SERICAENERGY

2020 Full Year Results and Outlook

Emerging strongly from a challenging year, reporting profits before and after tax, enabling an increased dividend

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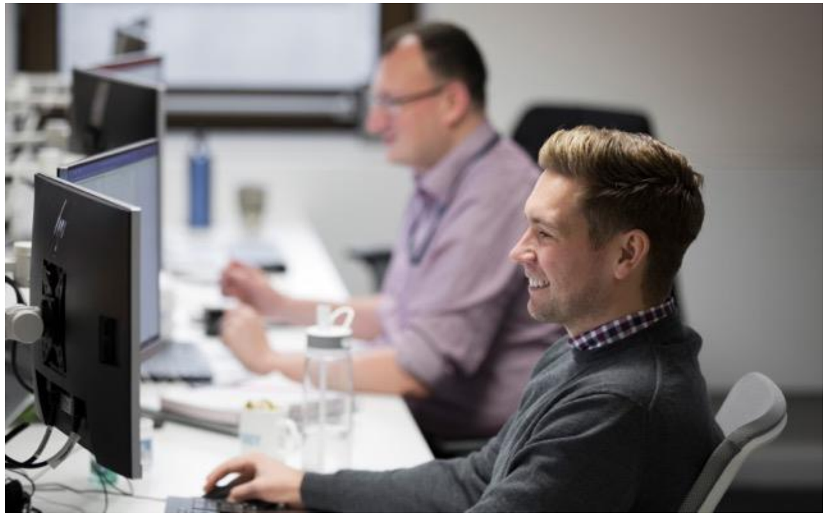

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2020 Results

2020 – Summary

Serica is emerging strongly from a challenging year and is reporting profits for the year both before and after tax, enabling an increased dividend payment despite a severe industry downturn.

Group profit before tax of £12.5 million (2019: £108.8 million) impacted by low oil and gas prices

Cash flow from operations of £44.1 million (2019: £137.1 million)

Closing cash and cash equivalents of £89.3 million after capital expenditure and dividend payment (2019: £101.8 million) with **no debt**

Average net production 23,800 boe per day (2019: 30,000 boe per day) reflecting 1H caisson repairs and other field maintenance work

Capital expenditure £26.6 million (2019: £5.3 million)

Year-end oil and gas reserves of 61.0 million boe (2019: 62.3 million boe). Production of approx. 8.1 million boe for the year largely offset by a 12% upgrade in reserves

Solid results in a difficult year combined with financial resilience enables an **increased dividend of 3.5 pence per share to be recommended to shareholders** at the Annual General Meeting to be held in June 2021

Maiden dividend of 3 pence per share paid in July 2020 (2019: nil)

COVID-19

Serica has experienced no interruption in production due to the COVID-19 outbreak

Manning levels reduced on the Bruce platform from over 130, initially to below 90 but now to around 110 in order to:

- Reduce the risk of an outbreak
- Allow social distancing offshore
- Provide isolation areas for suspected cases

Operating the Bruce platform with fewer staff has resulted in:

- Requirement to prioritise Safety Critical activities over production enhancement programmes
- Improved ways of working
- Implementation of new technology

HSE performance has improved: over a year since the last recordable injury on Bruce

2020 Group Income Statement

	2020 (£000)	2019 (£000)	
Revenue	**125,641**	**250,533**	Average: sales price US$20/boe (2019: US$30/boe), lifted volumes 22,400 boe/d (2019: 29,300)
Operating costs	(89,723)	(105,148)	US$14.12/boe (2019: US$12.60/boe) – costs spread over lower lifted volumes
Depletion	(38,495)	(52,631)	Non-cash charges based upon sales volumes - £4.69/boe (2019: £4.93/boe)
Movement in liquids over/underlift	(342)	(6,969)	
Gross (Loss)/Profit	**(2,919)**	**85,785**	
Other (expense)/income	(4,276)	10,618	Realised 2020 hedging gains of £12.3 million, unrealised 2021/22 losses of £16.6 million (2019: £6.7 million)*
Pre-licence costs and impairments	(3,725)	(646)	Write off of historic Namibia spend
Administrative expenses	(5,579)	(5,963)	Corporate costs held steady
Foreign exchange losses	(344)	(1,020)	Movement in £/US$ rate
Share-based payments	(1,862)	(1,094)	Non-cash allocation of cost of share options over vesting periods
OPERATING (LOSS)/PROFIT	**(18,705)**	**87,680**	
Change in fair value of BKR financial liability	31,296	21,771	Reductions in liabilities based upon realised net cash flows from acquired assets
Net finance costs	(43)	(681)	Unwinding of decomm discount net of interest income
PROFIT BEFORE TAXATION	**12,548**	**108,770**	
Taxation charge for the year	(4,769)	(44,750)	Non-cash provision reflects timing difference between utilisation of losses and future payments
PROFIT FOR THE YEAR	**7,779**	**64,020**	
EARNINGS PER ORDINARY SHARE (p)	**3p**	**24p**	

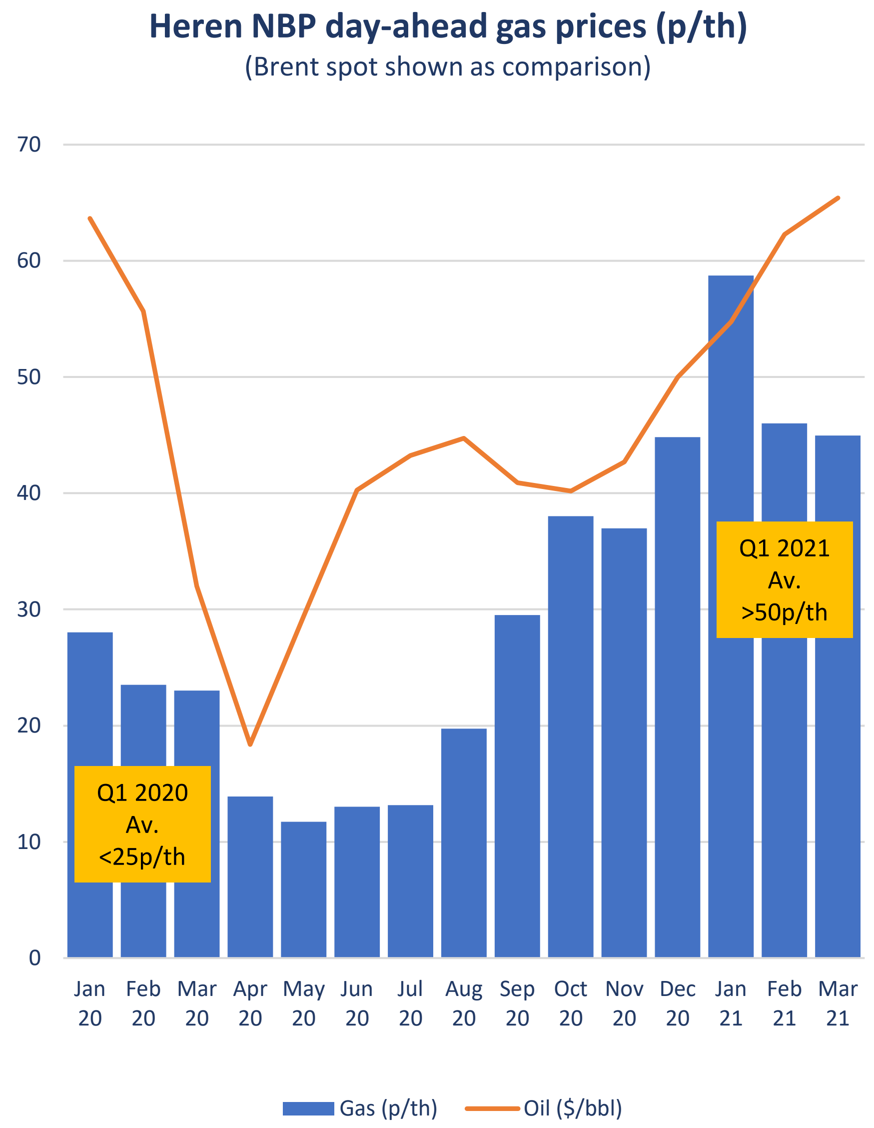
* Realised 2020 hedging gains of £12.3 million (2019: £3.9 million), offset by unrealised 2021/22 losses of £16.6 million (2019: £6.7 million) for hedging in place at 31 December 2020 – based on market futures curve at balance sheet date

Group Balance Sheet (as at 31 December 2020)

	2020 (£000)	2019 (£000)	
Exploration & evaluation assets	1,043	3,652	Namibia costs written off following decision to exit
Property, plant and equipment	311,125	325,404	Spend on Rhum R3 well (£15.8 million) and Columbus (£9.7 million) net of depletion charges
Total non-current assets	**312,168**	**329,056**	
Inventories	4,633	4,671	Spares and equipment
Trade and other receivables	41,329	35,906	Strong December 2020 sales revenues and partner recoverables due
Derivative financial asset	-	6,880	Unrealised gain at 31 December 2019
Cash and cash equivalents	89,333	101,825	Remained healthy after capital investment and first dividend payment
Total current assets	**135,295**	**149,282**	
TOTAL ASSETS	**447,463**	**478,338**	
Current liabilities	(102,513)	(71,799)	Includes remaining BKR net cash flow sharing and contingent payments*
Non-current financial liabilities	(41,705)	(110,108)	Residue of BKR consideration post YE 2021, mainly decomm-related
Provisions and deferred tax	(103,399)	(98,421)	Limited decomm exposure (£22.8 million) plus deferred tax (£80.6 million)
Total liabilities	**(247,617)**	**(280,328)**	
NET ASSETS	**199,846**	**198,010**	
Share capital	181,606	181,385	
Other reserve	19,680	17,818	
Accumulated deficit	(1,440)	(1,193)	
TOTAL EQUITY	**199,846**	**198,010**	

* Includes final year of BKR net cash flow sharing plus Rhum-specific contingent payments all now re-classified from long term to short term

Oil & gas prices



- Average oil and gas prices were depressed during 2020
- Serica's production is over 80% gas
- The recovery in gas prices in Q4 2020 was spectacular with year-end gas prices significantly higher than the start of the year
- Q1 2021 gas prices averaged in excess of 50p/th
- Oil prices have also recovered from the lows encountered in 2020
- Q1 2021 oil prices averaged over US$60/bbl

Gas price hedging

- Actual hedging cash income for 2020 was approximately **£12.3 million**
- For 2021 & 2022 Serica has swaps in place covering up to 25% of retained gas sales after adjustment for 2021 net cash flow sharing
- This protects against severe downside gas prices while allowing most of the upside benefit
- Serica continues to increase and extend its hedging position
- The current total gas hedging position is shown in the table

	Swaps*		**Puts****	
	Weighted Average Price (p/th)	Volume of gas covered (th/day)	Price (p/th)	Volume of gas covered (th/day)
Q1 20	46.6	160,000	35.0	160,000
Q2 20	40.8	160,000	35.0	160,000
Q3 20	37.6	80,000		
Q4 20	37.0	190,000		
Q1 21	42.5	185,000		
Q2 21	31.4	150,000		
Q3 21	31.5	185,000		
Q4 21	39.9	200,000		
Q1 22	45.8	250,000		
Q2 22	36.0	250,000		
Q3 22	36.9	150,000		
Q4 22	42.6	150,000		
Q1 23	50.0	50,000		

*A 'swap' is a synthetic product replicating forward sales with counterparties compensating each other for variations between strike price and actual market price. These effectively fix sales price, for no upfront cost, at the agreed level with Serica receiving the differential for prices lower than the swap price and the counterparty receiving the differential for prices higher than the swap price

**A 'put' option covers downside at strike price with no restriction on upside. The upfront cost is related to a forward curve benchmark and reflects both the level of discount to the curve and also the time elapsed until the cover period

2020 – Financial performance

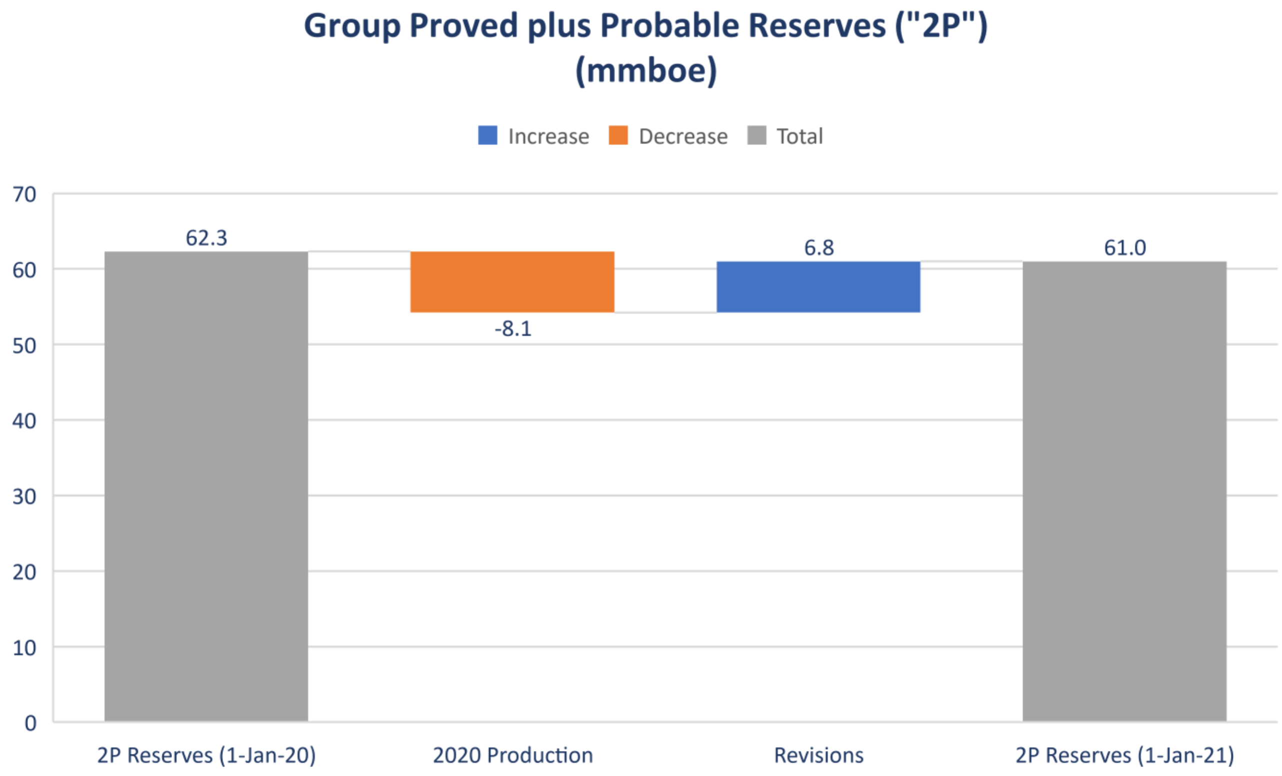
- Reductions in 2020 absolute operating costs of around 10% were achieved
- FY operating costs* of US$14.12/boe (2019: US$12.60/boe) – increase due to reduced production
- 2020 production was lower than 2019 largely due to reduced production in 1H
- Sterling strengthened against the US dollar

*operating costs (including production, processing, transportation and insurance) before non-cash depletion charges

- 2020 realised product sales price of US$20/boe (2019: US$30/boe), before realised hedging gains of £12.3 million (2019: £3.9 million)
- 2020 average market gas price** was ~ 25p/th and average market oil price was ~US$42/bbl
- By comparison average prices in Q1 2021 have been ~50p/th and ~US$60/bbl delivering a combined price for Serica of ~US$40/boe (again before hedging)

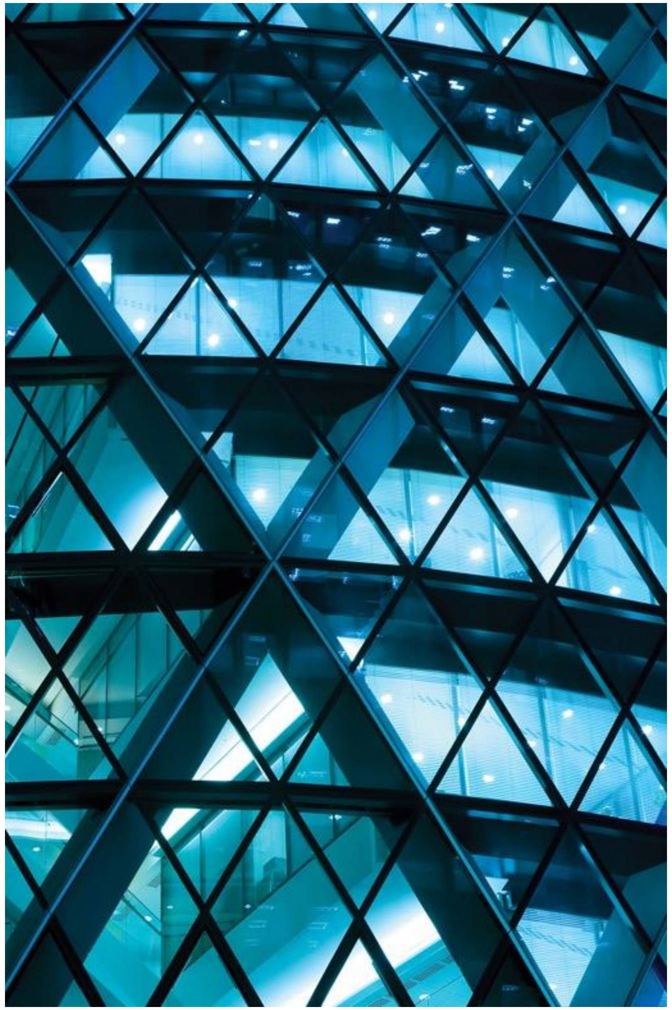
** before system charges

Updated reserves report



- Serica commissioned a new Competent Person’s Report (“CPR”) effective 1 January 2021
- This identified several upgrades to 2P Reserves estimates particularly due to the successful efforts to extend the prognosed Cessation of Production (“COP”) on Bruce which impacts Bruce, Keith and Rhum ultimate reserves
- Additional data from Rhum resulted in a revision to in-place gas reserves and a material increase to the recoverable reserve estimate for the field. This offset much of the Bruce reserves reduction and Serica’s 2020 production
- Updated 2P reserves at 1 January 2021 are 61.0 mmboe
- The latest CPR estimates Bruce COP (2P case) to occur in 2030 (compared to 2028 in the previous CPR)

Maiden dividend paid in July 2020; increased dividend recommended for 2021



- Our prime objective is to increase shareholder value both through technical excellence and acquisition in order to diversify risk, grow our asset base and fully utilise the Company’s operational and financial strengths
- **We remain in an extremely robust financial position**
- Although 2020 presented a number of unexpected challenges (Bruce caisson issue, COVID-19 and commodity price fluctuations) Serica has demonstrated the resilience to overcome these issues. The Board accordingly recommended the payment of a maiden dividend at the 2020 AGM
- **The dividend of 3p per share was approved at the AGM and paid in July 2020**
- Serica remains in growth mode as it develops its existing assets and looks for new investment opportunities but its continuing strong position supports the payment of an increased dividend reflecting the Board’s confidence in the future prospects for the Company
- **An increased dividend of 3.5p per share will be recommended to the AGM in June 2021** and if approved, will be paid as a single final dividend in July

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ESG Pedigree

ESG 2020 commitments and delivery: 2021 targets

Emissions

- 2020 total CO_2 emissions over 10% lower
- 45% reduction in 2020 gas flaring
- ‘Zero Waste to Landfill’ initiative

Transparency

- Reporting Frameworks: GRI, SASB, TCFD and UN Global Compact
- Aligned with AXIS Pledge, Armed Forces Covenant, Association for BME engineers

Decision Making

- ESG updates to main board and HSE committee
- Emissions added to daily offshore briefings
- VP ESG and Business Innovation position created

Workforce Engagement

- Active committees: charity, emissions reduction, D&I, education
- ESG targets added to bonus scheme of all staff
- ESG activities added to annual appraisal process

2021 Bonus Linked KPIs

- **Reduce flaring**
- **Lower Carbon Intensity**
- **Advance ESG initiatives**
- **Reduce Total Waste**
- **D&I targets**

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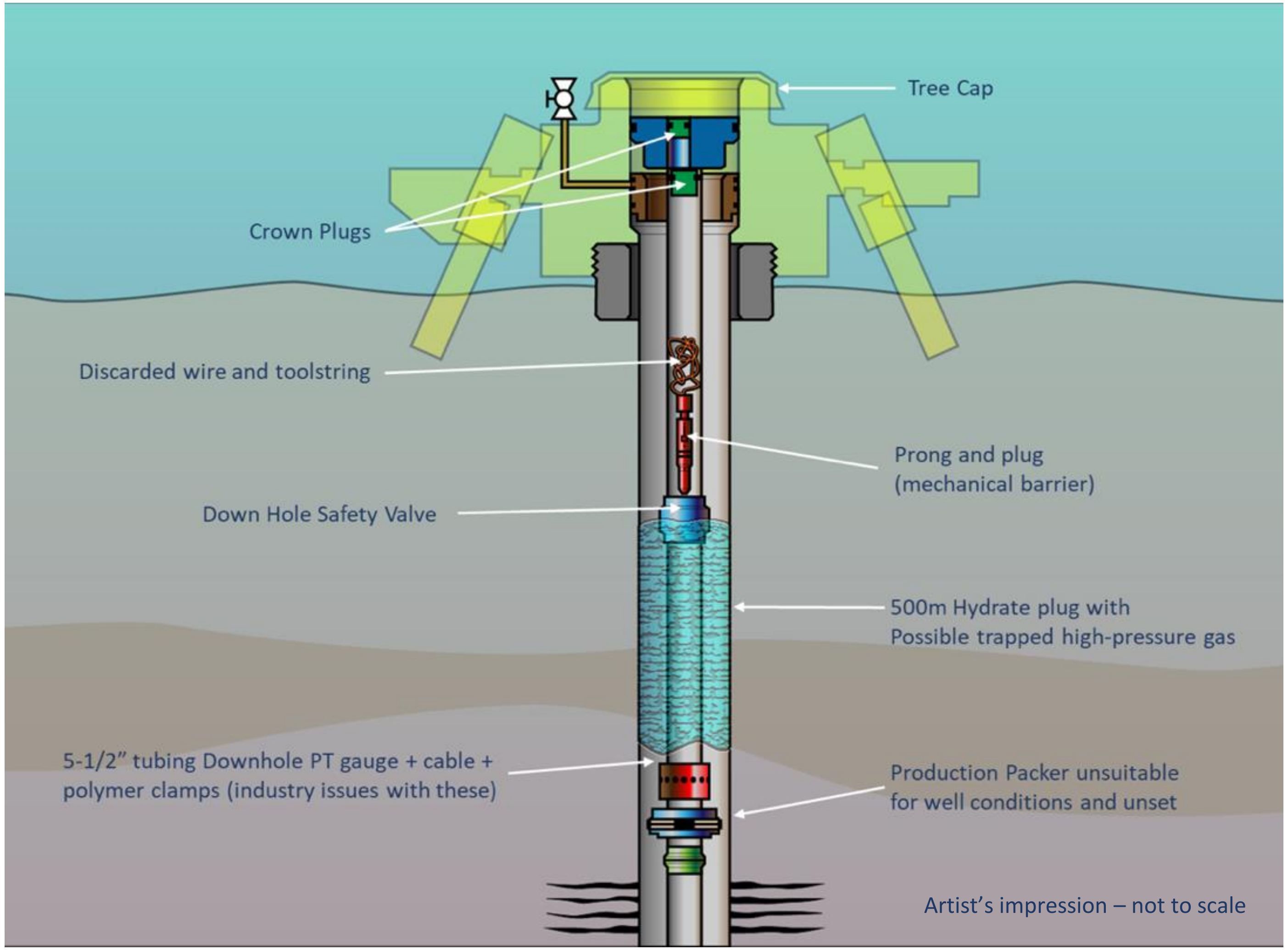
Moving Forward

R3 Intervention – the challenges inherited with the asset



Initial Status & Challenges

- Well not produced or integrity tested since operational issues encountered in 2005
- Gas hydrates had plugged wellbore following gas influx from reservoir
- Attempts to recover a mechanical barrier by the previous operator had failed leaving wire and toolstring "fish" in well
- Known issues with equipment installed in well; downhole status and condition unknown

Approach

- Assemble highly experienced team with HPHT and workover knowledge to work closely with JV partners, supply chain, relevant regulators and authorities
- Take lowest risk approach e.g. assume high-pressure gas trapped in hydrate until dissociated
- Primary and contingency plans developed for all foreseeable outcomes

R3 Intervention – current status

Objective	Status
Safe operation with no reportable incidents	No incidents despite severe weather conditions and COVID-19 pandemic
Remove wire, toolstring, plug and prong	Completed successfully at first attempt
Dissociate hydrate plug	Completed successfully using coiled tubing and heated fluid (believed to be a world first)
Recover 2005 5½” completion equipment	Completed. The removal of the 2005 completion took significantly longer than anticipated due largely to the unexpectedly poor condition of the equipment being recovered from the well
Gain reservoir access and run new 7” completion	To follow
Perform re-perforating / well clean up to confirm inflow performance	To follow

- Net 2020 CAPEX* spend was approximately £9.5 million
- Net 2021 CAPEX* spend is expected to be up to £11.5 million of which approx. £9.7 million is an overrun against the original well cost estimate
- Operations are now expected to continue into May 2021

*Net CAPEX spend after adjustment for Net Cashflow Sharing

Columbus development project

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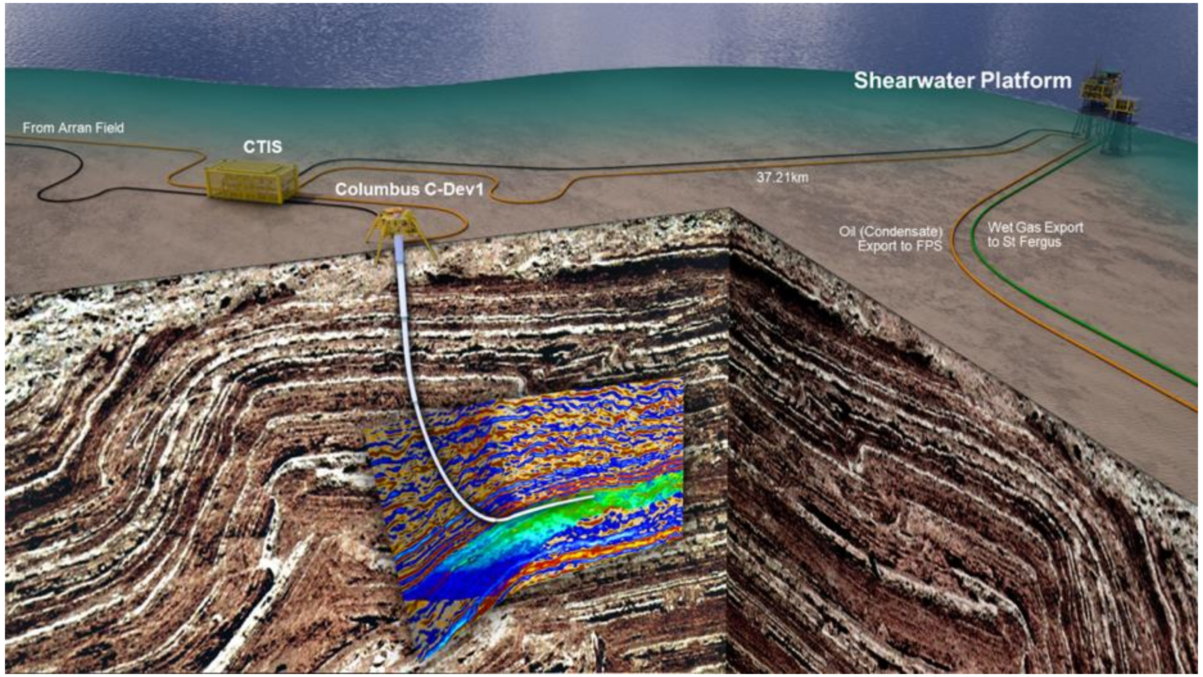
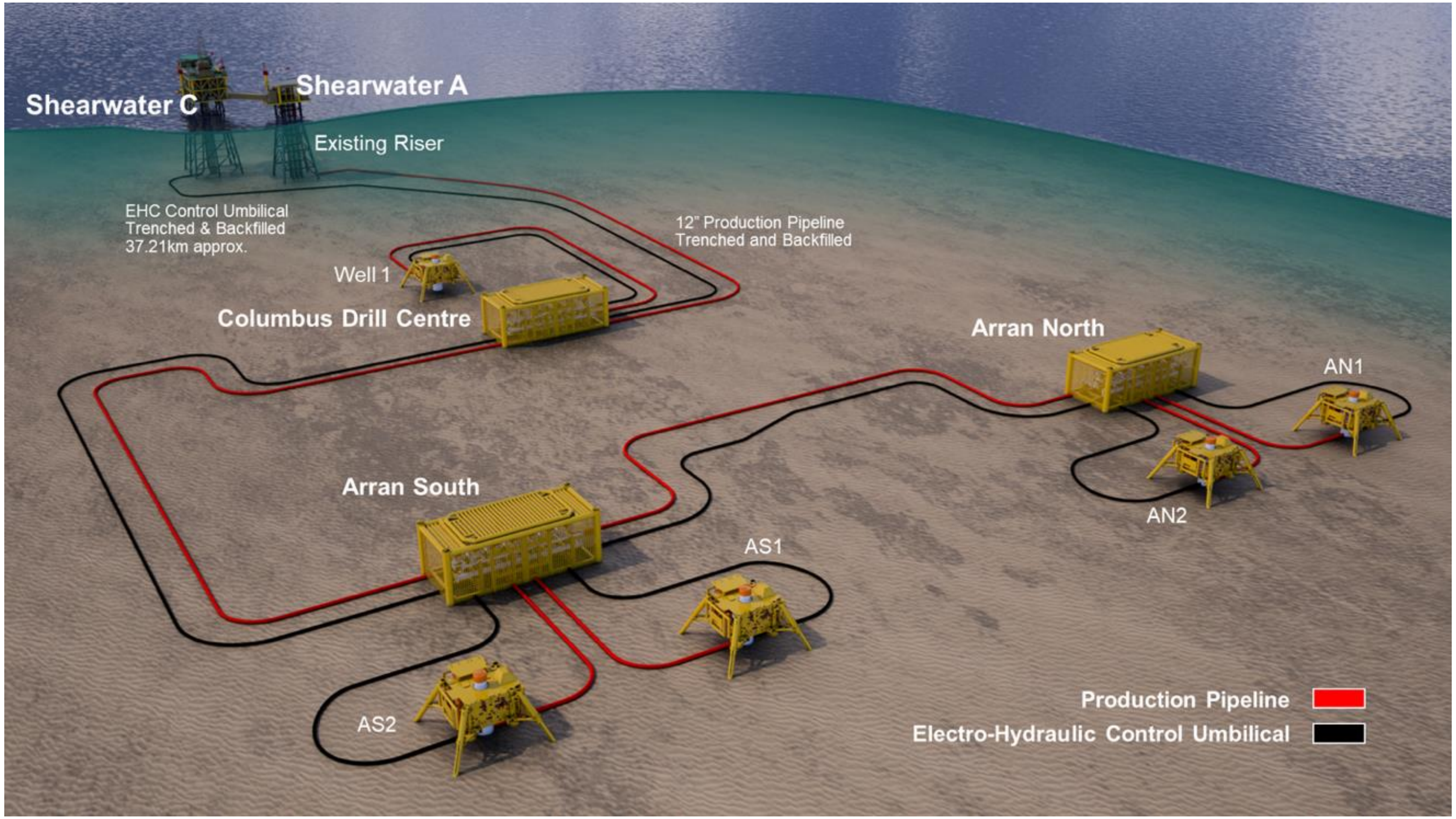
- The Columbus development area will be drained by a single producing well tied into the Arran to Shearwater pipeline. Production will be processed on the Shearwater platform
- Close collaboration between Columbus and Arran Operators, with development benefitting production from both fields
- The Columbus development well was spudded with the Maersk Resilient Heavy-Duty Jack-up rig on 17 March 2021 and is proceeding to plan
- Production expected to commence in early Q4 2021, with average gross production forecast to be around 7,000 boe/d of which over 70% is gas
- Serica has a 50% interest in Columbus
- Serica’s net 2020 CAPEX spend was approximately £9.7 million
- Serica’s net 2021 CAPEX spend is expected to be £15.1 million



Columbus development progress

Key Events Timeline

Event	Status
Export Pipeline	Installed
Controls Umbilicals	Installed
C & AN Manifolds	Installed
Arran South Wells	Drilled
Arran North Wells	Drilling
Columbus Well	Drilling
Arran South Manifold	Q2 2021
Shearwater Tie-in	Q3 2021
Arran Start-up	Q3 2021
Columbus Start-up	Q4 2021

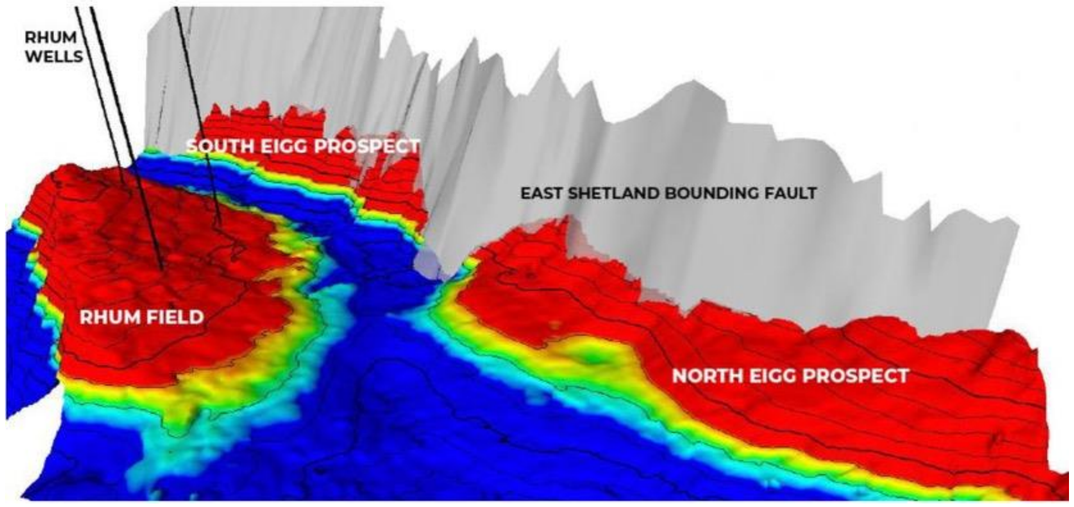


North Eigg – exploration well to be drilled in 2022

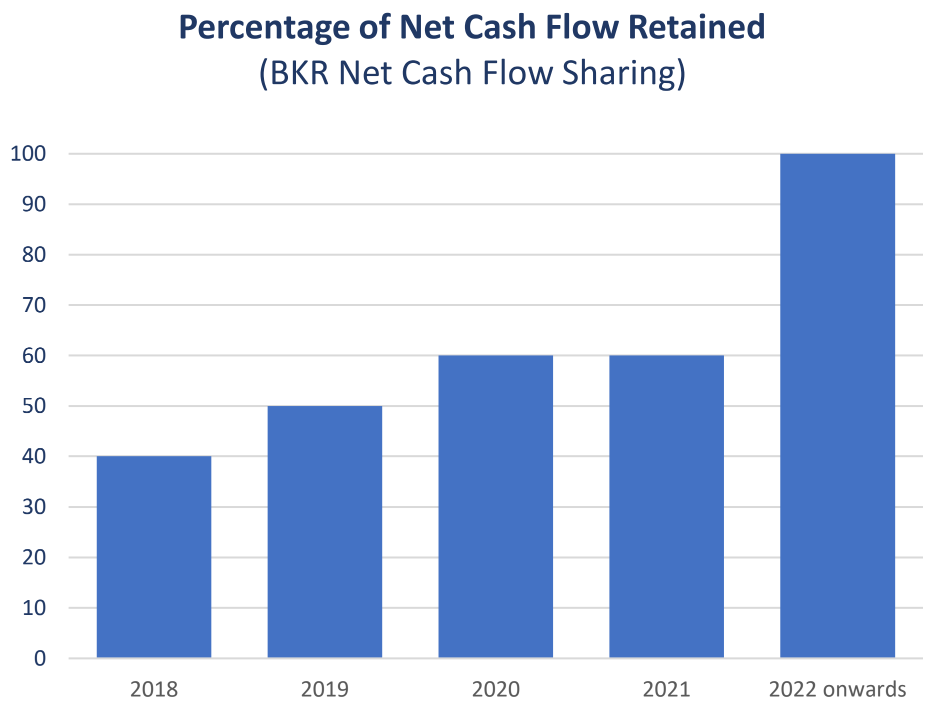
- The North Eigg exploration prospect is estimated to contain 367 bcf (P50) and potentially over 1Tcf (P10) of recoverable gas (unrisked)
- North Eigg is interpreted to share many geological similarities with the Rhum field. It is clearly defined on 3D seismic and forms a structural trap sealed against the East Shetland bounding fault
- Serica has commenced planning to allow the drilling of the exploration well in 2022
- Well design will focus on the latest HPHT drilling methods
- In the event of a commercial discovery, Serica would seek a fast-track route to develop the field, whilst fully considering options that would reduce emissions. This could potentially be via a subsea tie-back to the nearby Serica operated and 98% owned Bruce facilities. This would bring the benefits of reducing the overall carbon intensity of the Bruce facilities and extending the life of the infrastructure
- A success at North Eigg would be likely to significantly de-risk the South Eigg exploration prospect

Unrisked Prospective Resources (Recoverable)
Serica Internal Estimates

	Dry Gas (bcf)			Condensate (mmbbls)		
	P90	P50	P10	P90	P50	P10
North Eigg	105	367	1,216	0.6	2.2	7.3
South Eigg	68	259	929	0.4	1.6	5.6



Financial strength



- **Serica's diverse portfolio has limited decommissioning liability** due to the terms of the Erskine transaction and the various BKR transactions

- **Serica's share of BKR net cash flow increases to 100% on 1 Jan 2022** Under the BKR net cash flow sharing arrangements Serica received 40% of the net cash flow in 2018, rising to 50% in 2019, 60% in 2020 & 2021 and 100% thereafter

- **Serica has no borrowings** and substantial cash reserves. This provided the flexibility to pursue growth opportunities, invest in value-accretive projects <u>and</u> introduce a dividend policy in 2020

- Serica is still benefitting from historic tax losses. These losses stood at approximately £46 million at 31 Dec 2020 and **provide cover well into 2021**

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Summary

Our Ongoing M&A Strategy

We continue to seek, via a rigorous screening process, new acquisition opportunities to add further value by building on operating efficiencies, reducing cost, exploiting synergies, improving environmental performance and managing risk

Characteristics of Future Targets

- **REGIONAL FOCUS:** Our operating expertise is in the Central & Northern North Sea and, coupled with potential tax synergies, this means that the search for new opportunities is focused primarily on the UKCS
- **VALUE NOT VOLUME:** Serica will not overpay in order to quickly grow our portfolio. We are focused on identifying value rather than volume and will continue to look for the right opportunities where Serica can utilise its skills to add value to assets that no longer fit the objectives of the current owners
- **ESG COMMITMENT:** Serica is intent on building a portfolio of assets which will make a positive contribution to the Net Zero transition. Reducing Carbon Intensity will continue to be a key objective
- **RESILIENT PORTFOLIO:** We are primarily concentrating on production and near-term production opportunities but we aim to expand the portfolio at all stages – exploration, appraisal and production

Maximise production and reduce costs with full emphasis on Health, Safety and the Environment

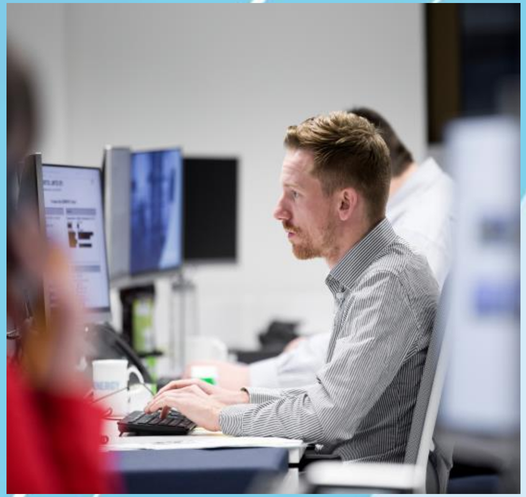
- Talented, motivated team in place and delivering results
- Focus on maximising economic recovery of oil & gas by reducing costs and remaining profitable at lower commodity prices
- Harness technology and creativity to extend life of fields and reduce carbon intensity
- Leverage Serica's position in the Bruce catchment area to increase utilisation of the Bruce facilities through infield investment, attracting third party business and exploration

Identify new growth opportunities by utilising our core attributes

- Positive market credentials of Serica
- Very strong balance sheet
- Enhanced operating capability
- Diversified asset base
- Good standing with regulatory authorities
- Significant scope for organic growth and further acquisitions

Summary

- Pre and post-tax profit reported for 2020
- Increased dividend of 3.5p per share to be recommended at 2021 AGM
- Significant reduction in carbon emissions and flaring during 2020
- Investment in three capital growth projects
    - R3 Intervention (ongoing)
    - Columbus development (ongoing)
    - North Eigg exploration well (2022)
- New CPR shows a significant reserves upgrade and further extension to BKR field life
- Serica's share of BKR net cash flow increases to 100% on 1 January 2022
- Well positioned to benefit from ongoing M&A activity
- Strong balance sheet, no debt, limited decommissioning liability



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APPENDIX

Major shareholders

	Number of Shares	% of issued Share Capital
AXA Framlington Investment Management	32,141,728	11.99%
GRG UK Oil LLC	32,113,403	11.98%
Mr D Hardy & Mrs D Hardy	28,391,271	10.60%
Canaccord Genuity Wealth Management	18,964,484	7.08%
BP Exploration Operating Company	13,500,000	5.04%
Hargreaves Lansdown Asset Management	10,836,965	4.04%
BlackRock	10,533,255	3.93%
Polar Capital	10,462,369	3.90%
Janus Henderson Investors	10,246,821	3.82%
Serica Energy plc Director & Related Holdings	8,194,580	3.06%

- Information correct as at 26 February 2021 except in cases where TR-1 notifications have subsequently been received
- As at 22 March 2021 the Company had 267,997,413 ordinary shares in issue of which 37.63% is not held in public hands
- The shareholdings shown are the latest notifications made to the Company by shareholders pursuant to the Disclosure Rules and Transparency Rules of the Financial Services Authority acting in its capacity as the UK Listing Authority
- Serica Energy plc holds no shares in treasury

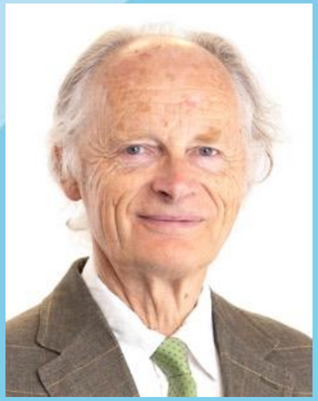
Our board

Tony Craven Walker
Executive Chairman

Mitch Flegg
Chief Executive

Kate Coppinger
Non-executive Director

Trevor Garlick
Non-executive Director



Neil Pike
Non-executive Director

Ian Vann
Non-executive Director

Malcolm Webb
Non-executive Director

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