ENQUEST PLC, 14 August 2012
Results for the six months to 30 June 2012
Strong cash flow generation.
2012 production and major projects on track.

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

Highlights

- EnQuest performed well in H1 2012, delivering production of 20,253 Boepd and revenue of $440m
- 2012 production is on track for EnQuest's full year target of between 20,000 Boepd and 24,000 Boepd, with further drilling in the second half, including S10 and S11 coming on stream at Don Southwest
- Cash flow from operations continued to be strong, with $240m generated in H1 2012
- Cash capex of $504m was mainly invested in the six well drilling programme and the procurement and re-fit of the floating, production, storage and offloading ('FPSO') vessel for Alma/Galia
- Profit after tax increased by 87% to $129m, mainly due to a reduction in income tax expense compared with H1 2011
- The Alma/Galia development project is on track for first oil in Q4 2013 as planned. EnQuest entered into an agreement to farm out 35% of the development to KUFPEC
- Significant business development momentum in H1 2012; including agreements to acquire 60% of the proposed Kraken development, a further 20% of the Kildrummy discovery, the remaining 50% of the Cairngorm discovery and an additional 18.5% of the producing West Don field
- A new credit facility of up to $900m was finalised in Q1 2012

	H1 2012	H1 2011	Change %
Production (Boepd)	20,253	25,210	(19.7)
Revenue ($m)	440.1	511.4	(13.9)
Realised oil price $/bbl (reflecting hedging)	111.58	106.72	4.6
Gross profit ($m)	204.1	232.5	(12.2)
Profit before tax & net finance costs ($m)	192.6	215.2	(10.5)
Profit after tax ($m)	129.3	69.0	87.4
EBITDA* ($m)	287.2	327.0	(12.2)
Cash flow from operations ($m)	239.6	338.4	(29.2)
Cash flow from operations per share (cents)	29.8	42.3	(29.6)
Earnings per share (cents)	15.8	2.8	464.3
Net cash ($m)**	92.6	265.7	(65.1)

* EBITDA is calculated by taking profit from operations before tax and finance income/(costs),deducting gain on disposal of asset held for sale and adding back depletion, depreciation, impairment and write off of tangible and intangible oil and gas assets. ** Net cash represents cash and cash equivalents less borrowings as at the reported cash flow statement date of 30 June.

EnQuest CEO Amjad Bseisu said:

"In the first six months of the year, EnQuest made significant progress in business development, project execution and production. Strong productivity from Thistle has helped to ensure that our 2012 full year production estimate remains on target, despite adverse weather conditions in Q1 2012 and third party pipeline shutdowns in Q2 2012. Our Alma/Galia development is on track and we entered into an agreement to farm out 35% to KUFPEC. In addition, we are also working well with our partners to advance the Kraken development to Field Development Plan ('FDP') submission.

In the first half of 2012, we agreed six asset acquisition transactions and applied for a number of new blocks through the UK's 27th licensing round. We have grown our development capability significantly, with employee numbers now approaching four times the level of two years ago. We will continue to bring material new development projects to sanction, both from our existing portfolio of discoveries and new ones, where we aim to be the development partner of choice."

	Net daily average H1 2012	Net daily average H1 2011
	Boepd	Boepd
Thistle/Deveron	7,655	5,612
The Don Fields	8,895	14,065
Heather/Broom	3,703	5,533
Total	20,253	25,210

Production, development & reserves

Thistle/Deveron

- The Deveron P1 well was completed in Q1 2012 and started production in Q2 2012, the productivity of the well is at the upper end of the pre-drill estimated range
- Base wellstock also continued to exceed production expectations, due to enhanced water injection rates
- Ten day shutdown of Thistle, and of the Dons, due to the third party closure of the Cormorant pipeline

Don and Conrie fields

- In Don Southwest two wells were drilled; S10, a replacement for S1, was drilled close to the original well and comes on stream in H2 2012; S11, a new well, was brought on stream in July 2012, having been drilled to the highest point of the horst, updip of the successful S5 well. The S10 and S11 wells both met expectations
- As noted in EnQuest's interim management statement in May, the year on year decline rate at the Dons was as expected; due mainly to the decline in production from the S5 well, which was drilled and brought onstream in 2010

Heather/Broom

- Production at Heather/Broom continued to perform well, but was negatively impacted in late Q2 2012 by the unscheduled third party related closure of the Ninian pipeline system for twenty days, now back online. The Heather rig reactivation programme continued on schedule

Alma/Galia

- Drilling commenced in January 2012. Drilling operations have been completed on three wells to date with good results. Well K1 came in 56ft high to prognosis, well K2 came in 6ft high to prognosis and well K3Z was 18ft high to prognosis. The EnQuest Producer FPSO was procured and moved to Hamburg with modification and life extension works now well underway. The other key aspects of the project remain on track with all subsea material and installation contracts placed and with the first offshore construction campaign to be performed in Q3 2012

Kraken

- During the first half of 2012, EnQuest has been working through the concept selection phase of the Kraken development, with significant technical facilities and subsurface work underway. New 3D seismic survey material has been acquired, with initial interpretation nearing completion. The project remains on track for FDP submission in H1 2013. EnQuest welcomes Cairn as a new partner to the project

Other projects

- EnQuest is evaluating development options for the Crawford field and the Scolty/Crathes fields
- The results from the exploration well on Tryfan proved to be uncommercial

Financial

- Continued strong cash generation, with cash flow from operations of $240m, resulting in net cash at the end of the period of $93m
- Tax losses increased to approximately $580m, reflecting increased investment, including capex on the Alma/Galia FPSO, as well as leasing structures and also losses from the Canamens Energy purchase
- H1 2012 revenue of $440m was 14% lower than the equivalent for 2011, due to the impact of the decrease in production, partly offset by the increase in the realised average price per barrel of oil sold
- H1 2012 profit from operations before tax and net finance costs was $193m, compared to an equivalent of $215m in H1 2011
- Unit production and transportation cost per barrel was $31.6, as expected

Business development news

- In May 2012, EnQuest entered into an agreement to farm out a 35% interest in the Alma/Galia oil field development to KUFPEC
- Shareholder approval was obtained for EnQuest to acquire an additional 15% of the Kraken discovery, taking its total interest to 60%. Over 99.9% of shares voted supported the acquisition. Completion of the acquisition is subject to final regulatory and partner consents

EnQuest Board

- On 1 August 2012, Dr Phillip Nolan joined the Board of EnQuest as a new Non-Executive Director; EnQuest welcomes Phil to the Board, he brings a wealth of both technical and management expertise

Outlook

Summary

- Average net export production in 2012 remains on track to meet the full year target of an average of between 20,000 Boepd and 24,000 Boepd
- Following a farm out of 35% of Alma/Galia to KUFPEC, capex in 2012 is expected to be approximately $800m, with around $250m invested in the Alma/Galia development
- Tax losses at the end of 2012 are expected to be approximately $615m, reflecting capital investment, leasing structures and acquisitions, resulting in an anticipated effective tax rate for the year of 31.5%; this effective tax rate could be affected by a number of factors including the realised oil price for the remainder of the year. In addition the Group will have approximately $59m of unrecognised pre-trading expenditure on Kraken, which will be recognised upon authorisation of the Kraken FDP
- As previously outlined, total absolute production and transportation costs in 2012 are anticipated to be broadly similar to 2011
- Kildrummy appraisal drilling is due to commence in Q4 2012
- EnQuest continues to look at additional acquisition opportunities both in the UK and internationally
- EnQuest remains on target to deliver the compound annual production growth rate of approximately 20% p.a. previously indicated for the years from 2009 to 2014

By Asset

Thistle/Deveron
- The Area 6-P1 (ESP) production well is due to come on stream in Q4 2012 and will be followed by a planned workover of a water injection well. The new Thistle gas turbine generator will be commissioned and is expected to start providing power during Q4 2012

Dons/Conrie
- S10 is scheduled to come on stream at Don Southwest later in H2 2012
- On West Don, W2 will be sidetracked and a new water injection well W5 will be drilled, both in H2 2012

Heather
- Following the completion of the rig reactivation programme, rig operations are due to commence around the end of 2012

Alma/Galia
- In H2 2012, batch drilling has now commenced on the three wells targeting the Devonian reservoir, as planned. Galia FDP approval is anticipated soon. Alma/Galia remains on track for first oil in Q4 2013

Kraken
- EnQuest is working with its partners towards FDP submission in H1 2013

Ends

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

UK: +44 (0) 20 3140 8286
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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. It is a constituent of the FTSE 250 index. Its assets include the Thistle, Deveron, Heather, Broom, West Don, Don Southwest and Conrie producing fields and the Alma and Galia development. At the end of June 2012, EnQuest had interests in 29 production licences covering 36 blocks or part blocks in the UKCS, of which 22 licences are operated by EnQuest.

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

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, 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.

EnQuest PLC

Half year results, for the six months ended 30 June 2012

REVIEW OF OPERATIONS

Production and development

Thistle/Deveron

In 2012 two new wells are being drilled. The Deveron P1 was brought on stream in Q2 2012, using an electrical submersible pump ('ESP'). The well has produced at higher levels than anticipated. A workover of the A56/13 ESP was successfully completed and the well came back online in Q2 2012. The Area 6-P1 well is currently being prepared for a sidetrack, to be drilled in Q3 2012. During this activity the Thistle drill crew achieved a major safety milestone, 5 years of operation, free of lost time incidents ('LTI's').

The power generation project remains on plan; the new LM2500 gas turbine generator successfully arrived at Aberdeen harbour and preparation for the upcoming heavy lift is now well underway. The new 30 MW power generation facility is expected to start providing power around the turn of the year.

Following the success of drilling on Thistle in 2011 and now again in 2012, a series of concept design projects that will simplify the process, upgrade the control and safety systems and rectify structural and topsides integrity issues are currently being developed.

There were ten unscheduled days of production losses in June, due to the third party related closure of the Cormorant pipeline.

Don Southwest/West Don/Conrie

In 2012 four new wells are being drilled in the Don fields. In Q2 2012, at Don Southwest a new production well S10, which will replace S1, was drilled and is scheduled to come online around the end of Q3 or the beginning of Q4 2012. Another production well S11, targeting the horst area, was drilled at the end of H1 2012 and came online in July 2012.

Later in H2 2012, at West Don an updip sidetrack to well W2 will be drilled as a producer and a new W5 water injection well will be drilled at the end of the year, to support the successful W4 production well.

In H1 2012 EnQuest agreed and completed on the acquisition of a further 18.5% working interest in West Don, increasing the interest in West Don to 63.45%.

The Dons/Conrie also use the Cormorant pipeline and therefore experienced the same ten days of production losses in June as Thistle/Deveron. Otherwise, the year on year decline rate from the Dons was as expected.

Heather/Broom

Preparatory work continues in 2012 ahead of rig reactivation in Q4 2012, with drill crew familiarisation in January 2013 ahead of an initial programme of nine wells. In 2012, we commissioned new seismic across Heather and Broom and expect this will further enhance our infill drilling programme.

Twenty days production were lost in Q2 2012, due to the third party related closure of the Ninian pipeline system.

FINANCIAL REVIEW

EnQuest performed well in the first half of 2012, with EBITDA of $287.2m pre-exceptional items and fair value adjustments and generating cash flow from operations of $239.6m which results in a net cash position of $92.6m at 30 June 2012 (30 June 2011: $265.7m). The net cash decrease of $173.1m is due to the significant capital expenditure programme being undertaken by the Group.

In March 2012, the Group established a new $900m Multi-Currency Revolving Credit Facility Agreement with seven banks. This facility replaces the previous $280m facility which expired in Q1 2012. EnQuest is pleased with the support it received from the lending institutions which provided the new facility.

As a result of capital investment and the Canamens Energy acquisition made during H1 2012, tax losses increased to approximately $580m. The expected effective tax rate for the year is around 31.5%. No material cash outflow for UK income tax is expected before 2014.

Production, Revenue and Gross Profit

Revenue decreased by $71.3m to $440.1m in the six months ended 30 June 2012 compared with the same period in the prior year and production averaged 20,253 boepd in the first half of 2012 compared with 25,210 boepd in the first half of 2011. The production decrease primarily arises from expected natural production declines and unscheduled closures of the Ninian and Cormorant pipelines affecting production on all fields during the first half of 2012, partially offset by good productivity from the Deveron P1 well and enhanced water injection rates on the Thistle field.

The Group's blended average realised price per barrel of oil sold was $111.58 in H1 2012, compared with $106.72 per barrel in H1 2011. The increase is mainly due to no hedging costs being incurred in H1 2012 compared to costs of $23.3m in H1 2011, as well as an improvement in the sales premium received.

Cost of sales for the Group are summarised below:

	H1 2012 $'m	H1 2011 $'m
Cost of sales	236.0	279.0
	$	$
Unit operating cost, adjusted for underlift and inventory movements (per boe):		
Production and transportation costs	31.62	29.12
Depletion of oil & gas properties	24.24	23.11
	55.86	52.23

The Group's production and transportation cost of $31.62 per barrel is in line with expectations and has increased by $2.5 per barrel compared with H1 2011 mainly as a result of the reduced production volumes.

Results for the Period

Exploration and evaluation expenses of $9.4m for H1 2012 relate to expenses incurred on the Group's 27th licensing round applications and the impairment of the Apache operated Tryfan exploration well which proved to be uncommercial.

General and administrative expenditure (G&A) for the six months to 30 June 2012 was $7.9m compared with $8.0m in the same period last year. The expenses primarily relate to the Group's general management and business development expenses.

Net other income of $5.8m for H1 2012 (2011; net other expenses $3.9m) resulted from the recharge of G&A expenditure to operations and joint venture partners, offset by exchange losses on the revaluation of non-USD working capital balances due to exchange rate movements in the period.

Finance costs of $9.4m (2011; $6.7m) include non-cash expenses of $5.1m (2011; $3.8m) for the unwinding of discount on the decommissioning provision and $4.2m of costs associated with the Group's revolving credit facility and letter of credit utilisation during the six months to 30 June 2012 (2011; $1.0m).

Finance income of $5.4m (2011; $0.6m) includes a non-cash un-realised accounting mark to market valuation gain of $4.8m (2011; nil) on the Group's outstanding oil price collars, which are deemed ineffective for hedge accounting purposes.

The income tax charge of $59.5m for the first half of the year (2011; $140.1m) reflects the expected full year effective tax rate of 31.5% compared with 67% for the six months ended 30 June 2011. The reduction in the effective tax rate is due to the expected benefit from leasing structures, ring fence expenditure supplement and prior year tax credits.

Depletion of fair value uplift

Additional depletion costs of $4.1m ($3.22 per barrel) during the period have resulted from the fair value uplift of oil and gas assets on acquisition (2011: $9.2m; $3.79 per barrel).

Cash Flow, Capital Investment and Liquidity

Cash flow from operating activities amounted to $239.6m (2011: $338.4m), the reduction of $98.8m reflects the decreased production volumes partially offset by higher average realised sales prices.

Investment in property, plant and equipment in the period was $448.6m (2011:$103.7m). This relates principally to the six well drilling programme, the procurement and re-fit of the FPSO for Alma/Galia, Thistle platform integrity and power project activity and the Heather platform rig reactivation programme.

Expenditure on intangible oil and gas assets in the period of $55.8m (2011: $4.2m) primarily relates to costs to acquire and develop the Kraken oil discovery and costs incurred on the Tryfan exploration well which proved to be uncommercial.

At 30 June 2012 the Group had $92.6m of net cash (30 June 2011: $265.7m) after deducting borrowings of $24.5m (30 June 2011: nil) and total available bank facilities of $900.0m, of which $148.2m was utilised for Letters of Credit and borrowings (30 June 2011: $123.7m). Included within the cash balance at 30 June 2012 is restricted cash of $38.3m.

Balance Sheet Review

The Group's total asset value has increased by $357.7m since 31 December 2011 to $2,306.4m as at 30 June 2012.

Property, plant and equipment increased to $1,724.7m as at 30 June 2012 from $1,273.6m at 31 December 2011. The increase of $451.1m is mainly due to oil and gas asset additions of $549.6m, including the procurement and re-fit of the FPSO vessel for Alma/Galia, Thistle platform integrity and power project activity, Heather platform rig reactivation programme and the acquisition of 18.5% additional equity in the West Don field. Additional decommissioning assets of $45.5m arising on drilling new development wells were also added in H1 2012, although this was offset by depletion charges of $93.4m and the transfer of $50.5m of costs relating to Crawford/Porter to intangible assets as a result of a decision to review development options.

Intangible oil and gas assets have increased to $123.4m as at 30 June 2012 from $24.3m at 31 December 2011. The increase of $99.1m is mainly due to the transfer of Crawford/Porter costs of $50.5m from property, plant and equipment and the acquisition of the 20% interest in the Kraken oil discovery for $36.1m from Canamens Limited. The Group also entered into agreements to acquire a further 40% interest in the Kraken discovery during H1 2012 by way of development carry arrangements with Nautical Petroleum Ltd (25% interest) and First Oil plc (15% interest; see note 12); the cost of which will be added to the asset carrying value as incurred.

The Group's net cash position of $92.6m as at 30 June 2012 has decreased by $286.3m since 31 December 2011 due to the significant capital expenditure programme being undertaken by the Group.

The Group's deferred tax liability (net of deferred tax asset) has increased by $41.3m since 31 December 2011 to $618.7m as at 30 June 2012. The increase is due to accelerated capital allowances arising on the Group's capital investment programme offset by an increase in tax losses. Tax losses carried forward at the half year amounted to approximately $580m plus approximately $50m of un-recognised pre-trading expenditure which will become deductible and recognised for tax purposes upon approval of the Kraken FDP.

Trade and other payables have increased by $103.1m compared with 31 December 2011, to $337.4m at 30 June 2012 due to an increase in accruals and other payables resulting from the Group's drilling activity and capital investment programmes and an increase in the over-lifted production resulting from the phasing of sales nomination volumes compared with saleable production volumes.

Financial Risk Management

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 the US dollar. At 30 June 2012 the Group had four outstanding forward currency contracts to hedge a total of £10m (at an average rate of $1.55 to £1) and €57m (at an average rate of €1.34 to £1) of forecast 2012 capital project spend.

The Group is exposed to the impact of changes in Brent crude oil prices on its revenue and profits. At 30 June 2012, the Group had four outstanding put and call options entered into to hedge exposure to fluctuations in the Brent oil price on approximately 2m barrels of oil production in 2012. These contracts consist of put spreads at $95 and $70 per barrel and calls at an average of $123 per barrel.

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HALF YEAR GROUP STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2012

	2012			2011		
	Business performance	Depletion of fair value uplift (note 4)	Reported in period	Business performance	Exceptional items and depletion of fair value uplift (note 4)	Reported in period
	US$'000 Unaudited	**US$'000 Unaudited**	**US$'000 Unaudited**	**US$'000 Unaudited**	**US$'000 Unaudited**	**US$'000 Unaudited**
Revenue	440,086	-	440,086	511,425	-	511,425
Cost of sales	(235,992)	(4,091)	(240,083)	(278,966)	(9,233)	(288,199)
Gross profit/(loss)	204,094	(4,091)	200,003	232,459	(9,233)	223,226
Exploration and evaluation expenses	(9,395)	-	(9,395)	(5,325)	-	(5,325)
Gain on disposal of asset held for sale	-	-	-	-	8,644	8,644
Impairment on investments	-	-	-	-	(10,629)	(10,629)
Well abandonment	-	-	-	-	8,194	8,194
General and administration expenses	(7,905)	-	(7,905)	(7,982)	-	(7,982)
Other income	16,292	-	16,292	4,349	-	4,349
Other expenses	(10,455)	-	(10,455)	(8,266)	-	(8,266)
Profit/(loss) from operations before tax and finance income/(costs)	192,631	(4,091)	188,540	215,235	(3,024)	212,211
Finance costs	(9,362)	-	(9,362)	(6,700)	-	(6,700)
Finance income	5,439	-	5,439	617	-	617
Profit/(loss) before tax	188,708	(4,091)	184,617	209,152	(3,024)	206,128
Income tax	(59,450)	1,289	(58,161)	(140,132)	(43,308)	(183,440)
Profit/(loss) for the period attributable to owners of the parent	129,258	(2,802)	126,456	69,020	(46,332)	22,688
Other comprehensive income for the period after tax:						
Cash flow hedges (net of tax) (note 10):			1,453			(9,080)
Total comprehensive income for the period, attributable to owners of the parent			127,909			13,608
Earnings per share (note 5)			**US$**			**US$**
Basic & diluted			0.158			0.028

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GROUP BALANCE SHEET
As at 30 June 2012

	Notes	**30 June 2012 US$'000 Unaudited**	31 December 2011 US$'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,724,723	1,273,558
Goodwill		107,760	107,760
Intangible oil and gas assets	8	123,402	24,347
Asset held for sale		1,254	1,254
Investments		6,734	6,734
Deferred tax asset		19,583	12,617
		1,983,456	1,426,270
Current assets			
Inventories		13,870	11,842
Trade and other receivables		185,007	126,554
Income tax receivable		-	2,618
Cash and cash equivalents		117,041	378,907
Other financial assets	10	7,020	2,510
		322,938	522,431
TOTAL ASSETS		2,306,394	1,948,701
EQUITY AND LIABILITIES			
Equity			
Share capital	9	113,433	113,433
Merger reserve		662,855	662,855
Cash flow hedge reserve	10	(1,147)	(2,600)
Share-based payment reserve		(2,495)	(5,961)
Retained earnings		292,937	166,481
TOTAL EQUITY		1,065,583	934,208
Non-current liabilities			
Borrowings		24,490	-
Obligations under finance leases		106	-
Provisions		229,743	181,237
Other financial liabilities		-	335
Deferred tax liabilities		638,261	590,010
		892,600	771,582
Current liabilities			
Trade and other payables		337,393	234,337
Obligations under finance leases		34	-
Other financial liabilities	10	3,128	6,870
Income tax payable		7,656	1,704
		348,211	242,911
TOTAL LIABILITIES		1,240,811	1,014,493
TOTAL EQUITY AND LIABILITIES		2,306,394	1,948,701

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GROUP STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2012

	Share capital US$'000 Unaudited	Merger reserve US$'000 Unaudited	Cash flow hedge reserve US$'000 Unaudited	Share-based payments reserve US$'000 Unaudited	Available for sale reserve US$'000 Unaudited	Retained earnings US$'000 Unaudited	Total US$'000 Unaudited
Balance at 1 January 2012	113,433	662,855	(2,600)	(5,961)	-	166,481	934,208
Profit for the period	-	-	-	-	-	126,456	126,456
Other comprehensive income	-	-	1,453	-	-	-	1,453
Total comprehensive income for the period	-		1,453	-	-	126,456	127,909
Share-based payment charge	-	-	-	3,466	-	-	3,466
Balance at 30 June 2012	**113,433**	**662,855**	**(1,147)**	**(2,495)**	**-**	**292,937**	**1,065,583**
Balance at 1 January 2011	113,174	662,855	-	2,540	-	104,327	882,896
Profit for the period	-	-	-	-	-	22,688	22,688
Other comprehensive income	-	-	(9,080)	-	-	-	(9,080)
Marked to market value of investment	-	-	-	-	(10,629)	-	(10,629)
Reclassification of impairment of investments	-	-	-	-	10,629	-	10,629
Total comprehensive income for the period	-	-	(9,080)	-	-	22,688	13,608
Bonus liability settled in shares granted during the period	-	-	-	-	-	1,163	1,163
Allotment of shares to Employee Benefit Trust	259	-	-	(259)	-	-	-
Share-based payment charge	-	-	-	2,403	-	-	2,403
Balance at 30 June 2011	**113,433**	**662,855**	**(9,080)**	**4,684**	**-**	**128,178**	**900,070**

EnQuest PLC

GROUP CASH FLOW STATEMENT
For the six months ended 30 June 2012

	2012 US$'000 Unaudited	2011 US$'000 Unaudited
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	184,617	206,128
Depreciation	746	921
Depletion	93,426	114,708
Exploration costs impaired and written off	4,504	5,325
Well abandonment	-	(8,194)
Gain on disposal of asset held for sale	-	(8,644)
Impairment on available for sale investments	-	10,629
Share-based payment charge	3,466	2,403
Unwinding of discount on decommissioning provisions	5,093	3,796
Unrealised exchange losses	1,651	3,422
Net finance costs	(1,170)	2,287
Operating profit before working capital changes	292,333	332,781
Increase in trade and other receivables	(51,968)	(4,541)
Increase in inventories	(2,028)	(4,103)
Increase in trade and other payables	1,265	14,299
Cash generated from operations	239,602	338,436
Decommissioning spend	(1,987)	-
Income taxes paid	(676)	(2,681)
Purchase of tax losses	(10,000)	-
Net cash flows from operating activities	226,939	335,755
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(448,610)	(103,742)
Purchase of intangible oil and gas assets	(55,842)	(4,217)
Acquisition of available for sale investments	-	(808)
Interest received	677	403
Net cash flows used in investing activities	(503,775)	(108,364)
FINANCING ACTIVITIES		
Proceeds from bank facilities	24,980	-
Repayments of obligations under finance leases	(89)	-
Interest paid	-	(1)
Other finance costs paid	(11,880)	(1,541)
Net cash flows used in financing activities	13,011	(1,542)
NET(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(263,825)	225,849
Net foreign exchange on cash and cash equivalents	1,959	(1,572)
Cash and cash equivalents at 1 January	378,907	41,395
CASH AND CASH EQUIVALENTS AT 30 JUNE	117,041	265,672

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.

The Group's half year condensed financial reporting for the six months ended 30 June 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 13 August 2012.

2. Basis of preparation and accounting policies

The annual financial statements of EnQuest plc are prepared in accordance with IFRSs as adopted by the European Union. The Group condensed financial statements for the six months ended 30 June 2012 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 2011.

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 2011, 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.

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities considered for changes in crude oil prices, production rates and development project timing and costs. The Group's forecasts, taking into account reasonably possible changes as described above, show that the Group will be able to operate within its current debt facilities and have significant financial headroom for the 12 months from the date of approval of the 2012 half-yearly results.

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from this date of this report. Accordingly they continue to adopt the going concern basis in preparing the condensed financial statements included in this half-yearly financial report.

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 2011. The only standard adopted at 1 January 2012 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.

3. Segmental information

Management have considered the requirements of IFRS 8, with regard to the determination of operating segments, and concluded that as the Group has only one operating segment being the exploration for, and the extraction and production of hydrocarbons in the United Kingdom Continental Shelf, no segmental information disclosures are provided in these half year condensed financial statements.

NOTES TO THE GROUP HALF YEAR CONDENSED FINANCIAL STATEMENTS

4. Exceptional items and depletion of fair value uplift

Additional depletion arising from the fair value uplift of oil and gas assets on acquisition of US$4,091,000 before tax is included within 'cost of sales' for the six months ended 30 June 2012 (2011: US$9,233,000).

Exceptional items disclosed separately in the six months ended 30 June 2011 are:

(i) a gain of US$8,644,000 arising on the disposal of the Slovenian Petisovci asset, obtained on the acquisition of Stratic, to Ascent Resources plc.

(ii) impairment expenses of US$10,629,000 arising on revaluation of available for sale assets.

(iii) A well abandonment credit of US$8,194,000 which was recognised following a further review of options to recover these funds from the previous Thistle field owners.

Income tax on exceptional items and depletion of fair value uplift of US$43,308,000 for the six months ended 30 June 2011 includes US$42,390,000 of exceptional tax relating to the one-off deferred tax adjustment in respect of the increase in the UK supplementary corporation tax rate on oil and gas activities in the North Sea.

Income tax has been applied on these items at the Group's effective tax rate where appropriate.

5. 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	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
	US$'000	**US$'000**	**Million**	**Million**	**US$**	**US$**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**	**Unaudited**	**Unaudited**
Basic	126,456	22,688	802.7	800.8	0.158	0.028
Dilutive potential of Ordinary shares granted under share-based incentive schemes	-	-	-	0.8	-	-
Adjusted	126,456	22,688	802.7	801.6	0.158	0.028

6. Dividends

No dividend was paid or proposed in the six months ended 30 June 2012 (2011: nil).

7. Property, plant and equipment

Oil and gas assets

During the six months ended 30 June 2012, the Group incurred expenditure of US$549,604,000 on oil and gas assets (2011: US$116,958,000), this included US$26,955,000 for 18.5% additional equity in West Don and US$150,814,000 for the procurement and refit of the FPSO vessel for Alma/Galia. The balance represents general capex additions. Changes in decommissioning provisions of US$45,477,000 (2011: US$31,503,000) were also added and US$50,507,000 of prior year pre-development costs in relation to Crawford and Porter were transferred to intangible assets as a result of a decision to review development options. The depletion charge for the period was US$93,426,000 (2011: US$114,708,000).

There were no disposals of property, plant & equipment in the six months ended 30 June 2012 (2011: nil).

8. Intangible oil and gas assets

During the period ended 30 June 2012, the Group incurred expenditure of US$55,336,000 (2011: US$9,940,000) on exploration and evaluation assets. This included US$36,103,000 to acquire a 20% interest in the Kraken oil discovery. As described above US$50,507,000 of costs were transferred from property, plant and equipment oil and gas assets.

During the six months ended 30 June 2012, charges of US$7,095,000, principally in relation to write-off of expenses incurred on the Group's 27th licensing round applications and impairment of the Tryfan exploration well which proved to be uncommercial, were included within exploration and evaluation expenses.

9. Share capital

The share capital of the Company as at 30 June 2012 was US$113,433,000 (31 December 2011: US$113,433,000) comprising 802,660,757 ordinary shares of £0.05 each (31 December 2011: 802,660,757 ordinary shares of £0.05 each) and share premium of US$52,184,000 (31 December 2011: US$52,184,000).

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

At 30 June 2012, the Group held four put and call options in order to hedge the changes in future cash flows from the sale of Brent oil production for approximately 2,000,000 barrels of oil in the second half of 2012. These instruments were deemed to be ineffective and are therefore designated as at fair value through profit and loss (FVTPL). The derivative instruments had a net asset fair value of US$7,020,000 (31 December 2011: US$2,147,000) and unrealised gains of US$4,761,000 were taken into profit or loss during the period and are included within finance costs (30 June 2011: unrealised loss of $9,080,000 net of $14,815,000 deferred tax included in other comprehensive income).

At 30 June 2012, the Group held four foreign currency contracts to partially hedge the Group's exposure to fluctuations in foreign currencies, namely Sterling and Euro. These contracts qualify for hedge accounting and the total fair value of these derivatives was a net liability of US$3,128,000 (30 June 2011: nil; 31 December 2011: US$6,842,000). An unrealised loss of US$1,453,000 (2011: nil) relating to the hedging instruments is included in other comprehensive income net of deferred tax of US$2,372,000 (2011; nil). There was no impact in profit or loss during the period in respect of these contracts (2011: nil).

11. Capital commitments and deferred consideration

At 30 June 2012 the Group had capital commitments of US$192,928,000 (31 December 2011: US$310,408,000).

At 30 June 2012, potential future commitments included US$45,000,000 contingent consideration due to Canamens Limited on acquisition of two of its companies, US$5,000,000 in respect of the Group's interest in Block 9/2b in the UK North Sea (Kraken) and a further potential commitment of £7,000,000 is due in respect of back-in payments associated with the Sole Risk drilling undertaken by the Operator on the Kraken 9/2b-04 appraisal and 9/2b-04z exploration sidetrack. All will become payable upon approval of the Kraken Field Development Plan by the Department of Energy and Climate Change.

12. Post balance sheet events

Subsequent to 30 June 2012, Shareholder approval was obtained for EnQuest to acquire an additional 15% of the Kraken discovery from First Oil, taking its total interest to 60%. Completion of the acquisition is subject to final regulatory and partner consents. In addition, the Alma/Galia farm out agreement with KUFPEC, which was entered into in May 2012, still has to complete legally.

Principal risks and uncertainties

The Group's risks and uncertainties are unchanged from those disclosed in the Group's Annual Report and Accounts 2011.

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 operational safety, 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 uncertain subsurface, operating in a difficult environment with mature equipment and potential for significant unexpected shutdowns and unplanned expenditure to occur.
  - Lower than expected reservoir performance may have a material impact on the Group's results.
  - The Group's delivery infrastructure on the UKCS is dependent on the Sullom Voe Terminal.

- **Project execution:** The Group's success will be dependent upon bringing new developments 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 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 appraisal and development work programmes.

- **Human Resources:** The Group's success is dependent upon its ability to attract and retain key personnel.

- **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:** Changes in the regulatory or fiscal environment affecting the Group's ability to deliver its strategy.

- **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 and the procurement of oil and gas services and access to human resources.

We urge you to consider carefully the risks above, full details of which are contained in the Group's Annual report and Accounts 2011.

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 2012 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 Officer

13 August 2012

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-year financial report for the six months ended 30 June 2012 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 12. We have read the other information contained in the half year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors’ Responsibilities

The half-year financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-year financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Services 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-year 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-year financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on review Engagements (UK and Ireland) 2410, “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 2012 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 Services Authority.

Ernst & Young LLP

London

13 August 2012