ENQUEST PLC, 8 September 2016. Results for the 6 months ended 30 June 2016*.

Strong production growth, 42,520 Boepd in H1 2016, up 43% on H1 2015
Unit opex down further to $23/bbl, ahead of target and now 50% down on H1 2014
Kraken on track for first oil in H1 2017, gross capex lowered by further c.$150m
Continuing focus on strengthening the balance sheet

* Unless otherwise stated, all figures are on a business performance basis and are in US dollars.

Highlights

- EnQuest is delivering against its strategic priorities in the continuing low oil price environment. Further action to reduce opex and capex has been accompanied by sustained strength in operations. High production efficiency has driven EnQuest's highest H1 levels of production, with a well implemented drilling programme and with first oil from the Kraken development on schedule for H1 2017.
- Production averaged 42,520 Boepd in H1 2016, strong growth of 43% on H1 2015, with production increases in every operated asset:
  - UK production grew by 22%, before inclusion of production from the new Alma/Galia development. Malaysian production was also up by over 20%.
  - Alma/Galia delivered an average net production of 6,433 Boepd in H1 2016. Post first oil optimisation of production levels has continued in H2 2016, including two well interventions and acid treatments. Following which, between 5 and 31 August gross Alma/Galia production averaged 18,785 Boepd.
  - With the extended period of production build up for Alma/Galia, full year 2016 production guidance is now anticipated to be in the range of between 42,000 and 44,000 Boepd, around the lower end of previous guidance, at the mid-point representing strong growth of c.18% over 2015.
- Revenue of $391.3 million and EBITDA[***] of $242.9 million, reflecting the strong operational performance. The $182.6 million of cash generated from operations was $99.3 million or 119% up on H1 2015, reflecting the production growth.
- Continued further reductions in operating costs, H1 2016 unit opex was ahead of target at $23/bbl, benefiting from additional cost saving initiatives, including savings from EnQuest's offshored procurement hub. Full year unit opex is now expected to be around the lower end of the $25-$27/bbl guidance; this reflects the impact of the Alma/Galia well interventions in H2.
- 2016 EnQuest cash capex outflow is being reduced by a net c.$30 million, predominantly as a result of the further phasing of milestone payments.
- The Kraken development is continuing on schedule. EnQuest today announces a further c.$150 million decrease in full cycle gross project capex, in addition to the c.$425 million of cost reductions announced since project sanction, giving a new gross full cycle project capex cost of c.$2.6 billion. Sail away of the Kraken FPSO is expected in H2 2016, as planned, ahead of first oil in H1 2017. In July 2016, EnQuest announced that it was conducting negotiations for the farm out of a 20% working interest in the exploration and production licences in the Kraken Field, to the Delek Group. EnQuest will provide further details in the event either of transaction documents being signed or of it becoming apparent that a binding agreement cannot be reached.
- Scolty/Crathes is both ahead of schedule and under budget, with first oil now expected around the 2016 year end.
- Net debt at the period end, was $1,681 million.

Summary

EnQuest CEO Amjad Bseisu:

"Strong production of 42,520 Boepd has been delivered, representing broad based growth of 43% over H1 2015. Unit opex of $23/bbl is down 41% on the $39/bbl in H1 2015, and down 50% on the $46/bbl in H1 2014. 2016 cash capex, is reduced by a further c.$30 million, now set to be in the range between $670 million and $720 million.

EnQuest is progressing both of its development projects ahead of budget; the Kraken FPSO is on track for sail away in H2 2016, with its full cycle gross capex costs now reduced by a further c.$150 million to c.$2.6 billion. The Scolty/Crathes development is ahead of schedule. This year's drilling programme has been executed very efficiently, delivering more wells within the original budget.

In H1 2016, EnQuest delivered EBITDA of $242.9 million and more than doubled cash generated from operations to $182.6 million, driven by the scale of the production growth, cost cutting and oil price hedging, more than countering the impact of lower oil prices.

With very substantial structural reductions in our cost base already delivered, the long term potential of EnQuest's business model remains compelling. EnQuest's overriding priority continues to be delivering a business which is robust in this challenging environment."

	H1 2016	H1 2015	% Change
Production (Boepd)	42,520	29,665	43
Realised oil price $/bbl **	62	87	(29)
Revenue and other operating income ($m)	391.3	444.0	(12)
Gross profit ($m)	117.7	108.4	9
Profit before tax & net finance costs ($m)	149.7	99.1	51
EBITDA * ($m)**	242.9	226.7	7
Cash generated from operations ($m)	182.6	83.3	119
Net cash flows from operating activities ($m)	170.2	70.7	141
Reported basic earnings per share (cents)	19.5	12.8	52
Cash capex ($m)	261.6	404.3	(35)
	End H1 2016	**End 2015**	
Net (debt)/cash ** ($m)**	(1,681.0)	(1,548.0)	9

** Includes $127.1 million associated with EnQuest's effective oil price hedges and $0.3 million associated with other commodity derivatives (H1 2015: includes $99.1 million associated with effective oil prices hedges and $47.5 million associated with other commodity derivatives). ***EBITDA is calculated on a business performance basis, and is calculated by taking profit/loss from operations before tax and finance income/(costs) and adding back depletion, depreciation and foreign exchange movements. **** Net (debt)/cash represents cash and cash equivalents less borrowings as per the balance sheet stated excluding accrued interest and the net-off of unamortised fees.

Outlook

Production guidance: Average production guidance for the full year 2016 is in the range of 42,000 Boepd to 44,000 Boepd.

Capital expenditure: Full year 2016 cash capex is expected to be reduced, as a result of the further phasing of milestone payments. This is despite additional capex on drilling the Eagle discovery. The net effect should result in full year 2016 cash capital expenditure being reduced by c.$30 million, down to between $670 million and $720 million. On July 18, 2016, EnQuest announced that it was conducting negotiations for the farm out of a 20% working interest in the exploration and production licences in the Kraken Field, to the Delek Group. EnQuest will provide further details in the event either of transaction documents being signed or of it becoming apparent that a binding agreement cannot be reached.

Operating expenditure: Unit opex of $23/bbl is ahead of target. EnQuest now anticipates full year unit opex around the lower end of the $25-$27/bbl guidance for the full year 2016. This full year opex expectation reflects pre-first oil 'operating' costs at Scolty/Crathes and costs associated with the K1 and K3z interventions at Alma/Galia, which are incurred in H2 2016. EnQuest expects to reduce unit opex into the low $20s per barrel when Kraken is fully onstream.

EnQuest continues to seek cost reductions across the supply chain; including production operations and services, import gas, logistics, maintenance, subsea, manpower. Projects are being reduced in scope and deferrals of cash payment have been agreed. EnQuest continues to work with the SVT operator to reduce gross cost levels and reductions are expected to continue.

Oil price hedging: Of the 10 million barrels originally hedged across 2016 at an average of $68 per barrel, at the start of July 2016, c.5.5 million remained in place, at an average of $68 per barrel.

Tax: In the current oil price environment, EnQuest does not anticipate paying material UK cash tax in the foreseeable future.

Foreign exchange rates: If prevailing $/£ exchange rates continue, these should have a substantial positive impact on income in 2017 and 2018, reducing opex by between $30 million to $40 million in each year.

Funding: EnQuest remains focused on monitoring and managing its funding position and liquidity, continuing strategic priorities in this low oil price environment. In this context, EnQuest has continued to take action to implement cost saving programmes, both to reduce and rephase planned operational expenditure, general and administrative spend and capital expenditure. EnQuest is also pursuing a number of additional funding options, to ensure adequate liquidity continues to be available. EnQuest is holding constructive discussions with its main debt and credit providers, or their representatives, concerning proposals for accommodations including to amend the structure, covenants, interest payment obligations, maturities and other aspects of its debt. The RCF lenders continue to be supportive and have provided waivers when required.

Financial review of H1 2016

- The Group's blended average realised price per barrel of oil sold excluding hedging was $41 for the six months ended 30 June 2016, below the $58 per barrel received during the first half of 2015, reflecting the decline in oil prices. Revenue is predominantly derived from crude oil sales and for the six months ended 30 June 2016 crude oil sales totalled $256.5 million compared with $294.1 million for the comparative period in 2015. The decrease in revenue was due to the lower oil price, offset partially by the higher production.
- Reflecting EnQuest's cost optimisation, and the 43% increase in production volumes, unit operating costs reduced by 41% to $23 per barrel. Although production has significantly increased, operating costs decreased by $16.7 million, reflecting EnQuest's cost reductions.
- EBITDA for the six months ended 30 June 2016 was $242.9 million compared with $226.7 million during the six months ended 30 June 2015. The higher EBITDA is mainly due to the increase in production and reduced operating costs, offset by the impact of lower oil prices in H1 2016. The impact of lower oil prices has been partially mitigated through the contribution of $128.1 million from the Group's commodity hedge portfolio (2015: $146.7 million).
- The tax credit for the six months ended 30 June 2016 of $56.9 million (2015: $22.4 million tax credit), excluding exceptional items, is due primarily to an increase in the Ring Fence Expenditure Supplement on UK activities.
- Finance costs of $66.8 million include $52.0 million of bond and loan interest payable.
- EnQuest's net debt has increased from $1.55 billion at the end of 2015 to $1.68 billion at 30 June 2016, reflecting investment in its assets.
- Exceptional losses totalled $8.5 million before tax for the six months ended 30 June 2016.
- As a result of the continued capital investment, UK corporate tax losses at the end of the period increased to approximately $2,733.6 million.

H1 2016 production and development performance and outlook by asset:

Production on a working interest basis	**Net daily average H1 2016** (Boepd)	**Net daily average H1 2015** (Boepd)
Thistle/Deveron	8,966	7,690
Dons/Ythan	6,600	6,419
Heather/Broom	6,114	3,615
Kittiwake	3,738	2,915
Alma/Galia	6,433	-
Alba	1,236	1,249
Total UKCS	**33,087**	**21,888**
PM8/Seligi	8,152	7,777
Tanjong Baram	1,281	-
Total Malaysia	**9,433**	**7,777**
Total EnQuest	**42,520**	**29,665**

UK North Sea

Production

Thistle/Deveron

Production of 8,966 Boepd from Thistle/Deveron was up 17% on H1 2015 with the benefit of the 2015 work programme and a further phase of the field life extension programme. This latest programme of Thistle drilling activities was brought to a close in January 2016.

Maintenance, integrity and life extension projects are continuing throughout 2016, including a routine planned shutdown of approximately two weeks in H2, which will include further field life extension work, which will increase the plant's capacity to handle produced water.

Don fields/Ythan

Production of 6,600 Boepd from the Don fields was up 3% on H1 2015, with strong reservoir performance generally and the benefit of the Ythan well, drilled last year. Production also benefitted from the positive impact of the start of gas import, which has increased plant efficiency, and also reduced platform fuel costs.

The 2016 Dons work programme includes chemical treatment programmes and routine maintenance, including a planned two week shutdown in H2. This shutdown is planned to coincide with a Brent Pipeline System maintenance outage.

Following the default of First Oil PLC in February 2016, a process was initiated which resulted in the transfer to EnQuest of 15.15% of First Oil's previous 19.275% working interest in the West Don Field for nominal consideration; the transfer completed on 2 August 2016. Production from EnQuest's additional 15.15% interest will be effective from August 2016 onwards. Following completion of the transfer, EnQuest has a 78.6% working interest in the West Don Field.

Heather/Broom

Production of 6,114 Boepd from Heather/Broom was up 69% on H1 2015, with the continuing benefit of the Heather production well brought onstream in March 2015, the reinstatement of water injection to the Broom field in Q2 2015 and also to very high levels of production efficiency. The Heather platform completed one year without an unplanned production outage. The Heather/Broom hub has proved to be particularly responsive to water injection.

Greater Kittiwake Area ('GKA'), including the Scolty/Crathes development

Production of 3,738 Boepd was up 28% on H1 2015, with continuing improvements in production efficiency. Gadwall was brought back onstream in August 2015 and has performed well. GKA production is continuing to benefit from chemical treatments on Goosander in 2015.

The Scolty/Crathes development is ahead of schedule and under budget. The subsea and topside programmes are both progressing well. EnQuest confirms that first oil should be around the 2016 year end. In particular, the execution of EnQuest's 2016 GKA drilling programme has been excellent. The Scolty reservoir was on prognosis and the Crathes reservoir exceeded expectations, with a small reserves upgrade anticipated. Construction work on the GKA platform has progressed well, with all major units having now been installed offshore; the subsea scope is also progressing well. A planned shutdown is currently taking place, allowing essential tie-in work to be carried out in preparation for first oil.

In Q2 2016, EnQuest undertook the drilling of the Eagle exploration well. Eagle was acquired along with EnQuest's other interests in the Greater Kittiwake Area ('GKA') in 2014. The Eagle exploration well was completed in Q2 2016 and confirmed as a discovery. Preliminary analysis of the results indicated Fulmar oil bearing reservoir was encountered with a vertical thickness of 67ft and excellent reservoir properties. Additionally no oil water contact was encountered, representing potential upside volumes on the flank of the structure. The encouraging results of the initial analysis lead EnQuest to anticipate gross total recoverable reserves to be of a similar order of magnitude to those in the nearby Gadwall producing oil field; it is estimated that total gross ultimate recovery from Gadwall will be approximately 6 MMstb. Further evaluation of the Eagle results is ongoing, but given the expected low cost of the tie back, it is expected to be commercial.

Alma/Galia

By March 2016, six Alma/Galia production wells had been commissioned. All these wells were onstream by early Q2 2016 and after analysis of the initial results, a production performance enhancing work programme was established. This programme is now complete. The K2 (AP5) well cleaned up naturally after a number of weeks of production, resulting in a substantial increase in production, K1 (AP4) required a chemical treatment which has been successful and the workover of the K3z (AP1) well, was carried out by early August, further increasing production, taking gross Alma/Galia production levels to an average of 18,785 Boepd between 5 and 31 August.

The drilling of well K7, the replacement for the uncompleted K6, is in progress and K7 should be online around the 2016 year end. 2016 drilling on Alma/Galia has allowed for additional reserve analysis, which has confirmed the existing assessment of Alma/Galia's overall net reserves, with there still being potential for remaining reserves to exceed the base sanction case.

Alba

Overall, H1 2016 production of 1,236 Boepd from Alba was closely in line with the level in H1 2015. This reflected the net effect of the A70 production well being brought online in April, with its performance exceeding expectations, also of a two week shutdown early in the year as a consequence of bad weather, followed subsequently by high operational uptime.

The A71 production well was drilled in August 2016 and is anticipated to be online later in H2 2016.

Development

Kraken

Overall the project remains on schedule and below budget, with first oil anticipated in H1 2017.

Floating production, storage and offloading vessel ('FPSO'): The FPSO is nearing mechanical completion with focus now on pre-commissioning and commissioning activities. The three boilers have all been fired for the first time and are undergoing performance tests. Three of four engines are mechanically complete. The turret area is mechanically complete. The accommodation module is fully operational and the operations crew are living onboard. Commissioning activities are ramping up at the quayside before sailing the vessel to deepwater anchorage in order to commission systems such as water injection pumps, HSP power fluid pumps, sulphate reduction package, fire water and deluge and lifeboats.

Subsea: The subsea installation programme is now complete with all three Drill centres ('DC1', 'DC2' and DC3') fully connected to the STP buoy for hook up to the FPSO. There is one short programme planned to install the last mooring pile and wire/chain.

Drilling: The drilling programme continues to make excellent progress. A total of four producer and four injector wells have now been safely drilled and completed, with results meeting or exceeding pre-drill predictions.

EnQuest has today announced a further c.$150 million reduction in the gross full cycle Kraken project costs to c.$2.6 billion. This reduction was primarily possible because of the progress on drilling and the execution of the subsea programme; these capex reductions will reduce cash outflow in 2017 and beyond.

Malaysia

Production

PM8/Seligi

Production of 8,152 Boepd from PM8/Seligi was up 5% on H1 2015. 2016 production started strongly as a result of unusually calm January weather and a successful well intervention. In Q2 2016, a pro-active 11-day shutdown was executed to complete safety checks and inspections that were deemed prudent, after which production returned to good levels. PM8/Seligi's performance is supported by strong production efficiency and the ongoing idle well restoration programme.

In the near term, EnQuest will continue to enhance production by investing in well interventions and facility integrity to maximise both reliability and production efficiency at low cost. Longer term, development drilling, secondary recovery and field life extension activities will contribute to improved recovery and additional reserves.

Tanjong Baram

Tanjong Baram produced 1,281 Boepd in H1 2016, having not yet commenced production during the comparative prior period of H1 2015.

Ends

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This announcement has been determined to contain inside information.

Presentation to Analysts and Investors
A presentation to analysts and investors will be held at 09:30 today – London time. 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 1907

USA: +1646 254 3361

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, the Greater Kittiwake Area and Alma/Galia, also the Kraken and the Scolty/Crathes developments; EnQuest also has an interest in the non-operated Alba producing oil field. At the end of June 2016, EnQuest had interests in 29 UK production licences, covering 41 blocks or part blocks and was the operator of 26 of these licences.

EnQuest believes that the UKCS represents a significant hydrocarbon basin, 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 its operations and utilising its 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 and the Tanjong Baram Risk Services Contract.

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.

Glossary

GKA	Greater Kittiwake Area
SVT	Sullom Voe Terminal
FPSO	Floating production, storage and offloading vessel
ESP	Electrical submersible pump
DC	Drill centre
HSP	Hydraulic submersible pump
STP	Submerged turret production
RCF	Revolving credit facility

FINANCIAL REVIEW

Financial Overview

Against the backdrop of the current low oil price environment, during the first half of 2016 EnQuest has continued to deliver a strong operational performance. Production, on a working interest basis, increased by 43% to 42,520 Boepd, compared to 29,665 Boepd in the first half of 2015. This included six months of production from Alma/Galia, contributing 6,433 Boepd, and Tanjong Baram, contributing 1,281 Boepd, which achieved first oil in October 2015 and August 2015, respectively.

Reflecting EnQuest's cost optimisation, first oil from Alma/Galia and Tanjong Baram, and the increase in production, unit operating costs reduced by 42% to $23 per barrel.

	Business performance	
	H1 2016 $ million	H1 2015 $ million
Profit from operations before tax and finance income/(costs)	149.7	99.1
Depletion and depreciation	130.5	123.3
Net foreign exchange (gains)/losses	(37.3)	4.3
EBITDA	242.9	226.7

EBITDA for the six months ended 30 June 2016 was $242.9 million compared with $226.7 million during the six months ended 30 June 2015. The higher EBITDA is mainly due to the increase in production and reduced operating costs, offset by the impact of lower oil prices in H1 2016. The impact of lower oil prices has been partially mitigated through the contribution of $128.1 million from the Group's commodity hedge portfolio (2015: $146.7 million).

Reflecting the ongoing investments EnQuest has made in its assets, notably Kraken, EnQuest's net debt has increased from $1.55 billion at the end of 2015 to $1.68 billion at 30 June 2016.

	Net debt/(cash)	
	30 June 2016 $ million	31 December 2015 $ million
Bond[1]	857.9	879.7
Multi-currency Revolving Credit Facility[1] ('RCF')	956.3	902.3
Tanjong Baram project finance facility[1]	30.1	35.0
Cash and cash equivalents	(163.3)	(269.0)
Net debt	1,681.0	1,548.0

1 Stated excluding accrued interest and excluding the net-off of unamortised fees.

There are no significant debt maturities until October 2017, when amortisation of the RCF is due to commence.

As a result of the continued capital investment, UK corporate tax losses at the end of the half-year increased to approximately $2.73 billion. In the current environment, no material corporation tax or supplementary corporation tax is expected to be paid on UK operational activities. The Group paid cash corporate income tax on the Malaysian assets which will continue throughout the life of the production sharing contract.

Income Statement

Production and revenue

Production levels, on a working interest basis, averaged 42,520 Boepd in the first half of 2016 compared with 29,665 Boepd in 2015. The increase reflects six months of production from Alma/Galia and Tanjong Baram which achieved first oil during H2 2015, the benefit of additional wells drilled at Thistle during 2015, additional production from Gadwall in the Greater Kittiwake Area ('GKA') and Ythan in the Dons area, and improved operating efficiency across other fields.

The Group's blended average realised price per barrel of oil sold excluding hedging was $41 for the six months ended 30 June 2016, below the $58 per barrel received during the first half of 2015, reflecting the decline in oil prices. Revenue is predominantly derived from crude oil sales and for the six months ended 30 June 2016 crude oil sales totalled $256.5 million compared with $294.1 million for the comparative period in 2015. The decrease in revenue was due to the lower oil price, offset partially by the higher production. Revenue in 2016 also included $128.1 million of realised income relating to oil commodity hedges and other oil derivatives (2015: $146.7 million). This includes $15.2

million of non-cash amortisation of option premiums and $1.8 million of hedge accounting gains deferred from 2015 (2015: $55.4 million of non-cash amortisation of option premiums). A total unrealised loss of $9.1 million was recognised within exceptional items in respect of the unrealised mark to market loss on the Group's commodity contracts (2015: unrealised loss of $29.4m).

Cost of sales
Cost of sales, on a business performance basis, was as follows:

	Business performance	
	H1 2016 $ million	H1 2015 $ million
Production costs	138.9	164.9
Tariff and transportation expenses	31.8	28.0
Realised (gain)/loss on foreign currency derivatives	8.2	2.7
Operating costs	**178.9**	**195.6**
Change in lifting position and inventory	(34.8)	10.0
Depletion of oil and gas assets	128.5	119.8
Other cost of sales	1.0	10.2
Cost of sales	**273.6**	**335.6**
	$/bbl	$/bbl
Operating cost per barrel[(1)]		
-Production costs	19	31
-Tariff and transportation expenses	4	8
	23	**39**

[(1)] Calculated on a working interest basis

Business performance cost of sales were $273.6 million for the six months ended 30 June 2016 compared with $335.6 million for the six months ended 30 June 2015. Although production has significantly increased, operating costs decreased by $16.7 million, reflecting EnQuest's cost reductions and the benefit of a weaker sterling exchange rate, partially offset by an increase in realised losses on foreign currency derivatives of $5.5 million. On a per barrel basis, the Group's average operating cost per barrel has decreased by 41% to $23 per barrel, reflecting the cost reductions and foreign exchange benefits above, together with the impact of 43% higher production.

Change in the lifting position and inventory resulted in a $34.8 million credit to cost of sales, reflecting the unwind of the overlift balance that had accrued at 31 December 2015, primarily on Thistle and GKA.

Depletion expense of $128.5 million was $8.7 million higher than the prior period, reflecting increased production, partially offset by the impact of impairments recognised for the year ended 31 December 2015 on the average depletion rate, which decreased from $24 per barrel to $18 per barrel.

Other cost of sales, which principally include the supplemental payment due on profit oil in Malaysia, decreased by $9.2 million, reflecting the impact of lower oil prices on the supplemental payment.

General and administrative expenses
General and administrative expenses were $5.4 million during the six months ended 30 June 2016, compared with $5.2 million for the same period last year.

Other income and expenses
Other income of $37.3 million is comprised of net foreign exchange gains, which relate primarily to the revaluation of sterling denominated amounts in the balance sheet following the devaluation of the pound against the dollar.

Taxation
The tax credit for the six months ended 30 June 2016 of $56.9 million (2015: $22.4 million tax credit), excluding exceptional items, is due primarily to an increase in the Ring Fence Expenditure Supplement ('RFES') on UK activities.

Exceptional items
Exceptional items resulting in a net loss of $8.5 million before tax have been disclosed separately for the six months ended 30 June 2016. These include unrealised losses on commodity and foreign currency derivative contracts of $33.9 million, a $22.8 million credit arising from the derecognition of an onerous contract provision for the Stena Spey drilling vessel, reflecting the expectation that the contracted days will be utilised in full, and a $3.5 million credit arising from the derecognition of a provision for contingent consideration in relation to the Eagle prospect, no longer expected to be payable.

A tax credit of $19.5 million has been presented as exceptional, comprising a tax credit of $6.5 million relating to the tax impact of the above exceptional items and a tax credit of $13.0 million resulting from the reduction in Petroleum Revenue Tax ('PRT') to 0% with effect from 1 January 2016.

Finance costs
Finance costs of $66.8 million include $52.0 million of bond and loan interest payable, $7.8 million unwinding of discount on provisions, $20.1 million relating to the amortisation of premium on options designated as hedges of production and other financial expenses of $10.0 million, primarily commitment and letter of credit fees and amortisation of finance fees of $3.3 million relating to arrangement fees for the bank facilities and bonds. The Group capitalised interest of $23.1 million for the six months ended 30 June 2016 in relation to the interest payable on borrowing costs on its capital development projects, primarily the Kraken development.

Finance income
Finance income of $0.5 million includes $0.2 million of bank interest receivable and $0.2 million unwinding of the discount on the financial asset created in 2012 as part of the consideration for the farm out of the Alma/Galia development to KUFPEC.

Earnings per share
The Group's reported basic earnings per share was 19.5 cents for the six months ended 30 June 2016 compared with earnings per share of 12.8 cents for the six months ended 30 June 2015. The Group's reported diluted earnings per share was 18.2 cents for the six months ended 30 June 2016 compared with diluted earnings per share of 12.4 cents for the six months ended 30 June 2015.

Cash flow and liquidity
The Group's reported cash generated from operations for the six months ended 30 June 2016 was $182.6 million compared with $83.3 million for the same period last year. In part, this is due to the increased production and lower operating expenditure for the first half year of the year. Also, cash generated from commodity hedging is higher in the current period, reflecting that revenue for the prior period included $64.6 million of deferred gains for hedges of 2015 production that had been closed and realised in cash during 2014.

It is anticipated that the underlying effective tax rate for 2016 will be below the UK statutory tax rate of 50%, excluding one-off exceptional tax items, due to UK tax reliefs and profits charged to tax at a lower rate in Malaysia. In the current environment and with the investment in the North Sea, the Group does not expect a material cash outflow for UK corporation tax on operational activities. This is due to the benefits from tax deductible first year capital allowances in the UK, available investment allowances and accumulated tax losses which are largely attributable to the Group's capital investment programme to date.

Cash outflow on capital expenditure is set out in the table below:

	6 months ended 30 June 2016 $ million	6 months ended 30 June 2015 $ million
North Sea capital expenditure	250.9	314.9
Malaysia capital expenditure	6.9	53.0
Exploration and evaluation capital expenditure	2.2	18.0
Other capital expenditure	1.6	18.4
	261.6	404.3

The significant capital projects undertaken during the six months ended 30 June 2016 were the Kraken and Scolty/Crathes developments and the Eagle exploration well.

Net debt at 30 June 2016 amounted to $1,681.0 million compared with net debt of $1,548.0 million at 31 December 2015.

The Group has remained in compliance with financial covenants under its debt facilities throughout the period and managing ongoing compliance remains a priority.

Balance Sheet
The Group's total asset value has increased by $191.4 million to $3,968.7 million at 30 June 2016 (2015: $3,777.3 million).

Property, plant and equipment
Property, plant and equipment ('PP&E') has increased to $2,777.6 million at 30 June 2016 from $2,436.7 million at 31 December 2015.

The increase of $340.9 million is explained by additions to PP&E of $385.6 million, acquisitions of $33.6m in respect of the additional 10.5% interest in Kraken acquired from First Oil, an increase of $53.0 million for net changes in estimates for decommissioning and other provisions, offset by depletion and depreciation charges of $131.3 million.

The PP&E capital additions during the period, including capitalised interest, are set out in the table below:

	Six months ended 30 June 2016 $ million
Kraken	310.2
Scolty/Crathes	55.3
Thistle	7.8
Alma/Galia	6.1
Other North Sea	2.9
Malaysia	2.3
Other	1.0
	385.6

Intangible oil and gas assets
Intangible oil and gas assets increased by $19.2 million to $65.7 million at 30 June 2016. The increase mainly relates to the Eagle exploration well, drilled on a 100% working interest basis in the Greater Kittiwake Area. The Eagle well has been confirmed as a discovery and further assessment of the results is underway.

Trade and other receivables
Trade and other receivables have decreased by $33.7 million to $318.2 million at 30 June 2016 compared with $351.9 million at 31 December 2015. The decrease relates mainly to capital expenditure related prepayments, which are capitalised based on the timing of work performed.

Cash and bank
The Group had $163.3 million of cash and cash equivalents at 30 June 2016 and $956.3 million was drawn down on the $1.2 billion RCF.

Provisions
The Group's decommissioning provision increased by $40.4 million to $547.2 million at 30 June 2016 (2015: $506.8 million). The increase is driven by additions for Kraken and Scolty/Crathes based on drilling and development carried out during the period and the acquisition of the additional 10.5% share of Kraken from First Oil.

A provision of $26.6 million has been made at 30 June 2016 following an independent reserves determination to assess the contingent consideration payable for Kraken, with a corresponding addition recorded in PP&E.

An onerous contract provision of $22.9 million for the Stena Spey drilling vessel was derecognised during the period, as the contracted days are now expected to be utilised fully.

Income tax
The Group had no UK corporation tax or supplementary corporation tax liability at 30 June 2016, which remains unchanged from 31 December 2015. The income tax asset at 30 June 2016 represents UK corporation tax receivable in relation to non-upstream activities and the income tax payable is in relation to the activity in Malaysia.

Deferred tax
The Group's net deferred tax asset has increased from $79.3 million at 31 December 2015 to $245.3 million at 30 June 2016. This movement includes a reduction in the deferred tax liability of $13.0 million due to the reduction in statutory PRT rates and a reduction in deferred tax liability on realised hedges of $84.1 million. Total UK tax losses carried forward at the half year amount to approximately $2,733.6 million.

Trade and other payables
Trade and other payables have increased to $589.0 million at 30 June 2016, of which $10.8 million are payable after more than one year (2015: $543.5 million, all payable within one year). The increase reflects the on-going development work at Kraken and Scolty/Crathes, a portion for which payment is deferred until certain milestones are met, in accordance with supplier agreements.

Other financial liabilities
Other current financial liabilities have increased by $43.5 million to $52.7 million. The increase relates primarily to mark to market movements on foreign currency derivatives, resulting from the devaluation of the pound against the dollar.

Other non-current financial liabilities of $8.1 million (2015: $7.7 million) relate to the Group's liability to carry PETRONAS Carigali for its share of exploration or appraisal well commitments in relation to the PM8/Seligi asset in Malaysia.

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 to protect against volatility and to ensure the availability of cash flow for reinvestment in capital programmes that are driving business growth.

During 2015 the Group entered into commodity hedging contracts to hedge partially the exposure to fluctuations in the Brent oil price during 2016. This hedge portfolio generated cash flows of $90.3 million and revenue and other operating income of $119.0 million during the six months ended 30 June 2016, primarily in respect of the realisation of put options over 3.75 MMbbls and swaps in respect of 0.75 MMbbls. Finance costs of $1.6 million have been recognised, representing the movement in the time value of put options which have been designated as effective hedges of production. The revenue recognised includes $1.8 million of gains realised in 2015 which were deferred until 2016 to match the timing of the underlying production the options were hedging. It also includes realised losses of $14.3 million and $5.6 million of unrealised mark to market gains in respect of contracts not designated as hedges.

At 30 June 2016, the Group's commodity derivative contracts include bought put options over 4.25 MMbbls, maturing throughout 2016 with an average strike price of $68/bbl and a positive fair value of $49.4 million (including deferred premiums owed by EnQuest of $33.5 million). The Group also has oil swap contracts to sell 1.25 MMbbls at an average fixed price of $67/bbl, maturing throughout 2016 with a positive fair value of $21.1 million, and net sold call options with a positive net fair value of $26.5 million (including deferred premiums owed to EnQuest of $29.2 million).

In addition to the realised gains and losses on these contracts, the Group's business performance results are 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 and other operating income. Business performance results for the six months ended 30 June 2016 include a charge in finance costs totalling $20.1 million in respect of bought put option premium amortisation, and revenue and other operating income includes $15.2 million of sold option premium amortisation. In respect of option premium amortisation, the current hedging position will result in the realisation of a further $10.0 million within revenue and other operating income and a further $15.9 million within finance costs during the second half of 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.

For the six months ended 30 June 2016, the Group's foreign currency hedging portfolio realised a loss of $8.2 million. Unrealised losses of $43.3 million were also recognised.

At 30 June 2016, the Group had foreign exchange hedge contracts in place over £280.2 million with a protection rate of approximately $1.49/£, €5.2 million with a protection rate of approximately €1.12/$ and contracts over NOK262.6 million at a fixed rate of NOK8.2/$. These contracts had a negative net fair value of $34.4 million at 30 June 2016, and expire throughout 2016.

During the six months ended 30 June 2016, the Group entered into a structure covering the first half of 2017. The counterparty can elect to sell £47.5 million to EnQuest at an exchange rate of $1.4:£1.0 or purchase 1,320,000 barrels of oil at $58/bbl. The contract had a negative fair value of $9.3 million at 30 June 2016.

EnQuest continually reviews its currency exposures and when appropriate looks at opportunities to enter into foreign exchange hedging contracts.

Surplus cash balances are deposited as cash collateral against in-place letters of credit as a way of reducing interest costs. Otherwise cash balances can be invested in short term bank deposits and AAA-rated liquidity funds, subject to Board approved limits and with a view to minimising counterparty credit risks.

Going Concern

The Group closely monitors and manages its funding position and liquidity risk throughout the year, including monitoring forecast covenant tests, to ensure it has access to sufficient funds to meet forecast cash requirements. 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 pro-actively manage any liquidity or covenant compliance risks.

As previously reported on 16 March 2016, in addition to the temporary relaxation of certain covenants within the Revolving Credit Facility ("RCF") and Retail Bond achieved during 2015, management has taken action to implement cost saving programmes, both to reduce and rephase planned operational expenditure, general and administrative spend and capital expenditure in 2016 and 2017. This work has continued in the current period with a particular focus on maintaining adequate liquidity.

The Group's forecasts and projections take into account the actions described in the preceding paragraph, and reflect the assumption that the Group's major project, Kraken, will remain on track. The forecasts which underpin this assessment use an oil price assumption of $40/bbl for the remainder of 2016, and $50/bbl in 2017, and is prepared on the basis that RCF lenders continue to provide access to adequate funding through further drawdown of the existing facility for the duration of the period under review. This scenario shows positive liquidity in the Going Concern period but a temporary breach of covenants later in the Going Concern period. The Directors believe additional liquidity is required to maintain appropriate protection against downside risk. The Group is therefore pursuing a number of other funding options, to ensure adequate liquidity continues to be available and is also seeking accommodations in respect of existing covenants, debt service and loan amortisation as appropriate.

The Group is holding constructive discussions with its main debt and credit providers (including the RCF lenders), or their representatives, concerning proposals for accommodations including to amend the structure, covenants, interest payment obligations, maturities and other aspects of its debt. The RCF lenders continue to be supportive and have provided waivers to date. Accordingly, the Directors have based their assessment that the Group continues to be a going concern on the basis that it can continue to rely on the ability to access adequate funds under the RCF, agree necessary amendments across its debt and credit facilities and with certain vendors, and / or is able to access alternative sources of funding.

Nevertheless there is a risk that the Group is unable to achieve near-term support from the RCF and the accommodations sought from debt and credit providers or is unable to maintain adequate liquidity and the Group would be unable to pay its commitments as they fall due. These risks represent material uncertainties. The Financial Reporting Council Guidance on Risk Management, Internal Control and Related Financial and Business Reporting requires us to report such uncertainties may cast significant doubt upon the Group's ability to continue to apply the going concern basis of accounting.

After making enquiries, assessing the progress against the forecast and projections and the status of the discussions referred to above, and notwithstanding the material uncertainties described above, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its commitments as they fall due over the Going Concern period. Accordingly, the Directors therefore continue to adopt the going concern basis in preparing the financial statements.

EnQuest PLC

HALF YEAR GROUP STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2016

	2016			2015		
	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)	391,320	(9,073)	382,247	444,044	(29,425)	414,619
Cost of sales	(273,571)	(44,092)	(317,663)	(335,595)	12,802	(322,793)
Gross profit/(loss)	117,749	(53,165)	64,584	108,449	(16,623)	91,826
Exploration and evaluation expenses	(8)	(878)	(886)	(22)	(4,759)	(4,781)
Impairment of investments	-	(49)	(49)	-	-	-
Impairment of land and buildings	-	-	-	-	(5,947)	(5,947)
General and administration expenses	(5,409)	(123)	(5,532)	(5,211)	-	(5,211)
Other income/(expenses)	37,348	27,562	64,910	(4,125)	(4,242)	(8,367)
Profit/(loss) from operations before tax and finance income/(costs)	149,680	(26,653)	123,027	99,091	(31,571)	67,520
Finance costs	(66,797)	18,198	(48,599)	(88,166)	(14,445)	(102,611)
Finance income	468	-	468	473	-	473
Profit/(loss) before tax	83,351	(8,455)	74,896	11,398	(46,016)	(34,618)
Income tax	56,922	19,465	76,387	22,355	111,431	133,786
Profit/(loss) for the period attributable to owners of the parent	140,273	11,010	151,283	33,753	65,415	99,168
Other comprehensive income for the period after tax:						
Cash flow hedges (note 11):						
Reclassified to profit or loss			(127,135)			(95,926)
May be reclassified subsequently to profit or loss			(41,261)			8,866
Deferred tax on gain/(loss) on cash flow hedges			84,143			62,283
Total other comprehensive income for the period			(84,253)			(24,777)
Total comprehensive income for the period, attributable to owners of the parent			67,030			74,391
Earnings per share (note 6)			**US$**			**US$**
Basic			0.195			0.128
Diluted			0.182			0.124

EnQuest PLC

GROUP BALANCE SHEET
As at 30 June 2016

	Notes	**30 June 2016 US$'000 Unaudited**	31 December 2015 US$'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	8	2,777,561	2,436,672
Goodwill		189,317	189,317
Intangible oil and gas assets	9	65,740	46,530
Investments		73	123
Deferred tax asset		265,060	138,525
Other financial assets	11	10,214	15,262
		3,307,965	2,826,429
Current assets			
Inventories		72,657	67,629
Trade and other receivables		318,246	351,873
Current tax receivable		1,196	3,666
Cash and cash equivalents		163,290	269,049
Other financial assets	11	105,301	258,692
		660,690	950,909
TOTAL ASSETS		3,968,655	3,777,338
EQUITY AND LIABILITIES			
Equity			
Share capital	10	113,433	113,433
Merger reserve		662,855	662,855
Cash flow hedge reserve		49,946	134,199
Share-based payment reserve		(8,095)	(11,995)
Retained earnings		(80,010)	(231,293)
TOTAL EQUITY		738,129	667,199
Non-current liabilities			
Borrowings		958,969	907,073
Bond	12	849,615	870,281
Trade and other payables	13	10,763	-
Provisions	14	724,370	686,577
Other financial liabilities	11	8,067	7,684
Deferred tax liabilities		19,717	59,198
		2,571,501	2,530,813
Current liabilities			
Borrowings		9,951	10,150
Bond	12	11,639	12,319
Trade and other payables		578,209	543,518
Obligations under finance leases		-	36
Other financial liabilities	11	52,715	9,169
Current tax payable		6,511	4,134
		659,025	579,326
TOTAL LIABILITIES		3,230,526	3,110,139
TOTAL EQUITY AND LIABILITIES		3,968,655	3,777,338

EnQuest PLC

GROUP STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2016

	Share capital US$'000 Unaudited	Merger reserve US$'000 Unaudited	Cash flow hedge reserve US$'000 Unaudited	Share-based payments reserve US$'000 Unaudited	Retained earnings US$'000 Unaudited	Total US$'000 Unaudited
Balance at 1 January 2016	113,433	662,855	134,199	(11,995)	(231,293)	667,199
Profit for the period	-	-	-	-	151,283	151,283
Other comprehensive income	-	-	(84,253)	-	-	(84,253)
Total comprehensive income for the period	-	-	(84,253)	-	151,283	67,030
Share-based payments	-	-	-	3,900	-	3,900
Balance at 30 June 2016	**113,433**	**662,855**	**49,946**	**(8,095)**	**(80,010)**	**738,129**
Balance at 1 January 2015	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**

EnQuest PLC

GROUP CASH FLOW STATEMENT
For the six months ended 30 June 2016

	2016 US$'000 Unaudited	2015 US$'000 Unaudited
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	74,896	(34,618)
Depreciation	1,996	3,500
Depletion	129,270	121,786
Exploration costs impaired and written off	645	4,758
Impairment of land and buildings	-	5,947
Impairment on available-for-sale investments	49	-
Write down of receivable	-	4,242
Share-based payment charge	3,900	3,777
Change in deferred consideration	(3,495)	-
Change in surplus lease provision	(22,825)	-
Unwinding of discount on decommissioning provisions	6,217	9,674
Unwinding of other discount	1,630	2,450
Amortisation of option premiums	(15,222)	(55,428)
Hedge accounting deferral	(1,779)	(63,859)
Unrealised loss on financial instruments	52,373	14,684
Unrealised exchange losses	(37,286)	4,311
Net finance costs	40,283	90,014
Operating profit before working capital changes	230,652	111,238
(Increase)/decrease in trade and other receivables	(13,162)	49
Increase in inventories	(6,677)	(7,370)
Decrease in trade and other payables	(28,222)	(20,607)
Cash generated from operations	182,591	83,310
Cash paid for financial instruments	(7,938)	(5,729)
Decommissioning spend	(4,316)	(3,850)
Income taxes paid	(123)	(3,040)
Net cash flows from operating activities	170,214	70,691
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(259,357)	(386,251)
Purchase of intangible oil and gas assets	(2,200)	(18,002)
Interest received	258	154
Net cash flows used in investing activities	(261,299)	(404,099)

EnQuest PLC

GROUP CASH FLOW STATEMENT
For the six months ended 30 June 2016

	2016 US$'000	2015 US$'000
	Unaudited	Unaudited
FINANCING ACTIVITIES		
Proceeds from bank facilities	49,100	474,685
Repayments of obligations under finance leases	(35)	(35)
Interest paid	(50,447)	(21,508)
Other finance costs paid	(6,542)	(8,539)
Net cash flows used in financing activities	(7,924)	444,603
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(99,009)	111,195
Net foreign exchange on cash and cash equivalents	(2,193)	10,391
Cash and cash equivalents at 1 January	257,540	171,932
CASH AND CASH EQUIVALENTS AT 30 JUNE	156,338	293,518
Reconciliation of cash and cash equivalents		
Cash and cash equivalents per cashflow statement	156,338	293,518
Restricted cash	6,952	12,096
Cash and cash equivalents per balance sheet	163,290	305,614

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 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 7 September 2016.

2. Basis of preparation and accounting policies

The annual financial statements of EnQuest PLC are prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. The Group condensed financial statements for the six months ended 30 June 2016 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 2015.

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 2015, 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 financial statements have been prepared on the going concern basis. The Directors have concluded that there is a risk that the Group is unable to achieve near-term support from the RCF lenders and the accommodations sought from debt and credit providers or is unable to maintain adequate liquidity and the Group would be unable to pay its commitments as they fall due. These risks represent material uncertainties. Further details of the Directors' assessment of the going concern assumption are set out in the Financial Review.

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 2015. The standards adopted at 1 January 2016 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 2016	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	211,442	51,734	58	263,234	119,013	382,247
Total Group revenue	**211,442**	**51,734**	**58**	**263,234**	**119,013**	**382,247**
Segment profit/(loss)	**45,471**	**10,195**	**(200)**	**55,466**	**19,430**	**74,896**

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	219,051	78,323	-	297,374	117,245	414,619
Total Group revenue	**219,051**	**78,323**	**-**	**297,374**	**117,245**	**414,619**
Segment profit/(loss)	**(65,571)**	**5,329**	**(1,487)**	**(61,729)**	**27,111**	**(34,618)**

Reconciliation of profit:

	Period ended 30 June 2016 US$'000	***Period ended 30 June 2015 US$'000***
Segment profit/(loss)	55,466	(61,729)
Finance income	468	473
Finance expense	(46,960)	(54,136)
Gains and losses on derivatives	65,922	80,774
Profit/(loss) before tax	**74,896**	**(34,618)**

4. Depletion of fair value uplift, remeasurements, impairments and other exceptional items

	Period ended 30 June 2016 US$'000	***Period ended 30 June 2015*** *US$'000*
Recognised in arriving at profit/(loss) from operations before tax:		
Unrealised mark-to-market losses	**(33,383)**	(29,129)
Write off and impairment of investments, oil and gas and exploration assets	**(927)**	(4,759)
Depletion of fair value uplift	**(791)**	(1,939)
Change in surplus lease provision	**22,819**	-
Change in contingent consideration	**3,251**	-
Other	**576**	-
Write down of receivable	**-**	(4,242)
Impairment of land and buildings	**-**	(5,947)
	(8,455)	(46,016)
Tax on items above	**6,388**	111,431
Change in tax rate	**13,077**	-
	11,010	65,415

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

Unrealised mark-to-market gains and losses
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.

In July 2015, contingent consideration which was receivable on the disposal of the Slovenian Petisovchi asset to Ascent in 2011 was agreed to be converted into a convertible loan note. The fair value of the convertible loan note at 30 June 2016, is US$793,000 (2015: nil). The impact in the income statement net of foreign exchange is a credit of US$543,000. The loan note is due to mature in November 2016.

Write off and impairment of investments, oil and gas and exploration assets
Exploration assets were reviewed and this has led to an impairment of US$645,000 (2015: US$3,934,000) (refer to note 9). In addition, US$233,000 has been recognised for the six months ended 30 June 2016 relating to decommissioning spend on the Cairngorm asset above the decommissioning provision.

As consideration for the disposal of the held for sale Petisovci asset in 2011, the Group received an investment in Ascent Resources plc. The accounting valuation of this shareholding at 30 June 2016 resulted in a non-cash impairment of US$49,000, which was recognised in the income statement (2015: nil).

Depletion of fair value uplift
Additional depletion arising from the fair value uplift of Petrofac Energy Developments Limited's oil and gas assets on acquisition of US$791,000 (2015: US$1,939,000) is included within cost of sales in the statement of comprehensive income.

Change in surplus lease provision
In June 2015, the Group entered a 20 year lease in respect of the Group's office building in Aberdeen with part of the building subsequently being sub-let. A provision has been recognised for the unavoidable costs in relation to the sub-let space due primarily to a rent free period offered. For the six months ended 30 June 2016, US$60,000 has been credited to rent expenses, representing the utilisation in the period.

In addition, the Group has an agreement to hire the Stena Spey drilling vessel in 2016. Based on the current drilling forecasts for the remainder of 2016 and the deferment of a number of drilling days into 2017, the provision recognised at 31 December 2015 has been reversed and this has led to a US$22,948,000 credit to the income statement for the period.

Change in contingent consideration
As part of the purchase agreement with the previous owner of the GKA assets, a contingent consideration was agreed based on Scolty/Crathes Field Development Plan ('FDP') approval and 'first oil'. EnQuest paid US$3,000,000 in November 2015 as FDP was achieved in October 2015. US$9,000,000 is due on the later of first oil or 30 January 2017 and US$8,000,000 due on the later of one year after first oil or 30 January 2018. In addition further payments will become due if the oil price rises above US$75 per barrel on a linear basis up to US$100 per barrel, up to a cap of US$20,000,000. An option model has been used to value the element of the consideration that is contingent on the oil price and has resulted in a credit to the income statement of US$95,000 for the six months ended 30 June 2016.

In addition, there is consideration due subject to future exploration success. The provision at 31 December 2015 relating to this was US$8,700,000. This has been reassessed for the six months ended 30 June 2016 and US$3,400,000 has been released to the income statement.

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

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

Other
This relates to the actualisation of receivable balances which were recognised at 31 December 2015 relating to a joint venture audit of the SB307/SB308 operator in Malaysia and also an acquisition adjustment to the PM8 asset in relation to a condensate/gas sales reserve.

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 was calculated based on the anticipated realisable value at that time.

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 negotiated a settlement agreement whereby in settlement of all amounts due from PAR, EnQuest will receive an amount held by PAR in Tunisia of TND 13,771,642. EnQuest has security over the monies in this account, pending the approval of the Tunisian central Bank to convert these amounts into US Dollars and expatriate them out of Tunisia. EnQuest recognised a charge to the income statement totalling US$4,242,000 for the six months ended 30 June 2015 which represented the difference between the value carried as at 31 December 2014 and the value of the bank account in Tunisian Dinars on 30 June 2015.

The funds of US$6,290,000 are disclosed in the balance sheet at 30 June 2016 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$13,077,000 in respect of the recently enacted decrease in the Petroleum Revenue Tax rate to 0%, with effect from 1 January 2016, has been reported as an exceptional item in the period.

5. Revenue and other operating income

	Period ended 30 June 2016 US$'000	***Period ended 30 June 2015*** *US$'000*
Revenue from crude oil sales[(i)]	**384,410**	440,761
Revenue from gas sales	**541**	-
Tariff revenue	**2,598**	3,280
Other operating revenue	**10**	3
Rental income	**3,568**	-
Trading revenue	**193**	-
Business performance revenue	**391,320**	444,044
Unrealised gains and losses on commodity derivative contracts[(i)]	**(9,073)**	(29,425)
	382,247	414,619

[(i)] Included within revenue and other operating income are realised gains of US$128,086,000 (2015: US$146,670,000) and unrealised losses of US$9,073,000 (2015: US$29,425,000) on the Group's commodity derivative contracts.

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	
	2016 US$'000 Unaudited	2015 US$'000 Unaudited	2016 Million Unaudited	2015 Million Unaudited	2016 US$ Unaudited	2015 US$ Unaudited
Basic	151,283	99,168	776.4	773.8	0.195	0.128
Dilutive potential of Ordinary shares granted under share-based incentive schemes	-	-	54.0	28.0	(0.013)	(0.004)
Diluted	151,283	99,168	830.4	801.8	0.182	0.124

7. Dividends

No dividend was paid or proposed in the six months ended 30 June 2016 (2015: nil).

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NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

8. Property, plant and equipment

	Land and buildings US$'000	Oil and gas assets US$'000	Office furniture and equipment US$'000	Total US$'000
Cost				
At 1 January 2016	-	6,165,488	51,865	6,217,353
Additions	-	384,581	1,013	385,594
Acquisition of share of licence (i)	-	33,601	-	33,601
Change in cost carry liabilities (ii)	-	26,808	-	26,808
Change in decommissioning provision	-	30,393	-	30,393
Change in cost recovery provision (note 14)	-	(4,241)	-	(4,241)
At 30 June 2016	-	6,636,630	52,878	6,689,508
Depletion and depreciation				
At 1 January 2016	-	3,752,020	28,661	3,780,681
Charge for the period	-	129,270	1,996	131,266
At 30 June 2016	-	3,881,290	30,657	3,911,947
Net carrying amount:				
30 June 2016	**-**	**2,755,340**	**22,221**	**2,777,561**
31 December 2015	-	2,413,468	23,204	2,436,672
30 June 2015	11,911	3,528,482	10,154	3,550,547

(i) During the six months ended 30 June 2016, the Group acquired an additional 10.5% interest in the Kraken field.

(ii) During the six months ended 30 June 2016, US$26,591,000 was recognised against the Kraken carry provision (see note 15).

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

9. Intangible oil and gas assets

	US$'000
Cost	
At 1 January 2016	226,715
Additions	19,216
Write off of relinquished licences previously impaired	(1,311)
Change in decommissioning provision	639
At 30 June 2016	245,259
Provision for impairment	
At 1 January 2016	180,185
Write off of relinquished licences previously impaired	(1,311)
Impairment charge for the period (i)	645
At 30 June 2016	179,519
Net carrying amount:	
30 June 2016	**65,740**
31 December 2015	46,530
30 June 2015	79,228

(i) The charge for the period relates to an impairment charge against several licences relinquished during the period.

10. Share capital

The share capital of the Company as at 30 June 2016 was US$113,433,000 (31 December 2015: US$113,433,000) comprising 802,660,757 Ordinary shares of £0.05 each (31 December 2015: 802,660,757 Ordinary shares of £0.05 each) and share premium of US$52,184,000 (31 December 2015: US$52,184,000).

EnQuest PLC

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

11. Other financial assets and financial liabilities

(a) Balance sheet summary

	2016 US$'000	*2015 US$'000*
Financial instruments at fair value through other comprehensive income		
Current assets		
Cash flow hedges:		
Commodity contracts	**70,549**	214,499
Interest rate swap	**-**	47
	70,549	214,546
Current liabilities		
Cash flow hedges:		
Foreign currency contracts	**594**	1,023
Interest rate swap	**64**	-
	658	1,023
Financial instruments at fair value through profit or loss		
Current assets		
Derivatives not designated as hedges:		
Commodity contracts	**26,493**	36,511
Foreign currency contracts	**64**	-
	26,557	36,511
Current liabilities		
Derivatives not designated as hedges:		
Commodity contracts	**519**	-
Foreign currency contracts	**51,507**	8,143
	52,026	8,143
Loans and receivables		
Current assets		
Other receivable	**8,195**	7,635
Non-current assets		
Other receivable	**10,214**	15,262
Other financial liabilities at amortised cost		
Current liabilities		
Other liability	**31**	3
Non-current liabilities		
Other liability	**8,067**	7,684
Total current assets	**105,301**	258,692
Total non-current assets	**10,214**	15,262
Total assets	**115,515**	273,954
Total current liabilities	**52,715**	9,169
Total non-current liabilities	**8,067**	7,684
Total liabilities	**60,782**	16,853

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.

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

11. Other financial assets and financial liabilities (continued)

(b) Commodity contracts

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

Oil price hedging

Purchased put options and swaps are designated as hedges of the Group's production. 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 put options and the amortisation of premiums paid for put options are recognised in finance costs.

The Group hedged 10,000,000 barrels of 2016 production: 8,000,000 barrels via the purchase of put options, with an average strike price of US$68/bbl and 2,000,000 barrels via swaps with an average fixed price of US$67/bbl.

During the six months ended 30 June 2016, put options and swaps over a total of 4,500,000 barrels matured. Gains totalling US$125,356,000 were included in realised revenue in the income statement in respect of these matured contracts. A further gain of US$532,000, relating to the ineffective portion of hedges, was recognised within unrealised revenue.

In addition, during the year ended 31 December 2015, gains totalling US$2,456,000 were realised when put options hedging 2,000,000 barrels of 2016 production were closed. This gain was deferred in the cash flow hedge reserve as at 31 December 2015. US$1,779,000 of this gain was realised to revenue during the six months ended 30 June 2016 with the remaining US$677,000 to be recognised during the second half of 2016.

As at 30 June 2016, the Group held put options and swaps over 5,500,000 barrels maturing over the remainder of 2016, with an average strike price of US$68/bbl. The fair value of these put options and swaps at 30 June 2016 was an asset of US$70,549,000.

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, commodity swap contracts and futures.

For the six months ended 30 June 2016, losses totalling US$8,654,000 were recognised in respect of commodity contracts designated as FVTPL. This included losses of US$14,271,000 realised on contracts that matured during the six months ended 30 June 2016, and mark to market gains totalling US$5,617,000. Of this amount, US$15,222,000 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 US$9,605,000, was recognised in exceptional revenue in line with the Group's accounting policy.

For the six months ended 30 June 2015, gains totalling US$18,706,810 were recognised in respect of commodity contracts designated as FVTPL. This included losses totalling US$7,883,840 realised on contracts that matured during the six months ended 30 June 2015, and mark to market gains totalling US$26,590,658. Of this amount, US$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 US$28,837,519 was recognised in exceptional revenue in line with the Group's accounting policy.

At 30 June 2016, the fair value of open commodity contracts designated as FVTPL was a net asset of US$25,974,000.

EnQuest PLC

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

11. Other financial assets and financial liabilities (continued)

(c) Foreign currency contracts

The Group has entered into foreign currency swaps, options and forward contracts to manage its exposure in 2016 to operating and capital expenditure in Sterling, Euros, Norwegian Kroner.

During the six months ended 30 June 2016, the Group also entered into a structure covering the first half of 2017: the counterparty can elect to sell £47.5m to EnQuest at an exchange rate of US$1.4:£1.0 or purchase 1,320,000 barrels of oil at US$58/bbl. Based on current oil prices and exchange rates, the counterparty would currently choose to exchange currency, therefore the option has been presented with other foreign currency contracts.

At 30 June 2016, foreign currency contracts which qualify for hedge accounting have a liability fair value of US$594,000 and those which do not qualify for hedge accounting have a net liability fair value of US$51,443,000.

The net loss on foreign currency contracts, recognised in cost of sales, was US$51,452,000, of which US$8,151,000 was realised and US$43,301,000 was unrealised.

(d) Interest rate swap

During the year ended 31 December 2015, the Group entered an interest rate swap which effectively swaps 50% of floating USD LIBOR rate interest on the Malaysia loan into a fixed rate of 1.035% until 2018. The swap, which is effective from a hedge accounting perspective, has a net liability fair value of US$64,000.

(e) Income statement impact

Gains/(losses) on derivative financial instruments are recognised in the income statement as follows:

	Revenue		***Cost of sales***		***Finance costs***	
Six months ended 30 June 2016	***Realised US$'000***	***Unrealised US$'000***	***Realised US$'000***	***Unrealised US$'000***	***Realised US$'000***	***Unrealised US$'000***
Put options	107,055	433	-	-	(20,087)	18,448
Call options	11,928	(14,566)	-	-	-	-
Commodity swaps	8,437	5,433	-	-	-	-
Commodity futures	666	(373)	-	-	-	-
Foreign currency swaps	-	-	(1,168)	(315)	-	-
Other foreign currency contracts	-	-	(6,983)	(42,986)	-	-
	128,086	**(9,073)**	**(8,151)**	**(43,301)**	**(20,087)**	**18,448**

	Revenue		***Cost of sales***		***Finance costs***	
Six months ended 30 June 2015	***Realised US$'000***	***Unrealised US$'000***	***Realised US$'000***	***Unrealised US$'000***	***Realised US$'000***	***Unrealised US$'000***
Put options	99,125	(588)	-	-	(34,030)	(14,445)
Call options	47,672	(24,951)	-	-	-	-
Commodity swaps	(127)	(3,886)	-	-	-	-
Foreign currency swaps	-	-	1,175	144	-	-
Other foreign currency contracts	-	-	(3,912)	14,597	-	-
	146,670	**(29,425)**	**(2,737)**	**14,741**	**(34,030)**	**(14,445)**

EnQuest PLC

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

(f) Other receivables and liabilities

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$210,000 is included within finance income for the six months 30 June 2016 (30 June 2015: US$319,000). Payments of US$5,176,000 have been received in the six months ended 30 June 2016.

Other liability

As part of the agreement to acquire the PM8 assets in Malaysia, the Group agreed to carry PETRONAS Carigali for its share of exploration or appraisal well commitments. The discounted value of US$8,067,000 has been disclosed as a financial liability (31 December 2015: US$7,470,000). Unwinding of discount of US$193,000 is included within finance expenses for the six months ended 30 June 2016 (30 June 2015: US$135,000).

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.

12. Bond

	30 June 2016 US$'000	*31 December 2015 US$'000*
Due within one year	**11,639**	12,319
Due after one year	**849,615**	870,281
	861,254	882,600

13. Non-current trade and other payables

During the period, the Group entered contracts with various suppliers to defer payment on a proportion of its spend on various projects. The non-current portion held within trade and other payables represents US$9,742,000 of trade payables and US$1,021,000 of accruals based on value of work done at 30 June 2016.

14. Provisions

	Decommission-ing provision US$'000	**Cost recovery provision US$'000**	**Carry provision US$'000**	**Contingent consideration US$'000**	**Surplus lease provision US$'000**	**Total US$'000**
At 1 January 2016	506,770	127,121	-	26,269	26,417	686,577
Additions during the year	29,049	-	-	-	-	29,049
Acquisitions	7,520	-	-	-	-	7,520
Changes in estimate	1,989	(4,241)	26,591	(3,495)	(22,604)	(1,760)
Unwinding of discount	6,217	1,398	-	244	5	7,864
Utilisation	(4,316)	-	-	-	(221)	(4,537)
Foreign exchange	-	-	-	-	(343)	(343)
At 30 June 2016	**547,229**	**124,278**	**26,591**	**23,018**	**3,254**	**724,370**

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.

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

14. Provisions (continued)

A provision has been made for the expected payments that the Group will make to KUFPEC. 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 US$90/bbl real, inflated at 2% per annum from 2012. These cash flows have been discounted at a rate of 2.25% (2015: 3.0%).

Carry provision

Consideration for the acquisition of 40% of the Kraken fields was through development carries. A portion of the carry was dependent upon a reserves determination which took place in Q2 2016. At 31 December 2015, due to low oil price, management's view was that no carry would be payable, however due to the recovery of the oil price in H1 2016, the determination was finalised with a payment due of US$26,591,000.

Contingent consideration

As part of the purchase agreement with the previous owner of the GKA assets, a contingent consideration was agreed based on Scolty/Crathes FDP approval and 'first oil'. EnQuest paid US$3,000,000 in November 2015 as FDP approval was achieved in October 2015. US$9,000,000 is due on the later of first oil or 30 January 2017 and US$8,000,000 due on the later of one year after first oil or 30 January 2018. In addition further payments will become due if the oil price rises above US$75 per barrel on a linear basis up to US$100 per barrel, up to a cap of US$20,000,000. The cash flows have been discounted using a 2.25% discount rate. An option model has been used to value the element of the consideration that is contingent on the oil price and has resulted in a credit to the income statement of US$95,000 for the six months ended 30 June 2016.

In addition, there is consideration due subject to future exploration success. The provision at 31 December 2015 relating to this was US$8,700,000 and this has been reassessed for the six months ended 30 June 2016 to US$5,300,000. The reduction of US$3,400,000, which has been released to the income statement, related to the results of the Eagle well drilled during the period, which indicate that no deferred consideration would be due on this prospect.

Surplus lease provision

In June 2015, the Group entered a 20 year lease in respect of the Group's office building in Aberdeen with part of the building subsequently being sub-let with a rent free incentive. A provision has been recognised for the unavoidable costs in relation to the sub-let space. The provision has been discounted using a 2.25% discount rate. At 31 December 2015, the provision was US$3,254,000.

In addition, the Group has an agreement to hire the Stena Spey drilling vessel in 2016. Based on the current drilling forecasts for the remainder of 2016 and deferment of drilling days into 2017, the provision recognised at 31 December 2015 has been reversed.

15. Capital commitments and contingencies

At 30 June 2016 the Group had capital commitments of US$92,849,000 (31 December 2015: US$161,116,000).

On 20 December 2013, the Group entered into a bareboat charter with Armada Kraken PTE Limited (Armada) for the lease of an FPSO vessel for the Kraken field. The lease will commence on the date of first production which is currently targeted to come onstream by 2017.

Contingencies

There is deferred consideration of US$3,000,000 dependent on FDP approval in relation to the 20% interest in Kildrummy acquired from ENI UK Limited during the year ended 31 December 2012, the costs of this well were impaired in 2014.

In the ordinary course of business there is a risk of disputes with partners, suppliers or customers relating to matters such as cost overruns, service provision or contractual terms. Should disputes emerge and become subject to formal legal proceedings the Group could face liabilities in the event of adverse determinations.

A counterparty has initiated a legal claim against the Group alleging breach of a contractual warranty. The Group considers the merits of the claim to be poor and the Group intends to vigorously defend itself. In the unlikely event that the claim is successful, the Group considers the most likely range for the quantum of any damages award to between nil and US$20,000,000 (and unlikely to have a significant effect on the Group's consolidated financial position or results). The Group anticipates that in the unlikely event of any trial running to a judgement against the Group, no payment of any damages award is likely to be required before 2018.

EnQuest PLC

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

16. Post balance sheet events

Acquisition of additional interest in West Don

On 2 August 2016, EnQuest finalised the transfer of an additional 15.15% interest in the West Don field from First Oil PLC, following its default in February 2016. This brings EnQuest's total working interest in the field to 78.6%. The additional interest was acquired for nominal consideration.

Bumi payments

On 10 August 2016, EnQuest agreed with Armada Kraken PTE LTD ('Bumi'), the company constructing the Kraken FPSO, that Bumi would pay the partners in the Kraken development an amount of US$65 million. This amount is payable in instalments, with US$38 million payable between February 2017 and February 2018, and the balance payable over a two year period commencing three months after first production. These payments are in addition to the US$20 million of liquidated damages due to the partners no later than 15 September 2016, in respect of which EnQuest has recognised a US$14.1 million receivable (representing its net share of the damages) at 30 June 2016.

Principal risks and uncertainties

The Group's risks and uncertainties are unchanged from those disclosed in the Group's Annual Report and Accounts 2015.

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 mature field environment and potential for significant unexpected shutdowns and unplanned expenditure to occur (particularly 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 in 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 (which was not delivered to schedule or budget) 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.
  - The Group's revolving credit facility and retail bond contain certain financial covenants (each containing covenants based on the ratio of net indebtedness to EBITDA and finance charges to EBITDA) and in the case of the revolving credit facility, a requirement for liquidity testing. Prolonged low oil prices, cost increases and production delays or outages could threaten the Group's liquidity and/or ability to comply with relevant covenants.

- **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. Industrial action across the sector could also impact on the operations of the Group.

- **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 2015.

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 2016 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

7 September 2016

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 2016 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 16. We have read the other information contained in the half-yearly 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-yearly 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 2016 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.

Emphasis of matter – Going Concern

In forming our conclusion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the Group's ability to continue as a going concern. The conditions referred to in note 2 to the financial statements indicate the existence of a material uncertainty, which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Ernst & Young LLP

London

7 September 2016