The Opportune Quarterly Review
EMEA Q2 2017

THE 5 THEMES THAT ARE SHAPING THE INDUSTRY

Mergers & Acquisitions and Portfolio Optimization

- Majors are still keen to conserve cash and divest non-core, mature and immaterial assets
- Private Equity firms confirmed their appetite for large scale M&A and bolt-on acquisitions (in particular in the North Sea) that are implementing through innovative deal structures
  - Sellers are retaining decommissioning liabilities (in the North Sea) to divest to smaller players
  - Earn-out mechanisms are considered with potential future payments related to upsides in oil price and production
- Several AIM listed companies need to reboot their equity story: M&A is becoming a tool for survival, key to create critical mass, reduce SG&A and pre-empt hostile actions from activist investors
- Emerging players (e.g. DCC Energy, Intervias) and some downstream groups (e.g. MOL) are buying fuel retail networks from majors to create stable consumer businesses that are benefiting from higher valuations (10-11x EV / EBITDA vs. 5-6x of integrated oils)

Production Outlook

- Companies are not pursuing production growth at any cost. A mindset shift towards shorter-cycle projects is supporting a moderate production growth
- Hotspots: North Sea (M&A), offshore Egypt, Kazakhstan (development)

Capital Spending and Cost Control

- In Q2 2017, companies started benefiting from disciplined capital spending and cost control initiatives: a leaner industry is emerging
- Scope for further reduction in G&A and operating costs to be driven by standardization and new technologies

Development of the Gas Market and LNG Trends

- Rising European import dependency: imports and LNG are compensating for declining indigenous production
- LNG oversupply is driving buyers to increase their involvement in the value chain and to ask for contractual flexibility on terms and destinations. The LNG market is maturing with a growing role of intermediary players and a growing importance of hub market prices

Capital Markets and Financing

- Still limited debt financing available to the industry outside OECD countries. This is significantly penalizing project development in Africa while acquisition financing is available in the North Sea
- Equity capital markets are re-opening to follow-on offers and IPO of solid equity story built around producing assets in low-risk jurisdictions and unique development projects (e.g. Hurricane Energy)

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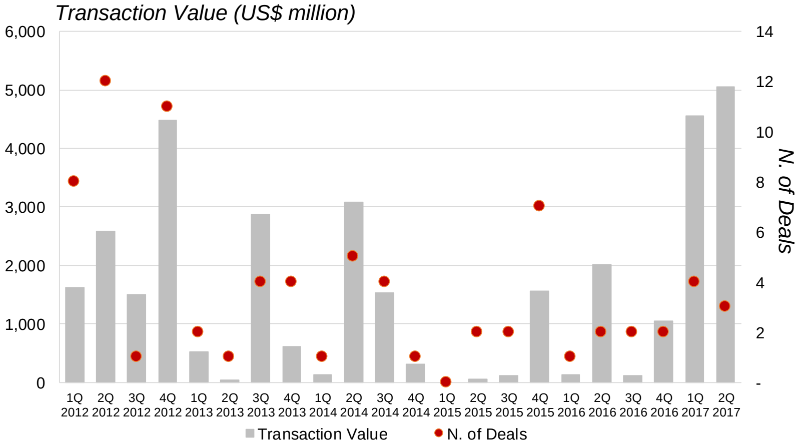
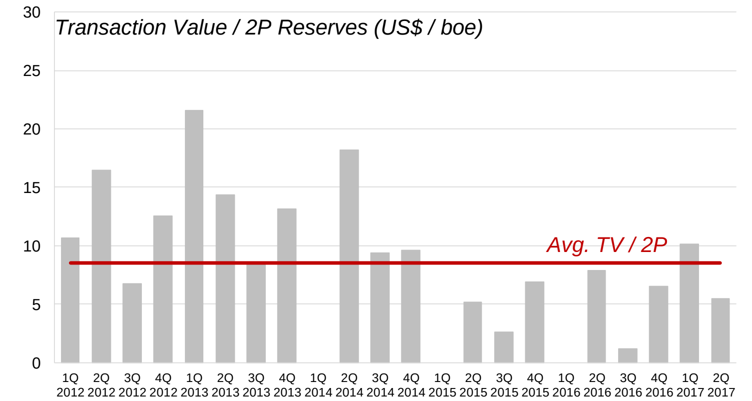
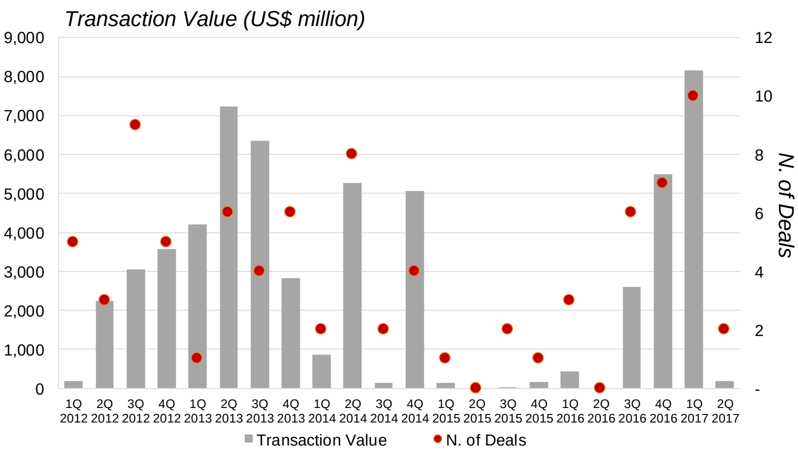
UPSTREAM M&A DEAL VALUE BY QUARTER

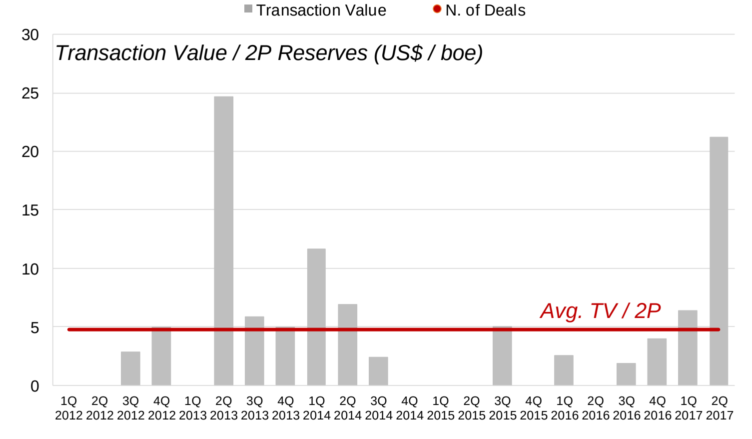
North Sea





Africa





THE DEALMAKERS

North Sea

- North Sea retook the central stage in EMEA deal making with IOCs selling mature assets (e.g. Shell, BP, OMV) and Power & Utility groups divesting their E&P business directly (Engie, Dong Energy) or via joint ventures (Centrica / Bayerngas Norge)
- Private Capital raised in 2014-2015 for Oil & Gas investments outside the US is finally in the process of being deployed
  - Siccar Point (Blackstone, Blue Water) acquired OMV's North Sea business for US$ 1 billion (Nov-16)
  - Chrysaor (EIG, GNRI, NGP) acquired US$ 3.8 billion in North Sea assets from Shell (Jan-2017)
  - Neptune Oil & Gas (Carlyle, CVC) acquired 70% of Engie E&P for US$ 3.9 billion (May-2017)
- Mid-size integrated energy players are boosting their exposure to the North Sea (Ineos, Delek)
- 2P multiple stabilizing at US$ 6-9 per boe

Africa

- Still limited appetite for non-OECD assets
- In Q2 2017 the positive momentum built in Q4 2016 and Q1 2017 came to an abrupt end with marginal deal activity
- Q4 2016 transaction value was affected by BP's acquisition of Abu Dhabi's ADCO onshore oil concession and Eni's farm-out of Zohr gas field (Egypt) to BP and Rosneft accounting for more than 80%
- Q1 2017 M&A activity
  - Carlyle-backed Assala Energy acquired Shell's Gabon assets
  - Perenco acquired Total's Gabon assets
  - Tullow Oil sold 21.6% in Uganda Lake Albert Project to Total
  - Sound Energy acquired Oil & Gas Investments Funds assets in Morocco
  - SDX Energy acquired Circle Oil's assets in Morocco and Egypt
- 2P multiple at US$ 4-7 per boe

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Opportune

THE OPPORTUNE MONITOR

Upstream - North Sea

Company	Local Currency	Share Price	Market Cap	Net Debt	Enterpr. Value	2P Reserves	2C Resour.	2017 Prod.	Enterprise Value / 2P	Enterprise Value / 2P + 2C	Enterprise Value / '17 Prod.	Enterprise Value / EBITDAX	Net Debt / EBIDTAX	EBITDAX / Interest
			US$m	US$m	US$m	mmboe	mmboe	boepd	US$ / boe	US$ / boe	US$ / boepd	x	x	x
Cairn Energy	GBPp	180.2	1,348	(232)	1,116	51.5	239.1	25,000	21.7	3.8	16,300	-	-	-
Cluff Natural Resources	GBPp	2.4	10	(2)	8	-	-	-	-	-	-	-	-	-
EnQuest	GBPp	28.0	417	1,922	2,339	215.0	151.0	37,015	10.9	6.4	23,060	4.9	4.0	3.9
Faroe Petroleum	GBPp	85.8	403	(150)	252	81.3	90.9	14,000	3.1	1.5	6,571	-	-	-
Hurricane Energy	GBPp	28.4	713	(625)	88	37.0	691.0	-	2.4	0.1	-	-	-	-
i3 Energy	GBPp	32.0	10	3	12	-	9.4	-	-	1.3	-	-	-	-
Independent Oil & Gas	GBPp	13.7	17	11	28	5.7	86.0	-	4.9	0.3	-	-	-	-
Jersey Oil & Gas	GBPp	225.0	26	(2)	24	-	-	-	-	-	-	-	-	-
Lundin Petroleum	SEK	179.2	7,510	4,011	11,521	714.1	249.0	82,500	16.1	12.0	50,974	12.8	4.4	4.5
Premier Oil	GBPp	57.1	376	2,739	3,114	353.0	482.0	77,500	8.8	3.7	14,667	5.9	5.2	3.4
Serica Energy	GBPp	25.0	87	(31)	56	5.0	6.2	2,750	11.2	5.0	7,458	12.8	-	-
The Parkmead Group	GBPp	36.4	46	(34)	12	27.9	59.1	850	0.4	0.1	5,097	-	-	-
Average									**8.8**	**3.4**	**17,732**	**9.1x**	**4.6x**	**3.9x**

Upstream - Africa

Company	Local Currency	Share Price	Market Cap	Net Debt	Enterpr. Value	2P Reserves	2C Resour.	2017 Prod.	Enterprise Value / 2P	Enterprise Value / 2P + 2C	Enterprise Value / '17 Prod.	Enterprise Value / EBITDAX	Net Debt / EBIDTAX	EBITDAX / Interest
			US$m	US$m	US$m	mmboe	mmboe	boepd	US$ / boe	US$ / boe	US$ / boepd	x	x	x
Aminex	GBPp	4.0	184	(15)	169	-	11.3	2,500	-	14.9	24,723	NM	-	0.3
Bowleven	GBPp	29.5	123	(95)	28	-	58.0	-	-	0.5	-	-	-	-
Eland Oil & Gas	GBPp	52.8	149	2	151	38.0	32.4	6,930	4.0	2.1	7,963	-	-	-
Far Limited	AUD	0.1	302	(72)	230	-	96.2	-	-	2.4	-	-	-	-
Lekoil	GBPp	17.3	119	23	142	-	20.4	3,000	-	7.0	17,246	-	-	-
Ophir Energy	GBPp	80.1	726	(160)	566	43.8	1,005.6	13,000	12.9	0.5	15,889	31.0	-	0.8
Orca Exploration	CAD	4.5	128	(40)	89	43.2	-	4,527	2.1	2.1	7,142	2.0	-	8.4
Savannah Petroleum	GBPp	34.6	121	(23)	98	-	-	-	-	-	-	-	-	-
Seplat	NGN	482.0	746	355	1,101	461.8	90.3	36,442	2.4	2.0	11,029	-	-	-
Solo Oil	GBPp	5.2	27	(6)	22	-	31.0	-	-	0.7	-	-	-	-
Sterling Energy	GBPp	14.3	40	(84)	(43)	0.1	-	320	-	-	-	-	-	-
Tullow Oil	GBPp	158.2	2,807	3,834	6,641	293.4	885.5	87,250	22.6	5.6	27,784	15.9	9.2	2.4
Victoria Oil & Gas	GBPp	62.0	87	0	88	20.3	17.6	2,428	4.3	2.3	13,172	-	-	-
Wentworth Resources	GBPp	21.3	51	15	66	19.3	-	2,396	3.4	3.4	9,990	22.0	5.0	7.1
Average									**7.4**	**3.6**	**14,993**	**17.7x**	**7.1x**	**3.8x**

Downstream - EMEA

Company	Local Currency	Share Price	Market Cap	Net Debt	Enterpr. Value	Refining Capacity	2016 Utilizat.	NCI	EV / EBITDA 2016	EV / EBITDA 2017	Net Debt / EBIDTA	EBITDA / Interest
			US$m	US$m	US$m	kbopd			x	x	x	x
Grupa Lotos	PLN	57.3	2,918	1,344	4,262	210	98.9%	10.0	5.3	6.5	1.7	10.5
Hellenic Petroleum	EUR	7.8	2,785	2,104	4,889	341	91.5%	9.3	5.7	6.9	2.4	3.6
MOL	HUF	23,815.0	9,292	2,130	11,422	418	92.0%	10.1	5.2	5.0	1.0	12.6
Motor Oil Hellas	EUR	19.1	2,500	472	2,973	245	98.5%	11.5	4.2	3.7	0.7	7.9
Neste Oil	EUR	35.0	10,572	1,116	11,688	330	82.3%	11.0	6.5	6.9	0.6	19.3
Oil Refineries	ILS	163.4	1,445	1,300	2,745	197	84.0%	9.0	5.6	4.8	2.6	3.7
Paz Oil	ILS	58,000.0	1,629	945	2,574	108	87.6%	7.5	8.2	6.0	3.0	19.7
PKN Orlen	PLN	113.4	13,346	323	13,669	704	85.6%	9.2	5.2	4.5	0.1	14.7
Saras	EUR	2.0	2,187	117	2,304	300	97.1%	9.2	3.1	6.9	0.2	7.7
Unipetrol	CZK	291.8	2,392	(64)	2,328	174	62.3%	7.4	4.3	2.6	-	-
Tupras	TRY	116.1	8,259	1,687	9,946	592	100.0%	9.9	12.2	5.5	2.1	5.0
Average							**89.1%**	**9.5**	**5.9x**	**5.4x**	**1.4x**	**10.5x**

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COMPANY & MARKET NEWS

Upstream – North Sea

- **EnQuest**: first oil from the Kraken development (70.5% EnQuest / 29.5% Cairn Energy) was delivered in June. Kraken (East Shetland basin) contains 128 mmboe 2P reserves with expected peak oil production of c. 50,000 bpd
- **Hurricane Energy**: raised US$ 520m (US$ 300m placing / US$ 220m convertible bonds) to fund Lancaster (West Shetland) early production system
- **i3 Energy**: IPO to support the appraisal and development of the Liberator oil discovery
- **Lundin Petroleum**: sale to CapeOmega (backed by HitecVision) of a 39% interest in the Brynhild field (Norway North Sea)
- **Premier Oil**: world-class Zama discovery in Mexico with OOIP in excess of 1 billion bbl; completed the refinancing process with amendments to loan and bond agreements; sold the Pakistan business to Al-Haj Energy and currently selling the Wytch Farm field
- **The Parkmead Group**: nearly doubled its stake in the Sanda North and Sanda South structures (West Shetland); acquired a 50% interest in the North Sea license P.2209 from Verus Petroleum
- **EnQuest**, **Lundin Petroleum** and **Premier Oil** maintain high level of indebtedness and we expect that, in the current oil scenario, further restructuring and asset sales might be required

Upstream – Africa

- **Aminex**: repaid its corporate loan facility and is now a debt-free producing company
- **Bowleven**: board and management changes suggested by the main shareholder (activist investor Crown Ocean Capital); farm-out agreement with Victoria Oil & Gas on the Bomono Production Sharing Contract in Cameroon
- **Eland Oil & Gas**: capital raising of US$ 19.5m to accelerate drilling activity across its development projects
- **Far Limited**: capital raising of AU$ 80.0m to continue pre-development in Senegal and acquire exploration blocks in The Gambia
- **Ophir Energy**: secured a US$ 250m committed RBL facility against its producing assets in Southeast Asia; cut 15% of workforce
- **Savannah Petroleum**: suspended from AIM pending the transformational acquisition of Seven Energy in Nigeria
- **Tullow Oil**: completed a US$ 750m right issue to reduce gearing; refinancing of US$ 2.75 billion RBL expected by the end of 2017; further actions may need to be undertaken to provide financial and operation flexibility and enable growth
- **Wentworth Resources**: private placement of US$ 5.5m to advance the Tembo appraisal in Monzambique; farm-out process underway

Downstream – EMEA

- Healthy refining margins supported by relatively low oil price, robust supply, large availability of non-standard grades (heavy sour and heavy acidic crudes, etc.) and increase in consumption of fuel and petrochemical products
- High refining utilization following the closure in 2010-2017 of c. 15% of the European refining capacity
- Operators are focusing on efficiency (cost management) and flexibility (feedstock and yield optimization) programs
- Strategic priorities: extending the value chain through an integration of refining and petrochemical operations; securing market outlets while transforming fuel retail into a consumer business

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