EnQuest PLC, 17 February 2023

Full year 2022 operations update and 2023 guidance

Record free cash flow drives c.$500 million reduction in debt; capital structure reset with debt maturities extended to 2027

Unless otherwise stated, all figures are unaudited, on a Business performance basis and are in US Dollars

EnQuest Chief Executive, Amjad Bseisu, commented:

"EnQuest delivered strong operational performance and continued to exercise financial discipline, resulting in record free cash flows of over $500 million in 2022. Our net debt has been reduced to around $700 million, which has helped us to make excellent progress towards our leverage target of 0.5x. Additionally, our capital structure has been reset with debt maturities extended by five years following the successful refinancing of our facilities.

"EnQuest is proud to continue its role as a transition company, and we have made good progress in reducing our emissions. We have now reduced our UK emissions by c.40% from the 2018 benchmark, significantly ahead of the UK's North Sea Transition Deal targets. Additionally, we have made progress in advancing our new energy and decarbonisation ambitions at the Sullom Voe Terminal. We have also cemented our position as a leading decommissioning partner, delivering one of the most productive campaigns seen in the UK North Sea by decommissioning 24 wells at Heather and Thistle last year.

"The performance of Magnus has improved with the successful execution of the planned shutdown and delivery of our extensive well programme, which also included the introduction of additional gas production at Magnus.

"Looking ahead, changes to the UK Energy Profits Levy will impact cash flow generation and have implications for our capital allocation strategy and our UK production growth ambitions. However, given the strong performance towards our leverage target, returns to shareholders are becoming an increasingly important consideration for our capital allocation decisions. In the immediate future, we remain focused on deleveraging and intend to prioritise organic investments with quick pay backs and accretive M&A opportunities that allow us to leverage our operating capability and tax loss position."

2022 performance

- Average Group production was 47,259 Boepd, 6% higher than 2021
  - Kraken average gross production of 26,091 Boepd (net 18,394 Boepd) was above the top end of guidance, reflecting top quartile FPSO uptime throughout the year
  - Magnus production of 12,641 Boepd reflects well integrity and workover programmes pre-turnaround, and the completion of the North West Magnus well in October
  - Golden Eagle production for the year was lower than expected at 6,323 Boepd
  - Net production of 6,458 Boepd at PM8/Seligi reflected delivery of an extensive infill drilling and well workover programme during the year
- Despite inflationary pressures, operating expenditure is expected to be approximately $400 million, reflecting strong cost discipline and favourable foreign exchange rates. Unit opex for 2022 is expected to be c.$23/Boe
- Cash capital expenditures are expected to be approximately $120 million, with cash decommissioning expenditure expected to be approximately $60 million
- Record free cash flow generation of more than $500 million, reflecting strong production, cost control and capital discipline
  - The Group's average realised oil price was around $103/bbl pre-hedging and around $89/bbl, including the impacts of hedging
- In October 2022, EnQuest concluded a successful refinancing of its capital structure with maturities extended to 2027
  - At 31 December 2022, cash drawings under the RBL were $400 million against a commitment of $500 million
  - In January 2023, an additional $78 million was repaid, reducing cash drawn on this facility to $322 million
- At 31 December 2022, the Group's net debt position was c.$717 million, down c.$505 million versus 31 December 2021, with cash and available facilities of c.$349 million. As at 31 January 2023, the Group's net debt position was further reduced to c.$698 million

2023 outlook

- In response to the changes in the Energy Profits Levy ('EPL'), EnQuest has further optimised its capital programme for 2023, whereby Kraken drilling will be deferred. Cash capital expenditure, excluding acquisitions, is expected to be approximately $160 million.
  - The planned investment programme includes three infill wells at Magnus and three new wells at Golden Eagle

- Average net Group production is expected to be between 42,000 Boepd and 46,000 Boepd
- Operating expenditure is expected to be approximately $425 million
- Decommissioning expenditure is expected to be around $60 million, with the most significant activity being the continuation of well plug and abandonment programmes at Heather and Thistle
- For 2023, EnQuest has hedged c.5.3 MMbbls of oil, predominantly through the combination of puts and costless collars. The costless collars were largely entered into in 2021 and hedge c.3.5 MMbbls with an average floor price of c.$57/bbl and an average ceiling price of c.$75/bbl
- For 2024, EnQuest has hedged c.2.9 MMbbls of oil with an average floor price of c.$60/bbl. This has also been achieved through the combination of puts and costless collars. Of the total c.2.9 MMbbls hedged, costless collars make up c.1.5 MMbbls with an average ceiling price of $92/bbl

Production details

Average daily production on a net working interest basis (Boepd)	**1 Jan 2022 to 31 Dec 2022**	**1 Jan 2021 to 31 Dec 2021**
	(Boepd)	**(Boepd)**
UK Upstream		
- Magnus	12,641	11,870
- Kraken	18,394	21,964
- Golden Eagle[1]	6,323	1,701
- Other Upstream[2]	3,443	3,685
UK Upstream	**40,801**	**39,220**
UK Decommissioning[3]	**-**	**167**
Total UK	**40,801**	**39,387**
Total Malaysia	**6,458**	**5,028**
Total EnQuest	**47,259**	**44,415**

[1] Golden Eagle contribution for 2021 represented the period 22 October to 31 December, averaged over the 12 months to the end of December
[2] Other Upstream: Scolty/Crathes, Greater Kittiwake Area and Alba
[3] UK Decommissioning: the Dons

Magnus

Average production in 2022 was lower than expected at 12,641 Boepd, with performance impacted primarily by well integrity issues and natural decline. The Group's well programme included the successful completion of the North West Magnus well, which allowed for additional gas export capacity, low-cost perforation work and three wells being returned to service, with simultaneous workover and drilling activities undertaken.

The planned annual shutdown was completed during the third quarter and all major scopes were executed, with the primary focus on compressor maintenance activities.

Kraken

Average gross production in 2022 was towards the top end of guidance at 26,091 Boepd (18,394 Boepd net). Overall subsurface and well performance has been good and the floating, production, storage and offloading ('FPSO') vessel delivered top quartile performance throughout 2022, with strong production efficiency of 93% and water injection efficiency of 93%.

The planned shutdown was optimised to facilitate single processing train operations for one week of the two-week programme of activities, with all key scopes executed ahead of schedule.

Golden Eagle

2022 net production was 6,323 Boepd. Production efficiency remained strong at around 95% although production rates were lower than forecast. EnQuest continues to work with the operator and the joint venture partners to identify opportunities to maximise rates.

The planned two well infill drilling campaign is ongoing, but delayed. The first wellbore, having failed to locate reservoir-quality sands, was plugged and the well was side-tracked to the second target. Adverse weather conditions have resulted in expected first production from this well being deferred into the second quarter of 2023.

Other UK upstream assets

Production in 2022 averaged 3,443 Boepd, largely in line with expectations reflecting strong uptime of 87% at the Greater Kittiwake Area.

In response to adverse changes to the EPL, several operators are reconsidering their capital programmes in the UK. In late 2022, EnQuest increased its equity interest in Bressay to 100%, following the withdrawal of Equinor and Harbour Energy. EnQuest is actively exploring farm-down opportunities while continuing to progress development planning of the asset.

Malaysian operations

Average production in Malaysia during 2022 was 6,458 Boepd, with production efficiency of 87%. Production at PM8/Seligi was boosted by a successful four-well workover campaign and the delivery of the Group's first three horizontal wells, partially offset by natural declines and compressor downtime.

Infrastructure and New Energy

The Sullom Voe Terminal ('SVT') and its related infrastructure maintained safe and reliable performance throughout 2022, delivering 100% export service availability.

During 2022, the Group continued to progress its plans to repurpose the terminal site and connected offshore infrastructure, in support of its ambitions to advance three world-scale decarbonisation opportunities. First, within carbon capture and storage ('CCS'), the Group has identified the opportunity to store up to ten million tonnes of CO_2 per annum from emitters in UK, Europe and beyond and has submitted two CCS licence applications for areas close to EnQuest's existing infrastructure in the UK. Second, the Group's electrification proposal represents a robust and commercially attractive option to facilitate new asset developments in the North Sea basin and to support UK energy security. Third, EnQuest is also exploring opportunities to aggregate and use the excess energy produced by the wind power from onshore and offshore wind farms being developed near the Sullom Voe site to produce green hydrogen and derivatives, which could help to decarbonise a number of industries. We continue to maintain a capital-light approach and believe we are well placed to deliver on these ambitions in conjunction with potential strategic and financial partners.

UK Decommissioning

A total of 24 wells at Heather and Thistle were plugged and abandoned during 2022, with partial completion of a further four wells by year end. Removal contracts for the Heather topsides and jacket were awarded in September 2022 and January 2023, respectively.

Liquidity and net debt

During the year, EnQuest successfully refinanced its debt facilities, rebalancing the capital structure between secured and unsecured debt and extending maturities until 2027. At 31 December 2022, cash drawings under the RBL were $400 million against a commitment of $500 million with total net debt at $717 million, down more than $500 million from the end of 2021 as a result of record free cash flow generation in 2022.

Total cash and available facilities were $349 million, including restricted funds and ring-fenced funds held in joint venture operational accounts totalling $174 million.

During January 2023, the Group made a repayment of $78 million reducing cash drawn under the RBL facility to $322 million at 31 January 2023 and ensuring the Group remains ahead of its accelerated amortisation requirements following the revisions made to EPL. Net debt as at 31 January 2023 was $698 million, with cash and available facilities of $270 million.

EnQuest remains focused on its strong balance sheet and its ongoing deleveraging strategy. As part of this financial policy, the Group will continue to assess funding opportunities across markets to optimise the capital structure and manage its debt facilities.

Environmental, Social and Governance

The Group has continued to make excellent progress in reducing its absolute Scope 1 and 2 emissions, with CO_2 equivalent emissions reduced by around 20% since 2020, reflecting lower flaring and lower fuel gas and diesel usage. Since 2018, UK Scope 1 and 2 emissions have reduced by more than 40%, which is significantly ahead of the UK Government's North Sea Transition Deal target of achieving a 10% reduction in Scope 1 and 2 CO_2 equivalent emissions by 2025 and close to the 50% reduction targeted by 2030.

The health, safety and wellbeing of our employees is our top priority. In 2022, EnQuest achieved an upper quartile Lost Time Incident ('LTI') frequency[1] rate. However, there was an increase in the number of LTIs from 2021 for which intervention was undertaken, emphasising increased focus on situational awareness and dynamic risk assessment.

Effective succession planning remains a key focus area for the Board, Governance and Nomination Committee and management. In August, Jonathan Swinney stepped down from the Board as Chief Financial Officer ('CFO') and Executive Director, with Salman Malik, who had long been identified as a potential CFO successor, succeeding him. In addition, following the Group's Annual General Meeting in June, Philip Holland stepped down from the Board as part of an orderly and planned succession process with Rani Koya succeeding him, having joined the Board on 1 January 2022. In December 2022, Gareth Penny was appointed to the Board as Non-Executive Chairman, succeeding Martin Houston. Gareth is currently the chairman of Ninety One Plc, a FTSE 250 financial institution, having previously served on the board of Julius Baer Group for 12 years.

The EnQuest Board has 33% female representation, which is shows good progress towards the Women Leaders Review target of 40%, and remains ahead of the Parker Review target with respect to minority ethnic representation, with four minority ethnic board members.

[1] Lost Time Incident frequency represents the number of incidents per million exposure hours worked (based on 12 hours for offshore and eight hours for onshore)

2023 performance and outlook

Group net production averaged above 48,000 Boepd in January. For the full year, the Group's net production is expected to be between 42,000 and 46,000 Boepd, including the drilling campaigns at Magnus and Golden Eagle. Required maintenance activities are planned to be executed during two separate ten-day periods of single train operations at Kraken, with further extensive shutdowns at each of Magnus and GKA.

At current foreign exchange rates and oil prices, operating expenditures are expected to be approximately $425 million. The increase versus 2022 is largely due to inflationary pressures and phasing of activities.

Cash capital expenditure is expected to be around $160 million. The Group plans to execute a three-well drilling campaign at Magnus and complete the 2022 drilling campaign at Golden Eagle, where two further platform wells are expected to be drilled, commencing later in the year, subject to joint venture approval. The impact of the EPL on cash available for investment has resulted in the Group prioritising quick-payback opportunities at Magnus and deferring spend on Kraken drilling. EnQuest continues to assess a potential drilling programme in Malaysia.

Abandonment expense is expected to total approximately $60 million, primarily reflecting ongoing well P&A decommissioning programmes at the Heather/Broom and Thistle/Deveron fields.

For 2023, EnQuest has hedged c.5.3 MMbbls of oil, predominantly through the combination of puts and costless collars. The costless collars were largely put in place in 2021 and hedge c.3.5 MMbbls with an average floor price of $57/bbl and an average ceiling price of $75/bbl. For 2024, EnQuest has hedged c.2.9 MMbbls of oil with an average floor price of c.$60/bbl. This has also been achieved through the combination of puts and costless collars. Of the total c.2.9 MMbbls hedged, costless collars make up c.1.5 MMbbls with an average ceiling price of $92/bbl.

EnQuest expects to announce its 2022 full year results on 23 March 2023.

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.