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EnQuest PLC, 13 October 2016

Launch of the proposed financial restructuring of EnQuest PLC

Overview

The Board of EnQuest PLC today announces the launch of a proposed financial restructuring of the Group (the “Restructuring”) which the Company has agreed with its key stakeholders following an extensive period of engagement and negotiation.

The Restructuring is comprised of a number of key elements, including the implementation of the Proposed RCF Amendments and the Proposed Note Amendments, the renewal of the Surety Bond Facilities and the Placing and Open Offer (which terms are explained further below). All of these elements are inter-conditional, meaning that none of the elements will become effective if any one of them is not delivered. So the Restructuring would not proceed if for example, the Scheme to effect the

Proposed Note Amendments is not approved by the requisite majorities of Scheme Creditors or if the shareholder Resolutions in connection with the Placing and Open Offer are not approved by Shareholders.

The Company believes that, if successful, the Restructuring will provide the Group with a stable and sustainable capital structure, reduced cash debt service obligations and greater liquidity. These will all contribute to the continued delivery by the Group of its strategic objectives.

Jock Lennox, Chairman of EnQuest, said:

"We are very pleased to announce today a comprehensive package of measures to place EnQuest on a strong footing to deliver our Kraken development in H1 2017 and ensure that we are well placed to deliver value to our shareholders in the medium term.

Over the last two years, EnQuest has taken action to implement extensive cost saving programmes to refocus the business for the low oil price environment, including reducing and re-phasing both capital and operating expenditures. Simultaneously, EnQuest has been working on a range of other funding and liquidity options, which culminate in the Restructuring announced today. We have agreed a range of improvements on the terms of our debt facilities and we remain grateful to our RCF lenders for their continuing support. We have also reached agreement with approximately 61 per cent of our High Yield Noteholders on the Proposed Note Amendments.

The proposed Restructuring, which encompasses amendments to EnQuest's existing RCF facility, amendments to the High Yield Notes and the Retail Notes, the renewal of the Company's Surety Bond Facilities and the Placing and Open Offer which is expected to raise £82 million in gross proceeds, will significantly improve the liquidity position of the Company so that EnQuest can deliver first oil from the Kraken development in H1 2017 in accordance with management's projections. The Kraken development continues to be on track with the FPSO set for sail away in H2 2016.

The Board remains confident in the long term potential of the EnQuest business plan, and is of the view that the proposed Restructuring, will enhance value for all stakeholders."

Overview of the Restructuring

The key features of the Restructuring are:

Proposed RCF Amendments

- Certain amendments to the Existing RCF (the "Proposed RCF Amendments"), to, amongst other things:
    - extend the final maturity date of the Existing RCF to October 2021;
    - split the maximum aggregate commitments into a term loan facility and a revolving credit facility, amend the margin on each of the facilities and cancel the existing accordion feature;
    - amend the Existing RCF amortisation profile;
    - relax certain of the financial covenants in the Existing RCF; and
    - incorporate terms to allow for new super senior hedging.
- All of the Existing RCF Lenders and all of the Group's Hedging Banks have locked-up to support the Restructuring by entering into a formal agreement (the "Lock-up Agreement") pursuant to which they have agreed to, among other things, vote in favour of the Proposed RCF Amendments.

Proposed Note Amendments

- Certain amendments to the High Yield Notes and the Retail Notes (the "Proposed Note Amendments") are being proposed to, amongst other things:
    - add a condition to payment of interest in cash based on, amongst other things, the average prevailing oil price (dated Brent future (as published by Platts)) for the six month period immediately preceding the day which is one month prior to the relevant interest payment date being at least $65.00/bbl; otherwise interest payable is to be capitalised;
    - amend the maturity dates of the High Yield Notes and the Retail Notes to April 2022, with an option exercisable by the Company (at its absolute discretion) to extend the maturity date by one year and an automatic further extension of the maturity date to October 2023 if the Existing RCF is not fully repaid or refinanced by October 2020; and
    - amend certain of the financial indebtedness baskets under the High Yield Notes, remove the financial covenants under the Retail Notes, add new cross default provisions and restrict the Company from paying any dividend or distribution on any class of its shares until it has repaid or redeemed all capitalised interest (if any) accruing on the Notes in cash at par, together with any accrued but unpaid interest thereon.
- The Proposed Note Amendments will be effected through an English scheme of arrangement (the "Scheme"), which must be approved by 50 per cent. in number and 75 per cent. in value of Scheme Creditors attending and voting at a meeting convened with the permission of the English Court to consider the Scheme (the "Scheme Meeting"). The High Yield Noteholders and the Retail Noteholders will form a single class of creditors for the purpose of voting on the Scheme and further information has been provided to each of them today with further detail on the proposed terms of, and significant dates in relation to, the Scheme. As noted above, all of the elements of the Restructuring are inter-conditional, meaning that the Scheme will not become effective unless each of the other elements of the Restructuring are approved and/or completed. In addition, the Scheme is subject to the Company obtaining recognition of the Scheme under chapter 15 of Title 11 of the United States Code.
- High Yield Noteholders representing approximately 61 per cent. of the High Yield Notes have locked-up to support the Restructuring by entering into the Lock-up Agreement, pursuant to which they have agreed to, among other things, attend the Scheme Meeting in person or by proxy and to vote in favour of the Proposed Note Amendments. These High Yield Noteholders have also agreed not to take any enforcement action in relation to the interest payment due in respect of the High Yield Notes on 17 October 2016.
- Due to the diverse nature of the holdings of the Retail Notes it was not possible for the Company to approach all Existing Retail Note Holders in advance, but the Restructuring proposal has been considered by a number of significant Existing Retail Noteholders approached by the Company on a confidential basis. The feedback from such Existing Retail Noteholders was positive and the sample indicated support for the Restructuring from professional investors.

Renewal of Surety Bond Facilities

- The Group's Surety Bond Providers (who provide instruments covering certain decommissioning security obligations) have agreed to renew the Surety Bond Facilities for a period of two years to the end of 2018 (with renewal in 2017 conditional on there being no relevant default at the time), provided that the other elements of the Restructuring are completed.

Placing and Open Offer

- The Company proposes to raise aggregate gross proceeds of approximately £82.0 million (equivalent to SEK 884 million at exchange rate of SEK 1.00 = GBP 0.0928, or approximately $100 million at an exchange rate of US$1.00 = GBP 0.8199, each on 12 October 2016), before expenses, of additional equity capital pursuant to the Placing and Open Offer.

Background to and reasons for the Restructuring proposal

The decline in oil prices since 2014 and the continuing challenging oil price environment have had a significant negative impact on the Group's revenues, liquidity and available cash resources.

In response to the decline in oil prices, the Group has set a number of strategic priorities, including delivering on execution, streamlining operations and strengthening the Group's balance sheet. The Group has continued to focus on delivering a strong operational performance and has also taken a number of additional measures to address the impact of the decline in oil prices and the Group's cash flow constraints, including the following:

- Negotiating the relaxation of certain financial covenants in the Existing RCF and the Retail Notes
- Engaging in commodity hedging activities
- Divesting non-core assets
- Reducing operating costs
- Reducing capital expenditure on the Kraken development
- Improving future cash flows through the development of Kraken and Scolty/Crathes
- Deferring certain trade creditor obligations

These measures have been significant steps in maintaining the Group's viability in the current environment. However, a longer term solution is needed to strengthen the Group's liquidity position, to reduce the burden of the Group's cash debt service obligations and in order for the Group to continue pursuing its business strategy and, in particular, to bring Kraken to first oil.

As noted above, these elements of the Restructuring are inter-conditional, meaning that none of the elements will become effective if, for example, the Scheme to effect the Proposed Note Amendments is not approved by the requisite majorities of Scheme Creditors or if the shareholder Resolutions in connection with the Placing and Open Offer are not approved by Shareholders.

The Restructuring has the support of stakeholders across the Group’s capital structure:

- all of the Existing RCF Lenders have locked-up to support the Restructuring, including by voting in favour of the Proposed RCF Amendments;
- all of the Group's hedging banks (the "Hedging Banks") have locked-up to support the Restructuring, including by voting in favour of the Proposed RCF Amendments;
- holders representing approximately 61 per cent. in aggregate principal amount of the High Yield Notes (the holders of the High Yield Notes, the "High Yield Noteholders") have locked-up to support the Restructuring, including by voting in favour of the Scheme (as defined below) to effect the Proposed Note Amendments (as defined below) and by agreeing not to take any enforcement action in relation to the interest payment due in respect of the High Yield Notes on 17 October 2016;
- due to the diverse nature of the holdings of the Retail Notes it was not possible for the Company to approach all Existing Retail Note Holders in advance, but the Restructuring proposal has been considered by a number of significant Existing Retail Noteholders approached by the Company on a confidential basis; the feedback from such Existing Retail Noteholders was positive and the sample indicated support for the Restructuring from professional investors; and
- the Company has received the support of its surety bonds providers, who have agreed to renew the Surety Bond Facilities subject to the successful completion of the Restructuring.

Please see below the anticipated key transaction dates (a more detailed timetable is included in Appendix II):

- **14 November 2016:** Shareholder General Meeting
- **14 November 2016:** Scheme Meeting
- **16 November 2016:** Open Offer Period ends
- **16 November 2016:** Scheme sanction hearing
- **17 November 2016:** Chapter 15 recognition obtained. Results of Placing and Open Offer
- **21 November 2016:** Restructuring becomes effective. Settlement of newly issued shares (T+2) – **Transaction close**

Current trading and future prospects, including trend information

Since 30 June 2016, the date of the Group's most recent unaudited interim financial statements, the Group has delivered against its strategic priorities in the continuing lower price environment. Further action to reduce operating and capital expenditure has been accompanied by sustained strength in operations.

The Group announced in September 2016 that as a result of the further phasing of milestone payments and despite additional capital expenditure on drilling the Eagle discovery it was expecting to reduce full year 2016 cash capital expenditure by approximately $30 million. The Kraken and Scolty/Crathes development projects are continuing ahead of budget; the Kraken FPSO is on track for sail away in the second half of 2016 and for first oil in H1 2017. In October 2016, the Group is now reducing its gross full cycle capital expenditure estimate for Kraken by approximately a further $100 million, down to approximately $2.5 billion, mainly as a result of better performance on drilling and subsea production systems. The Kraken FPSO is very close to mechanical completion, with the focus now on pre-commissioning and commissioning activities. All four engines and boilers are mechanically complete. The latest reductions in the overall full cycle gross capex estimates for Kraken reduce EnQuest's 2016 net cash capital expenditure by a further $50 million, now down to between $620 million and $670 million. The Scolty/Crathes development is also ahead of schedule, with first oil expected to be delivered around the end of 2016. Average production guidance for the full year 2016 continues to be in the range of 42,000 Boepd to 44,000 Boepd. Unit operating expenditure for the first half of 2016 was $23/bbl, ahead of target. The Company anticipates full year unit operating expenditure around the lower end of the $25-$27/bbl guidance for the full year 2016. The Company continues to seek cost reductions across the supply chain.

Substantial works have continued on Alma/Galia. The K1 (AP4) well required a chemical treatment which has been successful and the workover of the K3z (AP1) well, was carried out by early August, further increasing production. The drilling of well K7, the replacement for the uncompleted K6, is in progress, with completion operations underway. K7 should be online around the 2016 year end. On GKA, the planned shutdown during the second half of the year was delivered securely and successfully.

In line with its internal financial policies, the Group has continued to enter into hedging arrangements. Since 30 June 2016, the Group has hedged 1MMbbl of 2017 production (83kbbls/month) at a fixed price of $51.50. The Group has also sold 500,000 bbls per month for the first half of 2017 (3 MMbbls total) at a fixed price of $49/bbl and has bought a call (nil cost) for the same notional quantity, with a strike at $57.25. Should the price rise above $57.25, the Group will receive the difference to offset the loss it would make on the $49/bbl swaps). In addition, the Group has hedged 500,000 bbls for the first half of 2017 at $54.50.

Update on EnQuest Board Sub-committees

EnQuest also announces the following changes to the Audit and Remuneration Committees with immediate effect

- Helmut Langanger has joined the Audit Committee; and
- Phil Holland has joined the Remuneration Committee.

Stefan Ricketts, General Counsel and Company Secretary, is arranging release of this announcement on behalf of the Company.

Unless otherwise defined herein, all capitalised terms used in the body of this announcement shall have the meaning given to them in Appendix III.

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Copies of the Explanatory Statement will, following distribution electronically, be available upon request at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2AG and on the Company's information agent website at www.lucid-is.com/enquest and copies of the Prospectus will, following publication, be available from the registered office of EnQuest and, subject to certain restrictions, on EnQuest's website at www.enquest.com. The Prospectus is not, subject to certain exceptions, available (through the website or otherwise) to Shareholders and prospective investors in the United States, Australia, Canada, Japan and the Republic of South Africa. Neither the content of EnQuest's website nor any wite accessible by hyperlinks on EnQuest's website is incorporated in, or forms part of, this announcement. The Explanatory Statement will provide further details of the Scheme and Prospectus will provide further details of the New Ordinary Shares being offered pursuant to the Placing and Open Offer.

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registered under the Securities Act and will not be offered or sold to the public in the United States.

The New High Yield Notes to be issued pursuant to the Scheme will not be registered under the Securities Act and will be issued in reliance upon the exemption from the registration requirements of the Securities Act provided by section 3(a)(10) thereof.

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Notice to all investors

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Cautionary statement regarding forward-looking statements

This announcement may contain certain forward-looking statements, beliefs or opinions, with respect to the financial condition, results of operations and business of EnQuest and the Group.

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". The words "believe," "estimate," "target," "anticipate," "expect," "could," "would," "intend," "aim," "plan," "predict," "continue," "assume," "positioned," "may," "will," "should," "shall," "risk" their negatives and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. An investor should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the Company's or the Group's control. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The Company cautions investors that forward-looking statements are not guarantees of future performance and that its actual results of operations and financial condition, and the development of the industry in which it operates, may differ materially from those made in or suggested by the forward-looking statements contained in this announcement and/or information incorporated by reference into this announcement. In addition, even if the Company's or the Group's results of operation, financial position and growth, and the development of the markets and the industry in which the Group operates, are consistent with the forward-looking statements contained in this announcement, these results or developments may not be indicative of results or developments in subsequent periods. The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that the Company, or persons acting on its behalf, may issue.

Past performance of the Company cannot be relied on as a guide to future performance. As a result, you are cautioned not to place undue reliance on such forward-looking statements. A variety of factors may cause the Company's or the Group's actual results to differ materially from the forward-looking statements contained in this announcement. Forward-looking statements speak only as of their date and the Company, its parent and subsidiary undertakings, the subsidiary undertakings of such parent undertakings, Rothschild and any of such persons' respective directors, officers, employees, agents, affiliates or advisers expressly disclaim any obligation to supplement, amend, update or revise any of the forward-looking statements made herein, except where it would be required to do so under applicable law.

No statement in this announcement is intended as a profit forecast or a profit estimate and no statement in this announcement should be interpreted to mean that earnings per share of EnQuest for the current or future financial years would necessarily match or exceed the historical published earnings per share of EnQuest.

Further Information in relation to the Restructuring

Introduction

The Company announced the Restructuring following negotiations with relevant stakeholders, including the Existing RCF Lenders, the Hedging Banks and the Ad Hoc Noteholder Committee. The key features of the Restructuring are (i) the Proposed RCF Amendments extending the final maturity date of the Existing RCF to October 2021, splitting the maximum aggregate commitments into a term loan facility and a revolving credit facility, amending the amortisation profile, relaxing certain of the financial covenants in the Existing RCF and incorporating terms allowing for new super senior hedging; (ii) the Proposed Note Amendments to be effected by way of an English scheme of arrangement amending the High Yield Notes and Retail Notes, amongst other things, to provide that interest will only be payable in cash on any interest payment date if certain conditions are met (including that the prevailing average oil price is at least $65.00/bbl for a six-month period, otherwise interest will be capitalised), to enable the Company (at its absolute discretion) to extend, at any time, the final maturity dates to April 2023 and automatically to extend the maturity dates to October 2023 if the Company has not repaid or refinanced the Existing RCF by 15 October 2020, to remove certain financial covenants from the Retail Notes, amend certain financial indebtedness baskets in the High Yield Notes and include a restriction on certain payments to shareholders (and their affiliates) if the Company has not redeemed in cash the capitalised interest in respect of the High Yield Notes and the Retail Notes together with any accrued but unpaid interest thereon; (iii) the Placing and Open Offer; and (iv) the renewal of the Surety Bond Facilities.

Background to and reasons for the Restructuring

Against the backdrop of challenging market conditions, the Group has achieved a robust operational performance in its most recent financial periods, as demonstrated by its increasing production and cost efficiency, as it continues to pursue its strategy of turning opportunities into value by targeting maturing assets and undeveloped oil fields and exploiting its existing reserves. Nevertheless, the decline in oil prices during and since 2014 and the continuing low oil price environment have had a significant negative impact on the Group's revenues, liquidity and available cash resources. This situation has been exacerbated by the Group's level of debt and the significant cash resources required to service the interest on this debt, as well as by the significant capital expenditure required for development assets including, in particular, the Group's Kraken development asset, the Group's largest project to date. These factors combined have put considerable pressure on the Group's cash flows. As a result, the Directors are now of the view that, without substantial changes to the Group's capital and debt structure, the Group will have insufficient cash resources to bring Kraken to first oil and to meet all of its payment obligations as they fall due. In particular, if the Placing and Open Offer and the Restructuring as described in this announcement do not proceed, the Directors believe that there is a substantial risk that the Group will be unable to pay the interest payment due in respect of the High Yield Notes on 17 October 2016. If not remedied within the applicable 30 day grace period, and there is no interest payment standstill agreed by the requisite majority of High Yield Noteholders (being 90 per cent. or more in value), this would constitute a default under the High Yield Notes and a cross default under certain of the Group's other debt instruments and facilities, including the Existing RCF and the Retail Notes. In addition, the Group has, since January 2015, obtained waivers from the Existing RCF Lenders in respect of the liquidity covenant contained in the Existing RCF and the current waiver from this covenant expires on 31 December 2016. To the extent the Group is unable to improve its liquidity position or obtain further waivers from the Existing RCF Lenders, the Group could fail to meet the liquidity covenant in the Existing RCF when next tested on 31 December 2016 or on a subsequent test date, which would constitute an event of default under the Existing RCF. In either of these circumstances, there is a risk that the Company and/or its subsidiaries may become subject to enforcement action which if not terminated or withdrawn could result in the majority Existing RCF Lenders appointing an administrator to the Company, with a view to the administrator commencing (and/or continuing, if already commenced by the Company at such time) a marketing process for the sale of the Group on an accelerated basis. However, the Ad Hoc Noteholder Committee may propose an alternative debt restructuring and seek to engage in negotiations with the Existing RCF lenders and the Company (which may involve providing a standstill of the October Interest Payment if the requisite majority has approved such standstill) and the Existing RCF Lenders may or may not accept such proposal or may consider such proposal in the context of the sales process.

Although the Group has already undertaken a number of measures to mitigate the impact of the low oil price environment (as described further below), the Directors believe that in order to continue its operations as currently envisioned the Group must strengthen its balance sheet, reduce the impact of the Group's current debt on its cash flows and increase the Group's cash resources. The Directors are therefore proposing the Restructuring. The Directors believe that the completion of the Restructuring will put the Group in a stronger position to meet current oil market conditions, as they continue to believe that the Group's fundamental business, with its strategy of targeting mature and marginal oil assets and its focus on cost efficiency, is well placed to withstand a prolonged period of low oil prices, and will be even better placed to do so after completion of the Kraken development.

The recent significant decline in oil prices began in the second half of 2014, with the average realised price for the Group's UKCS and Malaysian oil sales (excluding hedging) together decreasing from $100.6 per barrel for the year ended 31 December 2014 to $50.9 per barrel for the year ended 31 December 2015, and from $58 per barrel for the six months ended 30 June 2015 to $41 per barrel for the six months ended 30 June 2016. The Brent crude oil benchmark (which is the benchmark against which the Group's UKCS production is priced) reached a low of $27.88/bbl on 20 January 2016. Although oil prices have stabilised somewhat, they remain significantly below the levels that prevailed in 2013 and the first half of 2014 (with the Brent crude oil benchmark at a high of $118.9 on 8 February 2013). The Brent crude oil benchmark was $51.7/bbl as of 12 October 2016.This reduction in oil prices has had a negative impact on the Group's revenues and cash flows from operating activities.

In response to the decline in oil prices, the Group has set a number of strategic priorities, including delivering on execution, streamlining operations and strengthening the Group's balance sheet. The Group has continued to focus on delivering a strong operational performance, as demonstrated by the 31.1 per cent. increase in the Group's net daily average production in 2015 and a 43.3 per cent. increase in net daily average production in the six months ended 30 June 2016 (compared to the same period in the prior year) and reduced operating costs described in more detail below. The Group has also taken a number of additional measures to address the impact of the decline in oil prices and the Group's cash flow constraints, including the following:

- *Negotiating amendments to certain financial covenants in the Existing RCF and the Existing Retail Notes:* In January 2015, the Group negotiated temporary amendments to certain of its financial covenants in the Existing RCF, raising the net debt/EBITDA covenant to five times and reducing the ratio of EBITDA to financing charges to a minimum of three times, both until mid-2017, providing the Group with additional headroom in the low oil price environment. In May 2015, following approval by the holders of the Existing Retail Notes, the financial covenants in the Existing Retail Notes were amended for consistency with the amendments to the Existing RCF. The Company is seeking further changes to the Existing RCF and Existing Retail Notes as part of the Restructuring as mentioned above.
- *Engaging in commodity hedging activities:* In line with its financial policies, the Group entered into a number of commodity hedging contracts in 2014, partially hedging the Group's exposure to fluctuations in oil prices, and entered into additional hedging contracts in 2015 as a response to the continued low oil price environment. As of 31 December 2015, the Group's commodity hedging contracts included bought put options over 8MMbbls, maturing throughout 2016, with an average strike price of $68/bbl and oil swap contracts to sell 2MMbbls at an average price of $66.64/bbl maturing throughout 2016. These hedging arrangements considerably mitigated the fall in the Group's revenues in 2015, as the Group

recognised $261.2 million in realised gains from its hedging activities (relating to the portion of the Group's commodity hedging contracts that were ineffective for hedging purposes or held for trading purposes) during the year ended 31 December 2015. As of 30 June 2016, the Group's commodity hedging contracts included bought put options over 4.3MMbbls at an average price of $68/bbl maturing throughout 2016 and oil swap contracts to sell 1.3MMbbls at an average price of $67/bbl maturing throughout 2016. During the first six months of 2016, the Group realised $128.1 million in revenue relating to its commodity hedging activities, which partially offset the decline in oil sales. Since 30 June 2016, the Group entered hedging arrangements over 1MMbbl of 2017 production (83kbbls/ month) at a fixed price of $51.50. The Group has also sold 500,000bbls per month for the first half of 2017 (3 MMbbls total) at a fixed price of $49/bbl and has bought a call (nil cost) for the same notional quantity, with a strike at $57.25. Should the price rise above $57.25, the Group will receive the difference to offset the loss it would make on the $49/bbl swaps). In addition, the Group hedged 500,000 bbls for the first half of 2017 at $54.50.

- *Divesting non-core assets*: In 2015, as part of its investment prioritisation programme, the Group disposed of its interests in assets in Norway, Egypt and Tunisia and its exploration assets in Malaysia. The Group also relinquished its interests in a number of exploration licences in the UK. These divestments have allowed the Group to focus on enhancing production at its currently producing assets, including bringing Alma/Galia into full production, and developing its core development assets, being Kraken and Scolty/Crathes.
- *Reducing operating costs*: In line with the Group’s focus on cost efficiency, it has made further significant cuts to its cost base since the decline in oil prices, including through lowering supply chain, contractor and staff costs, moving its procurement team to Dubai to take advantage of lower cost structures and working with the SVT operator to reduce gross cost levels. EnQuest reduced average unit operating costs in 2015 to $30/bbl (compared to $42/bbl in 2014) and in the first half of 2016 to $23/bbl (compared to $39/bbl in the first half of 2015). The Directors expect average unit operating costs for the full year 2016 to be around the lower end of the guidance of $25-$27/bbl and expect that unit operating costs will decrease to the low $20s per barrel when Kraken comes fully on-stream.
- *Reducing capital expenditure on the Kraken development*: The gross full cycle capital expenditure estimate for Kraken has been reduced to approximately $2.5 billion from $3.2 billion at sanction in 2013.
- *Improving future cash flows through the development of Kraken and Scolty/Crathes:* The Directors expect that Kraken will deliver first oil in the first half of 2017 and that the Scolty / Crathes fields will deliver first oil around the end of 2016. The increase in production and, as a result, revenues brought about by the completion of these developments, combined with reduced capital expenditure and operational costs, would improve the Group's cash flow position.
- *Deferring certain trade creditor obligations*: The Group has also recently agreed the deferral of certain payments owed to several of its trade suppliers, which the Directors believe demonstrate trade suppliers' willingness to support the Company. Pursuant to these arrangements, these trade suppliers have agreed for outstanding liabilities to be deferred in accordance with agreed repayment profiles, allowing the Group to repay these liabilities through periodic payments extending to between October 2016 and April 2019. These measures have been significant steps in maintaining the Group's viability in the current environment.

The Directors recognise, however, that in order to allow the Group to continue to pursue its current strategy (and, in particular, to bring Kraken to first oil) and to maintain the viability of the Group's business going forward, a longer term solution is needed to strengthen the Group's liquidity position and reduce the burden of the Group's debt service obligations on its business. Having negotiated with relevant stakeholders, including the Existing RCF Lenders and the Ad Hoc Noteholder Committee, the Directors have therefore proposed the measures comprised in the Restructuring.

All of the elements of the Restructuring are inter-conditional, meaning that none of the components of the Restructuring will be completed if the other components of the Restructuring are not consented to and/or completed.

Financial effects of the Restructuring

On a pro forma basis and assuming that the Restructuring had taken place on 30 June 2016, the Group would have had net assets of approximately $833.4 million, compared with net assets of $738.1 million reported as at 30 June 2016.

The Directors believe that the proposed Restructuring will improve the Group's capital structure and improve the ongoing liquidity position of the Group, putting it in a stronger position to withstand a prolonged period of low oil prices.

APPENDIX I –DEFINITIONS

Ad Hoc Noteholder Committee	the informal ad hoc committee of the Existing High Yield Noteholders from time to time
Amended Retail Notes	the Existing Retail Notes, as amended by the Proposed Note Amendments
Application Form	the personalised application form being sent to Qualifying Non-CREST Shareholders for use in connection with the Open Offer
Board	the board of directors of the Company
Boepd	barrels of oil equivalent per day
Company or EnQuest	the public limited company named EnQuest PLC with company number 07140891 and with registered office address at 5th Floor Cunard House, 15 Regent Street, London, SW1Y 4LR
Disclosure Guidance Rules	the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority
Excluded Territory/Territories	Australia, Canada, Japan, the Republic of South Africa and any other jurisdiction where the extension or availability of the Placing and Open Offer (and any other transaction contemplated thereby) would breach applicable law
Existing High Yield Notes	the $650,000,000 7% senior notes due 15 April 2022 issued by the Company
Existing Noteholders	the Existing High Yield Noteholders and the Existing Retail Noteholders
Existing Notes	the Existing High Yield Notes and the Existing Retail Notes
Existing Ordinary Shares	the Ordinary Shares in issue at the date of this announcement
Existing RCF	the senior secured revolving credit facility dated as of 6 March 2012, as amended, restated or otherwise modified or varied from time to time, entered into by, among others, EnQuest, as the borrower, BNP Paribas, as facility agent, and certain lenders party thereto
Existing RCF Lenders	the original lenders under the Existing RCF and any lender which has acceded as a lender thereunder, which in either case has not ceased to be a party to the Existing RCF in accordance with the terms

Existing Retail Noteholders	the holders of the Existing Retail Notes
Existing Retail Notes	the £155,000,000 5.5% notes due 15 February 2022 issued by the Company under its £500,000,000 euro medium term note programme
Explanatory Statement	the explanatory statement in respect of the Scheme
EU Market Abuse Regulation	the Market Abuse Regulation (EU) No 596/2014
FSMA	the UK Financial Services and Markets Act 2000 (as amended)
General Meeting	the extraordinary general meeting of the Company to be held at Ashurst LLP, Broadwalk House, 5 Appold Street, London, EC2A 2HA on 14 November 2016 at 9.00 a.m.
Group	the Company and its subsidiaries and subsidiary undertakings from time to time
Letter of Credit	the letter of credit to be issued by Credit Suisse AG in favour of the Company in connection with Double A's participation in the Placing
London Stock Exchange	London Stock Exchange plc
MMbbl	millions of barrels, i.e. oil barrels corresponding to 159 litres
New High Yield Notes	the new $650,000,000 7% senior notes issued by the Company to the Existing High Yield Noteholders in exchange for the Existing High Yield Notes on a dollar-for-dollar basis
New Ordinary Shares	356,738,114 new Ordinary Shares to be issued by the Company pursuant to the Placing and Open Offer
October Interest Payment	the interest payment due on the Existing High Yield Notes on 17 October 2016
Open Offer	the offer to Qualifying Shareholders constituting an invitation to apply for the Open Offer Shares on the terms and subject to the conditions set out in this document, and in the case of Qualifying Non-CREST Shareholders, the Application Form
Ordinary Shares	the ordinary shares of 5 pence each in the capital of the Company
Placing	the conditional placing of the Open Offer Shares (other than the Committed Shares) with Placees, subject to clawback to satisfy valid applications by Qualifying Shareholders under the Open Offer

Placing and Open Offer	the Placing and Open Offer
PM8/Seligi Production Sharing Contract	the production sharing contract between EP Malaysia, PETRONAS Carigali Sdn Bhd, E&P Malaysia Venture Sdn Bhd (as contractors) and PETRONAS dated 10 December 2014, as discussed in this announcement
Proposed Note Amendments	certain amendments of the Existing Notes, and issue of the Warrants, as discussed in this announcement
Proposed RCF Amendments	certain amendments of the Existing RCF, as discussed in this announcement
Prospectus	the prospectus to be issued by the Company in respect of the Placing and Open Offer, together with any supplements or amendments thereto
Regulation S	Regulation S under the Securities Act
Resolutions	the resolutions set out in the notice of General Meeting
Restructuring	the financial restructuring as proposed by the Company, as discussed in this announcement
Scheme	the proposed scheme of arrangement under Part 26 of the Companies Act between the Company and the Scheme Creditors to implement the Proposed Note Amendments with, or subject to, any modification, addition or condition which the Court may consider fit to approve or impose
Scheme Creditors	includes each Existing High Yield Noteholder and each Existing Retail Noteholder
Securities Act	the United States Securities Act of 1933, as amended
SEK	the lawful currency of Sweden
Shareholders	the holders of Ordinary Shares in the capital of the Company
Sullom Voe Terminal or SVT	the oil terminal located in the Shetland Islands that receives oil from the Brent and Ninian pipeline systems
Surety Bond Facilities	The surety bonds provided by the Surety Bond Providers aggregating to £89.2 million and $5.0 million, of which £2.0 million mature in September 2016 and with the remaining amount maturing in December 2016
Surety Bond Providers	HCC International Insurance Company PLC and Liberty Mutual Insurance Europe
Tanjong Baram Risk Service	the contract dated 27 March 2014 between the Group, Uzma and PETRONAS to develop and produce the

Contract	Tanjong Baram field for a period up to March 2023
Trustees	Capita Trustees Limited, acting in their capacity as trustees of the EnQuest EBT
UKCS	United Kingdom Continental Shelf
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
United States or US	the United States of America, its territories and possessions, any state of the United States of America, and the District of Columbia
US$ or $ or USD or US dollars	US dollars, the lawful currency of the United States
£ or pounds sterling or sterling or GBP	pounds sterling, the lawful currency of the United Kingdom