



# EnQuest 2020 Half Year Results



# EnQuest 2020 half year results

## Introduction



**Amjad Bseisu**  
Chief Executive



## Key H1 2020 messages

# Strong production performance; cost reduction programme on track



### Deliver

**H1 production of 66 kboed; full year production guidance of c.57 to c.63 kboed maintained<sup>1</sup>**

**On track to deliver previously announced cost savings**

**- Unit opex reduced to \$14/Boe**

**Free cash flow breakeven of c.\$33/Boe for 2020; targeting c.\$27/Boe for 2021**



### De-lever

**Net debt reduced by \$62 million to \$1,351 million**

**Hedged c.50% of 2H 2020 entitlement production**



### Grow

**Bressay acquisition for £2.2 million; expected to add up to 115 MMbbls net 2C resources**

**Group 2C resource base expected to be >250 MMboe<sup>2</sup>**

<sup>1</sup> Net working interest

<sup>2</sup> Removed c.15 MMboe of net 2C resources from 2019 balance related to Thistle and The Dons; included c.115 MMboe net 2C resources related to Bressay SPA

## EnQuest H1 2020 performance

# Good performance in a challenging environment



**Deliver**

### Production averaged 66 kboed<sup>1</sup> during the period

- Strong performance on Kraken with gross production of c.39 kbopd

### Unit opex reduced to \$14.4/Boe

- Focus on cost control

### Cash capex of c.\$101 million

- Drilling at Magnus and Kraken complete

#### Net production<sup>1</sup> (Boepd)



#### Unit opex (\$/Boe)



#### Cash capex (\$m)



<sup>1</sup>Net working interest

## EnQuest H1 2020 performance

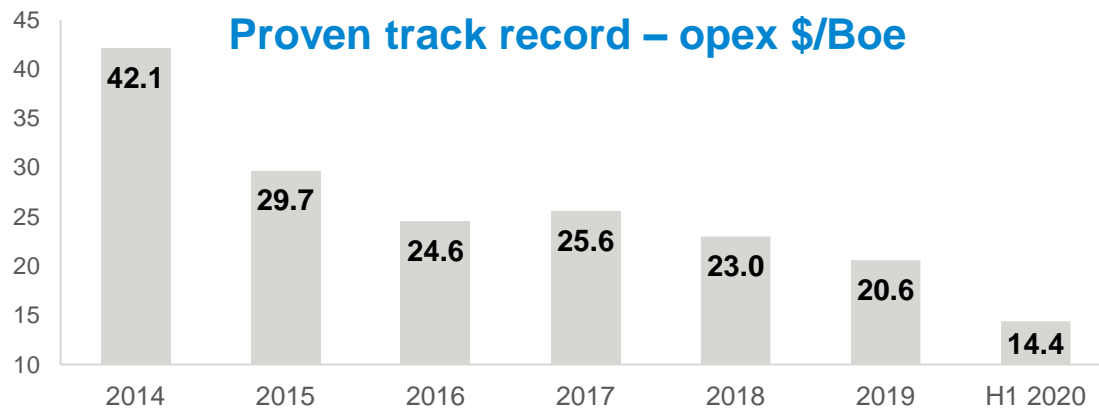
# Cost reduction programme on track

### Opex reduction plans underway

- Heather CoP accepted by regulator
- Thistle/Deveron CoP submitted to regulator
- Seeking partner and regulatory approval for CoP at the Dons

**2020: c.\$190m reduction to c.\$335 million**

(\$/Boe)

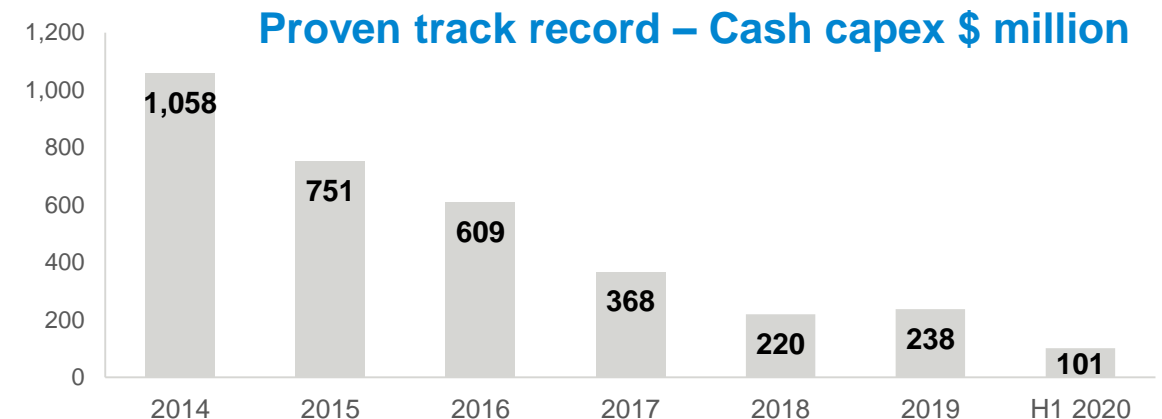


### Capex reduction plans

- 2020 drilling programmes at Kraken and Magnus complete

**2020: c.\$110m reduction to c.\$120 million**

(\$m)



## EnQuest H1 2020 performance

# Continued focus on debt reduction



**De-lever**

**Group net debt<sup>1</sup> is \$1,351 million;  
4% lower vs year end 2019**

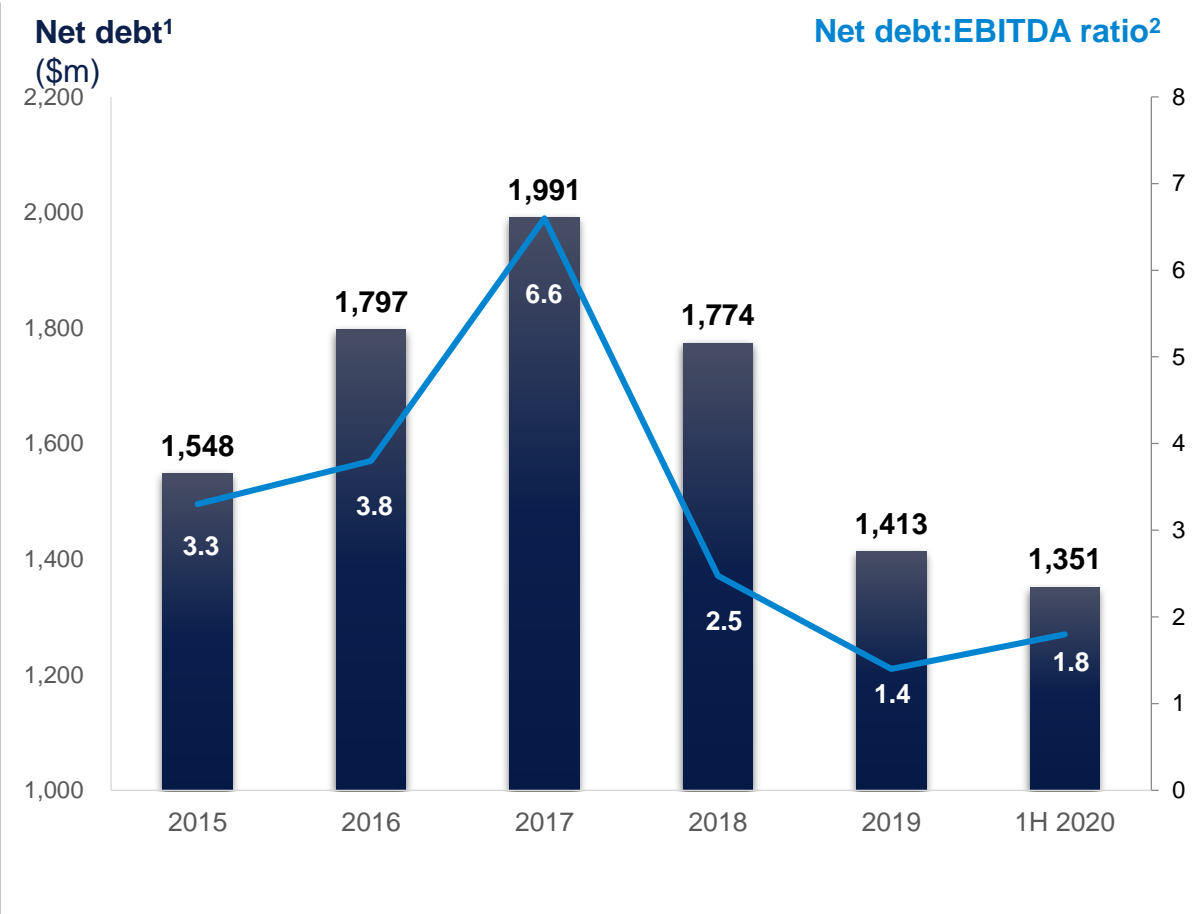
**Net debt:EBITDA ratio<sup>2</sup> at 1.8x**

**Tanjong Baram Project Finance Facility  
of c.\$32 million fully repaid in June**

**Sculptor Capital Facility reduced by  
c.\$32 million in the period to end June**

**Outstanding senior credit facility  
\$425 million<sup>2</sup>**

- \$35 million amortisation repaid in January 2020
- No further amortisations due in 2020



<sup>1</sup> As at 30 June 2020, including Payment in Kind interest

<sup>2</sup> Represents end June 2020 net debt and the last twelve months EBITDA to end June 2020

# EnQuest H1 2020 performance

## Replenishing 2C resources



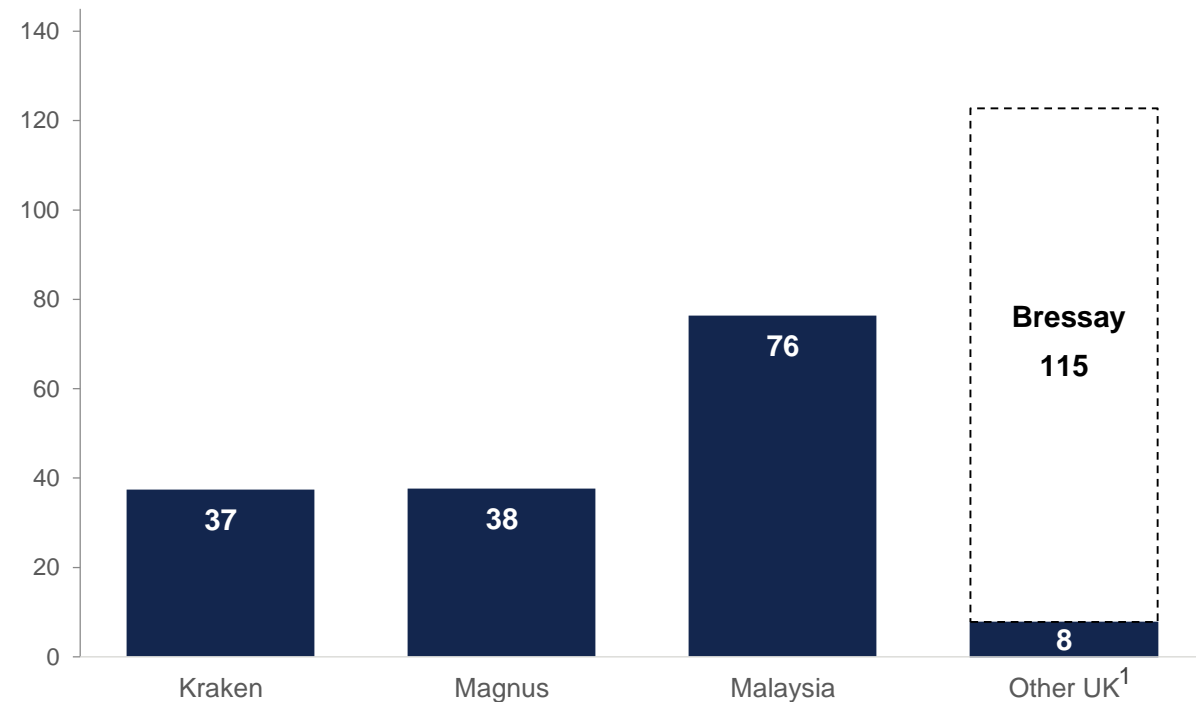
### Bressay:

- Capability enabled transaction
- Acquiring a 40.81% equity interest in the Bressay oil field
- Initial consideration of £2.2 million
- Payable as a carry against 50% of Equinor's net share of costs from completion
- Low-cost addition of up to 115 MMbbls (net) 2C resources increasing EnQuest's 2C resources by ~65%

### EnQuest net 2C resources >250 MMboe<sup>1</sup>

- Ongoing evaluation
- Develop when conditions are supportive

Potential net 2C resources of >250 MMboe<sup>1</sup>



<sup>1</sup> Removed c.15 MMboe of net 2C resources from 2019 balance related to Thistle and The Dons; included c.115 MMboe net 2C resources related to Bressay SPA

## Environment, social and governance

# Committed to succeed through the energy transition

### Environment

- Expect Scope 1 and 2 emissions to be c.15% lower in 2020 compared to 2019, with c.10% further reduction over the next three years
- Kraken cargoes sold as component of IMO 2020 compliant fuel to shipping market, reducing carbon footprint
- Flaring 16% below regulatory limit in Malaysia
- Participant in the Energy Hub in Shetland aiming to deliver a clean, sustainable energy future in the UK

### Social

- Delivering and prioritising SAFE Results
- Actively monitor and mitigate impact of COVID-19 on our people
- 20% of UKNS/Malaysia leadership teams are female
- Sponsorship with UKM in Malaysia for IChemE Accreditation of the Chemical Engineering Programme, with between 80 - 100 graduates expected each year
- Transformation 2020 programme undertaken, with no impact to UK apprentices

### Governance

- Appointed Howard Paver as SID and Chair of Remco; continued investor engagement
- Categorised climate change as a standalone risk area



# EnQuest H1 2020 performance Operations overview



**Bob Davenport**  
Managing Director  
– North Sea



## Transformation 2020

# Transforming our North Sea business

### Re-organisation completed

- Re-organisation followed decisions to progress CoP at the Heather, Thistle and the Dons assets
- Reduction in workforce of around 40%
- Created three operating directorates supported by functional teams
  - Upstream: Magnus, Kraken, GKA, Scolty/Crathes and Alba
  - Midstream: Sullom Voe Terminal and pipelines
  - Decommissioning: Heather/Broom, Thistle/Deveron, Alma/Galia and the Dons

### Enables directorates to deliver operational excellence and SAFE results

- Upstream: high production and operating efficiency; reservoir management; resource development
- Midstream: safe, reliable and low cost service for customers; new business development
- Decommissioning: end of field life and decommissioning programme management



## H1 2020 production performance

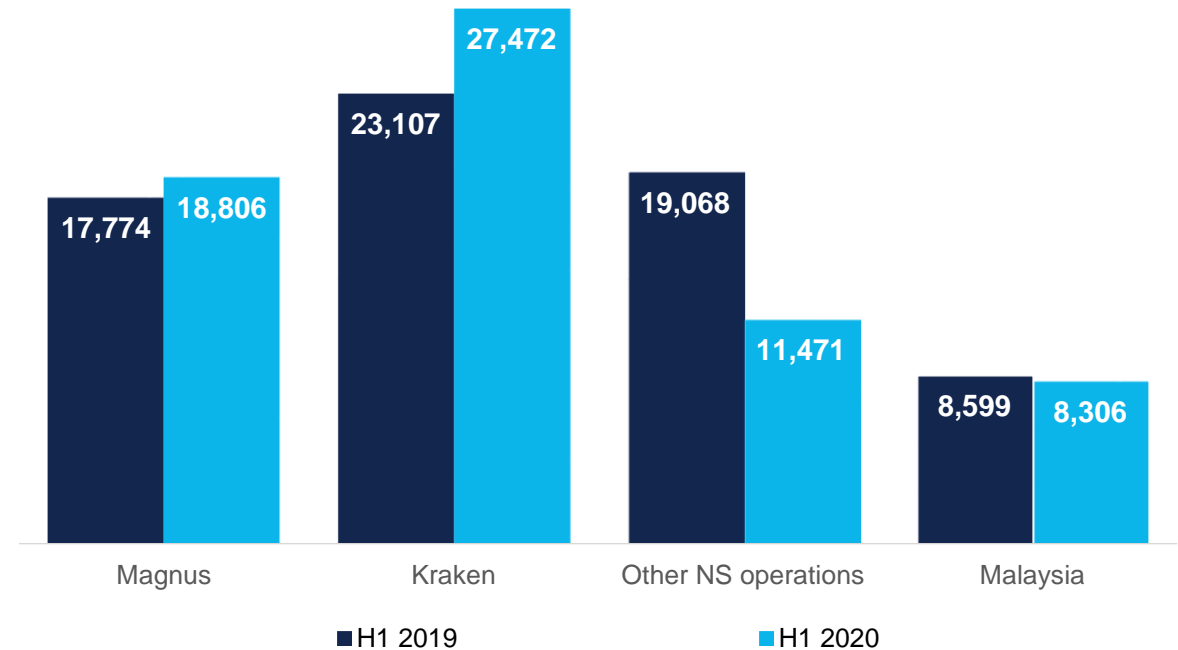
# Production ahead of the top end of guidance



**Delivered**

- Strong production performance, particularly at our three world-class assets
- Magnus achieved high production efficiency and high water injection efficiency
- Strong Kraken FPSO performance, with high production efficiency and injection efficiency driving production ahead of the top end of guidance
- Excellent production efficiency and higher gas sales at PM8/Seligi

**H1 2020: 66,055 Boepd<sup>1</sup>**  
H1 2019: 68,548 Boepd<sup>1</sup>



<sup>1</sup>Net working interest

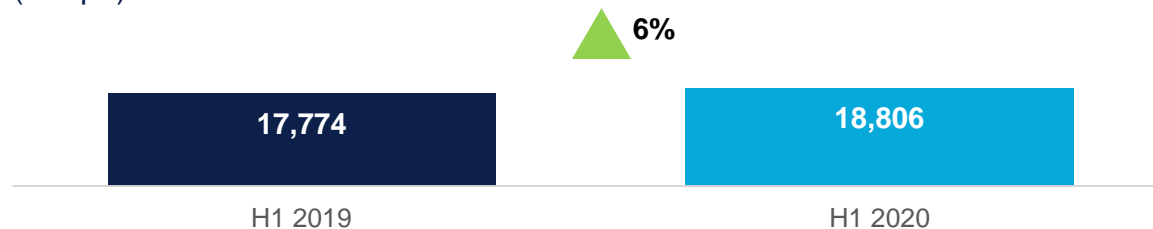
## H1 2020 operational delivery

# Solid Magnus performance; Kraken ahead of expectations

### Magnus

- Good Magnus performance
  - High production efficiency of 86% and water injection efficiency of 91%
  - Production optimisation activities continue
- Two new wells onstream in March and performing in line with expectations
- Gas compressor performance issues in the first quarter now resolved

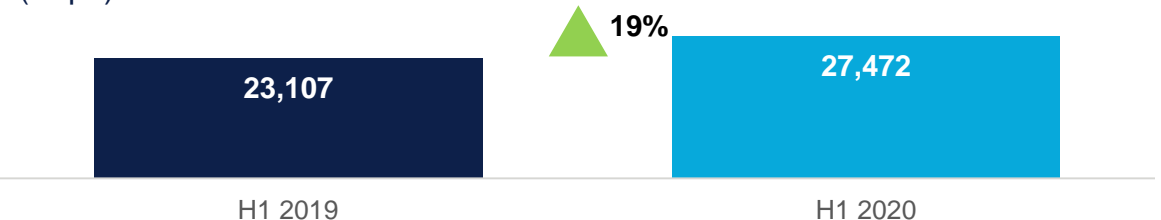
#### Net production (Boepd)



### Kraken

- Good performance from the FPSO; high production efficiency of 86% and water injection efficiency of 91%
- Overall subsurface and well performance good, production optimised following injector-producer well testing
  - Water cut rate evolution remains stable
- Drilling at Worcester completed with new producer-injector pair onstream late Q2
- Cargo pricing robust whilst continuing to optimise sales

#### Net production (Bopd)



## H1 2020 operational delivery

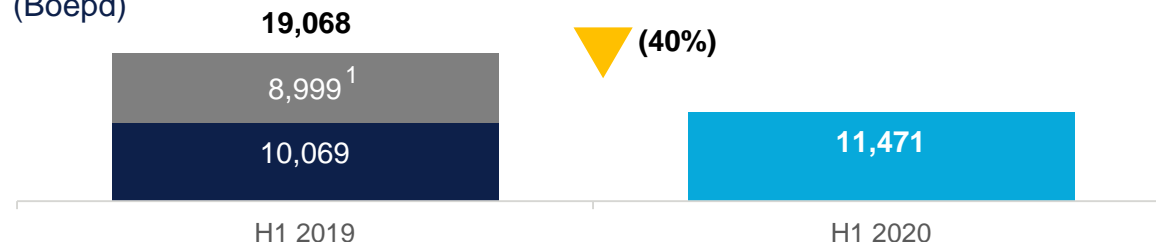
# Scolty/Crathes improved performance; PM8/Seligi high production efficiency

### Other North Sea operations

**Scolty/Crathes | Kittiwake | Alma/Galia | Alba | The Dons | Thistle/Deveron | Heather/Broom**

- Heather and Thistle shut in since October 2019
- Scolty/Crathes improved performance following completion of pipeline replacement in Q3 2019
- Alma/Galia CoP occurred as planned on 30 June 2020
- Dons production impacted by lower water injection and low gas lift; CoP anticipated in Q2 2021
- Thistle COS tanks successfully removed

**Net production**  
(Boepd)



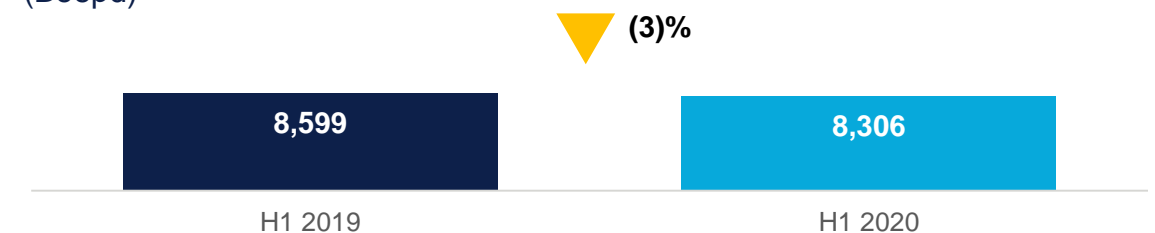
<sup>1</sup>Heather/Broom and Thistle/Deveron production

### Malaysia

**PM8/Seligi | PM409**

- PM8/Seligi performed in line with expectations
  - Excellent production efficiency of 96%
  - Short planned shutdown completed in June

**Net production**  
(Boepd)



# EnQuest H1 2020 performance

## Financial review



**Jonathan Swinney**  
Chief Financial  
Officer



## Results summary

# Good H1 2020 performance

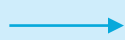
Unless otherwise stated, all figures are on a Business performance basis and are in US Dollars  
Comparative figures for the income statement relate to the period ended 30 June 2019 and the Balance Sheet as at 31 December 2019

<b>Production</b> <b>66,055 Boepd</b> 4%	<b>Revenue<sup>1</sup></b> <b>\$451 million</b> 48%	<b>Unit opex</b> <b>\$14/Boe</b> 28%	<b>EBITDA<sup>2</sup></b> <b>\$275 million</b> 48%
<b>Cash generated from operations</b> <b>\$283 million</b> 34%	<b>Cash capex</b> <b>\$101 million</b> 19%	<b>Net financing costs</b> <b>\$90 million</b> 15%	<b>Net debt<sup>3</sup></b> <b>\$1,351 million</b> 4%

**Lower oil price assumptions resulted in non-cash post-tax impairment of \$252 million and de-recognition of undiscounted deferred tax asset of \$433 million. Access to tax losses and allowances retained**



**Deliver**



**Good performance targets on track**



**De-lever**



**Debt reduction continuing**

<sup>1</sup> Including gains of \$35.2 million (H1 2019: gain of \$7.6 million) associated with EnQuest's oil price hedges. <sup>2</sup> EBITDA is calculated on a Business performance basis and is calculated by taking profit/loss from operations before tax and finance income/(costs) and adding back depletion, depreciation, foreign exchange movements and inventory revaluation. <sup>3</sup> Net debt represents cash and cash equivalents less borrowings, stated including PIK but excluding accrued interest and the net-off of unamortised fees

## Operating cash flow

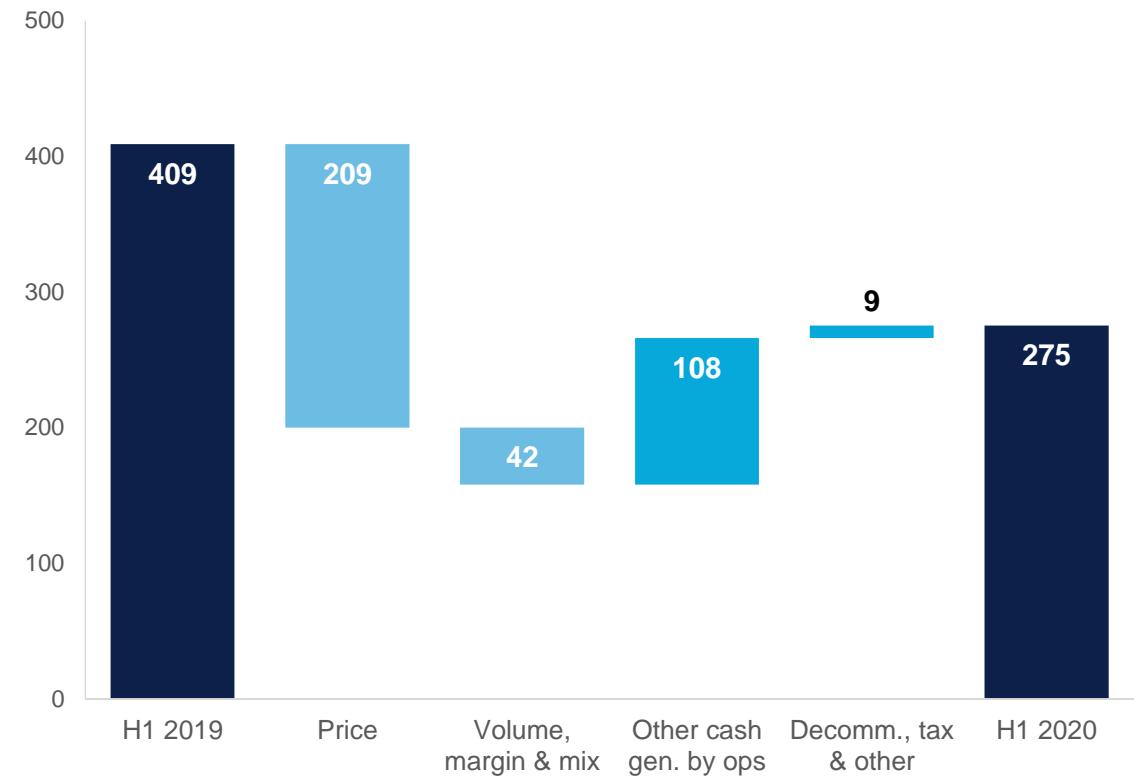
# Cash generative in a low oil price environment

### Robust cash generation:

- Lower realised oil prices
  - Mitigated by the positive impact of the Group's commodity hedge programme
- Lower sales volumes offset by lower cash operating expenses
- Working capital outflow in H1 2019
- Mainly lower cash taxes paid

Net cash flow from/(used) in operations

\$m





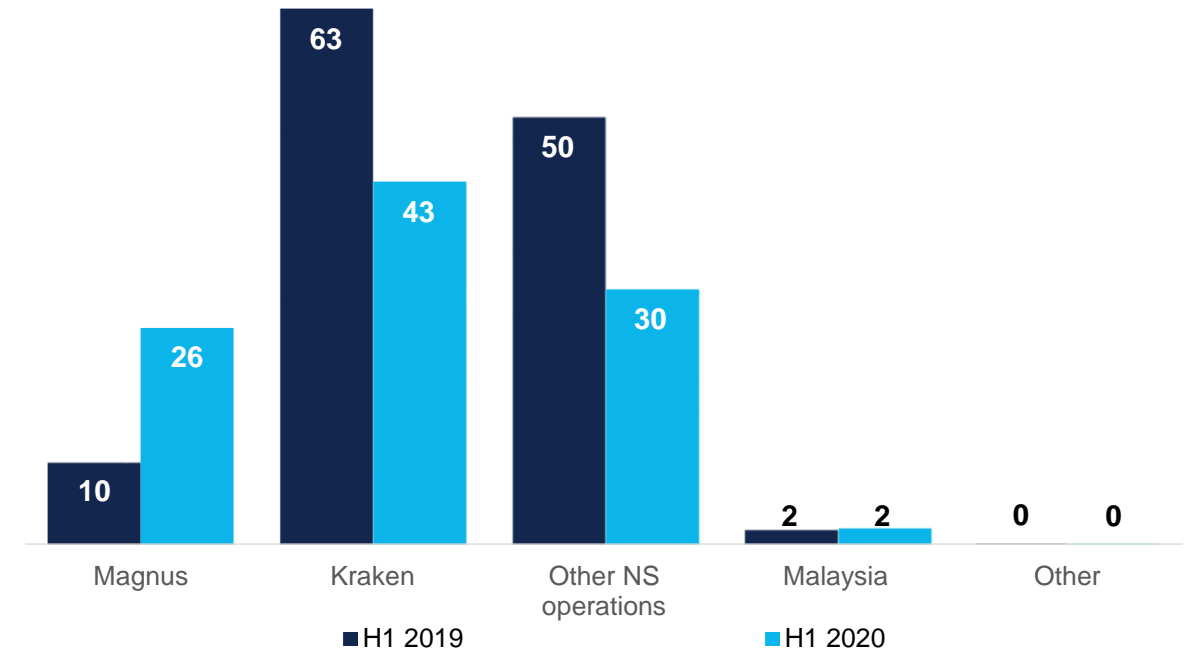
# Cash capital expenditure

## Focused investment programme on track

### 2020 capex weighted to H1:

- New Kraken producer-injector pair onstream in Q2
- Two new Magnus wells onstream during Q1

H1 2020: \$101 million  
H1 2019: \$125 million



## Net debt

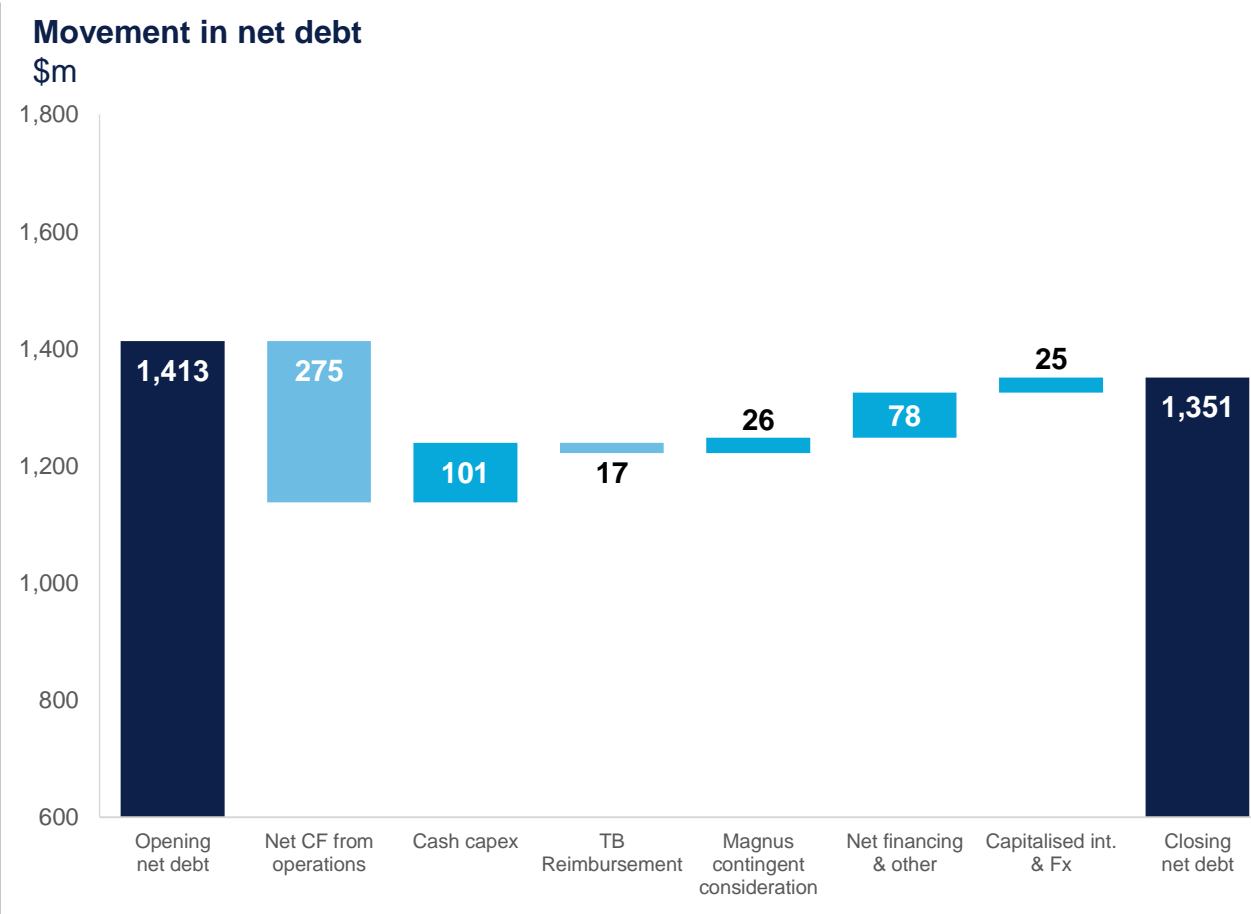
# Strong operational performance driving debt reduction

### Cash flow generation reducing net debt

- Free cash flow generation of \$87 million
- Bond interest settled through issue of additional notes ('PIK') due to oil price <\$65/bbl
- H1 hedges of c.5.9 MMbbls settled at c.\$49/bbl

### H2 2020 outlook

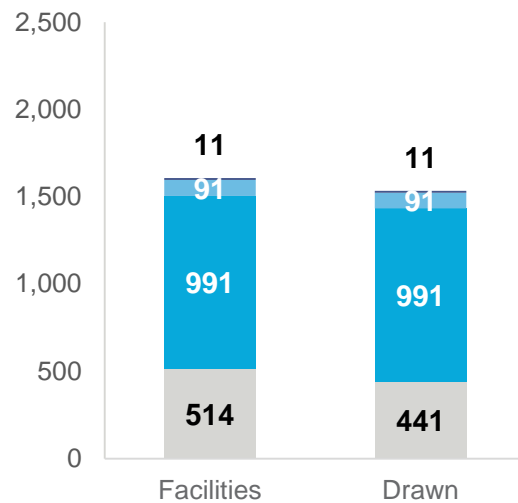
- Hedged c.50% of H2 entitlement production<sup>1</sup>
  - c.5.5 MMbbls hedged at c.\$38/bbl



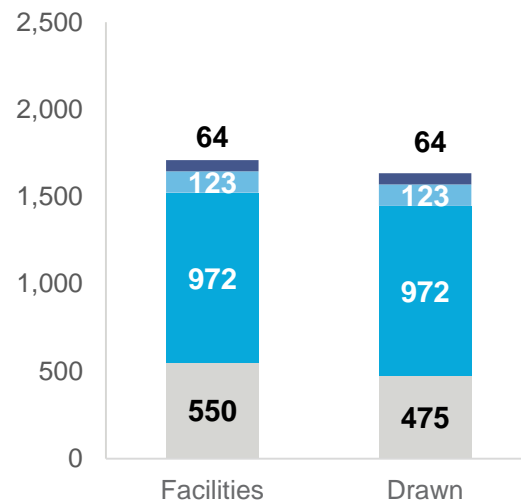
<sup>1</sup> Based on full year production at the mid-point of 2020 production guidance of 57,000 to 63,000 Boepd

# Debt Repayment structure

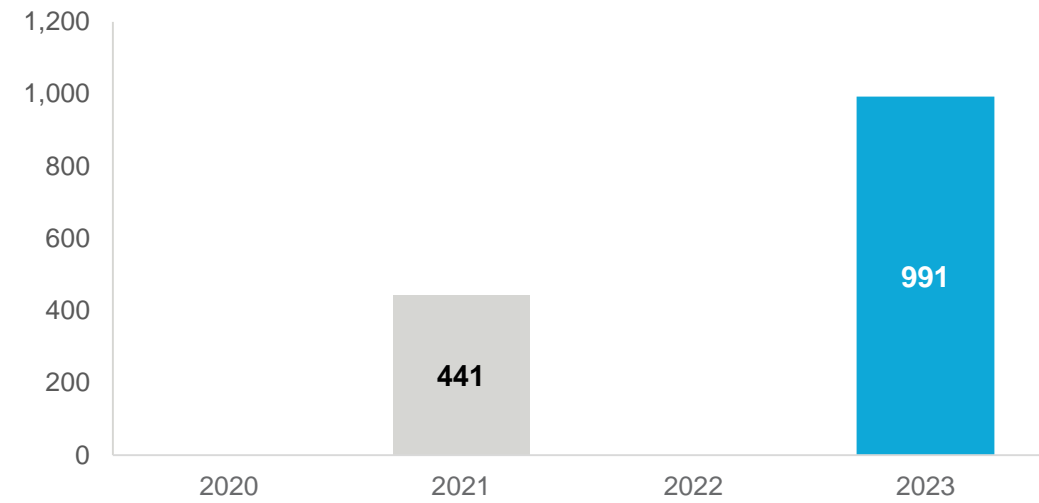
**Debt structure (end Jun 2020)<sup>1</sup>**  
\$ million



**Debt structure (end Dec 2019)<sup>2</sup>**  
\$ million



**Future expected repayment profile (balances at end June 2020)<sup>3</sup>**  
\$ million



## Scheduled amortisation on credit facility with long-dated bond repayment

- Cash flows facilitating early repayment of credit facility and Tanjong Baram project financing facility
- Granted liquidity covenant waiver, no covenant issues expected

## Sculptor Capital facility repaid out of ring-fenced cash flow over 5 years

<sup>1</sup> Includes PIK on the Bonds (\$150.4 million) and bank debt (\$15.8 million), along with capitalised interest on the Sculptor Capital facility (\$7.9 million)

<sup>2</sup> Includes PIK on the Bonds (\$118.2 million) and bank debt (\$15.1 million), along with capitalised interest on the Sculptor Capital facility (\$7.4 million)

<sup>3</sup> Includes PIK on the Bonds (\$150.4 million) and bank debt (\$15.8 million)

# EnQuest 2020 half year results Summary



**Amjad Bseisu**  
Chief Executive



## Key H1 2020 messages

# Strong production performance; cost reduction programme on track



### Deliver

**H1 production of 66 kboed; full year production guidance of c.57 to c.63 kboed maintained<sup>1</sup>**

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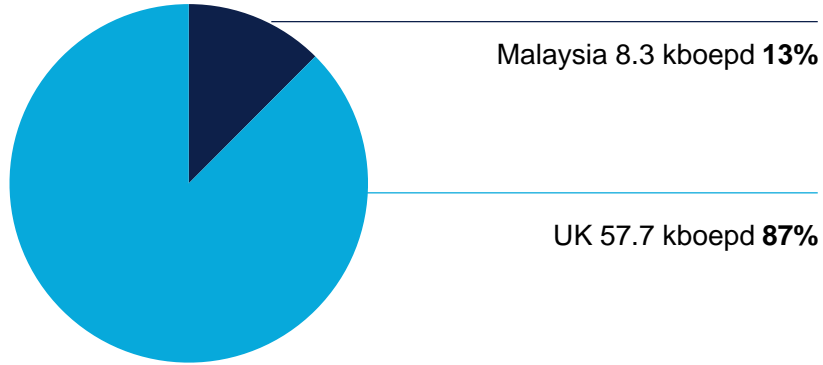
Q&A



## Appendix

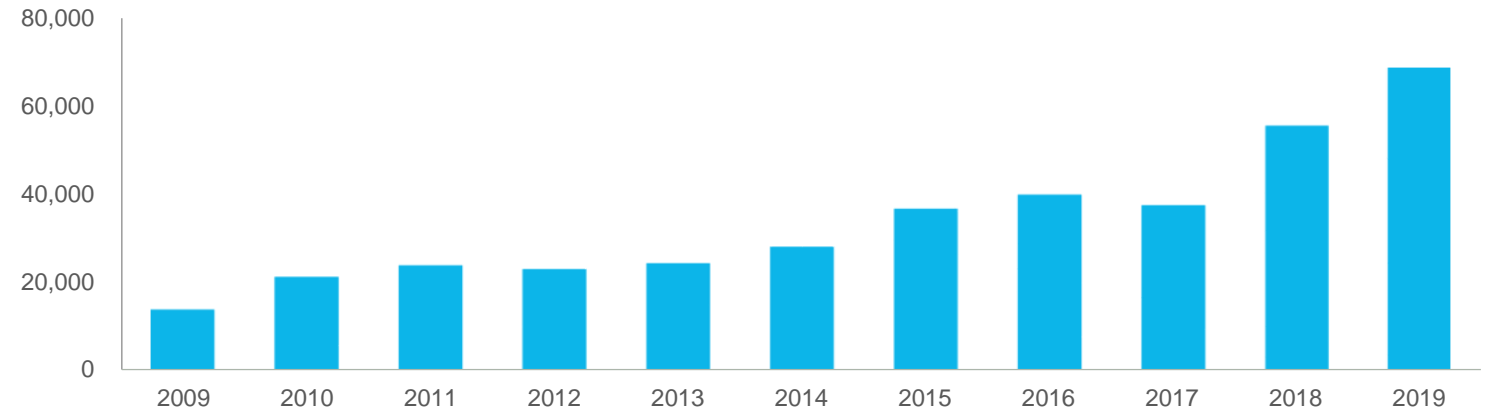
# Operator of choice for maturing hydrocarbon assets

### Production breakdown<sup>1</sup>



<sup>1</sup> Year to date June 2020

### Annual production CAGR of c.17% since IPO



### 5 offshore production hubs



### 1 processing terminal 3 non-producing assets



## Appendix

# A redefined purpose, refocused organisation, with a clear vision

### Purpose

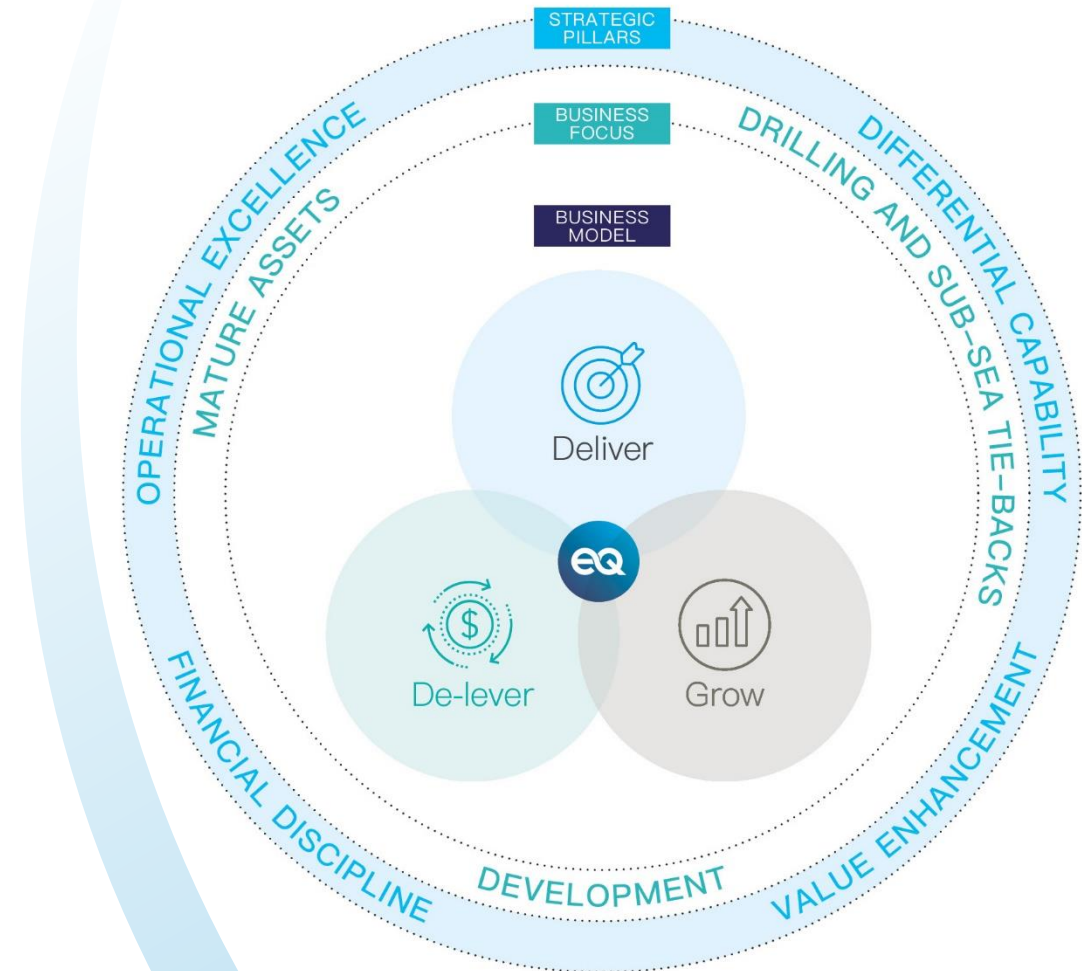
- Providing creative solutions through the energy transition

### Strategic vision

- To be the operator of choice for maturing and underdeveloped hydrocarbon assets

### Business model

- A production and development led business
- Utilises EnQuest's core strengths
- Value-accretive portfolio opportunities continue to be assessed





## Appendix

# Post-tax non-cash charges

### Impairment

\$251.6 million tangible oil and gas assets  
- Primarily at Kraken

### Driven by

Reduction in oil price assumptions

### Deferred tax de-recognition

\$432.6 million de-recognition of the undiscounted deferred tax asset

### Driven by

Reduction in oil price assumptions

## Appendix

# No material UK cash CT/SCT on operational activities expected

## UK Tax losses

	\$m
Tax losses at 31 December 2019	2,903.4
2020 net increase	194.9
Prior year adjustment	(11.5)
<hr/>	
Tax losses at 30 June 2020	3,086.8
<hr/>	

- No material cash tax expected to be paid on UK operation activities for the foreseeable future
- Small cash tax payments are expected in Malaysia on the PM8/Seligi PSC

## Appendix

# Effective tax rate reconciliation

	%	\$m
Loss Before Tax		(373.4)
<hr/>		
Notional UK Corporation Tax	40.0%	(149.3)
2020 RFES		(44.7)
UK and overseas tax rate differences		9.9
Permanent items		(2.8)
Tax losses not recognised		432.6
Other		0.1
<hr/>		
2020 Tax Charge/(Credit)	(65.8%)	245.7

## Appendix

# Deferred tax de-recognition

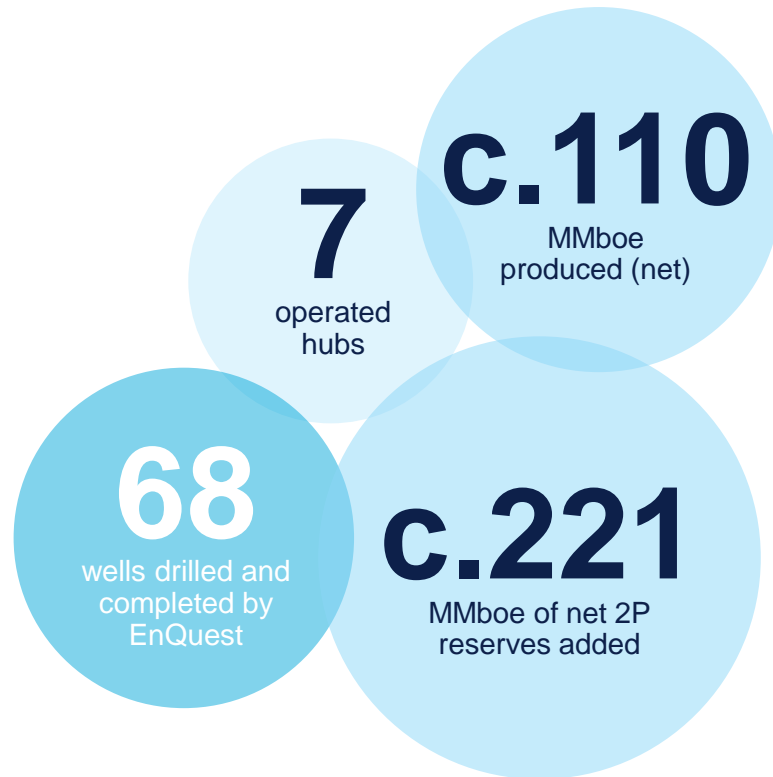
	Note	At 1 January 2020 US\$ million	Charged/credited to income statement on ordinary activities US\$ million	Remeasurements and exceptional items US\$ million	At 30 June 2020 US\$ million
<b>UK deferred corporation tax:</b>					
Fixed assets and allowances		(1,006)	(5)	159	(852)
Decommissioning		271	12	-	283
Tax losses and allowances	1	1,097	66	(433)	730
Contingent consideration		222	(4)	(50)	168
Other		(24)	2	7	(15)
<b>Total UK deferred corporation tax</b>		560	71	(317)	314
Overseas deferred tax		(10)	-		(10)
<b>Total</b>		550	71	(317)	304

1 The exceptional deferred tax charge relating to tax losses and allowance of \$433 million comprises of the de-recognition of the current year credit on ordinary activities of \$71 million, together with de-recognition of previous recognised deferred tax assets of \$362 million

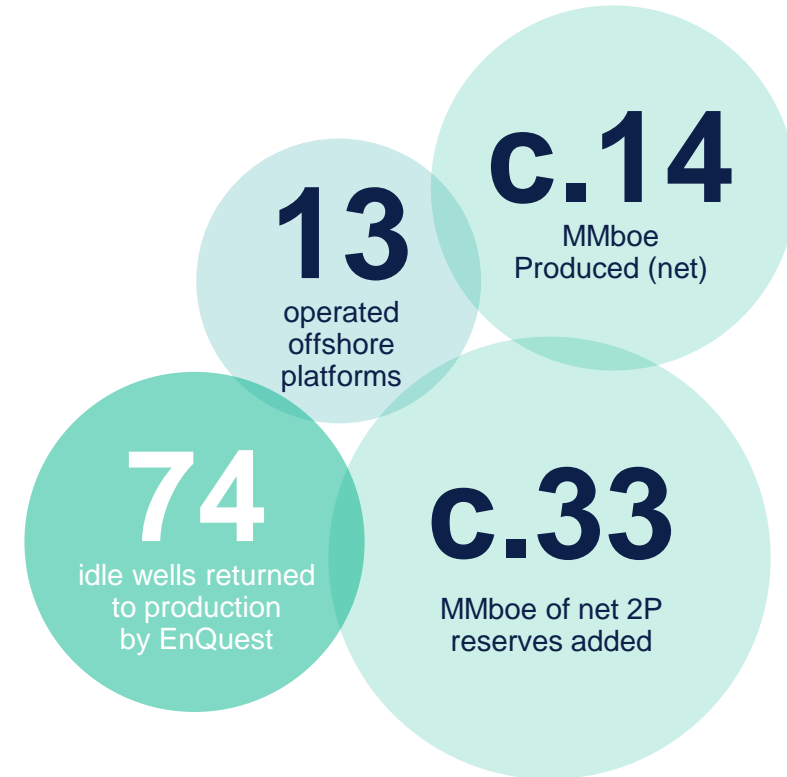
# Appendix

## Significant growth in reserves

### North Sea operation breakdown



### Malaysia operation breakdown



Information represents performance to end 2019

## Appendix

# Forward-looking statements

**This presentation may contain certain forward-looking statements with respect to EnQuest's expectation and plans, strategy, management's objectives, future performance, production, costs, revenues, reserves and other trend information.**

**These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The statements have been made with reference to forecast price changes, economic conditions and the current regulatory environment.**

**Nothing in this presentation should be construed as a profit forecast. Past share price performance cannot be relied on as a guide to future performance.**