SERICA ENERGY

2020 INTERIM RESULTS

Financial results for six months to 30 June 2020

10 September 2020

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2020: RESILIENT PERFORMANCE

Serica's strong balance sheet and robust hedging position combined with the structure of the BKR acquisitions has resulted in the Company reporting a mid-year profit before tax of £20.4 million (1H 2019: £51.9 million) and profit after provision for tax of £12.4 million (1H 2019: £30.0 million)

The first half of 2020 has been challenging due to:

- COVID-19 Pandemic
- Falling Commodity Prices
- Bruce Caisson Issue

The resulting reduction in production and realised prices has suppressed revenues. Serica has also invested significantly in its upcoming projects.

Despite all of this, our balance sheet remains strong and we end the first half of the year with the same amount of cash as at the start.

We remain in a strong position to continue the growth of the Company.

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1H 2020 FINANCIAL

Group Income Statement (six months to 30 June 2020)

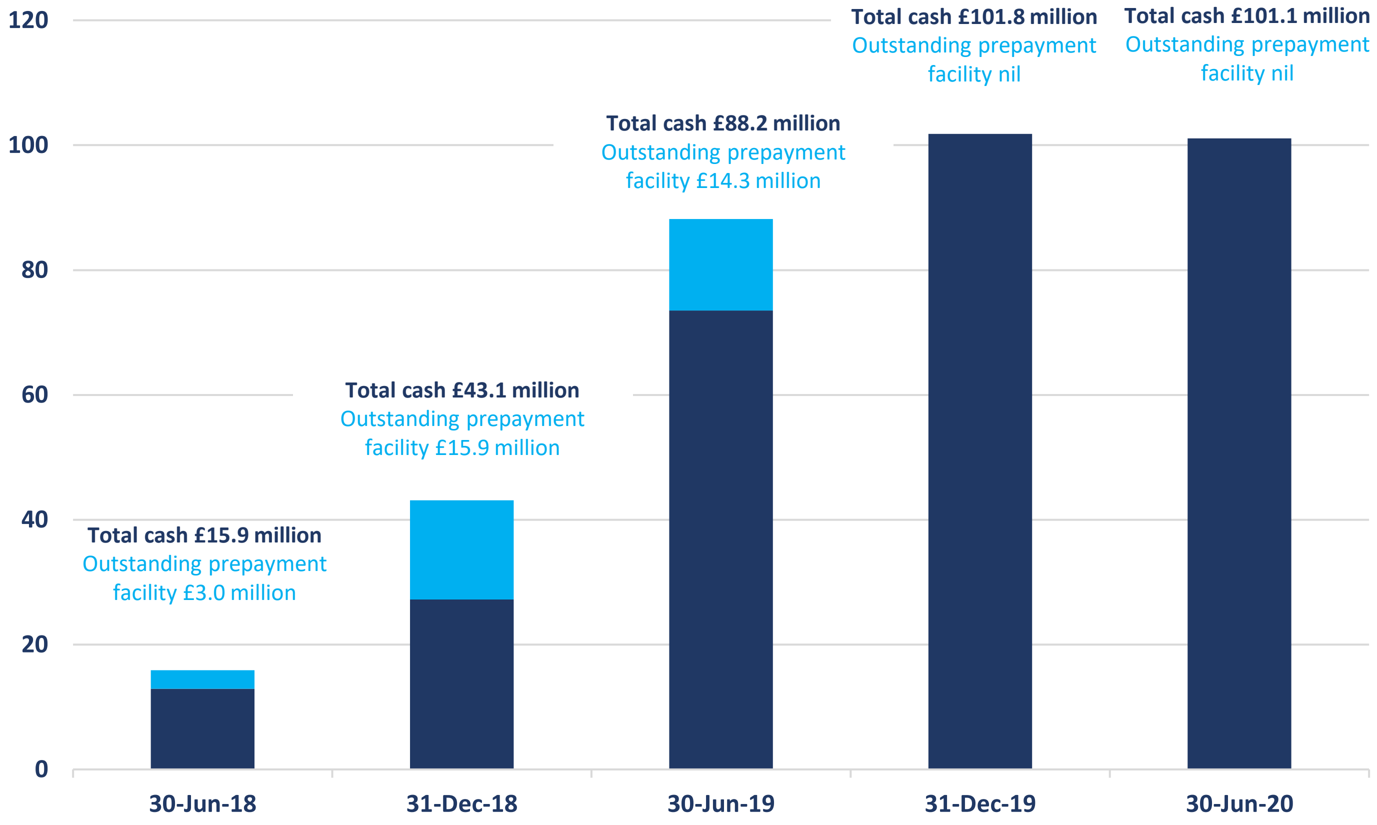
	Six months to 30 Jun 2020 (£000)	Six months to 30 Jun 2019 (£000)	Year Ended 31 Dec 2019 (£000)	Notes on 1H 2020
Revenue	45,953	146,375	250,533	Realised value of gas (52%), oil (38%) and NGLs (10%) sales at an average $15.20 per boe
Cost of sales	(65,720)	(93,941)	(164,748)	Operating costs (£46M), non-cash depletion (£19M) and oil stock adjustments (£1M)
GROSS (LOSS)/PROFIT	**(19,767)**	**52,434**	**85,785**	
Other income	8,347	3,230	10,618	Hedging gains - £11.6M realised less £3.3M movement in fair value calculations
Pre-licence, impairments, write-offs	(266)	(107)	(646)	Write-offs of relinquished licence costs
Administrative expenses	(2,844)	(2,992)	(5,963)	Retained corporate costs after allocations to operated activities
Foreign exchange gain/(loss)	2,514	591	(1,020)	Gains on value of US$ holdings from currency movements
Share-based payments	(652)	(650)	(1,094)	Non-cash allocations of costs of share incentives
OPERATING (LOSS)/PROFIT	**(12,668)**	**52,506**	**87,680**	
Change in fair value of BKR financial liability	32,979	-	21,771	Lower 1H actual and estimated remaining cash flow sharing payments – prices/volumes
Net finance revenue/(cost)	113	(576)	(681)	Discount unwind on decomm provision less interest earned
PROFIT BEFORE TAXATION	**20,424**	**51,390**	**108,770**	
Taxation charge for the period	(8,010)	(21,883)	(44,750)	Non-cash provision against future expected tax payments once losses have been utilised
PROFIT FOR THE PERIOD	**12,414**	**30,047**	**64,020**	
EARNINGS PER ORDINARY SHARE (p)	**5p**	**11p**	**24p**	

Group Balance Sheet at 30 June 2020

	30 Jun 2020 (£000)	30 Dec 2019 (£000)	30 Jun 2019 (£000)	Notes on 30 June 2020 Balance Sheet
Exploration & evaluation assets	4,009	3,652	3,367	Retained costs of exploration licences
Property, plant and equipment	313,171	325,404	337,825	Booked values of acquisitions net of depletion to-date, plus Columbus spend to-date
Total non-current assets	**317,180**	**329,056**	**341,192**	
Inventories	4,629	4,671	5,763	Materials and spares held for operations
Trade and other receivables	24,268	35,906	39,059	Outstanding sales and hedging settlements plus amounts due from JV partners
Derivative financial asset	3,572	6,880	2,616	Fair values of gas hedging instruments held at 30 June 2020
Cash, cash equivalents, term deposits	101,114	101,825	88,169	
Total current assets	**133,583**	**149,282**	**135,607**	
TOTAL ASSETS	**450,763**	**478,338**	**476,799**	
Current liabilities	(73,066)	(71,799)	(108,960)	General operational creditors plus estimated BKR payments to 30 June 2021
Non-current liabilities	(67,910)	(110,108)	(132,411)	Estimated remaining BKR amounts incl. balance of cash flow sharing plus decomm-related payments
Provisions and deferred tax	(106,657)	(98,421)	(65,097)	Provisions for direct decomm obligations (£23M) plus deferred tax (£84M)
NET ASSETS	**203,130**	**198,010**	**170,331**	
Share capital	181,465	181,385	180,322	No equity fundraising since 2013
Other reserve	18,470	17,818	17,374	
Accumulated funds/(deficit)	3,195	(1,193)	(27,365)	
TOTAL EQUITY	**203,130**	**198,010**	**170,331**	

Cash Position

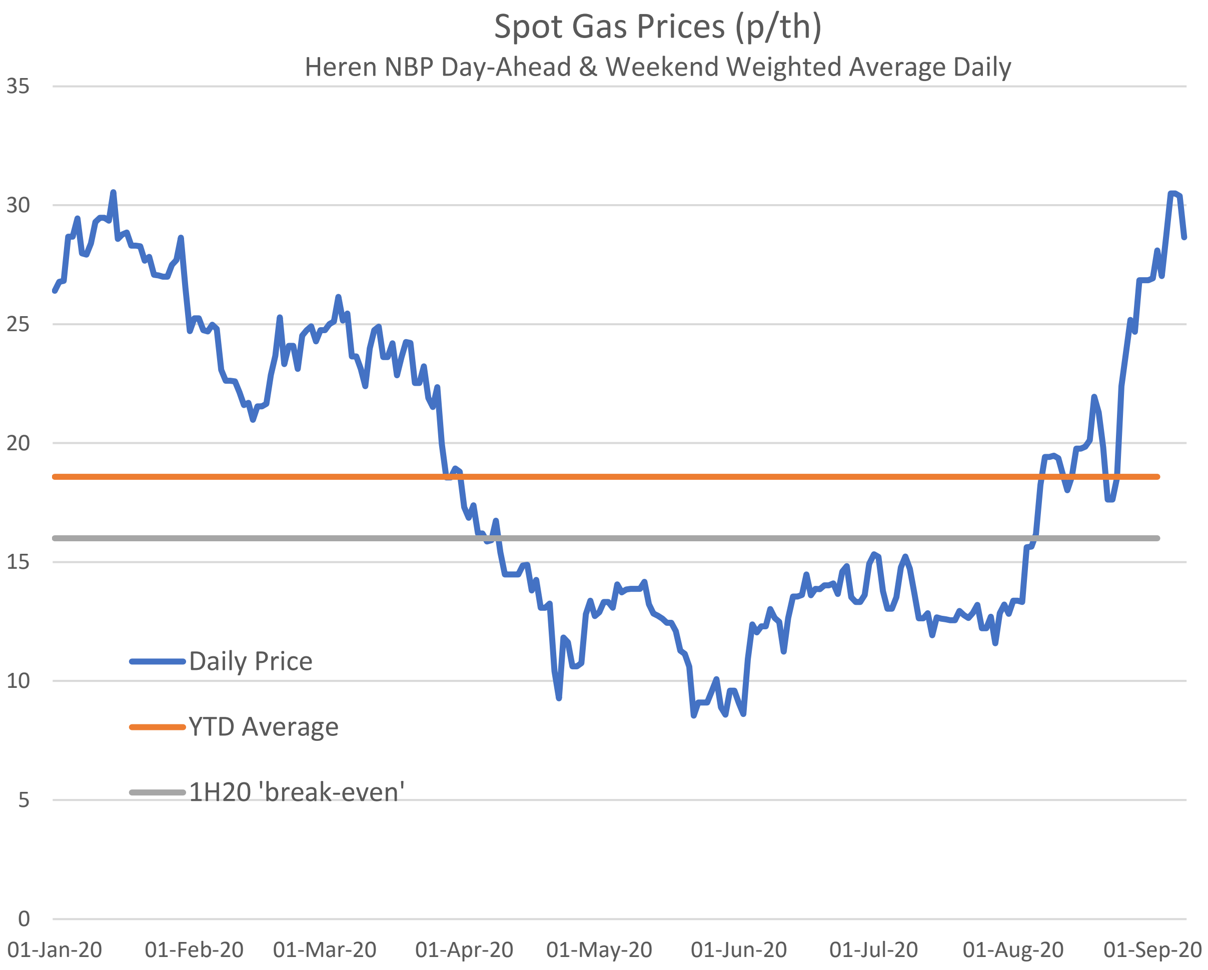
Cash, cash equivalents and term deposits / £ million



- 30 June 2020 cash, cash equivalents and term deposits totalled £101.1 million (this compares with £101.8 million of cash at 31 December 2019)
- During the first six months of 2020
  - £15.0 million of BKR liabilities were paid
  - Net capital expenditure (mainly Columbus and the Rhum R3 project) was £7.2 million
- As of 1 January 2020 Serica's share of BKR Net Cash Flow* increased to 60% from 50% in 2019.
- Serica's share was 40% in 2018, was 50% in 2019, is 60% in 2020, will be 60% in 2021 and 100% thereafter

* Net cash flow under the Net Cash Flow Sharing agreements with BP, Total E&P and BHP for the purchase of interests in Bruce, Keith and Rhum

Commodity Prices

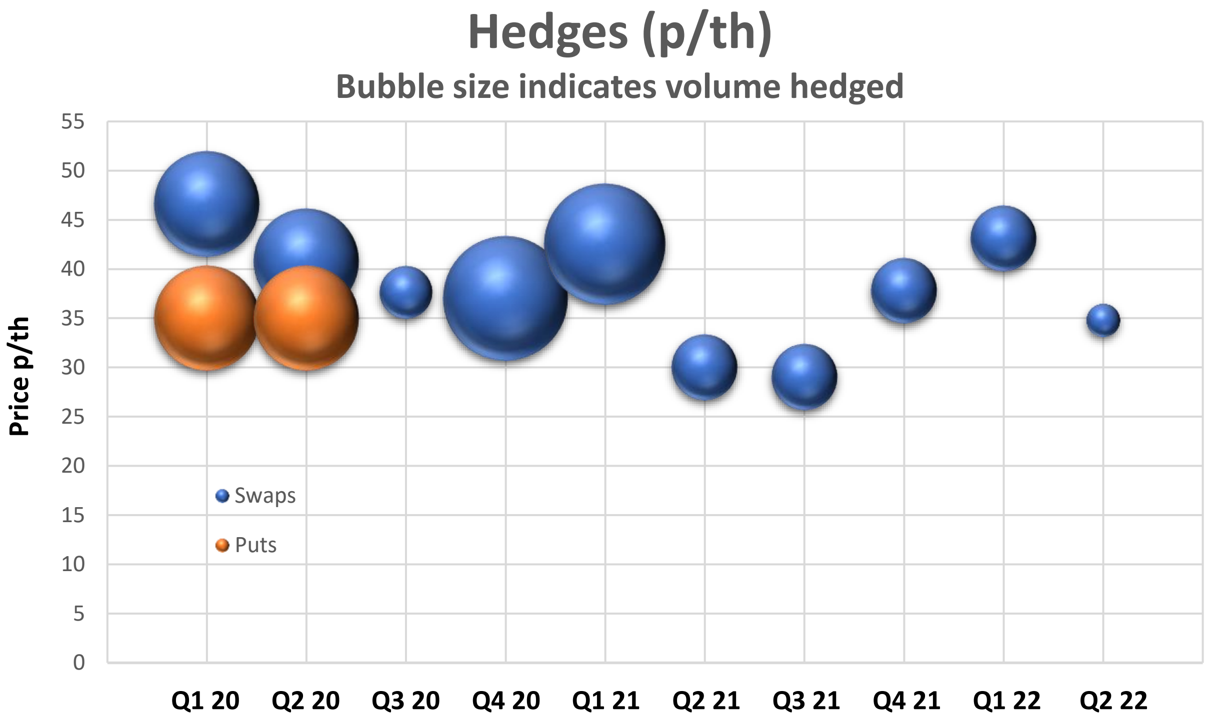


- Commodity prices have been depressed during 2020
- Serica's production is over 80% gas
- Serica's operating cost in 1H20 was $15.12/boe (FY 2019: $12.60/boe). The 1H20 figure has been impacted by the one-off reduction in production due to the Bruce caisson issue
- As an illustration, if oil prices are assumed to be $45/bbl then Serica needed to achieve an NBP gas price of 16p/th in order to realise an overall average price equivalent to the 1H20 operating cost of $15.12/boe
- This 'break-even' gas price is reduced further by Serica's gas hedges (see next slide)
- YTD average gas prices of >18p/th are higher than the 16p/th 'break-even' and 2H20 costs/boe are expected to be lower
- **Despite the unprecedented fall in oil and gas sales prices and the loss of 45 days of BKR production, sales revenues (excluding hedging gains) covered operating costs for the period**

Commodity Price Hedging

- In 1H20 Serica had gas price hedging in place covering approximately 50% of retained gas sales after adjustment for net cash flow sharing
- Actual hedging realisations for Jan to June were £11.7 million
- Serica has increased and extended its hedging position during 2020. At the end of August 2020 the total gas hedging position was as follows

	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	30.0	100,000		
Q3 21	29.0	100,000		
Q4 21	37.8	100,000		
Q1 22	43.1	100,000		
Q2 22	34.8	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

Maiden Dividend paid in July 2020

- 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 entered 2020 in an extremely robust financial position**
- Although 2020 has already presented a number of unexpected challenges (Bruce caisson issue, COVID-19 and commodity price fluctuations) Serica has demonstrated the resilience to overcome these issues and so the Board recommended the payment of a dividend at this year's AGM
- Serica remains in growth mode as it looks for new investment opportunities but this still leaves room for a measured distribution policy to reward shareholders for their continuing support
- **A dividend of 3p/share was approved at the AGM and paid in July 2020**
- The Board aims to maintain the best balance between growth, risk management and total shareholder return. If Serica's financial position remains favourable then it is the intention that a dividend will be paid annually

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1H 2020 PERFORMANCE

1H20 – Solid Performance in a Challenging Environment

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- A British-based independent upstream oil and gas company with operations centred on the UK North Sea with a full range of exploration, development and production assets
- Serica has no borrowings and limited decommissioning liabilities

NET PRODUCTION

21,600 boe/d

1H20 from Bruce, Keith, Rhum & Erskine
Impacted by 45 day BKR shutdown
(FY19: 30,000 boe/d)

GROSS OPERATED PRODUCTION

>29,250 boe/d

1H20 from Bruce, Keith & Rhum
Impacted by 45 day BKR shutdown
(FY19: 41,000 boe/d)

1H20 PROFIT

£20.4 million

Profit before taxation
(1H19: £51.9 million)

CASH

£101.1 million

Cash, cash equivalents and term deposits at 30 June 2020
(£101.8 million at 31 Dec 19)

1H20 Net Production

Bruce, Keith & Rhum

1H20: 19,200 boe/d
(FY 2019: 27,300 boe/d)

BKR production impacted by 45 day shut down for C18 caisson repairs

Adjusted net production for non-shutdown period is 25,500 boe/d

Erskine

1H20: 2,360 boe/d
(FY 2019 2,700 boe/d)

- BKR Production impacted by 45 day production shutdown for C18 caisson repairs
- Consequently, BKR production reliability was 68% - excluding the caisson outage it was 92% (1H19: 91%)

COVID-19

- Serica has experienced no interruption in production due to the COVID-19 outbreak
- The Bruce platform is responsible for around 5% of the UK's gas production and it is important to maintain this production
- As the UK depends on this gas to create the power needed to allow critical infrastructure to function, most of our offshore team are designated as 'key workers'

We continue to work with the government and industry bodies to protect our staff and ensure that all precautions are in place to make their working environment safe

Onshore

- Planning and delivering an effective home-working staff network with full IT support
- Efficient and secure team collaboration, data sharing, etc.

Offshore

- We have strict travel policies in place and have also reduced manning levels on the Bruce platform from over 130 to below 90 in order to:
  - Reduce the risk of an outbreak
  - Allow social distancing offshore
  - Provide isolation areas for suspected cases

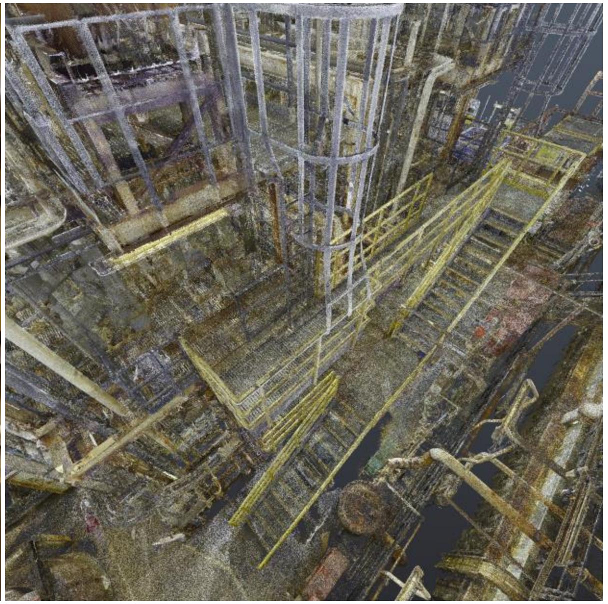
Focus on ESG

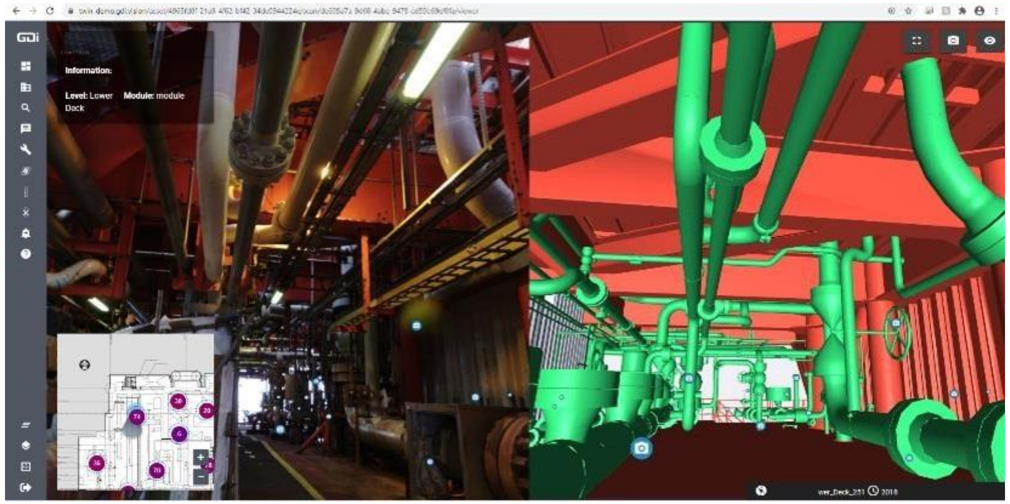
Emissions and Waste Reduction

- First North Sea operator to commit to Zero Waste to Landfill initiative
- Focus on reducing flaring through operating methods and equipment management
- Increased monitoring of emissions: well operations, supply vessels, helicopter flights etc
- Reduced packaging by using pods
- Logistics from Lerwick, Shetland – reducing fuel usage, using ferry service and helping local community
- Enhanced reporting transparency; aligning to UN Global Compact, SASB and GRI

COVID-19 – Catalyst for Innovation?

- The impact of COVID-19 has contributed to accelerating the uptake of new technology, for example the start of the Serica Bruce Digital Twin Project
- Point cloud laser survey and images are being captured from circa 4,000 different scan locations providing millimetre accurate laser scan data for our Operations and Engineering Team
- Immediate benefits:
  - Ability to fabricate from survey data and respond to emergent scopes/breakdowns
  - Minimise the need for future surveys
  - Provides asset visualisation and walkthroughs to support onshore planning
  - Reduction in offshore mobilisation requirements
  - Will support and supplement offshore integrity assessments
- Further plans for captured images to be used to assess external condition of pressure systems and structural components and identify potential defects
- This technology will enable onshore staff to better direct the offshore inspectors to areas of concern and complete detailed inspection assessments. This targeted, efficient approach will enable greater asset coverage and improve overall integrity management
- Future development of the Bruce digital twin will show component status, highlight identified defects and better visualise areas of potential cumulative risk





2020 Operating Costs

1H OPEX

$15.12/boe

1H20 operating costs (including production, processing, transportation and insurance) before non-cash depletion charges
Impacted by 45 day BKR shutdown

- In light of recent commodity price weakness, a thorough evaluation of operating costs has been undertaken
- Reductions in 2020 **absolute** operating costs of 10% have been identified and are being implemented
- Despite the additional costs associated with the Bruce caisson repairs it has been possible to identify significant cost savings associated with ongoing operations
- However, when expressed in $/boe, operating costs have risen in 1H20 due to the reduction in production caused by the shut down for Bruce caisson repairs. This does not reflect an increase in the underlying trend

2020 Capital Expenditure

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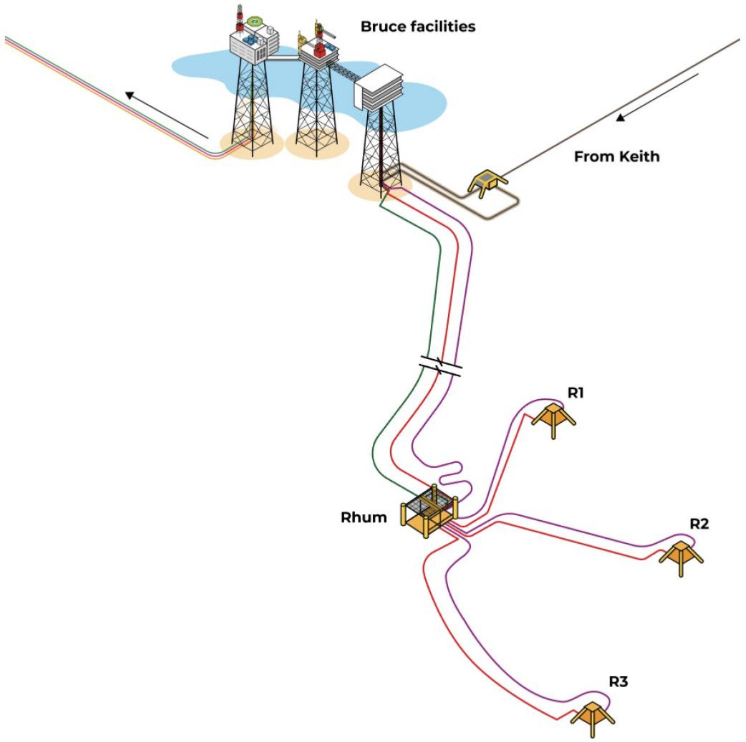
1H CAPEX

£7.2 million

1H20 net capital expenditure invested (mainly Columbus and the Rhum R3 project)

- As previously announced, whilst the Columbus partners remain committed to the project, the drilling of the Columbus development well has been deferred to 2021 due to a COVID-19 related delay which has affected the timing of the necessary modifications to the Shearwater production facilities. This will defer approximately £11.5 million of net CAPEX from 2020 to 2021
- A drilling rig has been contracted for the R3 intervention project (where Serica's net 2020 share of CAPEX is estimated at £11 million) and operations are expected to commence in Q4 this year

The Rhum Field (Serica 50%) - Summary



- Rhum produced over 13,700 boe/d (net) from only two wells in 2019
- A third well (R3) was drilled when the field was originally developed but was not put into production due to mechanical problems with equipment in the well
- Serica is working on a project to bring R3 into production for the first time, with the aim of increasing production and overall recovery from the Rhum reservoir
- Serica has contracted Awilco Drilling's WilPhoenix semisubmersible to perform the work
- It is expected that operations will commence in Q4 2020 and last approximately 70 days

Columbus (Serica 50%) - Operated Development Project

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- Columbus will be drained by a single subsea well, which will be connected to the Arran-Shearwater pipeline, through which Columbus production will be exported along with Arran field production
- At Shearwater the production will be separated into gas and liquids and exported to St Fergus and Cruden Bay respectively
- Columbus timing is dependent on the availability of the production facilities on the Shearwater platform. Due to the COVID-19 related delay in the development of the Arran field and modifications of the Shearwater facilities, the start-up of the Columbus field is now expected to be in late 2021

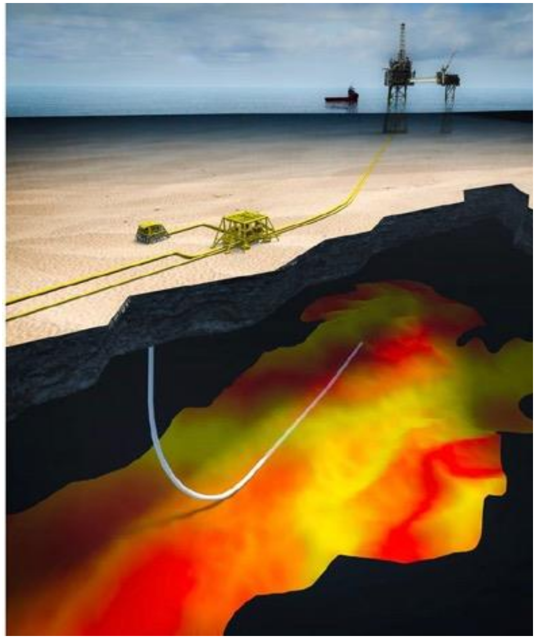
Key Milestones

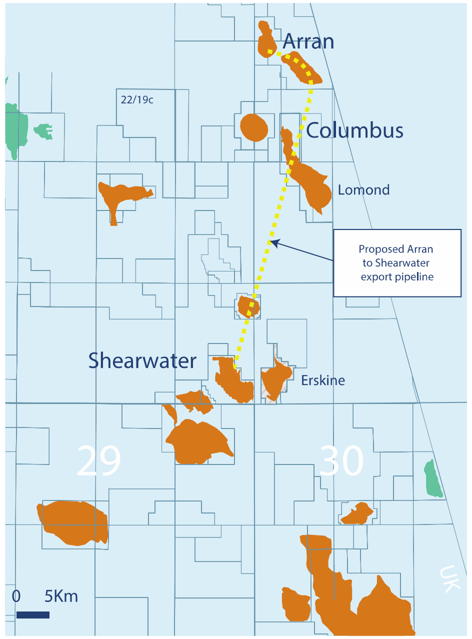
Achieved:

- **Oct 18: Field Development Plan approved**
- **Dec 18:First major contracts placed**
- **Jun 19:Major long-lead items ordered**
- **Oct 19: Rig contract signed (Maersk Jack-Up rig)**

Target Date:

- **1H 21: Drill development well**
- **Late 21: First production**



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MOVING FORWARD

Diversified portfolio with low decommissioning liability

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

Increased share of Net Cash Flow in 2020 and beyond

- **Serica's share of BKR Net Cash Flow increased by one-fifth at 1 Jan 2020.** 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

Balance sheet strength

- **Serica has no borrowings** (having paid off the small pre-payment facility with BP) and has a decreasing cost profile and substantial cash reserves. This provides the flexibility to pursue growth opportunities and introduce a dividend policy in 2020

Benefitting from historic tax losses

- Serica is still benefitting from the shelter provided by historic tax losses. These losses stood at £40 million at 31-Dec-19 and are expected to **provide cover for 2020 and into 2021**

Corporate Activity

- We continue to seek new acquisition opportunities to add further value by building on operating efficiencies, reducing cost, exploiting synergies and managing risk
- We have continued to make proposals in a number of acquisition processes but we were unable to justify offers which met the counterparties' expectations in terms of price and risk
- In the current crisis facing the industry we feel our caution in this respect has been beneficial and has had the effect of strengthening the Company's position
- Our business model looks more to combining corporate capabilities and strengths with others to add value, blending Serica's low cost base, flexibility and operating capabilities with assets which no longer fit the objectives of others

- Our operating expertise is Central & Northern North Sea based and, coupled with potential tax synergies, this means that the search for new opportunities is focused primarily on the UKCS
- 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 multi-skilled operating team to add value to assets that no longer fit the objectives of the current owners
- We are primarily concentrating on production and near-term production opportunities but we aim to expand the portfolio at all stages – exploration, appraisal and development

Continuing Strategy to Deliver Growth

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

- 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

"Although we are prepared for further market volatility, we expect oil and gas demand to recover as economies emerge from lock-down. With our strong cash balances, no debt, full-lifecycle operational capability and capacity to grow, Serica is well-positioned to play a leading role in the industry recovery.

We will continue to increase our focus on ESG issues, in particular our efforts to reduce the carbon intensity of production. We see material benefits for shareholders and other stakeholders as we continue to maximise production and reduce costs in order to generate increased value from our existing assets whilst simultaneously using our strong position to identify growth opportunities for the Company."

Mitch Flegg

CEO

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APPENDIX

Major Shareholders

As at 28 August 2020	Number of Shares	% of issued Share Capital
GRG UK Oil LLC	45,931,155	17.16%
AXA Framlington Investment Management	29,388,440	10.98%
Mr David Hardy	28,656,414	10.71%
Canaccord Genuity Wealth Management	19,000,000	7.10%
BP Exploration Operating Company	13,500,000	5.04%
Hargreaves Lansdown Asset Management	10,334,536	3.86%
Polar Capital	9,846,354	3.68%
Janus Henderson Investors	9,530,268	3.56%
Serica Energy plc Director & Related Holdings	8,194,580	3.06%

- Information correct as at 28 August 2020
- As at 13 August 2020 the Company had 267,609,587 ordinary shares in issue of which 41.92% 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

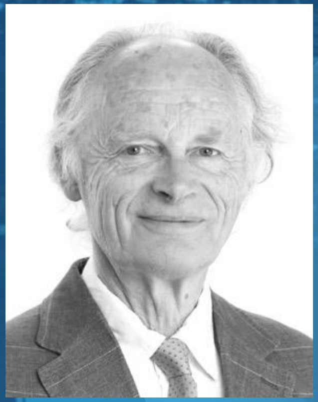
Our Board

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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