

# EnQuest 2016 Half Year Results





**Amjad Bseisu**  
**Chief Executive**



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- A low-angle, blue-tinted photograph of an offshore oil rig. The rig's complex metal structure, including ladders, walkways, and a crane, is silhouetted against a cloudy sky. A shipping container with the text 'SOL 1010' is visible in the lower right foreground.
- Overview Amjad Bseisu, CEO
  - Financials Jonathan Swinney, CFO
  - UK North Sea Neil McCulloch, President North Sea
  - Kraken Richard Hall, Head of Major Projects
  - Malaysia & summary Amjad Bseisu, CEO

# 2016 EnQuest Half Year Results

*Delivering on priorities amid continuing low oil prices*



- Strong production growth, 42,520 Boepd, up 43% on H1 2015
- Unit opex down to \$23/bbl, ahead of target
- Kraken on track for first oil in H1 2017, gross capex down c.\$150m
- Continuing focus on strengthening the balance sheet

***Further action to reduce opex and capex,  
accompanied by sustained strength in operations***

# 2016 Half Year Results

Record production levels and structural cost cutting



Production 42,520 Boepd	<ul style="list-style-type: none"><li>UK up 22% before inclusion of new Alma production: Malaysia up 20%</li><li>Following workovers, 5-31 August Alma averaged 18,785 Boepd gross</li><li>2016 guidance range now 42,000 to 44,000 Boepd, 18% up on 2015</li><li>Kraken set to take 2017 production above 50,000 Boepd</li></ul>
Revenue \$391.3m	<ul style="list-style-type: none"><li>Realised oil price of \$62/bbl, including gains on oil price hedges</li><li>EBITDA of \$242.9m</li><li>Cash from operations of \$182.6m, up 119%</li></ul>
More than delivering on cost reductions	<ul style="list-style-type: none"><li>H1 2016 unit opex of \$23/bbl, down 50% on H1 2014</li><li>To be in region of \$25/bbl in full year 2016, low \$20s post Kraken</li></ul>
Balance sheet	<ul style="list-style-type: none"><li>End H1 2016 net debt \$1,681m</li><li>2016 cash capex outflow cut by a further c.\$30m, mainly re phasing</li></ul>
New developments progressing well	<ul style="list-style-type: none"><li>Kraken on schedule, sailaway in H2 2016, gross capex down c.\$150m</li><li>Scolty/Crathes ahead of schedule and budget: first oil end 2016</li></ul>





**Jonathan Swinney**  
**Chief Financial Officer**



# Results summary

## Half year to 30 June



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

US dollars	H1 2016	H1 2015	Change %
Export production (Boepd)	42,520	29,665	43
Average realised price per barrel (\$)¹	62	87	(29)
Revenue (\$ million)	391.3	444.0	(12)
Cost of sales (\$ million)	273.6	335.6	(19)
Production and transportation costs (\$/per boe)	23	39	(41)
Depletion of oil & gas properties (\$/per boe)	18	24	(29)
Gross profit (\$ million)	117.7	108.4	9
Profit before tax & net finance costs (\$ million)	149.7	99.1	51
EBITDA² (\$ million)	242.9	226.7	7
Cash generated from operations (\$m)	182.6	83.3	119
Reported basic earnings per share (cents)	19.5	12.8	52
	End H1 2016	End 2015	
Net cash/(debt) (\$ million)	(1,681.0)	(1,548.0)	9

1 Includes \$127.1 million associated with EnQuest's effective oil price hedges and \$0.3 million associated with other commodity derivatives (H1 2015: includes \$99.1 million associated with effective oil prices hedges and \$47.5 million associated with other commodity derivatives).

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 and foreign exchange movements.

# Summary income statement

Half year to 30 June



US dollars	H1 2016 Business performance \$m's	H1 2015 Business performance \$m's
Revenue	391.3	444.0
Cost of sales	(273.6)	(335.6)
<b>Gross profit</b>	<b>117.7</b>	<b>108.4</b>
Exploration and evaluation expenses	(0.0)	(0.0)
General and administration expenses	(5.4)	(5.2)
Other income	37.3	(4.1)
<b>Profit/(loss) from operations before tax and finance income/(costs)</b>	<b>149.7</b>	<b>99.1</b>
Net finance costs	(66.3)	(87.7)
<b>Profit/(loss) before tax</b>	<b>83.4</b>	<b>11.4</b>
Income tax	56.9	22.4
<b>Profit/(loss) after tax</b>	<b>140.3</b>	<b>33.8</b>

# Focus on cost efficiency

Unit operating costs on course for full year average in low \$20s/bbl post Kraken



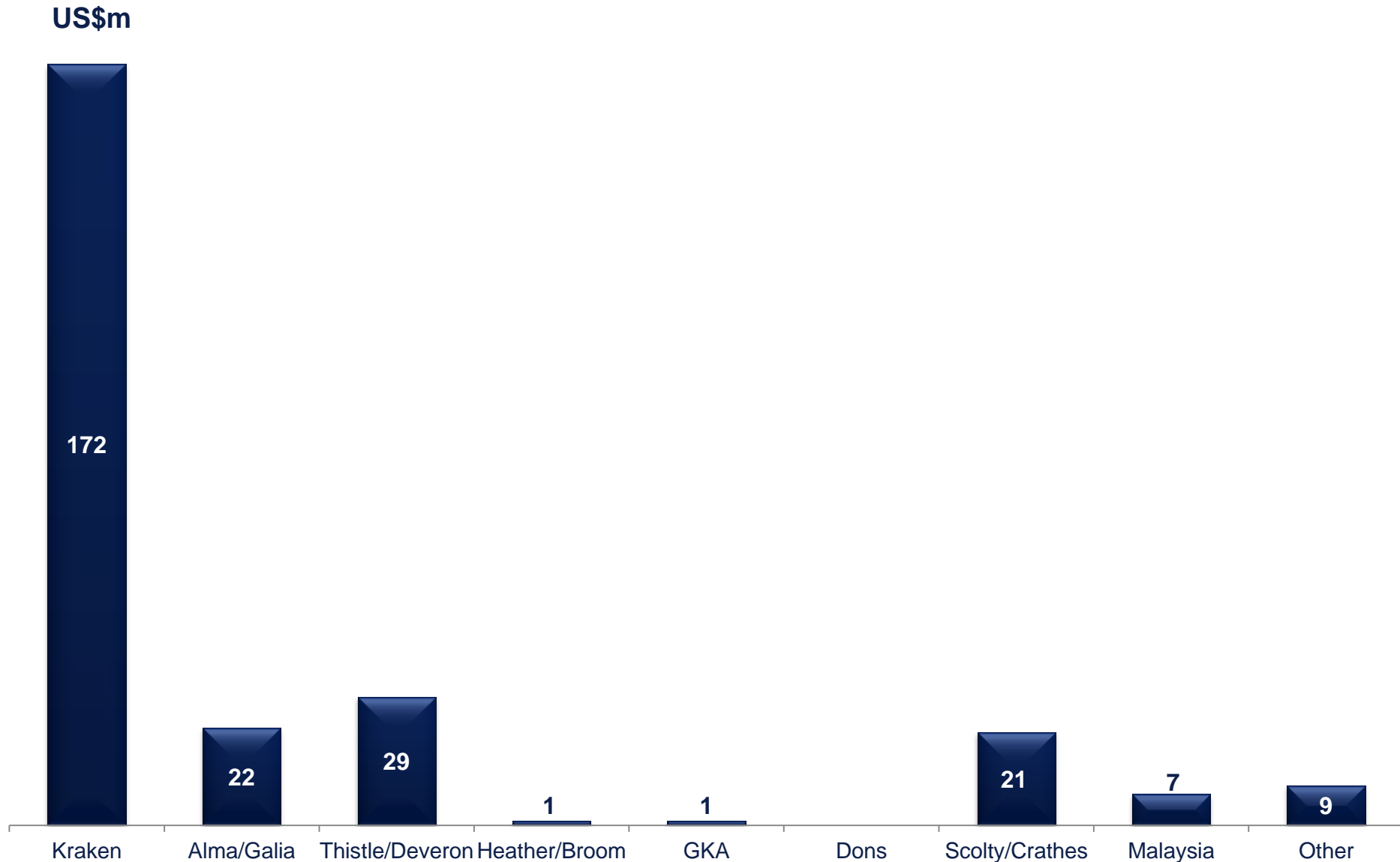
Unless otherwise stated all figures are before exceptional items and depletion of fair value uplift and are in US dollars

	H1 2016	H1 2015	Change %
Cost of sales (\$ million)	273.6	335.6	(19)
Unit operating cost <sup>1</sup> (\$ per barrel)			
- Production costs	19	31	(39)
- Tariff and transportation costs	4	8	(50)
- Operating costs	23	39	(41)

1 Adjusted for over/underlift and inventory movement

# \$262 million cash capital expenditure

Outflow in H1 2016: Non-Kraken capex is small scale

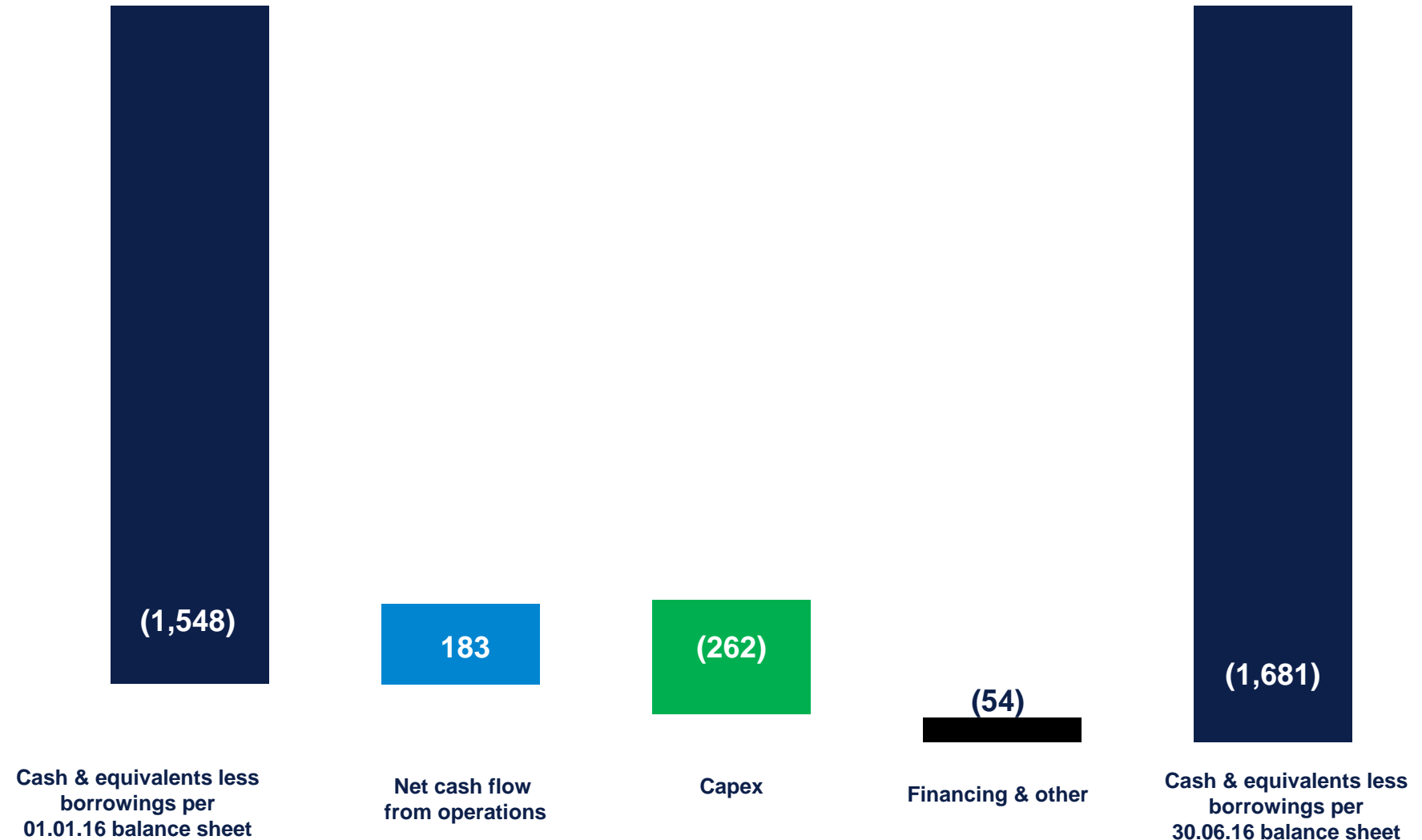


# Cash flow

Half year to end June 2016



US\$m      Funding facilities: \$1.7bn credit facility, £155m retail bond, \$650m high yield bond



# 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	198
Tax losses at 30 June 2016	2,734
Tax allowances carried forward	332
Total UK tax allowances	3,066

Tax losses and allowances expected at 31 December 2016 (mid-point range)	3,300
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- 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

## 2016

- Unit opex expected to be around the lower end of the previous guidance range of \$25/bbl to \$27/bbl
- 2016 full year cash capex reduces to a range of \$670 m to \$720m
- EBITDA will further benefit from hedging, with 5.5 million barrels in place at the start of H2 2016, at an average of \$68 per barrel
- Full year 2016 tax credit on operational activities of \$50m to \$60m
- Remaining focused on strengthening the balance sheet, continuing to pursue a number of liquidity enhancing funding options.

## FX rates

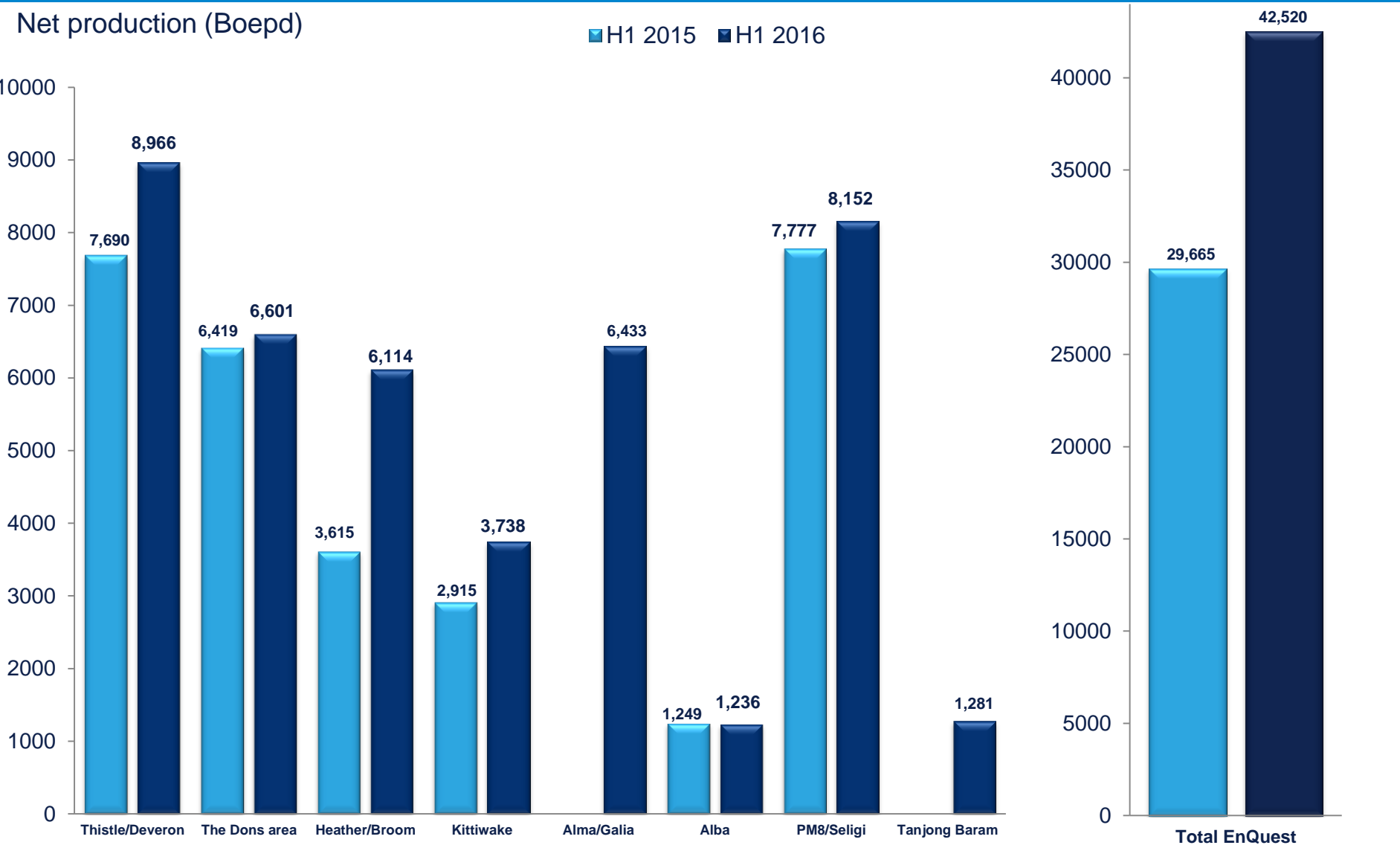
- Stepped change in US\$:£ exchange rates should have a substantial positive impact on income in 2017 and 2018, reducing reported opex by between c.\$30m to c.\$40 m in each year.



**Neil McCulloch**  
**President, North Sea**



# H1 production results to 30 June 2016



# Strategic priorities in a low oil price environment



## Delivery

- Kraken and Scolty/Crathes on track, under budget
- Production performance on track
- Alma/Galia delivering to potential
- Upper quartile drilling performance

## Streamlining operations

- Production efficiency remains strong
- Significant opex reduction
- Positive cash margins on all assets
- Offshored procurement

## Capital discipline

- Real capex savings on Kraken and Scolty/Crathes
- Minimising net cash outflow in 2016
- No new projects for 2017
- Rig commitments reduced point forward

***Institutionalising low unit costs, improving margins for future cash flow growth***

# Alma/Galia

*Good uptime from EnQuest Producer FPSO*

*Following interventions, gross production averaged 18,785 Boepd between 5 - 31 August*

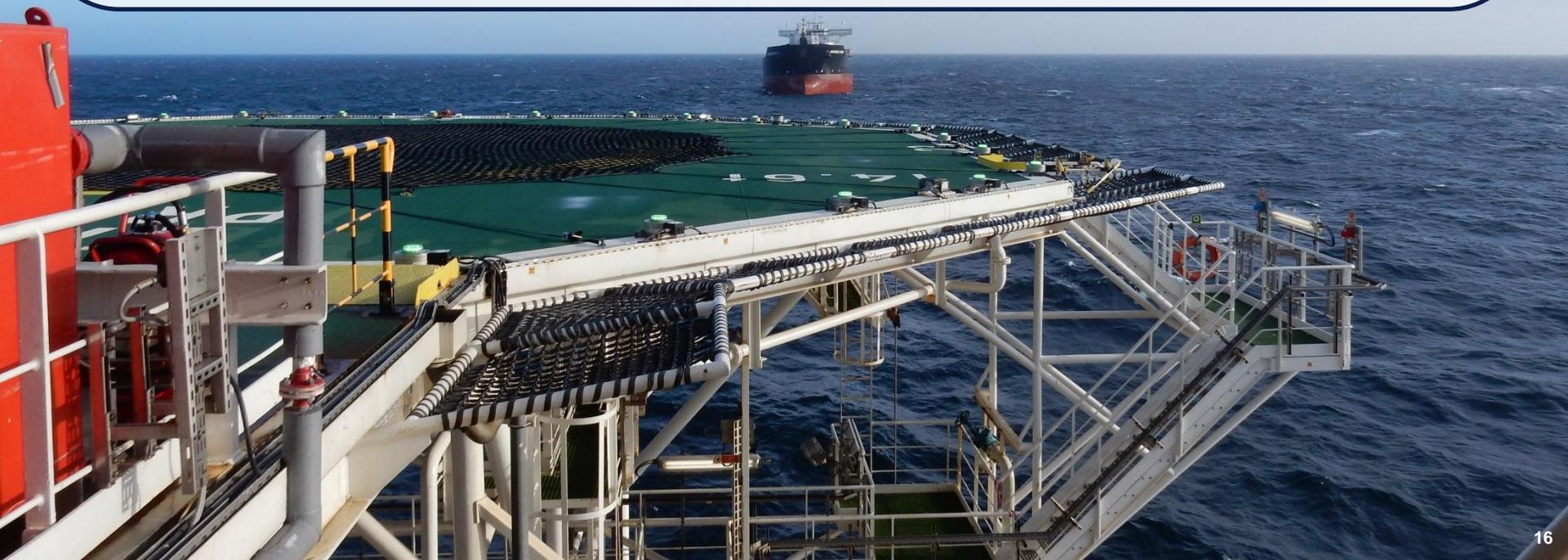


## H1 2016

- All six Alma/Galia production wells onstream early Q2 2016
- Extended ramp up period followed by strong August production

## H2 2016

- Focus on further increasing efficiency
- Interventions on K1, K3Z wells to further enhance performance
- Drilling on K7, new replacement well



# Greater Kittiwake Area

*'Right assets' in the 'right hands'*

## H1 2016

- Production up 28%, improved production efficiency
- Gadwall performing well after sidetrack operations
- Drilled Eagle discovery well

## H2 2016

- Focus on delivering Scolty/Crathes
- Maximising production
- Further evaluation of Eagle – anticipated to be commercial given expected low cost of tieback
- CoP pushed to late 2020s



# Scolty/Crathes

*Ahead of schedule, under budget*

- First oil now around 2016 year end
- Wells successfully drilled - good subsurface outcomes
- Hook up and commissioning ongoing
- Extends GKA field life to late 2020s



# Thistle/Deveron

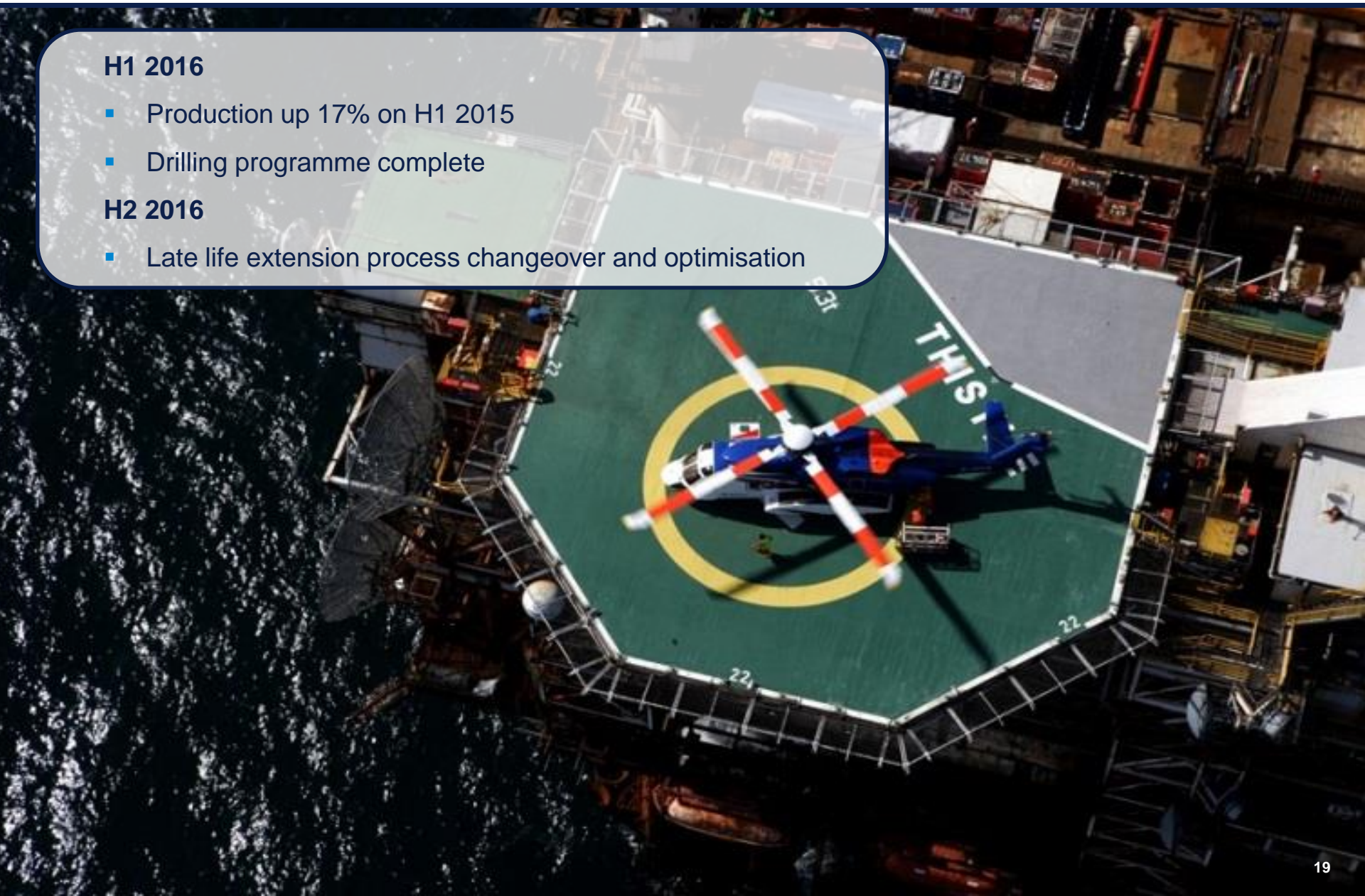
*High production efficiency, investment returned from 2015 drilling programme*

## H1 2016

- Production up 17% on H1 2015
- Drilling programme complete

## H2 2016

- Late life extension process changeover and optimisation



## H1 2016

### Dons/Conrie

- Wells performing better than expected

### Ythan

- Production above expectations
- Completed chemical treatment to enhance production
- No further wells required in short term

## H2 2016

- Project underway to improve production efficiency



# Heather/Broom

*Excellent operational uptime, delivering positive margins*



## H1 2016

- Excellent production efficiency – high 90%s YTD
- Heather production up 69% from H1 2015

## H2 2016

- Routine maintenance/integrity work
- Well intervention integrity scopes

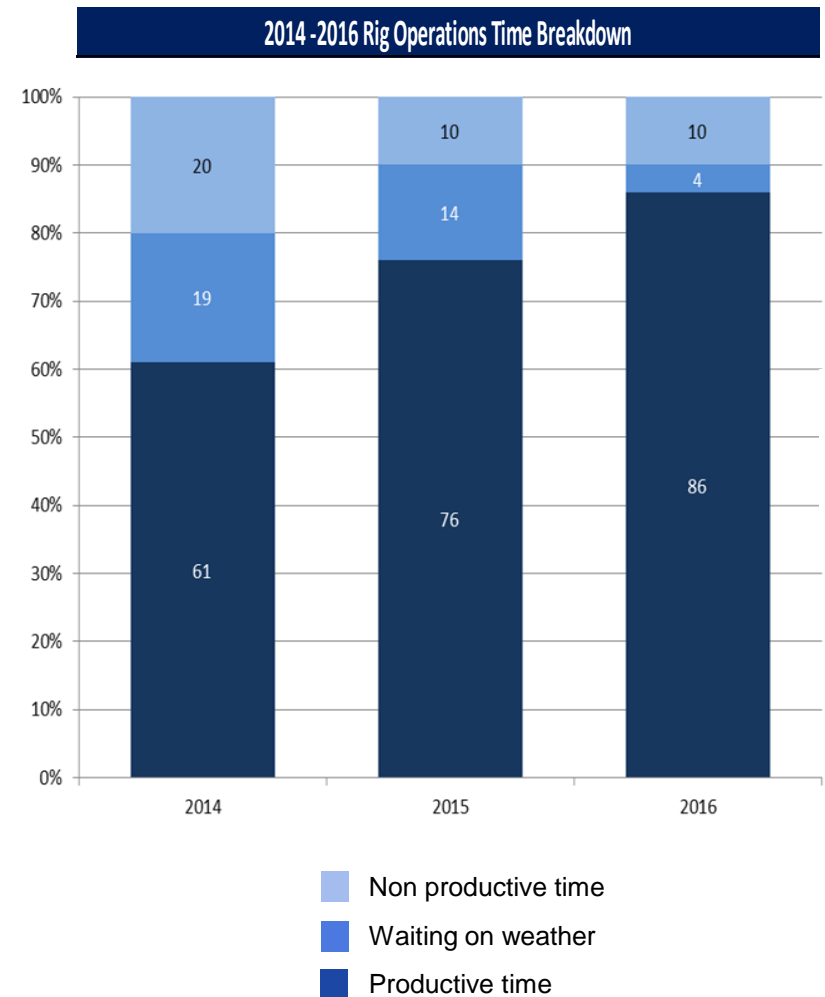


# 2016 H1 - Well Delivery Performance

*Sustained excellent operational efficiency*

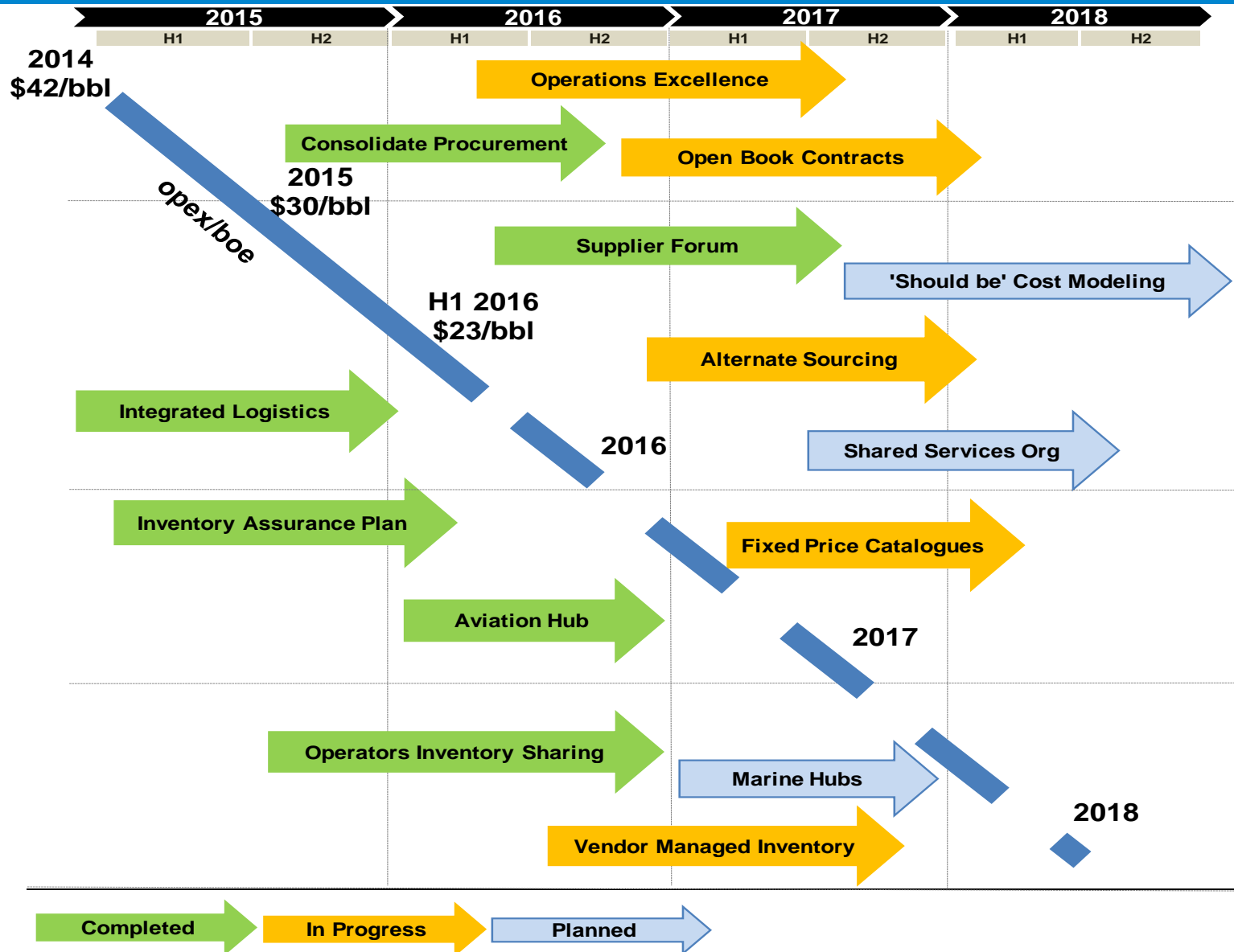


- Top quartile cost performance
- Kraken – Drill Centre 1 completed two months ahead of schedule
- Stena Spey – top quartile performance throughout 2016
- First subsea Electrical Submersible Pump (ESP) workover complete on Alma



# Institutionalising Low Cost Base

## Supply Chain Cost Efficiency Road Map



# Summary

- Significant progress on delivering growth projects
- Strong results for H1 2016, having streamlined cost base
- Capital discipline strong on existing sanctioned projects and future programme curtailed to Kraken drill-out and maintenance





**Richard Hall**  
**Head of Major Projects**



### Overall schedule

- On schedule for sailaway in H2 2016 and first oil in H1 2017

### Subsea

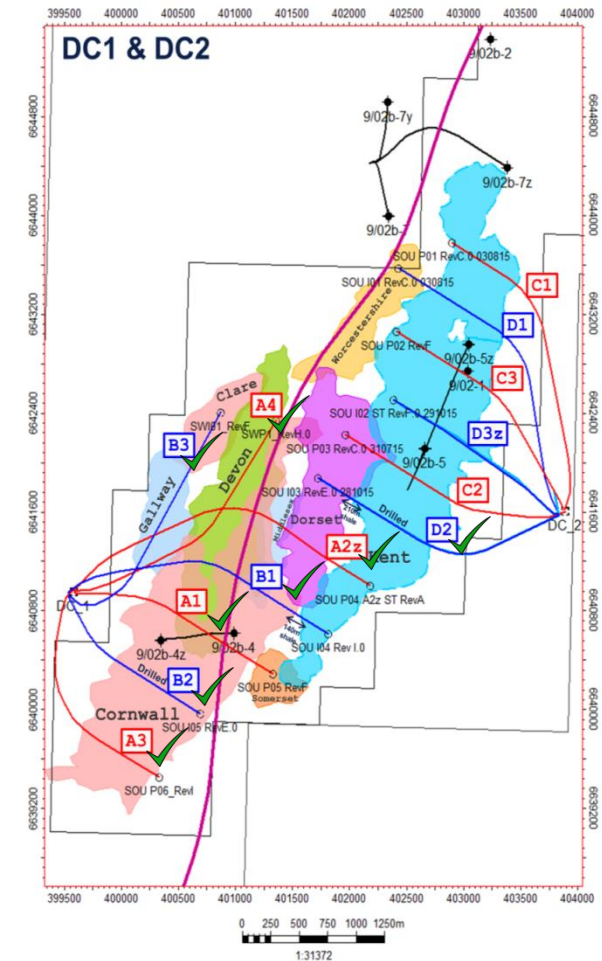
- The entire 2016 subsea/SURF programme has been successfully completed

### Drilling

- Making excellent progress; DC1 is complete, 4 producers and 4 injectors (one from DC2) are available as per the Field Development Plan plan
  - Results meeting or exceeding pre-drill predictions

### Capex

- Mainly due to progress on the drilling and on the subsea programmes, gross full cycle capex reduced by further c.\$150m, in addition to previous reductions of c.\$425m
- Total gross project capex of c.\$2.6bn Vs c.\$3.2bn at sanction



# Kraken Development

FPSO at the Keppel yard in Singapore, nearing mechanical completion



- The FPSO is nearing mechanical completion, the focus is now on pre-commissioning and commissioning activities.
- Three of the four engines are now mechanically complete. The fourth engine will soon be complete too.
- Accommodation fully complete, the crew have been living on board since first week of August.
- After the commissioning activities to be carried out at the quayside, the vessel will sail away and carry out the commissioning work that is to be done at deepwater anchorage, such as for water injection pumps.

***On track for sail away in H2 2016***

# Malaysia

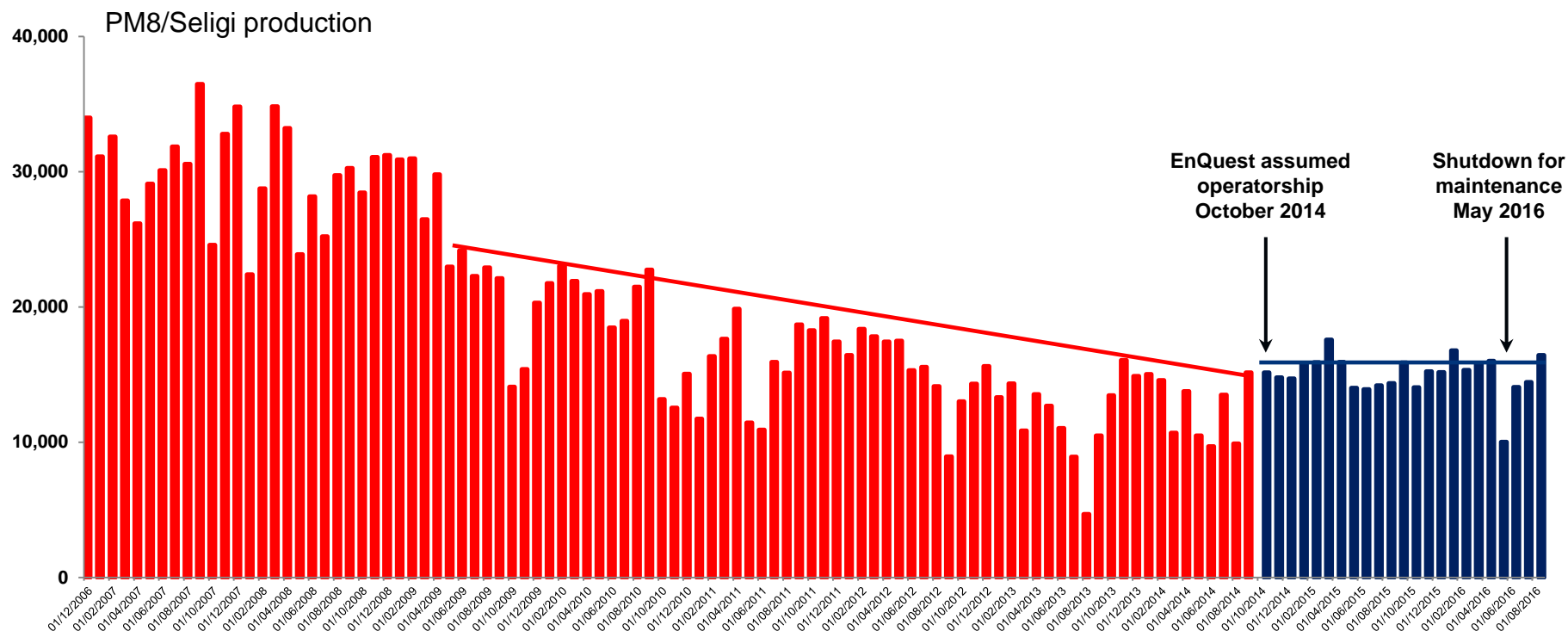


# Malaysia: 20% increase in production over H1 2015

PM8/Seligi: *material production gains from efficiency and low cost well work*



- EnQuest assumed operatorship October 2014
- Average daily Malaysian production increased over 20% and production efficiency improved from 82% to 92% by focusing on:
  - Facility integrity
  - Gas compressor reliability
  - Idle well restoration



### PM8/Seligi

#### 2016

- PM8/Seligi production of 8,152 Boepd in H1 2016 was up 5% on H1 2015
- Performance is supported by strong production efficiency and the ongoing idle well restoration programme – and includes the impact of a proactive 11-day platform shutdown in May to complete safety and integrity worksopes

#### Look ahead

- Continue investment in low cost well interventions and facility integrity to maximise recovery and production efficiency

#### Longer term development

- Workovers, drilling, gas injection optimisation and water injection activities to improve recovery and contribute additional reserves
- Additional investment in compressor reliability and field life extension activities



### Tanjong Baram

#### 2016

- 1,281 Boepd in H1 2016

#### Look ahead

- Low cost intervention scheduled in August to restore well A1 to production and lift Q4 production levels. Ongoing close collaboration with host platform operators to ensure optimal production rates and cost efficiencies



# Summary



# Institutionalising a new structurally lowered cost base



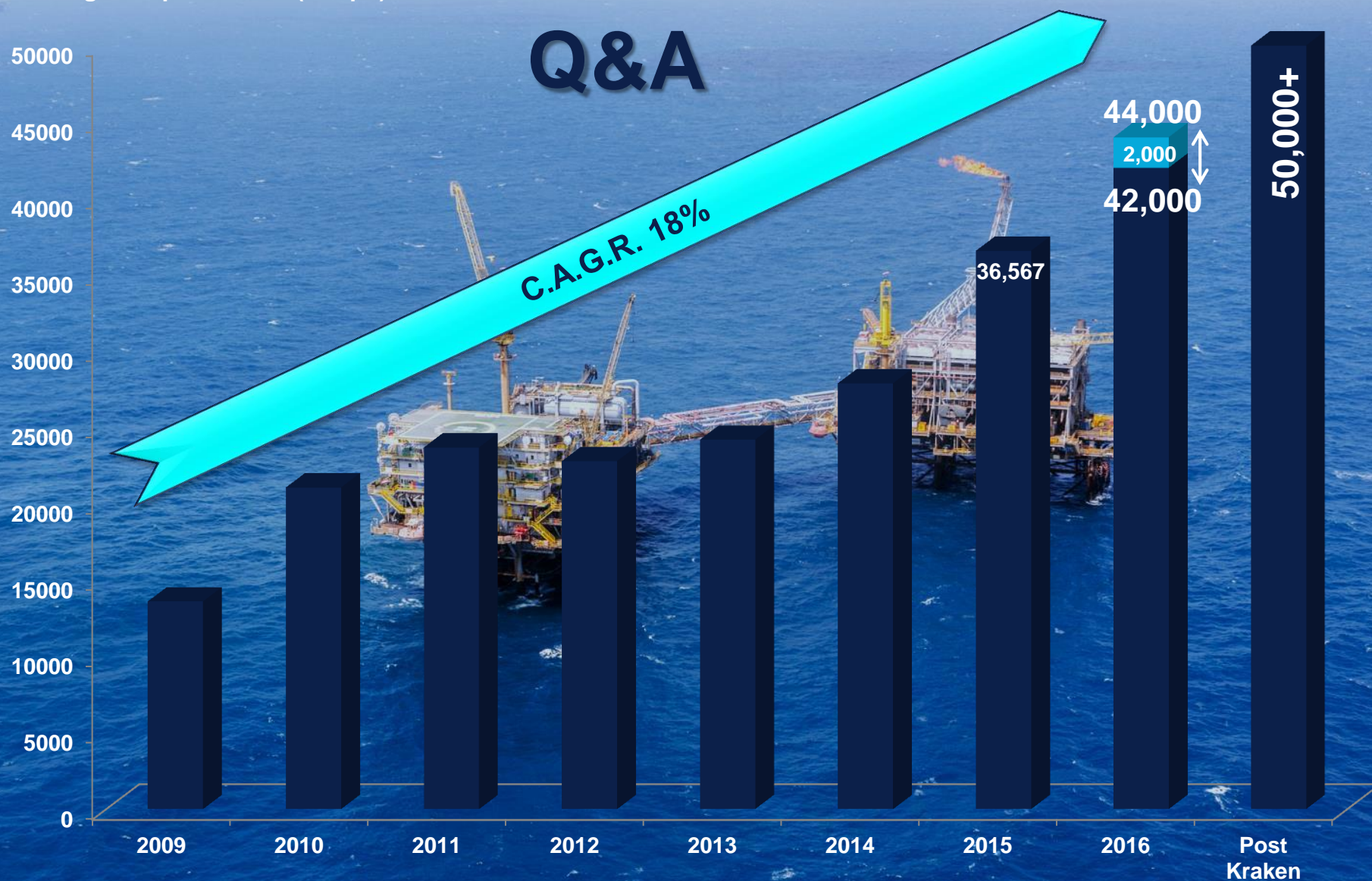
- **EnQuest's business model is right for this environment**
  - **Low cost capability**
  - **High operating efficiency**
  - **Excellent execution**
- **EnQuest has reinvented itself**
  - **A now permanently lower cost base**
  - **New innovative ways of working**
- **Continuing programme of balance sheet strengthening**
- **A model with compelling visible growth potential from**
  - **Existing assets**
  - **A stepped increase from Kraken in H1 2017**
  - **Potential to double in Malaysia**

# Delivering strong compound annual growth rates

31% increase in 2015, c.18% in 2016, then further substantial increases beyond



Average net production (Boepd)

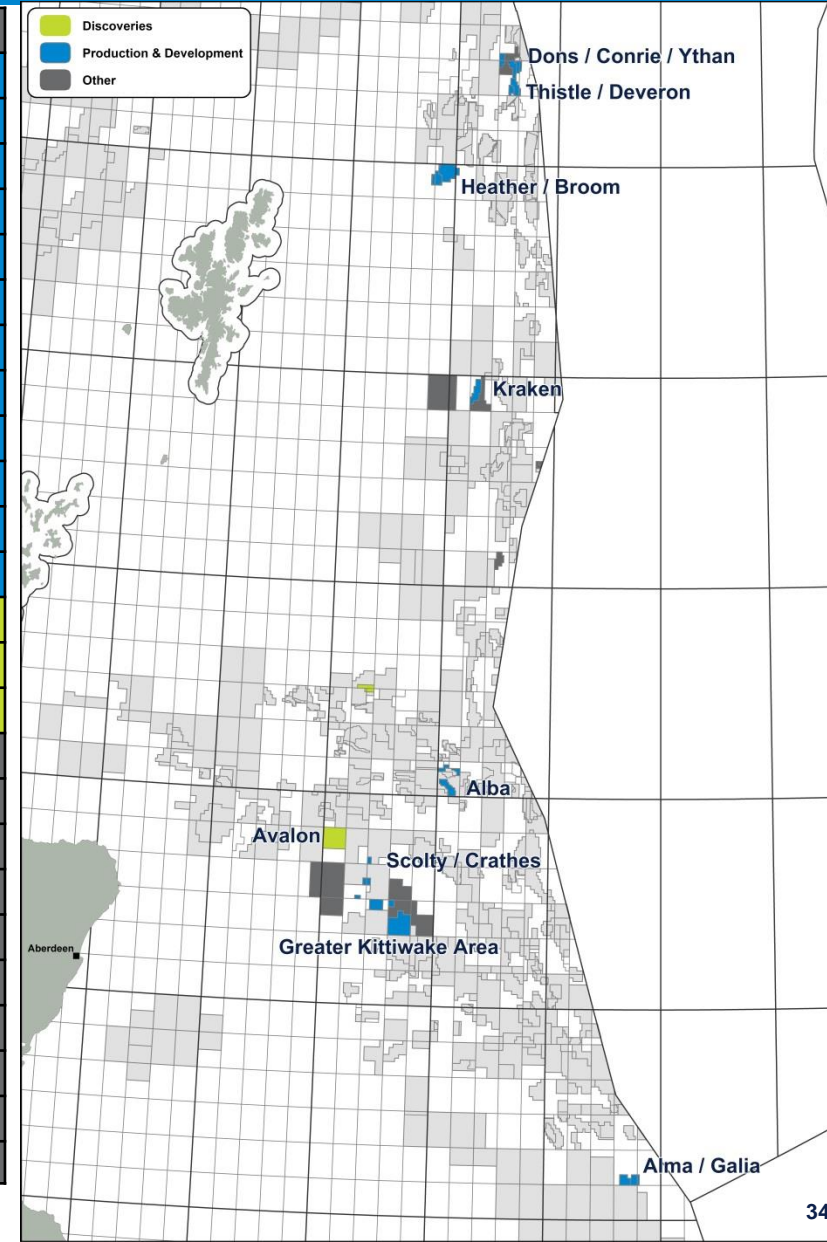


# EnQuest's North Sea asset base

As at 30<sup>th</sup> June 2016



Licence	Block(s)	Name
P073	21/12a	Goosander
P213	16/26a	Alba
P236	211/18a & b	Thistle, Deveron, Don SW, Conrie, West Don
P238	21/19a & 21/19b	Grouse, Mallard, Gadwall
P242 / P902	2/4a & 2/5a	Broom & Heather
P351	21/18a	Kittiwake
P475	21/19s	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
P238	21/19a & 21/19b	Eagle
P220 / P250 / P585	15/12b, 17a & 17n	Kildrummy
P2006	21/6b	Avalon
P90	9/15a	
P209	9/28a	
P1976	8/5 & 9/1b	
P1996 *	28/2b & 28/3b	
P2143	3/1b	
P2148	9/2c	
P2173	20/15b, 21/11 & 21/16a	
P2176	21/8b	
P2177	21/14b, 19c & 20b	
P2201	211/13c & 211/18c	

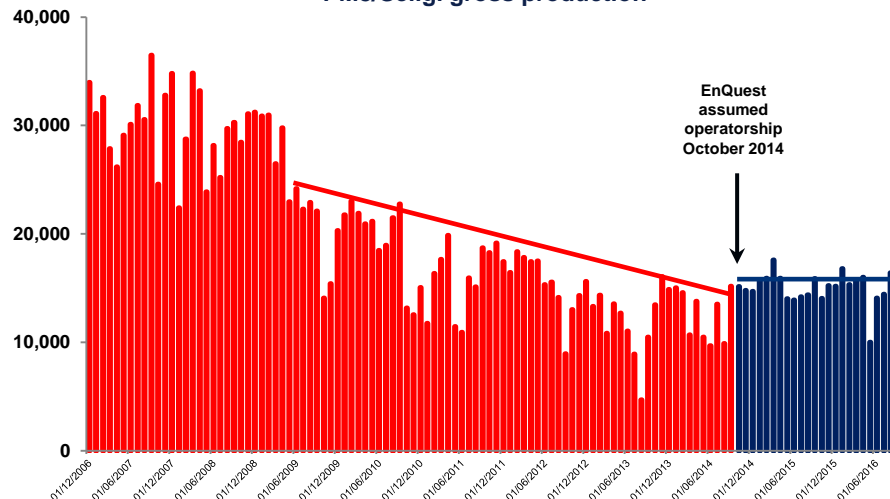


\* The disposal of this licence was agreed at the end of 2015.

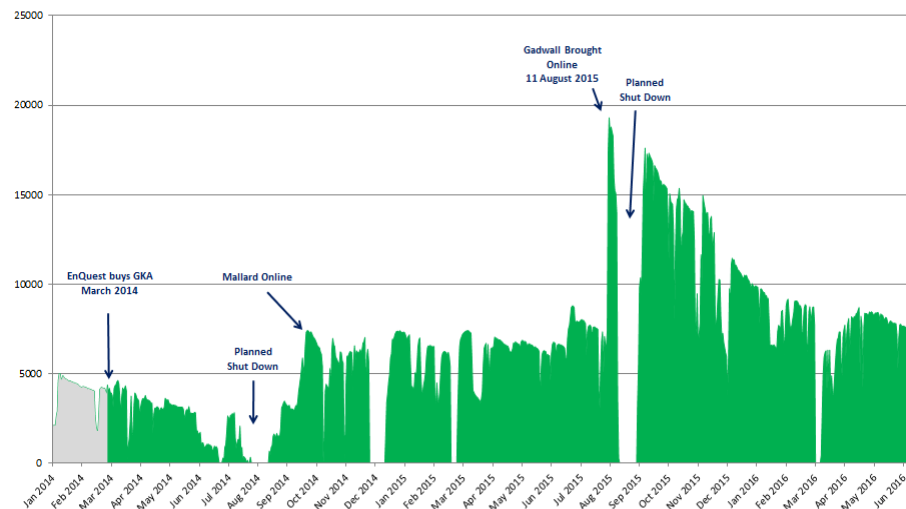
# Proven track record adding value in maturing basins



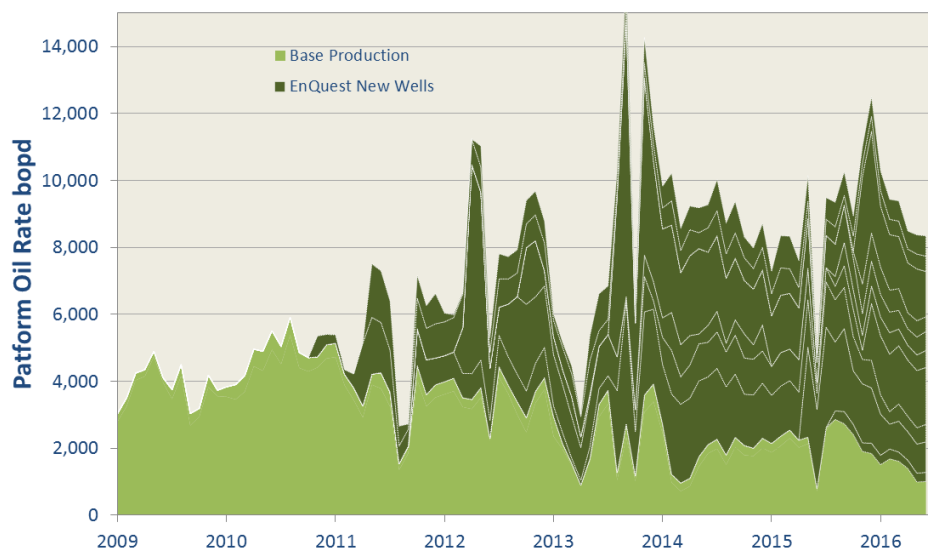
PM8/Seligi gross production



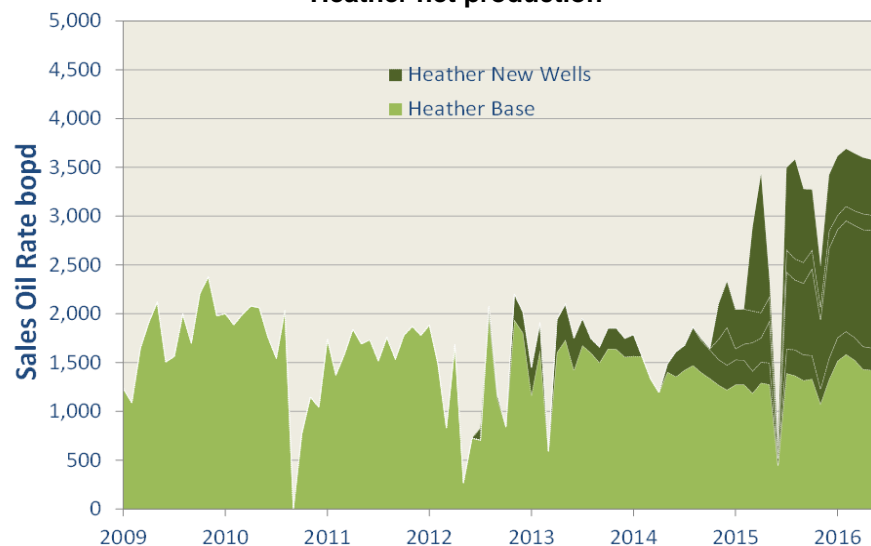
GKA production from January 2014 until 30 June 2016



Thistle gross production

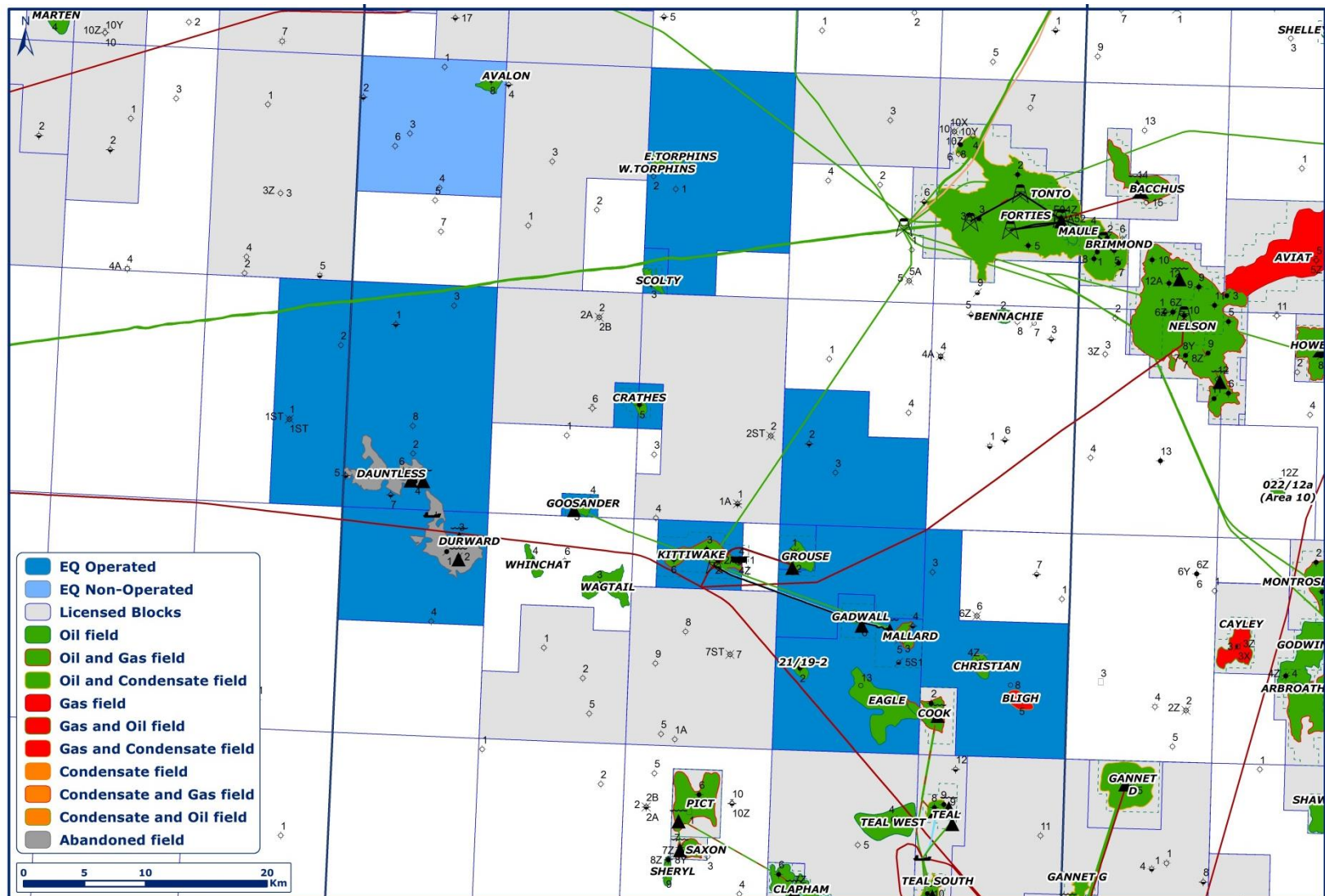


Heather net production



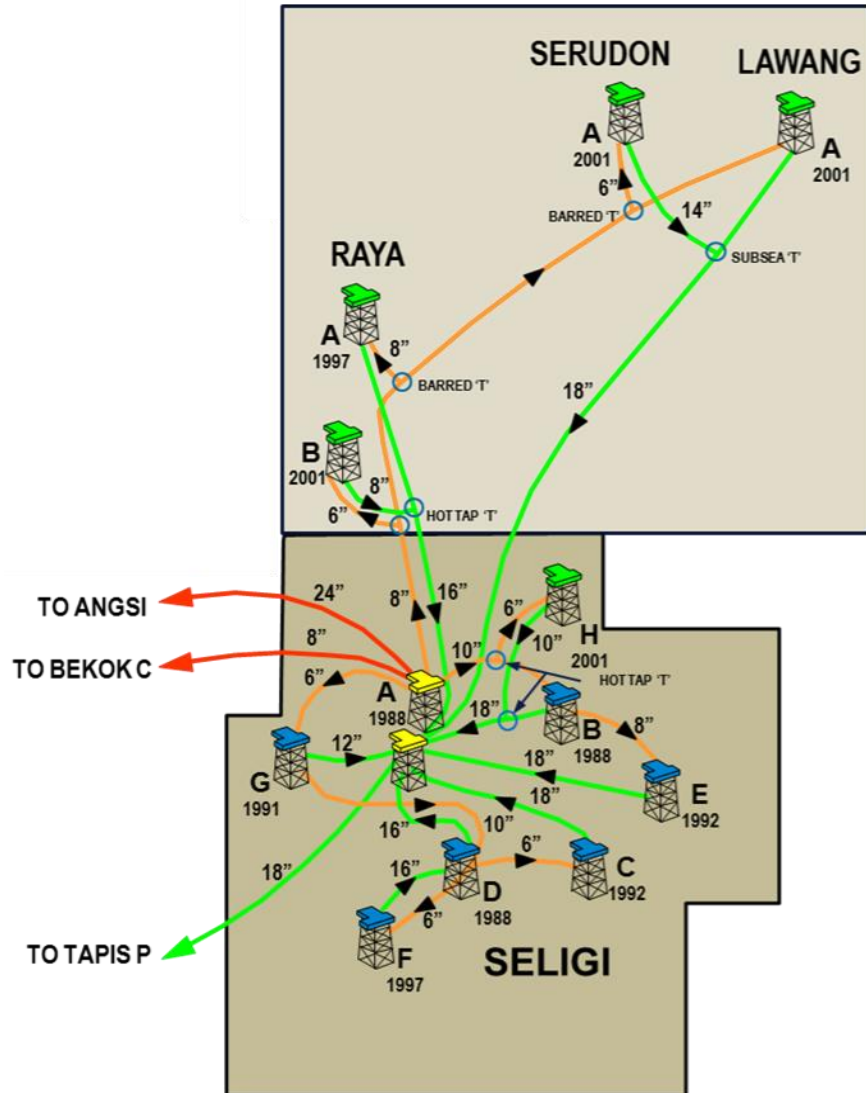
# Greater Kittiwake Area opportunity

50 km tie-back radius & competitor infrastructure



# PM8/Seligi

A producing hub with capacity for future growth



## PM8 fields

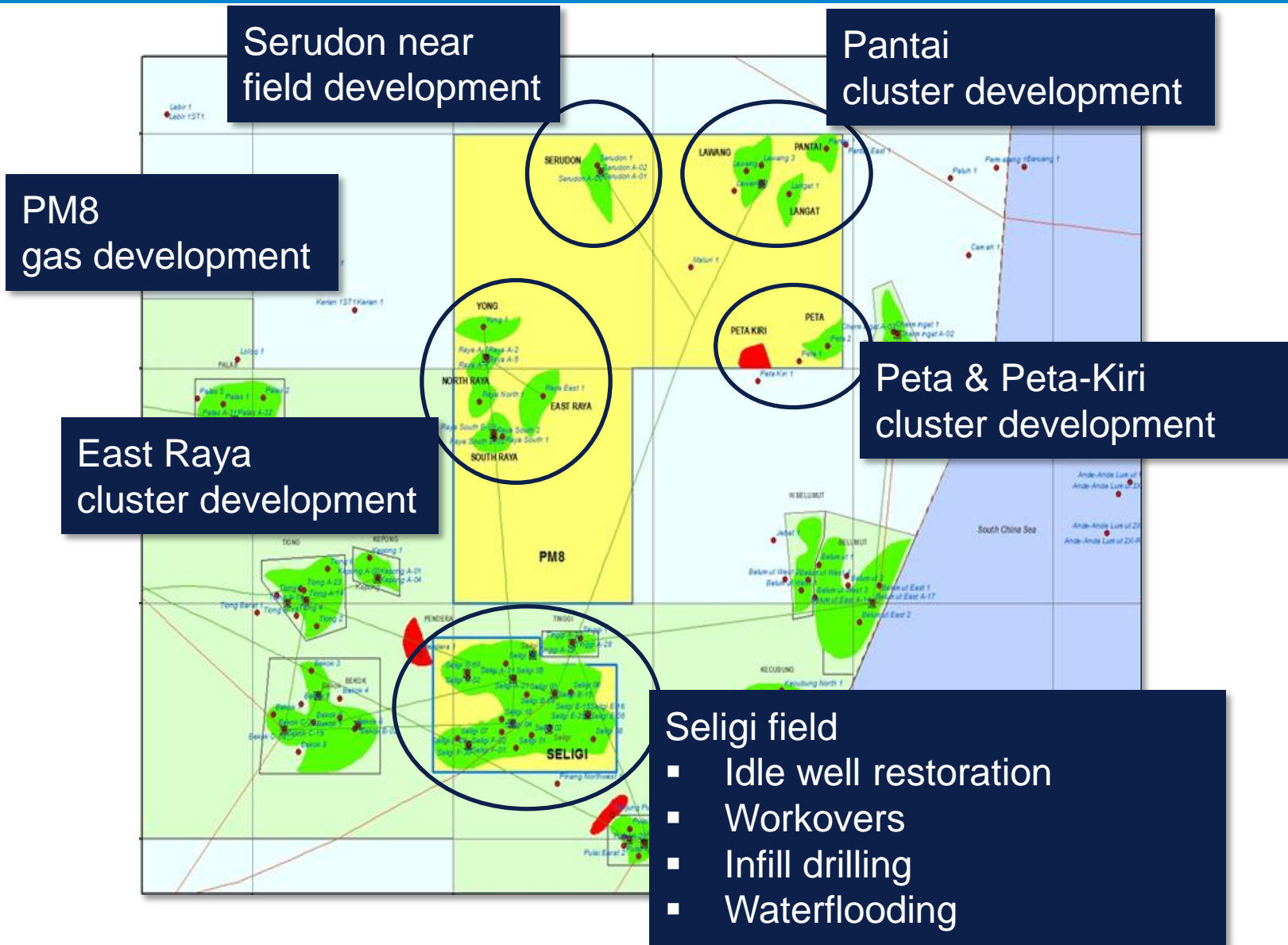
- 5 producing fields: Lawang, Langat, Serudon, Yong, North Raya
- 4 unmanned platforms – supported from Seligi
- 10 producing, 25 idle oil well strings
- All production flows to Seligi, lift gas from Seligi

## Seligi field

- 2 manned and 7 unmanned platforms
- 44 producing, 206 idle oil well strings
- Oil export to Tapis

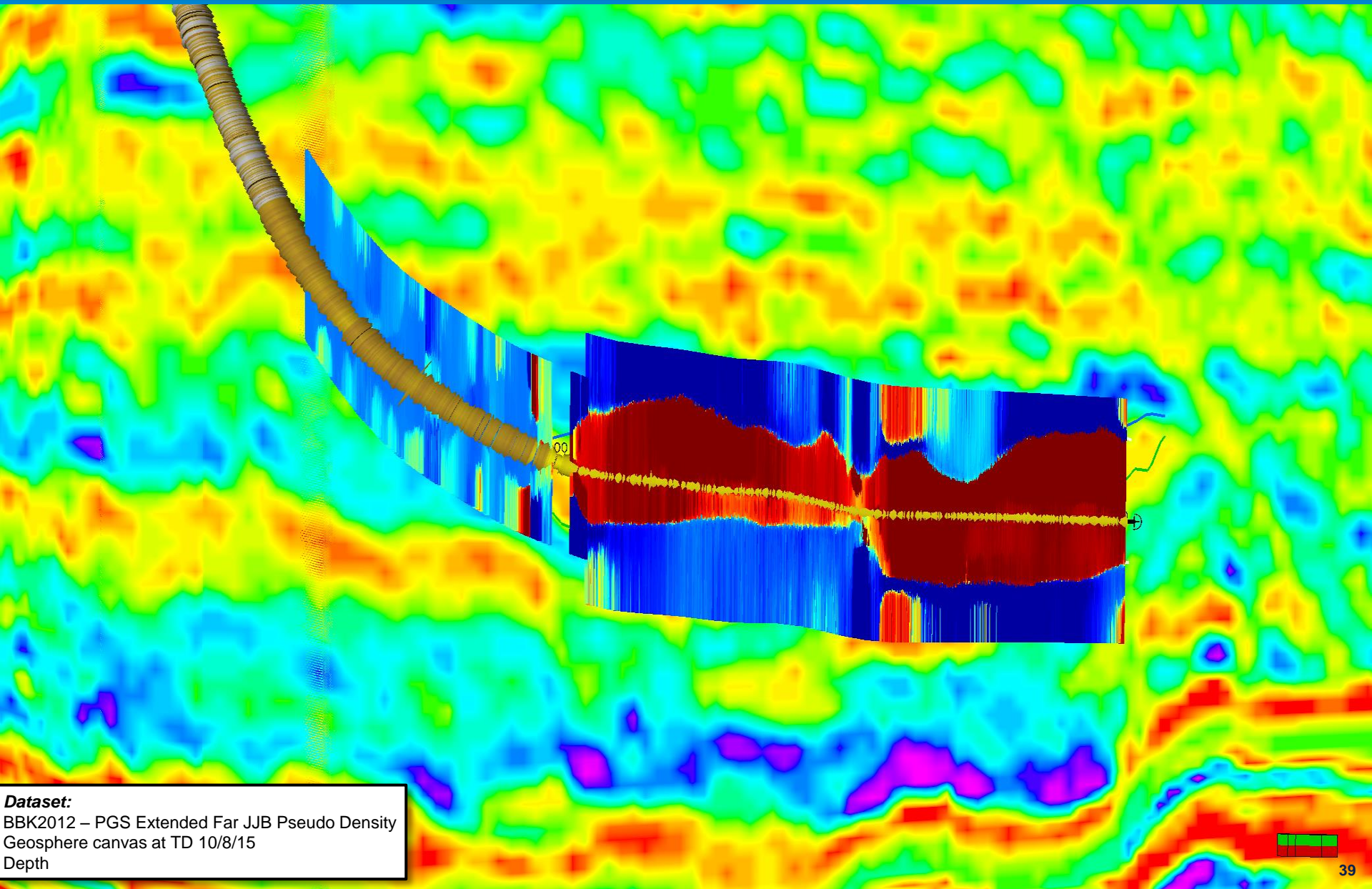
## Seligi A facility





# All wells drilled to date in line with expectations

Well B2



**Dataset:**  
BBK2012 – PGS Extended Far JJB Pseudo Density  
Geosphere canvas at TD 10/8/15  
Depth

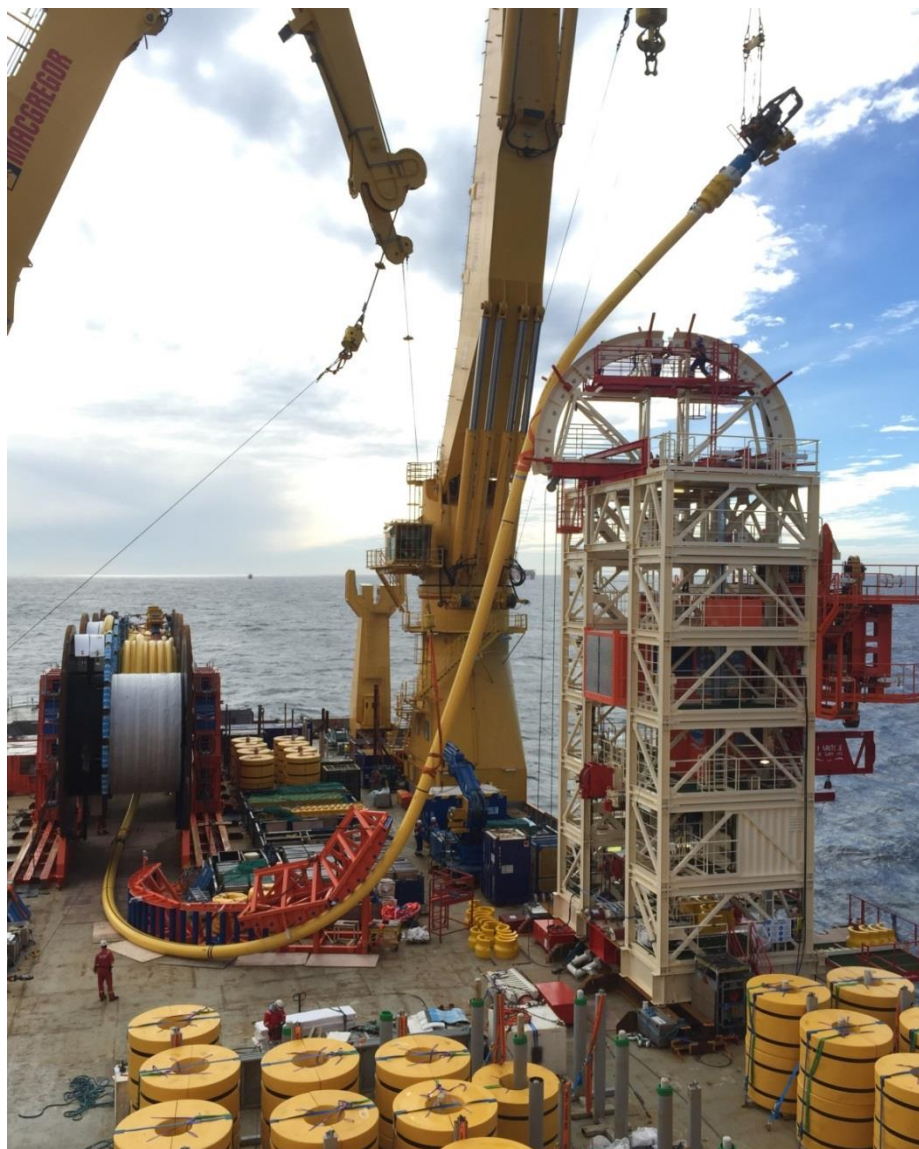
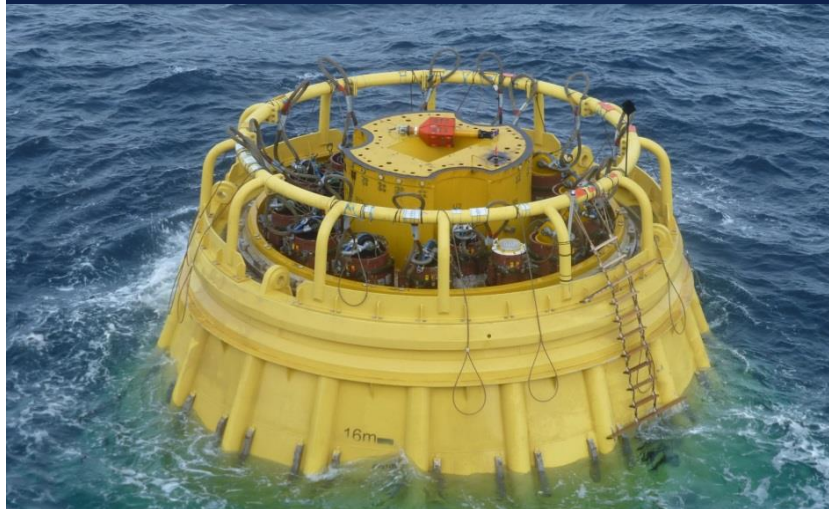


# Installation of Submerged Turret Production (STP) buoy and Drill Centre 1 ('DC1') risers

Buoy/turret lift from transportation vessel



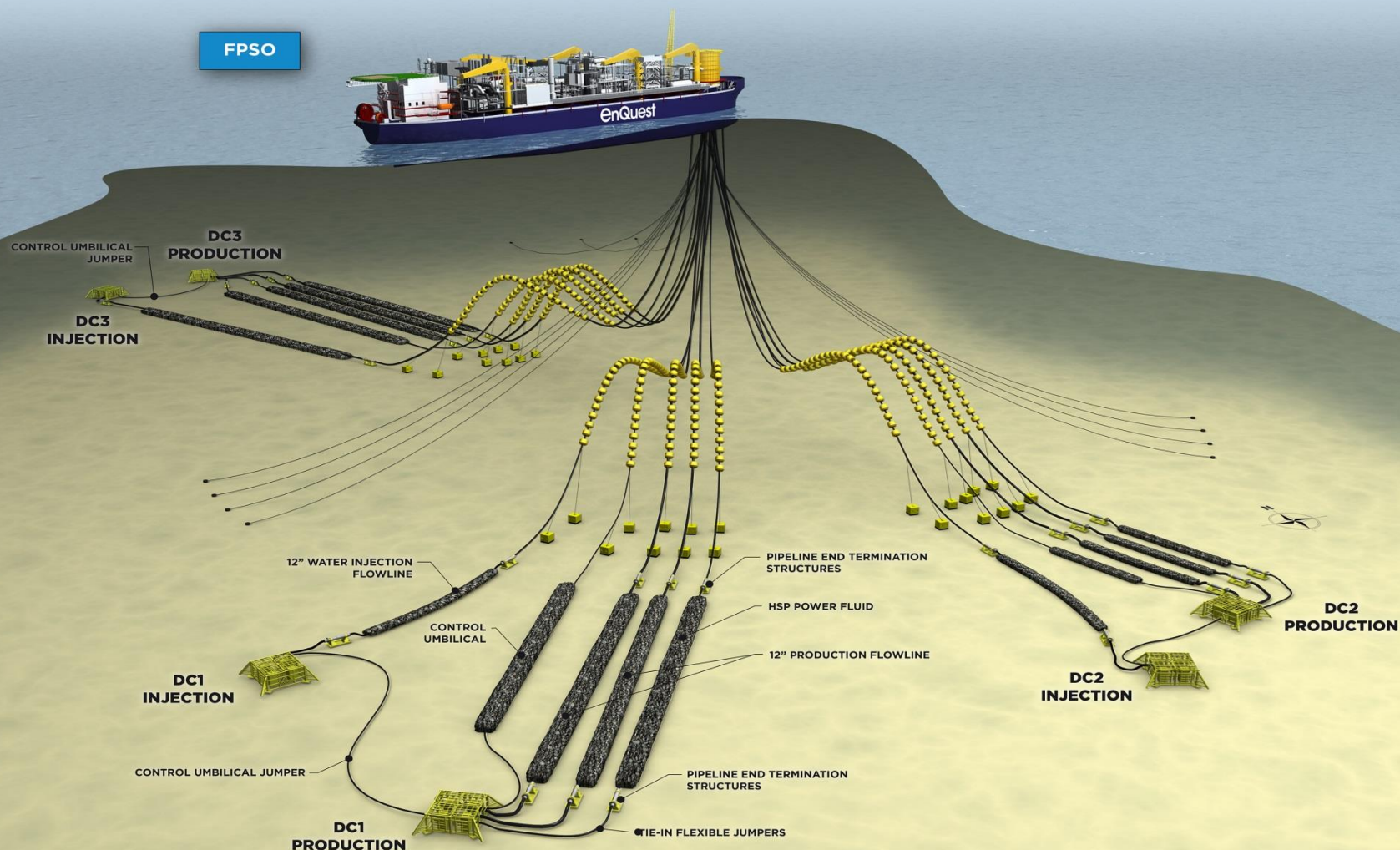
STP buoy/turret pre-ballasting



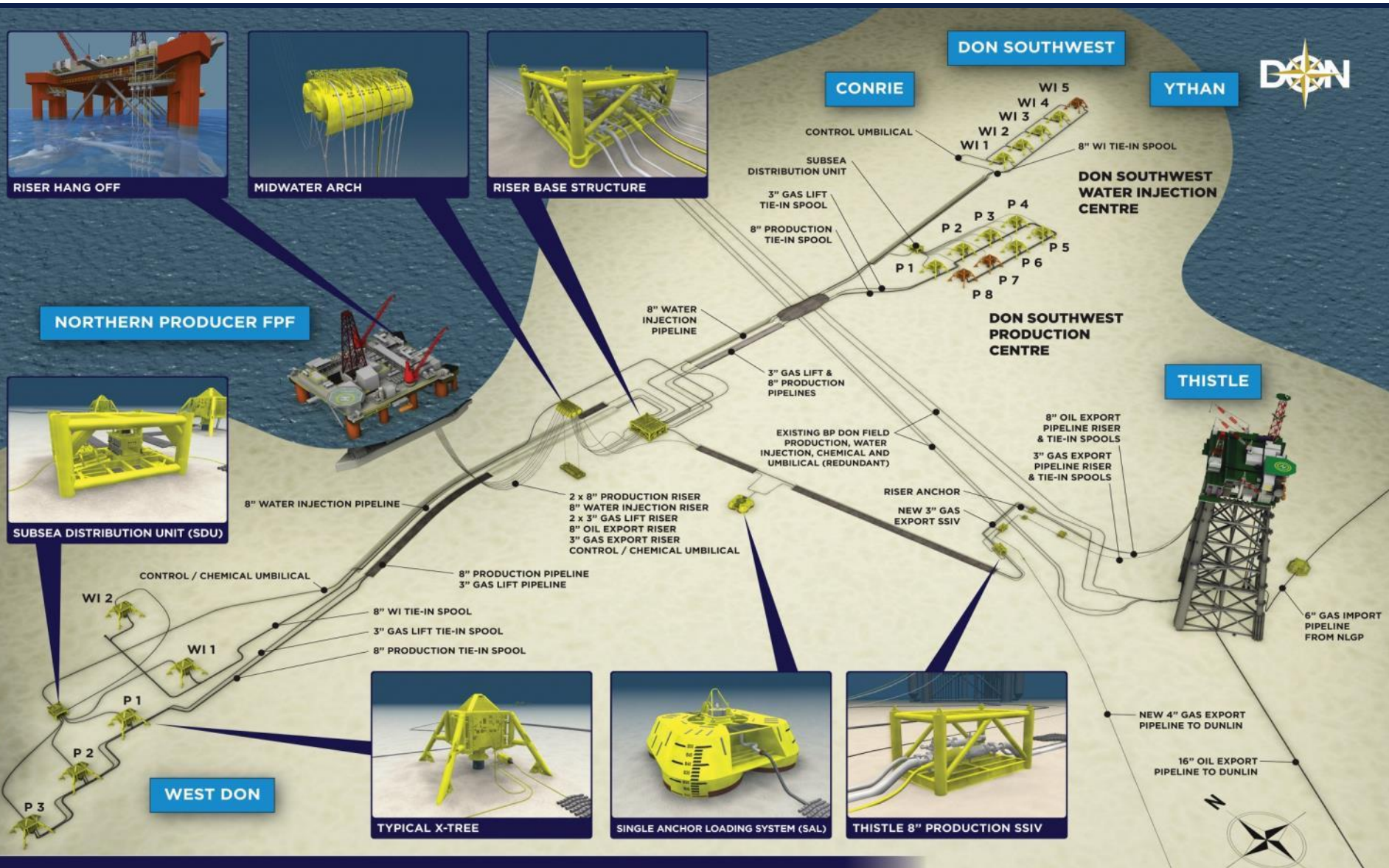
DC1 riser and buoyancy module installation

# Revised Kraken infrastructure

## Three drill centres



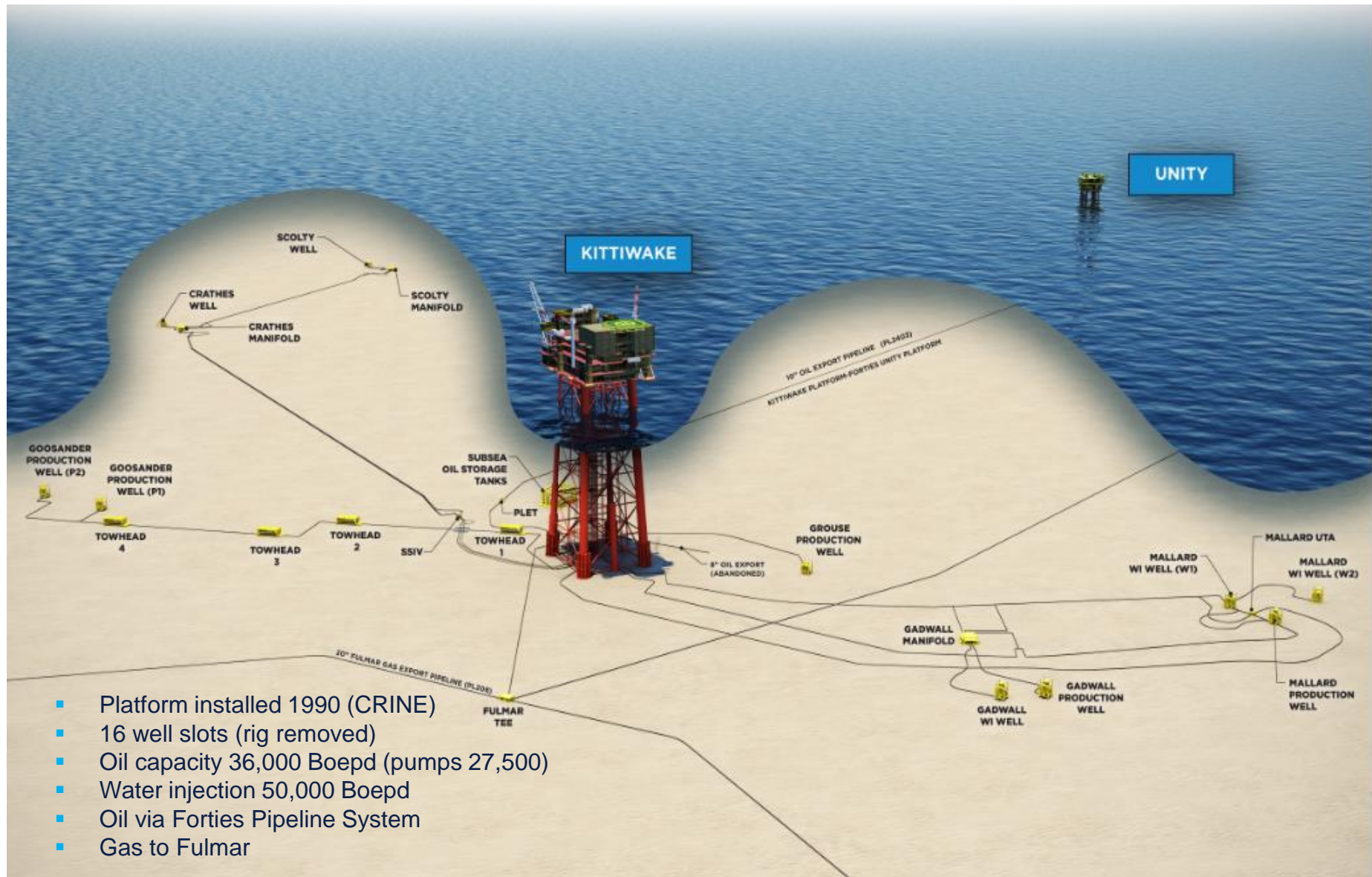
# Thistle, Conrie and The Dons infrastructure





# Greater Kittiwake Area (GKA)

A key hub



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