EnQuest 2016 Full Year Results

Amjad Bseisu
Chief Executive

EnQuest

Agenda

- Overview — Amjad Bseisu, CEO
- Financials — Jonathan Swinney, CFO
- Kraken — Richard Hall, Head of Major Projects
- Operations — Neil McCulloch, COO
- Summary — Amjad Bseisu

EnQuest 2016 results and 2017 outlook

Key themes

2016

Strengthened balance sheet, provided additional liquidity

Further capex and opex reductions

High production efficiency

Revenue of $849.6m and EBITDA of $477.1m

2017 and beyond

Kraken on track and ahead of budget

Unit opex $21/bbl to $25/bbl this year

Moving from investment to cash generation and de-leveraging

Magnus generates significant potential for future growth

Substantial potential in existing portfolio, net 2P 215 Mmboe

Differential capability

The ‘right assets’ in the ‘right hands’

- Production of 39,751 Boepd in 2016, up 8.7% on 2015 and highest annual figure yet
  - North Sea up 11.3%, Scolty/Crathes 6,422 Boepd between first oil and year-end
  - End 2016, PM8/Seligi delivering at highest levels since EnQuest became operator

- Guidance for average production in 2017
  - Between 45,000 Boepd and 51,000 Boepd
  - Equates to 21% growth over 2016, at the mid-point

- Net 2P reserves 215 MMboe, up 5.9%
  - Including extra 10.5% of Kraken and after production of 13 MMboe
  - Reserve life of 17 years

- Kraken FPSO on station, securely moored, commissioning work continuing
  - Handover to operations ongoing
  - On schedule to deliver first oil in Q2 2017

- Magnus/SVT acquisition from BP reconfirms EnQuest’s business model

Low cost operator

EnQuest has institutionalised new ways of doing business

- Further improvements to streamline operations, ahead of previous targets
  - Delivered opex of $24.6/bbl in 2016, down from $29.7/bbl in 2015
  - Anticipating unit opex in $21/bbl-$25/bbl range in 2017

- A materially lower operating cost structure, based on ‘what it should cost’ model
  - Whilst maintaining high production efficiency, over O&G UK target of 80% in 2016
  - Approach to supply chain management is key

- Magnus/SVT provides for further economies of scale and other cost reductions
  - Also in SVT, greater control over a strategically and financially important facility

Financial discipline

Performance focused on driving cash flow

- Cash generated from operations up to $408.3m, up from $221.7m in 2015
- Kraken full project capex now at c.$2.5bn, down c.22%
- Cash capex materially down again in 2016 at $609.2m, set to be down again in 2017 and beyond
    - Anticipated to be in range of $375m-$425m range in 2017
- Post liquidity injection from financial restructuring end 2016 net debt was $1,796.5m, with total cash and undrawn facilities of $330.9m
- Moving from period of heavy investment to increasing cash generation and de-leveraging of the balance sheet

Acquisition of Magnus

Avenue for growth in a capital constrained world

- EnQuest is a life extension expert, with the right integrated technical skills, operational scale and high level of operating efficiency
  - Well placed to extend the lives of Magnus and SVT
  - Will provide new opportunities for the assets and benefit to the wider UKCS basin
    - The OGA is focused on Maximising Economic Recovery (‘MER UK’)
    - This transaction is a very good example of this
    - EnQuest track record of successful integration of acquisition assets: GKA, Malaysia
- Existing operator of three facilities adjacent to Magnus, also potential for economies of scale
- Innovative transaction structure aligns interests of partners and is a natural evolution of EnQuest’s business
- Recognises EnQuest as a natural strategic operator of maturing assets

‘Cashless’ and financially ‘riskless’

- Operatorship and acquisition of an initial 25% interest in Magnus oil field and 3% of Sullom Voe terminal
  - Base consideration $85 million, subject to working capital and other adjustments
- 2P reserves of 63.4 MMboe gross (15.9 MMboe net) and production of 16.6 kBoepd gross (4.2 kBoepd) net (based on BP’s 2016 numbers):
  - High quality Upper Jurassic turbidite sands
  - 2.0 bn boe HCIIP, 54% Recovery Factor (‘RF’) to date
  - 3 mature targets ready to drill in 2017, onstream in 2018 with risked volumes included in base case
  - Large hopper which will yield future opportunities
- No up front cash consideration, share of positive cash flows, no exposure to negative cash flows
- Builds on efficiency programmes at SVT, increasing predictability of cost and extending facility life
- Option to receive $50 million in cash, in exchange for undertaking Thistle decommissioning and making payments by reference to 7.5% of BP’s decommissioning spend

EnQuest is the natural operator of the acquired assets

Jonathan Swinney
Chief Financial Officer



Results summary
Year to 31 December

Unless otherwise stated all figures are before exceptional items and depletion of fair value uplift and are in US dollars

US dollars	2016	2015	Change %
Export production (Boepd)	39,751	36,567	8.7
Average realised price per barrel ($)[1]	63.8	72.0	(11.4)
Revenue and other operating income ($ million)[1]	849.6	906.6	(6.3)
Cost of sales ($ million)	653.5	733.4	(10.9)
Production and transportation costs ($/per boe)	24.6	29.7	(17.2)
Depletion of oil & gas properties ($/per boe)	16.6	22.4	(25.9)
Gross profit ($ million)	196.1	173.2	13.2
Profit before tax & net finance costs ($ million)	237.1	173.9	36.3
EBITDA[2] ($ million)	477.1	474.2	0.6
Cash generated from operations ($ million)	408.3	221.7	-
Reported basic earnings per share (cents)	22.7	(98.0)	-
	2016	2015	
Net cash/(debt) ($ million)	(1,796.5)	(1,548.1)	16.1

1 Includes revenue of $255.8m (2015:$261.2m), associated with EnQuest's oil price hedging.
2 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 the realised gains/loss on foreign currency derivatives related to capital expenditure. The prior year EBITDA has been restated on a comparable basis by adding back realised losses on foreign currency derivatives related to capital expenditure of $9.4 million.

Summary income statement

Year to 31 December

US dollars	2016 Business performance $m's	2015 Business performance $m's
Revenue	849.6	906.6
Cost of sales	(653.5)	(733.4)
Gross profit	**196.1**	**173.2**
Exploration and evaluation expenses	(0.1)	(0.3)
General and administration expenses	(10.9)	(14.4)
Other income	52.0	15.4
Profit/(loss) from operations before tax and finance income/(costs)	**237.1**	**173.9**
Net finance costs	(120.8)	(175.4)
Profit/(loss) before tax	**116.3**	**(1.5)**
Income tax	5.2	129.3
Profit/(loss) after tax	**121.5**	**127.8**

Exceptionals	▪ Net $63.7m credit post-tax, $(11)m of total is cash (see appendices for further details)

Focus on cost efficiency

Continuing to reduce costs across the supply chain

	2016	2015	Change %
Cost of sales ($ million)	653.5	733.4	(10.9)
Unit operating cost[1] ($ per barrel)			
- Production costs	20.4	23.4	(12.8)
- Tariff and transportation costs	4.2	6.3	(33.3)
- Operating costs	24.6	29.7	(17.2)

1 Adjusted for over/underlift and inventory movement

Group taxation position

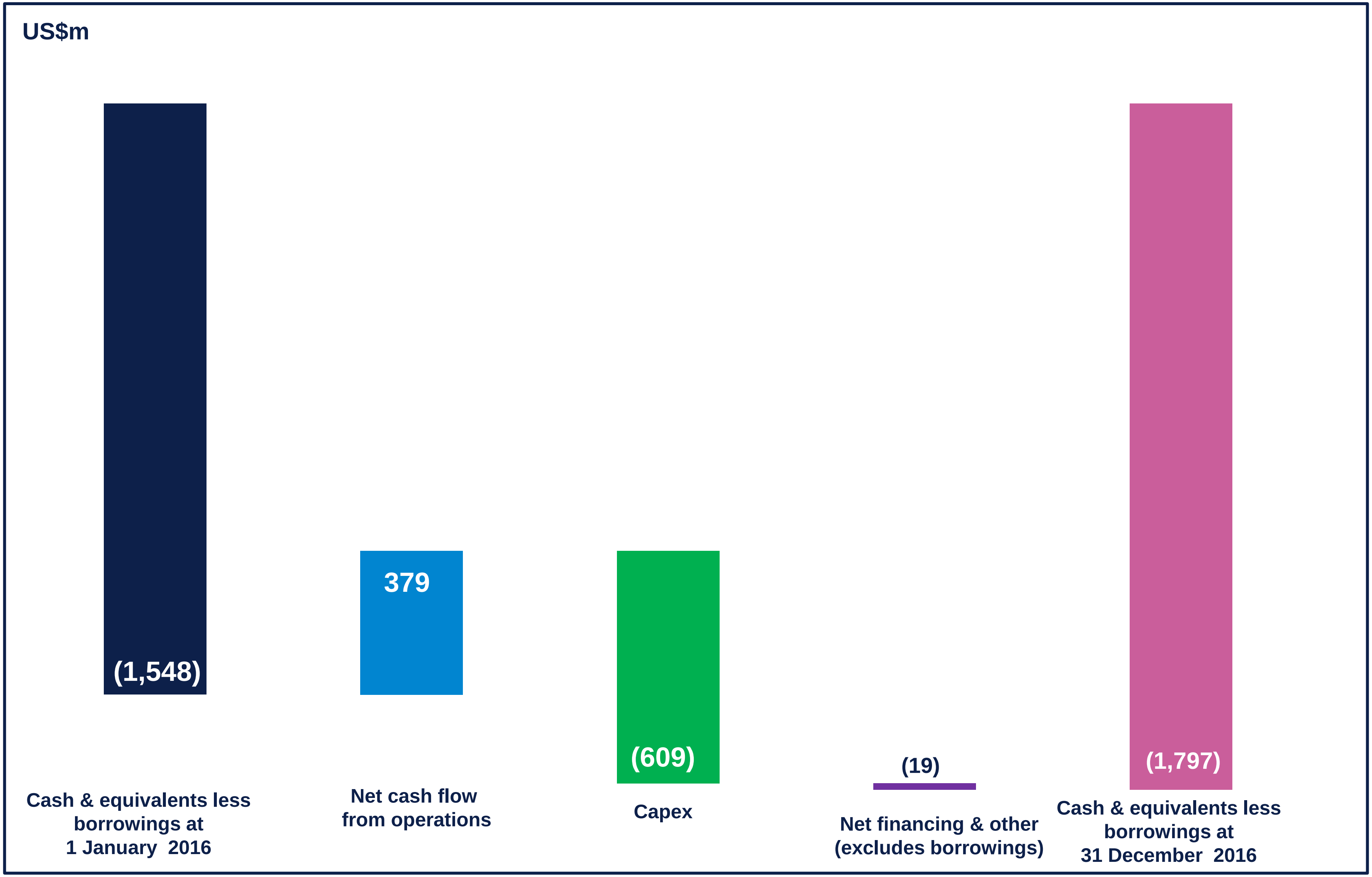
No material UK cash CT/SCT on operational activities expected

UK Tax Allowances	$m's
Recognised at 31 December 2015	2,536
2016 net additions plus RFES	329
Prior year adjustment	29
Tax losses at 31 December 2016	2,894
Tax allowances carried forward	204
Total tax losses and allowances at 31 December 2016	3,098

- No 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

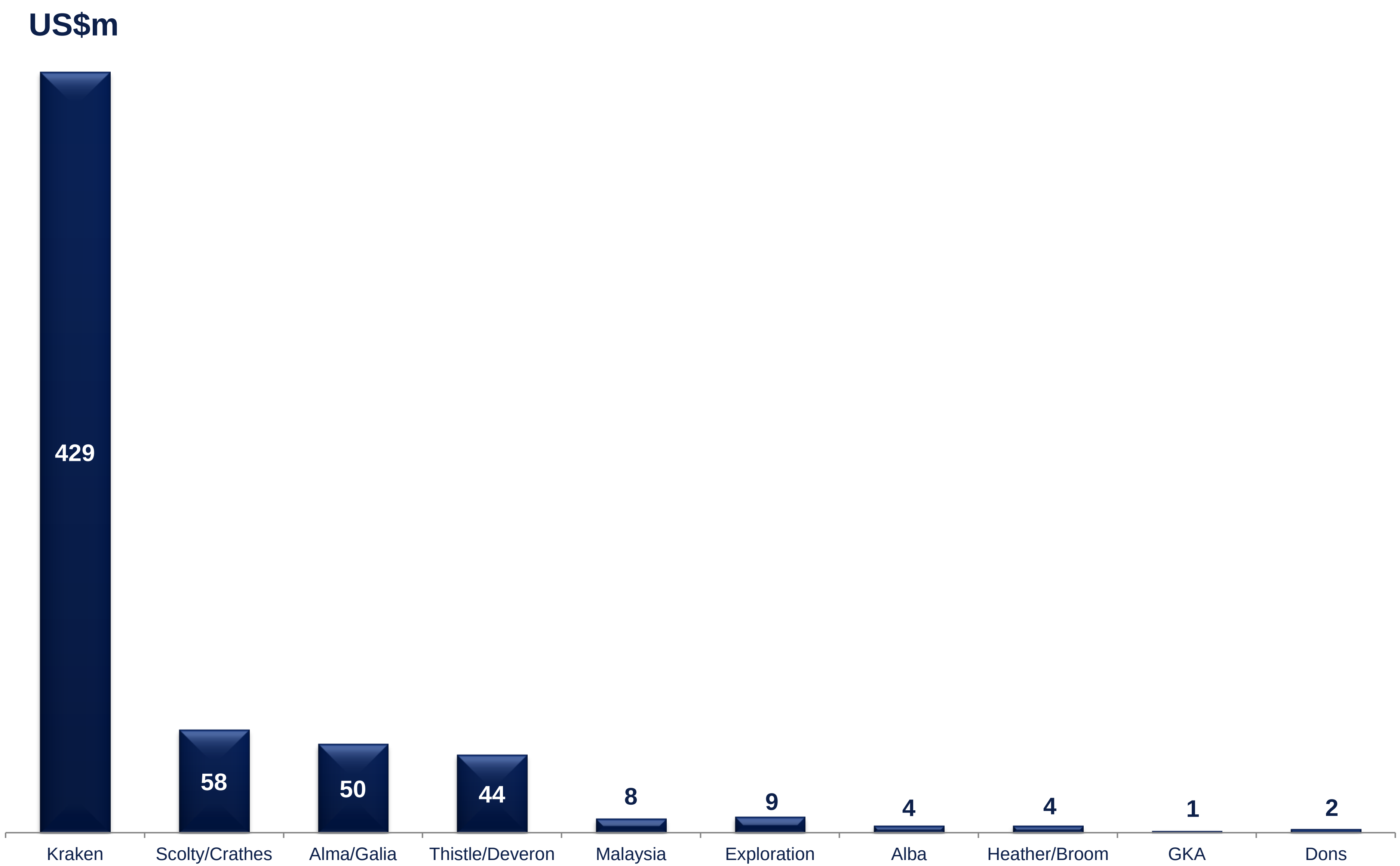
Cash flow

Year to 31 December



$609 million cash capital expenditure

Year to 31 December 2016



Guidance to the market

Outlook

- Production guidance between 45,000 Boepd and 51,000 Boepd for 2017
- Average unit opex anticipated to be in the range of $21-25/bbl for 2017
- Cash capex in 2017 is expected to be in the range of $375m- $425m
  - Predominantly focused on Kraken, approx. 75% of the total
- 2017 G&A to be in line with 2016
- 2017 depreciation to be around $20/bbl, depending on actual timing of Kraken first oil
- Hedging of 6 million barrels for 2017 @ c.$51/bbl

Richard Hall
Head of Major Projects

EnQuest

Kraken development update
Field entry – 13th February 2017

Kraken development

Progress update: March 2017

FPSO:

- The FPSO departed the Singapore deepwater anchorage for the North Sea on 23rd November 2016
- Voyage from Singapore was concluded on schedule and the vessel arrived in Rotterdam in January for a planned post voyage inspection
- FPSO departed Rotterdam in early February (anticipating a favourable weather window), arrived in-field on 13th February and was moored up to the STP buoy by 15th February, with all locking arms engaged and full rotation tests completed *(one final rotation test still to be done when turret pipework fully attached)*
- All risers and umbilicals have been successfully pulled-in
- Swivel stack has been successfully mated with the STP buoy pedestal (highly weather sensitive operation)
- High degree of pro-active engineering to generate time savings and reduce weather dependency
- *Work is continuing on the turret area platforms and installation of ESDV's and pipework*
- *Topsides commissioning continues*
- *Subsea system commissioning will commence once turret area work is complete*

Wells:

- DC2 wells all now successfully drilled and completed and available with DC1 wells; at start up, 7 producers and 6 injectors will be available

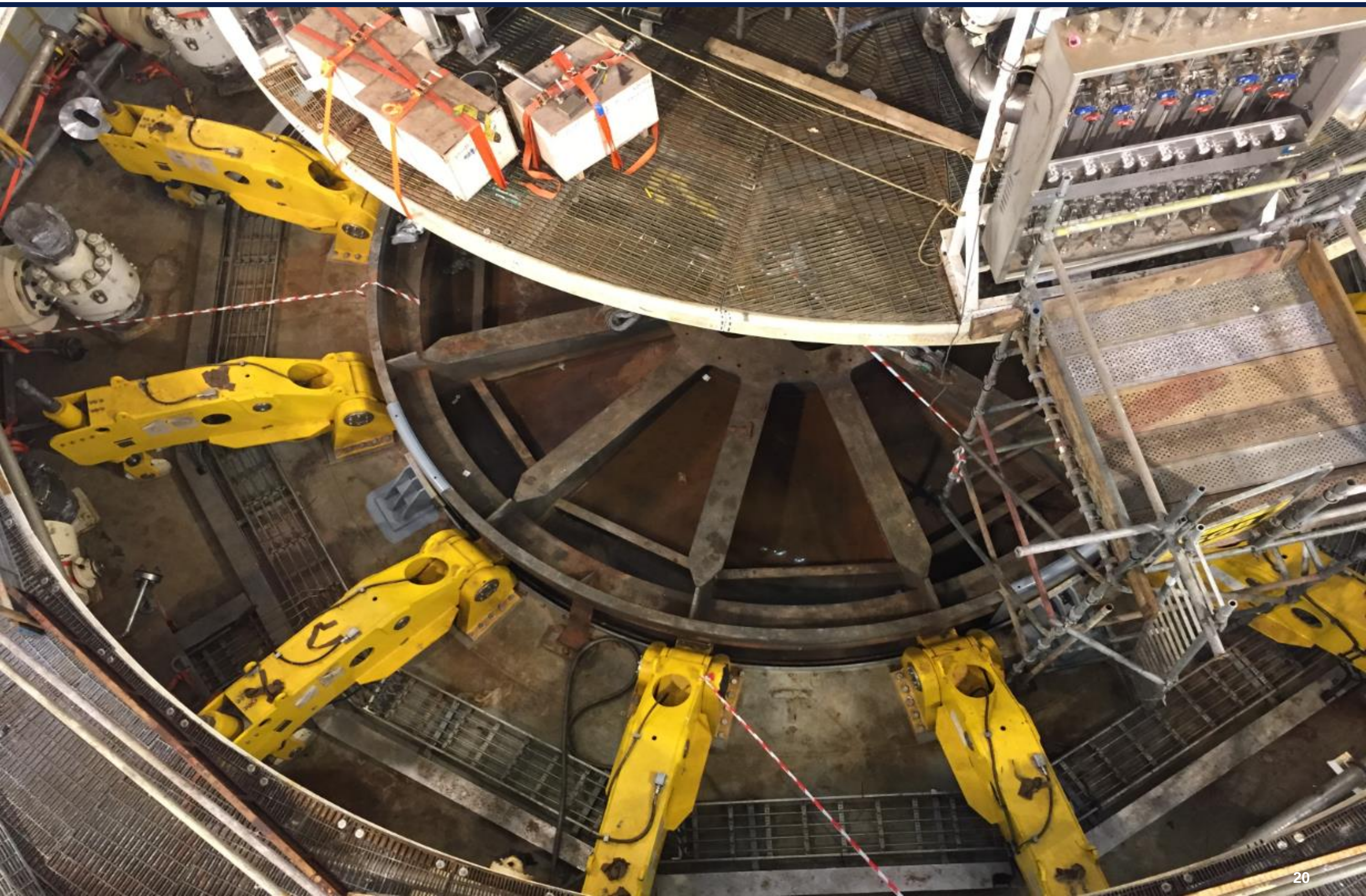
Project Capex:

- Total gross project capex now c.$2.5bn Vs c.$3.2bn at sanction

Schedule:

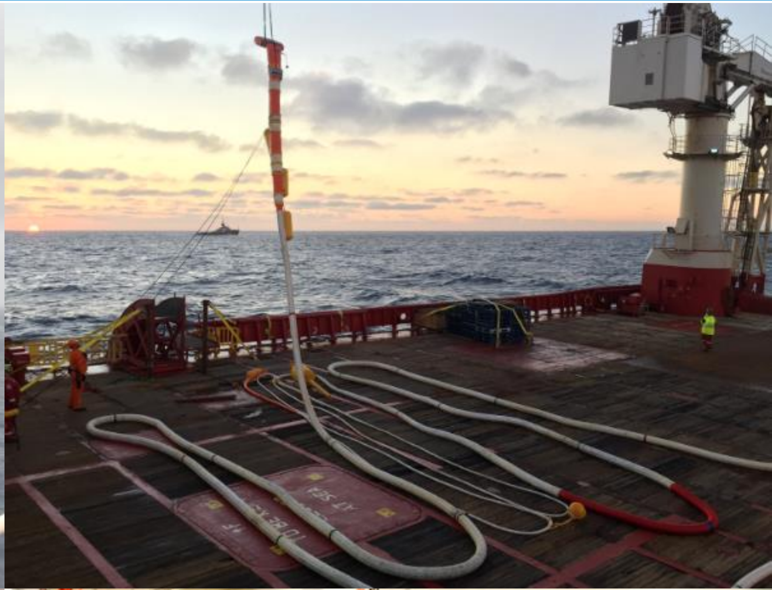
- **First oil still on schedule for Q2 2017**

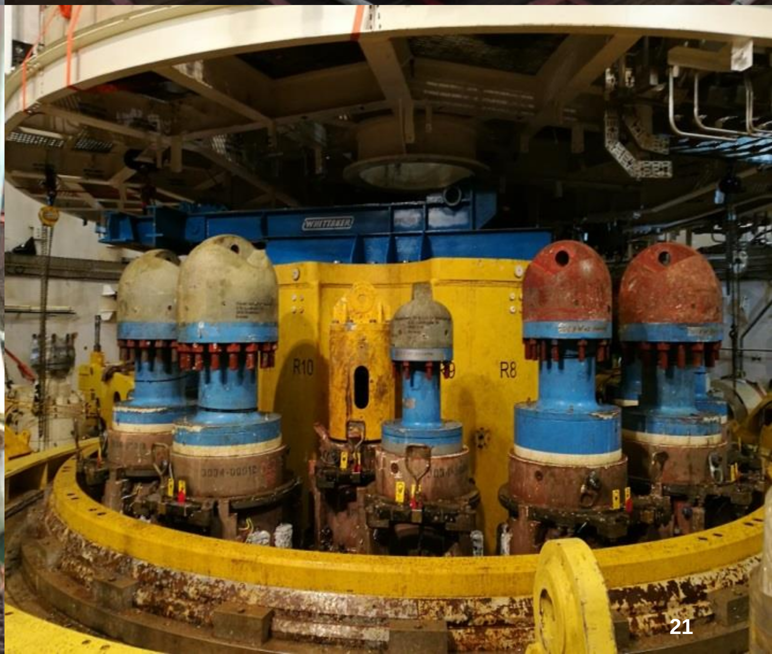
Kraken development update
Plug removal preparations



Kraken development update

Pulling in STP buoy

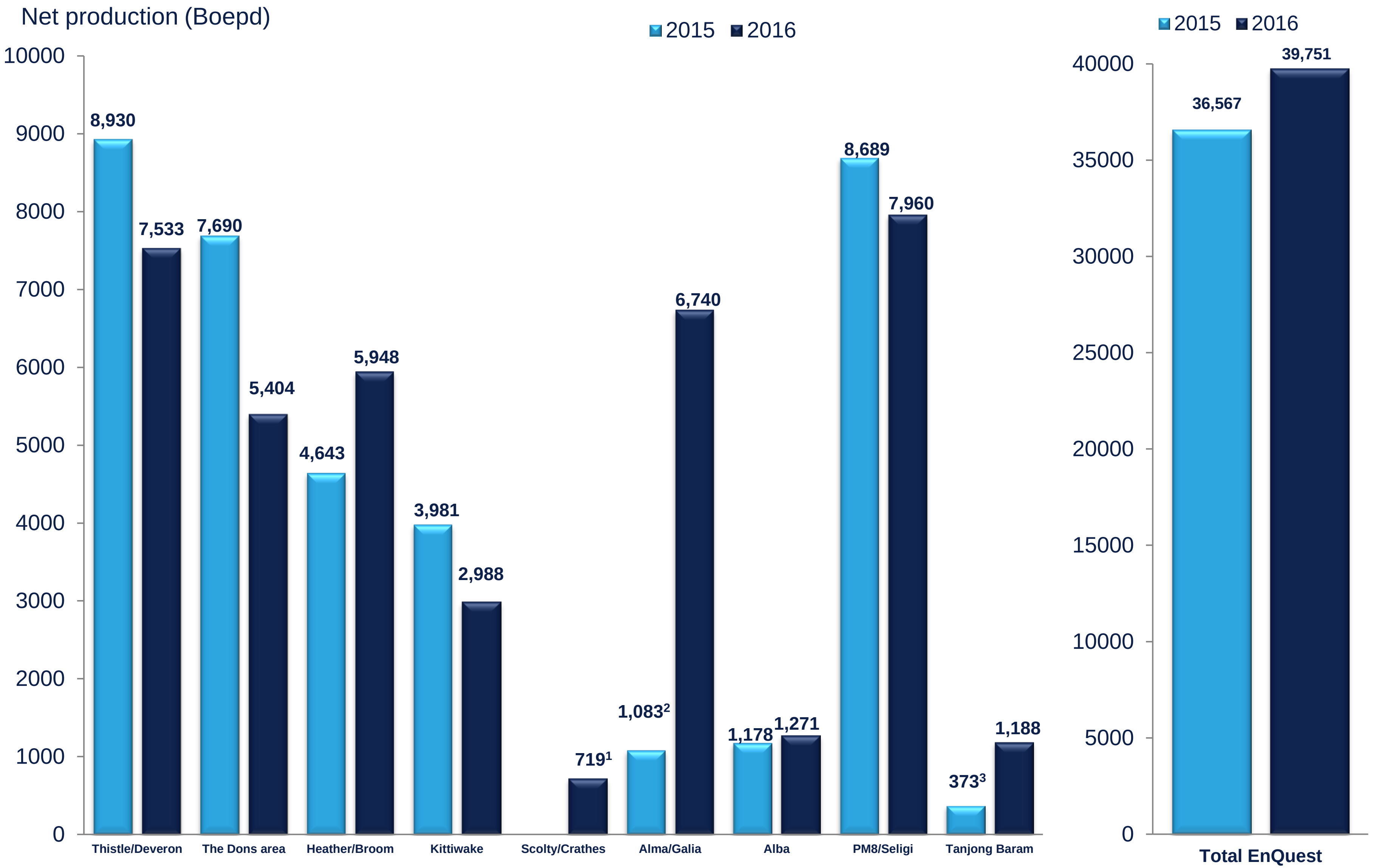




Neil McCulloch
Chief Operating Officer

Production results to year end 2016

Production up 8.7% year on year



1 Net production since first oil on 21 November 2016, averaged over the twelve months to the end of Dec' 2016; equates to an average of 6,422 Boepd from first oil to the end of 2016.
2 Net production since first oil on 27 October 2015, averaged over the twelve months to the end of Dec' 2015
3 Net production since first production in June 2015, averaged over the twelve months to end of Dec' 2015

Central North Sea

First full year of production for Alma Galia and Scolty/Crathes delivered

2016

- Carry over scopes on EnQuest Producer complete, e.g. steam power generation
- Alma negatively impacted by well performance, including ESP reliability
- Interventions on K1, K3Z to improve production. K7 drilled, replacing K6 well
- First oil from Scolty/Crathes in November ahead of schedule, under budget
- Eagle discovery confirmed

2017

- Work ongoing with ESP supplier to address pump reliability
- Optimising Scolty/Crathes production
- Targeting completion of Eagle development planning

Northern North Sea

Delivering positive margins benefitting from prior investments

2016

- Heather production up 28% from 2015; production efficiency – above 90%
- Ythan production above expectations
- Thistle Life Extension Project substantially complete
- Brent Pipeline System delayed shutdown negatively impacted Thistle and Dons
- Successful repair of Don South West water injection line
- Improved unit opex performance providing positive margins

2017

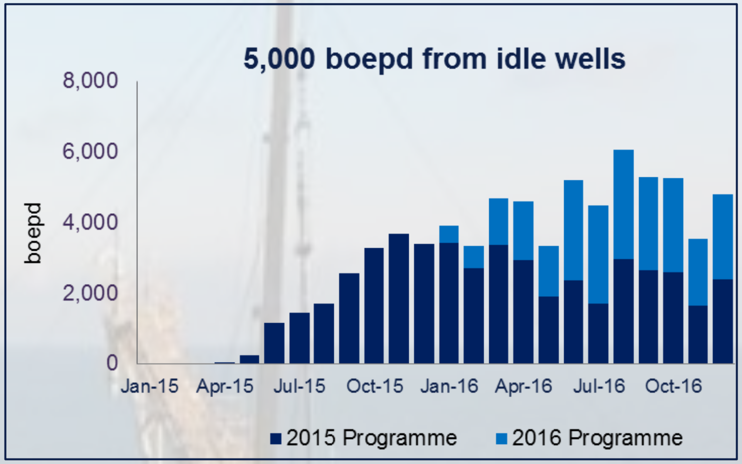
- Thistle and Heather well abandonments, co-funded by decommissioning partners
- Maintain high water injection efficiency across all assets
- Dunlin bypass contract award for 2018 execution
- BPS operator planning further shutdown in 2017

Malaysia

Material gains from efficiency and low cost well work at PM8/Seligi

2016

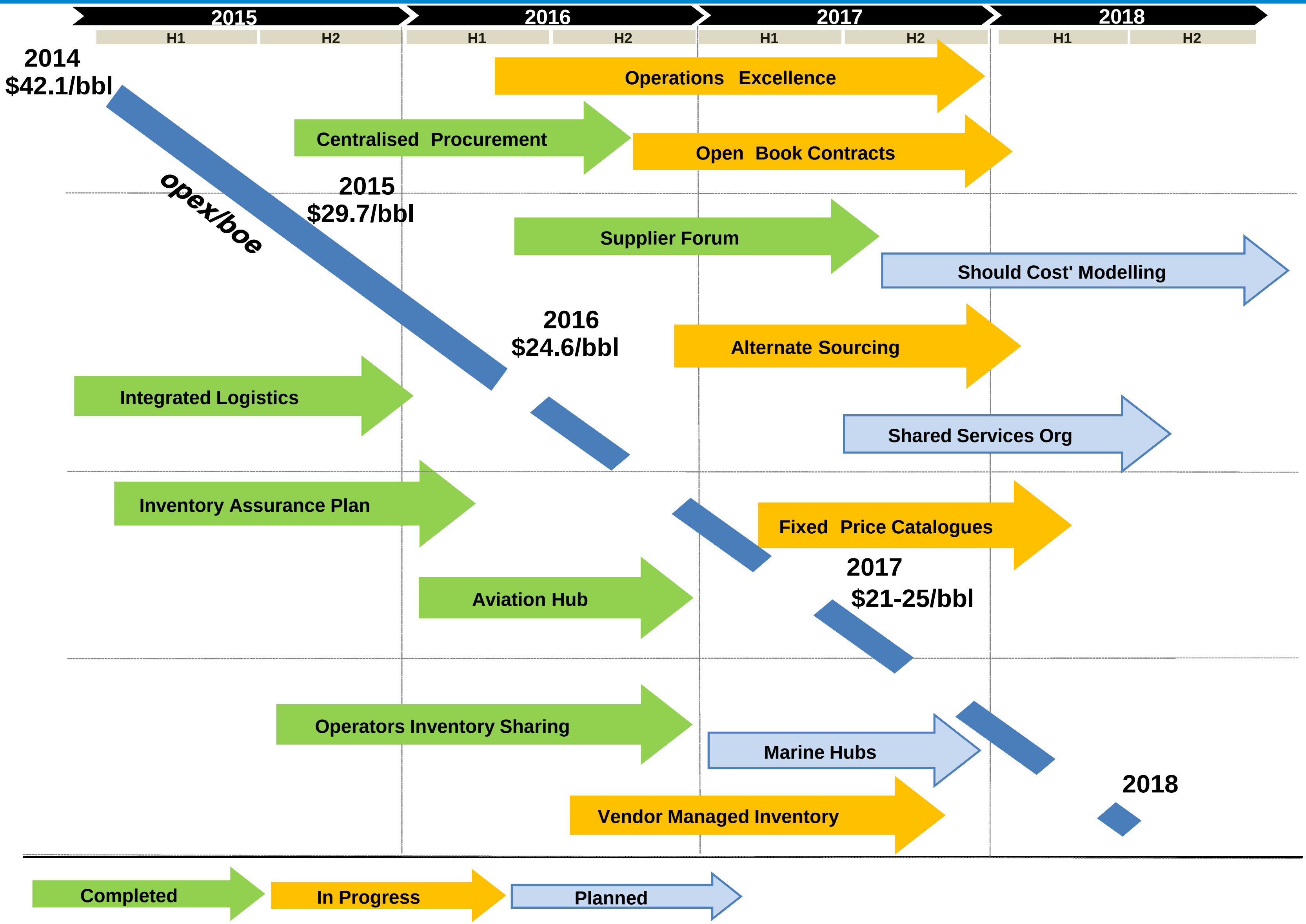
- Combined 2015-16 intervention programmes yielded 5,000 Boepd average during H2 2016
- Fluid contact logging for re-perforations and reservoir surveillance



2017

- Focus areas:-
  - Facility integrity
  - Gas compressor reliability
  - Idle well restoration

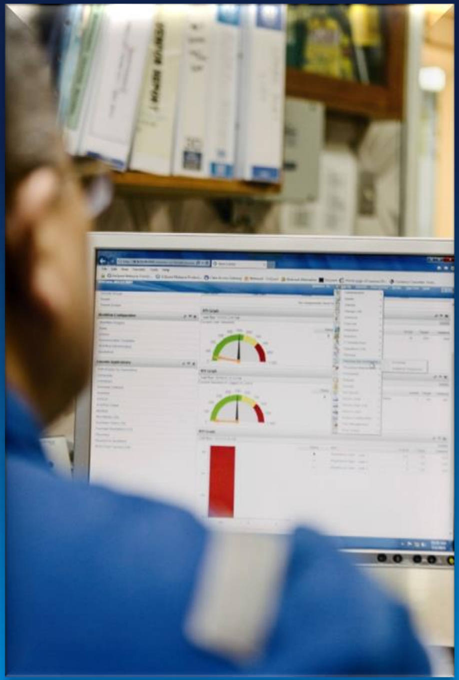
Institutionalising low cost base



Summary

- North Sea production up 11.3% on 2015
- Successful idle well restoration programme on PM8/Seligi
- Production efficiency remains high
- Institutionalised lower operating cost structure
- Excellent drilling performance
- Scolty/Crathes delivered ahead of schedule and under budget
- Kraken on track and under budget
- Minimising net cash outflow
- Magnus excellent new opportunity for growth

Summary



Differential capability

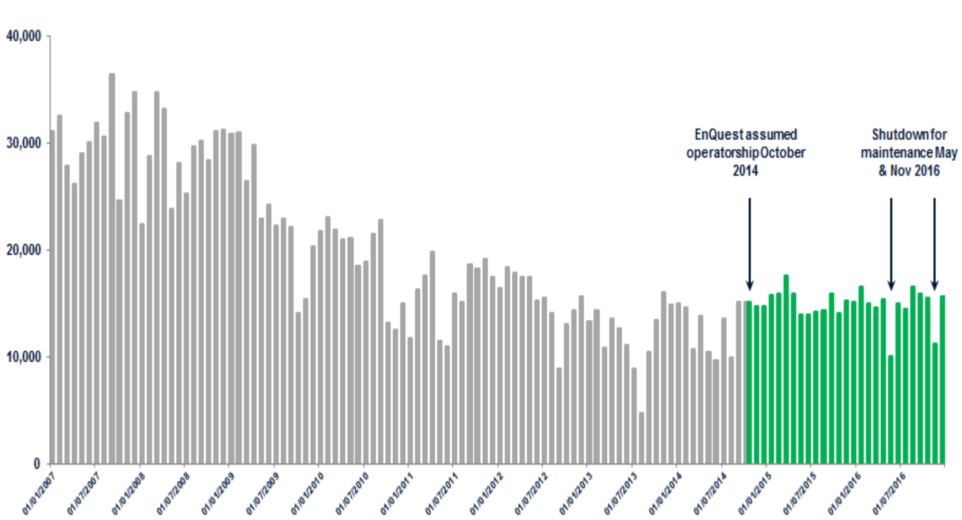
Magnus confirms EnQuest as Operator of Choice for maturing assets

2016	2017 and beyond
Delivering on execution	**Differential capability** ▪ 2017 production guidance: 45,000 - 51,000 Boepd ▪ Kraken on target for first oil Q2 2017 ▪ Integrated technical capabilities: Magnus potential for future growth
Streamlining operations	**Low cost operator** ▪ Differential access to the supply chain ▪ Cash capex down from $609m to $375m - $425m ▪ Unit opex from $24.6/bbl to $21/bbl - $25/bbl

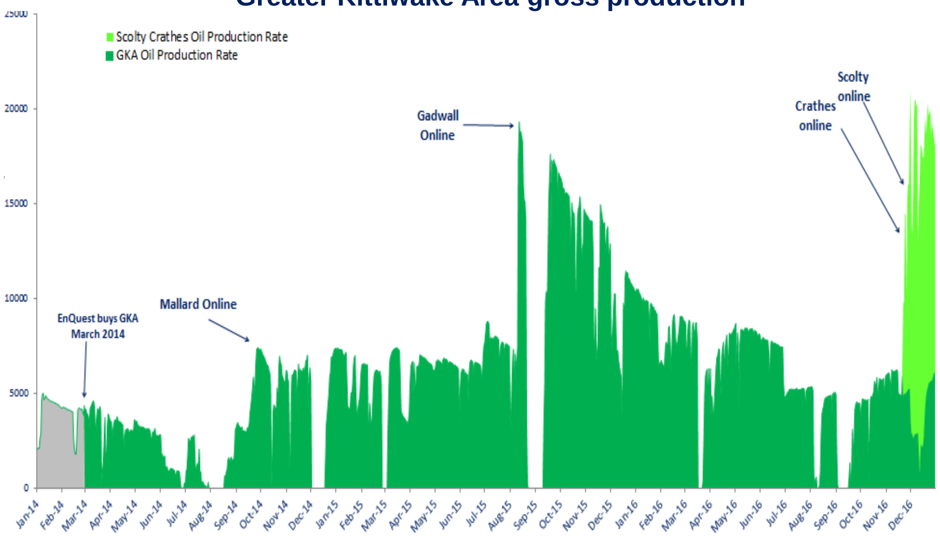
Strengthening the balance sheet	**Financial discipline**
	▪ Moving from investment to post Kraken to cash generation and de-leveraging the balance sheet
	▪ Cash flow focused performance : substantial potential in existing portfolio:
	  ▪ 215 MMboe net 2P
	  ▪ 151 MMboe net contingent resources

Q&A
EnQuest value creation: continuous improvement

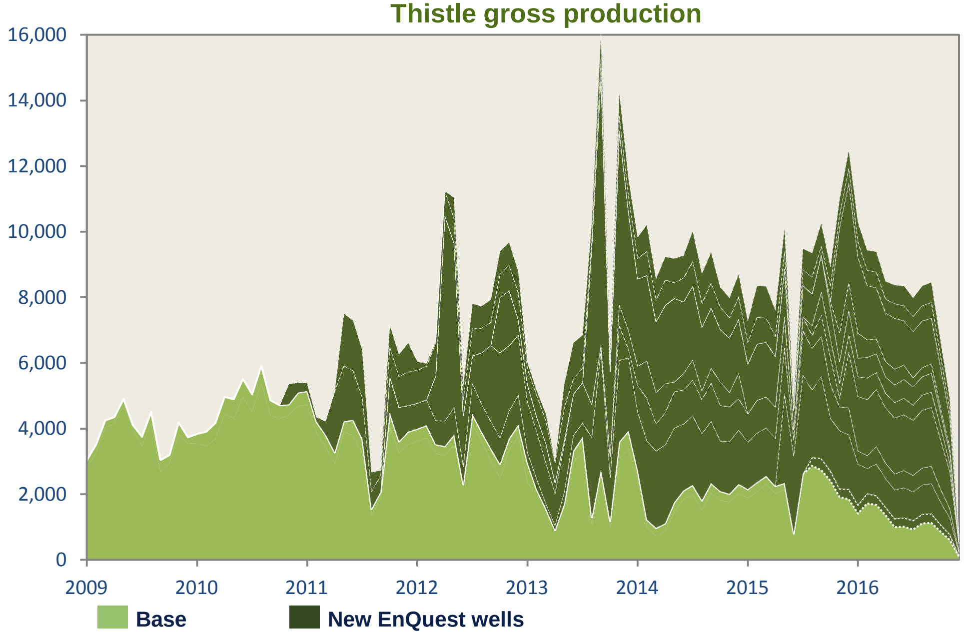
PM8/Seligi gross production



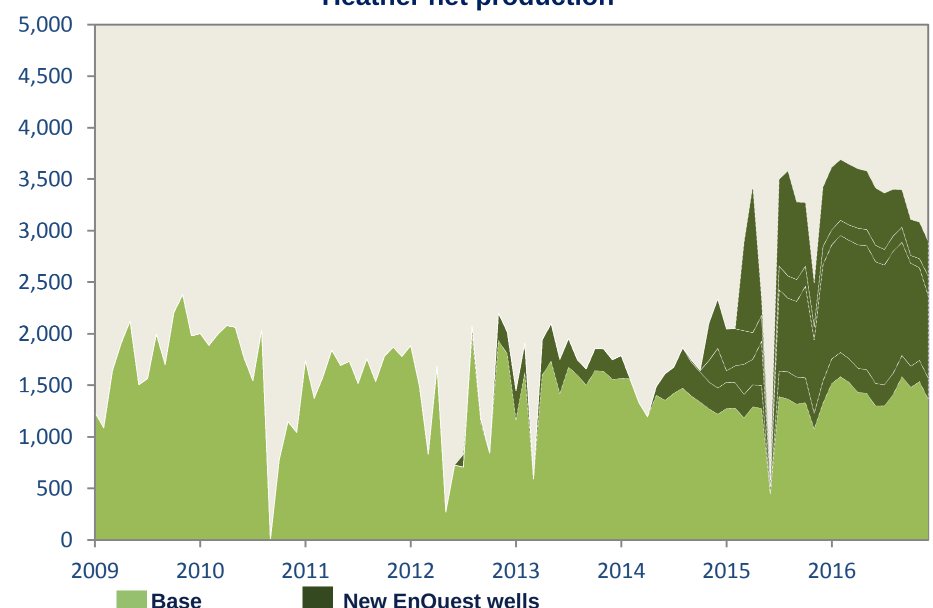
Greater Kittiwake Area gross production



Thistle gross production



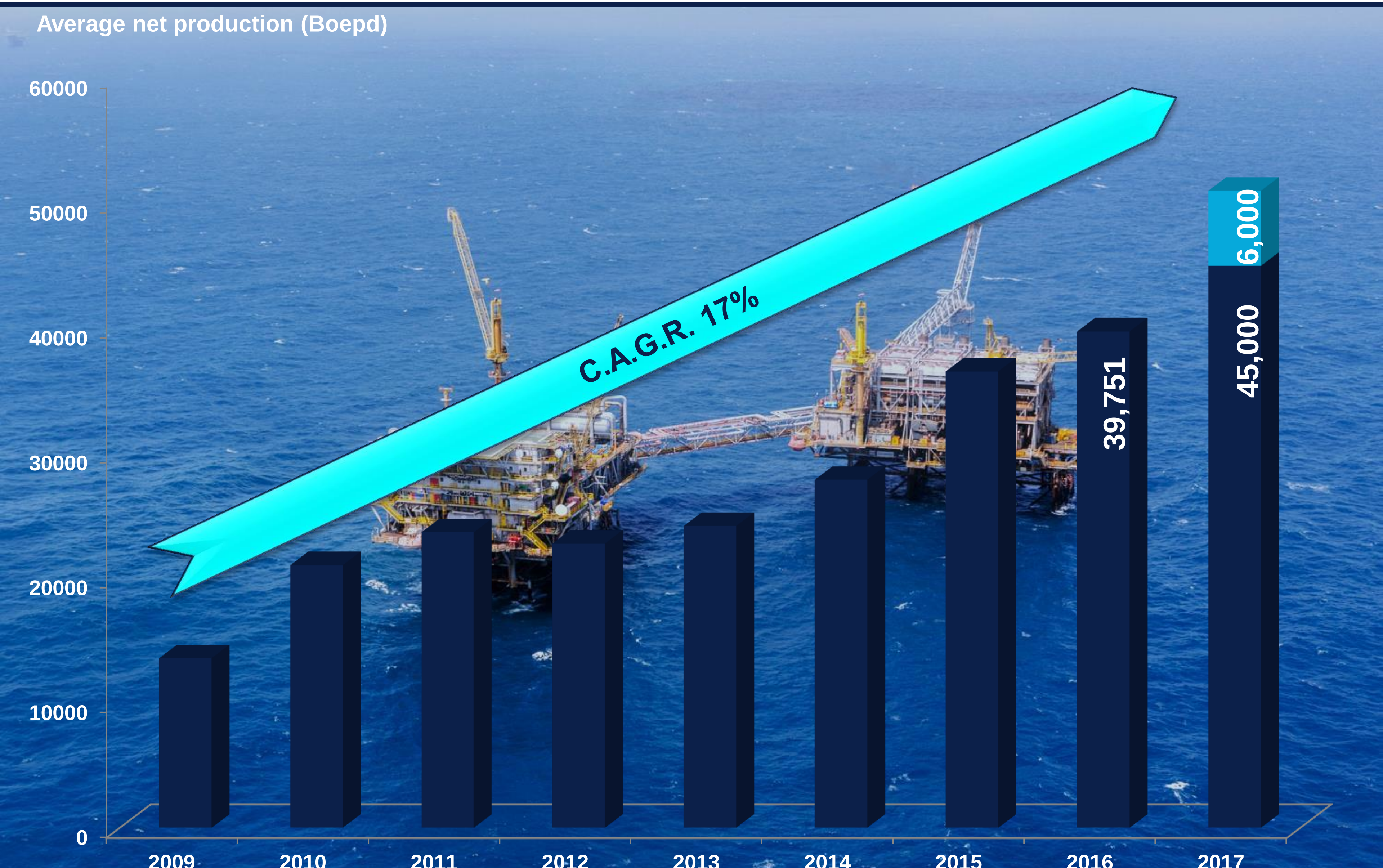
Heather net production



Repositioned for resilience now and for sustainable growth

Delivering strong compound annual growth rates

c.17% C.A.G.R. by 2017.

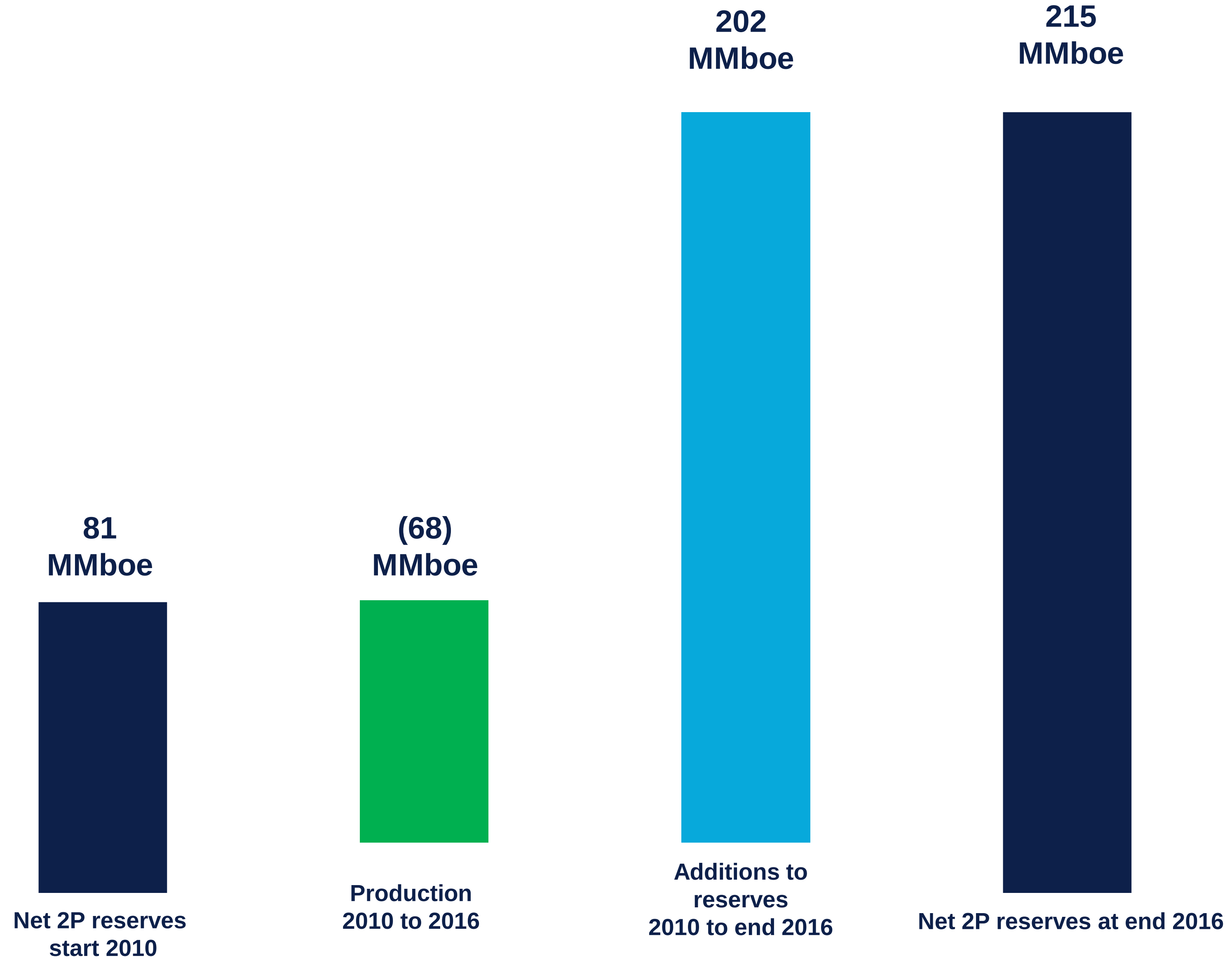


- Guidance range for 2017 is an average of between 45,000 Boepd and 51,000 Boepd

Strong reserves growth in first seven years

Reserve life of 17 years

Net 2P reserves 2010 to end of 2016

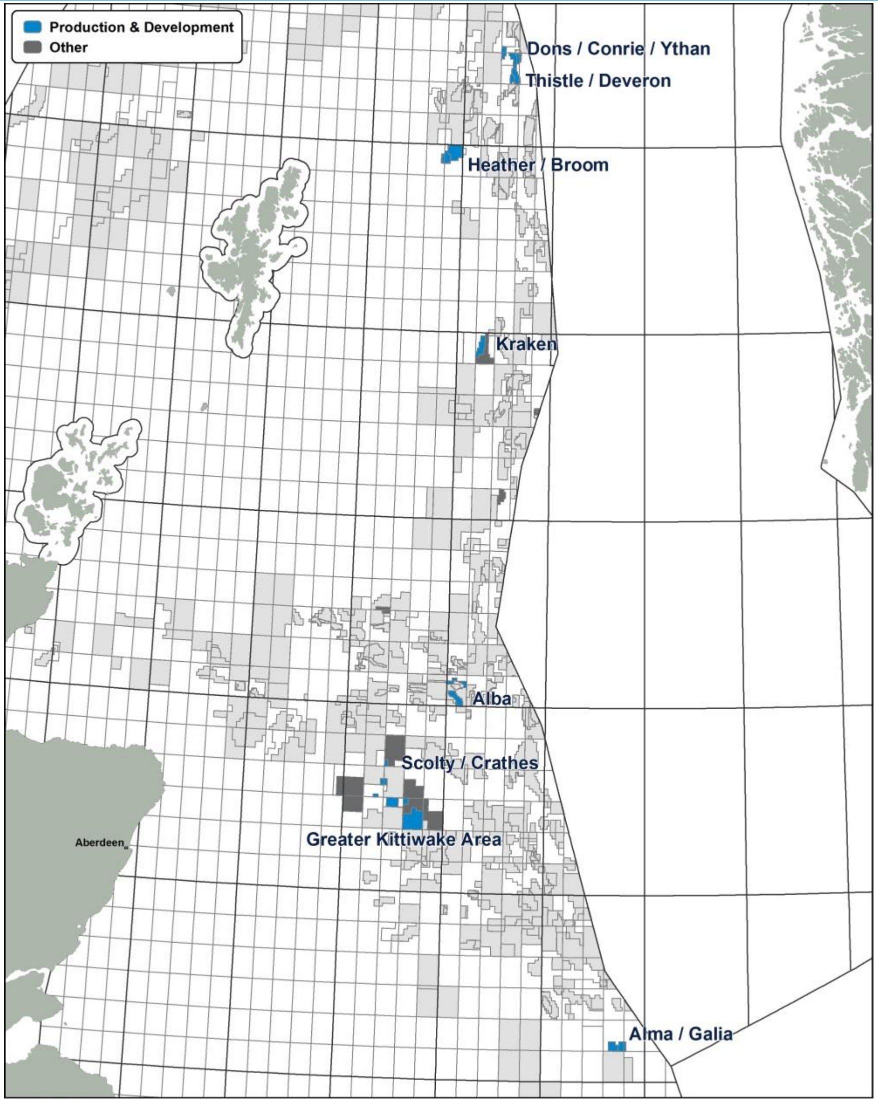


EnQuest's North Sea asset base

As at 31st December 2016

Licence	Block(s)	Name
P073	21/12a	Goosander
P213 [1]	16/26a	Alba
P236	211/18a & b	Thistle, Deveron, Don SW, Conrie, West Don
P238	21/19a & 21/19b	Grouse, Mallard, Gadwall (Eagle [3])
P242 / P902	2/4a & 2/5a	Broom & Heather
P351	21/18a	Kittiwake
P475	211/19s	Thistle
P1077	9/2b	Kraken & Kraken North
P1107 / P1617	21/8a, 21/12c & 13a	Scolty, Crathes
P1200	211/13b	West Don
P1765 / P1825	30/24c & 25/c, 30/24b	Alma, Galia
P2137	211/18e & 19c	Ythan
P90	9/15a	
P209	9/28a	
P220 / P250 / P585	15/12b, 17a & 17n	
P1996 [2]	28/2b & 28/3b	
P2148	9/2c	
P2173	20/15b, 21/11a & 21/16a	
P2176	21/8b	
P2177	21/14b, 19c & 20b	

[1] Not operated
[2] The disposal of this licence had been agreed but not completed prior to the end of 2016
[3] 2016 discovery



Group taxation position

Effective Tax Rate reconciliation

ETR	%	$m's
Profit Before Tax		217
UK CT Rate	40	87
PRT	(2)	(4)
RFES	(47)	(102)
UK and overseas tax rate differences	9	21
Permanent items	15	33
Prior year adjustments	2	4
Other	6	14
Tax Credit	24	51
Exceptional Tax Items	(9)	(19)
2016 Tax Charge	15	32

Exceptionals

Net $64m credit post-tax, $(11)m of total is cash

Main pre-tax items	▪ $(51.5)m : Revenue impact of unrealised commodity contracts ▪ $147.9m : Reversal of oil and gas impairments ▪ $(16.2)m : Loss on disposal of Avalon ▪ $ 31.5m : Other income including $22.9m credit from derecognition of drilling vessel onerous contract provision ▪ $(7.0m) : Net finance costs: Loss on extinguishment of Group's credit facility: $ (15.0) m : Write off of unamortised costs at restructuring date $ (11.0) m : Expensing of costs of restructuring *(only cash item)* $(12.1) m : Lending bank waiver fee Plus: $ 31.1 m : Unrealised commodity, interest FX finance income
Tax	▪ $(37.3)m : Net tax charge $(56.6)m : Tax charge re pre-tax exceptionals $ 48.8 m : Tax credit for recognition of UK tax losses previously written off $(29.5)m : Deferred tax charge re change in tax rate

Forward Looking Statements

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