of Oil & Gas M&A and Project Finance for Standard Chartered Bank between 2004 and 2011 and on the bank leadership team. Prior to this, Andrew worked on the trading and derivatives desk of Standard Bank of South Africa from 2001 to 2004. He has spent the last nine years with a private equity firm Helios Investment Partners advising them on their upstream oil & gas investments in Africa.

Andrew served as the chairman and non-executive director of Azonto Energy from 2013 to 2015, Eland Oil & Gas from 2012 to 2013. In addition to the Board and Audit & Risk Committee of Energean he currently sits on the Boards and heads the Audit Committees of Africa Oil Corporation, Impact Oil & Gas and Petrobras Oil & Gas B.V.

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

Current external appointments
- Non-Executive Director of Africa Oil Corporation
- Non-Executive Director of Impact Oil & Gas Limited
- Adviser to Helios Investment Partners LLP
- Non-Executive Director of Petrobras Oil and Gas B.V

Ohad Marani
Non-Executive Director

Independent: Yes

Commencement of appointment: July 2017

Key skills & experience
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.

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

Current external appointments
- Board member of Bank Leumi of Israel Ltd.
- Member of the Investment Committee of Israel's Infrastructure Fund

Committee membership

- Committee Chairman
- A Audit & Risk
- NS Nomination & Environment, Social & Governance
- R Remuneration

Efstathios (Stathis) Topouzoglou

Non-Executive Director

Independent: No

Commencement of appointment:
May 2017

Key skills & experience

Stathis 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.

Stathis holds a BA in Business Administration and Economics from the University of Athens, Greece.

Current external appointments

- Chief Executive Officer and Managing Director of Prime.

Robert Peck

Non-Executive Director

Independent: Yes

Commencement of appointment:
July 2017

Key skills & experience

Robert was Canada's Ambassador to the Hellenic Republic 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. Earlier diplomatic assignments included Lagos, Nigeria, and Berne, Switzerland. During a two-year leave of absence from the Government of Canada Robert was Director of Corporate Communications and Investor Relations at CAE Inc.

Before joining the Board of Energean PLC Ambassador Peck was a senior advisor in the Human Resources Bureau at Global Affairs Canada, a department of the Government of Canada, from 2015 to 2017.

Former Ambassador Robert Peck holds a BA in History and Journalism from Concordia University in Montréal, Québec.

Current external appointments

Not applicable

Amy Lashinsky

Non-Executive Director

Independent: Yes

Commencement of appointment:
November 2019

Key skills & experience

Amy Lashinsky is a co-founder of Alaco, the international risk management company, and a member of its Board. Ms Lashinsky trained as a securities analyst on Wall Street before joining Kroll in New York in 1985. She moved to London in 1988 to help establish Kroll's first overseas office where she became Managing Director of its business intelligence unit. In 1995 Ms. Lashinsky set up Asmara Limited, which was sold to NYSE-listed Armor Holdings in 1998, before founding Alaco in 2002. Ms Lashinsky graduated from the University of Michigan.

Current external appointments

- Alaco Limited, Chief Executive Officer

David Bonanno

Non-Executive Director

Independent: No

Commencement of appointment:
May 2017

Key skills & experience

David Bonanno is a Managing Director at Third Point LLC, where he is responsible for private and special situation investment opportunities across a broad range of industries including Fintech, financial services, telecommunications, energy and real estate. He also serves as the Chief Financial Officer of Far Point Acquisition Corporation (NYSE: FPAC), a $630 million specialty purpose acquisition company focused on Financial Technology. Additionally, David is the primary investment professional responsible for the Third Point Hellenic Recovery Fund L.P., a $750 million long-term investment vehicle exclusively dedicated to illiquid growth investments in Southern Europe. Prior to joining Third Point LLC, he was an associate at Cerberus Capital Management and an analyst at Rothschild.

David Bonanno graduated cum laude from Harvard University with a BA in Psychology.

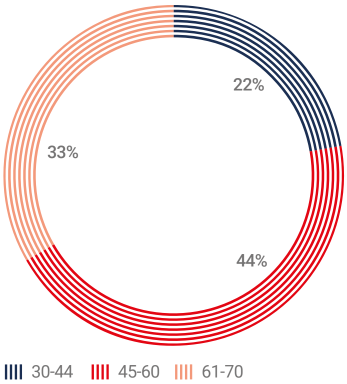
Current external appointments

- Managing Director, Third Point
- Chief Financial Officer, Farpoint Ventures

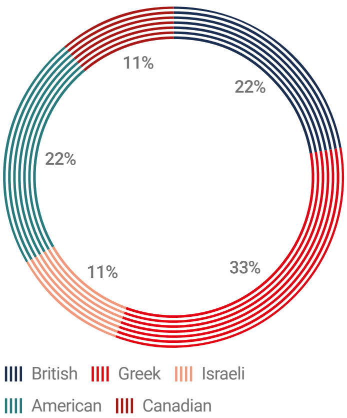
Board diversity

The mix in our membership

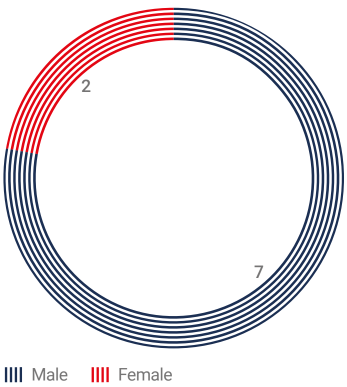
Board diversity by age (years)



Board diversity by nationality



Board diversity by gender



Corporate **governance report**

Statement of Compliance

The Board is committed to the highest standards of corporate governance. Since admission to the London Stock Exchange in March 2018, the Board has complied with the 2016 Corporate Governance Code. In 2018, the new corporate governance code was announced which applies for financial years beginning on or after 1 January 2019. During the year the Board has implemented the 2018 Corporate Governance Code ("the Code") and has carried out a full review to confirm that it is compliant with it.

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.

Type and number of meetings held during the year

Director	Board 12	Audit & Risk 4	Nomination & Governance 2	Remuneration 4	HSE 2
Mathios Rigas	12	–	–	–	–
Simon Heale[1]	8	–	1*	–	–
Andrew Bartlett	11	4	2	4	–
Ohad Marani	12	4	–	4	2
Robert Peck	12	4	1**	4	2
Efstathios Topouzoglou	11	–	2	–	–
Panos Benos	12	–	–	–	–
Karen Simon	9***	–	–	–	2
David Bonanno	9	–	–	–	–
Amy Lashinsky[2]	2	–	–	–	–

1. Retired from the Board on 21 November 2019
2. Appointed to the Board on 21 November 2019

* Left the Committee in November 2019

** Appointed to the Committee in September 2019

*** Whilst Karen Simon attended all of the physical Board meetings, a number of Board calls were held early in the year that Karen was unable to dial into due to other commitments. Ms Simon provided comments on the papers ahead of these meetings and the Board does not consider that Ms Simon has any issues in relation to attendance at Board meetings.

The Board

The Board met on twelve occasions during 2019 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. The key matters considered in 2019 were:

- HSE performance
- Acquisition of Edison E&P S.p.A
- Board visit to Israel to visit the drilling operations and meet the Israel office staff
- Sale of North Sea assets from the Edison transaction to Neptune Energy
- Review of the performance of the Prinos Asset
- Meet with key executives from Technip FMC to discuss the progress being made on the FPSO project
- Approving the Group budget
- Strategic decision on capital expenditure
- Group strategy in light of the increased focus on ESG matters
- Board & Board Committee membership
- Performance review
- Operation as a listed company
- Material contracts
- Reviewing and approving the financial statements for the year-end and half year
- Financial reporting and controls
- Material tenders
- Approving the issuing of shares in the Company in line with the authorities granted by shareholders
- Material litigation
- Compliance with statutory and regulatory obligations
- Internal controls and risk management
- Significant transactions
- Executive remuneration
- Delegations of authority

Board leadership and company purpose

The Board's primary role is promote the long-term sustainable success of the Company and to ensure that value is being generated for shareholders and contributing to wider society.

Details of the Company's Corporate Social Responsibility commitments and actions are found on pages 36-39. Furthermore as part of the Company's contribution to the wider society, the Board was pleased that Energean had further enhanced its environmental credentials in December 2019, by becoming the first London listed E&P Company to commit to the UN's Global Compact campaign and pledge to net zero emissions by 2050. This demonstrates Energean's commitment to create value through sustainable development, taking into account the environmental aspects of our business. Further details of our activity in relation to protecting the environment can be found on pages 45-48.

Energean has grown from a company that was worth approximately $1 million in 2007, to be valued at over $2 billion in 2019. Energean's reserves and production have also significantly increased during that period. The Company is also proud of its health and safety record, further details of which can be found at page 44.

In June 2019, Robert Peck was appointed by the Board as the workforce Board representative. In addition, employees can raise concerns through the whistleblowing procedure, for which the key point of contact is Andrew Bartlett, Chairman of the Audit & Risk Committee and Senior Independent Director. The Board receives monthly updates from the Group HR Manager on staff-related matters and has a direct line of communication if required. In December 2019, in anticipation of the completion of the Edison transaction, Energean signed a "Protocol of Industrial Relations" with national and local unions in Italy, which represented the establishment of Energean's social dialogue with Italian unions. Energean and the unions agreed to cooperate in line with the existing trade union agreements in place. Each year the Company welcomes shareholders to its Annual General Meeting ("AGM"), which provides a unique opportunity to ask questions to the Board. The results of the voting on each resolution proposed to the meeting are published via the Regulatory News Service and through the Tel Aviv Stock Exchange news service.

Energean at a glance

Our purpose

To create long-term value for all our stakeholders and help deliver the energy transition through a focus on gas.

Our vision

To be the leading sustainable, gas-focused and innovative independent E&P company in the Eastern Mediterranean.

Our strategy

To create value for shareholders through developing a balanced portfolio of gas assets and producing near-term cash flow within a disciplined financial framework. Our strategy consists of four key elements: optimising production, developing reserves, adding more hydrocarbons and optimising our portfolio, that we execute within our fundamental pillars of risk mitigation, operational excellence, effective project delivery, disciplined capital allocation and ESG stewardship.

Our values

Energean seeks to fulfil its vision by adhering to the following values:

- Responsibility in all our actions and areas where we conduct our business
- Excellence in everything we do; deploying best practices to achieve profitable and sustainable growth, while advancing the energy transition
- Integrity respecting our shareholders, employees and business; promoting transparency and accountability; cultivating a unique corporate sustainability culture
- Commitment to a talented workforce; investing in our people's development
- Caring for the environment; reducing our carbon footprint
- Engagement with local communities; adding value, meeting their expectations and needs

Corporate governance report continued

Division of responsibilities

The Board currently comprises the Chairman who was independent on appointment, two Executive Directors, two Non-executive Directors and four independent Non-executive Directors. The independence of the Non-Executive Directors was tested against the criteria set out in Provision 10 of the Code. 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 19.7% of the shares of the Company. 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 9.53% of the shares of the Company.

There is a clear division of responsibilities of the Chairman, the Executive Directors and the Non-executive Directors. The roles of Chairman and Chief Executive Officer are separate, and the responsibilities clearly 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.

As detailed on page 86, the Board met 12 times throughout the year, which is deemed to be sufficient given the size and complexity of the Company's operations and merger and acquisition activity. The Chairman leads the Board and is responsible for its overall effectiveness in directing the Company. Whilst the Chairman has been relatively recently appointed, she is committed to promoting a culture of openness and debate. The Board provides rigorous challenge to management and such challenge is supported and facilitated by the Chairman. The Directors have strong experience in the sector in which the Company operates and seeks to operate and have a broad range of business and commercial experience.

The Board is supported by the Company Secretary who is also Secretary to all the Board Committees. This ensures effective information flow between the Board and its Committees. Each Committee reports to the Board at the next Board meeting following its own meeting, so that the Board is kept up to date on key matters being dealt with. The Board benefits from the use of a Board portal system to assist with the timely production of Board papers and reviews key Company policies throughout the year. The Board has unfettered access to senior executives at the Company and is fully supported by the Company Secretarial team.

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.

Composition, succession and evaluation

Karen Simon was appointed as Chairman of the Board in line with the succession plan that was based on merit and objective criteria with due regard given to diversity of gender and her personal strengths. Shareholder groups had commented during the 2019 AGM that they would like to see a more diverse Board. The Nomination & Governance Committee addressed these concerns which ultimately led to the appointment of Amy Lashinsky to the Board. Details of these appointments can be found in the Nomination & Governance Committee report on page 95.

At the end of 2019 the Board, led by the Nomination & Governance Committee, refreshed the membership and structure of the Committees to ensure that responsibilities were equally distributed amongst the independent non-executive Directors. This process was undertaken to ensure that the Committees continued to operate effectively and no one Director was overburdened. The Board is satisfied that the Directors have an excellent combination of skills, experience and knowledge to assist the Company in achieving its long-term goals. As the Board was only formed slightly before listing on the London Stock Exchange in March 2018, no Independent Non-Executive Director has served more than three years.

The Nomination & Governance Committee leads the annual evaluation of the Board. During 2019 this was carried out by the Company Secretary by way of a questionnaire. As last year was the first year an evaluation of the Board was carried out, the results this year were compared with last year. The results were reviewed by the Committee and discussed with the new Chairman of the Board. Both the Committee and the Board were satisfied that each Director continues to contribute effectively. During 2020, the Board will carry out an external review as required by the Code, the results of that review will be reported on in the 2020 Annual Report & Accounts.

Audit, risk and internal control

Upon admission in March 2018, the Board established the Audit & Risk Committee, which during 2019 compromised Andrew Bartlett, Ohad Marani and Robert Peck, all of whom are Independent Non-Executive Directors. The Board is satisfied that Andrew Bartlett and Ohad Marani have recent and relevant experience and that the Committee as a whole has competence relevant to the sector in which the Company operates. The main roles and responsibilities of the Committee are set out in its terms of reference, which are available to download at www.energean.com or available upon request from the Company Secretary. As part of the responsibilities of the Committee, it has formal and transparent policies to ensure the independence and effectiveness of the internal and external audit function, and satisfy itself on the integrity of financial and narrative statements. The Audit & Risk Committee considers the nature and extent of the principal risks facing the Group and the internal control framework. Further information about the Committee's activity is detailed on page 92.

This Annual Report includes a number of disclosures that 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.

Remuneration

The Board established the Remuneration Committee as part of admission process in March 2018. During 2019 the Committee members were Ohad Marani (Chairman), Robert Peck, Simon Heale and Andrew Bartlett, all of whom are Independent Non-Executive Directors. The Committee has delegated responsibility for determining policy for Executive Director remuneration and setting remuneration for the Chairman, Executive Directors and senior management. The Company has in place a long-term ("LTIP") incentive plan for senior management, which is designed to promote the long-term success of the Company by assessing performance over three years and being linked to strategic goals, such as first gas at Karish and share price performance against a peer group of other related companies. Furthermore the Company has in place a bonus scheme which requires Directors to defer one third of the bonus into shares to be held in trust for 2 years. This further aligns the Executive Directors with the long-term interests of the shareholders.

The members of the Remuneration Committee are required to exercise independent judgement and discretion when authorising remuneration outcomes, with regard to company and individual performance and wider circumstances. No Director is involved in deciding their own outcome, and when discussing fees for the Chairman, Karen Simon will excuse herself from these discussions.

Further details of the role and activities of the Remuneration Committee and the Remuneration Policy are found on pages 100-110 of this report.

Leadership structure

During 2019	As at 1 January 2020
Audit & Risk Committee Chairman Andrew Bartlett **Members** Ohad Marani Robert Peck	**Audit & Risk Committee** Chairman Andrew Bartlett **Members** Karen Simon Robert Peck Amy Lashinsky
Nomination & Governance Committee Chairman Simon Heale **Members** Andrew Bartlett Efstathios Topouzoglou Robert Peck	**Nomination & Environment, Social & Governance Committee** Chairman Robert Peck **Members** Ohad Marani Amy Lashinsky Efstathios Topouzoglou Karen Simon (in attendance)
Remuneration Committee Chairman Ohad Marani **Members** Andrew Bartlett Robert Peck Simon Heale	**Remuneration Committee** Chairman Ohad Marani **Members** Andrew Bartlett Karen Simon
Health, Safety and Environment Committee Chairman Robert Peck **Members** Ohad Marani Karen Simon	

Corporate **governance report** continued

Section 172 (1) Companies Act 2006 Statement

The Directors confirm that, throughout the year, they have acted in accordance with their responsibilities to promote the success of the Company, as required in section 172 of the Companies Act 2006. That section further requires the Directors to have regard to a range of factors when making decisions, including the likely long-term consequences of any decision, the interests of the Company's employees, the need to foster the Company's business relationships with suppliers, customers and others, the impact of the Company's operations on the environment, maintaining a reputation for high standards of business conduct, and the need to act fairly between members of the Company.

The Company's key stakeholders are its employees, local communities, governments in the countries in which the Company operates, customers, lenders and shareholders.

Throughout the year the Board placed a high importance on stakeholder considerations and considered these at the centre of its decision-making process. During the discussions on the Edison E&P acquisition, all stakeholders were considered. Furthermore an active dialogue was maintained with the governments of the jurisdictions in which Edison E&P operates, and government approvals are a condition precedent to the deal closing. Shareholder value was at the forefront of discussions to ensure that the acquisition was in their best interests and would generate long-term value. Shareholders were also consulted as part of the equity raise used to finance part of the acquisition. The Directors also wish to engage with local communities near the Edison E&P assets and add them to the Company's existing Corporate Social Responsibility plan. In addition the Company signed a "Protocol of Industrial Relations" with national and local unions in Italy to cooperate with them in a transparent manner and in line with the existing trade union agreements in place. The Directors also took into consideration the gas weighting of the Edison E&P portfolio and its role in delivering the Company's transition to clearer energy and strategically moving away from oil.

The Board also had teach-in sessions with leading figures in the industry in relation to ESG matters, underpinning the commitment of the Company to be a net-zero emitter by 2050.

Engagement with:

Workforce

As required by the 2018 Corporate Governance code, Robert Peck, a Non-Executive Director, was appointed by the Board in 2019 to be the "employee voice" in the boardroom. As a former Canadian ambassador he is well-equipped to carry out this role. The Directors see this function as being of particular importance with the anticipated closing of the Edison E&P acquisition and subsequent integration of the employees.

As part of the Board's visit to Israel in September 2019, the Directors were pleased to meet with the Israel office employees and workers on the Stena DrillMax drill ship, on location offshore Israel. In addition, the Directors received an overview of the company's Israeli office and were able to have an informal lunch with employees to gauge their views on a number of issues. The former Chairman, together with the Chairman of the HSE committee, also visited the operations of the Company in Kavala, met with key employees and received presentations on the continued excellent HSE performance at the site.

In late 2019 the Company's CEO and its Head of CSR, visited the Chinese yard building the hull for the Karish FPSO, which has recently achieved over four million man-hours without a lost-time accident. Stathis Topouzoglou has also made frequent visits to the Chinese yard.

Furthermore, as part of the monthly reporting, the Board receives regular Management Information on employee matters and HSE performance figures.

Local communities

Energean is very active in the communities in which it operates (further information on this can be found on pages 36-39), and the Directors are cognisant of their responsibilities to "give something back" by means that are appropriate to the particular communities. The Board receives information on such activities being carried out by the Company in monthly reports and at Board meetings. The activities are tied to the Company's commitment to the fulfilment of the 17 UN Sustainable Development Goals. Examples include:

- In Greece, proudly opening the crowdfunding project for the creation of a multi-sensory room in a Special School, the School of Special Vocational Education and Training of Kavala, Greece. The room was presented on 3 December 2019, which marks the International Day of Persons with Disabilities.
- In Israel, the Company joined Ma'ala, a non-profit, CSR standards-setting organisation in Israel. Ma'ala's CSR Index is an ESG rating system used as an assessment tool, benchmarking Israeli companies on their CSR performance. The Company is continuously strengthening its position as a member of the CSR community in Israel, and in 2019 the Company grew its reputation within the organisation and its leadership. In 2020, Energean will be ranked against 25% of the largest companies in Israel.
- In Montenegro, Energean took part in a beach and seabed clean-up in the town of Bar as part of the World Environment Day initiatives carried out by the Company.

Governments

The Company has a transparent dialogue with all host governments in countries where it operates and seeks to operate. All these discussions are led by the Chief Executive Officer. The Company regularly engages in industry forums in these countries to further demonstrate its commitment to working closely with their governments. The Company also outlines its payments to governments on pages 192-195.

Shareholders

Energean is committed to transparency and engaging with its shareholders, including providing all appropriate information to the investment community. The annual report and accounts are available from www.energean.com/investors/reports-presentations and, where elected or on request, will be mailed to shareholders and to stakeholders who have an interest in the Company's performance.

The Company responds to all requests for information from shareholders and maintains a separate Investor Relations department within the existing www.energean.com website, as a focal point for all investor relations matters. Moreover, there is regular dialogue with institutional shareholders via face-to-face meetings, investor roadshows, RNS announcements, regular trading updates and conferences, as well as general presentations that are published on the Company's website.

Furthermore, the Board is advised of any specific remarks from institutional investors, to enable it to develop an in-depth understanding of the views of major shareholders. All shareholders have the opportunity to put forward questions at the Company's Annual General Meeting.

Audit & Risk Committee report

Andrew Bartlett
Chairman of the Audit & Risk Committee

I am pleased to present this Audit & Risk Committee Report for the year ended 31 December 2019, which sets out the role and work of the Committee during the year and key areas of focus for 2020.

Membership of the Committee

The members of the Audit & Risk Committee during the year were myself, 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. Committee members' skills and experience are documented on pages 82-85. The Board is satisfied that the Committee meets the requirement to have recent and relevant financial experience and 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. No meetings of this nature were requested during the financial year.

The CFO and external audit partner attend meetings by invitation; the Company Secretary acts as Secretary to the Committee.

As noted in the Nomination & Governance Committee report, effective from 1 January 2020, Ohad Marani will leave the Committee and Karen Simon and Amy Lashinsky will join the Committee. I would like to thank Ohad for his contribution to the Committee and welcome Karen and Amy. With these changes, the Board remains satisfied that the Committee has recent and relevant financial experience and that the Committee as a whole has sufficient sector experience.

Attendance at meetings

The Committee met four times during the year, and attendance at these meetings is set out below:

Member	Number of meetings	Meetings attended
Andrew Bartlett	4	4
Ohad Marani	4	4
Robert Peck	4	4

Role and activities of the Committee

The Audit & 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 and 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
- reviewing the effectiveness of the internal audit, whistleblowing and fraud systems in place within the Group

The Audit & 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. In order to assist with achieving this, the Committee regularly liaises with the Company's compliance function.

The Audit & 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.

The Committee receives regular regulatory updates to ensure that it remains up to date with developments in financial reporting.

Key matters considered in relation to the consolidated financial statements

The Audit & 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 raised challenges in the areas set out below:

- The Committee discussed 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 the Greek assets should be impaired by $71.1 million, but no indicators of impairment from the Israeli assets.

- Given the importance to the Company, the Committee again 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 2019 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.

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 third 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.

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 on page 155.

The External Auditor attends each meeting of the 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.

The Audit & 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 independent and 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 2020.

The Committee regularly reviews the performance of the auditor and the Chairman of the Committee regularly meets with the Audit Partner to pass on any feedback. The Chairman of the Committee also met with the EY audit teams in Athens and Tel Aviv.

Non-audit services

In order to safeguard the External Auditor's independence and objectivity, the Group has in place a policy setting out the circumstances in which the External 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 are considered by the Audit & Risk Committee Chairman on a case-by-case basis, supported by a risk assessment prepared by management. This is reported bi-annually to the Committee.

The Committee notes the proposed changes in this area and will comply with any future FRC recommendation on the provision of non-audit services.

The types of services received are as follows:

- Tax certification services in Greece and Israel
- Agreed upon procedures for loan covenant review
- Climate change and sustainability services
- Reporting accountant services in connection with the Prospectus for the Class 1 transaction related to the acquisition of Edison E&P S.p.A
- Review of the Group's interim financial statements

In all these cases, safeguards were adopted and reasons given as to why these safeguards were considered to be effective. The Committee was satisfied that the independence of the External Auditor was not affected by the performance of any of these services.

Internal controls and risk management

The Audit & 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 58-59. The Group's principal risks and uncertainties, which provide a framework for the Committee's focus, are discussed on pages 60-78. Management has identified the key operational and financial processes that 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.

Audit & Risk **Committee report** continued

Internal auditors

PricewaterhouseCoopers Business Solutions S.A. ("PwC") were appointed in January 2018 for a term of three years as the Group's outsourced internal audit function following a tender process. Its key objectives are to provide independent and objective assurance on risks and controls, to the Board, the Audit & 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 & Risk Committee in April 2018, as well as a short-term Internal Audit plan for 2019. The Committee's Chairman has established a positive and effective working relationship with Internal Audit.

The Audit & Risk Committee is responsible for the review and approval of the role and mandate of internal audit function, including the approval of the annual internal audit plan and monitoring the effectiveness of the function. Each report produced by the internal auditor is reviewed at meetings of the Committee and the status of follow-up action points reviewed against the agreed deadline.

The Audit & Risk Committee delegates the setting of the internal audit plan and the review of the performance of the internal audit function to the Internal Audit Committee, which is a sub-committee of the Audit & Risk Committee. The membership of this Committee is Andrew Bartlett (Committee Chair), Amy Lashinsky, Robert Peck, Karen Simon, Group Head of Financial Control, Group Compliance Officer and representatives from the internal audit function.

In its annual assessment of the effectiveness of the internal audit function, the Audit & Risk Committee carried out the following:

- met with the internal audit team without the presence of management to discuss the effectiveness of the function
- reviewed and re-assessed the internal audit work plan
- monitored and assessed the role and effectiveness of the internal audit function in the overall context of the Group's risk management policy

During the year PwC undertook four (2018: three) internal audits at a cost of $75,899 (2018: $62,600). Following Internal Audit's reviews of the Company's internal control systems, the Committee considered whether any matter required disclosure as a significant failing or weakness in internal controls during the year. No such matters were identified.

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 2019. The 2020 assessment will form part of the overall externally facilitated Board evaluation.

Our priorities for 2020

During 2020, the Committee will play an active role in assessing the accounting treatment of the Edison E&P S.p.A transaction and reviewing the financial information contained within the Prospectus.

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 a formal internal review of the effectiveness of the External Auditor. The Committee will also continue to review the effectiveness of the internal audit function ahead of the existing contract coming to an end.

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
18 March 2020

Nomination & Governance **Committee report**

Robert Peck
Interim Chairman of Nomination & Governance Committee

It is my pleasure to introduce the Nomination & Governance Committee Report for 2019, which sets out the composition, role and activities of the Committee and the areas of focus for 2020.

Membership

The members of the Nomination & Governance Committee are Andrew Bartlett and Efstathios Topouzoglou. Simon Heale served as Chairman of the Committee until his retirement from the Board on 21 November 2019.

The Code recommends that a majority of the members of the Nomination & 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 a Non-Executive Director, 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 & Governance Committee became effective upon Admission in March 2018.

	Number of meetings	Meetings attended
Robert Peck	1*	1*
Simon Heale	1**	1**
Andrew Bartlett	2	2
Efstathios Topouzoglou	2	2

* Robert Peck was appointed to the Committee on 11 September 2019 and became interim Chairman upon the retirement of Simon Heale from the Board.

** Simon Heale left the Committee upon his retirement from the Board on 21 November 2019

Role of the Committee

The Nomination & Governance Committee plays a fundamental role in assisting 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. To view the Committee's terms of reference, please visit the Company's website 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 & 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.

As at 31 December 2019, the Board included two females who represented 22% of the overall Board. Whilst I note that the Company is still short of the 33% target set by the Hampton-Alexander review, I remain confident that we will reach this target and that the Company is now one of the few companies in the FTSE 350 with a female Chairman.

Senior management is defined as the Executive Committee; currently the make-up of that Committee is 20% female v 80% male. Their direct reports are 42% female v 58% male.

Board effectiveness

As reported earlier on page 88, an evaluation of Board effectiveness took place during 2019. 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.

Nomination & Governance **Committee report** continued

Appointment of the Chairman and time commitment

On 21 November 2019, Simon Heale, Chairman of the Board resigned from the Company. The Committee met to discuss the possible options to replace Simon as Chairman. Following a review of the succession plans, the Committee noted that Karen Simon had recently retired from her full-time role at J.P. Morgan and had extensive experience in the oil and gas sector. The Committee unanimously agreed that there was no need to advertise externally and that Karen Simon should be appointed as Board Chairman; subsequently the Board unanimously ratified this decision. The succession plan was able to respond immediately to this change and ensure continuity for the Board and the Company.

Karen Simon is also a non-executive Director of Aker ASA, an Oslo Stock Exchange-listed company. The Board believes that Karen has adequate time available to devote to the Company. Karen was deemed to be independent on appointment and was first appointed to the Board as an Independent Non-Executive Director in November 2017. She has therefore only served two years out of a possible nine years.

Appointment of New Independent Non-Executive Director

The Committee were pleased to recommend to the Board that Amy Lashinsky be appointed as an independent Non-Executive Director. Amy's vast experience in the global risk management sector will greatly assist the Board in assessing and monitoring the key risks that the Company could face. In addition, Amy's entrepreneurial leadership experience and skill set in growing companies will assist greatly when dealing with strategic matters. The Committee did not engage an external search firm for the process; the Committee was satisfied that this was not necessary as the previous Chairman of the Committee, Simon Heale, carried out an extensive search for candidates. Furthermore the appointment was in line with the Board's policy on diversity.

Succession

The Committee keeps under review the succession plans for senior management. There are no anticipated changes to the make-up of senior management in the near future.

Performance of the Committee

The performance of the Nomination and Governance Committee was assessed by way of an internal process in 2019 and it was concluded that the Committee continued to be effective.

Merger of Committees

In consultation with the new Chairman of the Board, effective from 1 January 2020, the Committee recommended to the Board that the Health, Safety & Environment Committee and the Nomination & Governance Committee merge to form the Nomination & Environment, Social & Governance Committee ("Nomination & ESG Committee"). The membership of the Committee will be as follows:

- Robert Peck (Chairman)
- Ohad Marani
- Amy Lashinsky
- Stathis Topouzoglou
- Karen Simon (in attendance for matters relating to the composition of the Board)

The new Committee will absorb all of the responsibilities of the Nomination & Governance Committee and HSE Committee. The establishment of this new Committee will ensure the Board can assess all ESG matters in one forum.

Committee Membership

Following feedback in the Board evaluation process and in consultation with the new Chair of the Board, effective from 1 January 2020, the Committee membership structure has been slightly altered as set out below.

Remuneration Committee – I leave the Committee and Karen Simon joins the Committee

Audit & Risk Committee – Ohad Marani leaves the Committee and Karen Simon and Amy Lashinsky join the Committee

Our priorities for 2020

In 2020, the Nomination & Environmental, Social & Governance Committee will further focus on succession planning to ensure the Group retains senior executives with the necessary skills and knowledge to remain effective. The Committee will continue to monitor the effectiveness of the Board and the composition of its Committees in light of the Edison E&P transaction.

Furthermore, as required by the 2018 Corporate Governance Code, the Nomination & ESG Committee will carry out an external review of the effectiveness of the Board and will report on its findings and steps taken to act on any findings.

Robert Peck
Interim Nomination & Governance Committee Chairman
18 March 2020

Health, Safety & Environment **Committee report**

Robert Peck
Chairman of Health, Safety & Environment Committee

Membership

The members of the Health, Safety & Environment ("HSE") Committee are myself, Karen Simon and Ohad Marani. The Company Secretary acts as Secretary to the Committee. The Group HSE Manager and the Head of Corporate Social Responsibility are standing invitees to each Committee meeting.

Meetings

During the year, two meetings of the Committee were held, the details of the attendance at which are detailed below. Any member of the Committee or the HSE Director may request a meeting if he/she considers that one is necessary.

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

Role of the Committee

The HSE 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 and the Head of CSR. During the year, as part of the Board strategy day, the Committee received market updates in respect of best practice for Environment, Social and Governance ("ESG") matters and how the Group is responding. In my capacity as Chairman of the Committee, I report on the proceedings of the Committee at meetings of the Board of Directors and maintain an active dialogue with the Group HSE Manager and the Head of CSR outside of meetings.

Activities during 2019

During the year, the Committee reviewed the internal audit report that assessed the Company's HSE function and also reviewed the follow-up of action points from the audit. The Committee, along with the Board, continue to be pleased with the HSE performance of the Company and of its main contractors and partners.

The Committee also reviewed the Company's first sustainability report and the plans for future reporting in this area. As part of the Board strategy sessions, the Committee were pleased that ESG reporting was a fundamental part of the discussions and they look forward to seeing the Company responding to these challenges.

In Q3 of 2019, the Committee, as part of the Board visit, was pleased to visit the drilling operations of the Company in Israel. The Committee noted the high level of HSE practice by the Company and its drilling partners. The Committee was grateful for the opportunity to visit the drilling operations, given the importance of the asset to the future success of the Company.

Our priorities for 2020

As previously reported, effective 1 January 2020, the Committee will merge with the Nomination & Governance Committee to form the Nomination & ESG Committee. The new Committee will continue to carry out the responsibilities of the HSE Committee, including, but not limited to, reviewing the effectiveness of the Group's Health and Safety policies, the Group's sustainability report and reviewing any findings from respective internal audit reports on Health, Safety and Environment.

As part of this new Committee and following the Edison E&P transaction, we will be reviewing the integration of the HSE functions of the combined Group. We will also be reviewing the ESG performance of the Company and the Company's second sustainability report.

Performance of the Committee

The performance of the HSE Committee was assessed by way of an internal process in 2019. Following this review it was concluded that the Committee operated effectively during the year. As previously mentioned in the Nomination & Governance Report, the Board is required to conduct an external evaluation in 2020. As part of this external review, the combined Committee will be reviewed to ensure that it is effective.

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 & Environment Committee Chairman
18 March 2020

Remuneration **Committee report**

Dear Shareholders,

I am pleased to present the Directors' remuneration report for the year ended 31 December 2019.

The report is split into two sections:

- **Remuneration Policy** (pages 100-103) – contains a summary of our Directors' Remuneration Policy, which was approved by shareholders at our 2019 Annual General Meeting (AGM).

The Remuneration Committee is satisfied that the Remuneration Policy has operated as intended since its introduction. However, when the Edison E&P acquisition is complete, we intend to review the continued appropriateness of the Remuneration Policy, including an assessment of its alignment with strategic priorities and analysis of the current remuneration structure for Executive Directors, relative to relevant internal and external comparators. The review will also consider feedback from key stakeholders. Depending on the conclusions of this review, we may seek shareholder approval for a revised Remuneration Policy at the 2021 AGM.

- **The Annual Report on Remuneration** (pages 104-110]) – contains details of remuneration received by Directors in 2019 and also details of how we intend to implement the Remuneration Policy during 2020. The Annual Report on Remuneration will be subject to an advisory vote at the 2020 AGM.

This report is compliant with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Listing Rules and the Companies Act 2006 and is consistent with the UK Corporate Governance Code 2018.

Aligning 2020 remuneration with Company strategy

Assuming completion of the acquisition of Edison E&P occurs in 2020, the Remuneration Committee has reviewed the scorecard of performance measures for determining Executive Directors' variable pay. The revised scorecard that we will use in 2020 (set out in the table below) is also intended to complement our strategic ambition of becoming the leading sustainable, gas-focused, independent E&P company in the Eastern Mediterranean.

There are a number of specific changes to highlight in the scorecard, as revised for 2020:

- To underpin our goal of being a leader in environmental, social and governance (ESG) matters, we have introduced specific ESG measures within both the annual bonus and LTIP.
- 2020 will be an important year for the successful delivery of a number of key strategic objectives including physical project progress on the Karish development, gas sales contracts and portfolio optimisation. We have therefore included strategic measures solely as an annual bonus measure in 2020 (rather than as a measure in both the annual bonus and LTIP, as was the case in 2019).
- Sustainability and our ESG principles underpin everything we do at Energean and we are the first E&P Company globally to commit to net zero carbons emissions by 2050. To complement our leadership in this area, we have introduced specific ESG measures within both the annual bonus and LTIP, in 2020.
- As the Company's strategy has developed we now believe that financial liquidity is more appropriate metric to use

Other decisions made by the Remuneration Committee in relation to Executive Directors for 2020 include:

- Salaries and annual bonus potential will be unchanged in 2020
- LTIP awards will be granted over shares at the following levels – CEO: 200% of salary (2018 and 2019: 200%); CFO: 200% of salary (2018: 200%; 2019 180%)
- A target range of 8%-12% p.a. will apply to the absolute TSR element of the 2020 LTIP awards. Whilst lower than the previous LTIP cycles (12.5%-20%) p.a this a highly challenging target range given the significant share price growth that has already been delivered since admission and the consequent higher base point for this award.
- As the Company has developed we believe that financial liquidity is a more appropriate metric for the annual bonus

Percentages are weighting of each measure in the relevant plan		Annual bonus 2020	Annual bonus 2019	LTIP 2020	LTIP 2019
Strategic and operational goals	Average production	15%	20%		10%
	Growth in 2P reserves + 2C resources	15%	20%		
	Delivery of strategic goals	35%	20%		15%
Financial goals	Financial liquidity	20%			
	EBITDAX		20%		
	Cost of oil production		20%		
Corporate goals	ESG goals	10%		20%	
	Culture and personal objectives	5%			
Shareholder-aligned measures	Relative TSR			50%	55%
	Absolute TSR			30%	20%

Rewarding performance in 2019

As outlined in the Strategic Report, Energean has continued its strong growth trajectory in 2019 both organically and inorganically. 2P reserves and 2C resources have grown by more than 31% (exclusive of the Edison E&P portfolio) and the acquisition of Edison E&P will substantially enhance our reserves and production, providing immediate operating cash flow and EBITDAX.

Strong capital discipline is a key pillar of Energean's strategy and appropriate allocation of capital is something that management continually reviews. One such review was undertaken following the announcement of the proposed acquisition of Edison E&P, which resulted in the cancellation of planned investment in our Greek portfolio and negatively impacted management's opportunity to hit financial and production targets for 2019. After detailed consideration, the Remuneration Committee elected to make no change to the targets which resulted in a zero pay-out for these elements of the bonus and an overall bonus outturn for 2019 of 38% of maximum.

The Remuneration Committee is conscious that this bonus outturn is significantly lower than 2018 (82% of maximum), which may appear inconsistent with the strong share price growth delivered during 2019 (+48%) and the substantial strategic developments achieved during the year, including the potentially transformational and landmark acquisition of Edison E&P. However, on balance, the Committee elected not to use its discretion to adjust the bonus outturn.

I will be available to answer questions on the Remuneration Report at the AGM on 21 May 2020. I hope you find this report to be clear and helpful in understanding our remuneration practices and that you will support the resolution relating to 2020 remuneration at the AGM.

Ohad Marani
Chairman of the Remuneration Committee
18 March 2020

Remuneration **Policy**

Set out below is a summary of our current Remuneration Policy (Remuneration Policy) for Executive Directors, which was approved by shareholders at the 2019 AGM.

A full version of the Policy is contained in our 2018 Annual Report, available on our website at www.energean.com/investors/reports-presentations/.

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
- 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 for 2020, 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
- 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[1]
Fixed pay			
Base salary 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): • The individual Director's role, experience and performance • Business performance • Market data for comparable roles in appropriate comparator businesses • Pay and conditions elsewhere in the Group	No absolute maximum has been set for Executive Director base salaries. Any increase in salaries is at the discretion of the Remuneration Committee, taking into account the factors stated in this table and the following principles: • Salaries would typically be increased at a rate no greater than the average salary increase for other Group employees. • 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). • Larger increases may also be considered appropriate if a Director has been initially appointed to the Board at a lower than typical salary.	No performance conditions.
Benefits 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.
Variable pay			
Annual bonus[2, 3, 4] 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). • Deferred awards are usually granted in the form of conditional share awards or nil-cost options (or, exceptionally, as cash-settled equivalents). • Deferred awards usually vest two years after award although may vest early on leaving employment or on a change of control (see later sections). • 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).	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[1]
Long-Term Incentive Plan (LTIP)[3, 4, 5, 6] To link reward to key strategic and business targets for the longer term and to align the interests of executives (including Executive Directors) with those of shareholders.	Awards are usually granted annually under the LTIP to Executive Directors and selected senior executives. Individual award levels and performance conditions on which vesting will be dependent are reviewed annually by the Remuneration Committee. LTIP awards are usually granted as conditional awards of shares or nil-cost options (or, exceptionally, as cash-settled equivalents). 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). 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).	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.	All LTIP awards granted to Executive Directors must be subject to a performance condition. 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. 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. Any LTIP vesting is ultimately at the discretion of the Remuneration Committee.
Share ownership guidelines To create alignment between the long-term interests of Executive Directors and shareholders.	Executive Directors are required to build and maintain a holding of 200% of salary in Company shares. Until an Executive Director is compliant with this guideline, they are required to retain at least 50% of vested post-tax shares. Unless the Remuneration Committee determines otherwise, this guideline will continue to apply for two years after an Executive Director ceases employment with the Group.		Not applicable.

Notes to table:

1. 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 was to make an adjustment of this sort, a full explanation would be provided in the next Remuneration Report.
2. 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.
3. 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.
4. 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.
5. 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.
6. 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 above Policy Table. 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.
7. 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.
8. 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.

Non-Executive Directors

Purpose and link to strategy	Operation	Maximum Opportunity
Non-Executive Director (NED) fees 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: • Senior Independent Director • Audit & Risk Committee Chairman • Remuneration Committee Chairman and • Nomination & ESG Committee Chairman 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.

Annual Report **on Remuneration**

Unaudited information

Implementation of Remuneration Policy in 2020

This section provides an overview of how the Remuneration Committee is proposing to implement our Remuneration Policy in 2020 for the Executive Directors.

Base salary

No increase has been made to the Executive Directors' salaries in 2020.

	Salary 1 January 2020	Salary 1 January 2019	% increase
Mathios Rigas (CEO)	**£675,000**	£675,000	Zero
Panos Benos (CFO)	**£450,000**	£450,000	Zero

Benefits

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

Annual bonus

As in 2019, the annual bonus plan for 2020 will offer a maximum bonus opportunity of 150% of annual salary for both of the Executive Directors. One third of any bonus earned will continue to be deferred into DBP shares. These shares will normally vest two years post grant.

As outlined in the Remuneration Committee Chairman's Statement, the annual bonus for 2020 will be determined by a restructured bonus scorecard that is aligned with strategic priorities for the year ahead.

Performance measure	As a percentage of maximum bonus opportunity
Strategic and operational goals	
Average production per day	15%
Growth in 2P reserves +2C resources	15%
Strategic goals	
Physical project progress on the Karish development, gas sales contracts and portfolio optimisation	35%
Financial goals	
Financial liquidity	20%
Corporate goals	
ESG objectives	10%
Corporate culture and personal objectives	5%

The targets for these performance measures in relation to the financial year 2020 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. In the event of acquisitions, divestments or investments during the year, the Remuneration Committee would consider how performance targets should be adjusted to ensure that they remain appropriately challenging and would explain any such adjustments in next year's Remuneration Report.

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

LTIP

The Executive Directors will receive an award under the LTIP during 2020 over shares worth 200% of annual salary at grant. Awards will vest three years after grant and be subject to an additional two-year holding period.

As outlined in the Remuneration Committee Chairman's Statement, the 2020 LTIP award will be determined by a restructured performance framework that is aligned with long-term sustainable value creation (through the Total Shareholder Return measures) and the goal of being a leader in ESG (through the CO_2 emissions measure).

Performance measure	Proportion of award determined by measure	Threshold Performance	Maximum performance
Relative Total Shareholder Return over three Financial Years	50%	Median ranking 12.5% of award	Upper quartile ranking 50% of award
Absolute Total Shareholder Return over three Financial Years	30%	8% p.a. 7.5% of award	12% p.a. 30% of award
Average Scope 1 & Scope 2 CO_2 emissions ($kgCO_2$/boe) over three Financial Years	20%	18 0% of award	6 20% 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 any formulaic outcome arising from the LTIP.

Non-Executive Director remuneration

The table below shows the fee structure for Non-Executive Directors for 2020. Following a review of time commitments associated with different roles, the basic non-executive fee and the additional fee for the Senior Independent Director have been increased. Other fees are unchanged. 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.

	2020 fees
Chairman of the Board all-inclusive fee	£150,000
Basic Non-Executive Director fee	£55,000
Senior Independent Director additional fee	£10,000
Audit Committee Chairman additional fee	£5,000
Nomination & ESG 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.

Annual Report **on Remuneration** continued

Audited information

The information provided in this section of the Remuneration Report up until the "Unaudited information" heading on page 104 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 2019 with comparative figures for 2018.

	2019				2018			
All figures shown in £ 000	Salary and fees	Benefits[1]	Annual bonus[2]	Total[3]	Salary and fees	Benefits	Annual bonus	Total[3]
Executive Directors								
Mathios Rigas	675	75	384	**1,134**	675	75	831	1,581
Panos Benos	450	50	256	**756**	450	50	554	1,054
Non-Executive Directors								
Simon Heale[4]	135	–	–	**135**	150	–	–	150
Andrew Bartlett	62.5	–	–	**63**	54	–	–	54
David Bonanno	–	–	–	**–**	–	–	–	–
Robert William Peck	55	–	–	**55**	48	–	–	48
Karen Simon[4]	61	–	–	**61**	44	–	–	44
Ohad Marani	55	–	–	**55**	48	–	–	48
Stathis Topouzoglou	50	–	–	**50**	44	–	–	44
Amy Lashinsky[5]	5.5			**6**	–			–

Notes to the table – methodology

1. 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.
2. Annual bonus – bonus payments 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.
3. Total remuneration paid to Directors in respect of 2019 is £2,315,000 (2018: £3,023,000). Andrew Bartlett's 2018 fee was stated in error as £55,000 in last year's Remuneration Report and has been corrected to £54,000 in the above table.
4. Simon Heale retired from the Board on 21 November 2019 (his fees shown in the table relate to the period up to this date) and was replaced as Non-Executive Chairman by Karen Simon, who was a Non-Executive Director at that time.
5. Amy Lashinsky joined the Board on 21 November 2019.

Annual bonus

The maximum annual bonus opportunity for the Executive Directors in 2019 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 2019 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%	$50m *Zero payout*	$60m *10% of bonus*	$70m *20% of bonus*	$35.5m	0%
Cost of oil production per boe	20%	$18 per boe *Zero payout*	$16 per boe *10% of bonus*	$14 per boe *20% of bonus*	$21.3 per boe	0%
Growth in 2P reserves+2C resources	20%	10% increase in 2P+2C *Zero payout*	25% increase in 2P+2C *10% of bonus*	40% increase in 2P+2C *20% of bonus*	36.8% increase in 2P+2C	17.9%
Average production per day	20%	4,500 bpd *Zero payout*	5,000 bpd *10% of bonus*	5,500 bpd *20% of bonus*	3,312 bpd	0%
Strategic objective	20%		*See footnote 1 below*			20%
Total						**37.9%**

1. **Strategic objectives** – 20% of the bonus was based on the strategic objective of broadening Energean's operations to reduce the dependence on Greek production.

Key achievements during 2019 in relation to this objective included:

- Identification of the Edison E&P opportunity. Acquisition of Edison E&P on attractive metrics is in line with Energean's stated strategy of creating the leading independent, gas-focused E&P company in the Eastern Mediterranean, playing an important role in climate change due to the energy transition from oil to gas. It will significantly increase Energean's scale and diversification by adding a complementary portfolio of accretive development, appraisal and exploration opportunities, whilst immediately contributing EBITDAX and cashflow to support the enlarged Group's strategic growth and medium-term ambition to start paying a dividend
- Successful negotiation with Edison SpA to achieve preferred bidder status
- Successful raising of $265m of equity and $600m of bridge financing from leading international banks to fund the acquisition against an uncertain market backdrop

In light of these significant achievements, the Remuneration Committee agreed a full payout against these strategic objectives.

	Total bonus payable % of maximum	Total bonus payable £ 000 and % of annual salary
Mathios Rigas	37.9%	£383,737 (56.9% of salary)
Panos Benos	37.9%	£255,825 (56.9% of salary)

The Remuneration Committee considered this bonus outcome in light of the Group's overall financial and operational performance during 2019 and was satisfied that it was appropriate and that no discretionary adjustment to the outcome was required.

LTIP awards during the financial year

An award was granted under the LTIP to selected senior executives, including the Executive Directors, in March 2019. This award is subject to the performance conditions described below and will vest in March 2022 with a subsequent two-year holding period for any vested shares to March 2024.

	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	28 March 2019	177,309	£1,350,000	200%	25% of award	31 December 2021
Panos Benos	Conditional share award	28 March 2019	106,385	£810,000	180%	25% of award	31 December 2021

1. The maximum number of shares that could be awarded has been calculated using the share price of £7.614 (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.

Annual Report **on Remuneration** continued

Vesting of the awards is subject to satisfaction of the following performance conditions. 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.

Performance measure	Proportion of award determined by measure	Threshold performance	Maximum performance
Relative Total Shareholder Return over three-year performance period*	55%	Median ranking *13.75% of award*	Upper quartile ranking *55% of award*
Absolute Total Shareholder Return over three-year performance period	20%	12.5% p.a. *5% of award*	20% p.a. *20% of award*
Average Group Production over three-year performance period	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*

* 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.

Loss of office payments/payments to former Directors

In accordance with his letter of appointment, Simon Heale received fees of £37,500 in relation to his three month notice period after retiring from the Board on 21 November 2019. No payments were made to former Directors during 2019.

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:

	Number of shares at 31 December 2019				
	Shares owned outright	Interests in share incentive schemes, subject to performance conditions	Interests in share incentive schemes, subject to employment	Percentage of Issued Share Capital (minus LTIP and DBP shares)	Share ownership guidelines met?[3]
Director		**LTIP[1]**	**DBP[2]**		
Mathios Rigas	19,631,415	430,213	36,401	11.09	Yes
Panos Benos	4,060,702	274,987	24,267	2.29	Yes
Karen Simon	145,504	–			n/a
Simon Heale[4]	52,478	–			n/a
Andrew Bartlett	4,348	–			n/a
David Bonanno	0	–			n/a
Robert William Peck	5,665	–			n/a
Ohad Marani	2,690	–			n/a
Stathis Topouzoglou	16,648,790	–			n/a
Amy Lashinsky	0	–			n/a

Notes to the table

1. This relates to shares awarded under the LTIP in July 2018 and March 2019.
2. This relates to shares awarded under the DBP in March 2019 in relation to the 2018 annual bonus.
3. 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 2019 has been used (£9.30 per share).
4. Number of shares at date of retirement from Board.

Between 31 December 2019 – and the date of publication of the report, the following share movements occurred:

Stathis Topouzoglou purchased 361,234 shares through OilCo Investments Limited between 31 January 2020 and 10 February 2020.

Robert Peck purchased 1,100 shares on 5 February 2020.

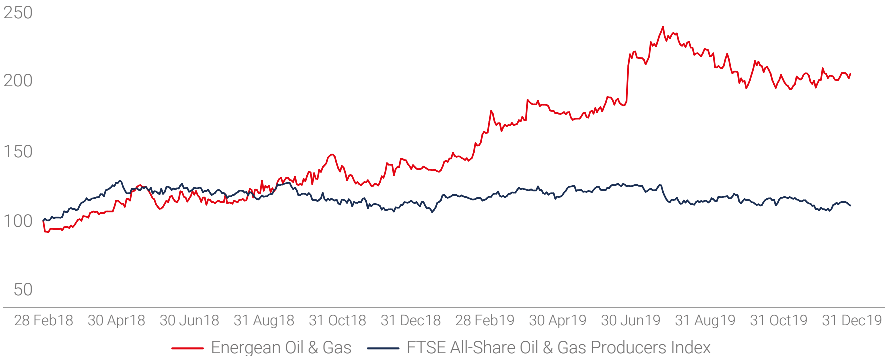
Unaudited information

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 2019 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.

Energean's total shareholder return compared against total shareholder return of the FTSE All-Share index since admission on 21 March 2018 (GBP)



The table below 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.

	2019	2018
CEO single figure of remuneration £ 000	**1,134**	1,581
Annual bonus pay-out (as a % of maximum opportunity)	**37.9%**	82%
LTIP vesting outturn (as a % of maximum opportunity)	**n/a (no award vested in 2019)**	n/a (no award vested in 2018)

Percentage change in remuneration of the CEO

The chart below illustrates the percentage change in annual salary, benefits and bonus between 2018 and 2019 for the CEO and the average for all Company employees.

	Salary change (2018 to 2019)	Benefits change (2018 to 2019)	Annual bonus change (2018 to 2019)
CEO	0%	0 %	-52.4%
Average for all employees	9%	-1%	-4%

As Energean only has 18 UK employees, it is exempt from the legislative requirement to disclose a ratio between the remuneration of the CEO and UK employees.

Relative importance of the spend on pay

The chart below illustrates the total expenditure on remuneration in 2018 and 2019 for all the Company's employees compared to dividends payable to shareholders.

	2019 $m	2018 $m	Change
Total expenditure on remuneration	**27.4**	26.5	3.3 %
Dividends payable to shareholders	**nil**	nil	–

Annual Report **on Remuneration** continued

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 and Simon Heale. Details of their attendance is set out on page 86.

The Remuneration Committee met four times during 2019. Other attendees present at these meetings by invitation were the Company Chairman, the CEO, the CFO, the Head of HR and the Company Secretary. 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 as well as the determination of other senior management's remuneration. 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.**

The Committee is mindful of the UK Corporate Governance Code 2018 and considers that it appropriately address the following principles set out in the Code:

Clarity	This Remuneration Report provides open and transparent disclosure of our executive remuneration arrangements for our internal and external stakeholders.
Simplicity and alignment to culture	Variable remuneration arrangements for our executives are straightforward with individuals eligible for an annual bonus and, at more senior levels, a single long-term incentive plan. Performance measures used in these plans are aligned with delivery of Group KPIs, key strategic Group objectives and long-term sustainable value creation. They are also aligned with our commitment to adopt a responsible, sustainable business model.
Predictability	Our executive remuneration arrangements contain maximum opportunity levels for each component of remuneration with variable incentive outcomes varying depending on the level of performance achieved against specific measures. The charts on page 84 of our 2018 Annual Report provide estimates of the potential total reward opportunity for the Executive Directors under our current Remuneration Policy.
Proportionality and risk	Our variable remuneration arrangements are designed to provide a fair and proportionate link between Group performance and reward. In particular, partial deferral of the annual bonus into shares, five-year release periods for LTIP awards and stretching shareholding requirements that apply during and post-employment provide a clear link to the ongoing performance of the Group and therefore long-term alignment with stakeholders. We are also satisfied that the variable pay structures do not encourage inappropriate risk-taking. Notwithstanding this, the Remuneration Committee retains an overriding discretion that allows it to adjust formulaic annual bonus and/or LTIP outcomes so as to guard against disproportionate outturns. Malus and clawback provisions also apply to both the annual bonus and LTIP and can be triggered in circumstances outlined in the Remuneration Policy.

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 £49,765 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 the code of conduct in relation to executive remuneration consulting in the UK. Deloitte LLP has also provided advice to the Company in relation to technology consulting, tax, direct and indirect tax compliance services, payroll services, financial models and transaction support services in connection with the acquisition of Edison E&P. 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 resolutions

	Votes for	Votes against	Votes withheld
Approval of the Directors' Remuneration Policy 2019 AGM	112,599,416 (95%)	5,950,051 (5%)	0
Approval of the Annual Report on Remuneration 2019 AGM	112,604,166 (95%)	5,945,301 (5%)	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
18 March 2020

Group Directors' **report**

The Directors present their Annual Group Report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 December 2019. The Corporate Governance Statement set out on pages 81-114 forms part of this report.

Details of significant events since the balance sheet date are contained in note 29 to the financial statements on page 181. 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.

Dividends

No dividends have been paid in respect of the year 2019 (2018: nil); and the Directors will not recommend to shareholders that a dividend be paid at the 2020 AGM.

Capital structure

Details of the issued share capital are shown in note • to the financial statements. As at 31 December 2019, the Company's issued share capital consisted of 177,089,406 ordinary shares of £0.01 each. The Company has only one class of share, 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 25 to the financial statements on page 173.

Directors' appointments and powers

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 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.

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 2019 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 2020. As at 18 March 2020, the Directors had not exercised 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 arises in relation to a takeover.

Directors' Details

The biographical details and appointments of the Directors are set out on pages 82-85. All of the Directors will offer themselves for re-election at the AGM on 21 May 2020.

The Directors during the year were:

- Karen Simon (Non-Executive Chairman – appointed on 21 November 2019)
- 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)
- Amy Lashinsky (Independent Non-Executive Director – appointed on 21 November 2019)
- Efstathios Topouzoglou (Non-Executive Director)
- David Bonanno (Non-Executive Director)
- Simon Heale (Non-Executive Chairman – retired on 21 November 2019)

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, however the individual must stand for re-election by shareholders at the next AGM.

Directors' indemnities

Under the Articles, the Directors 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. These 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 (2018: nil).

Group Directors' report continued

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:

Shareholder	Number of shares	Number of voting rights	% of voting rights attached to the issued ordinary share capital
Third Point Hellenic Recovery (Lux) S.À.R.L.	34,889,566	34,889,566 (direct)	19.73%
Growthy Holdings Co. Limited	18,661,544	18,661,544 (direct)	12.2%
Oilco Investments Limited	16,016,734	16,016,734 (direct)	9.044%
Clal Insurance Company Limited	14,377,741	316,577 (direct) 14,061,164 (indirect)	8.13%
Pelham Capital Limited	9,026,942	9,026,942 (direct)	5.11%
Standard Life Aberdeen plc affiliated investment management entities	8,854,718 (indirect)	8,854,718 (indirect)	5.01%

Annual General Meeting (AGM)

The Company's AGM will be held in London on 21 May 2020. 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 which can be found in the Company Information section on page 200.

Greenhouse gas emissions (GHG) reporting

Details of the Group's emissions are contained in the Corporate Social Responsibility report on page 45.

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.

Post year-end events and future events

Material post year-end events are disclosed in note 29 on page 181 to the Financial Statements. Future developments of the Group are set out in the Strategic Report on pages 20-27.

Overseas branches and subsidiaries

Details of subsidiaries of the Group are set out in note 1 on pages 130-131 to the Financial Statements.

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 156
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 102, 105 and 107-108 Note 25, page 173 of the financial statements
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 111-112
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 18 March 2020.

By order of the Board

Russell Poynter
Company Secretary
18 March 2020

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 financial statements for each financial year. 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
- 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 or conditions on the entity's financial position and financial performance
- make an assessment of the Group's ability to continue as a going concern

The Directors are responsible for keeping adequate accounting records that (i) 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 (ii) 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 to prevent and detect 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
- 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 18 March 2020 and is signed on its behalf.

By order of the Board

Mathios Rigas
Chief Executive Officer
18 March 2020

Panos Benos
Chief Financial Officer
18 March 2020

Financial **Statements**

Other Information

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 2019 and of the group's loss 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
- 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 Company
Group statement of financial position as at 31 December 2019	Company statement of financial position as at 31 December 2019
Group income statement for the year then ended	
Group statement of comprehensive income for the year then ended	
Group statement of changes in equity for the year then ended	Company statement of changes in equity for the year then ended
Group statement of cash flows for the year then ended	
Related notes 1 to 29 to the consolidated financial statements, including a summary of significant accounting policies	Company accounting policies a-o 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).

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 60-78 that describe the principal risks and explain how they are being managed or mitigated
- the directors' confirmation set out on pages 58-59 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 131 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 79 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	• Recoverability of oil and gas assets, including estimation of oil and gas reserve volumes • Karish/Tanin development project spend
Audit scope	• We performed an audit of the complete financial information of three components and audit procedures on specific balances for a further three components • The components where we performed full or specific audit procedures accounted for 99% of loss before tax, 100% of revenue and 97% of total assets
Materiality	• Overall group materiality was $12.2 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.

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. 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
Recoverability of oil and gas assets, including the estimation of oil and gas reserve volumes used in management's impairment assessment Tangible oil and gas properties: $1,884 million (2018: $1,312 million). Refer to the Audit and Risk Committee Report (pages 92-94); Accounting policies and Notes 3.5, 3.8, 4.2, 6 and 13 of the Consolidated Financial Statements (pages 137, 138, 148, 153 and 160). 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 (Prinos, Prinos North, Epsilon) and the development assets in Israel (Karish and Tanin). Where indicators of impairment exist, management determines the recoverable amount of the asset or cash generating unit (CGU) by preparing discounted cash flow models to estimate the value-in use. We have focussed on this area because 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. 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.	We assessed management's approach to identifying indicators of impairment. Management identified impairment indicators for the Greek CGU (which constitutes the Prinos, Prinos North and Epsilon fields) and accordingly performed an impairment test which resulted in the recognition of an impairment charge of $56 million. We tested the methodology applied in the value-in-use calculation relative to the requirements of ***International Accounting Standard 36: Impairment of Assets*** (IAS 36) and validated the mathematical accuracy of management's cash flow forecasts. We tested the reasonableness of the forecast of future cash flows by considering evidence available to support assumptions and the reliability of past forecasts. For the Greece CGU that management tested for impairment, we focussed on the following key assumptions used in the impairment model: • Future oil price estimates • Reserves and resources • Forecast production • Discount rate used in the life-of-field cash flow model	We reported to the Audit and Risk Committee that: • We consider management's estimates to be reasonable with assumptions used being within an acceptable range. Based on our audit procedures, including relevant sensitivities performed, we concur with the amount of impairment recognised. • We believe management's disclosures in the financial statements adequately reflect the key judgements and estimates made in determining the $71 million impairment recognised.

Auditor's report

continued

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
	Our audit work on the impairment test comprised the following key procedures: • With the assistance of EY's valuations specialists, we evaluated the price and discount rate assumptions used by management, which included benchmarking against industry peers • Obtained and reviewed the December 2019 third party reserves and resources reports and compared them with management's analysis for completeness and consistency • Assessed the qualifications of management's specialist (NSAI) that was used for the updated reserves and resources estimates • Performed testing to determine the sensitivity of the impairment model to changes in key assumptions; and • Verified that all required disclosures in relation to the impairment assessment and related estimates are made The audit procedures to address this risk were performed by the Group team and the Greek and Israeli component teams.	
Karish/Tanin development project spend Karish and Tanin development costs incurred during the year ended 31 December 2019 and capitalised within Oil and Gas properties: \$602 million (2018: \$638 million) Refer to the Audit and Risk Committee Report (pages 92-94); Accounting policies and Notes 3.5, 3.8, 4.2, 6 and 13 of the Consolidated Financial Statements (pages 137, 138, 148, 153 and 160) The Karish/Tanin development attained FID in March 2018 and consequently there has been significant project-related expenditure since this date. The main contractor is TechnipFMC through a lump sum EPCIC contract to deliver the FPSO and related subsea infrastructure. In Q1 2019 the Group also involved Stena for drilling activities. 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 2019.	We performed audit procedures focussed on capitalisation criteria and the completeness of accruals for the key elements of costs incurred for the Karish/Tanin development. These procedures included: • Understanding the criteria used by management to assess whether costs should be capitalised or expensed • 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 • Reviewing the agreements with the major project contractors, focusing on the agreements with TechnipFMC which account for approximately 88% of the costs incurred, to understand the nature of services to be provided and the associated milestones • Obtaining a listing of project cost accruals at 31 December 2019, validating a sample of costs to supporting documents and comparing to the contractual milestones for the development project work • Performing a search for unrecorded liabilities through reviewing invoices received and cash payments made after the balance sheet date. We compared these to the project costs accrued by management and assessed whether there were any material omissions The audit procedures to address this risk were principally performed by the Israeli component team with oversight by the Group team.	We reported to the Audit and Risk Committee that: • The capitalisation of development costs for the Karish/Tanin project spend met the IAS 16 capitalisation criteria; and • The accruals recorded at year end are materially complete and appropriately reflect the cost of services provided by the project contractors

Revenue recognition is a significant risk presumed by ISAs (UK). Consistent with the prior year, it is not included above, as Energean's revenue streams have not changed in 2019, are routine in nature and do not involve significant judgement or use of significant estimates. 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. 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 the "Recognition of the group's additional investment in Energean Israel Limited". This transaction was specific to the 2018 reporting period and is therefore not applicable for 2019.

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 eight reporting components of the group, we selected all seven components covering entities within Greece, Cyprus, Montenegro, Israel and the United Kingdom, which represent the principal business units within the group.

Of the seven (2018: nine) components selected, we performed an audit of the complete financial information of three (2018: three) components ("full scope components") which were selected based on their size or risk characteristics. For the remaining four (2018: six) components, we performed audit procedures on specific accounts within these 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 99% of the group's profit before tax, 100% of revenue and 97% of total assets.

For the remaining component, 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

The changes from the prior year are in relation to the designation of Energean International Limited as a single component in the current year, (it was segregated into four in the prior year audit which reflected its branch structure) and the addition of Energean Capital (a newly incorporated entity) as a specific scope component.

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 and/or senior managers visited the Athens component team and Tel Aviv component teams. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting 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.

Auditor's report

continued

Impact of the COVID-19 pandemic

As a result of the ongoing COVID-19 pandemic, we have performed additional procedures, including the impact of additional downside oil price sensitivities that were applied, in respect of management's going concern assessment and viability statement. We have also reviewed the disclosures contained within the Annual Report and Accounts in relation to this issue and consider them to describe adequately the impact of COVID-19 on the Group as at 18 March 2020.

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 $12.2 million, which is 0.5% of total assets as at 31 December 2019, adjusted to remove the amount of goodwill connected with group's additional investment in Energean Israel Limited ($75.8million). 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 $5.6 million which is 0.5% of total assets.

During the course of our audit, we reassessed initial materiality and no additional testing was required due to an increase in final materiality.

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 $6.1 million. 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 $1.2 million to $4.6 million.

We determined performance materiality for the parent company to be $2.8 million 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 $610,000, 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 and Risk Committee that we would report to them all uncorrected differences in excess of $280,000, 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 2-114, 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 89 – 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
- **Audit and Risk Committee reporting,** set out on page 92-94 – 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
- **Directors' statement of compliance with the UK Corporate Governance Code,** set out on page 86 – 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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 114, 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 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 three years, covering the years ended 31 December 2017 to 31 December 2019.
- 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.
- Our audit opinion is consistent with our additional report to the Audit and Risk Committee explaining the results of our audit.

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

18 March 2020

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 income statement

Year ended 31 December 2019

	Notes	2019 $ 000	2018 $ 000
Revenue	7	**75,749**	90,329
Cost of sales	8a	**(65,552)**	(60,019)
Gross profit		**10,197**	**30,310**
Administrative expenses	8b	**(13,305)**	(11,666)
Selling and distribution expenses	8c	**(345)**	(453)
Exploration and evaluation expenses	8d	**(801)**	(2,102)
Impairment of property, plant and equipment	13	**(71,115)**	–
Other expenses	8e	**(21,584)**	(1,118)
Other income	8f	**3,095**	8,869
Operating (loss)/profit		**(93,858)**	**23,840**
Finance income	10	**2,496**	1,735
Finance costs	10	**(9,002)**	(13,471)
Gain on derivative	26	**–**	96,709
Net foreign exchange losses	10	**(3,933)**	(23,521)
(Loss)/profit before tax		**(104,297)**	**85,292**
Taxation income	11	**20,531**	**15,527**
(Loss)/profit for the year		**(83,766)**	**100,819**
Attributable to:			
Owners of the parent		**(83,313)**	**105,279**
Non-controlling interests		**(453)**	(4,460)
		(83,766)	100,819

	Notes	2019	2018
Basic and diluted total (loss)/earnings per share (cents per share)	12		
Basic		**($0.50)**	$0.80
Diluted		**($0.50)**	$0.79

Group statement of comprehensive income

Year ended 31 December 2019

	2019 $ 000	2018 $ 000
(Loss)/profit for the year	**(83,766)**	**100,819**
Other comprehensive loss:		
Items that may be reclassified subsequently to profit or loss		
Cash Flow Hedge, net of tax	**434**	–
Exchange difference on the translation of foreign operations	**(3,751)**	(4,288)
	(3,317)	(4,288)
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit pension plan	**(466)**	(444)
Income taxes on items that will not be reclassified to profit or loss	**117**	107
	(349)	(337)
Other comprehensive loss after tax	**(3,666)**	(4,625)
Total comprehensive (loss)/income for the year	**(87,432)**	**96,194**
Total comprehensive (loss)/income attributable to:		
Owners of the parent	**(87,109)**	100,856
Non-controlling interests	**(323)**	(4,662)
	(87,432)	96,194

Group statement of financial position

Year ended 31 December 2019

	Notes	2019 $ 000	2018 $ 000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**1,902,271**	1,341,704
Intangible assets	14	**71,876**	10,555
Goodwill	6	**75,800**	75,800
Other receivables	18	**4,076**	71,845
Deferred tax asset	15	**33,038**	15,532
		2,087,061	1,515,436
Current assets			
Inventories	17	**6,797**	9,912
Trade and other receivables	18	**59,892**	32,883
Cash and cash equivalents	16	**354,419**	219,822
		421,108	262,617
Total assets		**2,508,169**	**1,778,053**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	19	**2,367**	2,066
Share premium	19	**915,388**	658,805
Merger reserve	19	**139,903**	139,903
Other reserve		**5,862**	5,907
Foreign currency translation reserve		**(19,264)**	(15,513)
Share-based payment reserve		**10,094**	6,617
Retained earnings		**(53,320)**	29,993
Equity attributable to equity holders of the parent		**1,001,030**	827,778
Non-controlling interests	20	**259,722**	260,045
Total equity		**1,260,752**	**1,087,823**
Non-current liabilities			
Borrowings	21	**877,932**	144,270
Deferred tax liabilities	15	**73,381**	76,370
Retirement benefit liability	22	**4,265**	3,659
Provisions	23	**13,145**	7,530
Other payables	24	**72,401**	72,723
		1,041,124	304,552
Current liabilities			
Trade and other payables	24	**168,108**	385,678
Current portion of borrowings	21	**38,052**	–
Provisions	23	**133**	–
		206,293	385,678
Total liabilities		**1,247,417**	**690,230**
Total equity and liabilities		**2,508,169**	1,778,053

Approved by the Board on 18 March 2020

Matthaios Rigas
Chief Executive Officer

Panos Benos
Chief Financial Officer

Group statement of changes in equity

Year ended 31 December 2019

	Share capital $ 000	Share premium[1] $ 000	Other reserve[2] $ 000	Share based payment reserve[3] $ 000	Translation reserve[4] $ 000	Retained earnings $ 000	Merger reserves[5] $ 000	Total $ 000	Non-controlling interests $ 000	Total $ 000
At 1 January 2018	**917**	**–**	**73,750**	**–**	**(11,427)**	**(138,455)**	**139,903**	**64,688**	**224,294**	**288,982**
Retrospective application of IFRS 9	–	–	–	–	–	(4,337)	–	**(4,337)**		**(4,337)**
At 1 January 2018 (restated)	**917**	**–**	**73,750**	**–**	**(11,427)**	**(142,792)**	**139,903**	**60,351**	**224,294**	**284,645**
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**
Transactions with owners of the company		–	–	–				**–**		**–**
IPO shares (note 19)	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 19)	–	(24,057)	–	–	–	–	–	**(24,057)**	–	**(24,057)**
Employee share schemes (note 25)	4	–	–	3,507	–	–	–	**3,511**	–	**3,511**
Derecognition of derivative asset (note 26.2)	–	–	(67,506)	–	–	67,506	–	**–**	–	**–**
Share capital increase in subsidiary	–	–	–	–	–	–	–	**–**	59,613	**59,613**
Shares issued in settlement of preference shares in subsidiary (note 20)	129	223,871	–	–	–	–	–	**224,000**	(224,000)	**–**
NCI on acquisition of subsidiary (note 6)	–	–	–	–	–	–	–	**–**	204,800	**204,800**
At 31 December 2018	**2,066**	**658,805**	**5,907**	**6,617**	**(15,513)**	**29,993**	**139,903**	**827,778**	**260,045**	**1,087,823**

	Share capital $ 000	Share premium[1] $ 000	Other reserve[2] $ 000	Share based payment reserve[3] $ 000	Translation reserve[4] $ 000	Retained earnings $ 000	Merger reserves5 $ 000	Total $ 000	Non-controlling interests $ 000	Total $ 000
At 1 January 2019	**2,066**	**658,805**	**5,907**	**6,617**	**(15,513)**	**29,993**	**139,903**	**827,778**	**260,045**	**1,087,823**
Loss for the period	–	–	–	–	–	(83,313)	–	(83,313)	(453)	(83,766)
Remeasurement of defined benefit pension plan	–	–	(349)	–	–	–	–	(349)	–	(349)
Hedges net of tax	–	–	304	–	–	–	–	304	130	434
Exchange difference on the translation of foreign operations	–	–	–	–	(3,751)	–	–	(3,751)	–	(3,751)
Total comprehensive income	–	–	(45)	–	(3,751)	(83,313)	–	(87,109)	(323)	(87,432)
Transactions with owners of the company										
Issuance of new shares (note 19)	297	264,785	–	–	–	–	–	265,082	–	265,082
Transaction cost in relation to new share issue (note 19)	–	(8,202)	–	–	–	–	–	(8,202)	–	(8,202)
Employee share schemes (note 25)	4	–	–	3,477	–	–	–	3,481	–	3,481
At 31 December 2019	**2,367**	**915,388**	**5,862**	**10,094**	**(19,264)**	**(53,320)**	**139,903**	**1,001,030**	**259,722**	**1,260,752**

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 in 2018 the other reserve was used to recognise measurement gains from a derivative asset transaction with owners, refer to note 26.2 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 19.

Group statement of cash flows

Year ended 31 December 2019

	Note	For the year ended 31 December 2019 $ 000	2018 $ 000
Operating activities			
(Loss)/profit before taxation		**(104,297)**	**85,292**
Adjustments to reconcile (loss)/profit before taxation to net cash provided by operating activities:			
Depreciation, depletion and amortisation	13, 14	**39,054**	34,258
Impairment loss on property, plant and equipment	13	**71,115**	–
Impairment loss on inventory	8e	**–**	992
Gain from disposal on property, plant and equipment		**–**	(6)
Increase/(decrease) in provisions		**730**	(6,757)
Finance income	10	**(2,496)**	(1,735)
Finance costs	10	**9,002**	13,471
Fair value gain on derivative	26.2	**–**	(96,709)
Other bank liabilities written back	8(e)	**(1,270)**	–
Share-based payment charge	25	**2,751**	1,570
Net foreign exchange loss	10	**3,933**	23,521
Cash flow from operations before working capital adjustments		**18,522**	**53,897**
Decrease/(increase) in inventories		**2,929**	(1,807)
Decrease/(increase) in trade and other receivables		**(2,423)**	10,741
(Decrease)/increase in trade and other payables		**18,167**	(3,562)
Cash flow from operations		**37,195**	**59,269**
Tax paid		**(910)**	(251)
Receipts in relation to provisions	23	**–**	3,666
Net cash inflow from operating activities		**36,285**	**62,684**
Investing activities			
Payment for purchase of property, plant and equipment	13	**(897,153)**	(290,123)
Payment for exploration and evaluation, and other intangible assets	14	**(57,397)**	(3,449)
Acquisition of a subsidiary, net of cash acquired	6	**–**	(32,746)
Proceeds from disposal of property, plant and equipment		**–**	63
Interest received		**2,431**	1,591
Net cash used in investing activities		**(952,119)**	**(324,664)**

	Note	For the year ended 31 December 2019 $ 000	2018 $ 000
Financing activities			
Proceeds from issue of share capital	19	**265,082**	460,000
Drawdown of borrowings	21	**848,658**	55,626
Proceeds from capital increases by non-controlling interests		**–**	67,613
Transaction costs in relation to IPO and new share issue	19	**(8,202)**	(20,057)
Advance payment from future sale of property, plant and equipment (INGL)	24	**5,090**	–
Repayment of obligations under leases		**(1,024)**	–
Debt arrangement fees paid		**(8,557)**	(8,237)
Debt arrangement fees for Karish-Tanin facility	21	**–**	(61,496)
Finance cost paid for deferred license payments		**(4,492)**	–
Finance costs paid		**(45,142)**	(10,919)
Net cash inflow from financing activities		**1,051,413**	**482,530**
Net increase/(decrease) in cash and cash equivalents		**135,579**	**220,550**
Cash and cash equivalents:			
At beginning of the period		**219,822**	15,692
Effect of exchange rate fluctuations on cash held		**(982)**	(16,420)
At end of the period	16	**354,419**	**219,822**

Notes to the consolidated financial statements

Year ended 31 December 2019

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 2019 are comprised of:

	Asset	Country	Group's working interest	Partner's working interest	Field Phase
1.	Karish[1]	Israel	70%	30%	Development
2.	Tanin[1]	Israel	70%	30%	Development
3.	Blocks 12, 21, 22, 23, 31	Israel	70%	30%	Exploration
4.	Four licenses Zone D	Israel	56%	44%	Exploration
5.	Prinos	Greece	100%	N/A	Production
6.	Prinos North	Greece	100%	N/A	Production/undeveloped
7.	South Kavala	Greece	100%	N/A	Production
8.	Epsilon	Greece	100%	N/A	Undeveloped
9.	Prinos exploration area	Greece	100%	N/A	Exploration
10.	Katakolo	Greece	100%	N/A	Undeveloped
11.	Ioannina	Greece	40%	60%	Exploration
12.	Aitolokarnania	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% interests in Karish and Tanin leases and in Blocks 12, 21, 22, 23 and 31 and 80% interests in four licenses in Zone D in Israel's Exclusive Economic Zone ("EEZ") with Israeli Opportunity holding the remaining 20%. At 31 December 2019, 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.

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 into its consolidated financial statements.

Subsidiaries

Name of subsidiary	Country of incorporation/registered office	Principal activities	**Shareholding At 31 December 2019 (%)**	Shareholding At 31 December 2018 (%)
Energean E&P Holdings Ltd	22 Lefkonos Street, 2064 Nicosia, Cyprus	Holding Company	**100**	100
Energean Capital Ltd	22 Lefkonos Street, 2064 Nicosia, Cyprus	Holding Company	**100**	–
Energean MED Limited	44 Baker Street, London W1U 7AL, United Kingdom	Oil and gas exploration, development and production	**100**	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	**N/A**	99.92
Energean International Limited	22 Lefkonos Street, 2064 Nicosia, Cyprus	Oil and gas exploration, development and production	**100**	100

Name of subsidiary	Country of incorporation/registered office	Principal activities	**Shareholding At 31 December 2019 (%)**	Shareholding At 31 December 2018 (%)
Energean Israel Limited (Note 6)	22 Lefkonos Street, 2064 Nicosia, Cyprus	Oil and gas exploration, development and production	**70**	70
Energean Montenegro Limited	22 Lefkonos Street, 2064 Nicosia, Cyprus	Oil and gas exploration, development and production	**100**	100
Energean Israel Finance S.À.R.L.	560A rue de Neudorf, L-2220, Luxembourg	Financing activities	**70**	70
Energean Israel Transmission LTD	9, Metsada St., Bnei Brak 5120109 ISRAEL	Gas transportation license holder	**70**	70

* On 29 July 2019 Kavala Oil was merged with Energean Oil & Gas S.A. through absorption of 100% of the company's shares.

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 Dollars 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

IFRS 16 Leases

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

On adoption of IFRS 16, the Group has recognized lease liabilities in relation to leases which were previously classified as "operating leases" under the principles of IAS 17 Leases. Refer to note 3.12 Leases for the accounting policy prior to 1 January 2019.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 3.12 Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases with lease terms that end within 12 months of the date of initial application and leases of low-value assets. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Notes to the consolidated financial statements

continued

2.2 New and amended accounting standards and interpretations continued

The Group has identified lease portfolios for property, oil and gas supply vessels and other support equipment, software and other vehicles.

Lease portfolio	Right of use assets on transition $ 000
Property leases	2,435
Oil and gas supply vessels and other support equipment leases	7,152
Software License	49
Other vehicles	156
Total gross value on transition	**9,792**

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	$ 000
Operating lease commitments as at 31 December 2018	**5,489**
Weighted average incremental borrowing rate as at 1 January 2019	6.38%
Discounted operating lease commitments at 1 January 2019	4,619
Less:	
Commitments relating to short-term leases	(1,087)
Add:	
Payments in optional extension periods relating to leases included in operating lease commitments at 31 December 2018	6,260
Lease liabilities as at 1 January 2019	**9,792**

Financial impact of the transition

Income statement

The Group impact of the transition resulted in a net increase of $3.5 million in operating costs, along with a $0.4 million increase in finance costs. The Group has recognized depreciation on right-of-use assets for the year 2019 of $3.4 million, of which $0.4 million has subsequently been capitalized through the Group's normal operations in accordance with the relevant accounting policy.

	31 December 2019 $ 000
Depreciation expense for right-of-use assets	(3,019)
Interest expense on lease liabilities	(416)
Expense relating to short-term leases	(419)
Expense relating to leases of low-value assets	(40)
Deferred tax expense	(1,077)
Total amount recognised in profit or loss	**(4,971)**

2.2 New and amended accounting standards and interpretations continued

Balance sheet

The Group impact of the transition has resulted in higher property, plant and equipment and current and non-current lease liabilities. For short term leases (lease term less than 12 months) and leases of low value assets the Group has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16. Depending on the nature of the leased asset, this is either recognized as additions to property, plant and equipment, operating costs or administrative costs.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Property leases $ 000	Oil and gas supply vessels and other support equipment leases $ 000	Software License $ 000	Other vehicles $ 000	**Total $ 000**
As at 1 January 2019	**2,435**	**7,152**	**49**	**156**	**9,792**
Additions	90	–	–	33	**123**
Lease modifications	–	(699)	–	–	**(699)**
Depreciation	(178)	(2,829)	–	(12)	**(3,019)**
Capitalized depreciation	(314)	–	(20)	(84)	**(418)**
Foreign exchange impact	–	(110)	–	–	**(110)**
As at 31 December 2019	**2,033**	**3,514**	**29**	**93**	**5,669**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	31 December 2019 $ 000
As at 1 January	**9,792**
Additions	123
Lease modifications	(699)
Accretion of interest	436
Payments	(1,024)
Invoiced, included in "Trade payable"	(2,517)
As at 31 December	**6,111**
Current	3,541
Non current	2,570

The Group had total cash outflows for leases of $1.0 million in 2019. The Group also had non-cash additions to right-of-use assets and lease liabilities of $0.1 million in 2019. The maturity analysis of lease liabilities is disclosed in Note 26.7.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

Notes to the consolidated financial statements

continued

2.2 New and amended accounting standards and interpretations continued

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have a material impact on the consolidated financial statements of the Group.

The following new standards and amendments became effective as at 1 January 2019:

- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

These amendments had no impact on the consolidated financial statements of the Group.

Annual Improvements 2015-2017 Cycle

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. These amendments had no impact on the consolidated financial statements of the Group as no dividends were paid and declared during the period.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

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

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

2.3 Basis of consolidation continued

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.

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

Notes to the consolidated financial statements

continued

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

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 as at the acquisition date that, if known, would have affected the amounts recognised as at that date.

The measurement period is the time from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as 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 recognized at cost. The carrying amount of the investment is adjusted to recognize 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 recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized 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.

3.3 Joint arrangements continued

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 recognize 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 recognizes 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 recognizes 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 recognized in profit or loss.

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 and evaluation expenditures

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. All such capitalised costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off through the statement of profit or loss. When proved reserves of oil and gas are identified and development is sanctioned by management, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to oil and gas properties.

Farm-outs — in the exploration and evaluation phase

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements, but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the Group as a gain on disposal.

3.5 Oil and gas properties – assets in development

Expenditure is transferred from "Exploration and evaluation assets" to "Assets in development" which is a subcategory of "Oil and gas properties" once the work completed to date supports the future development of the asset and such development receives appropriate approvals. After transfer of the exploration and evaluation assets, all subsequent expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within "Assets in development". Development expenditure is net of proceeds from the sale of oil or gas produced during the development phase to the extent that it is considered integral to the development of the asset. Anycosts incurred in testing the assets to determine whether they are functioning as intended, are capitalised, net of any proceeds received from selling any product produced while testing. Where these proceeds exceed the cost of testing, any excess is recognised in the statement of profit or loss. When a development project moves into the production stage, all assets included in "Assets in development" are then transferred to "Producing assets" which is also a sub-category of "Oil and gas properties". The capitalisation of certain construction/development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to "Oil and gas properties" asset additions, improvements or new developments.

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3.6 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 per cent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50 per cent statistical probability that it will be less.

3.7 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 a 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.

3.8 Impairments of oil & gas properties

The group assesses assets or groups of assets, called cash-generating units (CGUs), for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or CGU may not be recoverable; for example, changes in the group's assumptions about commodity prices, low field utilization, significant downward revisions of estimated reserves or increases in estimated future development expenditure or decommissioning costs. If any such indication of impairment exists, the group makes an estimate of the asset's or CGU's recoverable amount.

Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single CGU for impairment purposes. A CGU's recoverable amount is the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount.

Fair value less costs of disposal is the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the group and not applicable to entities in general.

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 post 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 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.

3.9 Other property, plant and equipment

Other property, plant and equipment comprise of 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
Property leases and leasehold improvements	3-10
Motor vehicles and other equipment	2-5
Plant and machinery	7-15
Furniture, fixtures and equipment	5-7

3.9 Other property, plant and equipment continued

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.

3.10 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 live, of between three and five years, which commences when the computer software is available for use.

3.11 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 & gas properties, respectively, that could affect the future recoverability of the Company's interests. Discount factors are determined individually for each asset and reflect their 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.

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 is 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.

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3.12 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the date of inception. The arrangement is assessed to determine whether fulfilment is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement. The Group is not a lessor in any transactions, it is only a lessee.

Accounting policy applicable prior to 1 January 2019

(a) Group as a lessee

Finance leases, which transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss and other comprehensive income. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

Group as a lessee (applicable from 1 January 2019)

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Property leases 3 to 10 years
- Motor vehicles and other equipment 2 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings (see Note 21).

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

3.13 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 amortized 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

Financial assets at amortized 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 (EIR) method and are subject to impairment under the expected credit loss model. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortized 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 recognised as other income in the statement of profit or loss when the right of payment has been established.

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3.13 Financial instruments – initial recognition and subsequent measurement continued

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 (a 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 (a 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.

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.

3.13 Financial instruments – initial recognition and subsequent measurement continued

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, or 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.

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 attributable to the hedged risk.

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.

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3.14 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 recognized 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 recognized 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 recognized 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 recognized 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.

3.15 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.

3.16 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 28), 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 meet the specified expenditure milestones.

3.17 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.

3.18 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. The expense relating to a provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Decommissioning provision

Provision for decommissioning is recognized in full when the related facilities are installed. A corresponding amount equivalent to the provision is also recognized as part of the cost of the related property, plant and equipment.

The amount recognized 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.

3.19 Revenue

Revenue from contracts with customers is recognized 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 realization 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 recognizes 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. The Group recognises revenue from advisory services on the basis of the labour hours expended relative to the total expected labour hours to complete the service.

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3.20 Retirement benefit costs

State managed retirement benefit scheme

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. These 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.

3.21 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.

3.22 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.

3.23 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)
- merger reserves – On 30 June 2017, the Company became the parent company of the Group through the acquisition of the full share capital of Energean E&P Holdings Limited. From that point, in the consolidated financial statements, the share capital became that of Energean Oil & Gas plc. The previously recognised share capital and share premium of Energean E&P Holdings Limited was eliminated with a corresponding positive merger reserve

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 in the comparative period (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.

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.

Following 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.

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4.1 Critical judgements in applying the Group's accounting policies continued

Carrying value of intangible exploration and evaluation assets (note 14)

Amounts carried under intangible exploration and evaluation assets represent active exploration projects. Capitalized 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 license 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 3.1 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

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 derivative asset (see Note 6) which relates to the option to purchase Energean Israel Class B shares (see Note 26.2) 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 26.2.

Carrying value of property, plant and equipment (note 13)

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 of a CGU. The estimation applied by management to the risk premium adjustment to its impairment discount rates, estimated future commodity prices and the forecast cash flows on the Prinos CGU would have the most material impact on the 2019 Financial Statements should management have concluded differently. Details on the impact of these key estimates and judgements including information on sensitivities applied to impairment model can be found in note 13.

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 13 of the consolidated financial statements.

4.2 Estimation uncertainty continued

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 which include:

- Depreciation and amortisation charges in profit or loss may change where such charges are determined using the units 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 presented are presented in note 13. Management monitors the impact on the commercial reserves and the depletion charge on a Group level.

Income taxes

Judgements are required in recognition of deferred tax assets relating to the extent to which future cash flows are included.

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 $90.4 million for the year ended 31 December 2019 (year ended 31 December 2018: $85.6 million) (note 15).

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 considered all available evidence including approved budgets, forecasts and business plans to form its assessment. Following an assessment conducted at December 2019, it was determined there would be sufficient taxable income generated to recover the deferred tax assets recognised.

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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 four operating segments: Greece (including the Prinos and Epsilon production asset, Katakolo non-producing assets and Ioannina and Aitoloakarnania exploration assets), Israel, 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/(loss) before tax by reportable segment:

	Greece $ 000	Israel $ 000	Other & intercompany transactions $ 000	Total $ 000
Year ended 31 December 2019				
Revenue[1]	79,334	–	(3,585)	75,749
Adjusted EBITDAX[2]	44,064	(2,932)	(5,531)	35,601
Reconciliation to profit before tax:				
Depreciation and amortisation expenses	(38,777)	(38)	(239)	(39,054)
Exploration and evaluation expenses	(16)	(55)	(730)	(801)
Impairment loss on property, plant and equipment	(71,115)	–	–	(71,115)
Other expense	(4,418)	(89)	(17,077)	(21,584)
Other income	2,610	37	448	3,095
Finance income	595	1,293	608	2,496
Finance costs	(8,265)	(1,138)	401	(9,002)
Net foreign exchange gain/(loss)	(4,504)	932	(361)	(3,933)
Profit/(loss) before income tax	**(79,826)**	**(1,990)**	**(22,481)**	**(104,297)**
Taxation income/(expense)	20,283	375	(127)	20,531
Profit/(loss) from continuing operations	**(59,543)**	**(1,615)**	**(22,608)**	**(83,766)**
Year ended 31 December 2018				
Revenue[1]	90,457	–	(128)	90,329
Adjusted EBITDAX	58,242	(4,724)	(1,069)	52,449
Reconciliation to profit before tax:				
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)
Profit before income tax	**1,341**	**(19,213)**	**103,164**	**85,292**
Taxation income/(expense)	11,660	4,381	(514)	15,527
Profit from continuing operations	**13,001**	**(14,832)**	**102,650**	**100,819**

1. The Group supplies 100% of the produced 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.
2. 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.

5. Segmental reporting continued

	Greece $ 000	Israel $ 000	Other & intercompany transactions $ 000	Total $ 000
Year ended 31 December 2019				
Oil & Gas properties	302,327	1,582,202	(878)	1,883,651
Other fixed assets	16,253	558	1,809	18,620
Intangible assets	16,059	125,501	6,116	147,676
Other assets	77,529	145,524	235,169	458,222
Total assets	**412,168**	**1,853,785**	**242,216**	**2,508,169**
Borrowings	159,768	756,216	–	915,984
Other liabilities	85,705	235,345	10,383	331,433
Total liabilities	**245,473**	**991,561**	**10,383**	**1,247,417**
Other segment information				
Capital Expenditure:				
Property, plant and equipment	59,481	565,413	(748)	624,146
Intangible, exploration and evaluation assets	8,941	47,085	4,937	60,963
Year ended 31 December 2018				
Oil & Gas properties	332,783	979,870	(320)	1,312,333
Other fixed assets	28,653	156	563	29,372
Intangible assets	6,632	78,449	1,274	86,355
Other assets	68,426	275,375	6,192	349,993
Total assets	**436,494**	**1,333,850**	**7,709**	**1,778,053**
Borrowings	144,270	–	–	144,270
Other liabilities	77,085	470,550	(1,675)	545,960
Total liabilities	**221,355**	**470,550**	**(1,675)**	**690,230**
Other segment information				
Capital Expenditure:				
Property, plant and equipment	94,734	394,462	190	489,386
Intangible, exploration and evaluation assets	2,431	2,033	1,721	6,185

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5. Segmental reporting continued

Segment cash flows

	Greece $ 000	Israel $ 000	Other & intercompany transactions $ 000	Total $ 000
Year ended 31 December 2019				
Net cash from/(used in) operating activities	47,641	(2,314)	(9,042)	36,285
Net cash (used in) investing activities	(71,932)	(875,223)	(4,964)	(952,119)
Net cash from financing activities	18,805	791,254	241,355	1,051,414
Net increase/(decrease) in cash and cash equivalents	(5,488)	(86,283)	227,350	135,579
Cash and cash equivalents at end of the period	6,084	110,488	237,847	354,419
Year ended 31 December 2018				
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

6. Prior year 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.

The acquisition of the 50% of preference shares in Energean Israel, changing the Group's economic interest over the entity, resulted in accounting for the 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 Kerogen 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.

6. Prior year business combination continued

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 & 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 issuance. 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 2018 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
Assets	
Property, plant and equipment	579,906
Intangible assets	615
Trade and other receivables[1]	309,248
Cash and cash equivalents	3,104
	892,873
Liabilities	
Trade and other payables	(211,194)
Deferred tax liabilities	(78,012)
	(289,206)
Total identifiable net assets at fair value	**603,667**
Goodwill arising on acquisition	75,800
Fair value of non-controlling interest on acquisition	(204,800)
Fair value of purchase consideration transferred	**474,667**
Acquisition – date fair value of consideration transferred	
Cash paid for the acquisition of 50% preference shares	10,000
Cash paid at acquisition as advance for shares issuance	25,850
Cash paid after acquisition date for shares issuance	240,817
Cash payable at acquisition date	8,000
Derivative asset	190,000
Consideration transferred	**474,667**
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	3,104
Cash paid	(35,850)
Net consolidated cash outflow	**(32,746)**

1. Included in trade and other receivables, as at 31 December 2018, 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.

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6. Prior year business combination continued

The balances above which were increased as a result of fair value adjustments being applied upon acquisition are property, plant and equipment (oil & 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

	2019 $ 000	2018 $ 000
Crude oil sales	**74,940**	88,587
Petroleum products sales	**809**	1,659
Rendering of services	**–**	1,398
Loss on forward transactions	**–**	(1,315)
Total revenue	**75,749**	**90,329**

8. Operating (loss)/profit before taxation

	2019 $ 000	2018 $ 000
(a) Cost of oil sales		
Staff costs (note 9)	**12,643**	12,825
Energy cost	**7,157**	5,859
Royalty payable	**553**	1,024
Other operating costs	**5,590**	6,257
Depreciation and amortisation (note 13)	**36,645**	33,904
Stock overlift/underlift movement	**2,964**	(1,073)
Total cost of oil sales	**65,552**	**58,796**
Cost of services	**–**	1,223
Total cost of sales	**65,552**	**60,019**
(b) General & administration expenses		
Staff costs (note 9)	**7,497**	6,766
Depreciation and amortization (note 13, 14)	**804**	354
Auditor fees (note 8g)	**1,445**	804
Other general & administration expenses	**3,559**	3,742
	13,305	**11,666**

8. Operating (loss)/profit before taxation continued

	2019 $ 000	2018 $ 000
(c) Selling and distribution expense		
Payroll costs (note 9)	52	166
Other selling and distribution expenses	293	287
	345	453
(d) Exploration and evaluation expenses		
Staff costs for Exploration and evaluation activities (Note 9)	466	773
Provision for bank guarantee related to exploration license (note 23)	–	602
Other exploration and evaluation expenses	335	727
	801	2,102
(e) Other expenses		
Transaction costs in relation to future acquisitions[1,2]	16,461	–
Intra-group merger costs	4,106	–
Write-down of inventory	–	992
Other expenses	566	80
Expected credit losses	451	46
	21,584	1,118
(f) Other income		
Other exceptional income	1,825	1,622
Write-back bank liabilities[2]	1,270	–
(Reversal of provision)/provision for tax litigations (note 23)	–	7,248
	3,095	8,869
(g) Fees payable to the Company's auditor for:		
The audit of the Company's annual accounts	256	243
The audit of the Company's subsidiaries pursuant to legislation	327	267
Total audit services	583	510
Audit-related assurance services – half-year review	167	157
Reporting accountant for proposed Edison E&P acquisition	595	–
Other services	100	137
	1,445	804

1. Direct costs incurred in 2019 relating to the proposed acquisition of Edison's E&P business.
2. Related to old bank liability recognised from 26 March 2013 with Cyprus Popular Bank Public Company Ltd (Greek branch) and Greek subsidiary "Kavala Oil S.A." transacted with on European Emission Allowances credits ("EUAs"). Since then and as of the date this liability was written-back, there has not been any written or oral communication with the Bank and any claim that could arise has now been time-barred, thus the obligation has been removed.

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9. Staff costs

The average monthly number of employees (including Executive Directors) employed by the Group worldwide was:

	2019 Number	2018 Number
Administration	85	70
Technical	327	335
	412	405

	2019 $ 000	2018 $ 000
Salaries	27,424	26,550
Social security costs	5,664	5,470
Share-based payments (note 25)	3,481	3,564
	36,569	35,584
Payroll cost capitalized in oil & gas assets and exploration & evaluation costs	(13,651)	(13,972)
Payroll cost expensed	22,918	21,612
Included in:		
Cost of oil sales (note 8a)	12,643	12,825
Cost of services	–	1,062
Administration expenses (note 8b)	7,497	6,766
Exploration & evaluation expenses (note 8d)	466	773
Transaction costs in relation to future acquisitions (note 8e)	1,034	–
Selling and distribution expenses (note 8c)	52	166
Restructuring costs (note 8e)	1,081	–
Other	145	20
	22,918	21,612

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 finance cost

	Notes	2019 $ 000	2018 $ 000
Interest on bank borrowings	21	34,430	12,175
Interest expense on long term payables	24	7,178	5,676
Less amounts included in the cost of qualifying assets	13, 14	(39,850)	(9,258)
		1,758	8,593
Finance and arrangement fees		5,139	2,931
Other finance costs and bank charges		1,349	1,548
Interest on obligations for leases		436	–
Unwinding of discount on decommissioning liabilities		320	399
Total finance costs		9,002	13,471
Interest income from time deposits		(2,496)	(1,735)
Total finance revenue		(2,496)	(1,735)
Foreign exchange losses/(gain)		3,933	23,521
Net financing costs		10,439	35,257

11. Taxation

(a) Taxation charge

	2019 $ 000	2018 $ 000
Corporation tax – current year	(3)	(939)
Corporation tax – prior years	(127)	4,343
Deferred tax (Note 15)	20,661	12,123
Total taxation income/(expense)	**20,531**	15,527

(b) Reconciliation of the total tax charge

	2019 $ 000	2018 $ 000
(Loss)/profit before tax	(104,297)	85,292
Tax credit/(charge) at the applicable tax rate of 25% (FY18: 25%)[1]	26,074	(21,323)
Impact of different tax rates	(804)	5,600
Tax impact of change of tax rates	–	598
Reassessment of recognised deferred tax asset in the current period	725	(404)
Permanent differences[2]	(3,599)	(1,318)
Non recognition of deferred tax on current period losses of branches[3]	(1,910)	(1,259)
Tax effect of non-taxable income[4]	137	20,749
Derecognition of deferred tax as a result of capitalisation of loan[5]	–	8,367
Other adjustments	35	174
Prior year tax[6]	(127)	4,343
Taxation income	**20,531**	**15,527**
Effective tax rate	**(20%)**	**(18%)**

1. For the reconciliation of the effective tax rate, the statutory tax rate of the Greek upstream oil & gas activities of 25% has been used since the majority of the deferred tax comes from the Greek operations.
2. Permanent differences mainly consisted of non-deductible expenses with the majority relating to transactions costs for the proposed Edison E&P acquisition.
3. Tax losses generated from entities which are not expected to generate sufficient taxable profits in the near future and for which deferred tax is not recognised.
4. In 2018, the Group recognised a gain of $96.7 million from the revaluation of the derivative asset due to the acquisition of 50% of Energean Israel; this gain is non-taxable.
5. In 2018 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.
6. The Group in FY 2018 reversed a provision of $4.3 million relating to previous years' income taxes.

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12. 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 dilutive employee share options were converted into ordinary shares.

	2019 $ 000	2018 $ 000
Total (Loss)/Income attributable to equity shareholders	**(83,313)**	105,277
Effect of dilutive potential ordinary shares	**–**	–
	(83,313)	105,277

	2019 Number	2018 Number
Number of shares		
Basic weighted average number of shares	**165,061,117**	132,319,399
Dilutive potential ordinary shares	**–**	974,418
Diluted weighted average number of shares	**165,061,117**	133,293,817
Basic (loss)/earnings per share	**$(0.50)/share**	**$0.80/share**
Diluted (loss)/earnings per share	**$(0.50)/share**	**$0.79/share**

13. Property, plant & equipment

Property, Plant & Equipment at Cost	Oil and gas assets $ 000	Leased assets* $ 000	Other property, plant and equipment $ 000	Total $ 000
At 1 January 2018	**429,921**	**–**	**54,535**	**484,456**
Additions	484,969	–	4,417	489,386
Capitalized borrowing cost	8,307	–	–	8,307
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)
At 31 December 2018	**1,487,454**	**–**	**56,513**	**1,543,967**
Additions	622,786	123	1,238	624,147
Adjustment on adoption of IFRS 16 leases	–	9,792	–	9,792
Lease modification	–	(699)	–	(699)
Capitalized borrowing cost	39,095	–	–	39,095
Capitalised depreciation	1,937	–	–	1,937
Change in environmental rehabilitation provision	5,437	–	–	5,437
Foreign exchange impact	(9,546)	(99)	(1,052)	(10,697)
At 31 December 2019	**2,147,163**	**9,117**	**56,699**	**2,212,979**

13. Property, plant & equipment continued

Property, Plant & Equipment at Cost	Oil and gas assets $ 000	Leased assets* $ 000	Other property, plant and equipment $ 000	Total $ 000
Accumulated Depreciation				
At 1 January 2018	**149,655**	**–**	**24,825**	**174,480**
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)
At 31 December 2018	**175,122**	**–**	**27,141**	**202,263**
Charge for the period				
Expensed	33,206	3,019	2,577	38,802
Capitalised to oil and gas properties	–	418	1,519	1,937
Impairments	58,147	–	12,968	71,115
Foreign exchange impact	(2,963)	11	(457)	(3,409)
At 31 December 2019	**263,512**	**3,448**	**43,748**	**310,708**
Net carrying amount				
At 31 December 2018	**1,312,332**	–	**29,372**	**1,341,704**
At 31 December 2019	**1,883,651**	**5,669**	**12,951**	**1,902,271**

* Please refer to note 2.2 for further disclosure on leased assets

Borrowing costs included in the cost of qualifying assets during the year are calculated by applying an interest rate of 9.4% (for the year ended 31 December 2018: 7.0%).

The Group has issued a first preferred mortgage (refer to note 21) on its drilling rig Energean Force, in favour of the European Bank for Reconstruction and Development (EBRD). The carrying value of the Energean Force as at 31 December 2019 is $5.6 million and its depreciation charge has been capitalised within the oil and gas properties.

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 2019 the Group executed an impairment test for the Prinos CGU (Prinos and Epsilon fields). In the period, indicators of impairment were noted for the Prinos CGU, being a reduction in both short-term (Dated Brent forward curve) and long-term price assumptions and a change in the Group's Prinos field production forecast, which have resulted in an impairment of $71.1 million in the carrying value of the Prinos CGU.

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13. Property, plant & equipment continued

Gross production from Prinos averaged 3,312 bbls in 2019. Production levels were most significantly affected by technical issues at the EA-H3, PB-34 and PA-33 wells. Reservoir performance has been evaluated and at year end, Group's field production estimates have been reduced to reflect current performance and planned future capital expenditure investment profile.

During 2019 and 2018 the Group applied the following nominal oil price assumptions for impairment assessment in respect of its production asset of Prinos:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
2019	forward curve ($61.7/bbl)	forward curve ($58.6/bbl)	forward curve ($57.2/bbl)	forward curve ($56.8/bbl)	forward curve ($57.0/bbl)	$65.0/bbl	$65/bbl inflated at 2% thereafter
2018	forward curve	$63.6/bbl average forward curve and forecast median	$63.3/bbl average forward curve and forecast median	$64.9bbl average forward curve and forecast median	$66.6/bbl average forward curve and forecast median	$68.2/bbl average forward curve and forecast median	$68.2/bbl inflated at 2% thereafter

In 2019 impairment test the Group applied a 11.9% pre-tax discount rate (2018: 10.4%).

The Group used the value in use in determining the recoverable amount of the cash-generating unit using discounted future cash flows. A reduction or increase in the five-year forward curve by 10% per barrel , based on the approximate volatility of the oil price over the previous two years, and a reduction or increase in the long-term price assumptions by 10% per barrel, based on the range seen in external oil price market forecasts, are considered to be reasonably possible changes for the purposes of sensitivity analysis. Decreases to oil prices specified above would increase the impairment charge by $94.9 million, whilst increases to oil prices specified above would result in a credit to the impairment charge of $55.9 million. A 1 per cent increase in the pre-tax discount rate would increase the impairment by $26.4 million. A 1 per cent decrease in the pre-tax discount rate would decrease the impairment by $28.9 million. The Group believes a 1 per cent change in the pre-tax discount rate to be a reasonable possibility based on historical analysis of the Group's and a peer group of companies' impairment discount rates.

Depreciation for the year has been recognised as follows:

	2019 $ 000	2018 $ 000
Cost of sales (note 8a)	**36,645**	33,904
Administration expenses (note 8b)	**804**	183
Other operating (income)/expenses	**1,605**	–
Capitalized depreciation in oil & gas properties	**1,937**	2,574
Total	**40,991**	**36,661**

Cash flow statement reconciliations:

Payment for additions to property, plant and equipment	**2019 $ 000**	2018 $ 000
Additions to property, plant and equipment	**663,242**	497,693
Associated cash flows		
Payment for additions to property, plant and equipment	**(897,153)**	(290,123)
Non-cash movements/presented in other cash flow lines		
Borrowing cost capitalized	**(39,095)**	(8,307)
Movement in working capital	**273,006**	(199,262)

14. Intangible assets

	Exploration and evaluation assets $ 000	Other Intangible assets $ 000	Total $ 000
Intangibles at Cost			
At 1 January 2018	**3,611**	**1,662**	**5,273**
Additions	5,226	8	5,234
Capitalized borrowing costs	951	–	951
Acquisition of subsidiary (note 6)	616	–	616
Exchange differences	(94)	(29)	(123)
31 December 2018	**10,310**	**1,641**	**11,951**
Additions	60,639	324	60,963
Capitalized borrowing costs	755	–	755
Exchange differences	(103)	(24)	(127)
At 31 December 2019	**71,601**	**1,941**	**73,542**
Accumulated amortisation and impairments			
At 1 January 2018	**261**	**1,012**	**1,273**
Charge for the period*	–	171	171
Exchange differences	–	(48)	(48)
31 December 2018	**261**	**1,135**	**1,396**
Charge for the period*	–	252	252
Exchange differences	–	18	18
31 December 2019	**261**	**1,405**	**1,666**
Net carrying amount			
At 31 December 2018	**10,049**	**506**	**10,555**
At 31 December 2019	**71,340**	**536**	**71,876**

* recognised in administrative expenses

Borrowing costs capitalised for qualifying assets for the year ended 31 December 2019 amounted to $0.8 million (31 December 2018: $0.95 million). The interest rates used was 9.4 % (31 December 2018: 7.0%).

Cash flow statement reconciliations:

Payment for additions to intangible assets	**2019 $ 000**	2018 $ 000
Additions to intangible assets	**61,718**	6,185
Associated cash flows		
Payment for additions to intangible assets	**(57,397)**	(3,449)
Non-cash movements/presented in other cash flow lines		
Borrowing cost capitalized	**(755)**	(951)
Movement in working capital	**(3,566)**	(1,785)

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15. Net deferred tax (liability)/asset

Deferred tax (liabilities)/assets	Property, plant and equipment $ 000	Right of use asset IFRS 16 $ 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
At 1 January 2018	**(70,017)**	**–**	**(3,656)**	**395**	**80,571**	**923**	**(2,650)**	**5,566**
Acquisition of subsidiary (Note 6)	(79,117)	–	–	–	1,099	–	6	(78,012)
Increase/(decrease) for the period through:								
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)
31 December 2018	**(150,633)**	**–**	**(1,705)**	**676**	**85,614**	**820**	**4,390**	**(60,838)**
Increase/(decrease) for the period through:								
profit or loss (Note 11)	11,250	(1,074)	829	94	6,289	70	3,203	20,661
other comprehensive income	–	–	(130)	–	–	–	116	(14)
Exchange difference	1,385	(4)	35	(37)	(1,491)	23	(63)	(152)
31 December 2019	**(137,998)**	**(1,078)**	**(971)**	**733**	**90,412**	**913**	**7,646**	**(40,343)**

	2019 $ 000	2018 $ 000
Deferred tax liabilities	**(73,381)**	(76,370)
Deferred tax assets	**33,038**	15,532
	(40,343)	(60,838)

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 2019 the Group has unused tax losses of $364.4 million (as of 31 December 2018: $344.5 million) available to offset against future profits. Out of the total tax losses, $329.8 million come from the Greek operations whereas amount of $34.6 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 ($328.6 million) come from the Prinos exploitation area which is the only producing asset of the Group, whereas an amount of $1.2 million comes from Ioannina, Katakolo and Aitoloakarnania areas which are in the exploration phase.

A deferred tax asset has been recognised as of 31 December 2019 in respect of $90.4 million (as of 31 December 2018: $85.6 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.

Greece

Tax losses can be utilised to offset taxable profits for a period of time that is dictated by the tax legislation of each licence. The above carried forward unused tax losses arise almost exclusively from the Prinos Area. Tax losses incurred under the Prinos licence (Law2779/1999) can be utilised without limitation to offset taxable profits until the termination of Prinos exploitation area.

According to the Ioannina, Katakolo and recently granted Aitoloakarnania lease agreements the losses incurred in respect of a particular exploitation area prior to the commencement of any exploitable production shall be carried forward without any restrictions for such period. From the commencement of any exploitable production and thereafter, the general income tax provisions shall apply in relation to the carrying forward of losses (currently 5 years).

The Group expects that there will be sufficient taxable profit in the following years and that deferred tax assets, recognised in the consolidated financial statements of the Group, will be recovered.

15. Net deferred tax (liability)/asset continued

Israel

The Group is subject to corporation tax on its taxable profits in Israel at the rate of 23%. The Capital Gain Tax rates depends on the purchase date and the nature of asset. The general capital tax rate for a corporation is the standard corporate tax rate.

Tax losses can be utilised for an unlimited period, and tax losses may not be carried back.

Tax losses occurring during the development or construction phases are to be deducted at the depreciation rate of the asset under development in respect of which they were created.

According to Income Tax (Deductions from Income of Oil Rights Holders) Regulations, 5716-1956, the exploration and evaluation expenses of oil and gas assets are deductible in the year in which they are incurred.

The Group expects that there will be sufficient taxable profit in the following years and that deferred tax assets, recognised in the consolidated financial statements of the Group, will be recovered.

16. Cash and cash equivalents

	2019 $ 000	2018 $ 000
Cash at bank	349,857	207,044
Restricted bank deposits	4,562	12,778
	354,419	**219,822**

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 1.68% for the year ended 31 December 2019 (year ended 31 December 2018: 1.33%).

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 Aitoloakarnania. These deposits can be used for funding the exploration activities of respective blocks.

17. Inventories

	2019 $ 000	2018 $ 000
Crude oil	**2,312**	5,407
Raw materials and supplies	**4,485**	4,505
Total inventories	**6,797**	**9,912**

The Group's raw materials and supplies consumptions for the year ended 31 December 2019 was $1.8 million (year ended 31 December 2018: $1.7million).

The Group recorded impairment and write-off charges on inventory of $nil million for the year ended 31 December 2019 (year ended 31 December 2018: $1.0 million) related to materials written off (note 8e).

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18. Trade and other receivables

	2019 $ 000	2018 $ 000
Trade and other receivables – Current		
Financial items:		
Trade receivables	**5,383**	1,462
Derivative asset	**564**	–
Accrued interest income	**182**	–
Receivables from related parties	**23**	24
	6,152	**1,486**
Non-financial items:		
Deposits and prepayments[1]	**18,155**	17,422
Deferred insurance expenses	**5,338**	6,139
Government subsidies[2]	**–**	3,248
Refundable VAT	**30,247**	4,187
Reimbursement from insurance contracts	**–**	401
	53,740	**31,397**
	59,892	**32,883**
Trade and other receivables – Non Current		
Non-financial items:		
Deferred borrowing fees[3]	**–**	65,558
Deferred insurance expenses	**438**	5,617
Government subsidies	**2,964**	–
Other non current assets	**674**	670
	4,076	**71,845**

1. Included in deposits and prepayments, are mainly prepayments for goods and services under the GSP Engineering, Procurement, Construction and Installation Contract (EPCIC) for Epsilon project.
2. Government subsidies mainly relate to grants from Greek Public Body for Employment and Social Inclusion (OAED) to financially support the 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.
   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). Following several postponements of the hearing initiated by the Greek state, the hearing took place in November 2019 and the relevant Decision would not be expect to be issued any time prior to 2024 (approximately 5 years from the time of the hearing).
   The Group's view based on legal arguments is that this petition will prevail.
3. This item represents arrangement fees and issue costs that the Group has incurred in connection with Karish-Tanin debt raising, which completed on March 2, 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.

19. 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 below tables 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.

In July 2019 a total of 23,444,445 new ordinary shares have been placed with institutional investors at a price of £9.00 per Placing Share, raising proceeds of approximately $265.1 million (approximately £211 million) before expenses. The Placing Shares issued represent approximately 15.4 per cent of the issued share capital of the Company prior to the Placing.

	Equity share capital allotted and fully paid Number	Share capital $ 000	Share premium $ 000
Issued and authorized			
At 1 January 2018	**70,643,120**	**917**	**–**
Issued during the year			
– IPO shares	72,592,016	1,009	434,934
– Group Restructuring (note 20)	9,095,900	129	223,871
– Share based payment	821,727	11	–
At 31 December 2018	**153,152,763**	**2,066**	**658,805**
Issued during the year			
– New shares	23,618,583	297	256,583
– Share based payment	318,060	4	–
At 31 December 2019	**177,089,406**	**2,367**	**915,388**

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20. Non controlling interests

Name of subsidiary	Voting rights		Share of loss		Accumulated balance	
	Year ended 31 December 2019 %	Year ended 31 December 2018 %	**Year ended 31 December 2019 $ 000**	Year ended 31 December 2018 $ 000	**Year ended 31 December 2019 $ 000**	Year ended 31 December 2018 $ 000
Kavala Oil S.A.	**–**	0.08	**–**	(202)	**92**	92
Energean Israel Ltd	**30.00**	30.00	**(323)**	(4,460)	**259,630**	259,953
Total			**(323)**	**(4,662)**	**259,722**	**260,045**

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, after acquiring the 50% founders shares (refer to note 6), the Group 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 2019, is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of financial position as at 31 December 2019:

	2019 $ 000	2018 $ 000
Current assets	145,038	204,160
Non current assets	1,638,566	1,059,259
Current liabilities	(93,169)	(325,724)
Non-current liabilities	(825,011)	(71,195)
Total equity	**865,424**	**866,500**

Summarised statement of profit or loss for 2019:

	2019 $ 000	2018 $ 000
Administration expenses	(2,868)	(4,741)
Exploration and evaluation expenses	(55)	–
Operating loss	(2,923)	(4,741)
Finance income	2,262	841
Finance costs	(1,227)	(15,314)
Loss for the year before tax	**(1,888)**	**(19,214)**
Tax income	375	4,381
Net loss for the period	**(1,513)**	**(14,833)**

21. Borrowings

	2019 $ 000	2018 $ 000
Net Debt		
Current borrowings	38,052	–
Non-current borrowings	877,932	144,270
Total borrowings	915,984	144,270
Less: Cash and cash equivalents and bank deposits	(354,419)	(219,822)
Net (Funds)/Debt (1)	**561,565**	**(75,552)**
Total equity (2)	1,260,752	1,087,823
Gearing Ratio (1)/(2):	**44.54%**	**(6.95%)**

EBRD Senior Facility

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). As at 31 December 2019, $145.2 million has been drawn down from the EBRD Senior Facility (year ended 31 December 2018: $126.6 million).

EBRD Subordinated Facility

In July 2016, the Group signed an 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 of the Greek subsidiary Energean Oil&Gas S.A. an 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 (25 August 2025) and EBITDA participation rate increase by 0.5% . EBITDA participation amount accrued in 2019 was $2.1 million (31 December 2018: $2.2 million). As at 31 December 2019 an amount of $20.0 million has been drawn down from the EBRD Subordinated Facility (31 December 2018: $20 million).

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 to 24, LIBOR + 4.25% over months 25 to 36 and LIBOR + 4.75% over months 37 to 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 had paid a total amount of $61.5 million for debt arrangement and commitment fees. As at 31 December 2019 an amount of $830.0 million (31 December 2018: $nil) was drawn down from the $1.275 billion Karish-Tanin project finance facility.

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21. Borrowings continued

Reconciliation of liabilities arising from financing activities

	1 January $ 000	Cash inflows $ 000	Cash outflows $ 000	Reclassification $ 000	IFRS 16 adoption $ 000	Additions $ 000	Lease modification $ 000	Finance costs including amortisation of arrangement fees $ 000	Foreign exchange impact $ 000	Fair value changes $ 000	31 December $ 000
2019	**230,788**	**849,546**	**(61,104)**	**(2,517)**	**9,792**	**123**	**(699)**	**(25,756)**	**(58)**	**(564)**	**999,552**
Long-term borrowings	142,985	848,658	(44,738)	(38,052)	–	–	–	(30,889)	(32)	–	877,932
Current portion of long-term borrowings	1,285	–	–	38,052	–	–	–	(1,259)	(26)	–	38,052
Lease liabilities		–	(1,024)	(2,517)	9,792	123	(699)	436	–	–	6,111
Deferred license payments	86,518	–	(15,342)	–	–	–	–	6,963	–	–	78,139
Asset held to hedge long-term borrowings	–	888	–	–	–	–	–	(1,006)	–	(564)	(682)
2018	**91,331**	**55,626**	**(28,460)**	**–**	**–**	**91,507**	**–**	**20,967**	**(183)**	**–**	**230,788**
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)	–	–	–	–	–	–	–
Deferred license payments	–	–	(10,850)	–	–	91,507	–	5,861	–	–	86,518

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.

In July 2019, Energean launched a placing of a total 23,444,445 new ordinary shares with institutional investors at a price of £9.00 per Placing Share, raising net proceeds (after expenses) of approximately $256.9 million (approximately £205 million). The number of Placing Shares issued by the Company did not exceed 19.99% of the existing issued share capital of the Company.

22. 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.

22.1 Provision for retirement benefits

	2019 $ 000	2018 $ 000
Defined benefit obligation	4,265	3,659
Provision for retirement benefits recognised	**4,265**	**3,659**
Allocated as:		
Non-current portion	4,265	3,659
	4,265	**3,659**

22.2 Defined benefit obligation

	2019 $ 000	2018 $ 000
At 1 January	3,659	3,288
Current service cost	405	250
Interest cost	61	48
Extra payments or expenses	564	45
Actuarial losses – from changes in financial assumptions	466	444
Benefits paid	(824)	(249)
Exchange differences	(66)	(167)
At 31 December	**4,265**	**3,659**

22.3 Actuarial assumptions and risks

The most recent actuarial valuation was carried out as of 31 December 2019 and it was based on the following key assumptions:

	2019 $ 000	2018 $ 000
Discount rate	1.70%	1.70%
Expected rate of salary increases	3.54%	3.59%
Average life expectancy over retirement age	20.8 years	20.8 years
Inflation rate	1.70%	1.75%

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22.3 Actuarial assumptions and risks continued

Sensitivity analysis

The sensitivity analysis below shows the impact on the defined benefit obligation of changing each assumption while not changing all 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.

	2019	2018
Percentage Effect on defined benefit obligation		
Change +0.5% in Discount rate	-8%	-8%
Change -0.5% in Discount rate	8%	8%
Change +0.5% in Expected rate of salary increases	8%	8%
Change -0.5% in Expected rate of salary increases	-8%	-8%

	2019	2018
Percentage Effect on current service cost		
Change +0.5% in Discount rate	-12%	-12%
Change -0.5% in Discount rate	12%	12%
Change +0.5% in Expected rate of salary increases	13%	13%
Change -0.5% in Expected rate of salary increases	-13%	-13%

The amounts presented reflect the impact from the percentage increase/(decrease) in the given assumption by +/- 0.5% on the defined benefit obligation and current service cost, 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.

23. Provisions

	Decommissioning $ 000	Litigation and other claims $ 000	Total $ 000
At 1 January 2018	**5,688**	**9,306**	**14,994**
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)
At 31 December 2018	**7,530**	**–**	**7,530**
Current provisions	**–**	**–**	**–**
Non-current provisions	**7,530**	**–**	**7,530**
At 1 January 2019	**7,530**	**–**	**7,530**
New provisions and changes in estimates	5,437	133	5,570
Unwinding of discount	320	–	320
Currency translation adjustment	(142)	–	(142)
At 31 December 2019	**13,145**	**133**	**13,278**
Current provisions	**–**	**133**	**133**
Non-current provisions	**13,145**	**–**	**13,145**

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 the Greek Law, the Group is obliged to plug only the wells opened resulting from own drilling activities.

The decommissioning provision represents the present value of decommissioning costs relating to oil and gas properties, which are expected to be incurred up to 2034, when the producing oil and gas properties are expected to cease operations. These provisions have been created based on the Group's internal estimates. Assumptions based on the current economic environment have been made, which management believes form a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil and gas prices, which are inherently uncertain. . The increase of decommissioning liabilities in 2019 is driven by a reduction in the discount rate used to determine the net present value of the decommissioning provision, following the reduction in Greek government debt rates observed in 2019 and by change in the underlying decommissioning cost estimates. The discount rate applied at 31 December 2019 was 2.59% (2018: 4.7%).

Litigation and other claims

As of 31 December 2017 the Group recorded 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 the aforementioned amount in October 2018.

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24. Trade and other payables

	2019 $ 000	2018 $ 000
Trade and other payables – Current		
Financial items:		
Trade accounts payable[1]	**95,919**	323,953
Accrued expenses	**42,026**	36,341
Other creditors	**5,641**	2,372
Deferred licence payments due within one year[2]	**14,843**	15,342
Other finance costs accrued	**2,306**	3,148
Current lease liability	**3,541**	–
	164,276	381,156
Non-financial items:		
Social insurance and other taxes	**3,829**	3,583
Income taxes	**3**	939
	3,832	4,522
	168,108	**385,678**
Trade and other payables – Non Current		
Financial items:		
Deferred licence payments[2]	**63,296**	71,176
Long term lease liability	**2,570**	–
Sales consideration received in advance (INGL)[3]	**5,306**	–
Non-financial items:		
Social insurance	**1,229**	1,547
	72,401	**72,723**

1. Included in trade payables and accrued expenses in FY2018, 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. The change in trade payables and in other payables represents mainly timing differences and levels of work activity in Karish project. Trade and other payables are non-interest bearing.
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. As at 31 December 2019 the total discounted deferred consideration was $78.1 million (31 December 2018: $86.5 million).
3. In June 2019, Energean signed a Detailed Agreement with Israel Natural Gas Lines ("INGL") for the transfer of title (the "hand over") of the near shore and onshore part of the infrastructure that will deliver gas from the Karish and Tanin FPSO into the Israeli national gas transmission grid. As consideration, INGL will pay Energean 369 million Israeli new shekel (ILS), approximately $102 million for the infrastructure being built by Energean which will be paid in accordance with milestones detailed in the agreement. The agreement 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 hand over to INGL will become effective shortly after the delivery of first gas from the Karish field expected in 1Q 2021. Following hand over, INGL will be responsible for the operation and maintenance of this part of the infrastructure.

25. Employee share schemes

Analysis of share-based payment charge

	2019 $ 000	2018 $ 000
Employee Share Award Plan	1,178	3,000
Energean DSBP Plan	314	–
Energean Long Term Incentive Plan	1,989	511
Total share-based payment charge	**3,481**	**3,511**
Capitalised to intangible and tangible assets	730	1,941
Expensed as administration expenses	2,685	1,520
Expensed to exploration and evaluation expenses	52	50
Expensed as other expenses	14	–
Total share-based payment charge	**3,481**	**3,511**

Energean Long Term 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, Energean'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.

The weighted average remaining contractual life for LTIP awards outstanding at 31 December 2019 was 1.7 years (31 December 2018: 2.5 years), number of shares outstanding 1,096,629 and weighted average price at grant date £6.35.

There are further details of the LTIP in the remuneration Report on pages 98-110.

Deferred Share Bonus Plan (DSBP)

Under the DSBP, the portion of any annual bonus above 30 per cent of the base salary of a Senior Executive nominated by the Remuneration Committee was deferred into shares.

Deferred awards are usually granted in the form of conditional share awards or nil-cost options (or, exceptionally, as cash-settled equivalents). Deferred awards usually vest two years after award although may vest early on leaving employment or on a change of control.

The weighted average remaining contractual life for DSBP awards outstanding at 31 December 2019 was 1.24 years, number of shares outstanding 76,919 and price at grant date £7.65.

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 of the Group employees under the Energean 2018 Long Term Incentive Plan (LTIP) over 659,050 ordinary shares in Energean 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 vested on 22 November 2019.

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26. 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.

26.1. 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:

		Year ended 31 December	
	Notes	**2019 $ 000**	2018 $ 000
Financial assets			
Cash and cash equivalents and bank deposits	16	354,419	219,822
Trade and other receivables	18	6,153	1,486
		360,571	**221,308**
Financial liabilities at amortised cost			
Borrowings	21	915,984	144,270
Trade and other payables	24	235,448	452,332
		1,151,432	**596,602**

The Group has no material financial assets that are past due. All financial assets and liabilities with the exception of derivatives are measured at amortized cost.

26.2 Fair values of derivative instruments

The Group had one material financial asset measured at fair value at 31 December 2017 which relates to the Energean Israel B shares. Equivalent disclosures for the requirements of IFRS 7 Financial Instruments: Disclosures and IFRS 13 Fair Value Measurements have been included in note 26.2 of the 2018 Annual Report and Accounts of Energean Oil & Gas Plc.

On 21 March 2018 following the acquisition of a 50% economic interest in Energean 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.

26.3 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, Energean decided to hedge 30% of anticipated sales volumes for the remainder of 2018. On April 13th, Energean 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.

26.3 Commodity price risk continued

The following table demonstrates the timing, volumes and the average floor price protected for the Group's 2018 commodity hedges:

Hedged quantity (bbls)	Contract Month (2018)	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

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 hedges transactions were realized within the year and therefore transferred to sales revenue, resulting in a $1.3 million loss recognized within revenue and $nil hedge reserve as at 31 December 2018. The Group did not enter in any hedging arrangement in relation to oil prices during 2019.

26.4 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 2019, 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.

	2019 **$ 000**	2018 $ 000
Variable rate instruments		
Borrowings	915,985	142,986
	915,985	**142,986**

Interest rate sensitivity

		Profit and loss for the period
	+ 50 basis points	**- 50 basis points**
31 December 2019	(2,645)	2,405
	+ 100 basis points	**- 100 basis points**
31 December 2018	(1,170)	1,170

26.5 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.

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26.5 Credit risk continued

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:

	2019 $ 000	2018 $ 000
Trade receivables	5,383	1,462
Other receivables	23	24
Cash and cash equivalents and bank deposits	354,419	219,822
Total	**359,825**	**221,308**

Credit quality of bank deposits

The credit quality of the banks in which the Group keeps its 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:

	2019 $ 000	2018 $ 000
Aa3	926	217,190
A1	8	–
A2	114,760	–
A3	235,355	–
B3	1,553	–
Caa1	1,790	2,632
Caa2	4	–
	354,396	**219,822**

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:

	2019 $ 000	2018 $ 000
A1	2,636	213
Non-rated	2,770	1,249
Total	**5,406**	**1,462**

No current trade receivables are overdue; no allowance for expected credit losses has been recognized as the amount was immaterial (2018: $nil).

26.6 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, as a result of financial instruments, at each reporting date is shown in the table below. The amounts shown are the US$ equivalent of the foreign currency amounts.

	Liabilities		Assets	
	2019 $ 000	2018 $ 000	**2019 $ 000**	2018 $ 000
Dollars (US$)	176,802	172,247	4,861	22,852
United Kingdom Pounds (GBP)	16,099	25,674	29,035	46,528
Euro	2,488	40,955	84,404	43,281
NOK	–	15,001	49,320	17,774
ILS	9,889	4,173	702	1,904
Total	**205,278**	**258,050**	**168,322**	**132,339**

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 2019									
	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)	16,396	(20,039)	3,427	(4,289)	7,527	(9,215)	(919)	835	4,485	(5,477)
Other comprehensive income	10,129	(9,642)	–	–	–	–	–	–	–	–
Equity	**26,525**	**(29,681)**	**3,427**	**(4,289)**	**7,527**	**(9,215)**	**(919)**	**835**	**4,485**	**(5,477)**

	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)	–	–	–	–	–	–	–	–
Equity	**27,177**	**(30,729)**	**3,519**	**(3,065)**	**347**	**(336)**	**(227)**	**206**	**277**	**(252)**

The above calculations assume that interest rates remain the same as at the reporting date.

26.7 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group monitors its risk to a shortage of funds by monitoring its debt rating and the maturity dates of existing debt and other payables. As at 31 December 2019, the Group had available US$480.0 million (2018: $1,328.4 million) of undrawn committed borrowing 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 appropriately actions to ensure available 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.

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26.7 Liquidity risk continued

The table below summarizes the maturity profile of the Group financial liabilities based on contractual undiscounted payments:

31 December 2019	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	915,985	1,146,599	34,806	64,022	968,320	79,451	–
Lease liabilities	6,111	6,626	797	2,761	1,955	1,113	–
Trade and other payables	233,428	260,910	100,917	63,270	21,136	52,390	23,197
Total	**1,155,524**	**1,414,135**	**136,520**	**130,053**	**991,411**	**132,954**	**23,197**

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
Total	**602,677**	**731,048**	**341,936**	**55,127**	**59,323**	**154,586**	**120,077**

27. Related parties

27.1 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 provided in note 27.2 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.

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 shareholders 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 director, for the provision of Group Corporate Social Responsibility Consultancy and Project Management Services.

27.2 Related party transactions

Purchases of goods and services

	Nature of transactions	2019 $ 000	2018 $ 000
Other related party "Seven marine"	Vessel leasing and services	4,066	6,383
Other related party "Abbey Investing"	Property lease	–	47
Other related party "Capital Earth Ltd"	Consulting services	129	131
		4,195	**6,561**

Revenue and other income

	Nature of transactions	2019 $ 000	2018 $ 000
Energean Israel Ltd	Technical services	–	1,398
		–	**1,398**

27.3 Related party balances

Payables

	Nature of balance	2019 $ 000	2018 $ 000
Seven marine	Vessel leasing and services	6,105	4,053
"Capital Earth Ltd"	Consulting services	–	158
		6,105	**4,211**

27.4 Key management compensation

The Directors of Energean Plc are considered to be the only key management personnel as defined by IAS 24 Related Party Disclosures.

31 December 2019	Salary and fees $ 000	Benefits $ 000	Annual bonus $ 000	Total $ 000
Executive Directors	1,436	160	545	**2,141**
Non-Executive Directors	590	–	–	**590**
Total	**2,026**	**160**	**545**	**2,731**

31 December 2018	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**
Total	**2,833**	**182**	**2,228**	**5,243**

Notes to the consolidated financial statements

continued

28. 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:

	2019 $ 000	2018 $ 000
Capital Commitments:		
Due within one year	5,425	16,176
Due later than one year but within two years	5,729	5,840
Due later than two years but within five years	–	229
	11,154	**22,245**
Operating lease commitments:		
Within one year	–	2,457
Between one and five years	–	2,966
After five years	–	66
	–	**5,489**
Contingent liabilities		
Performance guarantees		
Greece	658	6,623
Israel	38,330	26,750
Montenegro	562	3,435
	39,550	**36,808**

Performance guarantees

Karish and Tanin Leases – As part of the requirements of the Karish and Tanin Lease deeds, the Group provided the Ministry of National Infrastructures, Energy and Water with bank guarantees in the amount of US$10 million for each lease (total US$20 million). The bank guarantees were in force until 29 December 2019, and were renewed on November 2019 until 31 March 2021.

Blocks 12, 21, 22, 23 and 31 – As part of the requirements of the exploration and appraisal licences which granted to the Group during the Israeli offshore BID in December 2017, the Group provided the Ministry of National Infrastructures, Energy and Water in January 2018 with bank guarantees in the amount of US$6.5 million for all 5 blocks mentioned above. The bank guarantees are in force until 10 January 2021.

Blocks 55, 56, 61 and 62, also known as "ZONE D" – As part of the requirements of the exploration and appraisal licences which granted to the Group during the Israeli 2nd offshore BID in July 2019, the Group provided the Ministry of National Infrastructures, Energy and Water in January 2018 with bank guarantees in the amount of US$3.2 million for all 4 blocks mentioned above. The bank guarantees are in force until 28 September 2020.

Israeli Natural Gas Lines ("INGL") – As part of the agreement signed with INGL on June 2019 the Group provided INGL bank guarantee at the amount of 18.26 million ILS (approx. US$5.3 million) in order to secure the first milestone payment from INGL. The bank guarantee is in force until 30 June 2021.

Israel Custom Authority – As part of the ongoing importation related Karish development, the Group provided the Israeli Custom authority bank guarantees in 2019 at the amount of 10 million ILS (approx. US$2.9 million). The bank guarantees are in force until 28 February 2021.

Transmission licence – During August 2018, Energean Israel Transmission Ltd, subsidiary of the Company (100%), received the licence for construction and operation of a transmission system in accordance with Section 10 of the Natural Gas Sector Law, 5762-2002 for transmitting the gas from Karish and Tanin fields into Israel infrastructures. As part of the requirements of the license, the Group provided the Ministry of National Infrastructures, Energy and Water with bank guarantees in the amount of US$250 thousand. The bank guarantee is in force until 20 September 2020. The bank guarantee will be renewed each year thereafter as long as the license is valid, in accordance with the period of Karish and Tanin Leases.

Israel other – As part of the ongoing operations in Israel, the Group provided various bank guarantees to third parties in Israel which totalled 0.7 million ILS (approx. US$0.2 million). Approximately half of the said bank guarantees are valid until July 2020 and the remaining bank guarantees are in force until October 2021.

28. Commitments and contingencies continued

Greece: 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 the contract with the Greek State for exploitation in Prinos.

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 Aitoloakarnania 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.

Montenegro: 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. As of 31 December 2019 this guarantee was reduced to $0.6 million.

Legal cases and contingent liabilities

The Group had no other material contingent liabilities as of 31 December 2019 and 31 December 2018.

Significant transaction

On 4th July 2019 the Group entered into a conditional sale and purchase agreement to acquire Edison Exploration & Production S.p.A. ("Edison E&P") from Edison S.p.A. for $750 million, to be adjusted for working capital, with additional contingent consideration of $100 million payable following first gas from the Cassiopea development (expected 2022), offshore Italy. Edison E&P's portfolio of assets includes producing assets in Egypt, Italy, Algeria, the UK North Sea and Croatia, development assets in Egypt, Italy and Norway and balanced-risk exploration opportunities across the portfolio. The Edison E&P portfolio will add working interest 2P reserves of 292 mmboe and 2019 net working interest production of 64 kboepd. As of 31 December 2019 the Edison E&P group generated revenue of $531 million and EBITDAX of $276 million as per Edison E&P year end management report.

On 14 October 2019, the Group conditionally agreed to sell Edison E&P's North Sea Assets, consisting of its UK and Norwegian companies to Neptune Energy Group for $262 million with a further $30m consideration contingent on future trading. At 30 June 2019 the carrying value of total assets to be sold were $549.5 million and net assets of the disposal group was $104.4 million. The companies to be disposed generated revenue of $57.8 million and profit after tax of $12.3 million for the year ended 31 December 2018, as per Edison E&P year end management report.

29. Subsequent events

Energean is exposed to macro-economic risks, including pandemic diseases that could have a material adverse effect on its operations. We continue to monitor the recent Coronavirus outbreak, which is causing global economic disruption and may impact our performance in 2020. To date, the Coronavirus has not had a material impact on Energean's activities. However, at present, it is not possible to predict whether the outbreak will have a material adverse effect on our future earnings, cash flows and financial condition.

On 6 March 2020, OPEC and non-OPEC allies (OPEC+) met to discuss the need to cut oil supply to balance oil markets in the wake of the Coronavirus outbreak, which has had a material adverse impact on oil demand. OPEC+ failed to reach agreement and on 7 March 2020, Saudi Aramco cut its Official Selling Prices, prioritizing market share over pricing. As a result, oil prices have fallen materially, which may have a material adverse impact on the component of Energean's future earnings that are linked to oil prices.

In January 2020, Energean reduced the size of it EBRD Reserve Based Lending Facility to $161 million.

On 16 March 2020, Energean Israel signed a $175 million increase in its project finance facility, which is now sized at $1,450 million, increasing liquidity available to the company.

Company statement of financial position

As at 31 December 2019

	Notes	2019 $ 000	2018 $ 000
ASSETS			
Non-current assets			
Investment in subsidiaries	1	877,183	848,485
Property plant and equipment		2	2
Loans and other intercompany receivables	3	2,309	1,443
		879,494	**849,930**
Current assets			
Trade and other receivables	4	5,178	6,488
Cash and cash equivalents		235,329	6,840
		240,507	**13,328**
Total assets		**1,120,001**	**863,258**
LIABILITIES			
Current liabilities			
Trade and other payables	6	4,892	4,339
		4,892	**4,339**
Non-Current Liabilities			
Other long-term liabilities	7	267	47
		267	**47**
Total liabilities		**5,159**	**4,386**
Capital and reserves			
Share capital	8	2,367	2,066
Share premium	8	915,388	658,805
Share based payment reserve	10	10,094	6,617
Retained earnings		186,993	191,384
Total equity		**1,114,842**	**858,872**

During the year the Company made a loss of $4.4 million (31 December 2018: $98.9 million profit).

Approved by the Board and authorised for issuance on 18 March 2020.

Matthaios Rigas
Chief Executive Officer

Panos Benos
Chief Financial Officer

Company statement of changes in equity

As at 31 December 2019

	Share Capital $ 000	Share Premium $ 000	Share based payment reserve $ 000	Other reserves $ 000	Retained earnings $ 000	Total equity $ 000
At 1 January 2018	**917**	**–**	**–**	**67,506**	**25,007**	**93,430**
Profit/(loss) for the year	–	–	–	–	98,871	98,871
Transactions with owners of the company						
IPO Shares issued	1,009	458,991	–	–	–	460,000
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	–
At 31 December 2018	**2,066**	**658,805**	**6,617**	**–**	**191,384**	**858,872**
Profit/(loss) for the year	–	–	–	–	(4,391)	(4,391)
Transactions with owners of the company						
New Shares issued	297	264,785	–	–	–	265,082
Employee share schemes	4	–	3,477	–	–	3,481
Transaction cost in relation to new share issue	–	(8,202)	–	–	–	(8,202)
At 31 December 2019	**2,367**	**915,388**	**10,094**	**–**	**186,993**	**1,114,842**

Company accounting policies

As at 31 December 2019

(a) General 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 Financial Statements are presented in US dollars and all values are rounded to the nearest US$ thousands ($'000), except where otherwise stated. Energean Oil & Gas Plc is the ultimate Parent of the Energean 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:

a. the requirements of IFRS 7 Financial Instruments: Disclosures;
b. the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
c. 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;
d. 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;
e. the requirements of IAS 7 Statement of Cash Flows;
f. the requirements of paragraphs 45(b) and 46-52 of IFRS2 share-based payments
g. the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
h. 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.

(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 their 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. In July 2019, Energean also launched a placing with institutional investors of new ordinary shares of 1 pence each in the capital of Energean to raise up to £211 million (approximately US$265 million) before expenses. 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 were derivative instruments.

(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.

(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

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 derecognised in 2018, 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 6.

(j) Revenue

Revenue from contracts with customers is recognized 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.

Rendering of services

The Company recognizes revenue from management and administrative services to its subsidiaries, 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. The Company recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the service.

(k) Share issue expenses

Costs of share issues are written off against share premium arising on the issues of share capital.

Company accounting policies

continued

(l) 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.

(m) 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.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, demand and time deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(o) 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. There are no critical accounting judgements and key sources of estimation uncertainty in the current year.

Notes to the Company financial statements

As at 31 December 2019

Note 1. Investments in subsidiaries

The following table shows the movement in the investment in subsidiaries during the year

	$ 000
At 31 December 2018	**848,485**
Additions	28,698
At 31 December 2019	**877,183**

During 2019, the Company increased its investments in subsidiaries undertakings by $28.7 million (31 December 2018: $847.6 million).

A complete list of Energean Oil & Gas Plc Group companies at 31 December 2019, 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. No dividend is proposed in respect of the year ended 31 December 2019 (2018: $nil).

Note 3. Loans and other intercompany receivables

	2019 $ 000	2018 $ 000
Loans to subsidiary	**1,452**	1,280
Other receivables	**857**	163
At 31 December	**2,309**	**1,443**

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

	2019 $ 000	2018 $ 000
Financial items		
Receivables from shareholders	**25**	23
Due from subsidiary undertakings	**3,993**	6,267
	4,018	**6,290**
Non-financial items		
Deposits and prepayments	**1,160**	198
	1,160	**198**
Total trade and other receivables	**5,178**	6,488

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 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 $25k was still outstanding.

Notes to the Company financial statements

continued

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 2019 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.

Note 6. Trade and other payables

	2019 $ 000	2018 $ 000
Staff costs accrued	791	1,573
Trade payables	1,639	1,282
Due to subsidiary undertakings	210	756
Accrued expenses	1,892	323
Taxes and social securities payable	346	398
Other creditors	14	7
Total trade and other payables	**4,892**	**4,339**

The amounts are unsecured and are usually paid within 30 days of recognition.

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

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, -*+/preference shares, in a subsidiary of the Company, held by one of the Company's shareholder were converted to 9,095,900 common shares in the Company (note 1).

In July 2019 a total of 23,444,445 new ordinary shares have been placed by both existing and new institutional investors at a price of £9.00 per Placing Share, raising proceeds of approximately $265.1 million (approximately £211 million) before expenses. The Placing Shares issued represent approximately 15.3 per cent of the issued share capital of the Company prior to the Placing.

	Equity share capital allotted and fully paid Number	Share capital $ 000	Share premium $ 000
Authorised			
At 31 December 2018	**153,152,763**	**2,066**	**658,805**
Issued during the year			
– New shares	23,618,583	297	256,583
– Employee share schemes	318,060	4	–
At 31 December 2019	**177,089,406**	**2,367**	**915,388**

Note 9. Staff costs

	2019 $ 000	2018 $ 000
Wages and salaries	**1,041**	402
Directors' remuneration	**2,723**	3,265
Social insurance costs and other funds	**731**	343
Share-based payments	**1,661**	468
Pension contribution & insurance	**34**	12
Total payroll cost	**6,190**	**4,490**

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.

Notes to the Company financial statements

continued

Note 10. Share-based payment

Energean Long Term 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 other post-grant performance conditions. No dividends are paid over the vesting period; however, Energean'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.

The weighted average remaining contractual life for LTIP awards outstanding at 31 December 2019 was 1.7 years (31 December 2018: 2.5 years), number of shares outstanding 1,096,629 and weighted average price at grant date £6.35.

There are further details of the LTIP in the remuneration Report on pages 98-110.

Deferred Share Bonus Plan (DSBP)

Under the DSBP, the portion of any annual bonus above 30 per cent of the base salary of a Senior Executive nominated by the Remuneration Committee was deferred into shares.

Deferred awards are usually granted in the form of conditional share awards or nil-cost options (or, exceptionally, as cash-settled equivalents). Deferred awards usually vest two years after award although may vest early on leaving employment or on a change of control.

The weighted average remaining contractual life for DSBP awards outstanding at 31 December 2019 was 1.24 years, number of shares outstanding 76,919 and price at grant date £7.65.

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 of the Group employees under the Energean 2018 Long Term Incentive Plan (LTIP) over 659,050 ordinary shares and price at grant date £5.00 in Energean 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 vested on 22 November 2019.

Income statement summary

Share based payment charges during the year, which have been recognised in the income statement were totalling to $1.7 million.

Note 11. Related party transactions

The Company's subsidiaries at 31 December 2019 and the Group's percentage of share capital are set out are 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:

	2019 $ 000	2018 $ 000
Amounts receivable from subsidiary undertakings	**3,993**	7,710
Amounts payable to subsidiary undertakings	**210**	866
	4,203	**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 (minority interest exists) recorded in the income statement:

	2019 $ 000	2018 $ 000
Amounts invoiced to subsidiaries under a "Management and administrative Services Agreement".	**3,000**	4,327
	3,000	**4,327**

Note 12. Directors' remuneration

Directors' remuneration has been provided in the remuneration report within the Annual Report. Please refer to pages 98-110 of the Annual Report.

Note 13. Auditor's 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 29 of the consolidated financial statements.

Payments to governments

Year ended 31 December 2019

The main economic value to host governments is from royalties and income taxes on the Group's activities.

$2.43 million
paid to government

The Group pays to several countries numerous taxes, including income taxes, bonus payments, licence fees and royalties.

Transparency disclosure

The Group has prepared the following transparency disclosure ("the Disclosure") on payments to governments in accordance with the Reports on Payments to Governments Regulations 2014 (2014/3209), as amended by the Reports on Payments to Governments (Amendment) Regulations 2015 (2015/1928), (the "Regulations"). The "Basis of Preparation" section below contains information about the content of the Disclosure, the types of payments included and the principles that have been applied in preparing the Disclosure.

Basis of preparation

Under the Regulations, the Group prepares a disclosure on payments made to governments for each financial year in relation to relevant activities of both the Company and any of its subsidiary undertakings included in the consolidated group accounts.

Activities within the scope of the Disclosure – Payments made to governments that relate to the Group's activities involving the exploration, development, and production of oil and gas reserves ("extractive activities") are included in this Disclosure. Payments made to governments that relate to activities other than extractive are not included in this Disclosure as they are not within the scope of extractive activities as defined by the Regulations.

Government – Under the Regulations, a "government" is defined as any national, regional or local authority of a country, and includes a department, agency or undertaking that is a subsidiary undertaking controlled by such an authority. All of the payments disclosed in this Disclosure 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.

Cash basis – Payments are reported on a cash basis, meaning that they are reported in the period in which they are paid, as opposed to being reported on an accruals basis (which would mean that they were reported in the period for which the liabilities arise).

Project definition – The Regulations require payments to be reported by project (as a sub category within a country). They define a "project" as the operational activities which are governed by a single contract, licence, lease, concession or similar legal agreement, and form the basis for payment liabilities with a government. If these agreements are substantially interconnected, then they can be treated as a single project. Under the Regulations "substantially interconnected" means forming a set of operationally and geographically integrated contracts, licences, leases or concessions or related agreements with substantially similar terms that are signed with a government, giving rise to payment liabilities. The number of projects will depend on the contractual arrangements within a country and not necessarily on the scale of activities. Moreover, a project will only appear in this Disclosure where relevant payments occurred during the year in relation to that project. The Regulations acknowledge that for some payments it may not be possible to attribute a payment to a single project and therefore such payments may be reported at the country level. Corporate income taxes, which are typically not levied at a project level, are an example of this.

Materiality threshold – The Regulations require that payments made as a single payment exceeding £86,000 or as part of a series of related payments within a financial year exceeding £86,000 be included in this Disclosure.

Reporting currency – All payments have been reported in US dollars. Payments made in currencies other than US dollars are typically translated at the average exchange rate of the year under consideration.

Payment types

The Regulations define a "Payment" as an amount paid whether in money or in kind, for relevant activities where the payment is of any one of the types listed below:

Production entitlements – Under production-sharing agreements (PSAs) the production is shared between the host government and the other parties to the PSA. The host government typically receives its share or entitlement in kind rather than being paid in cash. For the year ended 31 December 2019, there were no reportable production entitlements to a government.

Income Taxes – Includes taxes levied on income or profits received. Taxes levied on consumption, personnel, sales, procurement (contractor's withholding taxes), environmental, property, customs and excise are not reportable under the Regulations.

Royalties – These may be paid in cash or in kind (valued in the same way as production entitlement). For the year ended 31 December 2019, the Group reported payments of cash royalties paid to the Greek Government on Prinos area production.

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).

Bonuses – Signature, discovery and production bonuses and other bonuses payable under licences or concession agreements have been reported.

Dividends – These are dividends that are paid in lieu of production entitlements or royalties. For the year ended 31 December 2019, there were no reportable dividend payments to a government.

Payments overview

The table below shows the relevant payments to governments made by the Group in the year ended 31 December 2019 shown by country and payment type.

Of the seven payment types required by the UK regulations, the Group did not pay any production entitlements, dividends and or infrastructure improvements therefore those categories are not shown.

Country	Income taxes $m	Royalties $m	Bonuses $m	Fees $m	Total $m
Greece	0.49	1.20	–	–	1.69
Israel	–	–	0.32	0.30	0.62
Montenegro	–	–	–	0.12	0.12
TOTAL	**0.49**	**1.20**	**0.32**	**0.42**	**2.43**

Payments by project

Payments by Project	Income taxes $m	Royalties $m	Bonuses $m	Fees $m	Total $m
Prinos license	–	1.20	–	–	1.20
Greece - corporate	0.49	–	–	–	0.49
Greek Government Report	**0.49**	**1.20**	**–**	**–**	**1.69**
Karish license	–	–	–	0.08	0.08
Tanin license	–	–	–	0.08	0.08
Blocks 12, 21, 22, 23 & 31	–	–	–	0.05	0.05
Zone D	–	–	0.32	0.09	0.09
Israeli Government Report	**–**	**–**	**0.32**	**0.30**	**0.62**
Block 4218-30	–	–	–	0.10	0.10
Block 4219-26	–	–	–	0.02	0.02
Montenegrin Government Report	**–**	**–**	**–**	**0.12**	**0.12**
TOTAL	**0.49**	**1.20**	**0.32**	**0.42**	**2.43**

Transparency disclosure

Licence/Company level	European transparency directive disclosure Production entitlements BBL000	Production entitlements $ 000	Income taxes $ 000	Royalties (cash only) $ 000
Energean Ild & Gas SA				
Greece – Prinos licence	–	–	–	1,203.25
Greece – South Kavala licence	–	–	–	–
Greece – Ioannina licence	–	–	–	–
Greece – Katakolo licence	–	–	–	–
Greece – Aitoloakarnania licence	–	–	–	–
Greece – Corporate	–	–	485.35	–
Greek Government Report	–	–	485.35	1,203.25
Energean Israel Limited	–	–	–	–
Israel – Karish license	–	–	–	–
Israel – Tanin license	–	–	–	–
Israel – Blocks 12, 21, 22, 23 & 31	–	–	–	–
Israel – Zone D	–	–	–	–
Israeli Government Report	–	–	–	–
Energean Montenegro Limited	–	–	–	–
Montenegro – Block 4218-30	–	–	–	–
Montenegro – Block 4219-26	–	–	–	–
Montenegrin Government Report	–	–	–	–
	–	**–**	**485.35**	**1,203.25**

	European transparency directive disclosure					
	Dividends $ 000	Bonuses payments $ 000	Licence fees $ 000	Infrastructure improvement payments $ 000	Total $ 000	Total BBL000
	–	–	–	–	1,203.25	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	485.35	–
	–	–	–	–	1,688.60	–
	–	–	–	–	–	–
	–	–	78.47	–	78.47	–
	–	–	80.07	–	80.07	–
	–	–	52.17	–	52.17	–
	–	320.00	89.61	–	409.61	–
	–	320.00	300.31	–	620.31	–
	–	–	–	–	–	–
	–	–	98.54	–	98.54	–
	–	–	22.57	–	22.57	–
	–	–	121.11	–	121.11	–
	–	**320.00**	**421.42**	**–**	**2,430.03**	**–**

Net reserves & resources by field – Energean standalone

Reference to Reserves and Resources table in Review of Operations on page 34

Liquids

	Reserves (MMbbls)			Contingent Resources (MMbbls)			
	1P	2P	3P	1C	2C	3C	2P+2C
Israel							
Karish	13	26	38	0	1	2	27
Tanin	2	3	4	–	–	–	3
Karish North	–	–	–	16	24	42	24
Total Israel	**15**	**29**	**43**	**16**	**24**	**44**	**53**
Greece							
Prinos	11	14	17	11	26	43	41
Prinos North	2	2	3	–	1	3	3
Epsilon	18	22	26	2	21	29	43
Athos	–	–	–	2	2	4	2
Lydia	1	1	2	0	1	1	2
Kazaviti	–	–	–	1	1	1	1
Prinos D	–	–	–	–	0	0	0
Katakolo	10	14	20	–	–	–	14
Total Greece	**40**	**53**	**68**	**15**	**53**	**81**	**106**
TOTAL	**55**	**82**	**110**	**31**	**77**	**125**	**159**

Gas

	Reserves (Bcf)			Contingent Resources (Bcf)			
	1P	2P	3P	1C	2C	3C	2P+2C
Israel							
Karish	678	909	1,198	15	143	315	1,053
Tanin	392	550	748	–	–	–	550
Karish North	–	–	–	452	608	1,043	608
Total Israel	**1,070**	**1,460**	**1,946**	**467**	**751**	**1,358**	**2,211**
Greece							
Prinos	1	2	3	3	8	14	11
Prinos North	0	0	0	–	0	0	0
Epsilon	2	3	5	0	6	9	9
Athos	–	–	–	–	–	–	–
Lydia	–	0	0	0	0	0	0
Kazaviti	–	–	–	–	–	–	–
Prinos D	–	–	–	–	–	–	–
Katakolo	–	–	–	16	22	31	22
Total Greece	**4**	**6**	**8**	**20**	**37**	**53**	**43**
TOTAL	**1074**	**1465**	**1955**	**486**	**788**	**1411**	**2253**

Liquid & Gas

	Reserves (Mmboe)			Contingent Resources (Mmboe)			
	1P	2P	3P	1C	2C	3C	2P+2C
Israel							
Karish	133	187	250	3	26	58	213
Tanin	71	100	137	–	–	–	100
Karish North	–	–	–	96	131	227	131
Total Israel	**204**	**287**	**387**	**99**	**157**	**284**	**445**
Greece							
Prinos	11	15	18	11	28	46	42
Prinos North	2	2	3	–	1	3	3
Epsilon	18	22	27	2	22	31	44
Athos	–	–	–	2	2	4	2
Lydia	1	1	2	0	1	1	2
Kazaviti	–	–	–	1	1	1	1
Prinos D	–	–	–	–	0	0	0
Katakolo	10	14	20	3	4	5	18
Total Greece	**40**	**54**	**69**	**18**	**59**	**90**	**113**
Energean TOTAL	**245**	**342**	**456**	**117**	**216**	**375**	**558**

Glossary

O_2	Carbon dioxide
H_2S	Hydrogen sulphide
SO_2	Sulphur dioxide
GBP or £	Pound sterling
USD or $	US dollar
EUR or €	Euro
NOK	Norwegian krone

A

ACQ	Annual Contract Quantity
AGM	Annual General Meeting
ALARP	As low as reasonably practicable (A term often used in the regulation and management of safety-critical and safety-involved systems.)

B

bbl	Barrel
Bcf	Billion cubic feet
bcm	Billion cubic metres
boe	Barrels of oil equivalent
boepd	Barrels of oil equivalent per day
bopd	Barrels of oil per day

C

CAGR	Compound annual growth rate
Capex	Capital expenditure
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operating Officer
CMAPP	Corporate Major Accident Prevention Policy
CNG	Compressed natural gas
CPR	Competent Person's Report
CSR	Corporate Social Responsibility

D

DCQ	Daily Contract Quantity

E

E&P	Exploration and production
EBITDAX	Earnings before interest, tax, depreciation, amortisation and exploration expenses
EBRD	European Bank for Reconstruction and Development
EIA	Environmental Impact Assessment
EOR	Enhanced Oil Recovery
EPCIC	Engineering, Procurement, Construction, Installation and Commissioning

F

FAR	Fatal Accident Rate – number of fatalities per 100 million hours worked
FDP	Field Development Plan
FEED	Front-end Engineering and Design
FID	Final Investment Decision
FPSO	Floating Production Storage and Offloading vessel
FRC	Financial Reporting Council
FRS	Financial Reporting Standard

G

G&A	General and Administrative
GSPA	Gas Sale and Purchase Agreement
GSP	GSP Offshore S.R.L.

H

H&S	Health and Safety
HMRC	HM Revenue and Customs
HSE	Health, Safety and Environment

I

IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standard
INGL	Israel Natural Gas Lines Ltd
IPO	Initial Public Offering
IPP	Independent Power Producers
IR	Investor Relations

J

JOA	Joint Operating Agreement
JV	Joint Venture

K

kboepd	Thousands of barrels of oil equivalent per day
km	Kilometres
KPI	Key Performance Indicator

L

LIBOR	London Interbank Offered Rate
LSE	London Stock Exchange
LTI	Lost Time Injury
LTIF	Lost Time Injury Frequency

M

M3	Cubic metre
MARPOL	(Marine pollution) International Convention for the Prevention of Pollution from Ships
MM	Million
MMbbls	Million barrels
MMbo	Million barrels of oil
MMboe	Million barrels of oil equivalents
MMbtu	Million British Thermal Units
MMscf	Million standard cubic feet
MMscf/day or MMscfd	Million standard cubic feet per day
MMtoe	Million tonnes of oil equivalent
MoU	Memorandum of Understanding

N

NGF	Natural Gas Framework
NGO	Non-Governmental Organisation
NPV	Net Present Value
NSAI	Netherland, Sewell & Associates, Inc.

O

OECD	Organisation for Economic Co-operation and Development
Opex	Operating expenses
OR	Or Power Energies

P

PP&E	Property, plant and equipment
Psi	Pounds per square inch

R

2P reserves	Proven and probable reserves
RBL	Reserve Based Lending
2C resources	Contingent resources

S

Sq km or km2	Square kilometres
STOB	Stock Tank Oil Barrels

T

Tcf	Trillion cubic feet
TRIR	Total Recordable Injury Rate
TASE	Tel Aviv Stock Exchange

W

WI	Working interest

Company information

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Financial calendar

May 2020: 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.

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Designed and produced by Instinctif Partners
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