ENQUEST PLC, 24 January 2017.

ACQUISITION OF 25% OF MAGNUS OIL FIELD
ENQUEST TO TAKE OVER OPERATORSHIP OF MAGNUS, SULLOM VOE TERMINAL AND ASSOCIATED INFRASTRUCTURE WITH NO CASH OUTLAY

EnQuest PLC (together with its subsidiaries, ”EnQuest”), is pleased to announce an agreement to acquire from BP an initial 25% interest in the Magnus oil field (“Magnus”) representing c.15.9 MMboe of additional net 2P reserves (gross reserves of 63.4 MMboe) with net production of 4.2 Mboe/d in 2016 (gross production 16.6 Mboe/d) as well as a 3.0% interest in the Sullom Voe oil terminal and supply facility (“SVT”), 9.0% of Northern Leg Gas Pipeline (“NLGP”), and 3.8% of Ninian Pipeline System (“NPS”) (collectively the “Transaction Assets”). EnQuest currently has existing interests of 3.0% in SVT, 5.9% in NLGP and 2.7% in NPS.

EnQuest will become the operator of the Transaction Assets; the transaction is subject to certain regulatory, government authority, counterparty and partner consents. The transition for the change in operatorship is anticipated to take between 6 and 12 months.

The consideration for these interests is $85 million (subject to working capital and other adjustments), which will be funded by deferred consideration payable from the cash flow of the Transaction Assets. There are no requirements for cash from EnQuest other than as generated from the Transaction Assets. In addition, EnQuest has an option to acquire the remaining 75% of Magnus and BP’s interest in the associated infrastructure. EnQuest also has the option to receive $50 million from BP in exchange for undertaking the management of the physical decommissioning activities for Thistle and Deveron and making payments by reference to 6% of the gross decommissioning costs of Thistle and Deveron fields.

This transaction reflects confidence in EnQuest’s ability to maximise value from late life assets with significant remaining resource potential. EnQuest believes the innovative transaction net cash flow sharing structure can also become a template for transferring maturing assets from other majors to efficient operators such as EnQuest.

Highlights

- Operatorship and acquisition, from BP, of an initial 25% interest in Magnus oil field and interests in infrastructure assets, including the Sullom Voe terminal
- Adds 15.9 MMboe of net 2P reserves and net production of 4.2 Mboepd (based on 2016 production)
- Good operational fit, close to other EnQuest operated assets
- Builds on efficiency programmes at SVT, increasing predictability of cost and extending facility life
- Recognises EnQuest as a leading operator for maturing assets with significant remaining resource potential
- Sharing the benefits of cash flow improvements and field life extension made by EnQuest as operator
- No cash requirements other than from the Transaction Assets and no exposure to cumulative negative cash flows maintains EnQuest’s near term financial position while enabling longer term growth and profitability
- Limited economic exposure in relation to decommissioning costs. In relation to the Transaction Assets this is capped at the cumulative positive cash flows received by EnQuest from the Transaction Assets
- The option to acquire an additional 75% interest in Magnus and BP’s interest in associated infrastructure
- The option to receive $50 million in cash in exchange for undertaking the management of the physical decommissioning for Thistle and Deveron reflects the industrial logic for the natural operator for the decommissioning phase of Thistle and Deveron, including an alignment of interests of parties involved in the production and decommissioning phases

EnQuest CEO Amjad Bseisu said:
"This transaction capitalises on EnQuest's strengths in realising value from the management of maturing oil fields, as underlined by BP's confidence in proposing a change of operatorship to EnQuest. Magnus is a good quality reservoir; it has large volumes in place, with potential for infill drilling and for the revitalisation of wells, and scope for field life extension. It is a producing asset that would materially increase EnQuest's reserve base. We are a natural strategic partner to BP for maturing assets and this innovative structure represents a natural evolution of EnQuest's business."

Bernard Looney, BP chief executive, Upstream said:
"As BP continues to focus its North Sea portfolio around assets where we can add new capacity through disciplined investment in major projects, it is essential to partner with experienced operators like EnQuest to extend the life of existing mature assets like Magnus and Sullom Voe for the benefit of both companies and the region as a whole."

Mark Thomas, BP North Sea Regional President said:
"With their integrated skills, operational scale, cost structures and high levels of operating efficiency we have seen what EnQuest can do on the Thistle, Deveron and Don fields that were previously operated by BP. We believe this is a good example of having the 'right assets' in the 'right hands', offering new opportunities for the assets and benefitting the UKCS, in the spirit of Maximising Economic Recovery ('MER UK')."

Transaction details

- The base consideration for these interests is $85 million, subject to adjustments for working capital, transition costs and interim period matters.

- BP provides cash calls to the extent these are in excess of cash flows received from Magnus and continue to fund activities as an owner for its retained 75% interest. EnQuest is not exposed in the unlikely event cumulative cash flows become negative.

- BP has retained the decommissioning liability in respect of the existing wells and infrastructure for the Transaction Assets. EnQuest will pay BP additional deferred consideration by reference to 7.5% of BP's actual decommissioning costs on an after tax basis. The additional consideration EnQuest pay is capped at the amount of cumulative positive cash flows received by EnQuest from the Transaction assets.

- EnQuest has an option to acquire from BP the remaining 75% in Magnus, an additional 9.1% interest in SVT, 27.0% in NLGP and 11.5% in NPS between 1 July 2018 and 15 January 2019, for a base consideration of $300 million, which will be subject to working capital and other adjustments. This consideration will be payable in $100 million of cash by EnQuest, with the remainder funded as non-recourse loan by BP which will be serviced and repaid through cash flow from the Transaction Assets. BP will also retain a 50% net cashflow share, and will benefit from future investments with respect to the 75% interest, once the consideration (including interest and adjustments) has been recovered from net cash flow from the assets. BP's share is capped at $1 billon with all additional amounts to the benefit of EnQuest.

- EnQuest also has the option (3 months from completion of Transaction Assets) to receive $50 million from BP in exchange for undertaking the management of the physical decommissioning activities for Thistle and Deveron and making repayments by reference to 7.5% of BP's (6% of the gross) decommissioning spend when this commences. The completion of the option would provide an additional $50 million of liquidity to EnQuest, align interests and reflect the industrial logic for the natural operator to undertake the decommissioning of Thistle and Deveron.

- Operatorship of SVT enables EnQuest to leverage its cost management skills in an area where, prior to the transaction, EnQuest (together with other SVT users) is already exposed to significant operating costs. Following a period of close collaboration, significant improvements have been made at SVT in recent years and EnQuest anticipates building on this positive momentum by working with the SVT staff, other users, owners and stakeholders to deliver further efficiencies. The operating model of SVT shares aggregate operating costs amongst the owners on a pro rata basis.

- BP will provide a guarantee to a bank to underpin a dedicated working capital facility in relation to SVT, NLGP and NPS operatorships.

- Effective economic date is 1 January 2017.

- The transition for the change in operatorship is anticipated to between 6 and 12 months. It is paramount to EnQuest and BP that we maintain safe operations and a smooth transition.

- EnQuest's acquisition includes interests in the Magnus and South Magnus fields. EnQuest will also be acquiring a 9.0% interest in NLGP and 3.83% interest in NPS and will become operator of both of these pipelines.

- In relation to the 25% interest, the assets to be acquired were valued at $230 million in BP's balance sheet as at 30 September 2016, with a loss before tax for the year ended 31 December 2015 of $31 million, which includes the impact of impairment reversals of $13 million.

Ends

This announcement has been determined to contain inside information.

Presentation to analysts and investors

EnQuest will host a slide presentation and conference call for investors and analysts starting today at 9:00 AM London time. The presentation will be accessible via a live audio webcast, available from the investor relations pages of the EnQuest website at http://www.enquest.com/investors.aspx – go to the 2017 tab of the presentations section and select the 'audio' icon, this is a listen only facility. If investors or analysts wish to participate in questions and answers they should dial in to the conference call facility (details below); using the link above, the slides can be accessed directly – select 'presentation'. Note that in both cases, participants should move the slides on manually during the presentation.

The conference call facility will be available on the following numbers:

Confirmation Code:	EnQuest
London, United Kingdom:	+44(0)20 3427 1904
New York, United States of America:	+1646 254 3361

Later in the day, the audio webcast will be available for playback.

For further information please contact:

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Notes to editors

EnQuest is one of the largest UK independent producer in the UK North Sea. EnQuest PLC trades on both the London Stock Exchange and the NASDAQ OMX Stockholm. Its operated assets include the Thistle/Deveron, Heather/ Broom, Dons area, the Greater Kittiwake Area, Alma/Galia and Scolty/Crathes, also the Kraken development; EnQuest also has an interest in the non-operated Alba producing oil field. At the start of 2016, EnQuest had interests in 30 UK production licences, covering 42 blocks or part blocks and was the operator of 25 of these licences.

EnQuest believes that the UKCS represents a significant hydrocarbon basin, which continues to benefit from an extensive installed infrastructure base and skilled labour. EnQuest believes that its assets offer material organic growth opportunities, driven by exploitation of current infrastructure on the UKCS and the development of low risk near field opportunities. EnQuest is replicating its model in the UKCS by targeting previously underdeveloped assets in a small number of other maturing regions; complementing its operations and utilising its deep skills in the UK North Sea. In which context, EnQuest has interests in Malaysia where its operated assets include the PM8/Seligi Production Sharing Contract and the Tanjong Baram Risk Services Contract.

Forward looking statements: This announcement may contain certain forward-looking statements with respect to EnQuest's expectation and plans, strategy, management's objectives, future performance, production, reserves, costs, revenues 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 performance cannot be relied on as a guide to future performance.