EnQuest PLC, 02 August 2022

Operations update

Strong production and cash generation, supporting deleveraging

EnQuest Chief Executive, Amjad Bseisu, said:

“We have made a good start to the year, delivering production of 49,726 Boepd and generating $332 million in free cash flows ($474 million pre-hedging) that have enabled us to significantly reduce net debt to c.$880 million at the end of June, resulting in a net debt to EBITDA ratio of around 1.0x, and representing a significant step towards our 0.5x target.

“Performance has been strong at Kraken and in Malaysia, where we have seen the positive impact of our well workover programme. Our drilling and workover programmes are underway at both Magnus and PM8/Seligi to deliver production in the second half, offset by our maintenance shutdowns at Magnus and Kraken.

“We remain on track to deliver our operational targets and, in the prevailing price environment, are focused on driving an accelerated debt reduction programme.

“EnQuest has a long track record of investment in the North Sea. We remain focused on continuing to improve performance and extend the lives of assets within our portfolio, delivering value to all of our stakeholders as we increase production, reduce emissions and support energy security.”

Operating performance

- Average net Group production in the six months to end June 2022 was 49,726 Boepd, an 8% increase over the same period last year, driven by strong production efficiency across the portfolio; full year guidance remains unchanged
- Kraken delivered average gross production of 27,698 Boepd, above the top end of full year guidance of 22,000 to 26,000 Boepd; planned shutdown on track for the third quarter
- Infill drilling campaigns have commenced at Magnus and PM8/Seligi
- Well work campaigns at Magnus and PM8/Seligi are progressing well, with two wells returned to service and three well workovers completed, respectively
- Excellent progress in reducing absolute Scope 1 and 2 emissions, with CO_2 equivalent emissions reduced by 16.8% from the 2020 baseline; since 2018, UK Scope 1 and 2 emissions have reduced by 42.6%

Liquidity and net debt

- Net debt of c.$880 million at 30 June 2022 is down c.$342 million, inclusive of c.$10 million of foreign exchange movement, from 31 December 2021, driven by strong free cash flow generation
    - At the end of June, $115 million remained outstanding on the Group’s senior secured debt facility (‘RBL’) following accelerated repayments totalling $300 million in the six months to end June 2022
    - EnQuest’s net debt to EBITDA ratio as at 30 June 2022 is around 1.0x, down from 1.6x at the end of 2021.
- EnQuest has executed $14.4 million (1.7%) of buy backs of the 2023 7% high yield bonds
- For the period July to December 2022, the Group has hedged c.3.4 MMbbls of oil with an average floor price of c.$60/bbl and an average ceiling price of $79/bbl. For 2023, the Group has hedged a total of approximately c.3.5 MMbbls with an average floor price of c.$57/bbl and an average ceiling price of c.$77/bbl

Guidance unchanged

- 2022 net production guidance of between 44,000 and 51,000 Boepd
- Kraken gross production still expected to be between 22,000 Boepd and 26,000 Boepd (15,500 Boepd to 18,500 Boepd net)
- Operating expenditure is expected to be approximately $430 million
- Cash capital expenditure is expected to be around $165 million
- Abandonment expense is expected to total approximately $75 million

Board change

- As previously announced, on 24 March 2022 Jonathan Swinney notified the Board of his intention to step down from the Board as Chief Financial Officer (‘CFO’) and Executive Director. Following a successful period of transition, Jonathan will step down from the Board on 15 August 2022 and Salman Malik will join the Board as CFO on the same day.

Production details

Average daily production on a net working interest basis	For the period to 30 June 2022	For the period to 30 June 2021
	(Boepd)	**(Boepd)**
UK Upstream		
- Magnus	12,754	13,847
- Kraken	19,527	23,690
- Golden Eagle[1]	7,060	-
- Other Upstream[2]	4,081	3,504
UK Upstream	**43,422**	**41,041**
UK Decommissioning[3]	**-**	**337**
Total UK	**43,422**	**41,378**
Total Malaysia	**6,304**	**4,809**
Total EnQuest	**49,726**	**46,187**

[1] Golden Eagle completion date was 22 October 2021

[2] Other Upstream: Scolty/Crathes, Greater Kittiwake Area and Alba

[3] UK Decommissioning: the Dons

Magnus

Average production for the first six months of 2022 was 12,754 Boepd, impacted by a pump and well integrity failure in June. The 2022 well work campaign is underway, with the North West Magnus well expected online in the coming weeks. The long-term plan to enhance production and mitigate risk of future well failures is progressing, with two wells successfully returned to service in the first half of 2022 and with further well work planned in the second half of the year.

Preparations are underway for the three week shutdown planned in the third quarter, with the key workscope being a compressor overhaul.

Kraken

During the first half of 2022, average gross production was 27,698 Boepd, which is above the top end of full year guidance of 22,000 to 26,000 Boepd. The floating, production, storage and offloading vessel continues to deliver top quartile performance, with production efficiency of 92% and water injection efficiency of 95%.

The Group continues to assess optimisation opportunities for the planned shutdown scheduled in the third quarter of 2022.

Golden Eagle

Year to date June production was 7,060 Boepd. Production efficiency remains strong at 95%, partially offset by gas lift maintenance and natural decline. The joint venture has approved a two infill well drilling campaign to commence in the fourth quarter of 2022, with first oil expected in the first quarter of 2023.

Other upstream assets

Production for the first six months of 2022 averaged 4,081 Boepd. This was driven by uptime of 92% at the Greater Kittiwake Area, and the continued positive impact of work completed in the first quarter to optimise gas lift delivery pressure.

Alba continues to perform in line with Group expectations.

EnQuest is working with its partners to progress field development studies for Bressay and the Bentley team is focused on re-evaluation of the existing subsurface data.

UK Decommissioning

Heather and Thistle plug and abandonment ('P&A') campaigns are progressing well with six wells completed at Heather and nine wells completed at Thistle. The Group remains on track to complete the P&A of 16 wells at each installation in 2022.

The tender processes for heavy lift vessels for Heather and Thistle topsides and jacket removals has concluded. Contracts to complete those scopes, which are scheduled for 2024 and 2025 respectively, are expected to be awarded in the second half of 2022.

At the Dons, subsea infrastructure removal within the 500-metre zone is progressing as expected, with two phases completed during the first half of the year, and the final phase scheduled for completion in August.

Infrastructure and New Energy

The Sullom Voe Terminal and its related infrastructure continues to maintain safe and reliable performance, with 100% export service availability during the first half of 2022. In June, the terminal also reached the milestone of 12 months without any recordable HSE incidents.

EnQuest continues to develop cost-effective and efficient plans to transform the terminal and prepare and repurpose the site to progress global scale decarbonisation opportunities, including carbon capture and storage, electrification and green hydrogen. EnQuest continues to work collaboratively with potential partners and key stakeholders to progress these opportunities.

Furthermore, EnQuest has conducted initial phases of feasibility and economic screening work in respect of a carbon storage concept. The Group expects to make an application in respect of carbon capture and storage ('CCS') licence areas accessible from EnQuest's existing infrastructure in the forthcoming North Sea Transition Authority ('NSTA') UK offshore CCS licensing round.

The Group has continued to make excellent progress in reducing its absolute Scope 1 and 2 emissions during the first half of 2022, with CO2 equivalent emissions reduced by 16.8% from the 2020 baseline, reflecting operational improvements and increased workforce awareness driving lower flaring, fuel gas and diesel usage. Since 2018, UK Scope 1 and 2 emissions have reduced by 42.6%, which is significantly ahead of the UK Government's North Sea Transition Deal target of achieving a 10% reduction in Scope 1 and 2 CO2 equivalent emissions by 2025 and is close to the 50% reduction targeted by 2030.

Malaysian operations

For the first six months of 2022, average production in Malaysia was 6,304 Boepd, representing a 31% increase over the same period last year, following reinstatement of the riser pipeline during the first quarter of 2022 and three workovers, on budget and ahead of schedule. The fourth well workover is in progress with completion anticipated in July.

Following the mobilisation and installation of the drilling rig at the Seligi-C satellite platform, and the drilling of a pilot hole during June, the infill drilling campaign has commenced with the first horizontal well due onstream imminently.

Deleveraging

The Group generated strong free cash flows during the first half of 2022, resulting in net debt of c.$880 million at 30 June 2022, down c.$342 million since the end of 2021. This reduction was driven by accelerated repayments totalling $300 million on the Group's RBL facility, with drawings at $115 million at 30 June 2022, significantly ahead of the required amortisation schedule. EnQuest's net debt to EBITDA ratio at 30 June 2022 was c.1.0x.

In line with EnQuest's continued focus on deleveraging, during July, the Group has bought back and cancelled $14.4 million of its 2023 7% high yield bonds, leaving $813 million outstanding. The Group may, from time to time, purchase its outstanding notes in open-market purchases and/or privately negotiated transactions and upon such terms and at such prices as it may determine. The Group will evaluate any such transactions in light of then-existing market conditions, taking into account the Group's current liquidity and prospects for future access to capital. The amounts involved in any such transactions, individually or in the aggregate, may be material.

2022 outlook

The Group remains on track to achieve net production between 44,000 and 51,000 Boepd, with a significant well work and drilling campaign underway across the portfolio, partially offset by natural declines and planned maintenance shutdowns at Magnus and Kraken in the third quarter.

Full year expectations for operating, cash capital and abandonment expenditures remain unchanged from the Group's original guidance at approximately $430 million, $165 million and $75 million, respectively. EnQuest remains focused on cost discipline and has been proactive in engagement with its global supply chain to mitigate the impacts of cost inflation within the current year.

Following the enactment of the Energy Profits Levy, EnQuest remains committed to investment in the North Sea and is reviewing future capital expenditure programmes in light of the additional investment allowances available under the levy.

EnQuest hedged a total of c.8.7 MMbbls for 2022 predominantly using costless collars, with an average floor price of c.$63/bbl and an average ceiling price of c.$77/bbl. For the period July to December 2022, c.3.4 MMbbls of production remains hedged with an average floor price of c.$60/bbl and an average ceiling price of c.$79/bbl.

Cash flows in the second half of the year will be affected by planned maintenance shutdowns, phasing of work programmes and the impact of the Energy Profits Levy.

The Group continues to explore options to refinance its high yield bond ahead of maturity in October 2023.

EnQuest expects to announce its 2022 half year results in September 2022.

Ends

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Notes to editors

ENQUEST

EnQuest is providing creative solutions through the energy transition. As an independent production and development company with operations in the UK North Sea and Malaysia, the Group's strategic vision is to be the operator of choice for maturing and underdeveloped hydrocarbon assets by focusing on operational excellence, differential capability, value enhancement and financial discipline.

EnQuest PLC trades on both the London Stock Exchange and the NASDAQ OMX Stockholm.

Please visit our website www.enquest.com for more information on our global operations.

Forward-looking statements: This announcement may contain certain forward-looking statements with respect to EnQuest's expectations 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 announcement should be construed as a profit forecast. Past share performance cannot be relied upon as a guide to future performance.