EnQuest 2017 Half Year Results

Amjad Bseisu
Chief Executive

Agenda

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

EnQuest 2017

H1 highlights and latest full year outlook

H1 2017

Delivered Kraken first oil on schedule and under budget

Agreed to acquire Magnus/Sullom Voe Terminal

EBITDA of $151m, cash capex of $205m

Outlook 2017 full year and beyond

Full year production guidance at 37,015 Boepd +/- 10%

To date Kraken well rates above expectations

First cargo load of Kraken oil expected to be lifted in the next few days

On course for gross 50,000 Boepd plateau in H1 2018

2017 capex range lowered, absolute opex on course for full year guidance

Magnus completion anticipated before year end

Substantial potential in existing portfolio, net 2P 215 Mmboe

Financial discipline

Performance focused on driving cash flow

- Cash capex materially down again at $205.1m in H1 2017, from $261.6m in H1 2016
  - Guidance confirmed within lowered range of $375m-$400m range across full year
- Kraken full project capex further reduced to c.$2.4bn
- Net debt was $1,922m at the end of H1, compared to $1,912m at end of April.
  - Available bank facilities and cash of $213m
- Hedging of 2 million barrels in H2 2017, at an average of c.$55/bbl
- Deleveraging of the balance sheet remains a key post Kraken start up objective

Jonathan Swinney
Chief Financial Officer

Results summary
Half year to 30 June 2017

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

US dollars	H1 2017	H1 2016	Change %
Export production (Boepd)	37,015	42,520	(12.9)
Average realised price per barrel ($) [1]	52	62	(16.1)
Revenue and other operating income ($ million)[1]	294.8	391.3	(24.7)
Cost of sales ($ million)	248.6	273.6	(9.1)
Production and transportation costs ($/per boe)	25	23	8.7
Depletion of oil & gas properties ($/per boe)	16	18	(11.1)
Gross profit ($ million)	46.1	117.7	(60.8)
Profit before tax & net finance costs ($ million)	33.6	149.7	(77.6)
EBITDA[2] ($ million)	151.0	247.5	(39.0)
Cash generated from operations ($ million)	137.5	182.6	(25.0)
Reported basic earnings per share (cents)	2.6	19.5	(86.7)
	End H1 2017	End 2016	
Net cash/(debt) ($ million)	(1,922.3)	(1,796.5)	7.0

1 Includes revenue of $6.1m (2016:$128.1m), 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
Half year to 30 June 2017

US dollars	H1 2017 Business performance $m's	H1 2016 Business performance $m's
Revenue	294.8	391.3
Cost of sales	(248.6)	(273.6)
Gross profit	**46.1**	**117.7**
Exploration and evaluation expenses	-	-
General and administration expenses	(1.3)	(5.4)
Other (expenses)/income	(11.3)	37.3
Profit/(loss) from operations before tax and finance income/(costs)	**33.6**	**149.7**
Net finance costs	(34.9)	(66.3)
Profit/(loss) before tax	**(1.3)**	**83.4**
Income tax	25.0	56.9
Profit/(loss) after tax	**23.6**	**140.3**

Exceptionals	▪ Net $5.7m credit post-tax (see appendices for further details)

Focus on cost efficiency

Continuing to reduce costs across the supply chain

	H1 2017	H1 2016	Change %
Cost of sales ($ million)	248.6	273.6	(9.1)
Unit operating cost[1] ($ per barrel)			
- Production costs	21	19	10.5
- Tariff and transportation costs	4	4	-
- Operating costs	25	23	8.7

1 Adjusted for over/underlift and inventory movement

Group taxation position

No material UK cash CT/SCT on operational activities expected

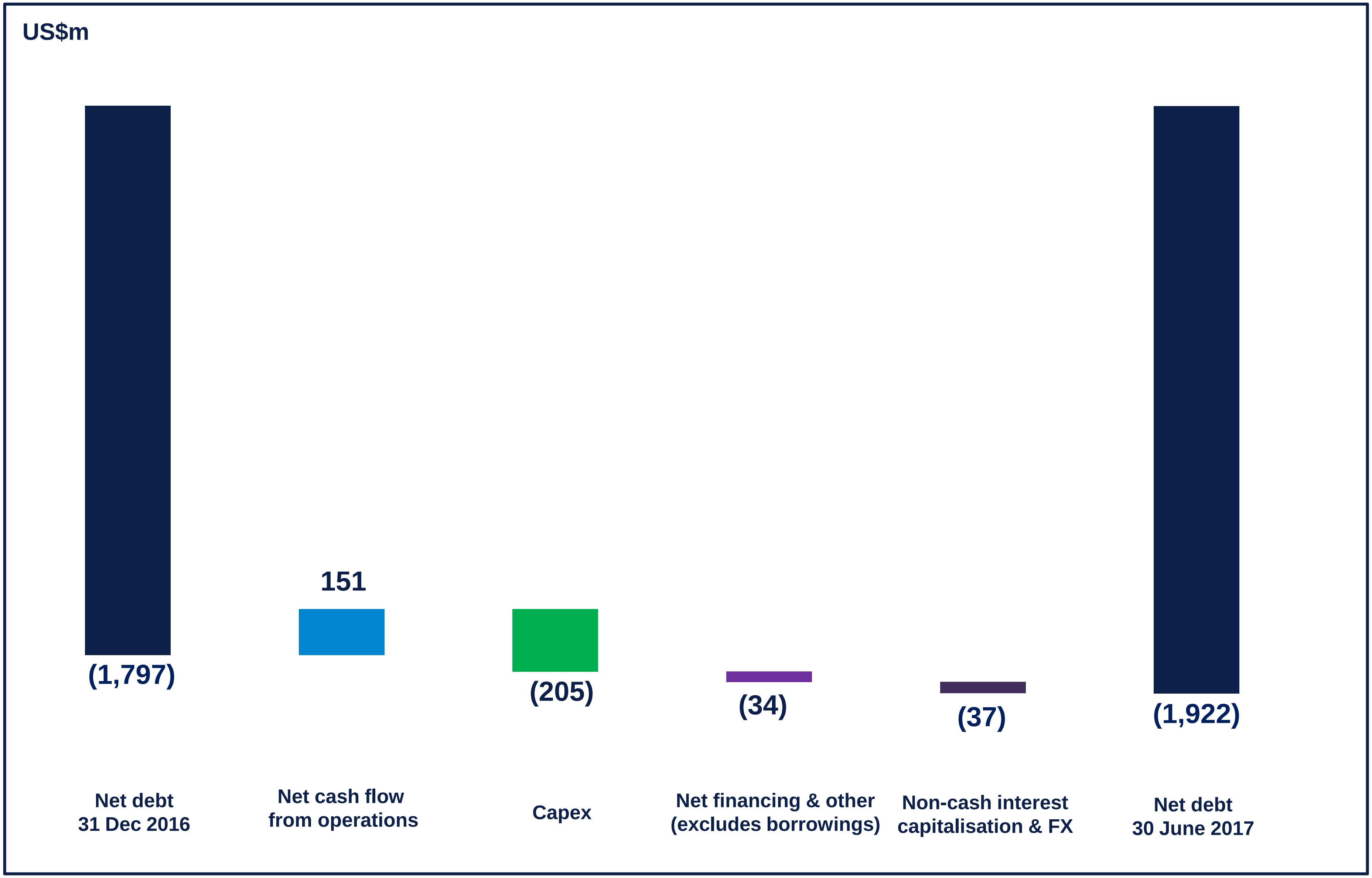
UK Tax Allowances	$m's
Tax losses at 31 December 2016	2,894
2017 net additions plus RFES	282
Tax losses at 30 June 2017	3,176
Tax allowances carried forward	205
Total tax losses and allowances at 30 June 2017	3,381

Tax losses and allowances expected at 31 December 2017 (mid-point range)	3,600

- 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

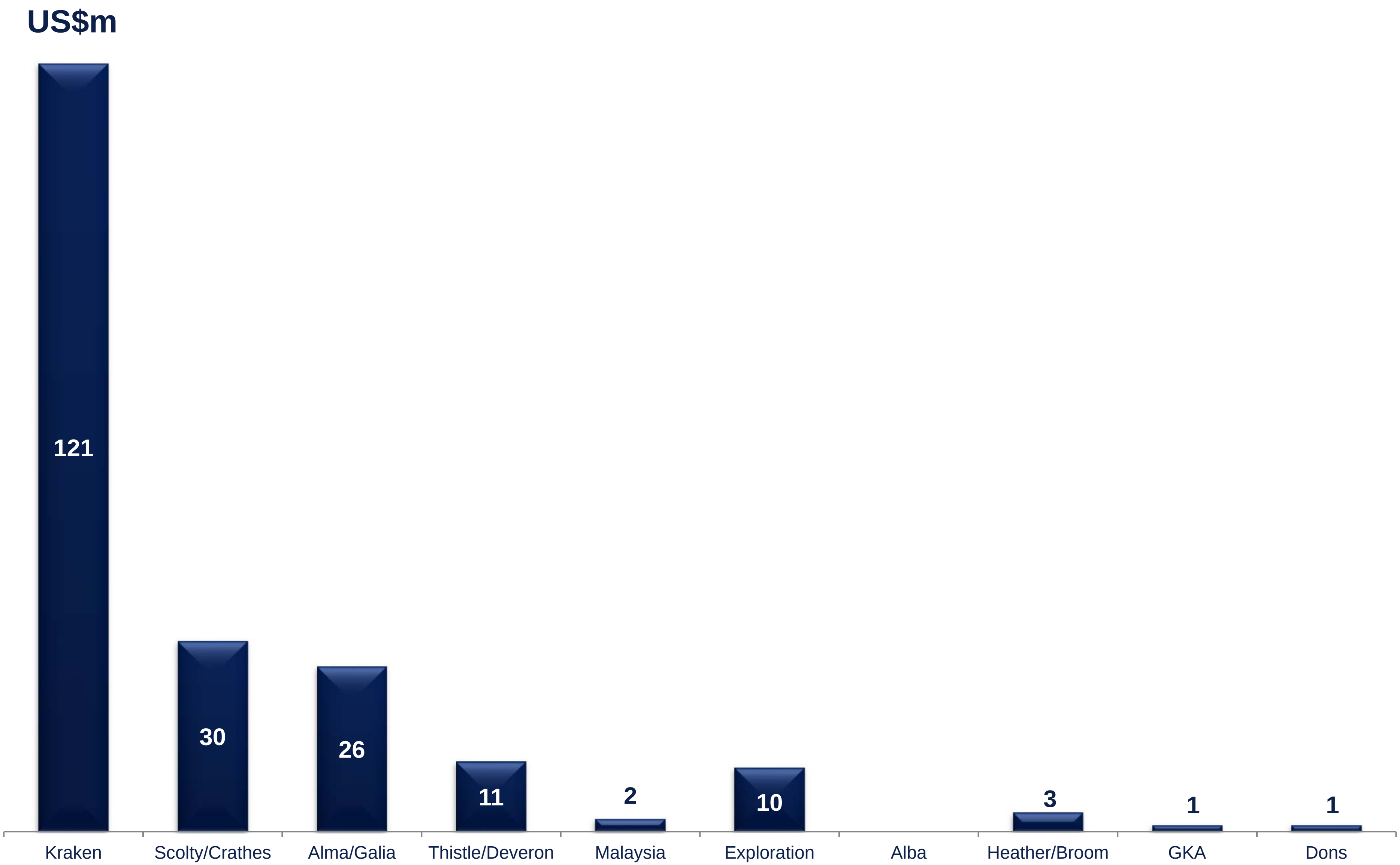
Net debt and cash flow

Half year to 30 June 2017



$205 million cash capital expenditure

Half year to 30 June 2017



Guidance to the market

Outlook

- Production guidance for full year 2017 at 37,015 Boepd, plus or minus 10%
- Absolute FYR 2017 opex anticipated to be within expected range
  - Post August reduction in production guidance, unit opex to be around c$27bbl for FYR2 2017
- Cash capex in 2017 is expected to be in the range of $375m- $400m
- 2017 G&A to be in line with 2016
- 2017 depreciation to be around $20/bbl
- Hedging of 2 million barrels for H2 2017 @ c.$55/bbl

Richard Hall
Head of Major Projects

Kraken – overview

Reservoir above expectations

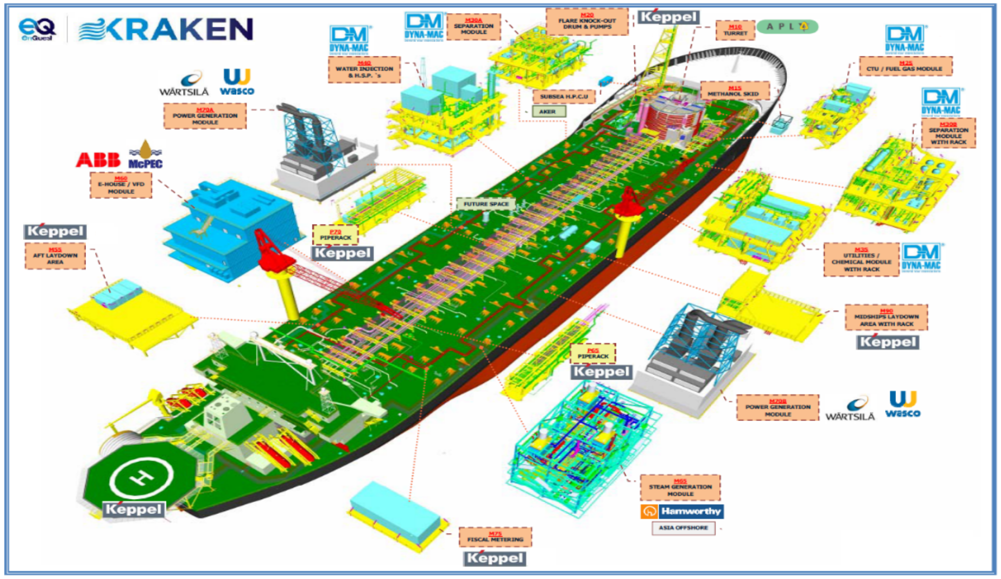
- First oil delivered on 23 June 2017, on schedule and under budget
- Downhole Hydraulic Submersible Pumps (HSPs), subsea production systems/risers and turret all performed at or above expectations
- Wells being brought on in phased manner. Production wells flowed to date have produced at initial gross rates above expectations (see next slide)
- Production has been constrained by commissioning of the FPSO vessel topsides equipment with live hydrocarbons. Familiarisation issues being addressed in collaboration with the FPSO operator (see subsequent slides)
- Field expected to deliver plateau production of approximately 50,000 bopd gross in H1 2018
- Total gross project capex down further c.$100m; now c.$2.4bn, 25% lower than original sanctioned cost of $3.2bn
  - Drilling of DC3 being completed 3 to 4 months earlier than planned and lower market rates for the remaining subsea campaign.

Kraken – well production performance

Less than half of the well stock has already delivered c.60% of gross plateau production

- Wells being brought on in phased manner
  - DC1 – 4 production wells all online; 3 WI wells all online
  - DC2 – 3 production wells – 2 online; 1 still to be commissioned; 3 WI wells – 1 online, 2 to be commissioned
  - DC3 – 2 production wells – 0 online; 2 to be commissioned; 2 WI wells – 0 online, 2 to be commissioned
  - Remaining 4 DC3 wells are now due to be completed in Q4 2017, ahead of schedule
- Six of a total of 13 production wells have been tested
  - **The proven individual stabilised production rates from the six wells aggregate to c.30,000 bopd**
  - **Representing c.60% of the c.50,000 bopd gross plateau production**
- Five injection wells have been tested and each has taken >15,000 bwpd

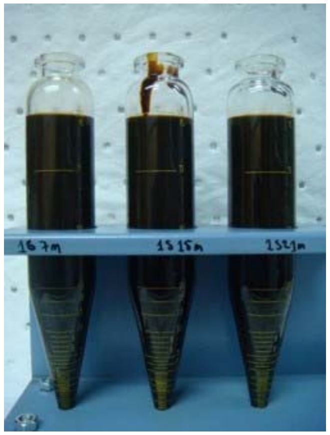
Kraken - FPSO



- FPSO has been performing with reduced operational uptime, while crew are being familiarised with systems and instrumentation, which were being fine tuned
- Fluid processing capacity of the FPSO is 500,000 bbls per day; operations designed to be highly integrated
- FPSO is designed to deliver high efficiency levels at high production rates
- Design of FPSO and facilities all fit for purpose, highly specified, high quality, supplied by top global manufacturers
- Focus areas
    - Crew familiarisation
    - Process control instrumentation
    - Plant stability
- We anticipate FPSO vessel will ramp up, as per Field Development Plan expectation, in Q4

Kraken – next steps

- Systematic and measured approach to resolution of issues
- Offload first cargo in the next few days
- Run plant at higher throughput on one production processing train (up to 40kbopd)
- Bring second processing train onstream
- Restore levels of back up equipment
- Commission remaining DC3 wells to increase production potential



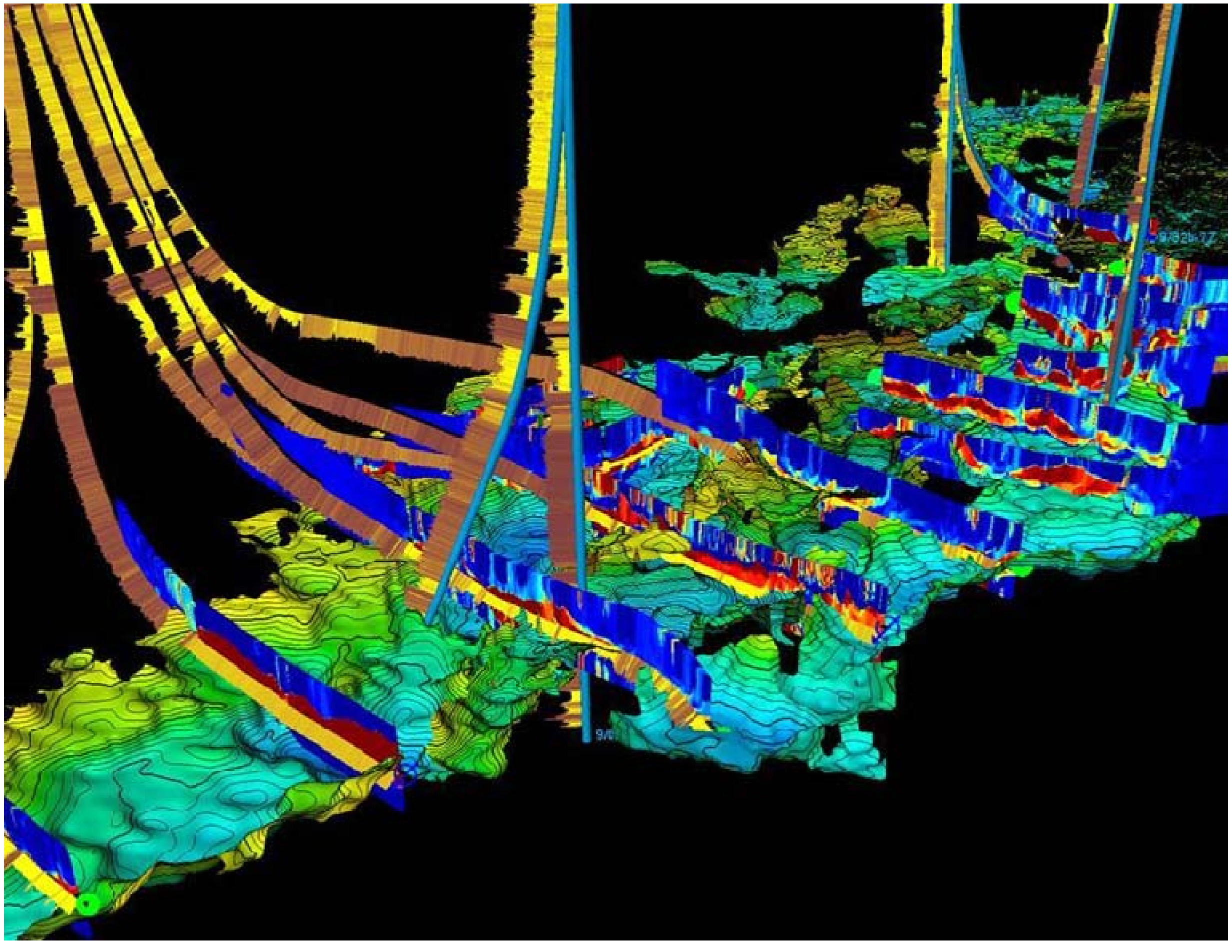
- Confident field will deliver plateau production of c.50,000 bopd gross in H1 2018

Neil McCulloch
Chief Operating Officer

Kraken

State-of-the-art Data Acquisition Programme Confirms FDP

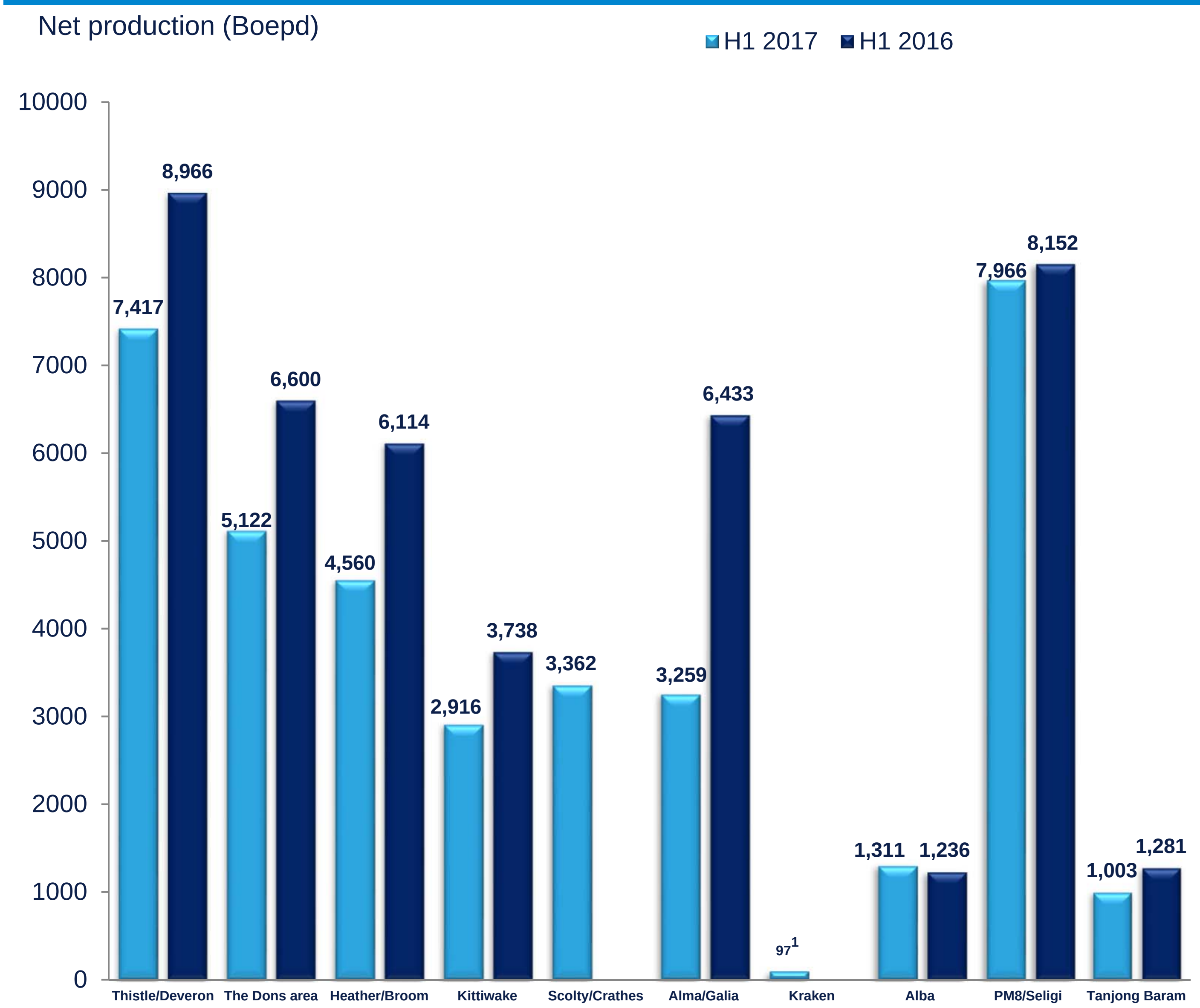
- Ultra-deep resistivity imaging used in 17 horizontal wells has confirmed the reservoir static model to a high degree of confidence pre-production
- Early dynamic data from DC1 and DC2 producers and injectors is in line with reservoir simulation modelling

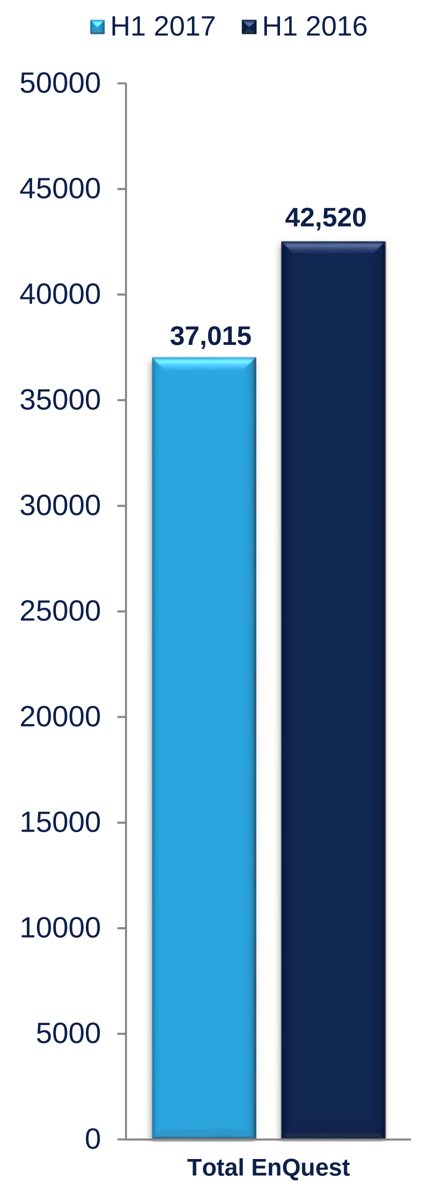


Kraken – Wells

- 17 wells completed to date: 9 x Producers; 8 x Injectors
- Currently batch drilling / completing 4 wells on DC3
- Total footage drilled: 200,733ft (38 miles)
- Gross Reservoir interval drilled: 38,719ft
- World record: Longest Optipac (alternate-path) gravel pack - 4,347ft (Jun 2017)
- Drilling programme is currently 288 days ahead of April 2014 pre-drill estimate as a result of:
  - Collaborative team approach between: wells, subsurface, subsea; onshore / offshore; EnQuest / supply chain
  - Batch drilling philosophy with focus on continuous improvement from operation to operation
  - Use of appropriate 'value-adding' technology
  - Continue to drive down well cost through supply chain management and drilling performance

H1 production results to 30 June





[1] Net production since first oil on 23 June, averaged over the six months to end June 2017

Central North Sea

H1 2017:

Greater Kittiwake Area (GKA):

- Good production delivered from GKA fields, high levels of plant uptime and production efficiency
- Scolty/Crathes production rates constrained due to wax build up in pipeline. Production continued at reduced rates following chemical treatments

Alma/Galia:

- Final phase of power, produced and sea water injection optimisation projects on EnQuest Producer complete
- Production from Alma/Galia lower than in 2016 due to storm damage and ESP issues

Eagle:

- Ongoing evaluation of potential from Eagle discovery

H2 2017:

- Continued focus on optimising production from GKA, identifying solutions for Scolty/Crathes wax issues
- Work ongoing with ESP supplier to address pump reliability issues

Northern North Sea

H1 2017:

Thistle/Deveron:

- Improved production and water injection efficiency through ongoing improvement project
- Successful water shut off intervention on a high water-cut well

Don fields:

- High levels of production efficiency
- Good Don Southwest well performance
- Production improving chemical treatments completed at West Don and underway at Don Southwest

Heather/Broom:

- 2017 water injection issues at Heather/Broom have impacted production year on year, offset by high levels of production efficiency

H2 2017:

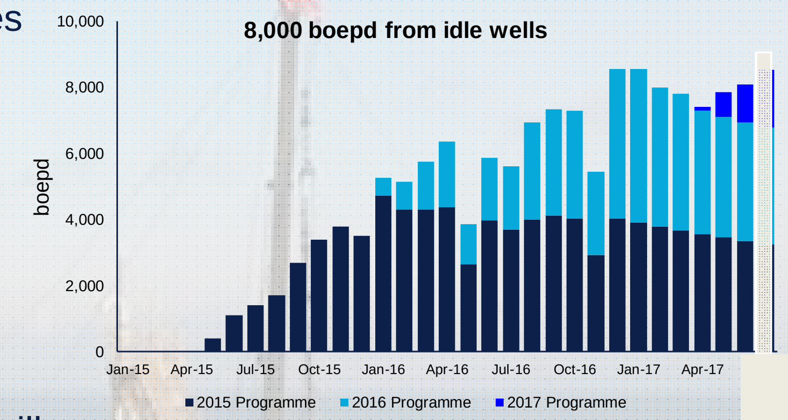
- Thistle well abandonments completed safely, under budget. Heather preparing rig for well abandonment activity. Activities co-funded by decommissioning partners
- Dunlin bypass project work continues
- Logging and water shut off on up to four further Thistle wells

PM8/Seligi

Low cost wellwork continues to arrest field decline, providing a base for future growth

H1 2017

- Combined 2015-17 well intervention programmes averaged 8,000 boepd during H1 2017
- Reservoir surveillance, including fluid contact logging, reduces risks on future activities



H2 2017

- Continue idle well restoration and reservoir surveillance
- Complete planned:
  - annual shutdown activity
  - integrity inspection and repair programme
  - gas compression Train-C maintenance overhaul

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
  - Also in SVT, greater control over a strategically and financially important facility
- 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

Summary

- Successful idle well restoration programme on PM8/Seligi
- Production efficiency remains high
- Institutionalised lower operating cost structure
- Industry leading drilling performance
- Minimising net cash outflow
- Magnus excellent new opportunity for growth

Outlook 2017 full year and beyond

- **Magnus completion anticipated by year end**
- **Kraken on course for gross 50,000 Boepd in H1 2018**
- **Substantial potential in existing portfolio, net 2P 215 Mmboe**
- **Deleveraging the balance sheet remains a key post Kraken start up objective**

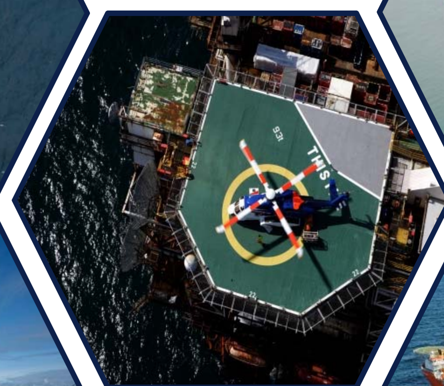
Q&A

EnQuest : from 6 to 8 hubs, a growing & increasingly diversified portfolio

Heather/Broom

Kraken

Thistle/Deveron



The Dons

Magnus

Greater Kittiwake Area

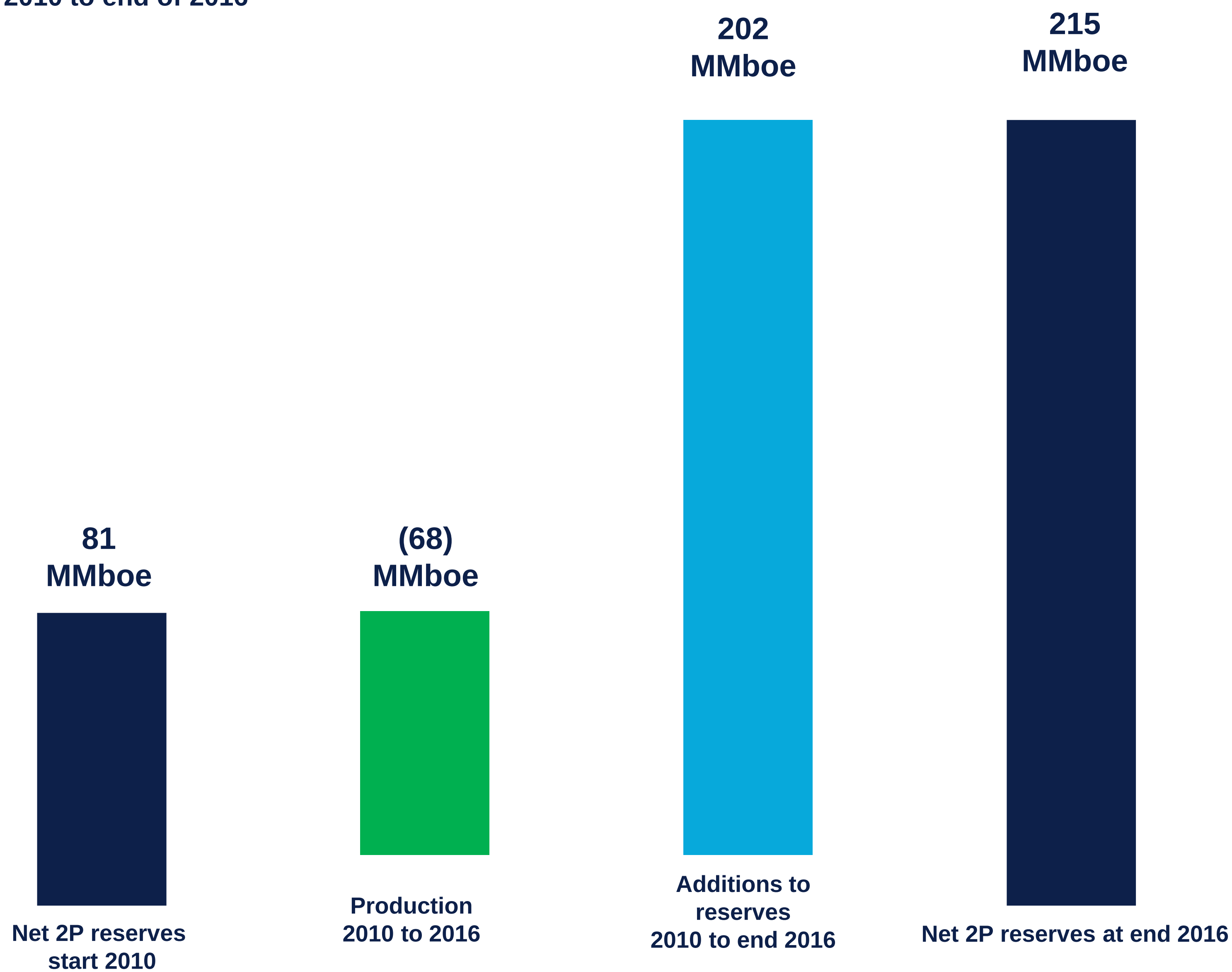
Alma/Galia

PM8/Seligi

Strong reserves growth in first seven years

Reserve life of 17 years

Net 2P reserves 2010 to end of 2016

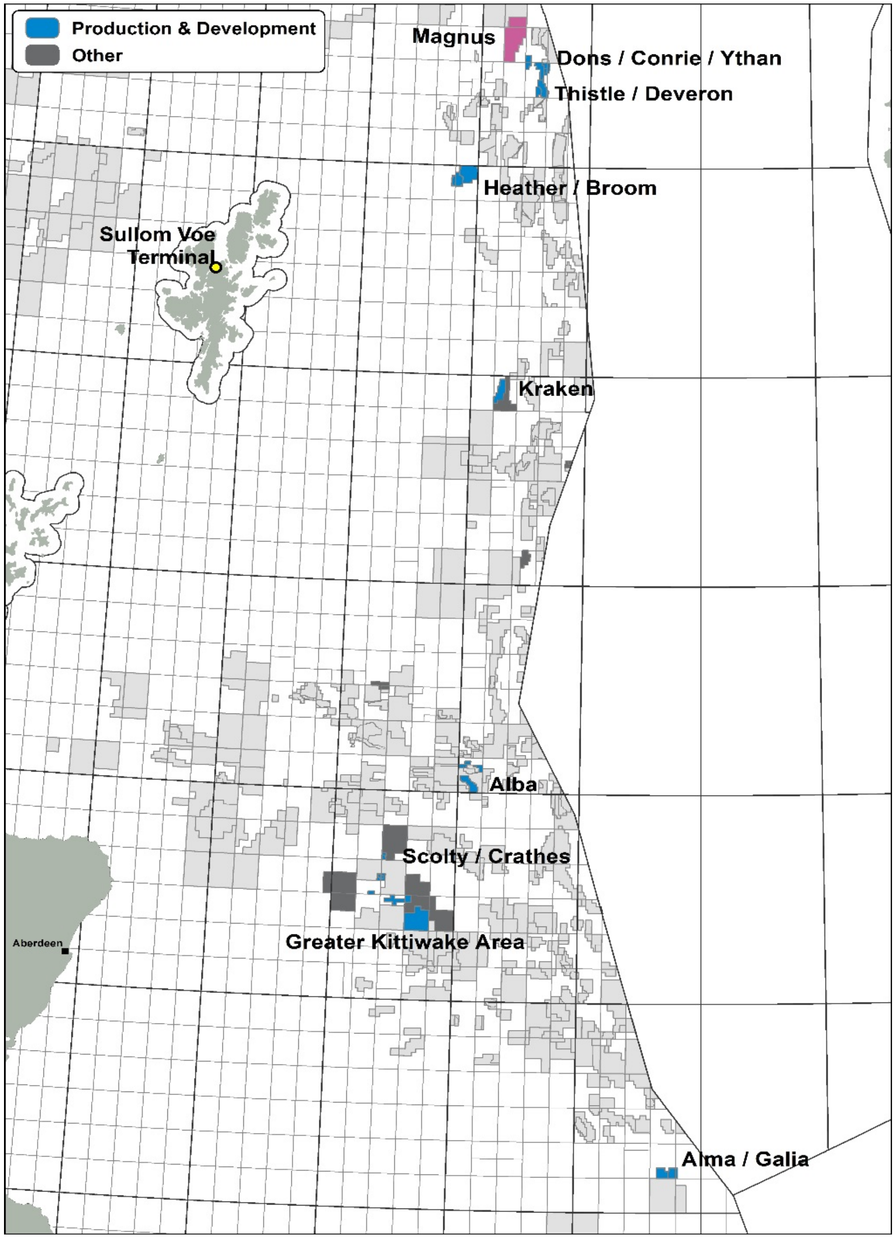


EnQuest's North Sea asset base

As at 30 June 2017

Licence	Block(s)	Name
P90[1]	21/12a	Goosander
P209	16/26a	Alba
P220 / P250 / P585	211/18a	Thistle, & Deveron
P1996[2]	211/18a	Don SW & Conrie
P2148	211/18b	West Don
P2173	21/18a, 21/19a & 21/19b	Kittiwake, Grouse, Mallard, Gadwall (Eagle[3])
P2176	2/5a	Broom & Heather
P2177	211/19s	Thistle
P90[1]	2/4a	Broom
P209	9/2b	Kraken & Kraken North
P220 / P250 / P585	211/13b	West Don
P1996[2]	30/24c & 25c, 30/24b	Alma, Galia
P2148	211/18e & 19c	Ythan
P2173	21/8a, 21/12c & 13a	Scolty & Crathes
P90[1]	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
Loss Before Tax		(21)
UK CT Rate	40	(9)
RFES	236	(50)
UK and overseas tax rate differences	21	(4)
Permanent items	(25)	5
Other	(160)	34
Tax Credit	112	(25)
Exceptional Tax Items	125	(26)
HY 2017 Tax Credit	238	(51)

Exceptionals

Net $6m credit post-tax

Main pre-tax items	▪ $63.2m : Impact of unrealised gains on commodity and FX contracts ▪ $(79.7)m : Oil and gas impairments ▪ $1.3m : Gain on disposal of Ascent Resources Loan note ▪ $(4.8)m : Other losses – mainly $4m crude marketing contract cancellation costs
Tax	▪ $25.7m : Net tax credit $5.1 m : Tax charge re pre-tax exceptionals $6.7 m : Tax credit for recognition of UK tax losses previously written off $13.9 m : Tax credit for adjustment to quantum of capitalised non-qualifying expenditure

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