



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

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

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

**Highlights - Acquisition**

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

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



- A price of approximately 1x the forecast Minority Interest annual EBITDAX, which is expected to be approximately \$400 million per year when the gas sales profile is on plateau
- An equity acquisition price of between \$1.74 and \$1.85 per 2P barrel of oil equivalent (“boe”)<sup>2</sup>
- A leverage-accretive acquisition that is well within Energean’s target to keep its corporate net debt / EBITDAX ratio below 2.0x
- Taking a 100% interest in EISL will enable Energean to fully control its capital structure, enhancing its ability to maximise total shareholder returns
- The Acquisition is subject to shareholder, regulatory and other customary approvals. Energean expects to close the Acquisition in 1Q 2021

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

#### **Highlights – Karish Update**

- The Energean Power FPSO is expected to sailaway from Singapore to Israel in 3Q 2021 and to deliver first gas in 4Q 2021.
- Energean estimates that the Karish project will generate Carbon Dioxide emissions intensity of less than 4.5 kg CO<sub>2</sub>e/boe once production is on plateau. This represents approximately 25% of the current global average for the oil & gas industry
- In December 2020, the Karish project was awarded a safety and health award recognition for safety excellence and maintaining high HSE standards in Singapore.

#### **Mathios Rigas, Chief Executive Officer of Energean, commented:**

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

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



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

“I would like to thank Kerogen for their support and involvement in the Karish development over the last four years. Together, we will have delivered a project that will provide diversity and security of gas supply to Israel, whilst also helping to remove significant amounts of CO2 annually from Israel’s emissions by enabling the switch from coal to natural gas.”

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

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

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