EnQuest PLC, 3 February 2022

Full year 2021 operations update and 2022 guidance

Debt reduction continues with strong cash flow and improved macro conditions

c.46% reduction in UK emissions, ahead of North Sea targets

EnQuest Chief Executive, Amjad Bseisu, commented:

"EnQuest delivered free cash flow of around $395 million in 2021 with a realised price of c.$69/bbl, resulting in a stronger balance sheet with net debt reduced to $1,222 million.

"High uptime at Kraken, the contribution from Golden Eagle and the accelerated recovery of wells at PM8/Seligi was offset by underperformance at Magnus. Magnus compression and water injection plants are now online and performing on target. Other assets, including Kraken and Golden Eagle are performing well and Malaysia is off to a strong start with the PM8/Seligi riser replacement now in place ahead of schedule, with all wells online. With an active programme of nine wells and seven workovers in 2022, our largest sanctioned program since 2014 and our first new wells in over two years, I am confident we will deliver a good performance this year. Our production to the end of January 2022 was 50,810 Boepd.

"Our decommissioning business performed better than expected, while our emissions were 45.7% below the North Sea Transition Deal 2018 baseline, and close to the 2030 target of 50%. I am very pleased we are industry leading in emission reductions and am excited about our new energy initiatives around Sullom Voe.

"The supportive macro environment and higher oil prices allow us to look forward to organic growth to offset natural declines. We remain focused on continuing to reduce our net debt while selectively investing in our low-cost, quick payback well portfolio. At the same time, we will continue to be disciplined with respect to M&A opportunities.

"EnQuest's business is strongly positioned to play an important role in the energy transition. We will do so by responsibly optimising production, leveraging existing infrastructure, delivering a strong decommissioning performance and exploring new energy and further decarbonisation opportunities."

2021 performance

- Average Group production was 44,415 Boepd
    - Kraken average gross production of 31,155 Boepd (net 21,964 Boepd) was within guidance, reflecting high FPSO uptime throughout the year
    - Golden Eagle net production for the full year was 10,220 Boepd, contributing 1,701 Boepd[1] net to EnQuest post acquisition completion on 22 October 2021
    - Magnus production of 11,870 Boepd reflected well integrity and topside related outages
    - Net production of 5,028 Boepd at PM8/Seligi reflected optimised well delivery offsetting the impact of the detached riser system
- Operating expenditure is expected to be approximately $325 million, slightly higher than guidance; primarily reflecting higher emissions trading scheme costs. Unit opex is expected to be c.$21/Boe
- Cash capital and abandonment expenditures are expected to be approximately $120 million, including c.$13 million associated with the PM8/Seligi riser replacement
- Strong free cash flow generation[2] of approximately $395 million
- In June, the Group entered into a new senior secured debt facility ('RBL') of up to $750 million, including letters of credit of $150 million
    - At 31 December 2021, cash drawings under the RBL were $415 million following the early voluntary repayment in December 2021 of $70 million
- At 31 December 2021, net debt including PIK was $1,222 million, with cash and available facilities of $319 million

[1] Golden Eagle contribution for the period 22 October to 31 December, averaged over the 12 months to the end of December
[2] Excludes Acquisition costs (c.$260 million), the accelerated repayment of the BP vendor loan (c.$59 million) and net proceeds from the firm placing, placing and open offer (c.$48 million)

2022 outlook

- Average net Group production is expected to be between 44,000 Boepd and 51,000 Boepd
- Operating expenditure is expected to be approximately $430 million. The increase primarily reflects a full year of Golden Eagle operating costs, the four-well workover programme at PM8/Seligi, additional integrity and maintenance spend at Magnus, significantly higher emissions trading costs and higher diesel costs

- Cash capital expenditure is expected to be approximately $165 million, reflecting planned drilling programmes (three wells at Magnus, two wells at Golden Eagle and four wells at PM8/Seligi), with abandonment expenditure expected to be around $75 million
- EnQuest has hedged 8.6 MMbbls of oil, primarily using costless collars, with an average floor price of c.$63/bbl and an average ceiling price of c.$78/bbl. In addition, for 2023, the Group has hedged a total of 3.5 MMbbls with an average floor price of c.$57/bbl and an average ceiling of c.$77/bbl

Production details

Average daily production on a net working interest basis (Boepd)	**1 Jan 2021 to 31 Dec 2021**	**1 Jan 2020 to 31 Dec 2020**
	(Boepd)	**(Boepd)**
UK Upstream		
- Magnus	11,870	17,416
- Kraken	21,964	26,450
- Golden Eagle[1]	1,701	-
- Other Upstream[2]	3,685	6,468
UK Upstream	**39,220**	**50,334**
UK Decommissioning[3]	**167**	**2,346**
Total UK	**39,387**	**52,680**
Total Malaysia	**5,028**	**6,436**
Total EnQuest	**44,415**	**59,116**

[1] Golden Eagle contribution for 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, Alma/Galia

Magnus

Average production in 2021 was lower than expected at 11,870 Boepd. Performance was impacted by well integrity and topside issues, an unplanned third-party outage and natural decline.

During the year, a production enhancement programme, including a coil tubing intervention campaign was undertaken, restoring four wells to production. Repairs to a compressor gear box failure which resulted in single train operations during much of the fourth quarter 2021 were completed and both trains are now in operation.

Kraken

Average gross production in 2021 was within guidance at 31,155 Boepd (21,964 Boepd net). Overall subsurface and well performance has been good and the floating, production, storage and offloading ('FPSO') vessel performed well throughout 2021, with strong production efficiency of 88% and water injection efficiency of 89%. Opportunistic liquidation of maintenance activities also enabled the planned summer shutdown to be deferred to 2022.

Golden Eagle

The acquisition of 26.69% interest in Golden Eagle was completed on 22 October 2021, contributing 1,701 Boepd to EnQuest on an annualised basis (10,220 Boepd on a pro forma basis). This reflects high uptime and continued good well performance following the infill drilling campaign earlier in the year.

Other upstream assets

Production in 2021 averaged 3,685 Boepd, slightly below expectations. At GKA, the power umbilical supporting the Mallard and Gadwall wells was successfully replaced in September, restoring both wells to production. A planned four-week shutdown was completed in June, although gas compression outages and natural declines impacted production. Alba has continued to perform in line with Group expectations.

At Bressay, detailed analysis of existing reservoir data and an assessment of potential development options has continued with strong partner engagement throughout. A field development plan will be developed over 2022.

UK Decommissioning

Average production of 167 Boepd reflects the cessation of production at the Dons in March 2021.

Significant levels of activity continued throughout 2021 on Heather and Thistle. The Heather well plug and abandonment ('P&A') campaign is ongoing, while engagement with potential topside removal contractors has reached final review in advance of contract award. Good progress has been made with respect to preparing the Thistle platform for the P&A campaign to begin in 2022.

Infrastructure and New Energy[1]

Safe and reliable performance at the Sullom Voe Terminal and its related infrastructure has continued with service availability in excess of 99.9% in 2021.

During 2021, the Group launched the Infrastructure and New Energy division, which is assessing potential new energy opportunities at the Sullom Voe Terminal to strengthen and extend the life of the asset. Constructive initial engagement with a variety of stakeholders, including potential technical and financial partners, is ongoing.

[1] Includes the Sullom Voe Terminal and Pipelines, as well as specific project scopes

Malaysian operations

Average production in Malaysia during 2021 of 5,028 Boepd was on target. Production was optimised despite the delayed riser replacement due to the acceleration of initial production recovery activities in the early part of the year. The new riser system and pipeline were commissioned in late January this year, ahead of plan, and production wells are all back onstream.

Liquidity and net debt

At 31 December 2021, net debt was $1,222 million, down c.$58 million from $1,280 million at 31 December 2020. Strong free cash flow generation of c.$395 million enabled the payment of $250 million cash consideration for the Golden Eagle acquisition and repayment of the BP vendor loan and Sculptor Capital facility, simplifying the Group's debt structure. During the year, EnQuest successfully refinanced its senior credit facility ('RCF') into a new RBL of up to $750 million. The strong free cash flow generation also resulted in a lower than expected drawdown on the Group's RBL facility, and facilitated an early voluntary repayment of $70 million prior to the year end. At the end of December, the RBL facility was drawn to $415 million. Total cash and available facilities were $319 million, including restricted funds and ring-fenced funds held in joint venture operational accounts totalling $191 million.

Environmental, Social and Governance

The Group has made excellent progress in reducing its absolute Scope 1 and 2 emissions during the year, with CO_2 equivalent emissions reduced by c.18%, 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 c.46%, which is significantly ahead of the UK Governments 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. Despite the challenges and uncertainties of 2021, the Group's Lost Time Incident ('LTI') performance remained relatively stable with a Group LTI frequency[1] of 0.21 (2020: 0.22), slightly better than the International Association of Oil and Gas Producers benchmark of 0.22.

With respect to COVID-19, the Group remains compliant with UK, Malaysia and Dubai government and industry policy. The Group has also been working with a variety of stakeholders, including industry and medical organisations, to ensure its operational response and advice to its workforce is appropriate and commensurate with the prevailing expert advice and level of risk. The changes in general infection rates and associated modifications to processes and controls impacted the execution and cost of some planned activities in 2021. In Malaysia, extended quarantine rules led to significant changes to working rotas and additional costs related to testing and standby rates, while several workscopes were adversely affected by COVID-related impacts on the supply chain. Magnus suffered a seven-day shutdown due to key control room personnel being unavailable due to COVID.

The Group is cognisant of the ongoing risks presented by the evolving situation, but at the time of this publication, day-to-day operations in 2022 have not been materially affected.

In January 2022, Rani Koya was appointed to the Board as a Non-Executive Director and member of the Technical and Reserves Committee. Rani has worked extensively in major energy companies in a variety of technical, project management and executive management roles across the globe. She is currently the CEO of a renewable energy company.

[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)

2022 performance and outlook

Group net production averaged 50,810 Boepd in January, with Kraken and PM8/Seligi producing above expectations. For the full year, the Group's net production is expected to be between 44,000 and 51,000 Boepd. The infill drilling and workover campaigns at Magnus, Golden Eagle and PM8/Seligi are expected largely to mitigate natural declines at these fields. At PM8/Seligi, the outlook is positive with the acceleration of securing a dive support vessel resulting in the riser being connected ahead of schedule and all the wells now onstream. Extensive maintenance shutdowns are also planned at both Magnus and Kraken. Kraken gross production is expected to be between 22,000 Boepd and 26,000 Boepd (15,500 Boepd to 18,500 Boepd net), reflecting the planned shutdown and natural decline.

At current foreign exchange rates and oil prices, operating expenditures are expected to be approximately $430 million. The increase versus 2021 includes a full year of Golden Eagle operating expenditure, planned well workover activities in Malaysia, an enhanced maintenance programme on Magnus and significantly increased emissions and diesel costs as a result of higher market prices.

Cash capital expenditure is expected to be around $165 million, primarily relating to drilling campaigns at Magnus (three wells), Golden Eagle (two wells) and in Malaysia (four wells), as well as preparatory activities ahead of future drilling at Kraken. Abandonment expense is expected to total approximately $75 million, primarily reflecting well P&A decommissioning programmes at the Heather/Broom and Thistle/Deveron fields.

EnQuest has hedged a total of 8.6 MMbbls for 2022 primarily using costless collars, with an average floor price of c.$63/bbl and an average ceiling price of c.$78/bbl. For 2023, the Group has hedged a total of 3.5 MMbbls with an average floor price of c.$57/bbl and an average ceiling of c.$77/bbl.

The Group continues to explore options to refinance its Retail and High Yield Bonds ahead of maturity in October 2023.

EnQuest expects to announce its 2021 full year results on 24 March 2022.

Ends

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Notes to editors

This announcement has been determined to contain inside information. The person responsible for the release of this announcement is Stefan Ricketts, General Counsel and Company Secretary.

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.