



ENQUEST PLC, 19 August 2015. Results for the 6 months ended 30 June 2015*

Strong production growth of 17%, to 29,665 Boepd

Highlights

- Production averaged 29,665 Boepd, up 17.3%, on H1 2014, reflecting a strong operational performance and continued high levels of production efficiency. EnQuest’s Malaysian assets contributed 7,777 Boepd.
- 2015 full year guidance is maintained at an average of between 33,000 Boepd and 36,000 Boepd, including first production from Alma/Galia.
- Revenue of \$444.0 million and EBITDA** of \$226.7 million reflected the decline in the oil price, partially offset by the positive impact of the hedging programme.
- Alma/Galia: Commissioning of subsea and topside systems is largely complete, with first oil expected within a few weeks.
- Kraken: The project continues to be on budget and on schedule for first oil in 2017. Batch drilling of the top-holes at the first drill centre has been completed. The Floating Production, Storage and Offloading vessel (‘FPSO’) continues to be on track for delivery in 2016.
- The programme of cost reduction initiatives continues and is on track for unit opex of an average of c.\$38/bbl in 2015, and average unit opex in the low \$30s/bbl is now anticipated in 2016.

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

EnQuest CEO Amjad Bseisu said:

“EnQuest has responded well to the lower oil price environment, delivering a strong performance driven by production gains and cost reductions, both core areas of expertise, and by a well executed hedging programme. EnQuest now anticipates that 2016 full year unit opex will be in the low \$30s/bbl.

“EnQuest achieved continuing high levels of operating efficiency in the North Sea and a good production performance in Malaysia, with PM8/Seligi’s first H1 contribution. Our two major developments are progressing well and we expect first oil from Alma/Galia within a few weeks.

“EnQuest delivered an H1 2015 EBITDA of \$226.7 million, approximately 20% lower than in H1 2014; a strong performance, given the almost 50% drop in the oil price.

“As the current capital programme reduces over the next two years and EnQuest benefits from lower cost operations and higher production, we expect to move into positive free cashflow at prevailing oil prices.”

Summary production statistics and key financials	H1 2015	H1 2014	Change %
Production (Boepd)	29,665	25,292	17.3
Total revenue (\$m)	444.0	503.8	(11.9)
Realised oil price \$/bbl	77.5***	110.0	(29.5)
Gross profit (\$m)	108.4	164.3	(34.0)
Profit/(loss) before tax & net finance costs (\$m)	99.1	149.4	(33.7)
EBITDA ** (\$m)	226.7	284.0	(20.2)

Cash generated from operations (\$m)	83.3	318.2	(73.8)
Reported basic earnings per share (cents)	12.8	7.9	62.0
	End H1 2015	End 2014	
Net (debt)/cash ^{****} (\$m)	(1,281.7)	(932.8)	37.4

^{**}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 unrealised hedging losses. ^{***} \$77.5 is the realised oil price including realised revenue of \$99.1 million associated with EnQuest's effective oil price hedges. ^{****} Net (debt)/cash represents cash and cash equivalents less borrowings as per the balance sheet.

Summary H1 2015 performance and outlook

In 2015, EnQuest has performed well year to date; production efficiency for the North Sea has again been strong and the focus on operational efficiencies in PM8/Seligi has delivered good production levels.

In H2 2015, Alma/Galia production is scheduled to increase progressively as successive wells are brought onstream and the Kraken development remains on track with the vessel and drilling making good progress.

Production guidance: Average production guidance for the full year 2015 is maintained between 33,000 Boepd and 36,000 Boepd, with the second half of the year reflecting production from Alma/Galia and also increased production from GKA and Thistle/Deveron in particular.

Drilling programme: Following the drilling of the Galia and Ythan production wells and one production well on Thistle in H1, the second half of the year includes three Thistle production wells, the Alma water injector and the Gadwall sidetrack. The new rig for the Kraken development is making good progress on its initial drilling programme. Following the completion of the Gadwall sidetrack, the Stena Spey drilling rig will complete the Alma water injection well before breaking for the winter, recommencing in Q1 2016.

Capital expenditure: The full year 2015 cash capital expenditure on work done during this year is expected to be approximately \$600 million, as per previous guidance. Capex reductions and deferrals have been achieved both from development projects and from existing fields.

Operating expenditure: With H1 2015 unit operating costs of \$39.0 per barrel compared to \$45.9 per barrel in H1 2014, EnQuest is on track to deliver its targeted full year unit operating cost reduction of approximately 10% over full year 2014, to c.\$38/bbl. Cost reductions are being achieved through substantial direct cost savings and also through the addition of lower cost barrels coming onstream from our successful drilling programme. The more cost efficient equal time rota for offshore staff has now been implemented at Thistle, the Dons, Heather/Broom and GKA; this reduces fixed personnel costs and associated logistics costs, such as helicopters. Transportation costs have also decreased to \$7.6 per barrel in H1 2015 from \$10.5 per barrel in H1 2014, reflecting lower Sullom Voe Terminal ('SVT') costs.

Further cost savings continue to be targeted across the business, through the supply chain and by improving efficiencies in operations.

Tax: In the current oil price environment, EnQuest does not anticipate paying material UK cash tax before 2025.

Norwegian assets: As part of its investment prioritisation programme, EnQuest has agreed to sell its interests in the Norwegian North Sea.

Summary financial review of H1 2015:

- EBITDA was \$226.7 million. Net debt was \$1,281.7 million, after cash capital investment of \$404.3 million on EnQuest's capital expenditure programme, in particular this outflow included \$95 million invested on the Alma/Galia development and \$100 million on the Kraken development, with \$117 million invested in EnQuest's existing UK producing fields.
- H1 2015 revenue decreased by \$59.8 million to \$444.0 million compared to H1 2014. The decrease relates principally to the material reduction in the realised oil price. The Group's blended average realised price of oil sold, including hedging gains, was \$77.5 per barrel in H1 2015, compared to \$109.98 per barrel in H1 2014.
- Gross profit was \$108.4 million, down \$55.9 million on H1 2014 due to the \$59.8 million decrease in revenue. Unit operating cost per barrel declined with cost of sales remaining flat on increased levels of production. Transportation costs reduced from \$10.5 per barrel to \$7.6 per barrel, reflecting lower SVT costs. North Sea lifting costs were reduced by \$13.2 million relating to ongoing cost reduction initiatives.
- Profit after tax and net finance costs was down from \$77.2 million to \$33.8 million, reflecting increased finance costs, partially offset by a \$22.4 million tax credit.

- In H1 2015, EnQuest successfully negotiated a relaxation of covenants to its revolving credit facility. The financial covenants of the retail bond were subsequently made consistent with the amended covenants in the revolving credit facility.

Production and development summary and outlook by asset:

Production on a working interest basis	Net daily average	
	H1 2015	H1 2014
	(Boepd)	(Boepd)
Thistle/Deveron	7,690	9,281
Dons area	6,419	9,789
Heather/Broom	3,615	4,041
Kittiwake	2,915	905 ⁽¹⁾
Alba	1,249	1,276
Total UKCS	21,888	25,292
PM8/Seligi (Malaysia)	7,777	-
Total EnQuest	29,665	25,292

¹ Net production since the completion of the acquisition at the start of Mar' 2014, averaged over the six months to the end of June 2014

UK North Sea

Thistle/Deveron, the Dons/Ythan and Heather/Broom all successfully completed the planned maintenance shutdown which were aligned with the SVT shutdown for approximately three weeks in June.

Thistle/Deveron

- Drilling recommenced at Thistle in 2015, with the drilling of the A61 well which came onstream in May and which has been performing well. An additional production well A62/53 has been drilled and was placed on production in August. An ESP workover on well A59 is also due to be completed in Q3, allowing this well to be reinstated to production. The production decline year on year is mainly a result of the planned maintenance shutdown in June as well as the presence of sand in separators which restricted production and which has now been cleaned out. Production efficiency pre-shutdown was over 90%.
- In H2 2015, the ongoing Thistle/Deveron work programme now includes a further two additional production wells, one to be drilled on Deveron and a crestal well in the Western Fault Block. Progress continues to be made on our field life extension project with further systems being successfully commissioned during the recent planned shutdown.

Dons area

- The new Ythan production well was completed in April and tied in and brought online in late May 2015 at levels ahead of expectations. Pre-shutdown production efficiency was strong, at over 90%, with high levels of water injection efficiency supporting production. Overall H1 2015 production at the Dons/Ythan was down year on year due partly to the maintenance shutdown in June and to the operational shut-in of the W4 well in January and February due to scale build up, before it was brought back online later in February.
- Further Dons drilling options continue to be reviewed to mitigate the natural overall decline in production from these fields. Decisions on further drilling in Ythan will be based on analysis of dynamic field performance.

Heather/Broom

- The Heather H66 production well was brought onstream in March with encouraging results, completing the latest redevelopment drilling programme on Heather. Water injection was reinstated to the Broom field as planned in Q2 2015, following replacement of a flowline. Overall production in H1 2015 was down year on year, reflecting the water injection outage on Broom and also due to the planned maintenance shutdown programme in June 2015. High levels of operational uptime have been achieved, with pre-shutdown production efficiency of over 90%. No further drilling is planned on Heather/Broom in 2015.

Greater Kittiwake Area ('GKA')

- In H1 2015, GKA saw continual improvement in production efficiency with 87% YTD. The redundant Gadwall production well was successfully sidetracked to an updip location and was brought onstream on schedule in August with encouraging results. A successful chemical treatment has also been undertaken on Goosander raising production levels substantially from the field. The planned three week GKA maintenance shutdown takes place in Q3 2015.

Alma/Galia

- In H1 2015, the FPSO vessel left the yard in Newcastle, successfully completed marine performance trials and was towed out to the field, where it was securely moored. It was first made 'storm safe' and then all the remaining anchor chains were installed. All the risers were then pulled in and the ship was able to weathervane. The subsea equipment was successfully function tested from the vessel via the umbilicals. Commissioning of first oil systems is nearing completion and first oil is anticipated within a few weeks. The Galia production well has also been completed and tied into the production manifold.
- Six wells are available to be brought onstream in H2 in a phased sequence. Power systems will also be ramped up in a phased manner through Q3/Q4 and we anticipate the need for a planned field shutdown to complete commissioning of the steam turbine generators. EnQuest should achieve optimised production before the end of the year. Completion of the water injector WI1 is scheduled in Q3.

Kraken

- The Kraken project is progressing well, on budget and on schedule.
- The fixed pipelines for the first two drill centres have been installed on the seabed. Installation of the mooring system for the FPSO also started in the first half.
- The Kraken FPSO vessel is at the shipyard in Singapore and the conversion programme is continuing on plan. Equipment procurement and fabrication of the modules is in progress. The turret/mooring buoy has been manufactured and is being transported to the field from SE Asia.
- In H2 2015, following the completion of the Kraken batch top-hole drilling programme at DC1, the drilling rig is progressing with the pre-drilling of individual wells into the reservoir. As indicated by our Geotechnical probe in Q1 of this year, drilling conditions have been good with no difficulties experience so far. Procurement, manufacture and installation continues in relation to the next phases of wells, subsea infrastructure and the FPSO.
- The drilling of an appraisal well in Kraken West in Q1 2015 confirmed the presence of oil, with potential for upside. Further evaluation is ongoing.

Malaysia

PM8/Seligi

- EnQuest assumed offshore field operations in October 2014, and the overall transition completed in December 2014, with strong production from the fields. The PM8/Seligi asset has delivered strong production performance due to improved production efficiency resulting from work that has been undertaken after assuming operatorship. The 2015 PM8/Seligi work programme is focused on well interventions activities and improvements to the field infrastructure, including work on gas compressors, pipelines and generators. Well intervention and rectification is proving successful, resulting in production improvements.
- EnQuest will continue to enhance production through, increasing facilities uptime, idle well rectifications and interventions and facilities improvement upgrades. The subsurface programme is also being developed.

Tanjong Baram

- Tanjong Baram has been developed as an unmanned platform with production tied back to the Petronas Carigali operated West Lutong A complex.
- First production from the Tanjong Baram field was achieved on schedule in June 2015. The host requested changes to the receiving vessel to accommodate higher volumes of liquids in the associated gas, this required the field to be shutdown in the meantime. Following the implementation of these facilities modifications, restart of production is anticipated soon.

Ends

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Presentation to Analysts and Investors

A presentation to analysts and investors will be held at 09:30 today. The presentation and Q&A will also be accessible via an audio webcast – available from the investor relations section of the EnQuest website at www.enquest.com. A conference call facility will also be available at 09:30 on the following numbers:

Conference call details:	
UK:	+44(0)20 3427 1904
USA:	+1646 254 3362
Confirmation Code:	EnQuest

Notes to editors

EnQuest is the largest UK independent producer in the UK North Sea. EnQuest PLC trades on both the London Stock Exchange and the NASDAQ OMX Stockholm. Its operated assets include the Thistle/Deveron, Heather/ Broom, Dons area and the Greater Kittiwake Area, also the Alma/Galia and the Kraken developments; EnQuest also has an interest in the non-operated Alba producing oil field. EnQuest had 36 UK production licences at the end of H1 2015, covering 50 blocks or part blocks, and was the operator of 30 of these licences.

EnQuest believes that the UKCS represents a significant hydrocarbon basin in a low risk region, which continues to benefit from an extensive installed infrastructure base and skilled labour. EnQuest believes that its assets offer material organic growth opportunities, driven by exploitation of current infrastructure on the UKCS and the development of low risk near field opportunities.

EnQuest is replicating its model in the UKCS by targeting previously underdeveloped assets in a small number of other maturing regions; complementing our operations and utilising our deep skills in the UK North Sea. In which context, EnQuest has interests in Malaysia where its operated assets include the PM8/Seligi Production Sharing Contract ('PSC') and the Tanjong Baram development.

Forward looking statements: This announcement may contain certain forward-looking statements with respect to EnQuest's expectation and plans, strategy, management's objectives, future performance, production, reserves, costs, revenues and other trend information. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. The statements have been made with reference to forecast price changes, economic conditions and the current regulatory environment. Nothing in this presentation should be construed as a profit forecast. Past share performance cannot be relied on as a guide to future performance.

FINANCIAL REVIEW

EnQuest has delivered a good financial performance in the first half of 2015 within the current environment. EBITDA was \$226.7 million pre-exceptional items and fair value adjustments (2014: \$284.0 million) and net borrowing increased to \$1,281.7 million at 30 June 2015 (31 December 2014: \$932.8 million). The net increase of \$348.9 million is due to the material decline in the realised oil price and the development capital expenditure programme being undertaken by the Group.

UK corporate tax losses at the end of the half year increased to approximately \$2,288.8 million, primarily as a result of the investment in Alma/Galia and Kraken developments. In the current environment, no material corporation tax or supplementary charge cash tax is expected to be paid on UK operational activities before 2025. The Group is paying cash corporate income tax on assets acquired in Malaysia which will continue throughout the life of the PSC.

Production and revenue

Production levels, on a working interest basis averaged 29,665 boepd in the first half of 2015 compared with 25,292 boepd in the first half of 2014. The increase is driven by the contribution from EnQuest's Malaysian production of 7,777 boepd and an increase in production from GKA relating to the asset producing for the full first half of 2015 and the Mallard well coming on line. This is partially offset by the planned shut-downs at Thistle, Heather and the Dons as well as expected natural declines.

The Group's blended average realised price per barrel of oil sold was \$77.5, including \$34.5 million of gains realised on our effective oil price hedges, and \$64.6 million of gains recognised in the first half of 2015 in respect of 2015 oil hedges closed during 2014. This compares with \$109.98 per barrel in the first half of 2014. Increased production partially offsets the decline in the realised oil price and resulted in a decrease in revenue of \$59.8 million to \$444.0 million in the six months ended 30 June 2015 compared with the same period in the prior year.

In addition to the \$99.1 million of realised revenue associated with the Group's effective oil price hedges, optimisation of oil commodity options and swaps generated a further \$47.5 million of realised revenue. This includes a total of \$55.4 million of realised option premium. A total unrealised loss of \$29.1 million was recognised as an exceptional item in respect of the unrealised mark to market loss on the Group's commodity contracts.

Operating costs

Cost of sales pre-exceptional items and fair value adjustments for the Group are summarised below:

	H1 2015	H1 2014
Cost of sales (\$ million)	335.6	339.5
Unit operating cost, adjusted for over-lift/under-lift and inventory movements (\$ per boe):		
Production & transportation costs:		
Transportation	7.6	10.5
Production	31.4	35.4
Total	39.0	45.9
Depletion of oil & gas properties	24.0	26.6
Total operating cost per barrel	63.0	72.5

Gross profit pre-exceptional items and fair value adjustments was \$108.4 million (2014: \$164.3 million). The decrease in gross profit of \$55.9 million is due to the decrease in revenue of \$59.8 million. Unit operating cost per barrel declined with cost of sales remaining flat on increased levels of production. Transportation costs reduced from \$10.5/bbl to \$7.6/bbl (excluding a small credit in respect of the prior year) which related to lower Sullom Voe Terminal (SVT) costs. North Sea lifting costs reduced by \$13.2 million relating to the ongoing cost reduction initiatives. Malaysian lifting and tariff costs were \$20.9 million, although these are anticipated to increase in the second half with various maintenance processes to be carried out.

Exploration and evaluation expenses

There are no exploration and evaluation expenses for the six months to 30 June 2015 (2014: \$2.2 million).

General and administrative expenses

General and administrative expenditure (G&A) for the six months to 30 June 2015 was \$5.2 million compared with \$3.7 million of expenditure in the same period last year. The expenses primarily relate to the Group's general management and business development expenses after recharges to joint venture partners.

Other expenses

Other expenses, which relate to foreign exchange, for the six months to 30 June 2015 were \$4.1m compared with \$9.1 million in the same period last year. The decrease in foreign exchange losses is due to a smaller movement in the exchange rate year on year with respect to the retail bond and bank loans, partly offset by foreign exchange gains on other non USD denominated working capital balances.

Finance costs

Finance costs of \$88.2 million (2014: \$31.0 million) include \$31.5 million of bond and loan interest payable, \$12.3 million relating to the unwinding of provisions and \$34.0 million relating to the amortisation of the premium paid on put options designated as effective oil price hedges. Other financial expenses of \$10.4 million are primarily commitment and letter of credit fees of \$6.5 million as well as arrangement fee amortisation relating to the bank facilities, property and bonds of \$3.5 million.

Finance income

Finance income of \$0.5 million (2014: \$1.2 million) includes bank interest received \$0.1 million and \$0.3 million unwinding on the financial asset created in 2012 as part of the consideration for the farm out of the Alma/Galia development to KUFPEC.

Taxation

The income tax credit pre-exceptional items of \$22.4 million for the first half of the year (2014: \$42.6 million tax charge) reflects the expected full year effective tax rate on operational activity. The tax credit in 2015 is due to continued capital investment and a material increase in Ring Fence Expenditure Supplement (RFES), partly offset by Petroleum Revenue Tax and finance costs relieved at the mainstream tax rate.

Exceptional items and depletion of fair value uplift

Exceptional losses totalling \$46.0 million before tax have been disclosed separately in the half year ended 30 June 2015. These include \$29.1 million of costs relating to the unrealised mark-to-market losses on derivatives, impairment of property \$5.9 million, impairment and write off of exploration and evaluation assets \$4.8 million and \$4.2 million relating to the write down of the PA Resources receivable following EnQuest exiting Tunisia. The tax impact of the above exceptional items is a tax credit of \$19.0 million.

A one-off deferred tax adjustment of \$92.5 million in respect of the recently enacted decrease in the supplementary charge on UK oil and gas production to 20%, with effect from 1 January 2015, and decrease in the Petroleum Revenue Tax rate to 35%, with effect from 1 January 2016, has been reported as an exceptional item in the period.

Cash flow, capital investment and liquidity

Cash generated from operations has decreased to \$83.3 million (2014: \$318.2 million) mainly as a result of the decrease in the oil price, increased interest costs and working capital movements. Investment in property, plant and equipment in the period was \$386.3 million (2014: \$444.3 million). This relates to expenditure on a number of key areas which include, the final re-fit of the FPSO and related expenditure on the Alma/Galia development, the installation of the FPSO mooring system, drilling activity and the installation of subsea hardware on the Kraken development, drilling activity and the life extension project on Thistle and the development of the Ythan JT well.

At 30 June 2015 the Group had a total available bank facility of \$1,137.0 million of which \$5 million was utilised for letter of credit.

Balance sheet

The Group's total asset value has increased by \$456.0 million since 31 December 2014 to \$4,715.2 million as at 30 June 2015.

Property, plant and equipment increased to \$3,550.5 million as at 30 June 2015 from \$3,279.7 million at 31 December 2014. The increase of \$270.8 million is mainly due to oil and gas asset additions of \$425.6 million offset by depletion, depreciation and the transfer of the Aberdeen property costs of \$71.6 million to assets held for sale. The additions relate to the Alma/Galia development, the Kraken FPSO Subsea Production system, the Ythan JT well and the Thistle life extension project and drilling activity.

Intangible oil and gas assets have increased to \$79.2 million as at 30 June 2015 from \$65.7 million at 31 December 2014. The increase relates to exploration work on the Kraken Tyrone well.

The Group's net borrowing position of \$1,281.7 million as at 30 June 2015 compares to a net borrowing position of \$932.8 million at 31 December 2014. The increase in borrowings since December 2014 is due to the decline in revenue which is driven by the realised oil price and the significant capital expenditure programme being undertaken by the Group. Unamortised fees of \$32.3 million are netted against net debt.

The Group's deferred tax liability (net of deferred tax asset) has decreased by \$206.8 million since 31 December 2014 to \$269.5 million as at 30 June 2015. The decrease is due to accelerated capital allowances arising on the Group's capital investment programme and a one-off exceptional reduction due to tax rate changes enacted in March 2015, offset by an increase in tax losses. UK tax losses carried forward at the half year amounted to \$2,288.8 million.

Trade and other payables have increased by \$86.1 million compared with 31 December 2014, to \$515.2 million at 30 June 2015. This is mainly due to an increase in activity on Kraken and Alma/Galia. Trade and other receivables have decreased by \$21.4 million to \$264.8 million at 30 June 2015 due to an increase in JV debtors offset by a decrease in trade receivables and prepaid expenses.

Provisions have increased by \$22.7 million to \$742.4 million relating mainly to decommissioning. The North Sea decommissioning provision has increased by \$21.9 million. The main reasons for the increase relate to the Alma/Galia provision which has increased to reflect the current status of the project and a provision has been created for Kraken to account for the subsea infrastructure that is currently in place.

Financial risk management

Oil price

The Group is exposed to the impact of changes in Brent crude oil prices on its revenue and profits. EnQuest's policy is to manage the impact of commodity prices and during 2014 the Company entered into commodity hedging contracts to hedge partially the exposure to fluctuations in the Brent oil price during 2015. The Group has actively managed this hedge portfolio during 2015.

During July 2015 the Group sold put options with a strike price of \$65/bbl over approximately 4 million barrels for the remainder of 2015, realising \$31.4m. Additionally, the Group closed put options which were hedging 2 million barrels of 2016 production, realising \$16.8 million in cash, and replaced these with oil swap contracts to sell 2 million barrels in 2016 at a fixed price of \$65/bbl. The current 2016 hedging position of put options over 8mmbbls with an average strike price of \$68/bbl remains in place.

In addition to the realised gains and losses on these contracts, the Group's business performance results will be impacted by the amortisation of option premium over the life of these options. Amortisation of premium in respect of bought put options designated as effective hedges are recognised in finance costs, whilst the amortisation of all other option premium is recognised in revenue. The current hedging position will result in the realisation of \$56.1 million of revenue and \$35.6 million of finance costs in the second half of 2015, and a further \$24.2 million of revenue and \$36.4 million of finance costs throughout 2016.

Foreign exchange

EnQuest's functional currency is US Dollars. Foreign currency risk arises on purchases and the translation of assets and liabilities denominated in currencies other than US Dollars. To mitigate the risks of large fluctuations in the currency markets, the hedging policy agreed by the Board allows for up to 70% of the non-US Dollar portion of the Group's annual capital budget and operating expenditure to be hedged. For specific contracted capital expenditure projects, up to 100% can be hedged. The Group has hedged its exposures to Sterling, Norwegian Kroner and the Euro in line with this policy.

EnQuest PLC

HALF YEAR GROUP STATEMENT OF COMPREHENSIVE INCOME For the six months ended 30 June 2015

	2015			2014		
	Business performance	Depletion of fair value uplift, remeasurements, impairments and other exceptional items (note 4)	Reported in period	Business performance	Depletion of fair value uplift, remeasurements, impairments and other exceptional items (note 4)	Reported in period
	US\$'000 Unaudited	US\$'000 Unaudited	US\$'000 Unaudited	US\$'000 Unaudited	US\$'000 Unaudited	US\$'000 Unaudited
Revenue and other operating income (note 5)	444,044	(29,425)	414,619	503,844	(247)	503,597
Cost of sales	(335,595)	12,802	(322,793)	(339,507)	(40,891)	(380,398)
Gross profit/(loss)	108,449	(16,623)	91,826	164,337	(41,138)	123,199
Exploration and evaluation expenses	(22)	(4,759)	(4,781)	(2,173)	-	(2,173)
Impairment of land and buildings	-	(5,947)	(5,947)	-	-	-
General and administration expenses	(5,211)	-	(5,211)	(3,675)	-	(3,675)
Other expenses	(4,125)	(4,242)	(8,367)	(9,068)	-	(9,068)

Profit/(loss) from operations before tax and finance income/(costs)	99,091	(31,571)	67,520	149,421	(41,138)	108,283
Finance costs	(88,166)	(14,445)	(102,611)	(30,964)	-	(30,964)
Finance income	473	-	473	1,268	-	1,268
Profit/(loss) before tax	11,398	(46,016)	(34,618)	119,725	(41,138)	78,587
Income tax	22,355	111,431	133,786	(42,559)	25,506	(17,053)
Profit/(loss) for the period attributable to owners of the parent	33,753	65,415	99,168	77,166	(15,632)	61,534
Other comprehensive income for the period after tax:						
Cash flow hedges (note 12):						
Reclassified to profit or loss			(95,926)			-
May be reclassified subsequently to profit or loss			8,866			-
Deferred tax on gain/(loss) on cash flow hedges			62,283			-
Total comprehensive income for the period, attributable to owners of the parent			74,391			61,534
Earnings per share (note 6)			US\$			US\$
Basic			0.128			0.079
Diluted			0.124			0.077

EnQuest PLC

GROUP BALANCE SHEET As at 30 June 2015

		30 June 2015	31 December 2014
	Notes	US\$'000	US\$'000
		Unaudited	Restated Unaudited
ASSETS			
Non-current assets			
Property, plant and equipment	8	3,550,547	3,279,739
Goodwill		189,317	189,317
Intangible oil and gas assets	9	79,228	65,710
Assets held for sale	10	71,676	-
Investments		689	689
Trade and other receivables	14	13,060	-
Deferred tax asset		44,452	40,401
Other financial assets	12	45,655	18,809
		3,994,624	3,594,665
Current assets			
Inventories		97,176	89,397
Trade and other receivables		264,804	286,227
Current tax receivable		4,464	11,199

Cash and cash equivalents		305,614	176,791
Other financial assets	12	48,526	100,932
		720,584	664,546
TOTAL ASSETS		4,715,208	4,259,211
EQUITY AND LIABILITIES			
Equity			
Share capital	11	113,433	113,433
Merger reserve		662,855	662,855
Cash flow hedge reserve		34,610	59,387
Share-based payment reserve		(13,919)	(17,696)
Retained earnings		627,359	528,191
TOTAL EQUITY		1,424,338	1,346,170
Non-current liabilities			
Borrowings		702,678	227,035
Bond	13	884,640	882,561
Trade and other payables	14	65,297	-
Obligations under finance leases		-	36
Provisions	15	742,376	719,702
Other financial liabilities	12	15,049	23,694
Deferred tax liabilities		313,979	516,740
		2,724,019	2,369,768
Current liabilities			
Bond	13	12,787	12,689
Trade and other payables		515,239	429,070
Obligations under finance leases		36	36
Other financial liabilities	12	37,232	101,478
Current tax payable		1,557	-
		566,851	543,273
TOTAL LIABILITIES		3,290,870	2,913,041
TOTAL EQUITY AND LIABILITIES		4,715,208	4,259,211

EnQuest PLC

GROUP STATEMENT OF CHANGES IN EQUITY For the six months ended 30 June 2015

	Share capital	Merger reserve	Cash flow hedge reserve	Available-for-sale reserve	Share-based payments reserve	Retained earnings	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Balance at 1 January 2015 (restated) ⁽ⁱ⁾	113,433	662,855	59,387	-	(17,696)	528,191	1,346,170
Profit for the period	-	-	-	-	-	99,168	99,168
Other comprehensive income	-	-	(24,777)	-	-	-	(24,777)
Total comprehensive income for the period	-	-	(24,777)	-	-	99,168	74,391
Share-based payments	-	-	-	-	3,777	-	3,777
Balance at 30 June 2015	113,433	662,855	34,610	-	(13,919)	627,359	1,424,338

Balance at 1 January 2014 (restated) ⁽ⁱ⁾	113,433	662,855	-	398	(10,280)	704,600	1,471,006
Profit for the period	-	-	-	-	-	61,534	61,534
Total comprehensive income for the period	-	-	-	-	-	61,534	61,534
Shares purchased on behalf of Employee Benefit Trust	-	-	-	-	(1,678)	-	(1,678)
Share-based payments	-	-	-	-	4,291	-	4,291
Balance at 30 June 2014 (restated)	113,433	662,855	-	398	(7,667)	766,134	1,535,153

⁽ⁱ⁾ Opening retained earnings has been decreased by an amount of \$13,703,000 related to the recognition of a deferred tax liability which arose in 2012 in respect of the KUFPEC farm-out receivable. The balance of deferred tax liabilities as at 31/12/14 has been increased by a corresponding amount.

EnQuest PLC

GROUP CASH FLOW STATEMENT For the six months ended 30 June 2015

		2015	2014
		US\$'000	US\$'000
		Unaudited	Unaudited
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(34,618)	78,587
Depreciation		3,500	3,649
Depletion		121,786	124,789
Exploration costs impaired and written off		4,758	300
Impairment of land and buildings		5,947	-
Write down of receivable		4,242	-
Share-based payment charge		3,777	4,291
Unwinding of discount on decommissioning provisions		9,674	7,016
Unwinding of discount on cost recovery provision		2,450	-
Unrealised gains on financial instruments		(104,603)	-
Unrealised exchange losses		4,311	9,068
Net finance costs		90,014	28,193
Operating profit before working capital changes		111,238	255,893
Decrease in trade and other receivables		49	10,304
Increase in inventories		(7,370)	(27,788)
(Decrease)/increase in trade and other payables		(20,607)	79,799
Cash generated from operations		83,310	318,208
Cash paid for financial instruments		(5,729)	-
Decommissioning spend		(3,850)	-

Income taxes (paid)/received		(3,040)	513
Net cash flows from operating activities		70,691	318,721
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(386,251)	(444,295)
Purchase of intangible oil and gas assets		(18,002)	(37,501)
Acquisitions		-	(58,233)
Prepayment of finance lease		-	(50,000)
Interest received		154	759
Net cash flows used in investing activities		(404,099)	(589,270)

EnQuest PLC

GROUP CASH FLOW STATEMENT For the six months ended 30 June 2015

		2015	2014
		US\$'000	US\$'000
		Unaudited	Unaudited
FINANCING ACTIVITIES			
Proceeds/(repayment) from bank facilities		474,685	(211,525)
Proceeds from bond issue		-	650,000
Share purchased by Employee Benefit Trust		-	(1,678)
Repayments of obligations under finance leases		(35)	(36)
Interest paid		(21,508)	(10,043)
Other finance costs paid		(8,539)	(8,128)
Net cash flows used in financing activities		444,603	418,590
NET INCREASE IN CASH AND CASH EQUIVALENTS		111,195	148,041
Net foreign exchange on cash and cash equivalents		10,391	(7,830)
Cash and cash equivalents at 1 January		171,932	72,809
CASH AND CASH EQUIVALENTS AT 30 JUNE		293,518	213,020
Reconciliation of cash and cash equivalents			
Cash and cash equivalents per cashflow statement		293,518	213,020
Restricted cash		12,096	-
Cash and cash equivalents per balance sheet		305,614	213,020

EnQuest PLC

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

1. Corporate information

EnQuest PLC (EnQuest or the Company) is a limited liability company registered in England and is listed on the London Stock Exchange and Stockholm NASDAQ OMX market.

The Group's principal activities are the exploration for, and extraction and production of hydrocarbons in the UK Continental Shelf and Malaysia.

The Group's half year condensed financial reporting for the six months ended 30 June 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 18 August 2015.

2. Basis of preparation and accounting policies

The annual financial statements of EnQuest PLC are prepared in accordance with IFRSs as adopted by the European Union. The Group condensed financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS34 'Interim Financial Statements' as adopted by the European Union.

The Group half year condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

The financial information contained in this announcement does not constitute statutory financial statements within the meaning of section 435 of the Companies Act 2006.

Statutory accounts for the year ended 31 December 2014, on which the auditors gave an unqualified audit report, have been filed with the Registrars of Companies. The audit report did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or s498(3) Companies Act 2006.

Going concern

The Group closely monitors and manages its liquidity risk throughout the year, including monitoring forecast covenant results. Cash forecasts are regularly produced and sensitivities considered for, but not limited to, changes in crude oil prices (adjusted for hedging undertaken by the Group), production rates and development project timing and costs. These forecasts and sensitivity analyses allow management to mitigate any liquidity or covenant compliance risks in a timely manner.

Following the significant decline in oil prices, management has taken action to implement certain cost saving programmes, to reduce planned operational expenditure, G&A spend and capital expenditure in 2015 and 2016. Management also successfully renegotiated certain covenants contained within the Revolving Credit Facility and the Retail Bond.

As at 30 June 2015, the Group had significant headroom on its borrowing facilities and related financial covenants under both the Revolving Credit Facility and the Retail Bond. The Group's forecasts and projections take into account the actions described in the preceding paragraph, and reflect the execution of the Group's major projects. These forecasts indicate that the company will be able to operate within the requirements of its existing borrowing facilities for 12 months from the date of approval of the Half-Year Report. Forecasts therefore indicate that the Group will maintain liquidity during the period. However, if there were further sustained falls in the oil price or the benefits of other planned initiatives are not realised, management has a number of options available to it to maintain its liquidity, including asset sales, new financings or amendment of covenants under the existing financing arrangements. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Accounting policies

The accounting policies adopted in the preparation of the half year condensed financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2014. The standards adopted at 1 January 2015 did not have any impact on the results of the Group.

The Group has not early adopted any standard, interpretation or amendment that was issued but not yet effective.

EnQuest PLC

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

3. Segmental information

Segment information for the six month period is as follows:

Period ended 30 June 2015	North Sea US\$'000	Malaysia US\$'000	Other segments US\$'000	Total segments US\$'000	Adjustments and eliminations US\$'000	Consolidated US\$'000
Revenue:						
External customers	365,721	78,323	-	444,044	(29,425)	414,619
Total Group revenue	365,721	78,323	-	444,044	(29,425)	414,619
Segment profit/(loss)	78,361	5,329	(1,487)	82,203	(14,683)	67,520

Period ended 30 June 2014	North Sea US\$'000	Malaysia US\$'000	Other segments US\$'000	Total segments US\$'000	Adjustments and eliminations US\$'000	Consolidated US\$'000
Revenue:						
External customers	503,844	-	-	503,844	(247)	503,597
Total Group revenue	503,844	-	-	503,844	(247)	503,597
Segment profit/(loss)	113,783	(1,590)	1,603	113,796	(5,513)	108,283

Reconciliation of profit:

	Period ended 30 June 2015 US\$'000	Period ended 30 June 2014 US\$'000
Segment profit	67,520	108,283
Finance income	473	1,268
Finance expense	(54,136)	(30,964)
Gains and losses on derivatives	(48,475)	-
(Loss)/profit before tax	(34,618)	78,587

4. Exceptional items and depletion of fair value uplift

	Period ended 30 June 2015 US\$'000	Period ended 30 June 2014 US\$'000
Recognised in arriving at profit/(loss) from operations before tax:		
Unrealised mark-to-market losses on derivatives	29,129	5,513
Impairment and write off of exploration and evaluation assets (note 9)	4,759	-
Impairment of land and buildings (note 8)	5,947	-
Depletion of fair value uplift	1,939	3,244
SVT tariff operator reconciliation	-	32,381
Write down of receivable	4,242	-
	46,016	41,138
Tax	(111,431)	(25,506)
	65,415	15,632

EnQuest PLC

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

4. Exceptional items and depletion of fair value uplift (continued)

Unrealised mark-to-market gains and losses of derivatives

These include unrealised mark-to-market gains and losses on commodity and foreign exchange instruments which are included within revenue, costs of sales and finance expenses. The separate presentation of these items best reflects the underlying performance of the business as it distinguishes between the temporary timing differences associated with re-measurement under IAS 39 rules and actual realised gains and losses.

Impairment and write off of exploration and evaluation assets

The charge for the period relates to an impairment charge against its Norwegian exploration licences which were disposed in Q3 2015 and several licences relinquished during the period.

Impairment of land and buildings

During the six months ended 30 June 2015 the Group entered negotiations to sell and leaseback the Aberdeen office. The impairment has been calculated based on the current anticipated realisable value.

Depletion of fair value uplift

Additional depletion arising from the fair value uplift of Petrofac Energy Developments Limited's (PEDL) oil and gas assets on acquisition of US\$1,939,000 (2014: US\$3,244,000) is included within cost of sales in the statement of comprehensive income.

Operator SVT tariff reconciliation

SVT terminal operating costs are allocated to East of Shetland users based on each user's delivered production throughput, as a percentage of the total terminal throughput. Costs are further allocated, based on a user's share of two associated services – Stabilised Crude Oil processing (SCO) & Liquefied Petroleum Gas processing (LPG). SVT costs incurred during each month are provisionally allocated and charged to users based on a user's estimated share of costs (based on estimated throughput volumes per service). At year end, a process occurs whereby the terminal operator reconciles each user's estimated share of costs against its actual share (based on the actual total spend and actual terminal throughput for that given year).

In 2013, as a direct result of EnQuest's strong production performance versus other SVT users' lower than expected throughput in 2013, EnQuest's actual share of SCO/LPG throughput at year end was greater than estimated. This factor combined with a higher base level cost at SVT contributed to the exceptional value arising from the 2013 reconciliation. In addition, EnQuest also incurred a small excess capacity charge due to the use of terminal capacity in excess of its ownership share entitlement. The charge recognised in the six months ended 30 June 2014 in relation to the 2013 reconciliation process was US\$32,381,000.

There was no exceptional charge in the six months ended 30 June 2015.

Write down of receivable

Following EnQuest's exit from Tunisia, as at 31 December 2014 the Group had recorded a receivable of US\$11,400,000 due from PA Resources (PAR). Since 27 March 2015, PAR has been in corporate reorganisation in accordance with the Swedish Company Reorganisation Act (1996:764). Since PAR commenced its reorganisation process, EnQuest has negotiated a settlement agreement whereby in settlement of all amounts due from PAR, EnQuest will receive an amount held in a bank account in Tunisia of TND13,771,642. This sum US\$7,199,000 is currently held in a suspense account by Union Bancaire pour le Commerce et l'Industrie (UBCI) in Tunisia. The funds are subject to a Tunisian law assignment which has been notified to UBCI and acknowledged by PAR.

As the settlement agreement caps EnQuest's recovery to the balance in the UBCI bank account, EnQuest has recognised a charge to the income statement totalling US\$4,242,000 for the six months ending 30 June 2015 which represents the difference between the value carried as at December 2014 and the value of the bank account in Tunisian Dinars. The funds of US\$7,199,000 are disclosed in the balance sheet at 30 June 2015 as Restricted Cash.

Tax

The tax impact on the exceptional items is calculated based on the tax rate applicable to each exceptional item.

A one-off deferred tax adjustment of US\$92,478,000 in respect of the recently enacted decrease in the supplementary charge on UK oil and gas production to 20%, with effect from 1 January 2015, and decrease in the Petroleum Revenue Tax rate to 35%, with effect from 1 January 2016, has been reported as an exceptional item in the period.

EnQuest PLC

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

5. Revenue and other operating income

	<i>Period ended 30 June 2015</i>	<i>Period ended 30 June 2014</i>
	<i>US\$'000</i>	<i>US\$'000</i>
Revenue from crude oil sales ⁽ⁱ⁾	294,091	497,935
Unrealised gains and losses on commodity derivative contracts ⁽ⁱ⁾	117,245	668
Tariff revenue	3,280	4,994
Other operating revenue	3	-
	414,619	503,597

⁽ⁱ⁾ Included within revenue and other operating income are realised gains of US\$146,670,000 (2014: US\$915,000) and unrealised losses of US\$29,425,000 (2014: US\$ 247,000) on the Group's commodity derivative contracts which are either ineffective for hedge accounting purposes or held for trading purposes.

6. Earnings per share

The calculation of earnings per share is based on the profit after tax and on the weighted average number of Ordinary shares in issue during the period.

Basic and diluted earnings per share are calculated as follows:

	Profit after tax Six months ended 30 June		Weighted average number of shares Six months ended 30 June		Earnings per share Six months ended 30 June	
	2015 US\$'000 Unaudited	2014 US\$'000 Unaudited	2015 Million Unaudited	2014 Million Unaudited	2015 US\$ Unaudited	2014 US\$ Unaudited
Basic	99,168	61,534	773.8	778.1	0.128	0.079
Dilutive potential of Ordinary shares granted under share-based incentive schemes	-	-	28.0	19.7	(0.004)	(0.002)
Diluted	99,168	61,534	801.8	797.8	0.124	0.077

7. Dividends

No dividend was paid or proposed in the six months ended 30 June 2015 (2014: nil).

EnQuest PLC

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

8. Property, plant and equipment

	Land and buildings	Oil and gas assets	Office furniture and equipment	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Cost				
At 1 January 2015 (restated) ⁽ⁱ⁾	59,937	5,433,198	33,269	5,526,404
Additions	29,748	425,613	2,029	457,390
Cost carry	-	1,955	-	1,955
Change in decommissioning provision	-	16,047	-	16,047
Change in cost recovery provision	-	(1,675)	-	(1,675)
Transfer to asset held for sale (note 10)	(77,774)	-	-	(77,774)
At 30 June 2015	11,911	5,875,138	35,298	5,922,347
Depletion and depreciation				
At 1 January 2015	110	2,224,870	21,685	2,246,665
Charge for the period	41	121,786	3,459	125,286
Impairment charge for the period	5,947	-	-	5,947
Transfer to asset held for sale (note 10)	(6,098)	-	-	(6,098)
At 30 June 2015	-	2,346,656	25,144	2,371,800
Net carrying amount:				
30 June 2015	11,911	3,528,482	10,154	3,550,547
31 December 2014 (restated)	59,827	3,208,328	11,584	3,279,739
30 June 2014	34,130	3,289,106	11,141	3,334,377

⁽ⁱ⁾ At 31 December 2014 the provision for KUFPEC's cost recovery protection mechanism was presented net within property, plant & equipment. The numbers presented above have been restated to show the balance of property, plant & equipment gross of this provision. For further information refer to note 15.

EnQuest PLC

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

9. Intangible oil and gas assets

	US\$'000
Cost	
At 1 January 2015	307,164
Additions	23,249
Disposal of interests in licences ⁽ⁱ⁾	(5,000)
Unsuccessful exploration expenditure written off	(825)
Change in decommissioning provision	28
At 30 June 2015	324,616
Provision for impairment	

At 1 January 2015			(241,454)
Impairment charge for the period ⁽ⁱⁱ⁾			(3,934)
At 30 June 2015			(245,388)
Net carrying amount:			
30 June 2015			79,228
31 December 2014			65,710
30 June 2014			197,509

⁽ⁱ⁾ During the six months ended 30 June 2015, the Group exited from its interest in Egypt and this is included within disposal of interests in licences above.

⁽ⁱⁱ⁾ The charge for the period relates to an impairment charge against its Norwegian exploration licences which were disposed in Q3 2015 and several licences relinquished during the period.

10. Asset held for sale

		Land and buildings
		US\$'000
At 1 January 2015		-
Transfer from property, plant and equipment (note 8)		71,676
At 30 June 2015		71,676

Refer to note 4 for more details of sale and leaseback of the Aberdeen office.

11. Share capital

The share capital of the Company as at 30 June 2015 was US\$113,433,000 (31 December 2014: US\$113,433,000) comprising 802,660,757 ordinary shares of £0.05 each (31 December 2014: 802,660,757 ordinary shares of £0.05 each) and share premium of US\$52,184,000 (31 December 2014: US\$52,184,000).

EnQuest PLC

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

12. Other financial assets/liabilities and cash flow hedge reserve

	2015	<i>2014</i>
	US\$'000	<i>US\$'000</i>
Financial instruments at fair value through other comprehensive income		
<i>Current assets</i>		
Cashflow hedges:		
Commodity contracts	11,590	87,299
<i>Non-current assets</i>		
Cashflow hedges:		
Commodity contracts	2,797	-
<i>Non-current liabilities</i>		
Cashflow hedges:		
Forward foreign currency contracts	30	-
Financial instruments at fair value through profit or loss		

<i>Current assets</i>		
Derivatives not designated as hedges:		
Commodity contracts	23,891	7,930
Forward foreign currency contracts	5,770	2,409
	29,661	10,339
<i>Non-current assets</i>		
Derivatives not designated as hedges:		
Commodity contracts	27,711	-
<i>Current liabilities</i>		
Derivatives not designated as hedges:		
Commodity contracts	35,806	22,445
Forward foreign currency contracts	1,426	12,805
	37,232	35,250
<i>Non-current liabilities</i>		
Derivatives not designated as hedges:		
Commodity contracts	7,549	-
Forward foreign currency contracts	-	18,041
	7,549	18,041
Loans and receivables		
<i>Current assets</i>		
Other receivable	7,275	3,294
<i>Non-current assets</i>		
Other receivable	15,147	18,809
Other financial liabilities at amortised cost		
<i>Current liabilities</i>		
Other liability	-	66,228
<i>Non-current liabilities</i>		
Other liability	7,470	5,653
Total current assets	48,526	100,932
Total non-current assets	45,655	18,809
Total assets	94,181	119,741
Total current liabilities	37,232	101,478
Total non-current liabilities	15,049	23,694
Total liabilities	52,281	125,172

EnQuest PLC

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

12. Other financial assets/liabilities and cash flow hedge reserve (continued)

The fair value measurements of the financial instruments (excluding Level 1 investments) held by the Group have been derived based on observable market inputs (as characterised within Level 2 of the fair value hierarchy under IFRS13). There have been no changes to classifications from the prior year.

Commodity forward contracts

The Group uses put and call options and swap contracts to manage its exposure to the oil price.

Oil price hedging

Purchased put options are designated as hedges of the Group's production. A total of 10,000,000 barrels of 2015 production, was hedged via the purchase of put options, with a strike price of US\$65.00/bbl. A total of 10,000,000 barrels of 2016 production was hedged via similar contracts, with strike prices of between \$67/bbl and \$69/bbl. Where these contracts are effective from a hedge accounting perspective, any intrinsic value gains are deferred until such time as the production to which they relate is sold. Movements in the time value of these options are recognised in finance costs.

During the six months ended 30 June 2015, put options over a total of 5,000,000 barrels matured. Gains totalling \$35,266,454 were included in realised revenue in the income statement in respect of these matured options. As at 30 June 2015 the Group held put options over a further 5,000,000 barrels maturing in 2015, and 10,000,000 bbls maturing in 2016. The mark to market of the intrinsic value portion of these contracts at 30 June 2015 was \$14,387,103, of which \$14,055,133 has been deferred as it relates to contracts hedging future production. Mark to market losses on the time value element of these put options, totalling \$48,485,168 have been recognised in finance costs. Of this amount, \$34,030,519 has been recognised within the Group's "business performance" results as it relates to the amortisation of the option premium paid, over the life of the option. The balance of the mark to market losses have been recognised as an exceptional charge in line with the Group's accounting policy.

The fair value of the put options as at 30 June 2015 was \$47,605,163.

In addition, in 2014 gains totalling \$119,054,689 were realised when put options hedging 8,000,000 bbls of 2015 production were closed. This gain was deferred in cash flow hedge reserves as at 31 December 2014. A total of \$64,638,435 was realised to revenue during the six months ended 30 June 2015 with a further \$54,416,254 to be recognised during the second half of 2015.

During July 2015 the Group closed put options which were hedging 2,000,000 barrels of 2016 production, realising \$16,755,000 in cash, and replaced these with oil swap contracts to sell 2,000,000 barrels in 2016 at a fixed price of \$65/bbl.

Commodity derivative contracts at fair value through profit and loss

Commodity derivative contracts not designated as effective hedges are designated as "At fair value through profit and loss" ("FVTPL"), and gains and losses on these contracts are recognised as a component of revenue. These contracts typically include bought and sold call options, sold put options and commodity swap contracts.

For the six months ended 30 June 2015, gains totalling \$18,706,810 were recognised in respect of commodity contracts designated as FVTPL. This included losses totalling \$7,883,840 realised on contracts that matured during the six months ended 30 June 2015, and mark to market gains totalling \$26,590,658. Of this amount, \$55,428,169 was realised in business performance revenue in respect of the amortisation of premium income received on sale of these options. The premiums received are amortised into business performance revenue over the life of the option. The balance, being a loss of \$28,837,519 was recognised in exceptional revenue in line with the Group's accounting policy.

Business performance revenue for the six months ended 30 June 2015 included \$10,440,861 of call option premium on options closed early, which would have been recognised in the second half of 2015 or 2016 had these options not been closed early. The cost of closing these options was \$3,154,448 which was included in business performance revenue for the first half of 2015.

The mark to market of the Group's open contracts as at 30 June 2014 was a loss of \$24,755,318 in respect of option contracts, and a loss of \$216,469 in respect of open swap positions. The option contract mark to market was in respect of net sold call options over a total of 8,350,000 barrels, maturing in 2015 with an average strike price of \$78/bbl, and 8,491,999 barrels of net sold call options maturing during 2016 with an average strike price of \$72/bbl.

Subsequent to 30 June 2015, the group sold put options with a strike price of \$65/bbl over approximately 4,000,000 barrels for the remainder of 2015, realising \$31.4m.

EnQuest PLC

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

12. Other financial assets/liabilities and cash flow hedge reserve (continued)

Forward foreign currency contracts

During the 6 months ended 30 June 2015 various forward currency contracts were entered into to hedge the Groups exposure to Euro, Norwegian Kroner and Sterling opex and capex. At 30 June 2015, the contracts which do not qualify for hedge accounting have a net asset fair value of \$4,344,000 and those which do qualify for hedge accounting have a net liability fair value of \$30,000. The gains/losses recognised in the income statement are \$14,741,000 unrealised gain (30 June 2014: \$5,266,000 unrealised loss) and \$2,737,000 realised loss (2014: nil) within cost of sales.

Other receivable

As part of the farm out to KUFPEC of 35% of the Alma/Galia development, KUFPEC agreed to pay EnQuest a total of US\$23,292,000 after production commences over a period of 36 months. The fair value which was allocated in October 2012 was US\$19,300,000. A receivable was recognised at 31 December 2012. The unwinding of discount on the other receivable of US\$319,000 is included within finance income for the six months 30 June 2015 (30 June 2014: US\$509,000).

Other liability

The consideration for the acquisition of 40% of the Kraken field from Nautical and First Oil in 2012 was through development carries. These were split into a 'firm' carry and a 'contingent' carry dependent upon reserves determination. The 'firm' carry was fully utilised during the six months ended 30 June 2015 (31 December 2014: \$66,502,000). The 'contingent' carry has been accounted for as a provision.

As part of the agreement to acquire the PM8 assets in Malaysia, the Group agreed to carry Carigali for its share of exploration or appraisal well commitments. The discounted value of US\$7,470,000 has been disclosed as a financial liability (31 December 2014: US\$5,700,000). Unwinding of discount of US\$135,000 is included within finance expenses for the six months ended 30 June 2015 (30 June 2014: nil).

The Group considers there to be no material difference between the fair values of financial instruments, interest bearing loans and borrowings and their carrying amount in the balance sheet.

13. Bond

	2015	2014
	US\$'000	US\$'000
Due within one year	12,787	12,689
Due after one year	884,640	882,561
	897,427	895,250

14. Non-current receivables and payables

During the period, the Group entered contracts with various suppliers to defer payment on a proportion of its spend on the Kraken development. The non-current portion held within trade and other payables represents US\$46,472,000 of trade payables and US\$18,825,000 of accruals based on value of work done at 30 June 2015. The non-current portion within trade and other receivables represents Partners' share of the deferred payments.

EnQuest PLC

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

15. Provisions

	Decommissioning provision	Cost recovery provision	Carry provision	Contingent consideration	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2015 (restated)	449,668	163,334	80,000	26,700	719,702
Additions during the year	39,553	-	-	-	39,553
Changes in estimate	(23,478)	(1,675)	-	-	(25,153)
Unwinding of discount	9,674	2,450	-	-	12,124
Utilisation	(3,850)	-	-	-	(3,850)
At 30 June 2015	471,567	164,109	80,000	26,700	742,376

Cost recovery provision

As part of the KUFPEC farm-in agreement, a cost recovery protection mechanism was agreed with KUFPEC to enable KUFPEC to recoup its investment to the date of first production. If on 1 January 2017, KUFPEC's costs to first production have not been recovered or deemed to have been recovered, EnQuest will pay to KUFPEC an additional 20% share of net revenue. This additional revenue is to be paid from January 2017 until the capital costs to first production have been recovered.

A provision has been made for the expected payments that the Group will make to KUFPEC. The assumptions made in arriving at the projected cash payments are consistent with the assumptions used in the Group's 2014 year end impairment test, and the resulting cash flows were included in the determination of the recoverable value of the project. In establishing when KUFPEC has recovered its capital cost to first oil, the farm in agreement requires the use of the

higher of the actual oil price, or \$90/bbl real, inflated at 2% per annum from 2012. These cash flows have been discounted at a rate of 3.0% (2014: 3.0%).

The provision required at 31 December 2014 was netted within the balance of property, plant & equipment as at 31 December 2014. The 31 December 2014 figures presented above have been restated to show the provision separately from the property, plant & equipment balance (see also note 8).

16. Capital commitments and deferred consideration

At 30 June 2015 the Group had capital commitments of US\$465,564,000 (31 December 2014: US\$788,259,000).

17. Post balance sheet events

On 15 July 2015, EnQuest agreed to assign its 35% interest in the Norwegian licences, PL758 and PL800, to Lundin Norway AS for US\$500,000. Additionally, on 15 July 2015 EnQuest agreed to assign its 50% interest in the Norwegian licences, PL760 and PL760B, to Lime Petroleum Norway AS for NOK 4,000,000. Both transactions have an effective economic date of 1 January 2015.

During July 2015 the Group sold put options with a strike price of \$65/bbl over approximately 4 million barrels for the remainder of 2015, realising \$31.4m. Additionally, the Group closed put options which were hedging 2,000,000 barrels of 2016 production, realising \$16.8m in cash, and replaced these with oil swap contracts to sell 2,000,000 barrels in 2016 at a fixed price of \$65/bbl.

Principal risks and uncertainties

The Group's risks and uncertainties are unchanged from those disclosed in the Group's Annual Report and Accounts 2014.

For the purposes of meeting the disclosure requirements of DTR 4.2.7(2) we believe that the Group's principal risks and uncertainties for the remaining six months are:

- **Health, Safety and Environment (HSE):** Oil and gas development, production and exploration activities are complex and HSE risks cover many areas including major accident hazards, personal health and safety, compliance with regulatory requirements and potential environmental harm.
- **Production:**
 - The Group's production is critical to its success and is subject to a variety of risks including subsurface uncertainties, operating in a difficult environment with mature equipment and potential for significant unexpected shutdowns and unplanned expenditure to occur and where remediation may be dependent on suitable weather conditions offshore.
 - Lower than expected reservoir performance may have a material impact on the Group's results.
 - The Group's delivery infrastructure on the UKCS is dependent on the Sullom Voe Terminal.
 - Longer term production is threatened if low oil prices bring forward decommissioning timelines.
- **Project Execution:** The Group's success will be dependent upon bringing major new developments such as Alma/Galia and Kraken to production on budget and on schedule. To be successful, the Group must ensure that project implementation is both timely and on budget. Failure to do so may have a material negative impact on the Group's performance.
- **Reserve Replacement:** Failure to develop its contingent and prospective resources or secure new licenses and/or asset acquisitions and realise their expected value.
- **Financial:** Inability to fund financial commitments.
- **Human Resources:** The Group's success is dependent upon its ability to attract and retain key personnel and develop organisational capability to deliver strategic growth.
- **Reputation:** The reputational and commercial exposures to a major offshore incident are significant.
- **Oil Price:** A material decline in oil and gas prices may adversely affect the Group's results of operations and financial condition.

- **Political and Fiscal:** Unanticipated changes in the regulatory or fiscal environment can affect the Group's ability to deliver its strategy and potentially impact revenue and future developments.
- **Joint Venture Partners:**
 - Failure by joint venture parties to fund their obligations.
 - Dependence on other parties where the Group is not the operator.
- **Competition:** The Group operates in a competitive environment across many areas including the acquisition of oil and gas assets, the marketing of oil and gas, the procurement of oil and gas services and access to human resources.
- **Portfolio Concentration:** The Group's assets are concentrated in the UK North Sea around a limited number of infrastructure hubs and existing production (which is principally only oil) is from mature fields. This amplifies exposure to key infrastructure, political/fiscal and oil price movements.
- **International business:** Whilst the majority of the Group's activities and assets are in the UK, the international business is becoming more material. The Group's international business is subject to the same risks as the UK business (eg HSE, production and project execution); however, there are additional risks that the Group faces including security of staff and assets, political, foreign exchange and currency control, taxation, legal and regulatory, cultural and language barriers and corruption.

We urge you to consider carefully the risks above, full details of which are contained in the Group's Annual Report and Accounts 2014.

Statement of directors' responsibilities

The directors confirm that, to the best of their knowledge, the condensed set of financial statements for the six months ended 30 June 2015 has been prepared in accordance with IAS 34 – 'Interim Financial Reporting' as adopted by the European Union, and that the half year management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules.

A list of current directors is maintained on the EnQuest PLC website which can be found at www.enquest.com.

By the order of the Board

Amjad Bseisu
Chief Executive

18 August 2015

Independent review report to EnQuest PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 which comprises group statement of comprehensive income, group balance sheet, group statement of changes in equity, group cash flow statement and related notes 1 to 17. We have read the other information contained in the half year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-year financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland), "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP

London

18 August 2015